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*RE-381*

***Country Program Evaluation:  
Suriname 2007-2010***

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## EXECUTIVE SUMMARY

Suriname has a unique set of characteristics amongst IDB's clients that pose acute development challenges to the country and for the Bank in its ability to define its strategic niche and its *modus operandi* in the country.

Suriname is the smallest South American country; the most open with highly concentrated exports (alumina, gold and increasingly oil); the most fragmented with respect to languages, ethnicity and major religions; historically the largest per capita aid recipient. It is one of the youngest as an independent country and as a borrowing member of the Bank. While the country's GDP per capita places it in the middle range of the Region it shares many characteristics with HIPC countries although without any foreign debt problem.

This constellation of characteristics implies, a priori, based on a large body of studies, a high probability of political turmoil, poor economic performance and meagre economic development. For most of the period, since independence in 1975, the country's economic and political performance was in line with these expectations. However, during the period covered by this CPE, the country has been characterised by good economic performance. This was largely due to the world-wide commodity boom coupled with prudent macroeconomic and debt management. The latter was achieved by a government that overcame the challenges posed by dependence on multi-party coalitions. However, it is unknown if the recent boom was pro-poor and what progress has been made towards the Millennium Development Goals, given the paucity of data. Perspectives for medium-term macroeconomic performance are positive.

The Bank's strategic intent, as expressed in the 2007 Country Strategy was laudable but actual delivery was not. Programming intent was **relevant and coherent**. Relevance was found: (i) with respect to development challenges; (ii) with respect to government's declared priorities; and (iii) with respect to its extensive preparatory economic and sector work combined with a promise to make existing and future analytical work available to the public. However, two issues were not adequately raised by the Bank. First, a key diagnostic, common to all analytical work carried out in the preparation of the strategy, namely data and information shortfall and lack of access to what exists, was not incorporated into the strategy. Second, the probable problem of oil becoming a curse rather than a boon was not addressed. The program's intent was coherent in terms of the Bank's: (i) proposed instrument mix, which implied an increase in non-sovereign loans; (ii) TC programming criteria designed to concentrate efforts in key strategic areas; and (iii) greater coordination with other donors including assisting in the creation of a focal point in the government and agreement with other donors to use the Millennium Development Goals as drivers in the relation with Suriname. Delivery on relevance and coherence hinged on the proposed change in the Bank's *modus operandi* in the country, assigning greater resources and an appropriate skill mix of its staff to support the program and carry out policy dialogue. However, there was practically no delivery on any of these intentions. The program's *de facto* **relevance and coherence** are correspondingly **low**. The Bank failed to deliver on its promised loans (only three were approved) and failed to

shift its portfolio towards private sector development and non-sovereign lending. It did not comply fully with the programming criteria of its TCs nor in making public the existing stock of economic and sector work. The Bank largely failed to deliver on enhancing Government-led donor coordination or utilization of the Millennium Development Goals to monitor performance.

The Bank was successful in reducing its own preparation and execution costs. However, these successes were achieved at the cost of a worsening other portfolio indicators. The Bank's **efficiency** was thus **low**. The Bank was also unsuccessful in systematically measuring the development effectiveness of its program. Thus, **the efficacy** of the program is generally **unknown**. Thus very little can be said of the Bank's development effectiveness.

Thus, if success is measured in terms of financial flows then the program was successful as flows were greater than baseline programmed flows (even though not all the triggers for a higher lending scenario were fulfilled). If success is measured by cost cutting, i.e. reduction in preparation and execution costs, then it was successful as they fell with respect to the past and to Bank wide averages. However, in practically all other dimensions relevant for the Bank's development role, it did worse.

The gap between what the program promised and what it delivered can be attributed to both demand and supply factors. A demand viewpoint suggests that the specific products contained in the program did not have high country-ownership. Supply considerations suggest that the Bank may have underfunded the planned change in *modus operandi* in Suriname, thus undercutting its intent of a continuous dialogue with the country to effectively deliver on its programming promises. Underfunding occurred despite the programmed change in resources and skill mix in COF and the role of the Bank as the largest single creditor.

Thus the very features that the Bank's Board of Directors lauded in the strategy were mainly not delivered. The Programming Committee's Chairman's report noted that: "*Directors commended the approach of the new strategy which is more focused on capacity building and infrastructure.*" This was only partially delivered. "*A reduced number of larger initiatives would allow closer monitoring of project implementation.*" It did not. "*Several chairs insisted on the need to strengthen the Bank's role in terms of donor coordination, considering it is the largest multilateral lender to Suriname.*" It did not. "*Bearing in mind the potentially significant oil and gas reserves, it was also recommended that the Bank should assist the country authorities in expanding this sector of activity.*" It did not.

The Bank has not yet satisfactorily defined and delivered on a strategic niche and found a relevant *modus operandi* (COF's interface with Headquarters, Suriname and with other donors). The objective of becoming an effective development partner with the country has remained elusive.

The previous CPE made thirteen recommendations. They remain as pertinent today as they were in 2006. However, with three more years of experience, OVE recommends that

the Bank should consider the following recommendations in order to become a more effective development partner:

First, reconsider its *modus operandi*.

- a. Increase funding towards COF and change the skill mix of its staff in the country as it originally intended to do. It should push more forcefully its donor coordination agenda, with the country in lead role. The Bank should use the Paris Declaration's principles to guide not only coordination with other donors but also the Bank's own strategic *modus operandi*.
- b. Place the gathering of primary data (administrative in key government agencies and surveys by the country's statistical entity) as a central theme, while facilitating the transparent dissemination of information of both the data and its analysis. This should be within a broad strategy of transparency in general, for an informed public debate about policy and the generalised use of evidence based decision making in the country and in the relation between the country and the Bank. The Bank could start by demonstrating the development effectiveness of its operations.
- c. Define, deliver, measure and report on the strategic use of its large TC portfolio. It should create a local system, embedded in a government entity, which reports on progress (activities and outputs) and is easily accessible to third parties. The system should also include the Bank's analytical work (through TCs, operations and stand alone studies).

Second, revise the Bank's strategic niche and the corresponding operations. The strategic challenges and niche remain essentially what the Bank identified, through its analytical work:

- a. Pervasive intervention of the public sector in the economy;
- b. Lack of critical mass of private sector activities;
- c. Poor social integration

The increasing possibility of an intensifying Dutch-disease-resource curse must be added. However, the implementation of the previous country strategy analysed in this paper shows that the Bank should be careful in ensuring that the mapping of the proposed strategy onto proposed operations and technical assistance has a high country ownership. Elements in the Bank's proposed strategic intent and the corresponding set of operations not taken up by the country should be reported in the next country strategy.

## I. COUNTRY CONTEXT

- 1.1 This CPE focuses on the period covered by the last Country Strategy from 2007-2010 (GN-2459), although not exclusively so, given that a large part of the active portfolio in this period was approved in previous programming cycles.<sup>1</sup> The Bank's previous Country Strategy covered the period 1999-2001, followed by updates up to 2006, and was covered in the previous CPE (RE-318).
- 1.2 The general purpose of this chapter is to set out the country context in which the Bank's strategy and programs were conceived, implemented, and modified. These characteristics are used as benchmarks in the CPE's evaluative criteria.
- 1.3 The description and analysis of the country context and development challenges is constrained by a paucity of essential development data; what does exist is often fragmentary, of low frequency, or not available to third parties. This implies that many topics are absent in this CPE, as relevant development data to assess changes over time and to carry out cross country comparisons are unavailable. Regarding macroeconomic data, the IMF noted in its most recent Article IV Consultation that "... *national accounts estimates are published with very long lags, and there is still no breakdown of the national accounts from the expenditure side... long delays in the provision of source data affect production approach to GDP estimates*" (IMF 2010). In fact the latest year for which GDP by sector is available is 2003. A recent evaluation of the country's quality and availability of social data and metadata to stakeholders to monitor and report on Millennium Development Goals (MDGs) indicators concluded that microeconomic data is not as "strong" as macroeconomic data: "*Microeconomic data linked to the MDGs are not similarly strong, for example on variables such as mean years of schooling, average wage, etc.*" "... *performance on the MDGs is not well monitored from a statistical standpoint*" and "*Most data are still available in paper format; the public will find it hard to gain access to metadata for many administrative variables*" (see James *et. al.* 2010).

### A. Development challenges: structural features

- 1.4 Suriname is the smallest South American country, the most sparsely populated in the Region (approximately half a million inhabitants), and one of the youngest, achieving independence in 1975. It is the most fragmented amongst IDB borrowers in terms of languages, ethnicity and major religions. It has one of the most open economies of the region with one of the highest concentrations of export products (alumina, gold, and oil). Historically, it has been the largest per capita foreign aid recipient. This constellation of characteristics suggests, *a priori*, based on the existing literature, a high probability of political turmoil, poor economic performance and meagre economic development. In

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<sup>1</sup> In order to avoid cluttering the text, all supportive documentation (e.g. references, tables, and charts) are in individual annexes to each chapter.

fact, for most of the period since independence in 1975, the country's economic and political performance fell in line with these expectations.

