

EB/CM/Surinam/76/1

CONTAINS CONFIDENTIAL  
INFORMATION

August 10, 1976

To: Members of the Committee on Membership - Surinam  
From: The Committee Secretary  
Subject: Surinam - Calculation of Quota

Attached is a staff memorandum relating to the calculation of quota for Surinam. It will be considered at a meeting of the Committee scheduled for Thursday, August 26, 1976 at 3:00 p.m., in Executive Board Committee Room No. 12-120.

Att: (1)

Other Distribution:  
Members of the Executive Board  
Department Heads  
Mr. Ghoshal, IBRD



INTERNATIONAL MONETARY FUND

Calculation of Quota for Surinam

Prepared by the Western Hemisphere Department and  
the Treasurer's Department

(In consultation with the Legal Department)

Approved by Jorge Del Canto and W.O. Habermeier

August 9, 1976

In a letter dated June 11, 1976, the Government of Surinam applied for membership in the Fund. Surinam became independent on November 25, 1975. Until that date, Surinam was a part of the Kingdom of the Netherlands, and Article VIII consultations with Surinam, separate from those with the Netherlands, were conducted regularly since 1970. The last such consultation was completed on July 30, 1975 (EBM/75/135). The staff papers circulated on this occasion were SM/75/147 (6/23/75) and SM/75/182 (7/15/75).

1. Natural resources and economic structure

Surinam covers an area of 163,820 square kilometers,<sup>1/</sup> almost four times the size of the Netherlands, on the northeast coast of South America. The country borders on French Guiana in the east, Guyana in the west, and Brazil in the south; in the north, it has a coastline along the Atlantic Ocean which is about 360 kilometers long.

Vast areas of the country are still to be prospected, but even so, Surinam's known natural resources endowment is already reasonably good. It has sizable and fairly accessible deposits of high-grade bauxite; some of the seven major rivers flowing from the interior of the country to the Atlantic coast provide natural transport facilities and sources of hydroelectric power. Fertile clay soils are found within a narrow low-lying coastal plain which supports the production of a wide range of tropical agricultural products, particularly rice. Further south, the coastal plain gives way to a narrow strip of savannah with sandy soils running the width of the country. Forest stands consisting largely of mixed tropical hardwoods are found in both the coastal and savannah regions. Beyond the savannah, the terrain slopes gradually upwards toward the Brazilian border; most of this area is covered by a dense and inaccessible tropical forest. The northeast coast of South America is one of the best shrimp grounds, and other sea and inland fishing areas have been identified.

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<sup>1/</sup> Includes a disputed area of 18,000 square kilometers on the border with Guyana.

Over a third of the 1974 GDP originated in the bauxite sector (bauxite mining and production of alumina and aluminum), while agriculture, cattle breeding, fisheries, forestry, and wood processing contributed about 11 per cent. Secondary activities other than the manufacturing of aluminum, but including utilities, generated some 10 per cent of GDP. Private services and housing accounted for 25 per cent of GDP, and government services for 18 per cent. Between 1968 and 1974, however, the share of government services in GDP increased from almost 15 per cent to over 18 per cent, while the relative importance of private services (excluding housing) declined.

## 2. Recent economic developments

### a. Production and expenditure

After termination of the Brokopondo project<sup>1/</sup> in 1967, growth of the Surinam economy has been slow, and real GDP virtually stagnated from 1972 to 1974. Real GDP probably declined in 1975 as bauxite and aluminum production contracted by 31 and 39 per cent, respectively, and alumina production by almost 4 per cent due to depressed economic conditions abroad and in part also to the imposition of a bauxite levy in 1974.<sup>2/</sup> In 1973 nominal per capita GDP was Sur.f. 1,675 (US\$935) and it rose substantially in 1974, both because of a 19-1/2 per cent rise in nominal GDP and a probable decline in population due to emigration.<sup>3/</sup>

Production of rice, Surinam's principal crop, has risen substantially in recent years<sup>4/</sup> in response to strong international demand and high prices in international markets. Wood processing stagnated or declined through 1975, but construction activity which had stagnated throughout 1974 may have picked up in 1975 due to the start of new public housing and road-building programs.

Between 1967 and 1972, the last year for which expenditure data are available, overall consumption expenditure rose by 34-1/2 per cent and gross investment by almost 28 per cent. In this period, government consumption expanded more than three and one half times faster than private consumption, and public investment more than 50 per cent faster than private investment. In 1973 and 1974 government consumption probably continued to rise more rapidly than private consumption.

