

CARIBBEAN DEVELOPMENT BANK

TWO-HUNDRED AND SIXTY-SECOND MEETING OF THE BOARD OF DIRECTORS

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COUNTRY STRATEGY PAPER, 2014-18
THE REPUBLIC OF SURINAME

1. The attached Country Strategy Paper proposes a Caribbean Development Bank (CDB) assistance strategy for Suriname over the period 2014-18. The Strategy is the first Bank strategy for Suriname and comes within one year of the country becoming a Borrowing Member.
2. Suriname has made significant development strides in a relatively short time frame. The country has surmounted a difficult period of macroeconomic instability during the 1990s, anchoring growth on a platform of deep structural reforms. A mineral-rich country, Suriname has benefited significantly from high commodity prices over the last decade and growth has averaged around 5 per cent. The country is also on track to meet some of the Millennium Development Goals (MDGs) at the national level with respect to: *Gender Equality and the Empowerment of Women* (MDG 3); *Reduce Child Mortality* (MDG 4); *Improve Maternal Health* (MDG 5); and *Combat HIV/AIDS* (MDG 6). Notwithstanding this relatively favourable social and economic picture, development gaps exist. The country's settlement patterns, as well as its strong reliance on limited sectors for growth pose, challenges to inclusive and sustainable development.
3. The proposed Strategy is mapped onto the planning pillars as identified in the country's National Development Plan. This provides an excellent development framework within which to anchor strategic support and sustained policy dialogue for meaningful engagement between CDB and the Government of Suriname (GOS). As such, the thematic outcomes of the Country Strategy are promoting: (i) economic sustainability; (ii) social sustainability; (iii) environmental sustainability; and (iv) good governance in Suriname. In order to pursue enhanced gender-based reporting in the Strategy, CDB and GOS commit to including gender analysis and sex-disaggregated data in planning, implementation and monitoring and evaluation at the project and sector levels.
4. The preferred indicative envelope is two hundred and sixty-six point eight million United States dollars (USD266.8 mn) including USD10 mn under the Special Development Fund 8 allocation for Suriname and a grant component of USD3.3 mn. The Bank recognises that the success of the programme will depend on building a strong partnership with the country which is characterised by openness, dependability and trust. The approach to the strategic engagement will be based on close collaboration between Bank staff and their counterparts within GOS, while relationships between CDB and Suriname are strengthened. The Bank will also have to invest considerable time in improving its understanding of country systems, as well as supporting and supplementing existing technical capacity in country throughout the project cycle.

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CARIBBEAN DEVELOPMENT BANK

STAFF REPORT

**COUNTRY STRATEGY PAPER, 2014-18
THE REPUBLIC OF SURINAME**

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JULY 2014

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CURRENCY EQUIVALENT

(Dollars (\$) throughout refer to Surinamese dollars (SRD) unless otherwise stated)

SRD 1 = USD 0.30

ABBREVIATIONS

%	-	per cent
AFD	-	Agence Française de Développement
BMCs	-	Borrowing Member Countries
CARICOM	-	Caribbean Community
CDB	-	Caribbean Development Bank
CNWG	-	Community Neighbourhood Watch Groups
CPA	-	Country Poverty Assessment
CSP	-	Country Strategy Paper
CTCS	-	Caribbean Technology Consultancy Services
CU	-	Competitive Unit
D&I	-	Drainage and Irrigation
DRM	-	Disaster Risk Management
DRR	-	Disaster Risk Reduction
EBS	-	Energiebedrijven Suriname
ECD	-	Early Childhood Development
EIA	-	Environmental Impact Analysis
EU	-	European Union
GDP	-	Gross Domestic Product
GII	-	Gender Inequality Index
GOS	-	Government of Suriname
ha	-	hectares
HDI	-	Human Development Index
HDR	-	Human Development Report
ICTs	-	Information and Communication Technologies
IDB	-	Inter-American Development Bank
IMF	-	International Monetary Fund
IsDB	-	Islamic Development Bank
km	-	kilometers
km ²	-	square kilometers
LOC	-	Line of Credit
M&E	-	Monitoring and Evaluation
MDGs	-	Millennium Development Goals
MfDR	-	Managing for Development Results
MoF	-	Ministry of Finance
MPI	-	Multi-dimensional Poverty Index
MSMEs	-	Micro, Small and Medium Enterprises
MW	-	megawatts
NDP	-	National Development Plan
NH	-	Ministry of Natural Resources
NRW	-	Non-Revenue Water
PSD	-	Private Sector Development
RMF	-	Results Management Framework

SBF	-	Suriname Business Forum
SDF	-	Special Development Fund
SMEs	-	Small and Medium-sized Enterprises
SWF	-	Sovereign Wealth Fund
SWM	-	Suriname Water Company
TA	-	Technical Assistance
TVET	-	Technical and Vocational Education and Training
UAE	-	United Arab Emirates
UNDAF	-	United Nations Development Assistance Framework
UNDP	-	United Nations Development Programme
USA	-	United States of America
WB	-	World Bank

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COUNTRY DATA: SURINAME

	2009	2010	2011	2012	2013 E
PER CAPITA GDP (current market prices; \$)	20,302	22,584	26,406	30,539	31,558
GROSS DOMESTIC PRODUCT (GDP)					
GDP at Current Market Prices (\$mn)	10,638.0	11,992.0	14,259.0	16,540.0	17,262.0
Demand Components:					
Consumption Expenditure	5,264.0	5,955.0	6,196.0	7,922.6	9,667.8
Gross Domestic investment	5,339.0	4,342.0	6,657.6	7,685.2	8,064.1
Exports of Goods and Non-Factor Services	4,694.0	6,302.0	8,802.8	9,471.3	8,490.2
Imports of Goods and Non-factor Services	4,659.0	4,607.0	7,397.3	8,539.1	8,960.2
Gross Domestic Savings Ratio (%)	50.5	50.3	56.5	52.1	44.0
Sectoral distribution of current GDP (%)					
Agriculture	10.7	10.2	9.8	9.1	10.2
Mining & Quarrying	7.8	7.8	7.5	7.2	6.4
Manufacturing	22.1	22.6	23.2	23.2	20.2
Utilities	2.1	2.3	2.2	2.2	2.3
Construction	5.4	5.2	4.8	6.1	6.8
Transport & Communication	6.4	6.4	6.5	7.5	7.8
Hotels & Restaurants	2.8	2.8	3.2	2.9	3.0
Wholesale & Retail Trade	21.4	20.9	20.7	20.4	21.6
Financial & Business Services	3.2	3.4	3.5	3.3	3.3
Government Services	11.8	11.7	11.5	10.7	10.7
Other Services	1.3	1.3	1.5	1.4	1.5
Less Imputed Service Charge	5.0	5.4	5.7	6.1	6.3
GDP at Current Factor Cost (\$mn)	9,769.0	11,137.0	12,940.0	15,114.0	15,807.0
GDP at constant 2007 Prices (\$mn)	8,648.0	9,013.0	9,490.0	9,858.0	10,296.0
Annual rate of growth in GDP (%)	3.0	4.2	5.3	3.9	4.4
MONEY AND PRICES (\$ mn)					
Consumer prices (av. annual % change)	0.0	6.9	17.7	5.0	1.9
Money supply (M1; annual % change)	10.0	12.2	18.1	21.4	3.7
Total domestic credit(net)	2,825.4	3,250.4	3,606.2	4,272.8	5,415.8
Private sector (net)	2,709.7	3,059.0	3,669.4	4,282.2	4,890.3
Public sector (net)	115.7	191.4	(63.2)	(9.4)	525.5
CENTRAL GOVERNMENT FINANCES (\$ mn)					
Current Revenues	2,590.6	2,457.0	3,422.1	4,024.5	3,960.3
Current Grants	354.1	149.1	115.4	0.0	0.0
Current Expenditures	2,253.1	2,402.7	2,854.2	3,681.2	3,972.5
Current Account Surplus/ (Deficit)	337.5	54.3	567.9	343.3	(12.2)
Capital Revenue and Grants	0.0	0.0	0.0	0.0	0.0
Capital Expenditure and Net Lending	606.4	552.7	696.9	729.4	756.0
Overall Surplus/ (Deficit)	(268.9)	(498.4)	(129.0)	(386.1)	(768.2)
BALANCE OF PAYMENTS (USD mn)					
Merchandise Exports (f.o.b)	1,401.8	2,084.1	2,466.7	2,694.8	2,394.3
Merchandise Imports (c.i.f)	1,390.7	1,397.9	1,679.1	1,993.5	2,173.7
Trade balance	11.1	686.2	787.6	701.3	220.6
Net Balance on services account	1.4	(17.7)	(361.7)	(418.7)	(363.0)
Income (net)	4.8	(104.3)	(262.1)	(191.4)	(122.1)
Transfers (net)	94.0	86.5	87.3	72.8	66.6
Current Account Balance	111.3	650.7	251.1	164.0	(197.9)
TOTAL PUBLIC DEBT (USD mn)					
Total public debt	1,054.3	1,183.6	1,165.2	1,347.1	1,816.6
Domestic debt outstanding	408.6	535.4	464.3	536.3	833.6
Long term	...	...	...	...	...
Short term	...	...	...	...	...
External debt outstanding	645.7	648.2	700.9	810.8	983.0
Debt Service	149.2	65.4	81.7	104.7	136.6
Amortisation	101.6	28.4	39.3	62.1	93.5
Interest Payments	47.6	37.0	42.4	42.6	43.0
External debt service as % of exports of goods and services	8.9	2.8	2.5	3.0	4.3
Total debt service as % of current revenue	16.1	7.5	6.7	7.3	9.7
AVERAGE EXCHANGE RATE					
Dollar(s) per US dollar	2.8	2.8	3.3	3.3	3.3

Data for 2013 are provisional.

COUNTRY DATA: SURINAME

	2009	2010	2011	2012	2013
POPULATION					
Mid-Year Population ('000)	524.0	531.0	540.0	541.6	547.0
Population Growth Rate (%)	1.0	1.3	1.7	0.3	1.0
Crude Birth Rate	...	...	...	...	...
Crude Death Rate	...	...	...	...	...
Infant Mortality Rate	...	...	...	...	...
EDUCATION					
Net School Enrollment Rate (%)					
Primary	86.7	87.4	89.4	92.4	...
Secondary	61.0	61.0	62.0	62.6	...
Pupil-Teacher Ratio					
Primary					
Secondary					
LABOUR FORCE					
Unemployment Rate (%)	...	...	11.5	12.0	...
Male	...	...	...	...	...
Female	...	...	...	...	...
Participation Rate (%)	...	...	...	...	...
Male	...	...	...	...	...
Female	...	...	...	...	...

	1970	1980	1990	2000	2010
INDICATORS OF HUMAN DEVELOPMENT					
HEALTH					
Life Expectancy at Birth (years)	62.8	67.1	70.4	69.6	70.8
Male	...	65.0	68.0	...	66.0
Female	...	70.4	72.0	...	74.0
Dependency Ratio	1.3	1.0	0.8	...	...
Male	1.4	1.0	0.8	...	...
Female	1.2	0.9	0.8	...	...
Human Development Index	...	...	...	0.755	0.761
HOUSING AND ENVIRONMENT					
Households with piped water (%)	25.9	37.8	53.8	...	...
Households with access to flush toilets (%)	13.7	24.0	33.2	...	...
Households with electricity (%)	...	37.3	66.8	...	...

