

GOVERNMENT FINANCES IN SURINAM

By

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The purpose of this paper is to analyse the fiscal system of a developing country within the requirements for its development. The emphasis is on changes over the past 20 years; on relating the conclusions derived from this development to the new efforts envisaged for the future; and on judging, albeit roughly, the feasibility and implications of these efforts. The first section summarizes the basic features of the economy of Surinam and gives an overview of the development between 1954 and 1974 and of the structure of the economy. Section II discusses the public finances. Section III draws the implications for the public sector. Section IV analyses briefly the implications for development requirements based on the latest development programme. Finally Section V draws the attention to some important aspects of development financing, especially with respect to external financing.

Throughout the paper the analysis is in terms of relative magnitudes: change over time, importance within aggregates, etc. The absolute figures on which the analysis is based are given in the tables accompanying the paper.

BASIC FEATURES OF THE ECONOMY OF SURINAM

Surinam, formerly Dutch Guiana, is the middle of the three Guianas situated on the northeast coast of South America. It has an area of 55,167 square miles — it is smaller than Guyana, but larger than French Guiana. Politically, it has enjoyed virtual autonomy in domestic affairs since the early fifties. In December 1954 it formed part of the Tripartite Kingdom of the Netherlands, which also included Holland and the Netherlands Antilles. Twenty-one years later in November 1975 it became independent.¹

The financial ties between Surinam and the Netherlands have always been very close, with the latter having provided in the past, in general, two-thirds of the resources necessary for the implementation of development plans in the form of loans and grants. This tie continues after independence as will be discussed subsequently.

Since September 1962, Surinam has been an associate member of the European Economic Community (EEC). This membership has provided the right of access to the Common Market with the usual limitations imposed upon such members. It has also allowed Surinam to have access to the Development Fund of the Community. Since independence Surinam's relationship with the EEC has been governed by Article 89 of the Lomé Agreement and she continues to have access to the EEC Development Fund.

Several exogenously determined characteristics influence the socio-economic structure of Surinam and its development. The country is relatively isolated from world and neighbouring economies; this isolation is determined by its geographic location and the absence of good, reliable and inexpensive sea and/or air transportation facilities. The natural landscape and climate limit the area and the diversity of agricultural production. Possibilities for the development of hydro-electric energy are enormous. The country is well-endowed with mineral resources, mainly bauxite. The population is small, about 400,000, and ethnically heterogeneous. It is concentrated in the coastal zone; and 70 per cent of this concentration is in and around the capital city of Paramaribo. The annual rate of growth of the population is estimated to be 3.5 per cent. The orientation of the economy is towards two centres: The Netherlands, with which it has historical, cultural, economic and financial ties; and the United States, with which it has economic ties. The overwhelming proportion of exports are directed to these two countries, and the overwhelming proportion of imports come from these two countries. The domestic economy is small by whatever economic criteria size may be measured. It is also a very open economy, with exports plus imports adding to more than the gross output. Despite the great strides made in the past, the country still suffers from inadequate economic and social infrastructure. In 1974 per capita GNP was around US\$1,025; in 1970 prices this is equivalent to about US\$750.

Over the past 20 years, from 1954, the year of the formation of the Tripartite Kingdom, to 1974, the year prior to independence, the annual rate of growth in real GNP (in 1970 prices) has averaged 5.3 per cent and the per capita growth rate has averaged 2.7 per cent.² The growth rate has been fluctuating in line with the intensity of investment activities undertaken during given periods and/or developments in prices. The high rate of annual growth between 1964 and 1967 corresponds to the period of the so-called Brokopondo investments relating to the expansion of the bauxite operations (construction of the hydro-electric dam, the alumina plant and the aluminium smelter) which have generated, in the initial phase, a sharp increase in employment. During this period real per capita GNP increased sharply despite the relatively pronounced increase in the consumer price index generated by such investments. Once these investments had materialized and no further large scale investments came forth, employment fell; and the growth rate declined and stagnated. By 1972 gross private and public investment had declined to 22 per cent of GNP, about half the ratio of the 1964-1966 period. During 1973 and 1974, judging from import statistics, private and public investments did not grow much, if at all. The major private investment was of Sf30m thermal unit in 1974, a sum that corresponds to one-third the private investment in 1965 or 1966. Construction did not fare well, even the public investments within the Development Plans fell back to their levels of earlier years.

Period	Real Growth Rate (%) in	
	Aggregate GNP	Per Capita GNP
1954-1963	5.2	2.5
1964-1967	9.9	7.1
1968-1974	2.7	0.4
(1972-1974)	2.2	nil

The situation was sharply aggravated by the inflationary price increases since 1973 triggered by the impact of the oil crisis on the entire world economy, the devaluation of the Surinam guilder, and the differential developments in the domestic and world prices of some domestically produced commodities, such as rice.³ Moreover, because of technical difficulties and capacity constraints the aluminium industry was unable to expand production significantly, when the demand for aluminium rose in the world market.⁴

Until well into the period of World War II, Surinam's economy was based mainly on agriculture. In 1960 it employed about 40 per cent of the active labour force and contributed 11 per cent of the gross output. By 1972 its share in both employment and GDP had fallen considerably, to 26 per cent and 8 per cent respectively. It is a declining but important sector. A large portion of this labour force is in small farms producing for the domestic market. The major crop is rice which is also produced on large mechanized farms and constitutes about three-fifths of all agricultural exports.

Although 80 per cent of the country is covered with forests, only a very small part is suitable for economic exploitation so that the timber needs of the domestic industry are met from imports.

The economic structure of the country is determined by the overwhelming importance of the mining sector, i.e. bauxite and its processing. At the beginning of the sixties the sector employed about 5 per cent of the active labour force and contributed about 30 per cent of the output. With the extension of the bauxite operations into the processing phases of alumina and aluminium, employment has risen to about 8 per cent and the sector in 1974 was contributing about 36 per cent of the gross output. The sector provides almost 90 per cent of Surinam's exports and plays a most significant role in the public finances of the economy, as will be seen subsequently. Currently the Government is continuing to stress the exploitation of this mineral of which it has an abundance in excellent quality. Bauxite and aluminium are to continue to be the leading sectors in the development of the economy.

The manufacturing industry, other than alumina and aluminium, but including construction and utilities, has performed rather badly over these past 20 years. Its contribution to gross output and employment has stagnated. Because of the small size of the local market, manufacturing industry has necessarily been confined either to small factories meeting local consumer demand or to factories producing primarily for export. The size structure of the local industry is very fragmented with more than 90 per cent of the firms employing less than 5 workers. [5 pp. 112-113]. The domestic market is limited by the low level of income and segmented by the tastes and consumption patterns of the ethnic groups. The orientation of the productive activities towards exports to large world markets is a difficult and long-term task, given the low level of domestic savings, the lack of adequate capital formation, the absence of entrepreneurial endeavour, and the low productivity of the worker. The geographical location of the country, away from main international shipping routes, is an additional obstacle which contributes to the exorbitant costs of transportation of commodities to world markets.