The outlook for 1976 and beyond appears to be more favorable than the recent past. Prospects of the bauxite sector have improved with the economic recovery abroad, particularly in the United States, and work has started on the so-called West Surinam Project. This project envisages the exploration and mining of new bauxite deposits, the construction of a new aluminum plant, a dam and a hydroelectric power plant, and shipment of this bauxite by railway

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<sup>1/</sup> This project consisted of the construction of a dam for the generation of electricity, large bauxite and alumina processing facilities, and related infrastructure.

<sup>2/</sup> See footnote 1 on page 7.

<sup>3/</sup> There are no data available on population after 1973.

<sup>4/</sup> No data are yet available for 1975.

to the aluminum plant. The electricity generated will also be used for the creation of a number of new small enterprises. In addition, the large-scale production of charcoal opens further possibilities for enlarging the country's productive capacity in the near future. The charcoal project is particularly interesting for Surinam because it does not require a large investment commitment but has substantial employment benefits.

b. Population, labor force, and employment

There have been marked changes in population growth in Surinam. The annual rate of population increase was 4.3 per cent between 1950 and 1963, but subsequently fell sharply to 2.3 per cent between 1964 and 1971. In mid-1973 the population was estimated at 397,600, but since then the population has declined due to sharp increases in emigration to the Netherlands. At the end of 1971 almost 46 per cent of the population was under 15 years of age.

Surinam's most pressing economic and social problem is the high level of unemployment and underemployment. Although no reliable figures are available, unemployment is estimated at 16-19 per cent of the labor force, which at the beginning of 1974 was estimated at 130,000. In addition, there is a high rate of underemployment. Despite the high rate of unemployment, there is a shortage of skilled workers due to massive emigration. Moreover, sugarcane growers often encounter difficulties at harvest time in contracting cane cutters in sufficient numbers since many of the unemployed and underemployed are not interested in this kind of labor.

According to 1972 data, about 30 per cent of the active labor force was employed in agriculture, cattle breeding, fisheries, forestry, and woodprocessing, while about 7-1/2 per cent was employed in the bauxite sector. Secondary activities other than the manufacture of aluminum, but including utilities provided about 17-1/2 per cent of employment. Private services and housing employed 18 per cent and the Government 27 per cent of the active labor force in 1972 (compared with 23 per cent in 1968).

c. Prices

From 1969 through 1972 Surinam enjoyed relative price stability with increases in the consumer price index averaging about 2 per cent a year. In 1973, however, prices rose by 13 per cent in response to local food shortages and rapidly rising international food prices which were compounded by an effective depreciation of the Surinam guilder. The price increases accelerated further in 1974, to almost 17 per cent, predominantly reflecting higher prices of imported goods. However, in 1975 the rate of inflation came down to 8.4 per cent.

d. Government finance

The public sector in Surinam is highly centralized. Local governments are unimportant and have virtually no fiscal independence. There is no separate social security system and social benefits are paid by the Government out of general funds. In 1976 registration started for a public health service.

After a number of years of modest budget deficits, the public finances deteriorated sharply in 1973 (Table 1). Civil disturbances were followed by considerable increases in civil service wages and salaries, and in social benefits. Increases in indirect taxation fell short of compensating for these expenditure increases and the decline in income tax collections,<sup>1/</sup> as had been intended. The situation continued to be precarious until a new levy on exported bauxite began to be collected in December 1974.<sup>2/</sup> Despite Sur.f. 10 million, budget assistance from the Netherlands Government, the Government had to borrow Sur.f. 7.4 million net from the monetary system in the first 11 months of the year. In December the receipts from the new bauxite levy enabled the Government to reduce its indebtedness to the monetary system by Sur.f. 15.4 million.

The fiscal impact of the bauxite levy was particularly dramatic in 1975, when this levy was collected for the current and most of the preceding year. Notwithstanding substantial increases in current and capital expenditures, the budget probably was in surplus that year, whereas a deficit of Sur.f. 46.3 million was forecast prior to the imposition of the levy. No data are as yet available for 1976, but receipts from the levy will be collected for only one year.

e. Money and credit

The currency of Surinam is the Surinam guilder. Notes and coins in denominations of up to Sur.f. 2.50 are issued by the Central Government and, higher denominations are issued by the Central Bank of Surinam. The Surinam guilder is pegged to the dollar at Sur.f. 1.78876 = US\$1.