Source(s): Central Bank of Suriname, International Monetary Fund (IMF)

... not available

Data as at April, 2014

EXECUTIVE SUMMARY

Suriname has made significant development strides in a relatively short time frame. The country has surmounted a difficult period of macroeconomic instability during the 1990s, anchoring growth on a platform of deep structural reforms. A mineral-rich country, Suriname has benefited significantly from high commodity prices over the last decade and growth has averaged around 5 per cent (%). On the fiscal side, the authorities have managed public finances relatively well and the country enjoys one of the lowest debt levels in the Caribbean region – under 40% of Gross Domestic Product (GDP). Suriname is also on track to meet some of the Millennium Development Goals (MDGs) at the national level with respect to: *Gender Equality and the Empowerment of Women* (MDG 3); *Reduce Child Mortality* (MDG 4); *Improve Maternal Health* (MDG 5); and *Combat HIV/AIDS* (MDG 6). Notwithstanding this relatively favourable social and economic picture, development gaps exist. While there are no officially accepted national poverty indicators for the country, based on the 2013 United Nations Human Development Report (HDR) the country has a Human Development Index (HDI) of 0.684 and is ranked 105th out of 187 countries. The HDR also indicates a national Multi-dimensional Poverty Index (MPI) of 8.2% and an MPI of 57.1% for the hinterland districts, thereby signifying that poverty is quite prevalent in the more isolated interior districts.

2. The major development challenges include:

- (a) Constraints to Human Capital Formation — aggravated by settlement patterns and restricted access to basic services, particularly in the interior.
- (b) Limited Economic Diversification — given that the economy is heavily dependent on the mining sector, in particular gold, alumina and oil. The sector accounts for about 30% of GDP; 95% of total exports; and 35% of public revenue.
- (c) Weak Competitiveness — with Ease of Doing Business Indicators ranking lower than many Caribbean country averages.
- (d) Weakness in Economic Infrastructure, as well as issues in relation to environmental management, vulnerability to natural hazards and climate resilience.

3. The proposed Strategy represents the first between Suriname and the Caribbean Development Bank (CDB). Coming less than a year after the country became a member of the Bank, this early engagement must be guided by a set of important principles. These include: selectivity, flexibility, collaboration and partnerships.

4. *Selectivity*: While Suriname's development indicators have shown great improvement over the last decade, significant gaps remain in both social and economic infrastructure. Sustained investment and policy attention is required to further modernise the economy; promote transparency and efficiency; increase economic diversification; tackle poverty, particularly in the interior, by providing access to enhanced basic services and better economic opportunities; and buttress environmental management and climate change risk reduction strategies. The Country Strategy, in supporting the Government of Suriname's (GOS) development efforts, will focus on interventions which reflect the Bank's comparative advantage, as well as those that reflect key country priorities.

5. *Flexibility*: The proposed Strategy reflects deep and extensive policy discussions with the authorities and key stakeholders in Suriname during its preparation. This notwithstanding, the Bank recognises that meaningful development support for the country over the strategy period must involve an element of flexibility that can accommodate unforeseen shifts in country priorities triggered, for instance, by exogenous shocks, including natural hazards and the way the country chooses to address those priorities.

6. *Collaboration and Partnerships*: In the spirit of donor harmonisation and aid coordination, the engagement process with Suriname must seek to leverage existing knowledge sets on the ground in order to promote greater effectiveness and sharpen the development impact. This will require working closely with existing development partners in all sectors with joint interests.

7. Against this backdrop, the proposed Strategy is mapped onto the planning pillars as identified in the country's National Development Plan (NDP). This provides an excellent development framework within which to anchor strategic support and sustained policy dialogue for meaningful engagement between CDB and GOS. As such, the thematic outcomes of the Country Strategy are promoting: (i) economic sustainability; (ii) social sustainability; (iii) environmental sustainability; and (iv) good governance in Suriname. In order to pursue enhanced gender-based reporting in the Strategy, CDB and GOS commit to including gender analysis and sex-disaggregated data in planning, implementation and monitoring and evaluation (M&E) at the project and sector levels.

8. The preferred indicative envelope is two hundred and sixty-six point eight million United States dollars (USD266.8 mn) including USD10 mn under the Special Development Fund (SDF) 8 allocation for Suriname and a grant component of USD3.3 mn. CDB recognises that, in supporting Suriname's development programme, the Bank will have to focus on areas where it has a comparative advantage and where the country has a significant need. The Bank also recognises that the success of the programme will depend on building a strong partnership with the country; which is characterised by openness, dependability and trust. The approach to the strategic engagement will have to be characterised by close collaboration between Bank staff and their counterparts within GOS, while relationships between CDB and Suriname are strengthened. The Bank will also have to invest considerable time in improving its understanding of country systems, as well as supporting and supplementing existing technical capacity in-country throughout the project cycle. Several risks have been identified which could affect strategy implementation and outcomes. These risks are all classified as operational, covering areas such as: (i) macroeconomic shocks; (ii) implementation capacity risks; and (iii) political-related risks. These risks will be monitored and mitigation measures will be appraised as required.

1. COUNTRY CONTEXT

Development Trends, Challenges and Outlook

(a) Overview

1.01 Suriname is a mineral-rich middle income country located in the northern part of South America. It is bordered by French Guiana to the east, Guyana to the west and Brazil to the south. It is the only Dutch-speaking country in South America.^{1/} The country has a land mass of 163,820 square kilometres (km²); the capital Paramaribo is located in the largest (130,567 km²) district. An estimated 80% of this land area is intact tropical rainforest characterised by high levels of endemic and rare plants, as well as several endangered wildlife species. The country has a presidential system of government and has been functioning as a multi-party democracy since attaining independence, though there have been two periods of military rule in 1980-87 and 1990-91. At the end of 2013, per capita income was estimated at USD9,563.

(b) Social Context

1.02 Suriname has a population of 541,638 persons (2012 Census) which is equally divided between males and females. The population is ethnically diverse with *Hindustani* (27%); *Maroon* (22%); *Creole* (16%); *Javanese* (13%); and those classified as *Mixed* (13%) being the main ethnic groups. In addition, indigenous *Amerindian*, most of whom live in the hinterland and hold much historical, environmental and cultural significance for the country, comprise about 4% of the population. The country's ethnic diversity is replicated in its religious plurality, as well as other aspects of its socio-political structure. The main religious groups are *Christianity* (48%); *Hinduism* (22%); and *Islamism* (14%); and its many institutions and political parties are structured and maintained along ethnic lines.

1.03 The country is divided into ten administrative districts, but its population is concentrated in the two urban districts of *Paramaribo* and *Wanica* (66%). The remaining 34% is distributed among the six coastal rural and the two hinterland districts. The hinterland districts of *Brokopondo* and *Sipaliwini*, which comprise mainly Amerindian and Maroon villages, account for only 10% of the country's population. The skewed population distribution is related to significant disparities in living conditions among the urban, rural and hinterland areas. (Box 1)

BOX 1: DISPARITY IN THE SURINAMESE SOCIETY

Large groups of the population [have been] in a disadvantaged position for a long time... They are, in particular, the indigenous and tribal groups in [the] interior. Such groups are deprived of much of what is necessary to lead a decent life from a humanitarian standpoint. Thus they lack sound and adequate facilities in the area of education, medical and social care. There is no question of structured employment and many lack a fixed income. The provisions for a healthy living environment are missing in the interior, where poverty and problems related thereto predominate...The reality of the disadvantaged, the condemnation and maintenance of the underprivileged as the 'outcasts' of [the] society constitutes a major risk for the spiritual welfare and the level of civilisation of [the] society. It is a matter of the highest priority to work on a radical and thus fundamental lifting of this situation. The policy in the next five years will therefore be aimed at helping all Surinamese, and thus also the disadvantaged groups throughout [the] country, to a decent existence. Opportunities must be created for the disadvantaged so that the necessary process of emancipation of society can be brought to completion. This is also a sine qua non for enabling every citizen to participate adequately and optimally in every aspect and facet of the democratic processes and developments in the Constitutional State of Suriname.

Extracted from "Suriname's Multi-year Development Plan 2012-16" pp 66 and 67.

^{1/} This represents the country's colonial legacy, being a former Dutch colony. Suriname gained independence from the Kingdom of the Netherlands (The Netherlands) on November 25, 1975.

1.04 There are no officially accepted national poverty indicators for the country, but based on the 2013 United Nations HDR it has a HDI of 0.684 and is ranked 105th out of 187 countries. This is a slight improvement over 2010 when it had a HDI of 0.679. The HDR also indicates a national MPI^{2/} of 8.2% and an MPI of 57.1% for the hinterland districts, thereby signifying that poverty is quite prevalent in the more isolated interior districts. The MPI also shows much higher deprivation for the rural and hinterland areas than the urban districts, particularly in the dimensions of education and living standards. The hinterland areas have limited electricity and road infrastructure and little or no access to basic social services. They are accessible mainly by river but when the water level in these rivers fall substantially during the dry season, it becomes very difficult to access the villages.

1.05 Suriname is on track to meet some of the MDGs at the national level with respect to: *Gender Equality and the Empowerment of Women* (MDG 3); *Reduce Child Mortality* (MDG 4); *Improve Maternal Health* (MDG 5); and *Combat HIV/AIDS* (MDG 6). However progress is much slower in the rural and hinterland areas.^{3/} Regarding the Goals to *Eradicate Poverty and Hunger* (MDG 1); *Achieve Universal Primary Education* (MDG 2); and *Environmental Sustainability* (MDG 7) improvement is sluggish. Given the inequalities that persist between the coastal and the rural hinterland districts, “many of the MDG targets will only be reached through reinforced social, economic and environmental programmes in which Government and other development actors work closely together in true partnerships.”^{4/}

1.06 Although progress has been made in the area of gender equality, women in Suriname still face significant challenges in this regard. This is revealed by the country’s Gender Inequality Index (GII)^{5/} for 2012 which, at 0.467, resulted in it being ranked at 94th out of 148 countries. Achievement in the area of education, with about 40% of women having attained secondary level education or higher, is below the average of 50% for the Latin America and the Caribbean region. The adolescent fertility rate at 35 births per 1,000 live births is favourable, being below the regional average of 71. However, there is room for improvement in the other areas. The proportion of seats in the National Assembly held by women (12%) is half the regional average of 24 and about 130 women die from pregnancy for every 100,000 live births which is much higher than the regional average of 74. In the area of labour force participation, female labour force participation (41%) is low when compared with male labour force participation (69%), and is also below the regional average of 54%. On the basis of these indicators, the United Nations concluded that “women are not empowered to compete in the labour market on an equal footing and [are therefore impeded in reaching] their full socio-economic potential.”^{6/}

^{2/} The MPI is derived from data from the 2006 Multi-indicators Cluster Survey. It complements traditional income-based poverty measures by capturing the severe deprivations that each person faces at the same time with respect to education, health and living standards. It uses 10 indicators to measure poverty in three dimensions *viz.* Education – number of years of schooling and school attendance; Health – rate of child mortality and access to proper nutrition; and Living Conditions – access to electricity, sanitation, and drinking water, quality of floor, type of cooking fuel and possession of assets. The Global MPI covers over 100 developing countries with headcounts ranging from 0% in the case of Belarus to Niger with 92.4%.

^{3/} United Nations Development Assistance Framework (UNDAF) (2012-16), the Republic of Suriname, p.14.

^{4/} UNDAF p.13.

^{5/} The GII reflects gender-based inequalities in three dimensions: reproductive health, measured by maternal mortality and adolescent fertility rates; empowerment by the share of parliamentary seats held by each sex and attainments at secondary and higher education; and economic activity by the labour market participation rate by each sex.

^{6/} UNDAF (2012-16), the Republic of Suriname, p.14.

(c) Economic Context

1.07 Suriname is a small open economy heavily dependent on the mining sector (gold, alumina and oil). The sector accounts for about 30% of GDP; 95% of total exports;^{7/} and 35% of public revenue. Gold is the largest export product, accounting for around 68% of all exports in 2013. The public sector is the largest employer in Suriname (around 50%). Tourism and agriculture's respective contributions to GDP are relatively small (less than 10%). However, the agriculture sector is the second largest employer, employing around 11% of the total labour force. Manufacturing output is also relatively small with a few assortments of generally low value-added products. Suriname has a large informal sector which, according to the Bureau of Statistics, may be leading to an underestimation of current estimates of GDP by as much as 16%. Nominal GDP (at market prices) was estimated at \$5.2 billion in 2013.