- 1.5 The prior expectations of poor development performance are based on a large body of empirical evidence that countries with these characteristics, on average, face significant development challenges, described below.
- 1.6 The smaller the country, the larger is the size of government (see Cas and Ota, 2008) hence a large state in Suriname is expected. Suriname is one of the smallest of the IDB members in all the dimensions used to measure "smallness." Small states do not enjoy economies of scale either in production or in public administration, particularly when there is low population density, hence have larger governments. It is difficult to discern the size of the public sector in Suriname, as fiscal accounts are available only for the central government. However, it is estimated that that the public sector employs 60% of the formal sector workforce and includes 120 to 140 public enterprises.
- 1.7 Small economies tend to be particularly vulnerable to economic shocks as they are more open to trade; they have to rely on imports to satisfy their domestic demand and exports tend to be highly concentrated in a few sectors. Suriname's export plus imports represent approximately 146% of GDP, the second highest in the Region, after Guyana. Suriname's exports are concentrated in alumina, gold, and oil that together represent approximately 55% of GDP and 95% of exports in 2008 (IMF 2010). The country imports most of its food. Thus Suriname was particularly vulnerable to the inflation pressure and the poverty increasing effect of the recent 2007-2008 rise in world food prices.
- 1.8 Small economies tend to be characterised by higher income volatility given the export concentration's effect on terms of trade volatility and hence on income volatility. This is compounded by fiscal dependence on the exports of the three main commodities, which typically account for 36% of central government revenue. Suriname's terms of trade and income volatility are amongst the highest in IDB borrowers. This in turn, should likely have a negative impact on the average level of economic growth, since income volatility is bad for growth (e.g. Easterly and Kraay, 2000 and Ramey and Ramey, 1995). Average annual growth, from 1961 to 2007 was 1.3%, higher than Haiti's 0.7% but lower than Guyana's 1.7%.
- 1.9 Further, concentration in a few extractive industries could result in a "resource curse", i.e. Dutch disease, whereby countries with substantial natural resource wealth exhibit lacklustre economic development (see Frankel 2010 for a review). Natural resources represent an unearned rent accruing to governments. It is argued that this rent has a negative developmental effect on the economy, through real exchange rate appreciation and its higher volatility plus a deleterious effect on public institutions. While real exchange volatility dampens investment, hence growth and employment (see Serven and Solimano, 1994, for LAC), in the case of Suriname the bauxite sector is partially



sheltered as local wages and processing are contracted in US dollars and paid out in local currency (see Fritz-Krockow, 2009).<sup>2</sup>

- 1.10 Reliance on foreign aid may also have perverse effects. The traditional argument for aid is that one of its primary purposes is to build effective indigenous institutions. According to this formulation, aid should be targeted to entities with the least effective institutions with the idea that aid itself will help to improve the institutional environment. This approach is supported by Sachs' (2005) view that good institutions are a result of development, rather than their cause. However, this has now become a minority view. Today the dominant view recognizes the importance of good institutions for aid to be effective, while also leveraging a greater commitment on the part of governments to improve growth and poverty reduction. From this point of view, aid could undermine long-term institutional development along similar lines as the "resource curse." Another negative effect on the domestic economy is the volatility of aid in aid dependent countries (see Bulir and Hamann, 2002).
- 1.11 Aid to Suriname has been substantially higher and more volatile than the Latin American average. As shown in Table I.1, Suriname's aid per capita averaged US\$64 per year from 199-2006 the fifth highest in the Region. In the more recent period, 2007-2008, aid per capita rose to US\$246 the highest in the Region, above Nicaragua with US\$140 and Guyana with US\$190. Remittances are important. Workers' remittances, mainly from the Surinamese diaspora population in Holland, represented about US\$266 per capita in 2007-2008. However, the accuracy of the remittances figures is suspect. A detailed study on the Netherlands-Suriname Corridor by Unger and Siegel (2006) shows that calculations have a wide range and that the balance of payments figures may severely underestimate the size of remittances.
- 1.12 In terms of governance, Suriname's characteristics also suggest expectations of poor policy and development performance. Studies show that high ethnic fragmentation is associated with low economic growth and poor economic policy, although not so in countries with good quality of government (Easterly and Levine, 1997). However, ethnic fragmentation combined with geographical segregation within a country leads to lower quality government (Alesina and Zhuravsky, 2008).
- 1.13 The country's population of half a million speaks over 16 languages with no single dominant language, although Dutch is the official language. It consists of over eight ethnic groups with no single dominant one (about 20% of Indian descent, 18% Creole, 15% Javanese plus a smattering of European and Chinese descendants; the interior is populated by Maroons and Amerindians). It also has many religions but no single dominant one. Political parties are essentially ethnic based and given that there is no

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<sup>2</sup> The country maintains a dual exchange rate (official and commercial) in addition to an unofficial parallel market. The country also has extensive capital controls. All capital transactions require approval of the Foreign Exchange Commission. The controls apply to all inward and outward real estate transactions, the contracting of foreign capital and money market instruments, derivatives and credit.

single dominant group, governments are often formed through multi party parliamentary allegiances.

- 1.14 Ethnic politics reduces agreement on a common set of rules and policies leading to a deterioration of the polity. Ethnic voting is likely to be more easily organised in segregated countries, leading to a selection of politicians more interested in pursuing ethnic-based policies than the common good and typically are characterised by long drawn out processes of decision making as consensus, including the distribution of rents, needs to be built. Governing coalitions imply that each coalition member needs to demonstrate the delivery of tangible “goods” to their bases. In fact, in the case of Suriname, “*Public sector employment has been a tool for political consensus building.*” (see Fritz-Krockow *et. al.* 2009).

## **B. Development challenges: Competitiveness and the Private Sector**

- 1.15 Exports are dominated by three private sector companies. Bauxite mining and alumina production are controlled under an agreement between Suralco-Alcoa, an American firm, and BHP, an Australian based mining company. Cambior, a Canadian firm, controls formal gold mining. A state-owned enterprise, Staatsolie, controls oil. However, information on the non- mineral private sector is scant, as the country does not have an industrial survey or a micro and small firm survey. Information on the domestic private sector in the country is limited to a register administered by the Chamber of Commerce of approximately 20,000 firms, of which about 14,000 to 15,000 are active. It is estimated that on average private sector firms have three employees. More than half of the firms are in domestic commerce and retail activities and about 10% are in mining and manufacturing. Manufacturing is concentrated in processing of local agricultural products mainly limited to supplying the local market. Agricultural firms are not included nor are informal micro and small firms.
- 1.16 The limitations of private sector development are captured by the Global Competitiveness Index and its components, including the problems of doing business in the country. Suriname’s GDP per capita is in the middle range of the region. However its Global Index for 2006-2007 (3.45) was lower than the average of 3.9 for countries with similar GDP per capita (Colombia, Ecuador and Peru) and the average of 4.1 for the English-speaking Caribbean countries of Jamaica and Trinidad and Tobago, but equal to the average value of 3.5 for low-income HIPC countries (Guyana, Honduras, Nicaragua and Bolivia). As Table I.2 shows, this also holds true for the individual components of the index, reflecting structural characteristics and the business climate of the countries. Specifically, for several dimensions of the index (institutions, infrastructure, macro economy, market efficiency, technological readiness, business sophistication, innovation and higher education) Suriname shares values with HIPC countries, has a worse value than English speaking Caribbean countries and countries with similar GDP. Between 2006-2007 and 2009-2010 Suriname’s Global Competitiveness Index and some of its components show some improvement in both Suriname’s score and ranking (see Chart I.1). The sub-components “infrastructure” and “market size” scores have improved over the periods. However, other than the macro economy component all other indicators

remain relatively worse relative to the Caribbean average and with respect to similar GDP per capita countries.

- 1.17 Chart I.1 also shows the main problems facing the private sector, based on surveys of business executives in 2009-2010. Among the five most important problems of doing business in the country, they list an inefficient government bureaucracy (23%), limited access to financing (12%), corruption (11%), foreign currency regulations (8.8%) and inadequate supply of infrastructure (7.6%).

### **C. Development challenges: Social development and the environment**

- 1.18 The Millennium Development Goals (MDGs) provide a convenient approach to discussing the country's social and environmental conditions. Suriname's five-year development plan for the period 2006-2011 adopted the MDGs to monitor achievement of the broad objectives of the plan. The IDB Country Strategy contained an analysis of the progress with respect to the MDGs, although only two MDG-related indicators were incorporated in the strategy's development matrix. The Bank also proposed using the MDGs framework as the overall development umbrella for donors to shape and monitor their programs and projects.

- 1.19 However, the paucity of continuous and up-to-date data effectively hinders a comprehensive assessment of MDG progress, given the lack of observations, including baselines, and the fact that existing data is usually only available to 2006-2007.<sup>3</sup> It is unknown by how much the figures have changed or improved during 2007-2010, the period covered by this evaluation. Moreover, most surveys in Suriname either do not cover or under-represent the interior, where social conditions are generally worse.

- 1.20 Table I.3 presents the evolution of key MDG indicators drawn from the 2010 United Nations inter-agency report for Latin America and the Caribbean, which reflects a technical consensus among all UN agencies and provides comparable data across countries. Suriname's data problems are clearly illustrated by the lack of figures on progress towards achievement of the first and most important MDG, eradicating extreme poverty and hunger. According to the UN, the proportion of people living on less than US\$1(PPP) per day in Suriname in 1990 (the baseline year) was 15.5%. No figures are presented for either 1999-2000 or 2008 given that estimates diverge significantly from the baseline. It is likely that the 1990 figure is wrong. There is evidence that poverty levels in Suriname are among the highest in the Region. According to the government's 2009 MDG Progress Report, the percentage of poor households rose from 44.2% in 2000 to 51.3% in 2008, but the difference is not statistically significant and the data is limited to the coastal urban districts. An IDB study, stratified to include urban, rural and interior districts, estimated the poverty headcount as 74% in 2007 (Bitrán, 2009).

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<sup>3</sup> According to James (2010) "Metadata were not generally reported in the 2005 MDG Baseline Report and are again not generally reported in the 2009 MDG Progress Report, except in each case for selected poverty indicators."