Financial intermediaries<sup>3/</sup> in Surinam consist of the Central Bank; five commercial banks (the two largest ones are affiliates of the leading commercial bank of the Netherlands); three specialized banks, i.e., the Post Office Savings Bank, the Surinam Mortgage Bank, and the National Development Bank; 8 life insurance companies; and 15 pension and provident funds.

Between 1972 and 1975, liabilities of the monetary system to the private sector increased at an average annual rate of over 16 per cent a year (Table 2), and in the first three months of 1976 they rose further by 10.5 per cent to Sur.f. 355 million.

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<sup>1/</sup> During the disturbances a large number of tax records was destroyed.

<sup>2/</sup> This levy which took effect in December 1974 and was retroactive to January 1, 1974 was expected to yield Sur.f. 90 million per annum. The levy payments basically amount to 6 per cent of the value of the aluminum that can be extracted from the bauxite or derived from products exported or sold in Surinam. For bauxite derivatives, including aluminum, the quantities exported or sold are converted back to equivalent quantities of bauxite. The aluminum price used is the world market price or US\$0.35 per pound, whichever is greater.

<sup>3/</sup> In this report the "monetary system" comprises the Central Bank, the currency-issuing functions of the Ministry of Finance, and the five commercial banks; data on the other banks are available only with long delays, and they are of relatively minor importance.

Table 1. Surinam: Government Operations<sup>1/</sup>

(In millions of Surinam guilders)

	1971	1972	1973	1974	1975	
				Staff Estimates	Budget	Staff Estimates
Current revenues	153.8	164.9	158.6	195.8	183.6	328.0
Current expenditures	<u>145.3</u>	<u>149.4</u>	<u>172.4</u>	<u>202.4</u>	<u>220.8</u>	<u>246.0</u>
Current balance	8.5	15.5	-13.8	-6.6	-37.2	82.0
Capital expenditures	<u>43.3</u>	<u>49.0</u>	<u>52.3</u>	<u>47.5</u>	<u>60.2</u>	<u>90.0</u>
Domestically financed	8.1	10.0	7.7	7.5	9.1	35.0
Externally financed	35.2	39.0	44.6	40.0	51.1	55.0
Overall balance on a transactions basis	-34.8	-33.5	-66.1	-54.1	-97.4	-8.0
Overall balance excluding externally financed capital expenditures	0.4	5.5	-21.5	-14.1	-46.3	47.0
Cash balance excluding externally financed capital expenditures	<u>-5.7</u>	<u>7.3</u>	<u>-17.8</u>	<u>1.1</u>	<u>...</u>	<u>...</u>
Other government capital transactions	3.2	-11.7	-2.0	-1.7	...	...
Special assistance from the Netherlands	1.2	13.3	--	10.0	--	--
Other external loans	-1.9	-2.1	-5.5	-1.6	...	...
Domestic financing	3.2	-6.7	25.3	-7.8	...	...
Nonbanking loans	(-0.9)	(0.5)	(0.9)	(0.2)	(...)	(...)
Banking system	(4.1)	(-7.2)	(24.4)	(-8.0)	(...)	(-5.2)

Sources: SM/75/182 (7/15/75); Central Bank of Surinam; and Fund staff estimates.

<sup>1/</sup> The public accounts in Surinam are kept on an accrual basis. Current revenues are generally attributed to the year in which they are received, but expenditures incurred in a year are booked to that year provided payment is made in the next year. Transfers between the various agencies also take place in subsequent years. Financing items are excluded from revenues and expenditures. The cash data used to show the financing items are prepared by the Central Bank.

Table 2. Surinam: Monetary System

(In millions of Surinam guilders)

