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PRIVATE SECTOR ASSESSMENT OF SURINAME



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Executive summary

The common thread of this report and its recommendations, and the overarching Private Sector Development (PSD) goal in Suriname as presented in this report, is to gradually open space for the expansion of private sector activities. The Private Sector Assessment Report (PSAR) provides a comprehensive overview of the private sector in Suriname. It draws on both primary and secondary data sources. Primary data analyses were derived from interviews with key stakeholders from the domestic private and public sectors as well as interviews with regional and international agencies. A listing of the main stakeholders interviewed is documented in the original country report¹. Secondary data were utilized to describe the state of the country at both the micro and macro levels. In addition to these specific elements of the research, the development of the PSAR was assisted by consultations organized under the Caribbean Growth Forum² (CGF).

The expansion of the country's private sector necessitates the gradual replacement of publicly-owned enterprises with private enterprises, as well as a focused effort to promote exports and regional integration. Since 2001 the country has experienced an unprecedented period of growth related to investments in the mining sector by multinational corporations, and by Staatsolie, the national oil company. The positive impact of investments in mining, combined with improved fiscal and monetary policies, are large and significant: since 2001 GDP per capita increased by over 50% and public debt is less than 31% of GDP, one of the lowest ratios in the region. The current favourable macroeconomic environment provides ideal conditions for implementing a policy to facilitate private sector economic expansion in the near term.

To gradually open space for private sector development is not easy and the recommendations presented in this report, when considered together, may result in accelerating the expansion of the private sector in Suriname. The recommendations are presented grouped around the following issues: (i) improving coordination among key actors in support of PSD policies, programs and projects by prioritizing and consolidating PSD interventions and improving data collection, monitoring and evaluation; (ii) improving the business climate by facilitating access to finance, replacing the current investment law, strengthening property rights, lowering transaction costs for trade, and modernizing labour markets; (iii) opening space for private sector participation in the economy by promoting innovation, research and development, accelerating regional integration, modernizing public procurement rules and

¹ The original reports can be found on Compete Caribbean's website: <https://www.competecaribbean.org>.

² The CGF is a facilitated methodology for public-private dialogue around issues central to private-sector development and growth. It brings a non-traditional approach to the greatest challenge currently faced by the region: creating sustainable and inclusive growth. The Forum also aims to facilitate an action-oriented dialogue around key policy reforms needed across three thematic areas: investment climate, skills and productivity and logistics and connectivity. The CGF is a joint initiative by the Compete Caribbean Program, the Inter-American Development Bank, the World Bank and the Caribbean Development Bank. It is supported by the Department of Foreign Affairs, Trade and Development Canada (DFATD), the United Kingdom's Department for International Development, the CARICOM Secretariat and the University of the West Indies.

regulations, privatizing public enterprises and improving infrastructure; and designing a policy that would increase the participation of domestic companies providing goods and services to the mining sector by building bridges between local companies and multinational mining corporations, identifying opportunities for specialization, and developing skills in demand by the mining sector.

Government is committed to improving the business climate consistently with recommendations presented in this report. In September 2014 the National Assembly passed legislation, submitted by the Office of the Vice President, to create a national universal health insurance system. In addition, the National Assembly passed legislation, also submitted by the Office of the Vice President, creating a universal pension system. These two benefits, health insurance and pensions, were available for public servants but not for the rest of the population, and were identified as important incentives that determined the preference to work for government compared to working for the private sector. It is expected that these new laws would allow private sector companies to compete on equal ground for entrants to the labour market, or to attract current public servants. In addition, with IDB support, the government is in the process of approving legislation to improve governance and transparency, enforce contracts, strengthen intellectual property rights, improve competition, facilitate business and professional licenses, expand electronic transactions, allow for secured transactions, and simplify corporation and self-employment registration among others initiatives.