- 1.21 Net enrolment in primary education in Suriname (MDG #2) increased from 82.1% in 1991 to 90.1% in 2007, which is comparable to the average for the Caribbean but remains below the average for the region as a whole. Gender equality (MDG #3) prevails at the primary school level, but figures from the GOS suggest that at the junior secondary level and beyond boys significantly lag behind girls, a problem found in other Caribbean countries. The proportion of women in the national parliament increased over threefold between 1990 and 2007.
- 1.22 The progress in health has been more uneven (MDGs #4 and 5). There has been progress in reducing infant and child mortality and increasing vaccination coverage. However, according to UN data progress has been slower than for the Region as a whole. For all three indicators, Suriname's situation was better than the Latin American and Caribbean average in 1990 and worse in 2009, though the indicators for infant and child mortality presented by UN are significantly higher than those reported by the GOS. The evolution of the indicators related to maternal health reported by the UN system is difficult to interpret, given the paucity of data for most countries, including Suriname. The proportion of births attended by skilled health attendants in Suriname over the period 2002-2008 exceeds the regional average. However, the average maternal mortality ratio for 2002-2008 is significantly higher; if the figure were correct, Suriname's ratio would be three times the regional average and substantially higher than all other countries in the Region. This is unlikely, given the wide coverage of health services. Suriname's most significant achievement in health has been the significant reduction in the number of malaria cases (MDG #6), which primarily affect the indigenous and migrant populations of the interior. With support from the Global Fund, the number of malaria cases fell by more than 50% between 2005 and 2006 and has continued to decline; there have been no malaria deaths since 2006.
- 1.23 Access to improved drinking water is equal to the regional average, while access to improved sanitation facility remains above the regional average, but appears to have declined over time (MDG #7). It is unclear whether these figures include the interior.
- 1.24 Suriname is rich in natural resources and 95% of the land area is covered by forest. There has been substantial progress in the proportion of terrestrial and marine areas protected, from 3.9% in 1990 to 13.2% in 2008. However, illegal gold mining and logging may have led to land degradation and mercury pollution. In 2006, a widespread flooding emergency affected about 70% of the population in the interior. In the coastal belt, a combination of unsound agricultural practices, sea-level rise and mangrove losses have led to land degradation. Water pollution and solid waste management are major concerns in the urban areas.
- 1.25 In terms of other social problems, drug trafficking, money laundering and illegal gold mining in the interior have led to security concerns as organised criminal groups have considerable economic, social, and political leverage. Nevertheless, generalised violent

crime is much less a pressing problem than in neighbouring Guyana and the English speaking Caribbean.<sup>4</sup>

#### **D. Suriname's recent economic development**

- 1.26 The period covered in this report represents a radical departure from the country's less than rosy historical, political, and economic performance predicted. The decades of the eighties and nineties were marked by a stagnating economy, episodes of political turmoil, recurrent economic crisis, interruption of aid flows, bouts of near hyperinflation rates and extreme exchange rate instability as well as incapacity to reach a political consensus on policy and reform.
- 1.27 The more recent period, starting in 2002-2003, has been characterised instead by political stability and better average values with reduced volatility of economic performance indicators than their historical values. A comparison of the programming period, 2007-2010, with the past shows (1999-2006), as depicted in Table I.4 shows: higher economic growth (4.4% vs. 3.4% p.a.) with reduced volatility (1.3 vs. 3.2), a falling inflation rate (6.8% vs. 40.7% p.a.) and reduced volatility (5 vs. 31), a primary fiscal balance surplus (1% of GDP) vs. a deficit (-2.4% of GDP), a current account surplus of the balance of payments (0.9% of GDP vs. -12 % of GDP). Comparing values for 2010 (forecasted) with those in 2006, there was a higher stock of international foreign reserves (US\$18.9 million vs. US\$16.7 million) and a falling public external debt to GDP ratio (12.2% of GDP vs. 10% of GDP).
- 1.28 The country also managed to reduce its foreign debt to GDP ratio from 37% in 2005 to 16% at the end of 2009, which is now one of the lowest in the Region (see Table I.5). The partial clearance of longstanding arrears with bilateral creditors partially contributed to this. Suriname cleared US\$118 million in Brazilian debt, including a write-off of US\$44 million by drawing down non-loan balances from the Dutch Fund. The country now only has bilateral arrears with the United States, estimated at US\$31 million where Suriname has offered to pay the principal and interest, while asking the United States to waive the penalties, estimated at about US\$15 million. The structure of debt has also changed. Commercial debt has disappeared, bilateral debt has fallen and multilateral debt has increased its participation in total external debt. As Table I.5 shows, of the US\$145 million bilateral debt at the end of 2009, 66% of the total was with China and 25% was with India. There is no debt with Holland since 2007, which historically had been the most important amongst bilateral lenders and as a source of grants. As Table I.5 shows, domestic debt has risen in absolute terms from US\$289 million in 2000, to US\$653 million in 2006 and US\$683 million in 2009.
- 1.29 The improved economic performance can be attributed to the commodity boom combined with prudent macroeconomic management. The average values prices for alumina, gold, and oil prices were 1.5, 2.3, and 2.6 times higher in the 2007-2010 period relative to the average for the period 1999 to 2006. Prudent macroeconomic management

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<sup>4</sup> See page 8 of Suriname, Country Report, EIU, July 2010.

was achieved under a six–eight party coalition of ethnic-based parties, which was elected in 2000 and again in 2005, with some changes. However, no major structural reforms were enacted and the country’s economic and political structure has not changed, including continued dependency upon mining and oil (with the latter replacing bauxite in importance) and ethnic-based political processes.

- 1.30 The country was not immune to the recent world wide disturbances, which led fiscal accounts and the current account of the balance of payments to shift into deficits in 2009 and economic growth to slow. The drop in oil and alumina prices since the last of quarter of 2008 depressed fiscal revenues but was partially compensated in 2009 by exceptionally high dividend receipts from Staatsolie (public company with exclusive rights to oil exploitation)<sup>5</sup> and the Central Bank of Suriname. According to the most recent Article IV consultations by the IMF the deterioration in public finance were amplified by a surge in expenditures resulting from: (i) civil service wage increases initiated in March 2009 (the second phase has been postponed to the second half of 2010); (ii) higher pension and other transfer payments; (iii) the introduction of a mortgage subsidy scheme covering 2009-2010; and (iv) large capital projects projected to begin in 2010. However, the country’s banking system was relatively unscathed. In addition, large capital projects are expected to come online and will sustain economic activity in the near future that imply that the fiscal accounts will revert back to a surplus as economic output and commodity prices recover. Over the medium term, revenues are likely to receive a permanent boost from a higher level of government participation – through planned joint ventures with the foreign private companies– in the alumina and gold sectors (with SURALCO a subsidiary of ALCOA and Rosebel Gold Mines a subsidiary of Canada’s IMGOLD company).
- 1.31 Legislative elections were held in May 2010. No single party won the 26 seats needed to form a government although the Mega Combination coalition, led by Mr. Desi Bouterse, won 23 of the 51 seats. With a further allegiance with *A-Combinatie*, which was part of the outgoing government, and the *Volks Alliantie Party*, the Parliament voted in Mr. Desi Bouterse as the new prime minister. There has been some speculation about problems with a Bouterse-led government and the sustainability of the parliamentary allegiance with *A-Combinatie*.
- 1.32 The macroeconomic prospective is good. Standard & Poor’s research update after the election confirmed the country’s B+ ratings and maintains a positive outlook. A positive macroeconomic outlook is shared by the IMF. The most recent World Economic Outlook (of April 2010) forecasts a GDP per capita of US\$12,366 in 2015, compared to a forecasted US\$8,947 in 2010 and actual US\$7,094 in 2006. This would place Suriname, in terms of GDP per capita, between Venezuela and Peru.

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<sup>5</sup> In 2007, the UN court (Arbitral Tribunal under the law of the Sea Convention) settled the maritime border row between Suriname and Guyana opening the way for an expansion of the oil sector in Suriname. The settlement was welcomed and accepted by both countries. Staatsolie has an expansion program for 2008-12 of approximately US\$1 billion.

- 1.33 However, the positive outlook assumes the continuation of political stability, including an effective working relation between the different political parties supporting the new administration, and a return to a sustained commodity boom, without the expanding oil sector becoming a curse rather than a boon. It also assumes the continuation of appropriate economic policies, including a gradual phasing of the implementation of civil service wage adjustments to improve recruitment, retention and efficiency without triggering inflation, the implementation of the capital program in a way that is consistent with the country's absorptive capacity, and continued work towards unifying the official and commercial foreign exchange markets.

## **E. Conclusions**

- 1.34 In terms of development challenges, in 2006 and still in 2010, they were and are: (i) inefficient government; (ii) insufficiently dynamic non-mineral private sector; (iii) poor social integration, and (iv) an increasing probability of intensifying symptoms of the Dutch Disease- natural resource curse. The problem for the Bank in prioritizing its interventions were and are that Suriname shares many characteristics of low income countries, as reflected in global competitiveness indicators but has a GDP per capita equivalent to a middle income country in the Region.

## **II. PROGRAM INTENT**

- 2.1 This chapter analyses the 2007-2010 Country Strategy, using the CPE's evaluative criteria of relevance and coherence in terms of intent. A country program's strategic intent can be defined by five dimensions: (i) proposed lending envelope; (ii) strategic pillars, operations and instruments; (iii) portfolio performance (iv) strategic definition of the Bank's modus operandi in the country; and (v) analytical work. The strategy's proposed indicators and results are discussed in Chapter V on development effectiveness.

### **A. Lending envelope**

- 2.2 The programmed sovereign lending envelope had a baseline scenario of US\$75 million and a high one of US\$115 million. The triggers for the higher lending scenario were: (i) an improvement in execution of the Bank's portfolio, defined by the level of disbursements and (ii) an improvement in debt sustainability, with specific emphasis on the clearing of arrears. The lending envelope was high by historical standards, since the Bank had approved only US\$56.5 million between 1999 and 2006, and was defined on the expectation of insufficient availability of grant financing.