	December 31				March 31	
	1972	1973	1974	1975	1975	1976
<b>I. Monetary Authorities<sup>1/</sup></b>						
Net international reserves	83.1	110.5	130.5	172.7	200.3	218.9
Assets	83.2	110.6	130.6	172.8	200.4	219.0
Liabilities	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Net domestic assets	-14.3	5.7	-11.4	-33.0	-64.5	-48.0
Net claims on Central Government	-4.9	12.1	4.0	0.6	-44.7	-16.6
Assets	(8.4)	(12.6)	(22.7)	(53.0)	(37.0)	(84.7)
Liabilities	(-13.3)	(-0.5)	(-18.7)	(-52.4)	(-81.7)	(-101.3)
Official capital and surplus	-7.0	-7.0	-7.0	-14.5	-7.0	-14.5
Credit to commercial banks	0.3	0.3	0.2	0.3	0.2	0.3
Credit to private sector	1.1	0.9	0.9	0.8	0.8	0.8
Net unclassified assets	-3.8	-0.6	-9.5	-20.2	-13.8	-18.0 <sup>2/</sup>
Counterpart unrequited foreign exchange	-0.5	17.2	20.4	15.3	21.5	15.3 <sup>2/</sup>
Liabilities to commercial banks	10.2	23.9	18.5	33.4	31.2	57.7
Liabilities to private sector	59.1	74.9	80.2	91.1	83.1	97.9
Currency in circulation	58.3	73.5	78.7	88.7	81.4	96.1
Demand deposits	0.8	1.4	1.5	2.4	1.7	1.8
<b>II. Commercial Banks</b>						
Net international reserves	19.8	22.2	13.2	32.7	14.9	36.2
Assets	24.2	27.8	18.0	39.6	21.0	48.2
Liabilities	-4.4	-5.6	-4.8	-6.9	-6.1	-12.0
Monetary reserves and currency holdings	10.8	24.4	18.5	33.4	31.2	58.5 <sup>2/</sup>
Net domestic assets	121.8	135.4	164.1	171.4	168.1	169.9
Net claims on Central Government	2.4	9.8	9.9	8.1	7.3	9.3
Assets	(5.5)	(10.2)	(10.8)	(9.8)	(11.1)	(...)
Liabilities	(-3.1)	(-0.4)	(-0.9)	(-1.7)	(-3.8)	(...)
Credit to private sector	117.5	124.1	153.5	162.0	158.2	157.0
Net unclassified assets	2.1	1.5	0.7	1.3	2.6	3.6
Net interbank float	-0.2	--	--	--	--	--
Medium- and long-term foreign liabilities	6.9	6.5	7.4	7.4	7.4	7.4
Liabilities to Central Bank	0.3	0.3	0.2	0.3	0.2	0.3
Liabilities to private sector	145.2	175.2	188.2	229.8	206.6	256.9
Monetary liabilities	58.1	74.4	77.2	99.6	88.4	110.8
Other liabilities	75.9	88.0	96.5	110.9	101.0	123.8
Time, savings, and foreign currency deposits	(70.5)	(79.5)	(88.0)	(101.6)	(92.6)	(114.7)
Other liabilities	(5.4)	(8.5)	(8.5)	(9.3)	(8.4)	(9.1)
Private capital and surplus	11.2	12.8	14.5	19.3	17.2	22.3

Table 2 (concluded). Surinam: Monetary System

(In millions of Surinam guilders)

	December 31				March 31	
	1972	1973	1974	1975	1975	1976
III. Monetary System						
Net international reserves	<u>102.9</u>	<u>132.7</u>	<u>143.7</u>	<u>205.4</u>	<u>215.2</u>	<u>255.1</u>
Assets	<u>107.4</u>	<u>138.4</u>	<u>148.6</u>	<u>212.4</u>	<u>221.4</u>	<u>267.2</u>
Liabilities	<u>-4.5</u>	<u>-5.7</u>	<u>-4.9</u>	<u>-7.0</u>	<u>-6.2</u>	<u>-12.1</u>
Net domestic assets	<u>107.8</u>	<u>141.3</u>	<u>152.5</u>	<u>138.1</u>	<u>103.4</u>	<u>122.4</u>
Net claims on Central Government	<u>-2.5</u>	<u>21.9</u>	<u>13.9</u>	<u>8.7</u>	<u>-37.4</u>	<u>-7.3</u>
Assets	<u>(13.9)</u>	<u>(22.8)</u>	<u>(33.5)</u>	<u>(62.8)</u>	<u>(48.1)</u>	<u>(...)</u>
Liabilities	<u>(-16.4)</u>	<u>(-0.9)</u>	<u>(-19.6)</u>	<u>(-54.1)</u>	<u>(-85.5)</u>	<u>(...)</u>
Official capital and surplus	<u>-7.0</u>	<u>-7.0</u>	<u>-7.0</u>	<u>-14.5</u>	<u>-7.0</u>	<u>-14.5</u>
Credit to private sector	<u>118.6</u>	<u>125.0</u>	<u>154.4</u>	<u>162.8</u>	<u>159.0</u>	<u>157.8</u>
Net unclassified assets	<u>-1.7</u>	<u>0.9</u>	<u>-8.8</u>	<u>-18.9</u>	<u>-11.2</u>	<u>-14.4<sup>2/</sup></u>
Net interbank float	<u>0.4</u>	<u>0.5</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>0.8</u>
Counterpart unrequited foreign exchange	<u>-0.5</u>	<u>17.2</u>	<u>20.4</u>	<u>15.3</u>	<u>21.5</u>	<u>15.3<sup>2/</sup></u>
Medium- and long-term foreign liabilities	<u>6.9</u>	<u>6.5</u>	<u>7.4</u>	<u>7.4</u>	<u>7.4</u>	<u>7.4</u>
Liabilities to private sector	<u>204.3</u>	<u>250.1</u>	<u>268.4</u>	<u>320.9</u>	<u>289.7</u>	<u>354.8</u>
Monetary liabilities	<u>117.2</u>	<u>149.3</u>	<u>157.4</u>	<u>190.7</u>	<u>171.5</u>	<u>208.7</u>
Currency in circulation	<u>(58.3)</u>	<u>(73.5)</u>	<u>(78.7)</u>	<u>(88.7)</u>	<u>(81.4)</u>	<u>(96.1)</u>
Demand deposits	<u>(58.9)</u>	<u>(75.8)</u>	<u>(78.7)</u>	<u>(102.0)</u>	<u>(90.1)</u>	<u>(112.6)</u>
Other liabilities	<u>75.9</u>	<u>88.0</u>	<u>96.5</u>	<u>110.9</u>	<u>101.0</u>	<u>123.8</u>
Private capital and surplus	<u>11.2</u>	<u>12.8</u>	<u>14.5</u>	<u>19.3</u>	<u>17.2</u>	<u>22.3</u>