Recognizing the importance of medium and small scale industries for employment, for the diversification of the economic structure, and possibly for import substitution, encouragement is currently being given to the production of essential consumer goods for which the manpower and raw materials are available. In other words, while public policy emphasizes the need for growth through large-scale capital intensive operations as evidenced by the intentions to open up the western region for bauxite exploitation and alumina/aluminium production, it also emphasizes the employment objective through the promotion of small scale labour-intensive industries.

Surinam is a very open economy: exports of merchandise constitute 55 per cent and imports of merchandise 45-50 per cent of the gross domestic product. These are high ratios commonly found in developing countries which have one or two intensely specialized products to export; in undertaking big strides towards development they experience a high import ratio, because of the need to obtain the raw materials and capital equipment for their investment projects as well as to meet the consumer demand arising from higher incomes. Surinam, for instance, imports for food consumption twice the value of agricultural commodities it exports.

The expansion of the bauxite operations into the alumina and aluminium complex has caused the exports of merchandise to increase at a much faster rate than the imports of merchandise. Consequently as of 1966 the balance of trade has begun to register surpluses. But because of the greater outflow of investment income and the negative difference in the service items, the balance of payments continues to be deficitary. This deficit stood in 1974 at half the amount that it was in 1964. The deficit arises from the transactions of the domestic sector rather than the foreign-companies sector of the economy. Although the latter indicate negative items in the services account of the balance of payments, because of the net outflow of investment income, their contribution to the merchandise account is positive and overwhelmingly larger, so that contrary to general beliefs, their overall impact on the external account is positive. This positive influence has risen from Sf172.8m in 1968 to Sf188.8m in 1974 in the current account. In the overall balance the rise has been from Sf89.1m to Sf181.2m over the same period.

THE PUBLIC FINANCES

The public sector in Surinam is highly centralized with local governments having virtually no fiscal independence. In fact, there is only one level of government, the Central Government, whose functions are executed in the districts by District Commissioners. It is the Central Government that assesses and collects taxes and disburses expenditures. An examination of the accounts of the central government will reveal the picture of the overall change.

Taxes⁵

Taxes in Surinam constitute about 23 per cent of the GNP and 75-80 per cent of total recurrent revenue. Within taxes, reliance on taxes on production and consumption is heavier than on taxes on income and property. This reliance has been

increasing incessantly because of new import duties, rises in tax rates, and most recently because of the new bauxite levy. The rates of taxes on liquor, beer and tobacco were raised in November 1970 and then again in 1973. Higher import prices have been a strong factor behind the recent growth in import duties. In addition duties on motor vehicles and household appliances were raised in April 1973. But because of the specific nature of some of the important duties, and because of favourable treatment recognized for equipment and raw materials necessary for the operation of domestic enterprises, including the aluminium companies, and because of a possible shift in consumer demand toward lower priced import items, duty collections have not risen as fast as the value of the imports, and the average rate of import duty fell from about 20 per cent in 1970 to 16 per cent in 1974.

The new bauxite levy was negotiated to enter into effect in December 1974, to be retroactive to January of that year. The receipts should have begun to flow in 1975; the levy is expected to yield Sf90m in a normal year. In fact the budgeted figure is only Sf84.5m for 1976, because of the worldwide recession in 1975. If realized, this would imply a tripling of the yield of taxes on domestic production and consumption. The intention of the government is to earmark the levy for the financing of development projects not eligible for foreign assistance.⁶

Only a small portion of the income taxes derive from the personal income tax, the yield of which has been stagnating since 1971. And because of the loss of records in fires caused by the 1973 disturbances, the resumption of collection will take time, and the recovery of the arrears will be slow and in strongly depreciated currency because of the inflation. The largest portion of the income taxes derive from corporate income taxes on a few foreign owned companies, especially SURALCO (Surinam Aluminium Company), the largest single corporate income taxpayer, and BILLITON (the smaller of the two aluminium companies). Bauxite operations and alumina production account for about one-third of the GDP; they have been relatively stagnant during the sixties; there has been a world-wide slack in demand for aluminium in the seventies; and the companies have been unable to expand production significantly due to capacity constraints and technical difficulties. Consequently, despite the revision of the tax agreement with SURALCO in 1973,⁷ and despite a 10 per cent surcharge, introduced in 1971, on the profits of smaller companies,⁸ income taxes have been relatively stagnant.

The expansion of the tax receipts overall has been at a lower rate than aggregate output. In other words, the tax system appears to be inelastic with respect to output changes.

Expenditures

The public sector occupies a very important position in the economy of Surinam. It is one of the major employers with one-fourth of total employment generating in this sector. It is the only sector where employment rises when it is stagnant (if not declining) in others. Total expenditures (recurrent and capital) have traditionally been around 33 per cent of GNP, i.e. a good 10 percentage points higher

TABLE 1 POPULATION OF SURINAM

Year	(000)	Index of Growth
1950	205.0	100.0
1955 ^{a/}	243.3	118.6
1960	279.2	136.2
1964	324.7	158.4
1965	332.1	162.0
1966	339.1	165.7
1967	347.5	169.5
1968	355.5	173.4
1969	363.7	177.4
1970	372.1	181.5
1971	380.6	185.7
1972	389.1	189.8
1973	398.4	194.3
1974	407.3	198.7

^{a/} Extrapolated
Sources:

1950 Suriname. Stichting Planbureau Suriname. *Nationaal Ontwikkelingsplan Suriname* (Paramaribo, 1965), Vol. 3, p. 739; 1964-72 - Surinaams. - Nederlandse commissie van deskundigen, *Programma voor de sociaal-economische ontwikkeling van Suriname* (Paramaribo, januari 1975), Appendix 1. (a);

1973-74 - Suriname. Ministerie van Financien. *Financiële Nota*, Dienstjaar 1976.

than taxes. The figure is probably an underestimation today because of the changes in 1973 in accounting procedure which have removed the gross expenditures and revenues of some government enterprises from the budget.

The main factors for the high level of public expenditures and for their increase are the growth in wages and salaries which account for some 55-60 per cent of current expenditures and the transfers to the private sector (result of the steady increase of civil service pensions and subsidies to private hospitals). Domestically financed capital expenditures have been about 5 per cent of total expenditures, while externally financed capital expenditures are more than 20 per cent. The high percentage (25 per cent) of capital outlays in the public budget is a clear evidence of the role played by the government in the functioning of the economy. In fact, the share of public capital formation in total gross capital formation ranges between 35-45 per cent. Considering that total investments have been around 22 per cent of GNP, and that 80 per cent of public capital formation is externally financed, externally financed public investments, therefore, become roughly about 8 per cent of the GNP.