### **B. Strategic pillars, operations, and instruments**

- 2.3 The 2007-2010 strategy was the first since 2000 and rested on substantial analytical work carried out since 2005, including 18 policy notes, presented at a workshop held in Washington in November 2005 and an *encerrona* held in Paramaribo in 2006. The

resulting diagnostic was not new.<sup>6</sup> The strategy identified four development challenges: (i) high economic volatility; (ii) pervasive intervention of the public sector in the economy; (iii) lack of critical mass of private sector activities, and (iv) poor social integration. This diagnostic was translated into three pillars or focal areas: modernisation of the public sector, development of the private sector and the inclusion of the interior of the country. This too represented a great deal of continuity with previous programming exercises, except for the greater emphasis on the interior.

- 2.4 The first element of the diagnostic, high volatility, was not translated into a specific area of intervention, despite the country's vulnerability to external shocks. The consolidation of macroeconomic gains was treated as a necessary condition to improve the business environment and as a risk to the implementation of the strategy, which could affect the availability of counterpart funding and debt servicing. The first two pillars, modernization of the public sector and private sector development reiterated the focal areas defined in the 2002 Programming Memorandum. The pillars were complementary; government's pervasive intervention in the economy and the weakness in the policy and institutional framework were considered the major constraint to private sector led growth, and thus the root cause of vulnerability. The third pillar was new; in previous programming cycles the Bank focused on social development; in the current strategy it shifted the emphasis to promoting integration via social and economic inclusion of the Indigenous and Maroon communities living in the interior, thereby raising their living standards. This shift was not explained in the strategy itself, but the inclusion of the interior pillar may have reflected the fact that a Maroon party joined the government coalition in 2005. In practice it meant a shift from an integrated sectoral approach in the social sectors, to one emphasizing the better delivery of services in the interior.
- 2.5 At the level of generality of the Strategy's three strategic areas, they coincided with the country's five year development plan of August 2006 for the period 2006 to 2011. The plan proposes four development pillars: (i) good governance; (ii) economic development; (iii) social and human development; and (iv) equal opportunities for all.
- 2.6 In operational terms, the Country Strategy did not present a well-developed pipeline; instead it presented an indicative work program by pillar for 2007-2008 including loans and TC as well as a medium term inventory of initiatives. Together these amounted to 9 sovereign loans and 11 technical cooperations.<sup>7</sup> These projects did not appear to be registered in the Bank's systems and only three of the proposed loans were accompanied by estimated amounts. The lack of a well-developed pipeline suggests that the Country Strategy presented a wish list with no structural framework.
- 2.7 The composition of the proposed operational program was largely geared towards the private sector. As shown in Table II.1, seven of the proposed loan operations were

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<sup>6</sup> See the previous Suriname Country Program Evaluation 1980-2004 (RE-318), for a discussion of previous programming cycles.

<sup>7</sup> In the case of the medium-term inventory, the operations were assumed to consist of both TC and sovereign loans, as was the case of the projects contained in the indicative work program for 2007-2008.



classified as supporting the Private Sector Development pillar: Rehabilitation of the Road *Paramaribo-Albina* (with a proposed amount of US\$22 million, also classified as part of the Integration of the Interior pillar), Competitiveness Improvement Action Plan (US\$2.5 million), Low-Income Shelters Phase II, Paranam-Achonie Road, Sustainable Energy, Oil and Gas Development, and Small–Medium Enterprise Development. Two loan operations were classified under the Public Sector Modernization pillar: Implementation of the Road Map for Public Sector Reform and Social Protection. There was to be one Social Inclusion Pillar loan, Sustainable Development of the Interior (US\$10 million).

- 2.8 The composition of the proposed operations represented a radical departure from the existing portfolio, which focused primarily on the social sectors. As shown in Table II.2, at the end of 2006, the Bank portfolio consisted of eight loans with an undisbursed balance of US\$47.4 million, and only one, the Trade Sector Reform (approved in 2005) could be said to be part of the private sector pillar (although originally it had been classified under public sector modernization). Almost three-quarters of the portfolio under execution was in the in the social sectors and the rest addressed the modernization of the state. Loans in execution by date of approval included the Community Development Fund (2000), Low Income Shelters (2001), Decentralization and Local Government Strengthening (2001), Preparation of the Census (2002), Basic Education Improvement (2003), Health Sector Facility (2004), and Strengthening Public Sector Management (2004). Once the strategy was prepared, many of the social sector loans in execution were reclassified under the public sector modernization pillar.
- 2.9 The shift towards the private sector modernisation pillar also involved a radical shift in the operations' instrument mix. Traditionally the Bank had relied primarily on sovereign loans and TCs. The new strategy programmed that by the end of 2010, the PRI and IIC portfolio would increase from 0% to 50% of the Bank portfolio.<sup>8</sup> The importance of the emphasis on private sector development was also reflected in the inclusion of a specific private sector action plan prepared in 2005, which proposed actions and instruments in three areas: public administration, relaxation of administrative barriers for private sector development and the deepening of financial intermediation, as summarized in Table II.3.
- 2.10 Finally, technical cooperation constituted a large part of the Bank's portfolio; in fact, as noted in the Country Strategy, Suriname had the highest ratio of TCs to loans in the Bank, equaling 21%, funded primarily with net income FSO. Given its importance, technical cooperation is discussed in detail in Chapter IV. In terms of intent, the 2007 Country Strategy sought to provide a framework to decrease the dispersion of initiatives, and proposed that stand-alone TCs for institutional strengthening activities be adequately funded and include follow up mechanisms to ensure sustainability, while TCs outside the three strategic pillars be limited to US\$150,000 to promote innovative ideas.

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<sup>8</sup> This target appears in the Strategy as a performance indicator for the Private Sector Development Pillar, but the language is somewhat ambiguous, suggesting some confusion between percentage of cumulative approvals and a percentage of the outstanding loan balance.

## C. Portfolio performance

- 2.11 The Strategy's discussion on portfolio performance noted OVE's findings that "...*project execution in Suriname exceeded Bank averages on several accounts: longer time elapsed during project preparation, slower disbursement rates, and longer project extension periods.*" It also noted, in passing, that three of the loans, the Community Development Fund, Low Income Shelters, and Decentralization were undergoing a process of retrofitting since they had suffered from slow execution and limited progress in achieving development objectives. OVE had emphasized the latter: "*the development and expected results of the early stock of loans are either unclear or missing quantifiable outcomes.*" The Strategy focused on the former, emphasizing disbursements as the main indicator of portfolio performance.

## D. Modus operandi

- 2.12 The *modus operandi* of the Bank in the country was addressed by OVE in the previous CPE. It noted that small countries with limited human resources tend to draw heavily on COF specialists for technical assistance, competing with their administrative workload. It recommended that "*The Bank should identify ways to optimize the participation of COF professional staff in leading policy dialogue, updating the country strategy, and providing continuity throughout the project*" and that "*The staffing complement of the COF should be reviewed to ensure that there is a good match between technical capacity and language skills.*"
- 2.13 The Principles of the Paris Declaration<sup>9</sup> would have provided a convenient framework to shape the Bank's relations with the country as well as its relationship with other donors. However, Suriname is not a signatory of the Paris Declaration. Nonetheless the Country Strategy and the 2006 Business Plan for the Country Office contained some discussion of the challenges faced by the Bank's *modus operandi*, in a context of weak institutional capacity. The Business Plan called attention to the ways in which the Bank itself had to change in response to the problem, calling for an increase in the number of specialists and noting that: "*The increase in the size of the loan portfolio will require changes in the approach to its management. These measures will involve coherent linkages between projects managed by a single specialist, reducing impediments due to language differences, application of professional project management techniques and streamlining of internal procedures.*" At the same time, both the Business Plan and the Country Strategy called for a "*comprehensive training and support program for project*

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<sup>9</sup> The principles of the Paris Declaration on Aid Effectiveness are: (i) ownership: Partner countries exercise effective leadership over their development policies and strategies, and coordinate development actions; (ii) alignment: Donors base their overall support on partner countries' national development strategies, institutions, and procedures; (iii) harmonization: Donors' actions are more harmonized, transparent, and collectively effective; (iv) managing for results: Managing resources and improving decision making for development results; and (v) mutual accountability: Donors and partners are accountable for development results. See: [http://www.oecd.org/document/18/0,3343,en\\_2649\\_3236398\\_35401554\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html)

*management, with renewed emphasis on procurement*” designed to increase the readiness of project implementation units and provide focused on-going training during execution.

- 2.14 The strategy also proposed a considerable change in donor coordination, building on the Bank’s “*catalytic role*” given its status as the major donor and implicitly on the Paris Declaration. As described in Table II.3, the strategy proposed: (i) strengthening Government-led coordination; (ii) coordinating analytical work and the preparation of projects; (iii) using the MDGs as a framework for identifying areas for common development effort; (iv) harmonizing reporting, and (v) measuring performance consistently across donors.