1.08 Suriname's macroeconomic fundamentals have improved markedly since the 1990s. The country has been able to reverse years of macroeconomic instability, low growth, near-hyperinflation and significantly large internal and external imbalances that characterised much of the 1990s by undertaking far-reaching structural, fiscal, monetary and financial reforms.^{8/} Fortuitous conditions (buoyant commodity prices), as well as political stability have also helped to turn the economic tide.

1.09 During the recent decade (2003-2013), real GDP grew at an annual average rate of 5%, the fastest rate of growth in the Caribbean Community (CARICOM) and an improvement over its 0.8% average growth during the 1990s. The Surinamese economy, as shown in Figure 1, was quite resilient during the global economic crisis. Robust commodity prices, particularly gold, underlined this growth performance.

1.10 Inflation has abated significantly, averaging 9.9% during the decade, compared with an average of 104.1%^{9/} during the 1990s. Tight monetary and fiscal policies, as part of the Government's overhauling reform programme, have underpinned the moderation in inflation. Bolstered by the robust economic activity, unemployment levels have trended down during the decade, averaging 9.3% (Figure 2).

FIGURE 1: REAL GROSS DOMESTIC GROWTH

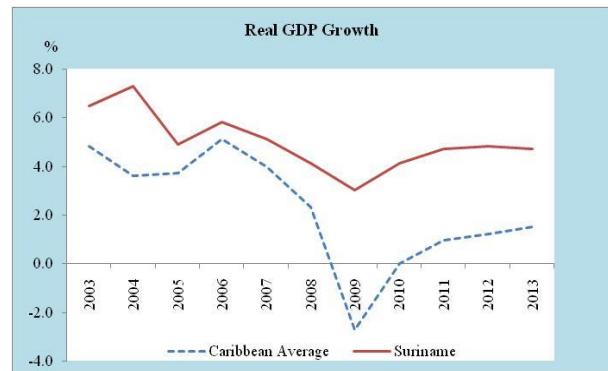
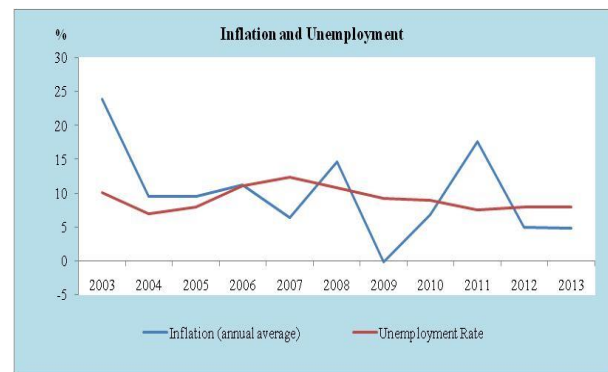


FIGURE 2: INFLATION AND UNEMPLOYMENT



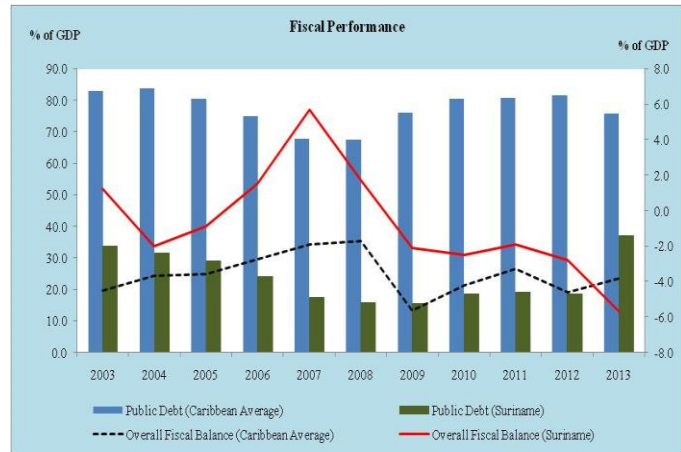
^{7/} Suriname's main export markets are the United States of America (USA), Belgium, United Arab Emirates (UAE) and Canada, while the main import markets are USA, The Netherlands, the Republic of China and UAE.

^{8/} Some of the key measures undertaken include: fiscal consolidation, clearing of external arrears, unification of parallel exchange rates, liberalisation and privatisation.

^{9/} Hyperinflation was mainly as a result of rapid monetary expansion occasioned by the monetising of the fiscal deficit by the Central Bank.

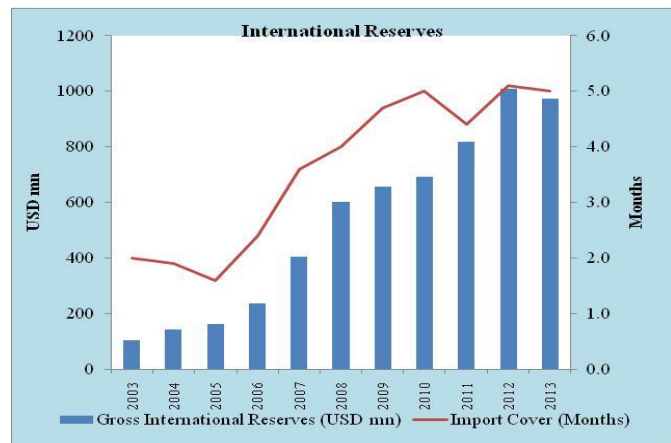
1.11 Suriname’s public debt-to-GDP ratio averaged 22.3% during the decade, while the overall fiscal deficit averaged 0.2% of GDP, well below the averages for CARICOM. In 2010, the newly-elected administration undertook a home-grown adjustment programme, which included, among other measures, a onetime 20% devaluation of the Surinamese dollar,^{10/} tax increases, spending cuts and the termination of deficit monetisation by the Central Bank. The adjustment programme (endorsed by the International Monetary Fund [IMF]) was aimed at restoring internal balance and price stability. Suriname’s relatively tight fiscal regime has earned it a favourable rating by the international rating agencies.^{11/} However, as Figure 3 shows, the fiscal position weakened somewhat in 2012 and 2013 largely as a result of wage hikes and robust capital expenditure. Nonetheless, Suriname and Trinidad and Tobago are the only two independent CARICOM countries where there are no serious concerns about fiscal and debt sustainability. It is noteworthy that the Government is at the legislative stage of setting up a Sovereign Wealth Fund (SWF) as a repository of windfall mineral revenues to minimise revenue/macro volatility.

FIGURE 3: FISCAL PERFORMANCE



1.12 Suriname’s external accounts have been bolstered by strong export earnings, resulting in persistent surpluses on the external current account (since 2006) and on the overall balance, as well as a healthy accumulation of international reserves during the decade (Figure 4). Monetary conditions have been favourable with strong credit growth, falling lending rates and a liquid and profitable banking system. The financial sector on the whole is assessed as stable and sound.

FIGURE 4: EXTERNAL PERFORMANCE



1.13 Suriname’s short-term macroeconomic outlook is positive. Real GDP growth is expected to average around 4% for 2014, underpinned by expected robust activity in the mining sector (particularly gold and oil), associated with planned large investments of almost 100% of GDP. The completion of the state-owned oil refinery will further enhance the country’s external position through a reduction of imported refined petroleum. Inflationary pressures should remain low on account of exchange rate stability and unemployment is likely to be reduced with economic buoyancy. Given current trends, fiscal pressures (though modest) are likely to continue and, in the absence of any tightening, the deficit is expected to widen to around 3% of GDP in 2014. However, fiscal and debt sustainability expectations will remain well anchored. There are risks to the short-term outlook as it depends on developments in commodity prices. If the extant downward trend in gold prices persists, the baseline outlook could be adversely impacted.

^{10/} The exchange rate moved from USD1.00 = SRD2.6 in 2010 to USD1.00 = SRD3.25 in 2011.

^{11/} From BB-/Stable to BB-/Positive (Standard and Poor’s) and from B1/Stable to Ba3/Positive (Moody’s).

1.14 Over the medium term, the macroeconomic outlook remains bright (Appendix 1). Growth is expected to accelerate based on planned increased infrastructure investment and the likelihood of a firm global recovery, which will augur well for commodity prices. Moreover, planned expansion of oil exploration (in nearshore shallow, as well as deep water) should also serve to improve the country's growth outlook. Nonetheless, the Government is urged to push ahead with structural reforms to improve the business climate and enhance innovation and competitiveness to further spur growth and build resilience. The fiscal position should improve on the premise of increased activity from the new oil refinery which should substantially augment public revenue. Moreover, revenue resilience needs to be bolstered and, in this regard, finalising the process towards operationalising the SWF appears to be an urgent priority. Ongoing structural reforms designed to improve the competitive position of the economy will also be important determinants in sustaining the country's growth momentum over the medium to long term.

Key Development Challenges

(a) Constraints to Human Capital Formation

1.15 Suriname's geographical spread and population settlement patterns present a challenge for equitable and balanced development. Issues regarding access, quality and system efficiency in education services are noteworthy. While the country appears to place a high premium on education – as evidenced by the fact that about 20% of the annual budget (5% of GDP) is spent on education, exceeding the average allocation of 18% by Barbados (among the highest spenders on education across the Bank's Borrowing Member Countries (BMCs) – two key challenges exist:

- (i) schooling is only compulsory at the primary level, from 6 to 12 years old.^{12/} This suggests that the country may be unable to assure adequate throughput to higher levels of education – critical to developing human resource capacity; and
- (ii) education in the interior is only provided to the Junior Secondary level. Only approximately 20% of students from the interior continue to higher levels of education in Paramaribo.

1.16 These challenges are exacerbated by high repetition and dropout rates, with almost 33% of students in the first three grades of primary school repeating and 10% of primary school students dropping out. Indeed, only 46% of students at the primary level reach the final grade. In addition, there are significant inequities at the early childhood level, where national enrolment (approximately 38.5%) is more than 30% below the regional average of approximately 72%. This statistic is of even greater concern because of the fact that early childhood programming commences at four, rather than three years old which is the international and regional standard. Further, skills programmes which are not offered universally are not necessarily aligned with the needs of the economy. Many programmes also lack the resources, including access to electricity and cutting-edge equipment to adequately prepare students for operating in authentic workforce settings. In addition, teacher training programmes are not accredited and many teachers, especially those in interior communities, are inadequately qualified and trained and structures for enhancing

^{12/} The formal basic education system in Suriname consists of four levels: Pre-primary, 4 – 6 years old (for 2 years); Primary, 6 – 12 years old (for 6 years); Junior Secondary, 12 – 16 years old (for 4 years) and Senior Secondary, 16 – 19 years old (for 3 years). This translates into 15 years of basic education, which is above the average of 13 years for most of CDB's BMCs. Basic education at the junior and senior secondary levels is demarcated along academic and technical streams and according to their secondary placement, graduating students desirous of undertaking further education matriculate into either academic or technical programmes at the post-secondary/ tertiary level.

their capacity are limited. Restricted programming at university level also constrains human resource development at advanced levels and across a wide spectrum of disciplines.

1.17 Other challenges in the system include: inadequate access in interior communities; shortage of infrastructure to allow for expansion of access, particularly at pre-primary and junior secondary levels; overcrowding across the system, rendering classrooms difficult to manage; poor student performance at both junior and senior secondary levels; outdated/irrelevant curricula; language issues, exacerbated in interior communities where the language of instruction is not the mother tongue; inadequate and insufficient facilities, as well as outdated resources for the delivery of Technical and Vocational Education and Training (TVET); and the absence of appropriate capacity for the planning, monitoring and leadership of the system.

