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SURINAM

SURINAM

1. 12/10/79

Ambassador Roel Karamat



## OFFICE MEMORANDUM

TO: MEMORANDUM FOR THE RECORD

DATE: December 11, 1979

FROM: *EJ* Lerdaу, Director, LAC IISUBJECT: SURINAME : Kabalebo Project

1. The Ambassador of Suriname, H.E. Roel S. Karamat, called on Mr. McNamara on December 10. Also present were Messrs. Stern, Barletta and Lerdaу. The Ambassador brought to Mr. McNamara's attention the urgency with which his Government views the Kabalebo Hydro Electric Project and requested confirmation of the information which the Ambassador said Secretary of State Vance had given him, to the effect that Mr. McNamara would support Bank financial participation in the project. Mr. McNamara noted that he did not recall any conversation with Secretary Vance on the subject but that he would search his files to ascertain whether he might be mistaken.

12/11  
2. He confirmed that the Bank had agreed, as an unusual step, to help prepare the project, and to appraise it as if it were in our lending program but that when this decision was made, it was also decided that it seemed probable that Suriname would be able to finance the project on reasonable terms without the Bank's financial participation. Therefore, at present the project was not part of the Bank's lending program. He added that after the appraisal mission had reviewed the financing plan, the decision might be reconsidered if the mission found that financial participation of the Bank may be necessary to assure mobilization of the required funds on reasonable terms. The Ambassador stated that at a meeting in the State Department attended by Messrs. Bushnell, Grove and McCoy, all of the Bureau of Latin American Affairs, these officials had confirmed Secretary Vance's information. Mr. McNamara repeated that he recalled no conversation with Secretary Vance on the subject and promised to inquire further into the matter.

3. The Ambassador also said that unfortunately Parliamentary ratification for the statutes of the Project Authority could not be obtained by January, i.e., when the appraisal mission was expected. Mr. McNamara responded that he did not see this as a major problem provided the mission could be shown whatever draft legislation or statutes the Government would submit to Parliament; the mission would then conduct its appraisal on the basis of these drafts and, if Parliament modified them, the mission would analyse the changes before completing its appraisal. In short, he said that he did not see this as a cause for delaying the appraisal.

cc: Messrs. Stern  
Barletta  
van der Meer  
Wyss  
Gonzalez-Cofino

ELerdaу:jd



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara  
 (Through Mr. Ernest Stern) *ES*  
 FROM: Nicolas Ardito Barletta *NB*  
 SUBJECT: SURINAME: Your Meeting on December 10 with Ambassador Karamat

DATE: December 10, 1979

*a) I would like to  
 see  
 what is the  
 investment?*

1. Ambassador Karamat from Suriname will call on you on December 10, 1979 at 5:30 PM. He is likely to ask you about the Bank's position concerning its possible participation in the financing of the Kabalebo hydroelectric power project.

2. As you may recall, in 1976 the Bank agreed to the request of the Dutch and Surinamese Governments to provide technical assistance for this project, including its preparation and appraisal, as well as the coordination of its external financing. The Bank's position at that time - communicated to both Governments - was that it could not participate in the financing in view of the high level of available Dutch assistance. The technical assistance provided up to now has covered the preparation stage. A preappraisal mission is now in the field, and an appraisal mission may be sent to Suriname during the second half of January.

*12/10*  
 3. The situation since 1976 has changed through the erosion from inflation in the real value of the Dutch assistance, through the substantial increase in project costs - currently estimated at about \$400 million, and through the country's rising overall financial needs. Provided that the appraisal mission reaches favorable conclusions, I intend to recommend to provide a modest loan, with a view mainly to facilitate our role in coordinating the external financing of the project. However, in response to repeated Surinamese requests for Bank financial assistance for this project, we have maintained up to now that the Bank's position is still that we are providing technical assistance as agreed upon in 1976 and that no decision could be made until after appraisal on the request for a Bank loan.

4. Ambassador Karamat met with Messrs. Lerdaу and Gonzalez-Cofino on December 5. He asked them what was the Bank's final decision "on the amount of the loan to be provided for this project". He further stated that Secretary Vance had told him last July that Mr. McNamara "had assured the State Department that the project would be favorably considered on a priority basis". He added that in a further meeting two weeks ago, lower level State Department officials had assured him that the Bank loan would be of \$31 million.

5. Mr. Lerdaу answered that the Bank's position, as he understood it, was that a decision on this matter will be made after appraisal. He added that, in his opinion, the information transmitted to the Ambassador by the State Department could not imply more than that the Bank would, after appraising the project, take an objective decision on whether it should participate in the financing of the project. Ambassador Karamat indicated that since his understanding was that such decision had been made already, he was going to ask for a meeting with you to clarify the matter.

RGonzalez-Cofino/ELerdaу:lmw