Sources: Central Bank of Surinam; and Fund staff estimates.

1/ Includes Central Bank of Surinam and currency-issuing operations of the Treasury and foreign exchange held by the Government with a commercial bank in the Netherlands.

2/ Estimated.

The net domestic assets of the monetary system in relation to liabilities to the private sector at the beginning of the year increased by almost 16-1/2 per cent in 1973 and by 4-1/2 per cent in 1974, but they declined by almost 5-1/2 per cent in 1975 to Sur.f. 138 million. Their rapid increase in 1973 reflected largely a fast deterioration of government finances following the civil disturbances, while their decline in 1975 was due to the improvement in government finances, but also to a slowdown in credit expansion to the private sector which probably reflected some reduction in inventories and the large-scale emigration to the Netherlands.

The net international reserves of the monetary system almost doubled over the three years 1973-75, and increased by another 25 per cent in the first quarter of 1976 to Sur.f. 255 million at the end of March 1976.

f. Balance of payments

Surinam's balance of payments has been in surplus in recent years. The 1975 surplus amounted to over SDR 28 million (Table 3). The favorable performance of the last two years reflects largely the imposition of the bauxite levy, which resulted in either higher export prices whenever the levy could be passed on to the foreign buyers or in lower profit remittances when this was not possible. Thus, the current account deficit was reduced to SDR 19 million in 1974 and probably declined further to about SDR 10 million in 1975, notwithstanding sizable declines in bauxite and aluminum exports. The deficits on current account are financed largely by public capital inflows and transfers mainly from the Netherlands and the EEC. In some years there were also some inflows of private long-term capital, mainly into the bauxite sector.

Bauxite and its derivatives account for about 90 per cent of Surinam's export earnings. Other major export products are rice, wood, and wood products. Imports consist mainly of raw and basic materials (about 40 per cent of total) and consumption goods (about 29 per cent). Imports of fuels and lubricants amount to about 12 per cent, even though Surinam has extensive hydroelectric generating capacity used largely in the processing of bauxite into alumina and aluminum. Most of Surinam's exports go to the United States (35 per cent) and the EEC (34 per cent), particularly the Netherlands and Germany. Surinam's imports also come mainly from the United States (34 per cent) and the EEC (38 per cent), particularly the Netherlands.

Surinam's external public debt to the Netherlands, estimated at Sur.f. 375 million (SDR 179 million), was canceled in its entirety by the Netherlands at the time of independence. Surinam's remaining external debt is negligible. Furthermore, the Netherlands has agreed to continue to provide Surinam with considerable development assistance over the next ten years.