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TABLE 2 INCOME BY INDUSTRIAL ORIGIN

	1955	1960	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
Aggregate estimates (\$f million)												
At current prices												
Agriculture, other than forestry	15.1	20.0	28.5	31.8	36.6	40.4	37.0	37.9	41.2	44.7	53.2	60.0
Forestry	2.8	3.0	12.6	13.6	13.1	14.4	15.0	13.6	15.5	13.9	12.0	18.0
Mining	34.5	58.0	75.5	115.5	134.5	139.5	154.5	162.6	186.7	181.5	190.0	252.0
Machinery ^a	25.4	43.0	22.0	27.8	37.6	52.9	49.3	51.0	52.5	54.6	55.3	61.0
Ownership of dwellings	2.9	6.0	11.0	12.0	13.0	15.0	114.6	114.8	117.6	126.9	141.3	157.0
Government	16.4	27.0	46.9	49.7	54.5	65.5	79.8	94.2	104.5	109.7	26.2	28.0
GDP at factor cost	140.4	183.0	270.6	339.4	395.4	441.8	465.2	490.7	538.0	554.8	595.0	705.0
Minus: net factor income from abroad	4.4	28.0	30.3	32.0	39.2	71.6	79.4	74.7	85.2	74.4	63.3	45.0
GNP at factor cost	106.0	155.0	240.3	307.4	356.7	370.2	385.8	416.0	452.8	480.4	531.7	660.0
Plus: indirect taxes less subsidies	14.2	25.0	37.7	41.3	45.5	46.9	54.1	59.1	64.0	69.1	80.0	92.0
GNP at market prices	120.2	180.0	278.0	346.7	402.2	419.1	439.9	475.1	516.8	549.5	611.7	752.0
GDP at market prices	124.6	208.0	308.3	380.7	440.9	490.7	519.3	549.8	602.0	623.9	675.0	797.0
At 1970 prices ^c												
GDP at market prices	217.1	318.0	407.3	481.3	502.7	559.5	532.6	549.8	600.8	603.4	577.4	583.4
GNP at market prices	209.4	275.2	367.2	440.8	458.6	477.9	451.2	475.1	515.8	531.4	523.3	550.5
Per capital (\$f)												
At current prices												
GDP at market prices	553.2	745.0	938.3	1,120.6	1,268.7	1,380.3	1,427.8	1,477.5	1,581.7	1,693.4	1,694.3	1,956.8
GNI at market prices	494.0	644.7	837.1	1,026.5	1,157.4	1,178.9	1,209.5	1,276.8	1,357.8	1,412.2	1,535.4	1,866.3
At 1970 prices ^c												
GDP at market prices	963.8	1,139.1	1,226.3	1,416.7	1,446.6	1,573.9	1,464.4	1,477.5	1,578.5	1,550.7	1,449.4	1,432.5
GNP at market prices	860.5	985.8	1,105.8	1,297.7	1,319.7	1,344.2	1,240.5	1,276.8	1,355.1	1,365.8	1,313.4	1,351.6

^a Includes also utilities and construction
^b Includes transportation, distribution, financial institutions and other services.
^c Deflated by the retail price index.

Source: 1954-1962 - Suriname, Stichting Planbureau Suriname. *Jaarverslag 1962*. *Tenjaarsplan Suriname (Paramaribo, 1964)*, p. 29; 1965 - Suriname, Stichting Planbureau Suriname. *Nationaal Ontwikkelingsplan Suriname (Paramaribo, 1965)*, Table 96; 1964-1972 - Suriname, Suriname-Nederlandse commissie van deskundigen. *Programma voor de sociaal-economische ontwikkeling van Suriname (Paramaribo, 1975)*, Bijlage 1 (a) and (b); 1973-1974 - Suriname, Ministerie van Financien. *Financiële Nota*, Dienstjaar 1976.

TABLE 3 CONSUMER PRICE INDEX (1970 = 100)

Year	CPI
1954	57.4
1955	57.4
1956	58.0
1957	63.7
1958	63.7
1959	63.7
1960	65.4
1961	66.5
1962	67.6
1963	68.8
1964	71.6
1965	75.7
1966	79.1
1967	87.7
1968	87.7
1969	97.5
1970	100.0
1971	100.2
1972	103.4
1973	116.9
1974	136.6

Sources: Suriname. Department van Economische Zaken. *Verslag over het jaar 1962* Paramaribo [n.d.], p. 18; Suriname. Algemeen Bureau voor de Statistiek. *Statistische Berichten*, various numbers; Suriname. Centrale Bank van Suriname. *Annual Reports*; IMF. *Recent Economic Developments in Surinam*. DOC. SM/75/182, p. 17.

The only price index published in Surinam is the consumer price index (CPI) known as the cost of living index. It was originally based on a 1952 survey of households with weekly income of Sf20-60. Accordingly weights were given to several groups of items, with food and beverages having a weight of 55 per cent. The budget survey was updated in 1968/69 to cover households in Paramaribo and its environs with incomes of up to Sf 500 a month. As a result the weight of food and beverages was reduced to 40 per cent; housing was given a weight of 23.7 per cent, clothing and shoes 11 per cent; and other consumer items (such as medical care, education, personal care, tobacco, etc.) 25.4 per cent.

The old CPI was available up to 1969, the new CPI was available from 1969 onwards, so that a common link between the two was possible. In linking the two indices no consideration was given to the change in weights. The CPI was then converted to the base 1970 = 100.

Functionally, the importance of expenditures on social services (education,³ health, welfare and lately housing) is overwhelming. These constitute about 45 per cent of current expenditures. Education accounts for two-thirds of this category, and is the only expenditure which has grown and by more than 100 per cent since 1968.

The external financing of development aid takes two forms — grants and loans — and originates mainly in the Netherlands, with some of the grants being provided by the European Community's Development Fund. Over the five years from 1970-1974, loans have amounted to 42 per cent of total development aid; within total aid Netherlands's share has been 90 per cent.

TABLE 4 ANNUAL RATES OF GROWTH OF OUTPUT¹

Year	GNP (Sf million) current prices	Annual Rate of Growth	GNP in 1970 prices (Sf million)	Annual Rate of Growth	Per cap. GNP in 1970 prices (Sf)	Annual Rate of Growth
1954	115.4		201.1			
1955	120.2		209.4		855.4	
1956	125.0	4.2	215.5	4.1	860.6	
1957	146.3	17.0	229.7	2.9	861.3	6.1
1958	153.5	4.9	241.0	6.6	892.7	3.6
1959	167.0	8.8	262.2	4.9	910.8	2.0
1960	180.0	7.8	275.2	8.8	970.7	6.6
1961	200.8	11.6	302.0	5.0	985.8	1.6
1962	205.5	2.3	304.0	9.7	1,041.7	5.7
1963	217.5	5.8	316.1	0.7	1,009.6	-3.1
1964	238.8	9.8	333.5	4.0	1,010.9	0.1
1965	278.0	16.4	367.2	5.5	1,027.1	1.6
1966	348.7	25.4	440.8	10.1	1,105.8	7.7
1967	402.2	15.3	458.6	20.0	1,297.7	17.4
1968	419.1	4.2	477.9	4.0	1,319.7	1.7
1969	439.9	5.0	477.9	4.2	1,344.2	1.9
1970	475.1	8.0	451.2	-5.6	1,240.5	-7.7
1971	516.8	8.8	475.1	5.3	1,276.8	2.9
1972	549.5	6.3	515.8	8.6	1,355.1	6.1
1973	611.7	11.3	531.4	3.0	1,365.8	0.8
1974	752.0	22.9	523.3	-1.5	1,313.4	-3.8
			550.5	5.2	1,351.6	2.9

¹Percent change over previous year.