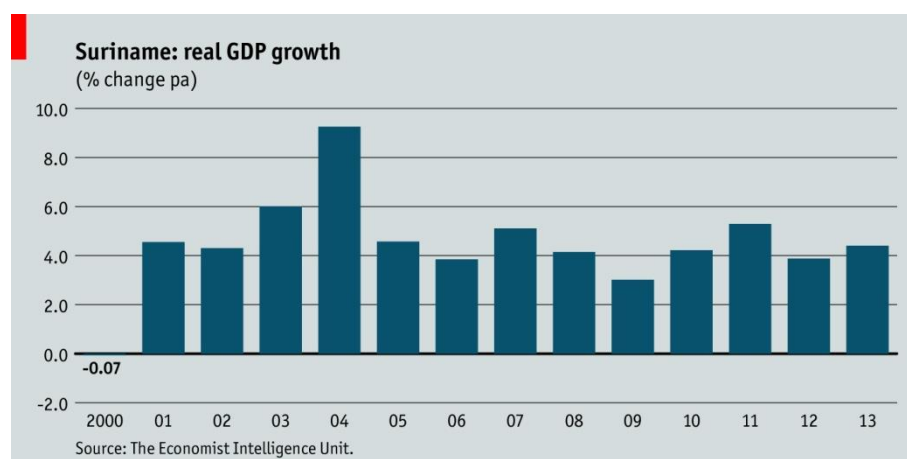
However, significant information gaps limit the analysis and identification of priority interventions. Closing these information gaps would improve the capacity to monitor execution of policies, programs and projects, as well as to evaluate results.

I. Private sector assessment

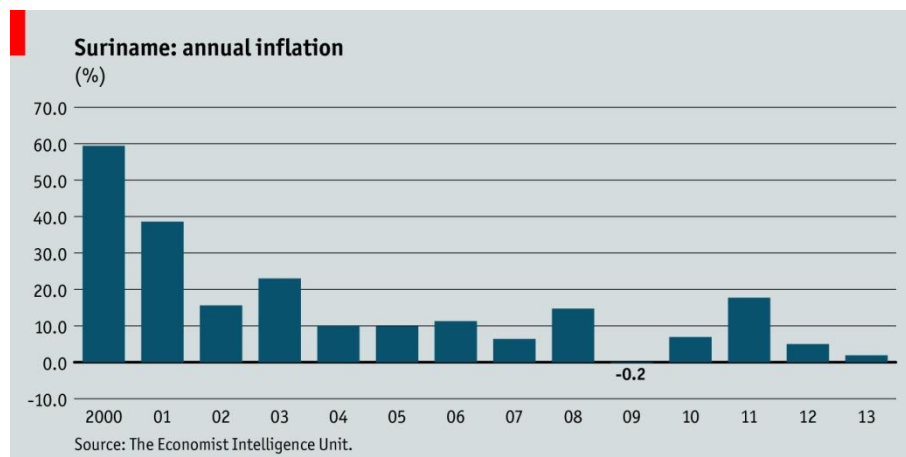
Background The mining sector is the economy's growth engine, and is in large part driven by investments by multinational corporations and the state-owned oil company, Staatsolie. Wealth generated by the mining sector is transferred to the central government, which distributes it throughout the economy by public sector spending, primarily through public sector employment in the central government and public enterprises, but also through other spending initiatives. The non-mining private sector is characterized by small companies that are mostly active in the service sector that tend to export little, produce goods and services for consumption, and also import goods and services for which there is demand but that are not produced in Suriname.

Macroeconomic overview Economic growth outperformed expectations in 2013, with real GDP expanding by 4.4%, according to official estimates, up from 3.9% in 2012 (see Figure 1). Nominal GDP stood at US\$5.2bn in 2013. The success of the economy over the past decade has been linked to large increases in international mineral prices, and between 2000 and 2010 exports more than quadrupled, from US\$490m 2000 to US\$2.3bn in 2010, with about 95% of total exports consisting of alumina, gold and oil.

Figure 1



GDP growth will continue to depend on investments in the mining sector, especially in gold, gas and oil. Rising real incomes would follow if inflation stays moderate (it stood at 1.9% in 2013). Consumer price pressures picked up in the first five months of 2014, driven by above-inflation wage increases and recovering GDP growth. Annual inflation is expected to rise in 2014-15 but to remain well below the double-digit rates recorded in 2011, which were the consequence of adjustment in prices of gas and a large devaluation of the Surinamese dollar (see Figure 2).