Table 3. Surinam: Balance of Payments

(In millions of SDRs)

	1972	Prel. 1973	Prel. 1974	Est. 1975
Exports (f.o.b.) <sup>1/</sup>	164.5	147.3	209.4	178.7
Imports (c.i.f.) <sup>1/</sup>	<u>-127.9</u>	<u>-125.7</u>	<u>-189.7</u>	<u>-153.8</u>
Trade balance	36.6	21.6	19.6	24.9
Investment income (net)	-43.3	-32.8	-18.3	-9.2
Other services (net)	-6.6	-9.7	-16.1	-20.7
Private transfers	<u>-3.1</u>	<u>-2.8</u>	<u>-4.0</u>	<u>-4.6</u>
Current account	-16.4	-23.7	-18.8	-9.6
Private long-term capital	3.5	15.3	-0.3	2.3
Public capital and transfers	<u>21.5</u>	<u>14.6</u>	<u>23.8</u>	<u>35.7</u>
Basic balance	8.5	6.2	4.6	28.4
Errors and omissions (including private short-term capital)	0.5	7.8	0.4	--
Change in net international reserves (increase -)	<u>-9.1</u>	<u>-14.0</u>	<u>-5.0</u>	<u>-28.4</u>
Resulting from:				
Exchange profits (-) and losses <sup>2/</sup>	-1.4	-8.6	-1.5	-1.1
Transactions (increase -)	-7.6	-5.4	-3.5	-27.3
Conversion factor	1.9421	2.1324	2.1509	2.1718

Sources: Central Bank of Surinam; International Financial Statistics; and Fund staff estimates.

<sup>1/</sup> On a cash basis, since data on a transaction basis are not yet available for 1974. The principal difference between cash and transaction basis figures are trade credits, which on a cash basis are included in the trade account, but on a transaction basis are included under "errors and omissions, including private short-term capital."

<sup>2/</sup> Estimated, includes Central Bank profits on sale of gold.

### 3. Quota range

Calculations of a suggested initial quota for Surinam have been made on the same basis as the quota calculations for the Fifth General Review of Quotas (see Data Bearing on Fund Member Quotas, SM/69/58, 5/8/69) and the quota calculations for other countries that have joined the Fund since that Review was completed. Quota calculations have also been made to determine an increase in quota for Surinam following the procedures adopted in connection with the Sixth General Review of Quotas and applied to recent membership applications-- the Comoros and Seychelles.<sup>1/</sup>

#### a. Data used in making quota calculations

The quota calculations have been made using Set I data, which include national income, reserves, exports, imports, and the variability of export receipts. Calculations have also been made using Set II data for which current receipts (exports, services, and private transfers), variability of current receipts, and current payments are substituted for exports, variability of exports and imports. The data used for making calculations on the bases used for the Fifth General Review and for the Sixth General Review are shown in Table 4.

Following established practice,<sup>2/</sup> official estimates of GNP at market prices have been reduced by 6.5 per cent to derive national income for 1967 and 1972. Reserves are based on data provided by the Central Bank of Surinam, while the remaining data have been obtained from the IFS Data Fund.

Table 4. Data Used in Making Quota Calculations for Surinam

(In millions of SDRs)

	Fifth General Review Period	Sixth General Review Period
National income	199	265
Reserves	27	43
Imports, c.i.f.	85	117
Exports, f.o.b.	69	140
Currency payments	118	187
Current receipts	86	165
Variability of exports	5	6
Variability of current receipts	6	6

<sup>1/</sup> The original procedures described in subsection c. below were first applied in determining increases in quotas for Grenada and Papua New Guinea (see SM/75/223, Sup. 1, 11/26/75).

<sup>2/</sup> See EB/CQuota/74/2 (7/15/74) p. 20.

b. Quota calculations and suggested initial quota

The results of the quota calculations made on the same basis as those made in connection with the Fifth General Review are shown in Table 5. Following earlier practice, the results of the quota calculations using Set I and Set II data have been averaged (see p. 1, SM/69/88, 6/16/69), and the quota range has been determined by the calculations based on the Bretton Woods quota formula, reduced, and the average of the lowest two calculations of four reweighted and linear formulas. The quota calculations shown in Table 5 indicate a quota range of SDR 12-15 million; increasing these results by 25 per cent in accordance with procedures followed for new members since the Fifth General Review of Quotas results in a quota range between SDR 15 million and SDR 19 million.

Table 5. Surinam: Quota Calculations

(In millions of SDRs)

	Set I	Set II	Average of Set I and Set II
Bretton Woods formula, reduced	11	12	12
Bretton Woods formula, reweighted			
Scheme III	14	16	15
Scheme IV	17	19	18
Bretton Woods formula, linear and reweighted			
Scheme M-4	14	14	14
Scheme M-7	15	15	15
Average of lowest two of the reweighted and modified Bretton Woods formulas	14	15	15

A number of member countries with quotas in the Fund ranging from SDR 15 million to SDR 22 million, and the variables employed in their quota calculations, as well as the population of these countries, are set out in Table 6. From that table, it can be seen that while Surinam's national income ranks about the middle of the national incomes listed, its total foreign trade, including invisible transactions, and the variability of its export receipts are among the upper third of the countries listed. However, the overall economic dimensions of those countries with quotas of SDR 20 million are generally somewhat larger than those of Surinam.