IMPLICATIONS FOR THE PUBLIC SECTOR

Certainly Surinam constitutes no exception to the general rule of long-term pressure on government spending in LDCs. The incapacity of its tax system to meet the growth in such spending is also typical. Government expenditures have grown at a slightly higher rate than taxes in the past ten years. This is a significant achievement over the previous ten years when the growth of expenditures had been at a substantially faster rate. But this achievement is not due to a curtailment in the rate of

TABLE 5 NATIONAL ACCOUNTS BY EXPENDITURE CATEGORIES

	1960	1964	1965	1966	1967	1968	1969	1970	1971	1972
Private Consumption	115.0	199.0	184.0	171.6	250.2	259.7	284.0	293.2	308.8	298.3
Government Consumption	34.3		60.3	86.0	91.3	104.5	105.8	128.1	138.4	156.1
Private investment	42.0	21.6	101.7	103.2	70.4	81.9	69.0	69.1	77.0	87.3
Government investment	25.0	113.0	28.7	21.8	24.5	18.8	24.4	31.5	28.4	33.9
Exports	107.1	114.4	139.2	203.9	236.3	255.1	291.3	303.1	348.6	368.7
Imports	143.4	209.2	175.9	237.8	270.5	300.9	334.6	350.1	386.8	399.8
GNP at market prices	180.0	238.8	278.0	348.7	402.2	419.1	439.9	474.9	514.4	544.5
Gross domestic saving	30.7	39.8	33.7	91.1	60.7	54.9	50.1	53.6	67.2	90.1
Government	4.6	-5.9	0.4	11.6	9.3	10.6	11.5	13.3	8.5	15.5
Private	26.1	39.6								
Foreign loans and grants	36.3	94.8	96.7	33.9	34.2	45.8	43.3	47.0	38.2	31.1

Sources: 1960 - F. Andic and S. Andic, *Government Finance and Planned Development, Fiscal Surveys of Surinam and the Netherlands Antilles* (Rio Piedras, P.R.: Institute of Caribbean Studies, University of Puerto Rico, 1968), Table A.II.7; 1964-1972 - *Programma voor de sociaal-economische ontwikkeling van Suriname*, Rapport van de Surinaams-Nederlandse commissie van deskundigen (Paramaribo 1975), Bijlage (1) b.

Note: Gross government saving has been taken as the surplus (+/-) of the current account; gross private saving has been calculated as the residual. Foreign loans and grants are defined as the deficit in the current external account without taking into consideration changes in gold and foreign exchange holdings.

growth of public expenditures or to the expansion of the tax base; rather it arises from increases in taxes. The fact that taxable capacity could not rise as fast, has implied over the years a gradual dwindling of the existing balances in the current budget, their transformation into deficits, the rise of these deficits over the first half of the sixties, and finally the occurrence of very meagre surpluses in the second half of the sixties. In the first years of the seventies substantial deficits in the current budget were avoided. But public finances deteriorated sharply in 1973, caused by the civil disturbances in the year which led to substantial increases in wages and salaries in the public sector as well as fringe benefits. Although the rates of a number of indirect taxes were raised, the increase in the yield of such taxes was not sufficient to offset the fall in income taxes. Hence there occurred a deficit to the amount of 11 per cent of current revenue, or 2 per cent of the GNP. The same situation of public dissaving occurred in 1974 and the budget estimates indicate an even more precarious situation for 1975 with an almost tripling of the current deficit, despite the new bauxite levy which tripled its yield. The collection of the bauxite levy is not yet in full force and has been impeded by the world-wide recession of 1975.

But income taxes are stagnant, government current expenditures continue to rise, mainly because of the swelling of the cadres of civil servants as well as substantial increases in average remunerations; this has been to the order of 22 per cent since prices have increased sharply. Transfers to the private sector are growing, and the government enterprises are unable to avoid their deficits. In fact to say that they are unable to avoid their deficits is an understatement: such deficits are growing. As a result, the government is forced to borrow from the banking system and to have recourse to the Netherlands even to obtain budget assistance, or negotiate for the cancellation of interest payments on its debt or consolidation of its debt servicing.

The total public debt in 1975 was \$f244.1m, about 35 per cent of the GNP. Only 12 per cent of this amount is domestic debt, a great part of which is held by the banking system. Ninety per cent of the external debt is held by governments, i.e. Netherlands, most of it in soft loans. Total debt has grown by close to 50 per cent between 1970 and 1974.

The budget estimates for 1976 are extremely favourable, counting on a favourable collection from the bauxite levy, which, it is forecast, will bring in 40 per cent more than all the income and property taxes. Hence there is optimism for a budget surplus. This may be a premature optimism, since the growth in industrial economies, consumers of the products of Surinam's bauxite complex, has not been up to expectations in 1976, and there are signs that it will even slacken further in 1977.

IMPLICATIONS FOR DEVELOPMENT REQUIREMENTS

Surinam has had several development plans since 1954. In the early stages these plans emphasized basic industries designed to eliminate bottlenecks; later on they developed into more integrated investment schemes which include some estimate of the magnitude of private investments required to attain the development objectives,

TABLE 6 GDP AND EMPLOYMENT BY SECTOR (PERCENT OF GDP AND ACTIVE LABOUR FORCE)

	1960		1964		1968		1969		1970		1971		1972	
	GDP	Empl.	GDP	Empl.	GDP	Empl.	GDP	Empl.	GDP	Empl.	GDP	Empl.	GDP	Empl.
Agriculture, other than forestry	10.9	39.8	10.4	31.5	9.1	26.1	8.0	26.6	7.7	24.9	7.7	26.0	8.1	25.8
Forestry and wood processing	1.6	2.2	4.5	3.1	3.3	3.6	3.2	3.6	2.8	3.4	2.9	3.5	2.5	3.9
Mining and bauxite processing	31.7	4.5	27.5	7.3	31.6	7.8	33.2	7.3	33.1	7.0	34.7	7.1	32.7	7.6
Other industry, water and electricity	14.2	11.8	7.8	10.0	12.0	14.1	10.6	13.7	10.4	13.5	9.8	14.5	7.4	15.2
Construction			2.0	3.3	1.7	4.6		5.5		5.4		3.5	1.6	2.3
Trade, banking and other services	8.7	16.7	25.1	24.0	24.2	20.5	24.6	18.2	23.4	18.1	21.9	17.6	23.7	17.9
Housing	3.3		4.5		3.3		3.2		3.4		3.7		4.2	
Government	14.8	25.0	18.5	20.7	14.8	23.2	17.2	25.2	19.2	27.6	19.4	27.8	19.8	27.3

Source: Stichting Planbureau Suriname.