Figure 2

Because the economy is so open and depends so heavily on imports of most goods consumed in the country, the necessary 20% adjustment of the nominal exchange rate in 2011 has had a large pass-through effect on the overall price level. The introduction of a value added tax, expected in 2015, to replace current sales tax may also have a temporary impact on the price level. The IMF reports that the real exchange rate is now “broadly in line with fundamentals”, indicating that the substantial devaluation corrected its overvaluation. Monetary policy is broadly consistent with maintaining the real exchange rate in equilibrium.

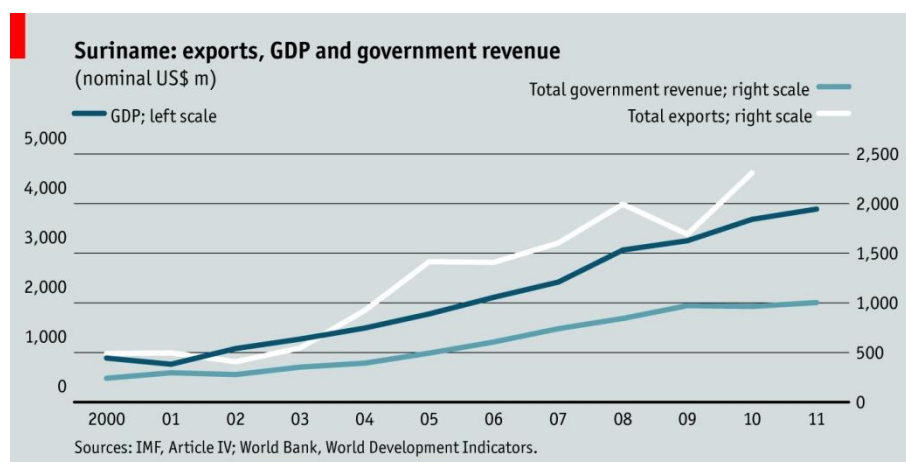
The economic growth outlook in the near term is moderate because of large investments planned for the mining and minerals sector (including oil). Large investments under way include the construction of a new oil refinery by Staatsolie. This is an investment equivalent to 15% of GDP. It is expected that once the refinery is operational at the end of 2014 that demand for imported refined oil will decline, lowering Suriname’s import bill. Additional investments in the sector of up to US\$1.1bn are expected in the short term, with US-based Newmont Mining and Canada-based IAMGOLD Corporation both making significant investments. However, the downside scenario for growth would see a weakening in demand for Suriname’s major exports, reflecting weaker investor demand for gold on the back of an uptick in the US economy and the end of quantitative easing, as well as relatively slower economic growth for China, which would dampen demand for a range of commodities³.

Suriname’s fiscal balance deteriorated sharply in 2013, with an estimated deficit equivalent to 5.2% of GDP posted in that year. The government’s public investment plans will be curtailed in 2014 as it seeks to rein in the ballooning fiscal deficit. The substantial widening of the deficit in 2013 (from 2.7% of GDP in 2012) was driven by a lack of spending restraint on the government’s part amid sharply lower earnings from commodity exports and rising debt-servicing costs. However, heavy government spending provided a boost to private sector activities.

³ 2014 IMF Article IV Consultation for Suriname.

Interestingly, the government is relying more heavily on domestic sources of financing than on external sources. From a public debt management perspective, this is a sign that the government is lowering exchange-rate risk by borrowing in the local currency. However, from the standpoint of PSD, public-sector borrowing almost always crowds out private-sector access to financial resources. In July 2014 total public debt was equivalent to only 31% of GDP, a low level compared to most Caribbean economies, with 20.1% being external debt and 10.9% domestic debt. Suriname's sovereign debt credit ratings have improved since 2009, mostly as a result of the improved macroeconomic environment and outlook, and also thanks to the government's genuine attempt to resolve the long-standing problem of debt arrears with bilateral donors and commercial banks. The country's credit ratings stand at BB- (as rated by Fitch and Standard & Poor's) and Ba3 (Moody's).