1.18 GOS has outlined three important themes in its policy for the development of education. These include: (i) engagement of stakeholders; (ii) providing quality education; and (iii) teacher professionalisation and development. In order to achieve these goals, GOS proposes to give priority to strengthening Early Childhood Development (ECD) and Basic Education; expanding access across the system; enhancing teacher effectiveness; institutional strengthening and capacity building across the sector to improve the quality and delivery of education services; and enhancing and expanding TVET and tertiary education.

(b) Limited Economic Diversification

1.19 The structure of the private sector in Suriname is characterised by a large number of small and medium-sized enterprises (SMEs) engaged in the provision of non-tradable goods and services, particularly in commerce. SMEs make a significant contribution to both GDP and employment. The private sector also includes a few large multinational corporations in the mining sector, primarily bauxite and gold, but contribute little to employment and with few links to the rest of the economy. The larger non-mining private businesses specialise in selling goods and services to government, especially in the construction sector; agriculture, including rice farmers; and a large informal sector that is concentrated in small-scale gold mining, logging and fishing. The dominance of the extractive industries in export earnings exposes the economy to external price shocks. GOS, in its NDP,^{13/} identified the need for economic diversification and enhanced competitiveness of the private sector as critical to the overall development of the country. Potential areas for diversification include: agriculture and agro-businesses; fisheries; tourism, including eco-tourism; manufacturing; and value-added lumber processing.

1.20 Specifically with respect to agriculture, the agro-ecological conditions in Suriname are ideal for the production of a wide range of crops. It is estimated that only 120,000 hectares (ha) of a total arable area of 1.5 million ha is currently used for production. Notwithstanding this relatively low level of intensification, agricultural sector output accounted for an estimated 9% of GDP in 2012. The main crop in terms of production, employment creation and food security is rice, whilst bananas is the most important export crop and a significant earner of foreign exchange. Other important crops include vegetables, plantains, citrus fruits and cassava. The main livestock products include poultry meat, beef, pork and milk. With a small population relative to land mass, the country has been traditionally heavily dependent on the export market for agricultural sector output. In this regard, the main outlet has been Europe – Netherlands, Germany being among the main destination markets.

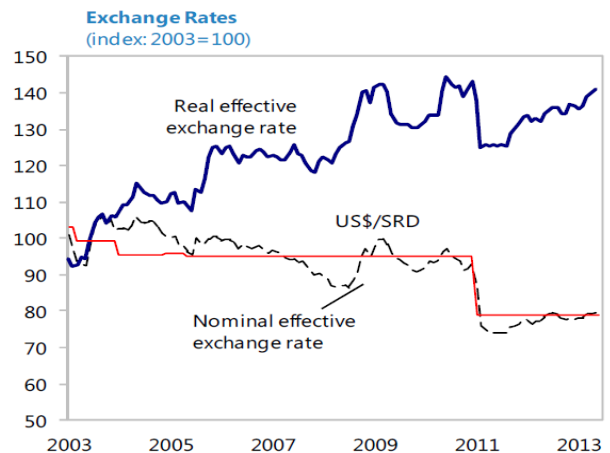
^{13/} Suriname: Multi-Year Annual Development Plan 2012-16.

1.21 Like the rest of the Caribbean, the agriculture sector has been grappling with competitive pressures occasioned by trade liberalisation. The effects are most notable in the banana and rice industries, which have both been impacted by the reduction of preferential market access to the European Union (EU) markets and high input costs. The main banana company was privatised in January 2014 and, according to the Inter-American Development Bank (IDB), employs over 2,000 persons — making it the second largest single employer in the country. Rice production and processing are largely private sector-driven, both production and processing. GOS, however, continues to support the maintenance of drainage and irrigation (D&I) infrastructure critical to the production of rice. Given the topography of the country, as well as climate change, investments in D&I infrastructure will be essential for the maintenance of a viable rice industry and the agriculture sector in general.

(c) Weak Competitiveness

1.22 Competitiveness is driven by price, including unit cost of production and by non-price factors, including business facilitation. With respect to the price factor, analytical work presented by the IMF suggests that the real effective exchange rate is broadly competitive (Figure 5), although the 2011 price competitiveness boost provided by the nominal devaluation was offset, albeit in part, by increases in inflation. This notwithstanding, a number of doing business indicators highlight major constraints to private sector development (PSD) and competitiveness posed by current weaknesses in the business enabling environment. These include: inadequate infrastructure; the need for greater transparency and accountability in public sector operations; restricted access to credit and business support services; an insufficiently educated workforce and limited managerial and technical skills; high transaction costs for international trade; and weak trade facilitation systems.^{14/} These constraints are reflected in the country's low ranking in the recent Doing Business Survey.^{15/} In relation to the ease of 'Doing Business', Suriname ranked 161st out of

FIGURE 5: REAL EFFECTIVE EXCHANGE RATE



189 countries, compared with Jamaica at 94, Belize at 106 and Guyana at 115. The analysis indicated that Suriname performed well in the areas of getting electricity (40th); dealing with construction permits (49th); and paying taxes (50th), but poorly in other areas with rankings of 186th for protecting investors; 184th - enforcing contracts; 181st - starting a business; 173rd - registering property; 170th - getting credit; 160th - resolving insolvency; and 105th - trading across borders. These rankings magnify the significant challenges that need to be addressed in order to improve the environment for doing business in Suriname (see Appendix 2). The country also ranked 88th out of 174 countries in the 2012 Transparency International's Corruption Index, relative to its CARICOM counterparts the country ranked only above Guyana and Haiti.

1.23 Reforms undertaken by GOS to address private sector constraints are ongoing. The Suriname Business Forum (SBF) was established in October 2006 as a platform for private/public sector dialogue and partnerships, designed to formulate, implement and monitor the national strategy for the sustainable and innovative development of the private sector and the stimulation of entrepreneurship in Suriname. A Competitiveness Unit (CU) was established in June 2012 to coordinate all government activities to facilitate PSD and improve the competitiveness of the private sector. The priority areas of focus for the CU include:

^{14/} Suriname: Compete Caribbean Private Sector Assessment Report 2012.

^{15/} World Bank (WB)/International Finance Corporation Doing Business Survey (2014).

access to finance; trading across borders; starting a business; construction permits; and paying taxes. Draft “Omnibus Legislation” has been designed to strengthen the legal and regulatory framework and improve the ease of doing business.

1.24 Additional measures undertaken to address business constraints include the establishment of a guarantee fund at the National Development Bank to provide credit to SMEs. Administrative procedures not based on laws were removed to reduce the time taken to establish a limited liability company from 694 days to 208 days. Similarly, the processing of applications for construction permits has been automated, thereby reducing the time by approximately 50% from 461 days to 239 days; registering property has been automated, with the time being reduced from 197 days to 107; and the requirement for business licenses for some categories of start-up companies has been removed. These measures notwithstanding, additional reforms must be undertaken to accelerate an improvement in the business regulatory environment not only in the priority areas identified by the CU but also in the areas of protecting investors, enforcing contracts and resolving insolvency.

1.25 GOS recognises the importance of SMEs in economic development and is committed to providing an enhanced business environment to stimulate the development of entrepreneurship and increased output in both traditional and non-traditional sectors. GOS proposes to provide financial resources and a favourable business environment to stimulate production. Funding for SMEs is expected to come from several sources, including domestic savings, bilateral agreements and international financial institutions, targeting both traditional and non-traditional sectors, with provisions to satisfy the financing needs of females and young entrepreneurs

(d) Weakness in Economic Infrastructure

Transport

1.26 Suriname’s 4,500 kilometer (km) road network includes approximately 1,500 km of primary roads, mostly concentrated in the northern coastal area. The low road density of less than 3 km per 100 km², provides limited access to the interior of the country and Suriname’s neighbours. While part of the main east-west corridor is currently undergoing reconstruction, maintenance of the existing network is among the key challenges faced. Sustainable financing is the main issue, despite the collection of a fuel levy allocated to the Road Authority for maintenance activities. Responsibility for management of the network resides with several agencies, varying with the class and function of the road, introducing efficiency concerns. Fatalities from road traffic accidents are estimated at 19.6 per 100,000 of population,^{16/} the second highest among CDB’s BMCs. A growing number of motorcycles has been a feature of the vehicle fleet in recent years and their users, along with pedestrians, have been the most vulnerable to road traffic accidents. The opportunity exists to assist GOS towards achieving the goal of reducing fatalities by 50% by 2020 in accordance with the Global Plan for the Decade of Action for Road Safety 2011-2020 and to mitigate the social and economic dislocation resulting from serious road traffic accidents. Accessibility *via* seaports is rated as fair with substantial opportunity for improved waterborne transport services vital to the domestic and international transport of cargo, particularly given the dominance of mineral extraction in Suriname’s economy. Physical capacity constraints exist at the main ports and solutions identified include dredging and infrastructure rehabilitation and expansion, including at the coastal port at Nieuw Nickerie on the Corantijn River. Upgrading of this facility will be integral to the further development of the north-west region of Suriname.

^{16/} 2013 Global Status Report on Road Safety.

Water Supply

1.27 The provision of a safe, reliable water supply to the populations in the coastal and rural areas through the operations of the Suriname Water Company (SWM) and the Ministry of Natural Resources (NH), respectively, is among the priorities for GOS. To meet the target of reducing by half the proportion of the population without access to an improved drinking water source by 2015 (MDG 7), GOS aims to ensure that 85% of the population in Suriname has access to potable water from an improved source by 2015. Within the urban areas approximately 95% of the population has access, but in rural areas the proportion is less than 70%.^{17/} Challenges faced in ensuring sustainable water supply services to the urban areas and dispersed hinterland settlements include: (i) low network coverage, exacerbated by the geographical spread of settlements; (ii) high levels of non-revenue water (NRW); (iii) uncertain water quality; (iv) contamination of surface water sources in hinterland areas; (v) inadequate maintenance of infrastructure; (vi) deficiencies in institutional capacity within the two principal operators; (vii) weak regulatory arrangements; and (viii) inadequate financial performance, contributed to by the high cost of production and lower tariffs preventing cost recovery. Water Supply Master Plans for the coastal and rural areas, completed in 2011, chart investment plans for SWM and NH to contribute to enhanced sustainability of the water supply through rehabilitation and expansion of network infrastructure; replacement of meters; training and regulatory reform; and the provision of appropriate systems in the hinterland.

Energy

1.28 The needs in the energy sector are significant and require a coordinated and systematic approach in order to ensure sustainability. There is currently no overarching legislative, regulatory or institutional framework in place to govern activities in the sector for which NH has responsibility and, to date, this has hindered organised development in the sector, particularly in the power sub-sector. GOS, with the assistance of a multilateral institution, has started to address the governance issues of the sector and institutional strengthening of the electric utility company, Energiebedrijven Suriname (EBS). It is expected that in the short term, legislation and appropriate institutional arrangements will be in place within which development will take place.

1.29 The total installed generation capacity is 397.5 megawatts (MW), including self-generation in the oil and mining sectors. This capacity is comprised of 146.5 MW supplied by EBS, 62 MW from the state oil company, Staatsolie, and 189 MW from the Afobakka hydropower plant owned by the aluminum company SURALCO. Peak demand in 2013 was 230 MW and is currently suppressed due to constraints at the substations and inadequate capacity and congestion on the transmission and distribution system. Growth in the demand for electricity in Suriname is among the highest in the Region due mainly to an ongoing increase in commercial and residential demand. Peak demand is expected to increase [to] 548 MW by 2020.^{18/} The financially-strapped EBS has been unable to keep pace with the increasing demand for electricity and, over the short and medium term, will require additional capacity on the transmission and distribution networks. On the supply side the situation is exacerbated by the uncertain levels of output from the hydropower plant, EBS's major electricity source, and there is a need to explore other sources of supply. As a result, a single-buyer model that includes expanded participation of independent power producers is being considered under the proposed legislation and this should attract private investment to the power sub-sector to complement EBS' efforts.