## **E. Analytical work**

- 2.15 As noted earlier, the Bank invested heavily in analytical work for the preparation of the strategy *and* the consultation process. The policy notes were to be published in 2007. Also, in an attempt to root policy discussions with the country on analytical work, it proposed that the “...*government, under Bank support, is in the process of setting up a “virtual library” for Suriname in the Ministry of Planning (PLOS). This will be web based library and will include, in electronic form, the studies prepared for Suriname since 1995*” (¶ 4.30). The library was to also include work carried out by other donors.
- 2.16 The analytical work, eighteen individual notes, covered a wide range of policy issues that provided information and recommendations for policy dialogue in several areas, many of which were later dropped. However, what was missing given the perspectives of Suriname’s increasing dependence on oil exports, compounding the existing concentration in mineral exports, was a dialogue on policies and institutions to prevent oil development from becoming a curse rather than a boon. Ideas for institutions that could help a country that is rich in oil to overcome the pitfalls of the curse and achieve good economic performance include indexation of oil contracts, hedging of export proceeds, denomination of debt in terms of oil, a monetary target that emphasizes product prices, transparent commodity funds, and a Chile-style fiscal rule plus a stabilization fund.
- 2.17 A common theme in the policy notes was the admission of an inadequate diagnostic due to information gaps, information that is typically available in most of the Bank’s borrowers. Practically all the notes called for improving the country’s availability of data. For example the Trade Policy Note emphasised that “...*there is an urgent need to improve the collection, analysis and dissemination of trade data*” while the Private Sector Development noted that the “...*shortcoming of this report was the lack of statistics.... This has made more difficult, and in some cases impossible, a quantitative assessment of the issues and identified obstacles.*” The Labour Market note stated that “... *the main limitation in the analysis of the labour market supply, wage structure, and degree of rigidity of the labour market in Suriname is the lack of reliable and up-to-date household information.*” The paper further noted that “*The generation of knowledge and feedback is possible when a critical mass of people have access to the same detailed source of information.*” The Indigenous Peoples and Maroons policy note stated that “... *for any planning or programming regarding indigenous peoples and maroons, it is critical that*

*good data is available. The challenge is to gather statistics that can be used for international comparison – particularly in the framework of the Millennium Development Goals– and make them relevant for the communities themselves, so they can use it for their own development planning.”*

- 2.18 This common diagnostic of a systemic problem of information shortfall was dropped by the Bank. The Bank’s Policy Dialogue only mentioned the need for data for Indigenous Peoples and Maroons as “*a critical building block for both orienting as well as operationalising the comprehensive plan for the Interior will be addressing the on-going challenge of accurate and disaggregated data regarding the residents and conditions in the Interior. A strong baseline and complete set of indicators for this Region is a top priority of both the GoS and the IDB.*” (¶ 4.17). The Country Strategy mentioned gaps in the analysis of the policy making process, opportunities for further development of the mining sector, and identifying opportunities for the majority, but did not commit itself to any specific studies. Thus, the country strategy document did not incorporate data generation, its dissemination, and its analysis as one of its central themes.

## **F. Conclusions**

- 2.19 The Bank’s strategic intent, i.e. *ex ante*, was **relevant and coherent**. Relevance was found: (i) with respect to development challenges<sup>10</sup>; (ii) with respect to government’s declared priorities; and (iii) with respect to the Bank’s economic and sector work. Thus indicative projects directed at implementing a road map for public sector reform, enhancing the environment for the business sector and providing financing to small and medium enterprises, traditional generators of employment, plus operations directed at the energy sector reveal intent to undertake key actions to enhance the relevance of the program. The inclusion of the interior, long abandoned by the Bank and the country, also added to relevance. However, this finding must be conditioned by issues that were not taken up by the strategy: (i) the problem of high volatility of the economy, and (ii) data and information shortfall and lack of access to what exists. The program’s intent was coherent in terms of diversifying the Bank’s proposed instrument mix and emphasizing coordination with other donors. In addition, the absence of a well developed pipeline could suggest that the Country Strategy remained at the level of a wish list with no structural framework.

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<sup>10</sup> As the discussion in the previous chapter indicated the development constraints of weak public sector, lack of a dynamic private sector and social exclusion and oil curse are key development challenges.

### III. DELIVERY AND EXECUTION

- 3.1 This chapter analyzes the actual delivery of the 2007- 2010 strategy, leading to *de facto* conclusions regarding the relevance and coherence of the program. The Chapter also analyzes the Bank's efficiency in delivering loan outputs, while outcomes are discussed in Chapter V. In an evaluation of the program's delivery, the same five dimensions used in the previous chapter are considered: (i) programmed vs. actual delivery of lending; (ii) programmed and actual delivery of operations and instruments; (iii) portfolio performance, under the general evaluative criteria of the Bank; (iv) adequacy of the Bank's *modus operandi* in the country; and (v) analytical work.
- 3.2 *A priori* there is an expectation of poor performance relative to the Bank average, but an improved performance over time. The expected poor relative performance can be attributed to the relatively weak local capacity as well as the evaluation of performance carried out in the previous CPE. The expectation of improved performance over time is based on the Bank's awareness of problems and proposed actions to tackle it, as discussed in the previous chapter. However, in contrast to these expectations, the Bank generally failed to deliver on its promises; under-delivery in turn resulted in a lack of improvement in performance.

#### A. Lending envelope

- 3.3 The financial size of the portfolio increased, and more so than planned, as shown in Table III.1. A comparison between programmed and actual financial flows,<sup>11</sup> for the period 2007-2009, shows that loan approvals, gross disbursements, net cash flow, and outstanding debt were all higher: 163%, 177%, 293%, 125% with respect to their baseline programmed values. The Bank *de facto* moved to the high lending scenario even though the higher lending triggers were not fully satisfied. The first trigger referred to an improvement in disbursements, while the second referred to debt sustainability. With regards to the second, the Country Strategy clarified that: "...specifically this trigger refers to clearing arrears, and to the preparation of periodical exercises of debt sustainability that conclude that the country conditions, macroeconomic and debt, have improved". There was no full clearing of arrears, although they were substantially reduced; periodical debt sustainability exercises were not carried out.
- 3.4 By the end of 2009, the Bank had increased its share of Suriname's total external debt from 20.9% in 2006 to 30.3%, and its share of multilateral debt from 79.6% to 83.4%. In 2009 the Bank was the second largest single creditor, with a stock of debt of US\$68.9 million,

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<sup>11</sup> Loan approvals in the base case contained in the Country Strategy only referred to sovereign lending, while the actual delivery included a private sector loan approved in early 2007, before the country strategy was approved. Given its relatively small size (US\$7 million), its inclusion does not affect the conclusions. The great increase in approvals is primarily due to an increase in the amount of the Rehabilitation of the Meerzorg-Albina Road, from a programmed US\$22 million to US\$62.5 million.

after China, with debt stock of US\$95.1 million, but above India, with a debt stock of US\$36.9 million.

## **B. Strategic pillars, operations, and instruments**

- 3.5 In the context of the 2007 Strategy, the Bank approved three loans: Rehabilitation of the Meerzorg-Albina Road (SU-L1006) for US\$62.5 million in 2008, Low Income Shelters II (SU-L1015) for US\$15 million in 2009, and Decentralization and Local Government Strengthening II (SU-L1011) in 2008. The first two loans were programmed under the Country Strategy; the last one was not. All three were sovereign loans; the shift from sovereign loans towards non-sovereign lending instruments was not realised.<sup>12</sup>
- 3.6 In general, the programming anticipation rate was low. As shown in Table III.2, of the nine programmed loans, only two were approved (22%). The two approved loans fell under the private pillar which consisted of seven programmed loans, resulting in an anticipation rate of 29%. The programming anticipation rate for the public sector modernization pillar was 0%. In other words, the two programmed loans (Implementation of the Road Map for Public Sector Reform and Social Protection) were not approved, while the approved loan, the second phase of the Decentralization and Local Government Strengthening was not programmed. The only loan programmed under the third pillar, Integration of the Interior was not approved, and while some operations incorporated interventions in the Interior, it was not the main focus of any of them.
- 3.7 The status of the programmed but not approved operations is also summarized in Table II.1. The Transport Sector (Paranam-Achonie road) remains in pre-investment study stage. The Sustainable Energy (bio-fuels feasibility) was taken up in a TC (SU-T1042) that financed a medium term strategy. The Oil and Gas operation was converted to a non-sovereign loan; the term sheet was presented but the Government decided to use alternative financial sources. The planned Competitiveness Improvement Action Plan was subsumed under three TCs (T-1025, T-1031 and T-1045). The Social Protection project was prepared jointly with the Dutch but has not been taken up by the authorities. The Sustainable Development of the Interior project preparation TC (SU-T1026) which was designed to generate relevant data has progressed slowly. Some activities that might have been financed by the loan have been taken up by a Dutch-financed Rural Township Program.

## **C. Portfolio performance**

- 3.8 During 2007-10 there were 12 active projects, with three approved in the context of the Country Strategy. As shown in Table II.3 during 2007-10 three operations were closed (Census, Low- Income Shelters, and Community Development). By the end of 2010 it is

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<sup>12</sup> One non-sovereign loan was approved in 2007 (SU-L1005), but this was prior to the approval of the Country Strategy. The loan was to KC, a holding company which is one of the largest private sector groups in the country. The loan was part of a package that included the IIC, a Trinidadian bank and local banks, and the funds were used to refinance short-term debt and capital investments.

estimated that there will be eight active projects, with an undisbursed balance of about US\$87.4 million.

- 3.9 Portfolio performance indicators are presented in Table III.4, comparing 2007-2009 with respect to 2002-2006 and with Bank averages. Preparation and execution can be measured by time elapsed and by costs. Suriname's portfolio has improved in terms of delivery efficiency both over time and with respect to Bank-wide values for the two sub-periods. Specifically, time taken from pipeline to approval fell (by six percentage points) as did preparation costs (by almost three percentage points). However, this finding must be qualified, as two out of the three loans approved represented second phases of previous projects. Execution costs also fell.
- 3.10 However, these improvements were accompanied by a worsening of other performance indicators. All indicators for data gathering and proposed evaluation also worsened: maintenance of data fell by 10 percentage points, the existence of data gathering systems fell by 60 percentage points), and planned mid-term evaluations fell by 50 percentage points. Planned ex-post evaluations fell to zero.
- 3.11 Fiduciary and implementation risks also increased. The percentage of unqualified auditor opinions fell by 23 percentage points. Implementation risk realisation also worsened across several dimensions: commitment problems increased by 14 percentage points, institutional capacity problems increased by sixty eight percentage points, and Bank-related problems increased by 31 percentage points. Self-evaluation by the Bank's (in its project monitoring reports and project completion reports) of the portfolio indicates a worsening implementation progress and probability of achieving development objectives. Thus, contrary to expectations of improved performance, generally portfolio performance has worsened simultaneously with the implementation of cost cutting measures reflected in reduced time and cost of preparation and execution.