TABLE 7 BALANCE OF PAYMENTS
(Sf million)

	1955	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
Current account																
Receipts																
Sales of merchandise (f.o.b.)	43.7	67.6	81.1	82.1	88.1	95.1	111.8	174.4	202.8	220.5	252.5	257.6	297.4	313.8	314.1	450.3
Sales of services	9.3	19.0	20.0	18.4	20.2	22.3	25.9	27.7	31.4	34.0	37.0	40.3	46.7	69.7	52.6	73.6
Income on investments	0.3	0.5	0.3	9.3	0.4	1.0	1.5	1.8	2.1	0.6	1.8	5.2	4.5	5.2	5.1	13.2
Payments																
Purchases of merchandise (c.i.f.)	46.6	98.2	99.5	100.1	105.7	140.8	177.4	167.1	191.9	187.0	206.1	216.0	236.0	252.4	268.1	405.1
Purchases of services	10.4	16.9	20.0	22.5	25.4	29.0	28.5	37.8	37.0	40.5	45.6	52.8	60.3	65.9	77.9	114.4
Income on investments	n.e.	26.3	26.7	26.8	28.9	30.1	30.0	32.9	41.6	73.4	62.9	81.3	93.5	80.5	75.0	52.6
Net balance in current account	-4.7	-36.3	-44.8	-48.6	-52.3	-81.5	-96.7	-33.9	-34.2	-45.8	-43.3	-47.0	-38.2	-31.1	-49.2	-37.8
Capital account (net)																
Private capital																
Long term	3.2	18.0	22.1	31.9	34.7	76.3	66.6	14.8	4.2	19.0	2.7	-9.1	-13.4	-1.7	32.7	-0.6
Short term	-	0.6	-4.0	-1.9	0.6	-4.5	10.4	6.5	8.7	10.6	10.8	21.1	16.4	10.5	16.6	0.8
Transfers	-0.3	0.4	0.4	0.1	-0.4	-0.1	0.3	1.0	-0.5	0.1	-0.1	-0.5	0.9	-1.8	-1.4	-2.7
Public capital																
Transfers	-	6.5	8.5	7.5	13.1	6.8	10.5	12.5	13.0	12.4	20.3	23.9	24.2	27.2	24.3	35.5
Long-term borrowing	-	7.2	15.3	13.9	13.8	15.9	22.2	6.1	12.4	12.0	14.6	22.9	7.5	29.6	15.3	18.9
Debt service	-	-0.1	-0.4	-1.5	-1.7	-3.3	-7.2	-1.9	-2.5	-5.6	-0.6	-1.2	-2.4	-2.4	-5.5	-1.6
Other	-	-0.3	-0.3	0.5	-1.6	0.1	-0.4	0.7	0.3	3.8	3.0	2.5	3.2	-11.7	-3.0	-1.7
Net balance in capital account	2.9	32.3	41.6	50.5	58.5	91.2	102.4	39.7	35.6	52.5	50.7	59.6	36.4	48.7	79.0	68.6
Balance in total account	-1.6	-4.0	-3.2	1.9	6.2	9.7	5.7	5.6	1.4	6.5	7.4	12.6	-1.8	17.6	29.8	10.8

Note: 1955-1964 cash basis, 1965-1972 transaction basis, 1973-1974 preliminary figures and cash basis.

Sources: 1955-1972 - Suriname, Centrale Bank van Suriname, Verslagen 1957-1972; 1973-1974 - Suriname, Ministerie van Financien, Financiële Nota behorende bij de ontwerp-begroting voor het dienstjaar 1976.

broad policies and instruments to stimulate such private investments, and forecasts of economic activity. The most detailed and the most comprehensive plan is the one elaborated for 1966-1975 [6] which envisaged a 7 per cent annual rate of growth in real national income, aimed at the reduction in the level of unemployment, attainment of the equilibrium in the balance of payments, improving the distribution of incomes, and maintenance of a relatively stable price level. It used a simple macroeconomic model of the capital-output ratio type to make long-term projections of the level of aggregate output, exports and imports, and to appraise the implications of investment expenditures on monetary stability. The first and second five year plans were conceived in its framework, the first covering the period 1967-1971 and the second starting in 1972. They consisted of lists of projects, rather than a comprehensive and integrated plan, with emphasis placed on directly productive projects, although it did not turn out to be possible to implement this emphasis to the extent envisaged by the authorities.

Currently development investments are being implemented according to the guidelines of the second five year plan. But in early 1975 a new development programme was drawn up and provides the framework within which detailed plans are to be implemented. These plans and the corresponding investment projects have not yet been elaborated. [7]. The programme aims to stimulate production, to reduce unemployment, to achieve a more equitable distribution of income, and to ensure a larger national participation in productive activities through joint ventures between the government and private foreign enterprises.⁹

The new programme provides two alternatives. The first involves a 10-11 per cent annual rate of growth with a gross investment to GNP ratio of 45 per cent, i.e. the same ratio that was achieved during the Brokopondo investments period, and full employment by 1985. The second alternative assumes a 7-8 per cent annual rate of growth with a gross investment to GNP ratio of 30 per cent (i.e. 8 percentage points higher than the ratio prevailing in 1972) and no change in unemployment by 1990. The first alternative envisages 10 years and the second 15 years. The eight experts who drew up the programme favour the 10 year alternative because it provides for full employment.

The programme is estimated to cost Sf4.5 billion in 1975 prices, of which Sf3.4 billion will be grants from Holland.¹⁰ This still leaves Sf1.1 billion (or very simply an annual average Sf110m) to be financed out of domestic resources or additional external sources. In examining the implications for the budget of alternative paths of development one has to confront the investment intentions with the projections for at least the size of the budget and the projected claims by the private sector to arrive at the relation between resources claimed and resources available. This involves projecting public capital formation, public recurrent expenditure, private investment, personal consumption expenditures, and exports on the one hand, total output of the economy and imports on the other. Comparison of the two aspects will give the order of the magnitude of the projected gap between the supply of and demand for resources.

Given the rudimentary information available, this examination was made for the public sector alone using a simple arithmetic calculation with the following assumptions:

TABLE 8
TRANSACTIONS OF FOREIGN-OWNED COMPANIES AND THE DOMESTIC SECTOR IN THE MAIN COMPONENTS OF THE BALANCE OF PAYMENTS
(Sf million)

	Current account:			Net capital transactions and transfers			Overall balance (Deficit -)
	Merchandise	Services ^a	Balance on current Account	Private Sector	Public Sector	Balance on capital and Transfer Accounts	
1968							
Foreign-owned companies	31.5	-79.3	-47.8	29.7	22.6	52.5	6.5
Domestic sector	145.3	-72.5	72.8	16.3	-	16.3	93.1
	-111.8	-6.8	-118.6	13.4	21.6	35.0	-82.6
1969							
Foreign-owned companies	45.1	-89.7	-44.6	13.4	31.3	50.7	7.4
Domestic sector	167.7	-83.4	84.3	(6.4) ^c	-	16.4	94.7
	-121.5	-6.3	-127.8	3.0	37.3	40.3	-87.5
1970							
Foreign-owned companies	41.6	-88.6	-47.0	11.5	48.1	59.6	12.6
Domestic sector	185.5	-83.3	102.2	-2.4 ^c	7.2	4.8	107.3
	-144.2	-5.3	-149.5	13.9	40.5	54.3	-94.7
1971							
Foreign-owned companies	61.4	-99.6	-38.2	3.9	32.3	36.4	-1.8
Domestic sector	214.8	-97.5	117.3	1.6 ^c	-1.1	0.5	117.8
	-153.4	-2.1	-155.5	2.1	35.6	35.9	-119.6
1972							
Foreign-owned companies	61.4	-92.5	-31.1	7.0	41.7	48.7	17.6
Domestic sector	213.3	-99.0	114.3	13.5 ^c	-1.5	12.0	134.3
	-153.5	6.5	-147.0	-6.5	43.2	35.7	-102.7
1973 ^b							
Foreign-owned companies	46.0	-95.2	-49.2	47.9	31.1	79.0	29.9
Domestic sector	194.7	-77.7	117.0	26.6 ^c	-0.6	26.0	143.0
	-146.7	-17.5	-164.2	21.3	31.7	53.0	-113.2
1973 ^b							
Foreign-owned companies	43.2	-80.0	-36.8	-3.5	53.1	49.6	10.8
Domestic sector	245.4	-56.6	188.8	-7.0	-0.6	-7.6	191.2
	-203.2	-23.4	-226.6	4.5	51.7	56.2	-170.4

