

3. Background³

Currently, Suriname has a centralized structure of government, with national ministries and parastatals effectively in charge of the delivery of most basic local services. Because of Suriname's small population – 492.000 inhabitants in 10 Districts, half of whom live in the capital District of Paramaribo – the logic of this centralized structure has only begun to be questioned in recent years. A strong tradition of regional identity among the country's ethnic communities, coupled with the ineffectiveness of central government delivery of services, has gradually led to demands for increased local self-management. In the early 80s government responded by creating elected Councils in each of the country's Districts. This was formalized and given greater standing with the passage of the 1987 Constitution which focused several chapters on principals of regional governance and, for the first time, defined Districts as an official level of government.

This was followed in 1989 by more specific enabling legislation, the Law on Regional Bodies (LRB)(SB 1989, No.44), which defined the functions and responsibilities of District governments as well as some preliminary mechanisms for local revenue generation and financial management. As an enabling framework, however, the LRB has proven to have serious shortcomings, most especially as regards intergovernmental fiscal responsibility and authority. Provisions for local sources of revenue are weakly defined, leaving Districts with service delivery mandates that have little effective means of funding. Furthermore, the provisions for autonomous District budgets are subject to such cumbersome legal approval procedures that no District government has yet been able to avail itself of the authority provided by the Law.

As a result, the District governments today continue to function largely in the same manner they did prior to the 1987 Constitution – as branch offices of the Ministry of Regional Development (MRD). Although the Law of Regional Bodies and the 1987 Constitution put in place some important building blocks of local governance-- legally approved service delivery mandates, and electorally accountable District Councils – the basic elements of *fiscal* self management are still absent: autonomous budgeting and own-source revenue mechanisms. Accordingly, the Government of Suriname (GOS) has asked for Bank assistance to remedy this situation. Through this Program, it would like to enhance and amend the enabling legislative framework for District governments and, at the same time, create in them a core institutional capacity that will allow them begin to implement their newly mandated functions. In short, to effectively implement the decentralization provisions announced in the 1987 Constitution.

Macroeconomic context

Over the last two decades, Suriname's economy has performed poorly. Gross Domestic Product (GDP) grew only 0.4% in real terms between 1975 and 2000. Per capita GDP declined slightly during this period, and was estimated at US\$844 (1990 prices) in 1997. The civil disturbances in the interior in the mid 1980s disrupted agricultural production, and forced many from the countryside and small towns into Greater Paramaribo, which now accounts for over 55% of total population. The early 1990s were particularly difficult. The economy went into a slump and inflation rose to above 300% by 1994.

The macroeconomic situation improved greatly from 1995 to 1997, but deteriorated again in 1998-2000. In 2000, GDP shrank by 7.4% in real terms, inflation was 71% and the fiscal deficit was equivalent to 12% of GDP.

This economic crisis was mirrored by a major political crisis that began in 1999, prompting a call for general elections one year ahead of schedule. In May 2000, the New Front coalition was swept into power with 33 of the 51 seats in the National Assembly. Unlike the outgoing administration, which in 1996 was built on a post-election coalition of often competing and conflicting interests, the new administration entered and contested the elections with a united front. A general consensus has emerged that this arrangement offers an escape from the political turmoil and strife that marked the preceding years and holds the possibility of greater political and economic stability.

The new Government inherited a very difficult macroeconomic situation, with the economy slumping and deeply unbalanced. Government finances were especially weak, following three years of fiscal deficits in excess of 10% of GDP, significant external borrowing at short-term maturities, and the accrual of payments arrears. The Government initiated stabilization measures in late 2000, including a substantial devaluation of the official exchange rate, cutbacks in subsidies, and an increase in the price of gasoline and electricity. These measures have stabilized the economy in the short term and have started to lessen disequilibria. An IMF Article IV mission in February 2001 projected a moderately positive outcome in 2001 – a resumption of growth, a fiscal deficit of less than 3% of GDP and annual inflation declining to 50% – if the Government could maintain fiscal discipline, especially regarding civil service wage increases, and refinance external debt with the assistance of the Government of the Netherlands. The Front Government continues the coalition after the elections held on May 25, 2005, supported by a.o. the 5 seats strong AC-Combinations of the Maroons. The new governments supports the Program strongly as before.

Table

District	Population
Brokopondo	13,299
Commewijne	24,657
Coronie	2,809
Marowijne	16,641
Nickerie	36,611
Para	18,958
Paramaribo	243,640
Saramaca	16,135
Sipaliwini	13,299
Wanica	86,072
TOTAL	487,024

³ Loan Document IDB-Government of Suriname, Washington DC/USA, No 12, 2002 # 1343/OS-SU

Local government in Suriname

Structure and mandate

Suriname is divided into 10 districts: Marowijne, Commewijne, Paramaribo (subdivided into South-West and North-East), Para, Wanica, Coronie, Saramacca, Nickerie, Brokopondo and Sipaliwini. The first eight districts are located in the northern and coastal zone and contain 92% of the population. The small districts of Paramaribo and Wanica have more than two-thirds of the population. Brokopondo and Sipaliwini are the two most southern and interior districts with 8% of the population. Sipaliwini is the largest district with almost 80% of the total area of Suriname and only 5% of the population. This interior area is characterized by dense forests and hills and is only accessible by a few roads and mostly by boats.