#### **D. *Modus operandi***

- 3.12 The adequacy of the Bank's *modus operandi* in the country can be judged by its resource adequacy and its coordination with other development actors.
- 3.13 The typical resource allocation towards COFs by the Bank is one of increasing resources as the size of approvals and disbursements increases. As Chart III.1 shows, Suriname fits this *de facto* policy. However, such a model is inadequate, for a country which the Bank continuously identifies as one characterized by severe policy and institutional shortcomings.
- 3.14 A detailed analysis of human resources allocated to Suriname in 2009 reveals the problems of quantity, skill mix, and instability. There is only one sector specialist located physically in Suriname. There is practically no staff with a working knowledge of Dutch

other than *administrative* staff and training is not available.<sup>13</sup> There has been an excessively high turnover of staff. The 12 hub staff allocated to Suriname's projects have less than one year of experience and of the seven consultants in the COF, mainly operation analysts, IDB experience is less than two years. The problem is compounded by the inadequate number of missions. As Chart III.2 shows, there were 17 planned administrative and execution missions for 2007-2009 but only one was realized. An example illustrates the problem of human resources. The Project Completion Report of the Census project concluded that: "*In retrospect, the quantity (one specialist), skill mix (no Statistician), and instability (four project team leaders) of the Bank staff appointed to project preparation and implementation stages was not appropriate...*" and "... *the Bank did not provide timely attention to the client's requests ...*" The PCR also noted that: "...*the issues of weak technical advice, procurement and disbursement delays, ... , earned the Bank a poor mark in performance ...*" It is thus difficult to sustain that the Bank allocated to Suriname the kind of resources required to maintain a continuous technical-policy dialogue with the country's authorities and implementation agencies.

- 3.15 The Bank set itself an ambitious agenda for change in coordination with other donors. In addition to monthly meetings with other donors, there are now a number of projects that are co-financed or have parallel financing and some projects for which the other donors use the Bank's systems. For example, the Government of The Netherlands uses the Bank's procedures in the Low Income Shelters project; the Government of France is funding a community development initiative using the procedures of the Bank's Community Development Fund project. Moreover, while the EU has traditionally been the country's partner in the transport sector through grants, the Bank has now entered the sector with financing for the Meerzorg-Albina road in coordination with EU and AFD. However, the Bank's strategy proposed replacing ad hoc coordination with institutionalised coordination mechanisms including the creation of a government focal point. Progress on this front has been meagre; the goal of having a government-led donor coordination effort has not yet succeeded.<sup>14</sup> This continues to lead to uncoordinated and often contradictory initiatives, as in the case of Low Income Shelters, where the Bank has been promoting private participation in the sector, while the Government of France sought to promote, in its Richelieu project, continued state involvement in direct construction.

## **E. Analytical work**

- 3.16 The Bank programmed the publication of its Policy Notes and the creation of a virtual library of its economic and sector work plus similar studies financed by other donors. By July 2010 this had not been achieved. In fact, the notes and other studies are difficult to locate even within the Bank. Further, interviews with Bank staff and Government

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<sup>13</sup> This creates problems: Bank staff cannot read government official documents; for local procurement for goods and services (although the local office has made an effort in translating into Dutch some of the procurement documents); and communication to and from project implementation units, etc.

<sup>14</sup> An attempt to create a focal point in the Ministry of Planning never materialized. The new government has absorbed the Ministry of Planning into the Ministry of Finance.



officials suggest, independently of the quality of that work, that there is a general ignorance of their content and recommendations. They did not become points of reference in any continuous policy dialogue.

- 3.17 The strategy emphasized the information gap for the Interior pillar, but to date this problem has not been solved. Some projects, such as Low Income Shelters, recognised the inadequacy of their diagnosis and information shortfalls, but these have not properly addressed. In the specific area of targeting, the statistical basis for a Proxy Means Test has been developed, but potential users within and outside the Bank seems generally unaware of it and it is not known whether Government has endorsed it.
- 3.18 Most of the Bank's policy notes shared the view that their diagnostics were inadequate given severe shortfalls in relevant information; information typically available in IDB borrowing countries. They practically all called for an improvement in hard data, administrative and surveys, and emphasised the importance of making the data available to third parties. The Bank did not adequately pick up on this call in a systematic manner or in the few cases it did it did not deliver. Preparation of the coming country strategy will likely suffer from the same problems. Thus, the lack of adequate data remains the general problem for economic and sector work, analysis and dimensioning of the size of the problems to be tackled by operations and the use of MDGs as drivers for programming and evaluating progress.

## F. Conclusions

- 3.19 There is a large discrepancy between what the program promised and what it delivered. The gap can be attributed to both demand and supply factors. A demand viewpoint suggests that the specific products contained in the program did not have high country-ownership. Supply considerations suggest that the Bank may have underfunded its relation with Suriname thus under cutting its intent of a continuous dialogue with the country to effectively deliver on its promises.
- 3.20 Whatever may be the relative weight of demand and supply factors in the under-delivery, the program's *de facto* relevance **and coherence** are correspondingly **lower** than their values in terms of programming intent. The Bank generally failed to deliver on shifting its portfolio towards private sector development and the increased use of non-sovereign loans. The Bank failed to deliver on changing its *modus operandi* and on enhancing donor coordination. The Bank failed to disseminate its analytical work. It was successful in reducing preparation and execution costs but at the cost of worsening other portfolio performance indicators. The Bank's performance was thus **low**.

## IV. TECHNICAL ASSISTANCE: PROGRAMMED AND DELIVERY

- 4.1 In this Chapter we review the intent, the delivery, and the results of the Bank's technical assistance to Suriname. Over the period 2007-2010 (February) the Bank had a large portfolio: 57 TCs were active of which 36 had been approved before 2007. The importance of TCs in the Bank's relation with Suriname can be gauged by the fact that

the dollar value of approvals as a percent of total approvals, during 2005-2009, was 10% only surpassed by Haiti with 14.5% (Table IV.1). However, even this figure underestimates the total, as technical assistance is also provided through loan operation components that aim at strengthening the policy and institutional framework in the area they operate and directly by IDB staff.

## **A. Intent**

- 4.2 The Bank's concern regarding the country's weakness in the policy and institutional framework, considered a major constraint to the country's development and on the Bank's portfolio performance, has implied a large TC program in its portfolio. The previous CPE raised concerns about the portfolio and recommended that: *"The new CS should assist [the] government to analyze and renew its development model in agreed strategic areas, through an active program of policy dialogue, ESW, and the targeting of TC resources"* and *"It is recommended that the Bank review its practice regarding the evaluability of TCs and the reporting of results."*
- 4.3 As noted in Chapter II, the Bank's strategy reaffirmed the prominent role of TCs and promised to strengthen the programming process. of TCs. In particular the strategy called for two changes: *"a. Stand-alone TCs for institutional strengthening initiatives should have adequate dimensions and funding levels to meet their objectives and include follow-up mechanisms to promote the sustainability of results. b. New TCs promoting innovative ideas outside the three strategic pillars shall be limited to US\$150 thousand per year."* These programming intent criteria appear to be in line with OVE's CPE's recommendations.
- 4.4 The country strategy programmed 11 TCs of which six were for the private pillar, two in the public pillar, three in the Integration pillar, a composition in line with the proposed shift in its loans towards the private and interior pillars, as shown in Table IV.2.

## **B. Delivery**

- 4.5 The Bank delivery on its promised number of TCs was relative to loans high as shown in Table IV.2., approving 7 out of 11 programmed. In all it approved 21 TCs valued at US\$4.2 million.
- 4.6 The Bank did not satisfactorily deliver on its TC programming criteria (see Table IV.3). A reading of the approved TCs reveals that they neither discussed the programmed criteria of adequacy of financing (only two out of seven did so) nor discussed mechanisms to follow-up results, sustainability, (only three out of seven said they would do so) and rarely mentioned monitoring and evaluation( six out of seven). The programmed criteria of limiting non-pillar TCs to less than US\$150,000 was not followed (two of the five non-pillar TCs were greater than US\$150,000).
- 4.7 A detailed review of the 57 TCs active sometime over the period 2007-2010 shows that that they were distributed over many Suriname entities and across all the main sectors,

that they were mainly aimed at producing studies and financing training, and had disbursement problems.

- 4.8 As Chart IV.1 shows, TC's were granted to over 29 separate entities, with the Ministry of Finance receiving the most number (8 TCs) followed by the Ministry of Planning (7 TCs). Four each were received by the Ministry of Trade and Industry, the Ministry of Social Affairs and Housing, and the Ministry of Natural Resources and Energy. Table IV.4 shows they were distributed across all the main sectors; the largest beneficiary was the productive sector (38%) followed by the social sectors (29%) and governance (23%), with the rest of the TCs distributed between macroeconomic stability and the environment. The main result expected by the individual TCs (in terms of percentage of the number, as shown in Table IV.5) was: policy change, 7%; changes in bureaucratic process within public entities 25%; training staff and extensions (dissemination, communications, etc) 25%; data base creation (9%); and analytical studies, 33%.
- 4.9 Disbursement patterns suggest problems. The age distribution of TCs, as of February 2010, was the following: 42% were in execution for less than two years, but 29% between three and four years, and 20% greater than five years old (Table IV.6). They are heavily subject to extensions; 24% have been extended by two years and 8% by four years. Although the planned closing dates as of December 2009, suggest that all TCs will completed by December 2010, 60% of TCs had only disbursed 30% as of July 2010 (see Table IV.7).
- 4.10 However, the number and dollar value of TCs and their performance provide only a partial picture of the Bank's technical assistance to Suriname, since practically all loan operations also have components related to strengthening the country's institutional and policy framework. Chart IV.2 shows that taking into consideration disbursements of TCs and institutional strengthening loan components, the Bank disbursed US\$ 14.7 million (US\$7.6 million from TCs and US\$7 million from loans) during 2007-2010 (July), which represented 26% of total disbursements.