Figure 3



Institutional effectiveness

Government institutions in Suriname function according to a slow process of consensus-building. The Inter-American Development Bank (2007) summarizes the situation as follows:

"Political alliances bring together combinations of ethnically based parties that contribute to a complex political balance. In this context, consensus-building in the Surinamese government and society comes at the cost of a protracted pace of decision-making and implementation. However, once decisions take root, the degree of commitment on the part of the government is generally high and firmly established."⁴

The importance of consensus-building for decision-making in Suriname cannot be emphasized strongly enough. Every step in the government decision-making process—the interactions between the government and the private sector, between the government and the donor community, and between the central government and local governments—may be characterized by a complex process of building consensus among the many different groups represented in society. In a multi-ethnic, diverse society in which ethnic groups maintain their

⁴ Inter-American Development Bank, Country Strategy with Suriname 2007-10.

traditions, religions and languages, this characteristic of Suriname's society is an asset that helps to ensure tolerance and peace.

Several institutions are highly active in promoting private-sector development (PSD) in Suriname. The Suriname Business Forum's wide representation and its inclusion of actors from many different parts of the public and private sectors provides a solid foundation to support PSD. The Competitiveness Unit Suriname, part of the Office of the Vice President, also plays an important role in prioritizing and promoting PSD, and recently led the process to prepare legislation to improve the business climate.

Components of the productive sector

Overview of the sector

The private sector is dependent on mining and associated exports; the non-mining private sector is small, and mainly produces goods and services for government and domestic private consumption and investment, although a few companies are active in selling goods and services abroad. Importantly, the larger non-mining private businesses specialize in selling goods and services to the government (especially in the construction sector), or in importing goods from abroad for domestic consumption or investment. The vast majority of exports consist of gold, alumina and oil. All other exports are very small and are limited to agriculture and fisheries.

Employment data show that the majority of the workforce (80.7%) is salaried employees. Among the active male workforce, 77.8% are salaried employees, compared with 86.8% of the active female workforce. In the aggregate, 0.64% of the working population are employers, while 15.7% are self-employed. Among men, these figures are 0.8% and 18.7% respectively, while just 0.2% of working women are employers and only 9.3% are self-employed. Data from the World Bank's Enterprise Surveys suggests that fewer women own or participate in ownership of businesses in Suriname than in the rest of Latin America. The surveys also show that local firms tend to be well established: about 80% of firms have had a continuous presence in the market for ten years or more.

Table 1 Structure of Suriname's economy

	1961-70	1971-80	1981-90	1991-2000	2001-08
Agriculture, value added (% of GDP)	9.4	8.0	9.5	13.1	6.5
Industry, value added (% of GDP)	46.0	44.1	29.9	24.4	34.4
of which Manufacturing, value added (% of GDP)	n/a	n/a	13.2	9.6	16.3
Services, etc., value added (% of GDP)	44.6	47.9	60.6	62.5	59.1
Agriculture, value added (current US\$ m)	14.0	31.4	85.8	77.3	83.7
Industry, value added (current US\$ m)	67.0	181.9	287.1	152.8	385.2
of which Manufacturing, value added (current US\$ m)	n/a	n/a	128.4	61.4	177.3
Services, etc., value added (current US\$ m)	63.4	191.4	522.9	368.0	709.0
Agriculture, value added (annual % growth)	n/a	n/a	2.0	-1.3	2.8
Industry, value added (annual % growth)	n/a	n/a	-2.9	0.1	6.3
of which Manufacturing, value added (annual % growth)	n/a	n/a	-4.4	-2.2	10.4
Services, etc., value added (annual % growth)	n/a	n/a	-1.3	1.9	4.3

Source: World Bank, World Development Indicators 2010

Mining The mining sector contributes significant revenue to the government and accounts for almost all exports; however, the sector provides only about 3% of total employment by 2013.⁵ Thus, the future development impact of mining may be limited, owing to the fact that mine-related activities are enclaves and as such the economic spill-overs to the rest of the domestic economy, especially in terms of employment, are small. The impact of the mining sector is reflected in the employment of a small number of people in services such as transportation and food services. Thus Suriname unfortunately appears to conform to the traditional view of enclaves, in which large investments in mining do not generate significant backward or forward linkages within the domestic economy (Hojman, 1983).⁶

The mining sector includes large numbers of informal miners. Suriname's abundant gold resources have attracted a large number of illegal miners—the *garimpeiros*—from neighbouring Brazil. The overall impact of informal mining on development is negative, as it is responsible for severe environmental damage, including mercury poisoning of populations adjacent to the informal mining settlements.