^a Including investment income (net, but excluding net payments for engineering and private transfers) and private transfers (included under capital transactions and transfers)

^b Cash basis

^c Including disinvestments (= Equivalized profits less bank profits)

Source: 1968-1972 - Suriname, Centrale Bank van Suriname, *Verlag 1972*
1973-1974 - J.M.F. *Receptor Development in Suriname*, Doc. No. 773/182, 1975, Table IV. 3, p. 61

-The programme's estimates of GNP and total gross investments for 1985 were taken at their face value.

-One-tenth of the investments of the Plan was taken to represent annual public investments. In other words total investments were distributed evenly over the years and it was assumed that there would be no public capital expenditures outside of the Plan.

-It was assumed that public recurrent expenditure would grow by 63 per cent every five years. This assumption is based on the experience of the period 1970-74.

-It was assumed that the tax to GNP ratio would rise to 28 per cent. This is the ratio of taxes, including the optimistic forecast for the bauxite levy, to GNP in 1976. The GNP estimate for 1976 was arrived at by again optimistically assuming that GNP would grow at an annual rate of 10 per cent.

-It was assumed that other public recurrent revenue would maintain its ratio to GNP, though it could very well decline.

-Finally, it was assumed that one-tenth of the total Dutch grant of Sf3.4 billion would be available annually.

The result for the 1985 budget (in 1975 prices) is as follows:

	Sf million
Public investments	450
Recurrent expenditure	588
Total expenditure	1,038
Taxes	550
Other revenue	120
Dutch grant	340
Total revenue	1,010

It appears that total revenue will just cover total capital and recurrent public expenditures. The additional Sf110m required annually will flow from domestic sources; only Sf340m of Dutch funds will be required externally, and this will amount to 35 per cent of public revenues.

However, this exercise begs the feasibility of a 10-11 per cent rate of annual growth. A crude estimate of an achievable rate of growth based on a simple ICOR calculation, given the past performance of the economy between 1964 and 1972, when high levels of investments comparable to those envisaged by the new Plan were implemented, suggests an average annual rate of growth of around 6 per cent with external financing amounting to 60 per cent of total resources required.¹¹ If in the previous calculation the GNP estimate is changed to account for the lower annual rate of growth, a financing gap of around Sf210m is obtained:

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	Sf million
Public investments	450
Recurrent expenditure	588
Total expenditure	1,038
Taxes	400
Other revenue	85
Dutch grant	340
Total revenue	825
Gap	213

This will have to be met out of additional domestic and/or external resources. Given the presently meagre savings in the private sector,¹² not only this portion of public investments but private investments as well will have to be financed out of external resources. For the simple gap calculation above refers to public sector alone. Investment in 1985 is forecast to be Sf860m, Sf450m of which is the amount that corresponds to the public sector. This leaves Sf410m as the private sector's share, an overwhelming proportion of which will also have to be financed out of external sources.

We are the first to recognize the crudeness of the computations, of the assumptions, and the weaknesses of the concepts such as gross and incremental capital-output ratios. They do point, however, to the crucial need for external financing for development. The absolute magnitudes are relevant only to the extent that they indicate the financing requirements implied by the development plans. In this case, they illustrate the implausibility of the assumption that the government would be able to finance a considerable portion of its capital budget from the savings of individuals and domestic businesses.

Unless foreign finance is available for virtually the whole plan, it will be impossible to execute the capital spending envisaged for development. This arises, first, from the fact that even if the budget succeeds in achieving a surplus in its current account as projected, it will not be able to meet Surinam's share in the finance of capital spending. Secondly, private savings will not be sufficient to meet the private demand for investment. Reduction in personal consumption expenditures is necessary if the overall government deficit and the private investment deficit are to be met out of local resources. Self-sustaining growth declined to exclude any need for foreign aid in the foreseeable future is out of the question for Surinam since it will require unbearable reduction in personal consumption. In the period 1965-1972, on the average, taxes amounted to 23 per cent of gross output while private savings were approximately 7 per cent. It follows that the amount of resources available for personal consumption was 70 per cent. Now, the average public and private investment ratio projected for the plan period is 45 per cent of gross national product; public recurrent expenditure is estimated to average 30 per cent of gross national output.

TABLE 9 TOTAL RECURRENT REVENUE, 1960, 1965-1976
(Sf million)

	1960	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974 ^f	1975 ^f	1976 ^g
Tax revenues	43.1	53.8	61.6	80.1	88.8	89.5	101.4	109.5	121.7	138.1	132.5	150.2	157.3	240.7
Income taxes	17.3	21.4	25.2	40.1	44.7	41.1	47.8	51.1	58.4	64.9	56.3	56.2	48.5	60.7
Personal income tax	3.8	n.a.	n.a.	n.a.	n.a.	8.1	8.0	6.6	13.2	14.3	13.4	13.8	18.9	n.a.
Corporate income tax	13.5 ^h	n.a.	n.a.	n.a.	n.a.	33.0	39.8	44.6	45.2	50.6	42.9 ^h	42.4	29.6	n.a.
Taxes on property ^b	0.5	n	n	n	n	0.8	0.7	1.0	1.3	1.2	0.4	0.2	0.3	0.8
Taxes on dom. prod ^c + con ⁿ	6.4	7.9	8.4	9.2	9.5	11.0	12.0	12.4	14.2	15.5	18.9	21.2	29.9	103.1
Duties on liquor	3.2	3.2	3.4	3.9	3.8	3.7	3.7	3.8	4.0	4.1	4.3	4.3	4.3	84.5
Excise on liquor	0.8					1.1	1.3	1.1	1.2	1.8	2.6	3.0	3.4	3.5
Beer tax	0.4					1.8	2.0	2.1	2.3	2.6	3.7	5.0	3.9	5.0
Motor vehicle taxes	0.7	4.7	5.0	5.3	5.7	1.5	1.6	1.9	2.4	2.1	2.3	2.5	2.7	3.0
Stamp duties	0.7					1.3	1.4	1.7	1.7	1.8	1.9	2.2	1.9	2.5
Other ^d	0.6					1.6	2.0	1.8	2.6	3.1	4.1	4.2	4.5	4.8
Taxes on int'l trade	18.9	24.5	28.0	30.6	34.6	35.6	40.9	44.8	47.9	51.5	57.0	72.6	78.6	76.1
Import duties	18.0	23.0	25.4	28.0	31.4	32.9	36.9	40.5	43.0	46.6	51.3	65.3	70.7	68.0
Export duties	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Stistical duties	0.8	1.4	2.5	2.7	3.1	3.6	3.9	4.2	4.6	4.8	5.5	7.7	7.8	8.0
Non tax revenues	14.1	16.8	19.0	19.7	21.5	26.6	25.5	27.5	32.1	32.3	26.4	42.6	31.0	46.0
Income from pub. enterprises	9.3	11.6	12.2	13.2	13.9	13.4	12.4	13.0	12.5	14.3	7.2	9.7	10.9	11.1
Fees, legal charges, licences	0.2	1.2	1.2	1.3	1.4	2.5	2.5	3.0	3.8	3.9	4.0	2.7	2.7	3.1
Other ^e	5.6	4.0	5.6	5.2	6.2	10.7	10.6	11.5	15.8	14.1	15.2	30.2	17.4	31.8
TOTAL RECURRENT REVENUE	57.3	70.6	80.6	99.7	110.5	116.1	127.1	137.1	155.8	165.5	159.0	192.8	188.3	286.7