### **C. Results**

- 4.11 Given the importance placed by the Bank on its TC program in Suriname a natural question is: what was the Bank's TC portfolio's contribution to improving the policy and institutional framework? The answer to this question is not straightforward for a number of reasons. First, these are operations that are located in the activities-output arena with a tenuous link to typical development outcomes; hence at best they can be measured by their outputs. Second, they are not consistently subject to the Bank's Project Monitoring Reports nor typically have PCRs when they are closed, so information on their activities and outputs are not systematically recorded in comparable data bases such that which activities and outputs have been accomplished cannot easily be ascertained.
- 4.12 Given this information gap an alternative approach to determine the degree of success in improving the country's institutional shortfall is the Global Competitiveness Index's Institution component and the World Bank's Governance Indicators Control of

Corruption and Regulatory Quality indexes, even though this is rather blunt alternative with a tenuous relation with the Bank's TC program. As shown in Chart IV.3, Suriname was ranked 89<sup>th</sup> (value of 3.37) in 2006 and ranked 94<sup>th</sup> (with a value of 3.5) in 2010, which represents an improvement even as the country fell behind. The World Bank's governance indicator "Government Effectiveness" also shows an improvement; however, the indicator "Control of Corruption" fell, as did the "Regulatory Quality" indicator when comparing 2009 with 2006.

#### **D. Conclusions**

- 4.13 Thus, with respect to TCs the Bank generally delivered on individual promised TCs but did not deliver completely on its TC programming criteria. Further, the bottom line of what products have been generated by the Bank's TCs and what their contribution to improving the policy and institutional framework of the country has been is largely unknown. A high TC to staff ratio, with responsible specialists mainly located outside Suriname, combined with few missions to the country suggest a degree of abandonment of the TC portfolio and of technical assistance in general, and a low probability of using it as a key input for an active program of policy dialogue.

### **V. DEVELOPMENT EFFECTIVENESS**

- 5.1 A key objective of a CPE is to evaluate the development effectiveness of the Bank's program. This chapter provides information for the efficacy evaluative criteria. Development effectiveness of the program can be gauged from the strategic goals and their indicators contained in the Country Strategy document and from the goals and purposes from the individual operations. A measure of development effectiveness is the change in those indicators (difference between baseline values and their recent values) and whether the targets set (difference between current values vs. targets) were achieved.

#### **A. Strategic goals**

- 5.2 Unlike previous country strategies, which had few quantitative indicators and no time bound indicators, the 2007 strategy specified six IDB development indicators under the rubric of Country Development Indicators, and 14 outputs under the rubric of IDB Work Plan (see Table V.1). However, out of the six Country Performance Indicators indicators four are evaluable (i.e. had baseline and target values).
- 5.3 By strategic pillar the following holds. For the Macroeconomic and Business Environment (i.e. the Private Sector Development pillar), all indicators were evaluable. Their status is the following: the elimination of debt arrears, although significant progress has been made, has not been achieved. The improvement in Global Competiveness has, and the targeted value of 50% non-sovereign loans in the portfolio has not. It is zero. For the Public Sector Modernisation pillar there were no indicators set. This despite that the column titled Government Strategy lists seven individual objectives. For the Integration and Sustainable Development pillar of the three indicators only one indicator was

evaluative and it has not been achieved: environment legislation has not been amended and traditional lands demarcated. For the other two indicators official data does not exist, thus it is unknown if access to safe water rural areas and the number of micro-small enterprises have increased or in fact what was their status in 2006. Poor definition, the absence of indicators for the Public Sector Pillar (which contains many social challenges like poverty, education, and health) suggest that the Programming Strategy Matrix was not used to drive the Bank's relation with the country.

## **B. Pillar and projects goals**

- 5.4 The ability to say something useful on development effectiveness of the Bank's program from the bottom up approach should be good. According to the Bank's Project Monitoring Reports, indicators have been agreed with the government for most operations. Data gathering systems are said to be in place for most projects. However, only three, according to their PMRs, are keeping outcome data (Census, Basic Education and Health). Given the country's poor information systems combined with the failure of the Bank's own information systems the expectation of being able to determine development effectiveness is low. This expectation is borne out. IDB sovereign loan projects and the government programs that they are embedded in are essentially data free; they rarely have adequate numerical baseline values for outcomes (goals and purposes) and numerical specification of their targets and even less so for recent values of the outcomes.
- 5.5 A revision of the Bank's active portfolio, for 2007-2009, revealed that at projects' approval stage the Bank had specified 40 outcome indicators, but only 13 had baseline and targets, and hence had a measurable statement of intent. During implementation this figure was reduced to 23 indicators (17 maintained from the approval stage and six new ones introduced). However, only 12 had baseline and target information. Many of the new indicators are more appropriately classified as outputs. Indicators with baseline values and recent values, relevant for determining development effect, are just three.
- 5.6 For the Private Sector Pillar the *ex ante* evaluability (percentage of indicators with base lines and targets at the approval stage), *ex ante* evaluability during implementation (i.e. the percentage of indicators with base lines and targets during implementation), and *ex post* evaluability (i.e. the percentage of indicators with base lines and their recent values for active or closed operations) is 40%, 83%, and 0% respectively. What matters most for efficacy is the *ex post* measure. For the Public Sector Modernisation pillar the corresponding figures are 39%, 44% and 19%, respectively For the Integration and Sustainable Pillar the corresponding figures are zero, zero and zero percent, respectively (see Table V.2).
- 5.7 However, the problem is not just the lack of metrics with their baseline values, targets, and recent values. Often even where the metrics are specified and data collected the information has little bearing to the objectives. This can be illustrated by the three operations that were completed over the period.

- 5.8 The Low-Income Shelters Program (approved in 2001) is now closed and a new operation was approved. The objectives of the original program were “(a) to improve the housing conditions of low- and moderate-income households, (b) to harness Suriname’s most capable private finance institutions, NGOs, and CBOs to assist under-served households in lower and middle income neighbourhoods improve or construct a house, and (c) make shelter policies and subsidies more efficient, equitable, and transparent.” This was to be achieved by financing an upfront voucher program and through making shelter policies and subsidies more efficient. The Shelter project, using what was originally an output, specifies a target of 4,000 houses (1,320 new and 2,680 rehabilitated) and the actual, according to the PCR, is 3,725 (1207 new and 2518 rehabilitated) houses. However, the number of houses is a far cry from the operation’s objective: “... make shelter policies and subsidies more efficient, equitable, and transparent.” This was picked up by the operation’s PCR: “... it is difficult to have an opinion on the achievement of the Program’s Development Objective” and “the design was inadequate for the political, social, and institutional framework of Suriname.” Further, the “... lack of support of the government to conduct most housing policy reforms on the one hand, and the shy participation of FI [financial intermediaries], on the other, showed that the program’s original design was unsatisfactory and it should have been more tailored to Suriname’s capacity and needs.” The recently approved follow up operation is essentially of the same design and despite the difficulty of indentifying the achievements of the previous operation; the second phase does not include an *ex post* evaluation.
- 5.9 The National Population and Housing Census project had been approved in 2002 and is now closed. The objective of the project was to provide the government, the private sector *and* the scientific and research community with up-to-date, accurate and comprehensive demographic, social and economic data that could be used for national and regional planning and for research purposes. In addition the project aimed at strengthening the national capacity in collecting and processing data. Originally designed to finance only the census it was modified, given monetary balances after the census was financed, to include an Establishment Census and a Household Budget Survey. The PCR points out: “... the indicators for institutional strengthening for this operation were poorly developed.”, and recommends, almost tongue in cheek, “Bank specialists need further training to achieve full comprehension of results frameworks...” The PCR claims that the data is available; however, OVE did not find it nor is it available in the statistical institute’s web pages. Suriname does not belong to IDB/World Bank’s MECOVI system which ensures household survey’s raw data availability to third parties.
- 5.10 The Decentralisation project’s objectives were to empower local government in Suriname with core legal framework and the institutional capacity for fiscal management and the capacity to begin to manage public works. *It* also financed small scale community-based projects. The PCR’s quality and risk review noted “... the indicators selected by the project team to measure the achievement of outcome objectives are poor and provide little indication as to whether the project’s objective is achieved.” *If the final objective of the project is for local government to manage public works and improve fiscal management, the selected indicator should measure if in fact fiscal management was*

*improved....” Indicative that the measurement of outcomes remains contentious is the answer given to the criticism: “To acquire a Level I certification a Local Government requires doing a series of organizational and financial tasks and to implement several systems that jointly will accomplish the improvement of fiscal management at that Local Government. Similarly, certification at Level II requires the organization, and the systems to plan, organize, implement and manage small public works. Thus, the indicators selected by the project team seem to be in line and gather the essential elements necessary for the achievement of the project’s purpose.” It is thus no surprise that the follow-up operation, essentially of the same in design, ignored the PCR’s quality and risk review and again specifies outcome indicators as changes in laws and number of local authorities certified.*