Industry and agriculture Industry as a proportion of GDP declined from 1961 until 2000, and between 2001 and 2008 it represented about one-third of value-added output in the economy (see Table 2). The agricultural sector, which is relatively strong in coastal areas that cultivate rice and bananas, is recovering from a difficult decade in the 1990s and has now reached levels similar to those achieved from 1981 to 1990 (see Table 2).

Services The services sector in Suriname, like that in other economies in the region, has become more important over time and currently contributes the largest share of GDP (see Table 2). The sector encompasses almost all of the domestic private sector and is dominated by small, family-owned firms. The vast majority of these have fewer than three employees; many of them are informal and are active in non-tradable activities such as commerce, transportation, restaurants and hotels.⁷

⁵ Suriname Country Profile, Economic and Financial Data, Statistics Department July 2014—page 74.

⁶ However, the term “enclave” has evolved over time, from a dualist approach to more modern views of the impact of corporate social responsibility on development. In fact, many argue today, in complete opposition to the past analysis, that “enclaves” may be catalysts of change and development (Auty, 2006).

Hojman, David E. “From Mexican plantations to Chilean mines: the theoretical and empirical relevance of enclave theories in contemporary Latin America”, Working Paper 3, Centre for Latin American Studies, University of Liverpool, Liverpool, 1983.

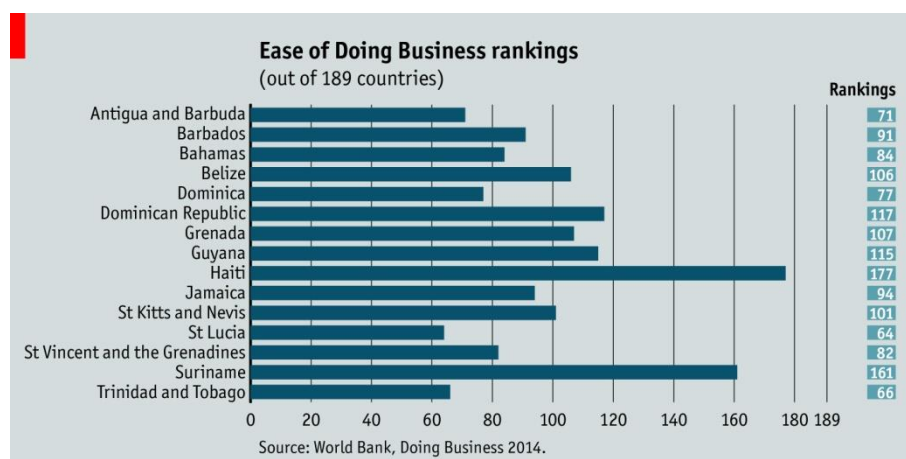
Auty, Richard. “Mining enclave to economic catalyst: Large mineral project in developing countries”, in *Journal of World Affairs*, Fall/Winter 2006, Volume XIII, Issue (2006).

⁷ Inter-American Development Bank, Country Strategy with Suriname 2007-10.

II. Key challenges for private sector development

Overall, Suriname does not perform well in the World Bank's 2014 Doing Business index with a ranking of 161st (out of 189 countries). Figure 4 shows how Suriname ranks compared to other countries in the region. Suriname performs well among Latin American and the Caribbean on two measures: getting electricity (for which it is ranked 40th), and paying taxes (50th). According to the report, the areas of greatest difficulty for Suriname in terms of doing business are: starting a business (for which the country is ranked 181st), protecting investors (186th), enforcing contracts (184th), registering property (173rd), getting credit (170th), resolving insolvency (160th), and trading across borders (105th). Meanwhile, the World Bank's Enterprise Surveys from 2010 identified the four largest problems facing businesses in Suriname as an inadequately educated workforce, customs and trade regulations, access to finance, and corruption.

Figure 4



In general, the business climate for private-sector expansion is weak, and may be summarized (as one businessman put it) as follows: “Suriname is a country of licences, and all systems are based on the ad hoc concession of a business licence of one form or another.” The long-standing tendency of the government to distrust the private sector has resulted in the creation of regulations that have placed additional barriers in the way of PSD. An example, repeated to exhaustion by all analysts of the private-sector business climate in Suriname, is that any business licence for a limited liability company has to be individually and personally approved by the president, and that this can happen only after the application has been reviewed and moved forward by the full cabinet of ministers. As a result, it takes over two years to obtain a business licence, assuming that the president agrees to allow one to be issued. This astonishing barrier to establish a business is not as binding as it appears because it has resulted in creative ways to circumvent this problem. Moreover, recently the process has been significantly improved and it is reported that the approval of a business license takes less time than before. Nevertheless the regulation remains to this day and allows analysts to make the point of the attitude of Government towards the domestic private sector.