Table 6. National Income, Reserves, Foreign Trade, Balance of Payments Data, and Population of Surinam and Selected Member Countries with Quotas of SDR 15 million to SDR 22 million

(Values in millions of SDR; population in millions)

	Quota	National Income 1967	Reserves end of 1967	Average of 1963-67			Variability of Exports 1955-67	Average of 1963-67		Total Current Payments and Receipts	Variability of Current Receipts 1955-67	Population (Latest Available Figure)
				Imports	Exports	Total Trade		Current Payments	Current Receipts			
Mauritius	22	136	26	75	74	149	10	105	95	200	12	0.82
Bahamas	20	203	17	117	20	137	1	211	149	360	6	0.17
Guyana	20	190	18	102	103	205	5	140	125	265	6	0.74
Papua New Guinea	20	465	-0-	122	52	174	4	140	65	205	5	2.50
Burundi	19	159	3	18	16	34	2	25	21	46	2	3.62
Haiti	19	286	2	39	37	76	3	68	58	126	5	4.97
Paraguay	19	414	8	53	49	102	4	73	60	133	4	2.47
Rwanda	19	121	7	11	8	19	2	16	14	30	3	3.83
Somalia	19	130	11	48	35	83	2	65	40	105	2	3.09
Malta	16	162	101	100	23	123	1	114	109	223	15	0.33
Gabon	15	202	9	60	98	158	5	85	127	212	6	0.52
Malawi	15	194	19	62	43	105	2	88	55	143	2	4.55
Surinam		199	27	86	70	156	6	119	86	205	6	0.39

Sources: International Monetary Fund, Data Bearing on Fund Member Quotas (SM/69/58, May 8, 1969); Bahamas--Calculation of Quota (EB/CM/Bahamas/73/1, May 11, 1973); Papua New Guinea--Calculation of Quota (EB/CM/Papua New Guinea/74/1, August 2, 1974); IMF Data Fund; International Financial Statistics; data provided by the Surinam authorities; and staff estimates.

On balance, an initial quota of SDR 19 million for Surinam would seem reasonable taking into account the quota calculations, the relevant economic variables on which they are based, and the comparison of the quotas of members of broadly comparable size. An initial quota of SDR 19 million would also seem to fit reasonably well into the present structure of Fund quotas.

c. Suggested increase in quota

An increase in quota has been calculated for Surinam on the same basis used in connection with the Sixth General Review.<sup>1/</sup> The quota calculations using data for the same period as were used for the Sixth Review are shown in Table 7.

An initial step in the procedures adopted under the Sixth General Review was the establishment of a single calculated quota. This was derived by taking the higher of (i) the average of the results in Set I and Set II of the Bretton Woods formula, reduced, and (ii) the average of the lowest two reweighted Bretton Woods formulas. Under this procedure, based on the calculations shown in Table 7, the calculated quota for Surinam is SDR 22 million.

Table 7. Surinam: Quota Calculations: Sixth General Review  
(In millions of SDRs)

	Set I	Set II	Average of Set I and Set II
Bretton Woods formula, reduced	17	20	19
Bretton Woods formula, reweighted			
Scheme III	22	26	24
Scheme IV	26	29	28
Bretton Woods formula, linear and reweighted			
Scheme M-4	21	21	21
Scheme M-7	22	21	22
Average of lowest two of the reweighted Bretton Woods formulas	22	21	22

<sup>1/</sup> See SM/75/128, Rev. 2 (5/24/75), which was issued to the Interim Committee as ICMS/Doc/75/12 (5/30/75).

For the purposes of the Sixth General Review, Surinam would have been classified as an "other developing country." For a member in this group of countries, the actual quota increase under the Sixth General Review was the sum of (i) an increase of 21 per cent in its existing quota, and (ii) a special increase based on the member's proportionate share in the total of the excess of calculated quotas over existing quotas.<sup>1/</sup> It will also be recalled that a relatively large number of quotas were increased somewhat beyond the amounts shown by this procedure as a result of rounding up the overall increase in the size of the Fund to SDR 39 billion.