^aIncludes excess profits tax of Sf 0.5 million ^bProperty tax, inheritance tax, and rental value tax. ^cMatell tax, dog tax, entertainment tax, lottery and other royalties. ^dIncome from property, sales and miscellaneous. ^eIncluding Sf 0.1 million dividend tax. ^fPreliminary. ^gBudget ^hIncluded under income taxes.

Source: 1960 - Suriname: Ministerie van Financien. *5 Jaar Breed be leid in Suriname, 1958-1963*, pp. 33-37; 1965-67 - Suriname: Central Bank van Suriname. *Veelg over 1969*, Table 53, p. 96; 1968-70 - IMF. *Recent Economic Developments in Suriname*. Document SM/74/25, Wash., D.C., 1974, Table III, 2, p. 31; 1971-73 - IMF. *Recent Economic Developments in Suriname*. Document SM/75/182, Wash., D.C., 1975, Table II, 2, p. 27; 1974-76 - Suriname: Ministerie van Financien. *Staat van de middelen tot dekking van de uitgaven der begroting voor het dienstjaar 1976*, and the Dept. of Tax Collections.

TABLE 10 GOVERNMENT EXPENDITURES BY ECONOMIC CATEGORIES
(Sf million)

	1968	1969	1970	1971	1972	1973
Current expenditures	105.5	115.6	123.8	145.3	149.4	172.4
Wages and salaries	60.2	70.5	80.2	82.4	89.6	99.5
Goods and services	27.6	26.0	26.8	35.2	35.5	23.7
Transfers to:						
Public sector	0.2	0.4	0.2	0.3	0.2	3.2
Private sector	11.8	13.6	13.2	16.2	18.4	24.0
Interest	2.5	1.9	0.7	2.0	0.5	2.8
Other	3.2	3.2	2.7	9.2	5.2	19.2
Capital expenditures	33.1	30.1	47.0	43.3	49.0	52.3
Domestically financed	15.9	10.3	8.8	8.1	10.0	7.7
Externally financed	17.2	19.8	38.2	35.2	39.0	44.6
Total expenditures	138.6	145.7	170.8	188.6	198.4	224.7

Source: Suriname: Ministerie van Financien and Stichting Planbureau Suriname.

TABLE 11 GOVERNMENT CURRENT EXPENDITURE BY FUNCTION (PER
CENT OF TOTAL CURRENT EXPENDITURE)

	1968	1969	1970	1971	1972	1973
General Administration	33.7	31.9	34.2	37.8	35.3	33.8
Community and Social Services	44.4	46.0	43.8	42.3	45.1	41.0
Education	19.2	21.2	23.9	20.5	21.9	25.1
Health	11.0	10.6	9.8	12.3	12.3	5.8
Trans'n and Commu'n	9.2	8.7	7.3	6.9	6.9	6.5
Energy	1.7	1.7	0.2	0.1	0.1	0.1
Community Development	-	-	0.6	1.4	1.4	1.1
Other	3.2	3.9	2.1	2.5	2.5	2.5
Economic Services	7.3	8.1	8.8	8.0	7.9	8.1
Agriculture	4.8	5.1	4.4	4.1	3.9	3.9
Trade and Industry	0.5	0.6	2.5	2.2	2.3	2.2
Other	2.5	2.4	1.9	1.7	1.7	1.9
Transfers	11.4	12.1	11.5	11.5	12.5	14.6
Interest	2.4	1.6	0.6	1.4	0.3	1.1
Adjustment	0.4	0.2	0.8	-1.0	-1.1	1.3

Source: Ministerie van Financien;

From I.M.F. *Recent Economic Developments in Suriname*. Document SM/74/25, 1974, Table III-5, p. 37.

TABLE 12 OFFICIAL DEVELOPMENT AID
(Sf million)

	1968	1969	1970	1971	1972	1973	1974
Grants from:							
Netherlands	12.4	20.3	23.9	24.2	22.9	23.3	35.5
EEC Development Fund	10.7	16.0	22.1	21.1 ^a	16.4 ^b	16.0	28.5 ^c
UN Special Fund	1.6	4.3	1.8	2.9	6.5	7.3	7.0
	0.1	-	-	0.2	-	-	-
Loans from:							
Netherlands	3.9	6.9	15.7	7.2	32.9	15.3	18.9
European Investment Bank	3.9	6.3	13.8	7.0	32.7 ^d	15.3	18.9 ^e
	-	0.6	1.9	0.2	0.2	-	-
Total ^f	16.3	27.2	39.6	31.4	55.8	38.6	54.4

^aIncluding Sf 1.2 million Special assistance.

^bIncluding Sf 7.0 million cancellation of interest, Ten-Year Plan.

^cIncluding Sf 6.0 million budget assistance.

^dIncluding Sf 6.3 million consolidation of debt servicing.

^eIncluding Sf 4.0 million budget assistance.

^fExcluding amortizations.

Source: I.M.F. *Recent Developments in Surinam*. Dec. SM/74/25, 1974, and Doc. SM/75/82, 1975, and Surinam. Centrale Bank van Suriname.

Verlagen.

Assuming that the current budget can be balanced and recurrent expenditure will equal tax revenues, it follows that self-sustained growth requires that resources available for personal consumption be reduced to 25 (=100-45-30) per cent of gross national product, a decline of 30 percentage points over the year 1972. This surely is an unacceptable solution.

TABLE 13 BALANCE ON GOVERNMENT CURRENT ACCOUNT^a

(Sf million)

Year	Deficit/Surplus
1950	2.8
1954	5.4
1957	7.7
1960	4.6
1961	0.8
1962	-1.3
1963	-6.6
1964	-5.9
1965	0.4
1966	11.6
1967	9.3
1968	2.7
1969	8.0
1970	9.4
1971	9.4
1972	9.4
1973	-13.8

^aDifference between recurrent receipts and recurrent expenditure; realized budgets.

CONCLUDING REMARKS

In summing up the analysis of the fiscal system in its capacity to finance development requirements, the conclusion of heavy reliance on foreign resources should not drive one to despair. For there is nothing inherently good or bad in financing development out of foreign resources. The crucial point is the care that needs to be taken in their administration and allocation within the economy.