Table 2: 2013 snapshot of major & severe obstacles to doing business

(mean of respondents indicating obstacle)

	All countries	Barbados	Belize	Guyana	Jamaica	Suriname
Telecommunications	14%	21%	16%	55%	3%	10%
Electricity	40%	43%	40%	62%	36%	23%
Transportation	21%	20%	49%	28%	11%	14%
Access to land	20%	26%	12%	28%	15%	28%
Tax rates	43%	21%	53%	54%	65%	23%
Tax administration	29%	22%	31%	28%	37%	10%
Customs and Trade regulations	20%	20%	42%	40%	10%	21%
Labour regulations	7%	11%	4%	8%	5%	7%
Inadequately educated workforce	28%	31%	31%	44%	22%	35%
Business licensing and permits	14%	7%	24%	20%	17%	18%
Access to finance	40%	37%	63%	19%	38%	21%
Political environment	11%	5%	20%	41%	10%	27%
Corruption	29%	12%	53%	42%	37%	26%
Crime, theft and disorder	31%	4%	55%	42%	51%	15%
Practices of competitors	35%	16%	35%	26%	58%	22%

Source: 2013 firm-level survey funded by Compete Caribbean.

The obstacles to PSD in Suriname may be summarized as those factors that limit the expansion of private-sector businesses, and in particular barriers that limit the capacity of local firms to sell goods and services outside the Surinamese market. This section presents a detailed analysis of PSD bottlenecks, clustered around the following issues: the structure of institutions supportive to business, access to finance, business environment, technology and innovation, trade and foreign direct investment (FDI) policies, and labour regulation. Furthermore, a lack of reliable information is a recurrent problem with regard to the analysis of PSD initiatives in Suriname.

Structure of institutions supportive to business

Co-ordination between the various private-sector institutions could be improved. There are many institutions that represent private-sector interests in Suriname, and many are directly financed by the government and include government representatives on their boards of directors. This peculiar characteristic of Suriname's PSD institutions provides an opportunity for the facilitation of PSD initiatives in the country, as the government's representation on the boards of PSD institutions means that the initiatives supported by these bodies have already been acknowledged by the government to some extent. However, despite the presence of government representatives, the success of PSD institutions in improving the business climate has been limited.

The four largest PSD institutions in Suriname are the Suriname Business Forum (SBF), the Suriname Trade and Industry Association (VSB), the Manufacturers Association of Suriname (ASFA) and the Chamber of Commerce and Industry (KKF). Currently, the Office of the Vice President also plays an important role in prioritising and promoting PSD through the Competitiveness Unit Suriname. The Competitiveness Unit Suriname and the Suriname Business Forum are the most important institutions promoting PSD, given its wide representation and inclusion of actors from many different segments of the public and private sectors. The VSB is the largest and oldest privately funded PSD institution in Suriname, with more than 230 member companies that together account for more than 95% of private-sector production in the country. The ASFA represents about 105 small manufacturers, most of which have fewer than 25 employees and are active in various subsectors, including construction, food, lumber, dairy products and syrups. By law, all companies in Suriname have to be members of the KKF, which is fully funded by the government and has three main functions, namely implementation of economic legislation, provision of trade information, and representation of the interests of commerce and industry.

Access to finance Access to finance is an important bottleneck to PSD in Suriname, and is recognized as such in the 2013-14 Global Competitiveness Report compiled by the World Economic Forum (WEF), and also by the World Bank in its Doing Business report (ranked 170th out of 189 countries for ease of getting credit). The financial sector is very small, being composed of only a handful of banks, with a large concentration of lending and deposits at the three largest banks, RBTT Suriname, DSB and Hakrinbank. It is worth noting that DSB and Hakrinbank are fully or partially owned by the government.

Credit to the private sector is limited. As of the end of April 2012, total credit was equivalent to about one-third of annual GDP, low by regional standards.