For Surinam, the calculations yield the following results:

	<u>(SDR millions)</u>
(Suggested) Present quota	19.00
21 per cent general increase	3.99
Special increase <sup>2/</sup>	<u>1.24</u>
Potential quota	24.23

It would also seem reasonable to round up the potential quota to SDR 25 million.

In the light of the above, it is suggested that Surinam be offered an initial quota of SDR 19 million if it joins the Fund prior to the Second Amendment of the Articles becoming effective, and that this suggested initial quota be increased to a maximum of SDR 25 million on the same terms and conditions as are provided for increases in quotas proposed in connection with the Sixth General Review of Quotas (Board of Governors Resolution No. 31-2, adopted March 22, 1976). This higher quota of SDR 25 million would also be the suggested quota if Surinam were to become a member after the Second Amendment of the Articles became effective.

#### 4. Initial subscription payment

Prior to 1973, countries joining the Fund paid part of their initial subscription in gold. Countries joining the Fund since 1973--the Bahamas, Grenada, and Papua New Guinea--have paid their entire initial subscription in national currency within three to six months and two or three months thereafter have repurchased from the Fund with reserve assets the equivalent of 25 per cent of their initial subscription. The draft membership resolutions for the Comoros and Seychelles provide for repurchases of 25 per cent of the initial subscriptions paid in local currency to be completed within two years of becoming a member of the Fund.

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<sup>1/</sup> The ratio of the total of the special increases available for the countries in the group of "other developing countries" to the total excess for these countries of their calculated over present quotas was 0.41396.

<sup>2/</sup> 41.396 per cent of SDR 3 million, the latter amount being the excess of the calculated quota (SDR 22 million) over the (proposed) present quota (SDR 19 million) for Surinam.

It would seem appropriate to continue to require new members to make some contribution to the Fund at the time of joining.<sup>1/</sup> Since a reserve position in the Fund can be mobilized without cost and at very short notice in case of need, a reserve asset payment equivalent to 25 per cent of quota would not normally pose an undue burden.

Official foreign assets of Surinam amounted to SDR 105.9 million at the end of March 1976. This is equivalent to the value of about eight months of estimated imports at the 1975 level. The payment of 25 per cent of the proposed initial quota in reserve assets, the equivalent of SDR 4.75 million, would require about 4.5 per cent of Surinam's official external assets. Consequently, it is suggested that Surinam pay an initial "gold" subscription of 25 per cent of SDR 19 million.

Surinam holds a small part of its external reserves--SDR 5.3 million--in the form of gold. Taking into account the present situation as regards official transactions in gold, prices in the private gold markets, and the particular circumstances of the country, it is suggested that Surinam not be required to pay part of its initial subscription in gold.

Instead it is proposed, following the procedures adopted in connection with the payment of the initial subscriptions for the Bahamas, Grenada, and Papua New Guinea, that Surinam pay the whole of its initial subscription in local currency and shortly thereafter repurchase the equivalent of 25 per cent of SDR 19 million in assets acceptable to the Fund. Since payments of quota increases in connection with the Sixth General Review may be made wholly in local currency, it would not be appropriate to require a payment in reserve assets in excess of 25 per cent of SDR 19 million, whether the excess is paid separately, or as part of an initial quota of SDR 25 million if Surinam were to become a member after the Second Amendment of the Articles became effective.

As has been adopted with other recent membership applications, and in order to permit sufficient time for the completion of certain technical arrangements--such as the establishment of the depository, the opening of accounts, and the determination of an exchange rate for the member's currency--it might be considered appropriate to require Surinam, as a condition of membership, to pay its subscription in local currency equal to the quota within a period of three months of becoming a member of the Fund. Furthermore, as regards the timing of the proposed repurchase of 25 per cent of SDR 19 million, it is suggested that this take place within three months after the payment of the local currency subscription for the initial quota. This repurchase would be made, after consultation with the Fund, in assets acceptable to the Fund in accordance with the Fund's policies.

Surinam could not be required to repurchase its own currency with SDRs, because of its right not to become a participant in the Special Drawing Account. Nevertheless, in the event of Surinam becoming a participant, Surinam could thereafter opt to repurchase with SDRs provided it would be able to acquire them either through an allocation or from other participants.

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<sup>1/</sup> This principle is contained in the draft Article II, Section 2 and in the Report on the Proposed Second Amendment, in particular "one purpose of the sentence [the second sentence of Article II, Section 2] is to ensure the continuation of the established practice that a new member pays an appropriate part of its original subscription in reserves assets" (p. 8, para. B1).