- 5.11 Further, program’s targeting mechanisms were generally not implemented, illustrating the effects of lack of adequate data on project outcomes. For example, in the Community Development Project the targeting mechanism assumed a poverty map that would be frequently updated and that would be used as the basis for identifying the poorest communities. The poverty map, despite being a contractual condition, was never done. The project’s PCR noted: *“Both the Loan Contract and the original logical framework took for granted the existence of a Poverty Map as the basis for effective targeting of the poorest by CDFS. Such a Poverty Map was not available at that point, nor has one been completed to date. Poverty map data were not used to identify CDFS beneficiary communities. Communities were not targeted; they learned of the program and applied to it on their own. Applications were then verified by community visits, and ranked based on information gathered during these visits.... From the survey, poverty status could only be determined for 22 out of the 97 communities. Data for the remaining 75 communities was not available. While the original design of the project did include a complete survey, in practice the lack of an effective survey to identify poor communities (i.e. Poverty Map) or adequate promotion among the poorest communities resulted in a ‘first come first served’ selection bias towards those projects belonging to NGOs which happened to benefit communities (not necessarily the poorest, and not necessarily servicing their priority needs).”*
- 5.12 In the Low-Income Shelter project, the targeting mechanism was both household income and poverty status of their communities i.e. geographically based. The PCR noted: *“In practice... the assignment of the subsidies was done on a ‘first come first served basis’, favouring the ones with more information, and who were more prepared to apply, most likely middle-income beneficiaries. In addition, there were no subsidy cuts to prioritize the poorest applicants before deciding on the approval of subsidies made it more difficult to target the poorest households. This targeting system, combined with the incentive system in place for NGOs that were paid performance-based fees when the application was approved, might have contributed to a self-selection towards middle-income groups.”* The newly approved follow-up project states the targeting will now be carried out using a proxy means test developed with Bank financing, however, it is unclear whether the institutional –information system required for such a targeting system is being put in place.

- 5.13 Some PCRs also raised issues regarding ineffectual Monitoring and Evaluation systems. For example the Community Development project's PCR noted that they "*did not have a sound data-gathering system... In addition many of the quantitative indicators developed in the retrofitted Logical Framework neither have baseline information nor quantitative indicator.*" For the Decentralization project, the PCR noted that: "*The Monitoring system for the Program foresaw a Project Implementation Plan (PIP), a project monitoring computerized system, semiannual progress indicators, and a Midterm Review. Neither the PIP produced by the project management firm during several months of work, nor the monitoring system also produced by an external consultant worked out.*" The Census project's PCR said "*It is worth noting that there was really no M&E [monitoring and evaluation] for this project ...*" The Low-Income Shelter's PCR noted: "*The original LISP [Low Income Shelter Program] did not allow for monitoring and evaluation tasks ...*"

### C. Conclusions

- 5.14 From both top down and from the bottom up approaches and from both *ex ante* and *ex post* viewpoints the evaluability of the Bank's portfolio is low. The Bank's attempt, through retrofitting of projects and to fill in the country's information/data shortfall through individual operations generally failed. The finding by OVE of low *ex post* evaluability of the portfolio is not unique to the Bank's program in Suriname but unlike other countries the gaps in the Bank's information cannot be filled by using the country's information system which also remains weak. Thus, not much is known and little can be said about the development effectiveness, **efficacy**, of the IDB's portfolio.

## VI. CONCLUSIONS AND RECOMMENDATIONS

- 6.1 Suriname has a unique set of characteristics amongst IDB's clients that pose acute development challenges to the country and for the Bank in its ability to define its strategic niche and its modus operandi in the country.
- 6.2 Suriname is the smallest South American country; the most open with highly concentrated exports (alumina, gold and increasingly oil); the most fragmented with respect to languages, ethnicity and major religions; historically the largest per capita aid recipient. It is one of the youngest as an independent country and as a borrowing member of the Bank. While the country's GDP per capita places it in the middle range of the Region it shares many characteristics with HIPC countries although without any foreign debt problem.
- 6.3 This constellation of characteristics implies, a priori, based on a large body of studies, a high probability of political turmoil, poor economic performance and meagre economic development. For most of the period, since independence in 1975, the country's economic and political performance was in line with these expectations. However, during the period covered by this CPE, the country has been characterised by good economic performance. This was largely due to the world-wide commodity boom coupled with



prudent macroeconomic and debt management. The latter was achieved by a government that overcame the challenges posed by dependence on multi-party coalitions. However, it is unknown if the recent boom was pro-poor and what progress has been made towards the Millennium Development Goals, given the paucity of data. Perspectives for medium-term macroeconomic performance are positive.

- 6.4 The Bank's strategic intent, as expressed in the 2007 Country Strategy was laudable but actual delivery was not. Programming intent was **relevant and coherent**. Relevance was found: (i) with respect to development challenges; (ii) with respect to government's declared priorities; and (iii) with respect to its extensive preparatory economic and sector work combined with a promise to make existing and future analytical work available to the public. However, two issues were not adequately raised by the Bank. First, a key diagnostic, common to all analytical work carried out in the preparation of the strategy, namely data and information shortfall and lack of access to what exists, was not incorporated into the strategy. Second, the probable problem of oil becoming a curse rather than a boon was not addressed. The program's intent was coherent in terms of the Bank's: (i) proposed instrument mix, which implied an increase in non-sovereign loans; (ii) TC programming criteria designed to concentrate efforts in key strategic areas; and (iii) greater coordination with other donors including assisting in the creation of a focal point in the government and agreement with other donors to use the Millennium Development Goals as drivers in the relation with Suriname. Delivery on relevance and coherence hinged on the proposed change in the Bank's *modus operandi* in the country, assigning greater resources and an appropriate skill mix of its staff to support the program and carry out policy dialogue. However, there was practically no delivery on any of these intentions. The program's de facto **relevance and coherence** are correspondingly **low**. The Bank failed to deliver on its promised loans (only three were approved) and failed to shift its portfolio towards private sector development and non-sovereign lending. It did not comply with the programming criteria of its TCs nor in making public the existing stock of economic and sector work. The Bank largely failed to deliver on enhancing Government-led donor coordination or utilization of the Millennium Development Goals to monitor performance.
- 6.5 The Bank was successful in reducing its own preparation and execution costs. However, these successes were achieved at the cost of a worsening other portfolio indicators. The Bank's **efficiency** was thus **low**. The Bank was also unsuccessful in systematically measuring the development effectiveness of its program. Thus, **the efficacy** of the program is generally **unknown**. Thus very little can be said of the Bank's development effectiveness.
- 6.6 Thus, if success is measured in terms of financial flows then the program was successful as flows were greater than baseline programmed flows (even though not all the triggers for a higher lending scenario were fulfilled). If success is measured by cost cutting, i.e. reduction in preparation and execution costs, then it was successful as they fell with respect to the past and to Bank wide averages. However, in practically all other dimensions relevant for the Bank's development role, it did worse.

- 6.7 The gap between what the program promised and what it delivered can be attributed to both demand and supply factors. A demand viewpoint suggests that the specific products contained in the program did not have high country-ownership. Supply considerations suggest that the Bank may have underfunded the planned change in *modus operandi* in Suriname, thus undercutting its intent of a continuous dialogue with the country to effectively deliver on its programming promises. Underfunding occurred despite the programmed change in resources and skill mix in COF and the role of the Bank as the largest single creditor.
- 6.8 Thus the very features that the Bank's Board of Directors lauded in the strategy were mainly not delivered. The Programming Committee's Chairman's report noted that: "*Directors commended the approach of the new strategy which is more focused on capacity building and infrastructure.*" This was only partially delivered. "*A reduced number of larger initiatives would allow closer monitoring of project implementation.*" It did not. "*Several chairs insisted on the need to strengthen the Bank's role in terms of donor coordination, considering it is the largest multilateral lender to Suriname.*" It did not. "*Bearing in mind the potentially significant oil and gas reserves, it was also recommended that the Bank should assist the country authorities in expanding this sector of activity.*" It did not.
- 6.9 Thus the Bank has not yet satisfactorily defined and delivered on a strategic niche and found a relevant *modus operandi* (COF's interface with Headquarters, Suriname and with other donors). The objective of becoming an effective development partner with the country has remained elusive.
- 6.10 The previous CPE made thirteen recommendations. They remain as pertinent today as they were in 2006 (see Box V.1.1). However, with three more years of experience, OVE recommends that the Bank should consider the following recommendations in order to become a more effective development partner:
- 6.11 First, reconsider its *modus operandi*.
- a. Increase funding towards COF and change the skill mix of its staff in the country as it originally intended to do. It should push more forcefully its donor coordination agenda, with the country in lead role. The Bank should use the Paris Declaration's principles to guide not only coordination with other donors but also the Bank's own strategic *modus operandi*.
  - b. Place the gathering of primary data (administrative in key government agencies and surveys by the country's statistical entity) as a central theme, while facilitating the transparent dissemination of information of both the data and its analysis. This should be within a broad strategy of transparency in general, for an informed public debate about policy and the generalised use of evidence based decision making in the country and in the relation between the country and the Bank. The Bank could start by demonstrating the development effectiveness of its operations.
  - c. Define, deliver, measure and report on the strategic use of its large TC portfolio. It should create a local system, embedded in a government entity, which reports on

progress (activities and outputs) and is easily accessible to third parties. The system should also include the Bank's analytical work (through TCs, operations and stand alone studies).

- 6.12 Second, revise the Bank's strategic niche and the corresponding operations. The strategic challenges and niche remain essentially what the Bank identified, through its analytical work:
- a. Pervasive intervention of the public sector in the economy;
  - b. Lack of critical mass of private sector activities;
  - c. Poor social integration
- 6.13 The increasing possibility of an intensifying Dutch-disease-resource curse must be added. However, the implementation of the previous country strategy analysed in this paper shows that the Bank should be careful in ensuring that the mapping of the proposed strategy onto proposed operations and technical assistance has a high country ownership. Elements in the Bank's proposed strategic intent and the corresponding set of operations not taken up by the country should be reported in the next country strategy.