The administrative structure of the District governments is rudimentary. As at the national level, District government is broken into representative and executive branches. The district councils form the representative branch and the district administrations form the executive branch. The President appoints a District Commissioner for each District (two for Paramaribo), who performs both as chair of the district council and chief executive of the district administration.

It should be noted that within each District, the 1987 Constitution also established 62 sub-district jurisdictions, known as *Ressorts*, each with its own popularly elected representative body, the Ressort Council. In most jurisdictions, however, due to the small population and economic base of most ressort jurisdictions, the system of ressort council system has not functioned very effectively, and is currently under study for possible elimination.

As defined in the Law on Regional Bodies, the Districts have a relatively limited mandate: (i) maintenance of secondary and tertiary infrastructure (roads, drainage, irrigation)⁴, public parks and open spaces; (ii) management of public markets; (iii) solid waste collection and disposal; (iv) provision of trucked-in potable water; (v) fire prevention and control; (vi) local planning and budgeting; (vii) maintenance of public order; and (viii) supervision of public health (including cemeteries).

Under current practice, staff of the district administration is organized into three generic units or departments: (i) Superintendents, responsible for overlooking the needs of ressort jurisdictions; (ii) a clerk's office, dealing with archives, book keeping and secretarial support; and (iii) a technical area comprising infrastructure maintenance.

Although generally overstaffed, District personnel are for the most part low skilled and under-paid. Many of these, even after undergoing a training process, will have difficulty executing some of the new and more complex functions the Districts will begin to assume through this program. New staff members, with distinct qualifications will probably be needed to take over some of the new responsibilities. The cost of this new personnel, as well as that of existing District staff, will initially have to be borne by the Ministry of Regional Development, as District governments consolidate their own source revenues, financial management, and personnel contracting systems with the assistance of this program.

The Decentralization and Local Government Strengthening Program (DLGP)

In order to address the situation as described above, the IDB established the "*Decentralization and Local Government Strengthening Program*"- DLGP (SU0019) - to be executed by the MRD and to function as a link between the central and district levels of government. However, because the MRD does not have the organizational capacity to undertake a relatively complex program such as the DLGP without considerable external support, the MRD in 1999 created a Project Preparation and Implementation Unit (PPIU) staffed with local consultants to assume responsibility for the formulation of the program. The PPIU was supported with international technical assistance provided by specialized agencies (CIAT and ICMA) and financed with IDB support through a Project Preparation Facility (PPF-SU0022). This work was completed in June, 2001, when the loan proposal was presented to the Bank for final processing.

The IDB's approval of the loan was effectuated in September, 2001. The Ministry of Regional Development performed all prior conditions to the first disbursement, resulting in:

- Establishment of program implementation unit (PIU) for the DLGP, and contracting of core staff members, consisting of a Managing Director, Task Managers for Budget and Financial Management, Revenue Generation, Citizen Participation/Marketing and Public Outreach, and Inter-Governmental Reform (Legal Reform), a Financial Manager, an Office Manager and an Administrative Clerk, assisted by a Mirror Team from the Ministry of Regional Development
- Renting, furnishing and equipping of an office
- Formulation and presentation of an Initial Report for DLGP, including a Detailed Work Plan, Detailed Time Line, and Detailed Project Budget
- Completion and presentation of the DLGP Operating Regulations, October 2002 version, including the ToRs for the Resident Advisor, the Senior Policy Advisor and the PIU
- Inter-institutional agreements committing the services of the Directorates of the MOF, OTA, CLAD, and NIMOS to enhance the execution of DLGP programs
- Contracting of an international Resident Advisor for the program,

⁴ Except for Paramaribo, where the Ministry of Public Works retains this responsibility.

- Contracting of a Senior Policy (Strategy) Advisor for the Ministry of Regional Development (the former Project Coordinator of the DLGSP).

The IDB declared the DLGP eligible for funding on November 27, 2002. The National Assembly approved the Law on Interim Regulation Financial Decentralization on March 11, 2003 (S.B. 2003, No. 33); the law became effective on November 1, 2003. By executing the Interim Law, the Government of Suriname announced by state decree (S.B. 2004, No 117) the creation of five pilot districts: Wanica, Para, Nickerie, Commewijne and Marowijne.⁵

An important component of the DLGP is the area of legislative and regulatory reform - "inter-governmental fiscal policy reform". Its general objective is to support the formulation and implementation of regulations, new laws, and amendments to existing laws in support of fiscal and administrative decentralization. Tentatively, this will include legal and regulatory reforms, and supporting studies, to (i) transfer revenue generation authority to local governments; (ii) devolve expenditure authority to the Districts over certain basic local service sectors; (iii) assign accompanying budgetary authority that will allow Districts to manage their own resources; and (iv) review and, where necessary, amend inter-governmental revenue transfer mechanisms in light of new expenditure authorities for Districts.

Another important component of the DLGP is District Capacity Building, which includes a set of core institution building systems to be put in place in all the Districts, covering: (i) administration and planning; (ii) budget policy and financial management; (iii) local revenue generation; and (iv) citizen participation. Once a District has been certified by the program with respect to their capacity to manage the above systems, it will be eligible to receive support from the program in the form of capital investment projects. Specifically, the first five Districts to obtain certification will be eligible for funding to develop public works management systems, as well as to formulate and implement training projects in road rehabilitation and maintenance.

⁵ The New Front Government, after the election of 2000, May 25th replaced these governmental decrees by Interim Law Financial Decentralization (S.B. 2003 # 33) and the state decree (S.B. 2004 # 117)