1.30 The level of electrification is estimated at 85% with high coverage along the coast. However, the vast geographical area under EBS' remit poses an operational challenge – that of supplying remote areas and villages in the interior on a continuous, efficient and cost effective basis. About 15% of the population

^{17/} Suriname Water Supply Master Plan, 2011.

^{18/} IDB 2012.

live in the interior and lacks access to electricity. Where available, electricity is only supplied for a six-hour period at night. This presents an opportunity for renewable energy technologies to be deployed and managed at the community level. The options for administration of such an arrangement are many and can include public/community partnerships or private sector involvement but should utilise existing mechanisms/structures to the extent possible, for example, the pillars being established under the Decentralisation and Local Government Strengthening Programme of the Ministry of Regional Development. Suriname's power system comprises several individual systems, with the smaller systems being all fossil fuel-based and inherently inefficient to operate. There is opportunity to gain economies of scale through interconnection of some of these systems to make use of non-fossil fuel-based indigenous resources, for example, biomass.

(e) Environmental Management, Vulnerability to Natural Hazards and Climate Resilience

1.31 The key environmental challenges in Suriname to effectively foster sustainable development include: (i) managing climate change and natural hazards risks and the attendant potential impacts these pose to coastal infrastructure and livelihoods of the estimated 80% of the population living in the coastal zone and to the small dispersed hinterland communities; (ii) managing the extractive industries in a way that will minimise land degradation and pollution loads to the environment; and (iii) weak and fragmented institutions with overlapping mandates supported by weak legislative capacity. The Human Development Atlas - Suriname (United Nations Development Programme (UNDP) Report, 2013) shows that while Suriname has made significant progress with respect to the achievement of key human development indicators and indicators for Goal 7 of the MDGs between 2006-2010, it still lags behind those of some of CDB's other BMCs.

1.32 To sustain progress is likely to be a major development challenge and Suriname will need to carefully balance and integrate, social, economic, environmental and spatial development objectives and agendas while tackling its development challenges. These include:

- (i) address climate resilience building that will mainstream climate change in national, sectoral and spatial development plans and programmes;
- (ii) improve and diversify livelihoods of vulnerable populations in hinterland communities at high risk to flood hazard and climate change risks, as well as adverse impacts expected to affect coastal populations and critical supporting infrastructure and ecological services (mangroves, coastal aquifers) and key agricultural crops;
- (iii) broaden the diversification of economic production to tourism, agriculture and manufacturing with increased resource-use efficiency and use of green production technologies;
- (iii) improving coverage of critical public infrastructure to facilitate more balanced spatial development; and
- (iv) build institutional capacity to improve environmental policy frameworks, improve environmental management and generally raise environmental awareness.

1.33 These efforts will need to be matched by reshaping the environmental management and administrative and governance frameworks, now characterised by many institutions with overlapping mandates, institutional fragilities and limited technical capacity.

Suriname’s Development Plans and Priorities

1.34 GOS’ comprehensive NDP, 2012-16, treats with these key development challenges and highlights priorities across 15 core themes that can be categorised under the four rubrics of promoting: (i) good governance; (ii) economic sustainability; (iii) social sustainability; and (iv) environmental sustainability. Table 1 outlines the Government’s priorities under each strategic area.

TABLE 1: SUMMARY OF THE DEVELOPMENT PLAN, 2012-16

Good Governance	Economic Sustainability	Social Sustainability	Environmental Sustainability
<ul style="list-style-type: none"> • Institutional strengthening and decentralising of public administration to increase performance, transparency and efficiency of the Administration. • Improving law enforcement and legal protection for everyone. • Promoting national security (both internal and external security of the state). 	<ul style="list-style-type: none"> • Economic diversification to increase private sector access to, and competitiveness in global markets. • Upgrading economic infrastructure. • Mobilising external financing for sustainable production in agriculture, tourism and industry. • Exploiting potential for tourism development. • Strengthening the business environment and providing greater focus on entrepreneurship and innovation. • Building economic resilience through, among other measures, the creation of a SWF to channel mining revenues to sustainable and renewable sectors. 	<ul style="list-style-type: none"> • Improving the quality and accessibility of the educational system: <ul style="list-style-type: none"> - strengthening the Ministry of Education; - professionalising teachers; - improving educational legislation and regulation; - formulating policies with respect to science and technology; and - promoting gender inclusivity. • Strengthening the social protection system. • Improving health services, especially in the hinterlands. • Expanding employment opportunities. • Improving quality of life: <ul style="list-style-type: none"> - Social inclusion; and - Poverty reduction. 	<ul style="list-style-type: none"> • Protecting natural resources. • Managing the impact of climate change. • Developing an environmental policy that explicitly considers: <ul style="list-style-type: none"> - waste management; - chemical management; - renewable energy; - protection of the atmosphere; and - sustainable water, land, nature and forest management.

Source: Extrapolated from Suriname’s NDP, 2012-16.

1.35 The NDP pursues a level of balance between domestic fiscal policy imperatives and a sustainable external position. These twin objectives are nested within the need to raise per capita incomes as a result of the achievement of sustained growth through the strategic deployment of the country’s mineral assets. The NDP places significant emphasis on the need to diversify the Surinamese economy, particularly in the areas of tourism and fishing, as a necessary posture in building the country’s economic resilience.

1.36 The Plan highlights the need for gender to be treated as a cross-cutting related issue and, as such, it is an important dimension in all major policy areas. Generally, statistical data gaps exist across most ministries and agencies which constrain adequate development planning. Further, the Plan highlights the need for the rationalisation of public administration in an effort to secure greater development gains across the board. In particular, special attention is given to some degree of decentralisation as a response to the need to close the development gap between urban and rural/hinterland settings. The Plan also gives some degree of prominence to the need to broaden educational opportunities, as well as strive for internal efficiency through teacher training and curriculum reform to match changes in labour market needs.

1.37 In relation to governance, the NDP will seek to modernise and improve the judiciary; computerise the case registry; and establish a court management system. The Plan recognises the substantial scope for leveraging information and communication technologies (ICTs) to enhance governance and decision-making and substantially improve development outcomes in all spheres of the economy. Using the Networked Readiness Index (2014) as a guide, the country ranked 136th out of 148 countries with respect to international internet bandwidth (kilo bytes per user), 131st for ‘internet access in schools’ and 143rd for ‘ICT use and government efficiency’. These rankings suggest that there is considerable scope for supporting development in this area.

1.38 Environmental concerns are also flagged as potential issues. The Plan rightly calls for special attention to be given to solid waste management, chemicals management and renewable energy, as well as sustainable water, nature, land and forest management. Against this backdrop, GOS highlights the need to make appropriate changes to the Spatial Planning Act, as well as strengthen the Land Registration and Land Information System in an effort to guide orderly development across the country.

Preliminary Assessment of the Government’s Development Priorities

1.39 In many respects the NDP is comprehensive and well balanced. The document is sensitive to the pressing needs of the economy and society and points policy in the right direction. It is functional and acknowledges the importance of flexibility to effectively respond to challenges as they arise. The Plan has benefitted from broad consultations and recognises that intensive and continuous dialogue is essential for effective and successful implementation. This notwithstanding, attention still has to be given in certain respects. In particular, constraints do exist with respect to public sector human resources availability that may hamper plan implementation. Suriname must therefore pay careful attention to appropriate training as a strategy to reduce, if not fully eliminate this constraint. Equally important, the lack of a robust set of metrics to carefully gauge plan implementation and performance represents a challenge to the authorities, as well as to development partners in crafting intervention strategies. Within this context, a results-based framework for M&E implementation will add value to the Plan. It will be important, going forward, for the formulation of the requisite development data sets that could easily lend themselves to empirical development planning.

2. CARIBBEAN DEVELOPMENT BANK'S COUNTRY STRATEGY, 2014-18

Country Strategy and its Proposed Contribution to Country Outcomes

2.01 This Country Strategy represents the first between Suriname and CDB. Coming less than a year after the country became a member of the Bank, this early engagement must be guided by a set of important principles. These include selectivity, flexibility, collaboration and partnerships.

2.02 Selectivity: While Suriname's development indicators have shown great improvement over the last decade, significant gaps remain in both social and economic infrastructure. As highlighted in the country's NDP, sustained investment and policy attention is required to further modernise the economy; promote transparency and efficiency; increase economic diversification; tackle poverty, particularly in the interior, by providing access to enhanced basic services and better economic opportunities; and buttress environmental management and climate change risk reduction strategies. The Country Strategy, in supporting GOS' development efforts, will focus on interventions which reflect the Bank's comparative advantage, as well as those that reflect key country priorities.

2.03 Flexibility: The proposed Strategy reflects deep and extensive policy discussions with the authorities and key stakeholders in Suriname during its preparation. This notwithstanding, the Bank recognises that meaningful development support for the country over the strategy period must involve an element of flexibility that can accommodate unforeseen shifts in country priorities triggered, for instance, by exogenous shocks, including natural hazards and the way the country chooses to address those priorities.

2.04 Collaboration and Partnerships: In the spirit of donor harmonisation and aid coordination, the engagement process with Suriname must seek to leverage existing knowledge sets on the ground in order to promote greater effectiveness and sharpen development impact. This will require working closely with existing development partners in all sectors with joint interests.

2.05 Against this backdrop, the proposed Strategy is mapped onto the planning pillars as identified in the country's NDP. This provides an excellent development framework within which to anchor strategic support and sustained policy dialogue for meaningful engagement between CDB and GOS. As such, the thematic outcomes of the Country Strategy are promoting: (i) economic sustainability; (ii) social sustainability; (iii) environmental sustainability; and (iv) good governance in Suriname. In order to pursue enhanced gender-based reporting in the Strategy, CDB and GOS commit to including gender analysis and sex-disaggregated data in planning, implementation and M&E at the project and sector levels. In so doing, special attention will be paid to the sufficiency of budgets to conduct gender analysis throughout the development cycle. Indicators will be disaggregated by sex, wherever possible.

(a) Promoting Social Sustainability

Enhancing Educational Outcomes

2.06 Suriname's policy thrust of building social capital and reducing poverty levels, particularly in the interior, through the provision of greater access to social services is a step in the right direction. Further, the policy steps outlined for the education sector in driving this process are closely aligned with the strategic objectives of CDB for education development. CDB's interventions are premised on assisting BMCs in building human capital. To do this, there must be quality and relevance and an increase in access to students at all levels and in all groups, including vulnerable groups. In addition, teachers must meet certain minimum standards which contribute to and assure the instructional quality which is necessary for student achievement. Lastly, ministries must possess the capacity to ensure the sustainability of outcomes across the system. Within this context, the following areas of support will be pursued over the strategy period:

- (i) ECD, including parent education;
- (ii) enhancing teacher effectiveness, including standards for teacher development, distance education programming, support for accreditation of teacher education programmes, and, where necessary, infrastructure to support accreditation and teacher development initiatives;
- (iii) alignment of skills programmes with the needs of the economy, including the construction and equipping of eight practical centres with housing for students and teachers, where required; teacher professional development; competency-based curriculum development; second chance programmes for school dropouts; and technical assistance (TA) and capacity building for enhancement of National Training Authority and system leadership;
- (iv) expansion and enhancement of tertiary education through institutional strengthening, capacity building and infrastructural development for the Anton de Kom University; and
- (v) TA for the implementation of a distance education pilot, using solar energy.