In this respect I would first like to point out that foreign financing can have inflationary impacts. This is not the place to enter into a discussion of the causes of inflationary pressures in LDCs. Given that there is heavy dependence on foreign trade, both in terms of exports and in terms of imports of consumer as well as capital goods, inflationary pressures arise, the intensity of which depends on the expansion of ex-

TABLE 14 GOVERNMENT DEBT

	End of Period				
	1967	1968	1969	1970	1971
Total debt	124.6	133.4	148.9	166.9	174.4
External debt	109.9	116.1	130.3	151.8	156.9
Governments	94.6	101.4	107.8	121.5	128.4
International organizations	-	-	0.6	2.4	2.7
Other	15.3	14.7	21.9	27.9	25.8
Of which:					
Banks	-	-	7.7	7.0	6.3
Suppliers	3.1	2.5	2.0	1.5	1.3
Other	12.2	12.2	19.4	19.4	18.2
Domestic debt	14.7	17.3	18.6	15.1	17.5
Central Bank	2.2	2.8	3.5	1.7	-
Commercial banks	3.0	3.6	3.1	2.0	6.1
Other financial intermediaries	1.8	4.0	5.2	4.9	4.5
Other	7.7	6.9	6.8	6.5	6.9
Of which:					
Currency in circulation	3.6	3.8	4.2	4.3	4.6

Source: Suriname, Centrale Bank van Suriname, *Verslage*.

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	1972	1974
	205.0	244.1
	184.6	214.6
	156.7	192.0
	2.9	2.9
	25.0	19.7
	5.7	4.5
	1.1	0.7
	18.2	14.5
	20.4	29.5
	3.0	
	5.7	
	4.6	
	7.1	
	5.0	

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TABLE 15 ESTIMATES OF OUTPUT BY INDUSTRIAL ORIGIN

(Sf million)

	Alternative I 1985	Alternative II 1990
Agriculture, other than forestry	198	198
Forestry and wood processing	262	262
Mining and bauxite processing	443	443
Water and electricity	140	140
Other industry	110	145
Construction	110	110
Government	190	230
Other services	475	500
GDP at factor cost	1,928	2,028
Indirect taxes and subsidies	232	242
Net factor income from abroad	-200	-210
GNP at market prices	1,960	2,060
Gross capital formation	860	590

Source: Suriname, Surinaams-Nederlandse commissie van deskundigen, *Programma voor de sociaal-economische ontwikkeling van Suriname*, Paramaribo, Jan. 1975, Table 7.1.

ports; the propensity to consume imported goods and the import content of investments; the mobility of resources within the economy; and the efficiency of government policy to restrain the rise in prices. In fact in Surinam the price index rose very fast between 1956 and 1957 due to the acceleration in the implementation of development plan expenditures which more than doubled between 1955 and 1956. Then again prices rose sharply between 1965 and 1967, when the Brokopondo investments were implemented. And now with an injection of substantial purchasing power (roughly one-half of the GNP in 1974) into the economy via the new Plan investments and given the present general inflationary circumstances in that part of the world from where Surinam's imports originate, and the internal dynamics of the Surinamese economy with its supply bottlenecks and wage developments, inflationary developments are expected to arise from the new investments.

A second important point is the distribution of investments financed by foreign aid among sectors which are expected to create a net export surplus and those which do not. This point acquires significance if the gap in the balance of payments is to be reduced and/or eliminated. The burden of the foreign loans is determined not so much by easiness of their terms, but by the share of investments directed to export industries. Even if the whole change in the structure of the economy is financed by

grants, deficits in the balance of payments may continue to rise, simply because too large a proportion of investment expenditures are directed towards goods which provide no export earnings. Obviously an excessively large investment programme, irrespective of allocation, will also enhance such deficits.

An additional point is the impact of foreign development assistance on the growth of public recurrent expenditure. Given the availability of foreign resources, there seems to be a tendency for the public sector in several countries to allocate revenues from other sources to social and consumption expenditures; in other words easy availability of external resources does not provide an incentive to the governments to curtail unnecessary consumption expenditures.

This last observation from the experience of other countries brings us to the final comment which can perhaps be best expressed in the form of a question: What happens when the grants end? Whether the answer will be that the country will go it alone, or there will be a continuous international grants economy depends, in a nutshell, on how effectively the economy in question can succeed to dynamically change its structure. Actually, the dichotomy is not as stark. Because of intricate interdependencies, no country will ever go it alone, and the international grants economy will not cease.

FOOTNOTES

¹The Tripartite Kingdom was a loosely bound state of three equals each with a constitution of its own regulating its internal affairs. The Charter of the Kingdom took precedence over the constitutions, regulated the relations between the three, and defined the matters of joint concern. For details of the past political status of Surinam as well as its development see Thomas G. Mathews, "The Political Picture in Surinam", and "The Charter of the Kingdom of the Netherlands," in Mathews [3] and Gastmann [2]. The protocols covering the arrangements between Surinam and the Netherlands in all political, legal and economic matters in relation to the independence can be found in [4].

²The averages have been calculated with respect to changes in individual years. If one compares the GNP values in the initial and the final years of the periods, the compounded annual rate of growth in aggregate GNP becomes 5.1 per cent and that of per capita GNP becomes 2.1 per cent.

³High world prices for rice combined with domestic price controls made it attractive to export resulting in a domestic shortage of the commodity.

⁴The production of bauxite is getting to be more difficult as bauxite layers slant deeper making the ore less easily accessible. There was also a worldwide shortage of caustic soda in 1974 which caused a reduction in aluminium production.

⁵For a detailed description of the individual taxes the reader is referred to Andic and Andic [1] App. 1 p. 235.

⁶The levy is calculated in U.S. dollars per pound of bauxite by means of a formula, and amounts basically to 6 per cent of the value of aluminium that can be extracted from the bauxite or derived products exported, or sold in Surinam.

⁷The tax agreement with SURALCO is known as the Brokopondo Agreement and dates to 1958. The agreement aims at a mutual stability in income taxation. It fixes the price of bauxite, levies a duty on bauxite and sets a guaranteed rate of tax (35 per cent) on profits of bauxite, and 30 per cent on profits of alumina and aluminium operations over a specified period of time. For details see Andic and Andic [1] pp. 247-249. This agreement has been revised to be retroactive to 1 January 1973. Under the revised agreement the tax rate on profits of bauxite operations was left unchanged, while that on profits of alumina and aluminium operations was raised to a maximum of 39.6 per cent.

⁸The 10 per cent surcharge does not apply to SURALCO.

⁹Joint ventures already exist in fishing, banking, and wood processing sectors.

¹⁰See "Overeenkomst tussen de Republiek Suriname en het Koninkrijk der Nederlanden betreffende ontwikkelingssamenwerking", in [4] pp. 20-23.

¹¹The rate of growth was estimated via the formula

$$r = \frac{1}{G} \left[S_p (1-t_d) + S_g (t_d + t_i) + (m \cdot x) \right]$$

where r = annual rate of growth

S_p = average propensity to save of the private sector

t_d = ratio of direct taxes to national income

t_i = ratio of indirect taxes to national income

m = propensity to import

x = propensity to export

S_g = average propensity to save of the government

G = ICOR

¹²The *Programma* [7] estimates that net private savings do not exceed 5 per cent of output (see p. I.6).

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