Participatory Rural Development

2.07 CDB, through its Basic Needs Trust Fund and Social Investment Fund interventions, has built up expert knowledge in community demand-driven development. Given the wide disparity in the socio-economic conditions of populations living in the dispersed settlements of the interior, compared to those in coastal areas and given the keen interest shown by stakeholder representative groups (including Indigenous, Maroons and Women's groups), CDB will seek to assist GOS in providing basic infrastructure and services and create and diversify income-generating opportunities to reduce rural poverty. This is congruent with CDB's poverty reduction mandate and its experience in the design, implementation and supervision of interventions that use participatory approaches to improve livelihoods in disadvantaged communities.

Gender Equality

2.08 CDB is committed to supporting gender mainstreaming; improving gender awareness in all its activities to reduce gender inequity; and incorporating gender performance indicators and targets within country and sector results frameworks. Premature termination of education by teen parents – both boys and girls, sexual exploitation of women and children; and gender-based violence appear to be some of the key gender equality issues affecting the country. CDB proposes to support the improvement of gender mainstreaming capacities within GOS and undertake gender analysis for each sector in which interventions will be supported, including the collection and maintenance of sex-disaggregated statistics.

Citizen Security

2.09 The level of crime in the country has been relatively low, but there was an increase in overall crime by 13% between 2010 and 2011, with a slight drop (by approximately 2%) between 2011 and 2012. However, the category of "Property Offences" which includes robberies and burglaries and the type of offences that fall within the ambit of Community Policing, represent about 50% of the total offences. These offences also fluctuated with the total crime figures. To address the high incidence of property offences, the Department of Police and Justice (the Police) has been operating a Neighbourhood Manager Programme that includes training of police officers in Community Policing. This Programme once covered up to 55 communities but it has declined over the years and only operates now in 25 communities. The Police is planning to reactivate the Programme and include a component to train Community Neighbourhood Watch

Groups (CNWG). CDB proposes to consider a grant from the Special Citizen Security Fund to support this programme with specific attention given to the organising and training of CNWGs.

Country Poverty Assessment

2.10 As part of the Bank's programme of support to its BMCs in conducting poverty assessments, assistance will be provided to GOS to build its institutional capacity to assess progress in human and social development through a strengthened social data system. This will include a structure for conducting Country Poverty Assessments (CPAs) that will result in the adoption of official national poverty indicators.

(b) Promoting Economic Sustainability

Fostering Economic Diversification

2.11 Promoting economic sustainability is undergirded by fostering economic diversification. Given the country's vulnerability posed by unbalanced growth, CDB supports GOS' policy stance of substantially increasing agricultural sector output in a sustainable and gender equitable manner. Among other things this will require reduced participation by the authorities in direct production-related activities and instead focus on: (i) enhancing the capacity of public and private sector operatives to undertake sub-sector specific research and development activities, information dissemination and stakeholder capacity building; (ii) improving access to arable land for both expansion of existing farms and new entrants; and (iii) improving access to credit and associated services. In particular, GOS' programme of support for the sector must also cater to the needs of the socio-economically disadvantaged, youth, women and residents of the hinterland communities. It is recognised that these segments of the population often face difficulty in several areas, including access to land and, by extension, credit.

2.12 Within the framework of the Country Strategy Paper (CSP), CDB is willing to assist GOS in advancing its agricultural sector objectives with a focus on the provision of financing for: (i) production-related infrastructure and services, in particular D&I system rehabilitation in rice production areas and support towards privatisation of GOS' estates; (ii) Lines of Credit (LOC) through established financial intermediaries, including the development of innovative products targeting the socio-economically disadvantaged, females and youth; and (iii) grant-financed feasibility studies targeted at exploring opportunities for the development of domestic production capacity for poultry and aquaculture.

2.13 CDB's strategy to assist GOS in the development of the private sector will focus on exploring opportunities for collaborating on SME financing and TA for business support services. CDB supports GOS' economic diversification and competitiveness strategies to foster production, expand exports and boost employment. The Bank will facilitate enhanced access to credit through the provision of an initial LOC of USD10 mn for on-lending through financial institutions, primarily to SMEs in both traditional and non-traditional sectors. CDB will also: (i) collaborate with the SBF to design and implement TA projects to develop the capacity of SMEs in specific sectors and work with stakeholders to develop a modality to facilitate improved access to credit by micro-entrepreneurs; (ii) consider, on a case-by-case basis, funding for viable and sustainable large-scale private sector projects; and (iii) collaborate with the SBF and other private sector representative bodies to design and implement TA projects, particularly through the Caribbean Technology Consultancy Services (CTCS) modality.

Infrastructure Development

Transport

2.14 Over the Country Strategy period, CDB proposes to support GOS in closing infrastructure gaps; improving the regulatory regime; and enhancing road safety through the following interventions:

- (i) assistance to GOS to develop a plan to reduce fatalities by 50% by 2020 through improvements that accord with the Global Plan for the Decade of Action for Road Safety 2011-2020. An initial study is proposed to define the scope of a wider investment project to improve road safety; and
- (ii) infrastructure rehabilitation and expansion, including the coastal port at Nieuw Nickerie on the Corantijn River, in support of enhanced marine transport to improve logistics and connectivity and reduce freight costs.

Water Supply

2.15 In support of the target of reducing by half the proportion of the population without access to an improved drinking water source by 2015 and ensuring that GOS meets its target of 85% of the population in Suriname having access to safe, potable water from an improved source by that same time period, CDB proposes to provide project financing to contribute to the marked improvement of systems within one district, or to effect more modest improvements across several districts. Interventions will be consistent with the Water Supply Master Plan which aims to enhance sustainability of the water supply through rehabilitation and expansion of network infrastructure, replacement of meters, training and regulatory reform and the provision of appropriate systems in the hinterland.

Flood Risk Management

2.16 Vulnerability assessments conducted for Suriname indicate that the geomorphological processes ongoing along the coast and tidal areas of rivers in Suriname, accelerated by human activities, present a flood risk to as much as 11% of the population, exacerbated when the potential impacts of climate change, such as sea level rise, are considered. Immediate plans for addressing flood risk in the coastal area, where the extent of social and economic activities is increasing, include the construction of approximately 8 km of revetments at various sites along Paramaribo's 30 km of coastline. CDB proposes to assist GOS with this critically important sea defence infrastructure.

Energy

2.17 CDB proposes to work closely with other development partners to ensure that a coordinated and orderly approach is taken toward development in the sector and that support is well targeted. This will involve ensuring that appropriate legislative, regulatory and institutional reforms underpin the development. On the investment side, CDB will seek to support expansion of the physical infrastructure to meet the electricity needs in both the rural and urban districts. Particular attention will also be given to the rapidly expanding North Western corridor (Nieuw Nickerie). A 60 km transmission line is proposed to export power from a multi-purpose (sugar, ethanol and energy production) factory to be built by Staatsolie to the Nickerie power system. This will substitute for the current fossil fuel-based supply. The transmission line will be of sufficient capacity to accommodate future increased power exports. Not only will this make use of local resources, but lends itself to energy diversification and clean energy production, thus reducing greenhouse gas emissions.

(c) Promoting Environmental Sustainability

2.18 As a significant natural resource-rich country with a low population and high ecological footprint, to sustain progress on HDI and its sustainable development objectives, Suriname will need to carefully balance and integrate, social, economic, environmental and spatial development objectives and agendas. These efforts may require reshaping the environmental management, administrative and governance frameworks, now characterised by many institutions with overlapping mandates, institutional fragilities and limited technical capacity. There is a plethora of dated draft environmental legislation and regulations, recently approved environmental policies, as well as many others under development or parliamentary review. The adequacy of these with respect to effective linkages to recently completed regional development and sector policies and action plans will have to be made clear; requiring the elaboration of the key spatial, environmental sustainability and climate resilience objectives. These are necessary to support effective environmental policy coordination across sectors and physical space and to support effective enforcement and accountability mechanisms at all levels. CDB's support will, therefore, seek to assist GOS in strengthening the framework for more robust environmental management. As such, selected areas include:

- (i) contributing to finance an overall review and assessment of key environmental policies, legislative and regulatory frameworks necessary to effectively mainstream environment, disaster risk management (DRM) and climate resilience issues;
- (ii) providing limited TA grants for initiatives promoting community disaster risk reduction (DRR) and climate resilience. Providing sovereign and non-sovereign investments in renewable energy and energy efficiency projects;
- (iii) assisting in mobilising climate financing and other financing modalities;
- (iv) undertaking vulnerability assessments in critical sectors and/or areas and implementation of critical infrastructure investments and associated relevant adaptation measures; and
- (v) developing design and implementation plans for relevant measures that GOS has analysed and prioritised (inland and coastal flood protection).

(d) Promoting Good Governance

2.19 GOS' NDP notes the following "... *An important prerequisite for the optimal implementation of this plan is the following: It should be noted that in many cases, although it is often very desirable and even required, little or even no use is made of statistics for setting clear targets to be met in the years ahead. The underlying reason for this is that the necessary statistics are often not available...*"pg. 9. Solid development planning is fundamentally important to the pursuit and achievement of meaningful and sustained social and economic development outcomes. This encompasses the generation of accurate and reliable macroeconomic and social data sets generated by strong institutions and robust systems. Moreover, an increasingly results-oriented culture that is adapted across the public service is one that can promote greater transparency and accountability. In order to support improved development planning, including project identification and preparation, as well as the implementation of the national budget, CDB proposes to assist GOS in the area of Managing for Development Results (MfDR), as well as greater exposure to project management through the Bank's project cycle management and capacity building training programme.

3. STRATEGY IMPLEMENTATION AND RESULTS FRAMEWORKS

Programme Overview

3.01 The proposed programme represents a package of assistance to GOS in support of the country’s development agenda. The strategy composition is mapped to the core objectives in the NDP of promoting: (i) social sustainability; (ii) economic sustainability; (iii) environmental sustainability; and (iv) good governance. CDB recognises that, in supporting Suriname’s development programme, the Bank will have to focus on areas where it has a comparative advantage and where the country has a significant need. The Bank also recognises that the success of the programme will depend on building a strong partnership with the country which is characterised by openness, dependability and trust. The approach to the strategic engagement will have to be characterised by close collaboration between the Bank staff and their counterparts within GOS, while relationships between CDB and Suriname are strengthened. The Bank will also have to invest considerable time in improving its understanding of country systems, as well as supporting and supplementing existing technical capacity in the country throughout the project cycle.

3.02 The preferred indicative envelope is USD266.8 mn, including USD10 mn under the SDF 8 allocation for Suriname and a grant component of USD3.3 mn.

TABLE 2: SUMMARY OF INDICATIVE AREAS OF SUPPORT

Areas of Caribbean Development Bank Support	Indicative Allocation	
	Grant	Loan
Promoting Social Sustainability:		
Enhancing Education Outcomes		60.0
Participatory Rural Development		3.0
Gender Mainstreaming	0.2	
Citizen Security	0.3	
Country Poverty Assessment	0.3	
Promoting Economic Sustainability:		
Economic Diversification		45.0
Capacity Building (CTCS)	1.0	
Infrastructure Development		110.5
Promoting Environmental Sustainability:		
Sea Defense Infrastructure (with Country Assessment of Living Conditions - \$0.5 mn)	0.5	45.0
Environmental/Climate Resilience Mainstreaming	0.7	
Promoting Good Governance:		
Project Management Capacity Building and MfDR	0.3	
TOTAL	3.3	263.5

Scenario Analysis

3.03 While the Bank is seeking to be bold in its support for GOS’ development agenda, CDB is aware that a number of parameters could adversely impact or delay strategy implementation. These relate to: (i) technical capacity limitations in key line ministries, as well as the Ministry of Finance (MoF), that may hinder project preparation and execution; (ii) CDB’s relatively limited country knowledge and experience; (iii) the absence of a Bank presence in-country to provide strategic and functional guidance to support the project cycle process; and (iv) the possibility of adjustments in the strategy implementation if GOS is able to access other sources of project financing.

3.04 Against this backdrop, the Bank envisions two possible scenarios over the CSP implementation period: (i) the preferred scenario (100% of the envelope); and (ii) an alternative scenario that assumes only 50% (USD133 mn) of the envelope will be implemented over the CSP cycle given the constraints of country knowledge and capacity gaps, coupled with the absence of a country presence. In order to surmount these limitations two critical steps will be proactively taken to improve the timeliness of the proposed CSP interventions. These include:

- (i) strengthening in-country technical capacity with the provision of training in project cycle management for executing agencies and associated line ministries; and
- (ii) the appointment of a dedicated technical resource in MoF for a period of at least 18 months as a focal point to support CDB-funded project preparation and implementation activities.^{19/}

Development Results, Results Framework and Country Strategy Monitoring and Review

3.05 To ensure evidence of gender equality results in all CSP interventions, CDB and GOS will seek to include appropriate gender analysis elements and sex-disaggregated data in planning, implementation, and M&E at the sector, programme and project levels. Accordingly, budget allocations will need to reflect activities around conducting gender analysis throughout the development cycle, including, but not limited to: (i) situation analyses, appraisal and supervision reports; (ii) project completion reports and evaluation exercises; and (iii) baselines, indicators and targets disaggregated by sex.

3.06 In addition to the systematic conduct of gender analysis, special attention will be given to the effective engagement of a critical mass of stakeholders of both sexes, as well as gender-based non-governmental organisations in the needs assessments; prioritisation processes; project management committees; and implementation and M&E of projects. Whenever possible, gender analysis will also identify existing risks of gender-based violence specific to the projects' contexts and recommend mitigation measures to be pursued by the corresponding projects.

3.07 CDB will use a Results Management Framework (RMF) to monitor expected sector outcomes of its interventions. For each intervention, the monitoring framework will identify GOS' development objectives to which it is aligned, the expected contribution to sectoral outcomes and the performance measurement criteria. Strategy implementation will be monitored through Annual Country Review Missions, as well as a Mid-term Review. The Mid-term Review will be undertaken in 2016 to assess progress towards meeting expected sector outcomes and assess portfolio progress and utilisation of the resource envelope. An end-of-Strategy review will also be undertaken. Overall monitoring of the Strategy will be undertaken by both the Bank and country authorities. The RMF is shown at Table 3.

Implementation Plan and Responsibilities

3.08 The results management framework will be utilised to monitor sector outcomes associated with the Bank's Country Strategy. The monitoring framework places CDB's interventions within the context of the country's development objectives; the main issues in the sector; and the sector outcomes to which the interventions are expected to contribute, including the gender dimension. The project level results framework will be fully specified during project design. Effective implementation of the Country Strategy requires monitoring to ensure that the projects indicated in the Country Strategy are submitted for financing, are appraised by CDB and, once approved by CDB's Board of Directors, the funds will be disbursed

^{19/} CDB and other development partners have successfully pursued this approach. CDB used this method in relation to the Guyana portfolio in 2002

expeditiously to facilitate implementation by GOS. In pursuit of these standards, CDB will liaise with GOS to follow up on these stages. This consultative process will be cross-cutting, including MoF, as well as key line ministries.

3.09 Moreover, CDB will continue to monitor the development context in Suriname and have regular dialogue with country officials in order to ensure that the Strategy is adjusted to reflect any changes in the country's priorities. At the end of the strategy period, CDB will evaluate the implementation of the Country Strategy. This evaluation will not only discuss the extent to which projects identified in the Country Strategy are implemented as planned, but examine any divergence therefrom, as well as the circumstances surrounding those departures and make recommendations for strengthening the Strategy for the next period.

Donor Coordination

3.10 Suriname's approach to development financing has been altered with the expiration of the country's aid budget with the Netherlands in 2010. Since then, the country has engaged more directly with both multilateral and bilateral partners in advancing its development agenda. The principal multilateral partners include: IDB, EU, the Islamic Development Bank (IsDB) and UNDP, while WB has recently started exploring early opportunities for engagement. With respect to bilateral partners, China represents the largest player, which also includes, Agence Française de Développement (AFD) and India.

3.11 A joint desk, comprising Central Bank and MoF officials, has been established to coordinate and provide strategic leadership to critical areas of development where assistance should be targeted. This dimension of donor coordination is a critical step in ensuring that development support is better able to improve the lives of ordinary Surinamese by reducing transactions cost and associated inefficiencies.

3.12 At present, participants in the infrastructure sector (roads, port development and energy) include IDB (support for strengthening of the regulatory framework and support for the modernisation and expansion of generation capacity); AFD (rural/secondary roads); EU and China (improved connectivity through improved road access); and IsDB (sea transportation, including upgrading port infrastructure).

3.13 Partners in the social sector space include: IDB (institutional strengthening in the education sector and increasing access through plant expansion); IsDB (support for technical and vocational training); and UNDP (focus on improving gender-sensitive data collection and analysis and promoting the formulation of gender sensitive budgeting).

3.14 With respect to PSD, IDB is supporting improvements in the business and regulatory environment through the establishment of a credit bureau, as well as direct support for the Central Bank through TA to improve financial sector supervision (Appendix 3).

TABLE 3: RESULTS MONITORING FRAMEWORK

Country Objectives (Development Priorities)	Key Sector Challenges	Expected Sector Outcomes	Outcome Indicators	CDB Proposed Intervention	Risks and Mitigation Actions
PILLAR 1: PROMOTING SOCIAL SUSTAINABILITY					
Enhanced education system.	<ul style="list-style-type: none"> Limited access at all levels. Significant inefficiencies in the system. Inequities at the early childhood level. Poor quality. Absence of alignment with the needs of the economy. Limited and inadequate tertiary programming. 	<ul style="list-style-type: none"> Increased access to high quality and relevant education and training. <p><i>Baseline 2013: 38.5%</i></p> <p><i>Baseline 2013: 16%</i></p> <p><i>Baseline 2013: 20%</i></p> <p><i>Baseline: Not currently available</i></p> <p><i>Baseline 2013: 611</i></p>	<ul style="list-style-type: none"> % increase in students accessing ECD. % decrease in primary repetition rate. % increase in interior students transitioning to upper secondary education. % increase in students enrolled in secondary TVET programmes. % increase in annual tertiary student enrolment. 	<ul style="list-style-type: none"> Early childhood development, including parent education. System-wide institutional strengthening and capacity building. Institutional and infrastructural development of TVET at the secondary level. Institutional and infrastructural expansion of tertiary education. Pilot project for teacher development in the interior using technology powered by solar energy. 	<p>Risk:</p> <ul style="list-style-type: none"> Limited institutional capacity. <p>Mitigation:</p> <ul style="list-style-type: none"> Training and capacity building to strengthen leadership at all levels of the system. <p>Risk:</p> <ul style="list-style-type: none"> Poor teacher quality in the interior. <p>Mitigation:</p> <ul style="list-style-type: none"> Specialised training to improve quality of current teaching resources.
Improved human and social development.	<ul style="list-style-type: none"> High levels of rural poverty. 	<ul style="list-style-type: none"> Improved access by rural communities to basic social and economic infrastructure services and income-generating opportunities. 	<ul style="list-style-type: none"> Number of communities benefiting from improved access to basic infrastructure, social services and income-earning opportunities. 	<ul style="list-style-type: none"> Investment in community capacity building projects e.g. roads, water supply, and electricity. 	<p>Risk:</p> <ul style="list-style-type: none"> Unsustained community participation due to long gestation period associated with limited financial and human resources in communities. <p>Mitigation:</p> <ul style="list-style-type: none"> Close engagement with community-based groups with previous requisite experience. <p>Risk:</p> <ul style="list-style-type: none"> Limited competitiveness of products due to high production costs. <p>Mitigation:</p> <ul style="list-style-type: none"> Focus on indigenous products with potential for accessing niche markets.

Country Objectives (Development Priorities)	Key Sector Challenges	Expected Sector Outcomes	Outcome Indicators	CDB Proposed Intervention	Risks and Mitigation Actions
Gender Equality.	<ul style="list-style-type: none"> Limited sex-disaggregated data and information on gender equality at the sector level. 	<ul style="list-style-type: none"> Improved gender mainstreaming capabilities within GOS. 	<ul style="list-style-type: none"> 100% of Bank-funded interventions adequately address gender equality issues. 	<ul style="list-style-type: none"> Conducting gender analysis for each sector supported by the Bank. 	<p>Risk:</p> <ul style="list-style-type: none"> Unavailability of adequately qualified persons to conduct the gender analysis when required. <p>Mitigation:</p> <ul style="list-style-type: none"> The Bank will seek to draw on regional and international expertise.
PILLAR 2: PROMOTING ECONOMIC SUSTAINABILITY					
Improvement in the competitiveness of the agricultural sector.	<ul style="list-style-type: none"> Limited access to arable lands with the necessary infrastructure and services to support a diversified agricultural sector. Poor water management, leading to frequent incidence of flooding and attendant crop loss. Limited farmer access to affordable credit. High cost of production – poultry, aquaculture and livestock – due to heavy dependence on imported feed. 	<ul style="list-style-type: none"> Improved agricultural sector output – targeting both internal and external markets. 	<ul style="list-style-type: none"> Number of hectares of arable lands (former GOS estates) developed and available for private sector investment. <i>Target 2018: 1,800 ha</i> Number of kms of irrigation systems rehabilitated and management responsibility handed over to private farmers. Number of irrigation water boards established. Number of farmers (by sex) benefiting from improved access to agricultural credit. Options for development of poultry and aquaculture industry developed. 	<p><u>Capital Project</u></p> <ul style="list-style-type: none"> Investment in electricity, water and access roads on government-owned estates targeted for privatisation. Investment in macro D&I systems in support of rice production. Development of systems for farmer management of D&I systems in rice producing areas. TA study – Options for the Development of the Poultry and Aquaculture Industry 	<p>Risk:</p> <ul style="list-style-type: none"> Limited participation by the public in GOS’ estate privatisation programme. <p>Mitigation:</p> <ul style="list-style-type: none"> Privatisation programme will be supported by LOCs targeting interested investors. In addition, GOS will maintain support services including land preparation, pest and disease diagnostic services, marketing services etc.
Improving access to financial and business support services for underserved groups – Micro, Small and Medium Enterprises (MSMEs), farmers, and rural entrepreneurs.	<ul style="list-style-type: none"> Restricted access to credit and business support services for MSMEs. Limited capacity of MSMEs to prepare business plans. 	<ul style="list-style-type: none"> Increased MSME access to credit and business support services. 	<ul style="list-style-type: none"> Private sector credit as a percentage of GDP increased. <i>Baseline: 24% (2012 WB)</i> <i>Target: 30% (2019)</i> 	<ul style="list-style-type: none"> Dedicated LOC to eligible financial institutions for the financing of MSMEs . Direct funding to viable medium-sized enterprises TA and associated services, including interventions within the framework of CDB’s CTCS programme. 	<p>Risks:</p> <ul style="list-style-type: none"> Economic policies and business environment not conducive for private sector business activities. Implementation capacity constraints.

Country Objectives (Development Priorities)	Key Sector Challenges	Expected Sector Outcomes	Outcome Indicators	CDB Proposed Intervention	Risks and Mitigation Actions
					<p>Mitigation:</p> <ul style="list-style-type: none"> • Dialogue with country authorities and policy advice for private sector development. • Donor support, coupled with that of consultants and experts to strengthen institutional capacity. • Continuous and timely engagement by CDB/CTCS staff to assess country capacity needs and the provision of support as needed.
<p>Improved safety conditions in the road transport system.</p> <p>Improved responsiveness of emergency services to road traffic accidents.</p>	<ul style="list-style-type: none"> • Growth in two-wheel vehicles; limited institutional capacity in road agencies; limited funds; and dated traffic management systems and regulatory framework. 	<ul style="list-style-type: none"> • Reduced human, economic and financial losses due to road traffic accidents. 	<ul style="list-style-type: none"> • Direct and indirect losses associated with road traffic accidents reduced from an estimated 1% of GDP (2014) to 0.5% of GDP (2020). 	<ul style="list-style-type: none"> • TA for capacity review, network analysis and design. • Capital project for road network safety enhancement. 	<p>Risks:</p> <ul style="list-style-type: none"> • Inadequate interagency coordination. • Implementation capacity constraints. <p>Mitigation:</p> <ul style="list-style-type: none"> • Introduce mechanisms for wide stakeholder participation throughout project cycle. • Capacity building measures and supplemental project management support.
<p>Modernised and expanded port facilities.</p>	<ul style="list-style-type: none"> • Inadequate infrastructure. • Shallow navigation channels. 	<ul style="list-style-type: none"> • Enhanced efficiency and capacity of port operations. 	<ul style="list-style-type: none"> • Cost of transport of agricultural produce from project area reduced by 10% in 2020 from baseline (2014) (TBD). 	<ul style="list-style-type: none"> • Capital project for port infrastructure works. 	<p>Risk:</p> <ul style="list-style-type: none"> • Inadequate project management, coordination and operational environment. <p>Mitigation:</p> <ul style="list-style-type: none"> • Support for project management, coordination and institutional strengthening measures to be incorporated in project design.
<p>Improved availability of safe drinking water and sanitation for the population.</p>	<ul style="list-style-type: none"> • Inadequate coverage and maintenance of infrastructure. • Inadequate tariff structure. 	<ul style="list-style-type: none"> • Improved coverage, efficiency and quality of potable water supply. 	<ul style="list-style-type: none"> • Level of NRW in target areas reduced from coastal area, approximately 35% (2014) to 30% (2020). • Access to improved water supply in hinterland increased from 65% (2014) to 85% (2020). 	<ul style="list-style-type: none"> • Improved availability of safe drinking water and sanitation for the population. 	<p>Risks:</p> <ul style="list-style-type: none"> • Project management requirements exceed project management resources with the water operators. • Sustainability hampered by inadequate institutional and regulatory frameworks and tariffs.

Country Objectives (Development Priorities)	Key Sector Challenges	Expected Sector Outcomes	Outcome Indicators	CDB Proposed Intervention	Risks and Mitigation Actions
			<ul style="list-style-type: none"> Consumer satisfaction with water quality in target areas in the coastal region increased from approximately 70% (2014) to 80% (2020). 		<ul style="list-style-type: none"> Inadequate stakeholder participation in planning, coordination and decision making <p>Mitigation:</p> <ul style="list-style-type: none"> Project management support to be incorporated in project design and budgetary allocation. Systems for effective communication among stakeholders to be included in project requirements. Status of regulatory and tariff reforms to be monitored and appropriate support provided.
<p>An efficient energy sector to support economic growth.</p>	<ul style="list-style-type: none"> Lack of electricity coverage to rapidly developing commercial and residential areas, including some rural areas inhabited by the poor. Inadequate capacity and congestion on the transmission and distribution system limit export of power to end users. 	<ul style="list-style-type: none"> Increased electricity coverage. Improved capacity of EBS' transmission and distribution system. 	<ul style="list-style-type: none"> Percentage of population with access to energy. <i>Baseline: 85</i> <i>Target: 90</i> Miles of transmission lines upgraded. Miles of distribution lines upgraded. 	<ul style="list-style-type: none"> Funding for: <ul style="list-style-type: none"> capacity upgrades on transmission and distribution system. expansion of distribution network to unserved areas. 	<p>Risks:</p> <ul style="list-style-type: none"> An environment that does not enable the development of an efficient and sustainable energy sector, given the current absence of overarching legislative, regulatory and institutional frameworks to govern activities in the sector. These frameworks will need to be both established and adopted. Financial sustainability of EBS, given that the existing electricity rates are not cost-effective. <p>Mitigation:</p> <ul style="list-style-type: none"> GOS receiving TA from another development institution for the revision of legislation and the establishment of appropriate regulatory and institutional arrangements to govern the sector. The proposed regulatory and institutional arrangements are expected to allow for the introduction of electricity rates that are based on economic principles.

Country Objectives (Development Priorities)	Key Sector Challenges	Expected Sector Outcomes	Outcome Indicators	CDB Proposed Intervention	Risks and Mitigation Actions
PILLAR 3: PROMOTING ENVIRONMENTAL SUSTAINABILITY					
Improving climate resilience, environmental management and DRM.	<ul style="list-style-type: none"> Fragmented institutional responsibility and weak environmental management institutions. 	<ul style="list-style-type: none"> Enhanced governance framework for environmental management. 	<ul style="list-style-type: none"> Overarching environmental legislation, including Environmental Impact Analysis (EIA) regulations revised and enacted. 	<ul style="list-style-type: none"> TA to revise outdated legislation and EIA regulations. 	<p>Risk:</p> <ul style="list-style-type: none"> Limited technical capacity for managing TA. <p>Mitigation:</p> <ul style="list-style-type: none"> Provide TA to directly support institutional strengthening.
Reduced vulnerability to natural hazards and climate risks.	<ul style="list-style-type: none"> Concentration of population in low-lying coastal plain at risk to impacts from sea level rise. Many socially vulnerable hinterland communities vulnerable to recurring riverine flooding hazard. 	<ul style="list-style-type: none"> Enhanced community resilience to coastal hazards through strengthened sea defence infrastructure and improved community-level disaster and climate resilience strategies. 	<ul style="list-style-type: none"> Areal extent of population served by upgraded and climate resilient coastal infrastructure. Number of communities and population implementing improved DRR and climate resilience strategies and programmes to reduce vulnerability to natural hazards and impacts of climate change. 	<ul style="list-style-type: none"> TA and capital investment projects for improved coastal zone management and flood risk management in hinterland communities. 	<p>Risks:</p> <ul style="list-style-type: none"> Limited technical and implementation capacity for managing TA and capital investments. <p>Mitigation:</p> <ul style="list-style-type: none"> Include targeted capacity building measures in capital investment interventions and provide direct TA to support institutional.
PILLAR 4: PROMOTING GOOD GOVERNANCE					
Improved governance through evidence-based decision making.	<ul style="list-style-type: none"> Absence of official national poverty indicators. Limited capacity and systems to adequately pursue effective development planning. 	<ul style="list-style-type: none"> Nationally accepted poverty indicators established by Dec. 2016 Establishment of national poverty indicators that are accepted by all stakeholders. Enhanced capability to formulate better results-based projects and development plans. 	<ul style="list-style-type: none"> % increase in the number of public officers exposed to MfDR and project cycle management training. 	<ul style="list-style-type: none"> Conduct of CPA in collaboration with UNDP. Facilitate exposure and training to MfDR and project management 	<p>Risk:</p> <ul style="list-style-type: none"> Failure to obtain agreement on methodology from political directorate and other key stakeholders. Insufficient number of officers are exposed to training; or officers leave ministries without imparting knowledge. <p>Mitigation:</p> <ul style="list-style-type: none"> Engagement with political directorate and other officials early in the new parliamentary term. An effort will be made to pursue a training of trainer approach to promote sustainability of the benefit.

4. RISK ASSESSMENT AND MITIGATION

4.01 Several risks have been identified which could affect strategy implementation and outcomes. These risks are all classified as operational, covering areas such as: (i) macroeconomic shocks; (ii) implementation capacity risks; and (iii) political-related risk. These risks and associated mitigation measures are outlined in Table 4.

TABLE 4: COUNTRY STRATEGY PAPER IMPLEMENTATION RISK AND RISK MITIGATION MEASURES

Risk Type	Description of Risk	Risk Classification	Mitigation Measures
Operational	<i>Macroeconomic:</i> Suriname is a commodity-based exporting country and has enjoyed sustained growth over the recent past. This notwithstanding, the country is vulnerable to a substantial deterioration in commodity prices, particularly gold. This could compromise GOS' fiscal position and its ability to pursue the borrowing programme with CDB.	Low	The country is seeking to build strong fiscal buffers, including the creation of a SWF. Moreover, GOS has exhibited the capacity to take tough decisions, including revenue generation measures, aimed at protecting its fiscal position.
Operational	<i>Implementation Capacity Constraints:</i> The number of development partners and projects being implemented simultaneously across the public sector have steadily grown in the past five years and may represent a challenge to GOS' implementation capacity.	Moderate	CDB will continuously assess needs and help to build capacity of in-country teams as necessary in order to accelerate project implementation towards the achievement of the Strategy's expected outcomes. CDB will also seek to participate in coordination activities in an effort to plan activities in a manner that reduces implementation burden
Operational	<i>Changing National Priorities:</i> A pending general elections scheduled for May 2015 may reorder GOS' development priorities.	Moderate	The CSP preparation process has been extremely consultative and is anchored on the core pressing needs of Suriname. Also, one of the guiding principles of the Strategy is that of flexibility in an effort to capture departures, albeit modest, from indicative package of support.

KEY MACROECONOMIC PROJECTIONS

Medium-Term Outlook					
(% GDP)					
Item	2014	2015	2016	2017	2018
Real GDP Growth	4.0	4.3	4.5	4.6	4.7
Revenue and Grants	24.8	25.3	25.6	25.8	25.7
Total Expenditure	28.8	28.8	28.8	28.7	28.6
Overall Fiscal Balance	(4.0)	(3.5)	(3.2)	(2.9)	(2.8)
Domestic Debt	14.6	16.7	18.3	19.5	20.6
External Debt	25.0	23.8	22.4	21.0	19.6
Total Public Debt	39.6	40.5	40.7	40.5	40.2
International Reserve Cover	4.5	4.3	5.4	5.6	5.6
Change in Private Sector Credit	11.4	9.3	9.8	12.8	9.4

Source: IMF Staff projections

EASE OF DOING BUSINESS INDICATORS, 2014

Item		Suriname	Regional Average	Singapore
Ease of Doing Business Rank		161	100	1
Starting a Business	Procedures (Number)	13	8	3
	Time (days)	208	39	3
	Cost (% of income per capita)	108	39	1
	Paid-in Min. Capital (% of income per capita)	0.4	1	0
Dealing with Construction Permits	Procedures (number)	11	10	11
	Time (days)	239	247	26
Getting Electricity	Time (days)	58	59	36
Registering Property	Time (days)	107	85	6
Paying Taxes	Time (hours per year)	199	181	82
	Profit Tax (%)	28	24	5
	Labor tax and contribution (%)	0	8	18
	Other taxes (%)	0	7	5
	Total tax rate (% profit)	28	39	27
Trading Across Borders	Documents to exports (number)	8	6	3
	Time to export (days)	22	16	6
	Cost to export (USD per container)	1,000	1,013	460
	Documents to import (number)	6	7	3
	Time to import (days)	19	16	4
	Cost to import (USD per container)	1,165	1,675	440
Enforcing Contracts	Time (days)	1715	772	150
	Costs (% of claim)	37	31	26
	Procedures (number)	44	43	21

Source: WB

DONOR MATRIX

Area	CDB*	IDB	IMF	WB	EU	UNICEF	ECLAC	IsDB	PAHO	CARTAC	USAID	UNDP
Energy	X	X		X								
Human Capital Development	X	X				X		X	X		X	X
Private Sector Development	X	X		X								
Public Sector Investment Management		X		X								X
Agriculture	X	X			X			X				
Water and Sanitation	X	X						X				
Transport	X	X			X			X				
Legislative Function Consolidation												X
Environment	X	X		X								X
Data Generation and Dissemination		X										X
Public Financial Management			X							X		

**Proposed*

- UNICEF - United Nations Children's Fund
- ECLAC - Economic Commission for Latin America and the Caribbean
- PAHO - Pan American Health Organisation
- USAID - United States Agency for International Development