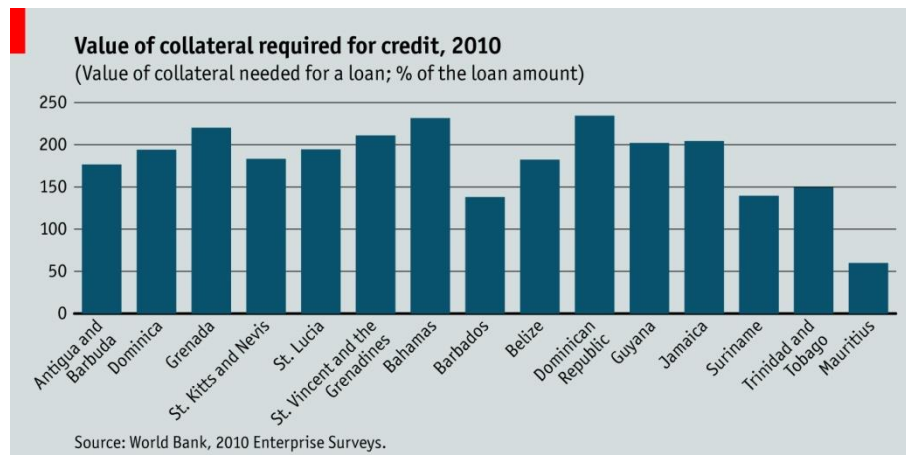
Table 3 Suriname: total credit stock to the private sector by end of April 2012

	Domestic currency (SRD m)	Foreign currency (SRD m)	Total credit (SRD m)	% of total
Total for primary & secondary sectors	338.6	424.2	762.8	19.3%
Agriculture	71.8	59.4	131.2	3.3%
Fisheries	9.3	29.6	38.9	1.0%
Forestry	2.0	0.4	2.4	0.1%
Mining	3.6	90.0	93.6	2.4%
Manufacturing	164.0	165.5	329.5	8.3%
Construction	86.3	61.7	148.0	3.7%
Utilities	1.6	17.6	19.2	0.5%
Total for other sectors	2,058.3	1,139.4	3,197.7	80.7%
Trade	459.3	597.7	1,057.00	26.7%
Transport, storage & communications	81.2	26.0	107.2	2.7%
Services	142.5	246.7	389.2	9.8%
Housing	536.7	81.0	617.7	15.6%
Other	838.6	188.0	1,026.6	25.9%
Of which: Credit to government	164.2	0	164.2	4.1%
Total credit	2,396.9	1,563.6	3,960.5	100.0%

Source: Central Bank of Suriname website, tables 8 and 9, <http://www.cbvs.sr/STA/Eng/Table%208.pdf> and <http://www.cbvs.sr/STA/Eng/Table%209.pdf>

Lending interest rates have remained relatively stable since 2008, averaging 11.8% between 2008 and 2013. Meanwhile, inflation fluctuated drastically in the same period, and so too did real interest rates. Indeed, real lending rates stood at negative 2.5% in 2008, rose to 11.8% in 2009, before posting a negative rate again in 2011 (at -6%). The real lending rate stood at 10.1% in 2013.

Figure 5



Anecdotal evidence collected in April 2012 indicates the pervasive practice of lending using real estate as collateral, as well as the only limited availability of factoring. Additional financial instruments that would deepen financial intermediation are not available. Such instruments might include the expansion of the market for government bonds, thereby promoting saving and investment by individuals and firms; leasing; secured transactions; and the revitalisation of the stock exchange.

Business environment

The WEF's Global Competitiveness Index for 2013-14 ranks Suriname 106th overall out of 148 countries. In Latin America and the Caribbean, Suriname is ranked above only Honduras (111th), Paraguay (119th), Venezuela (134th), and Haiti (143rd). The WEF's analysis shows that Suriname is ranked better for basic requirements, at 82nd, but that it is ranked worse for efficiency-enhancing factors (121st) and innovation factors (120th). According to responses to the 2010 World Bank Enterprise Surveys, the following are the leading problems in Suriname: inefficient government bureaucracy (19.4% of respondents), access to financing (9.9%), inflation (9.7%), corruption (9.1%) and inadequate supply of infrastructure and a poor work ethic on the part of the labour force (both 7.9%).

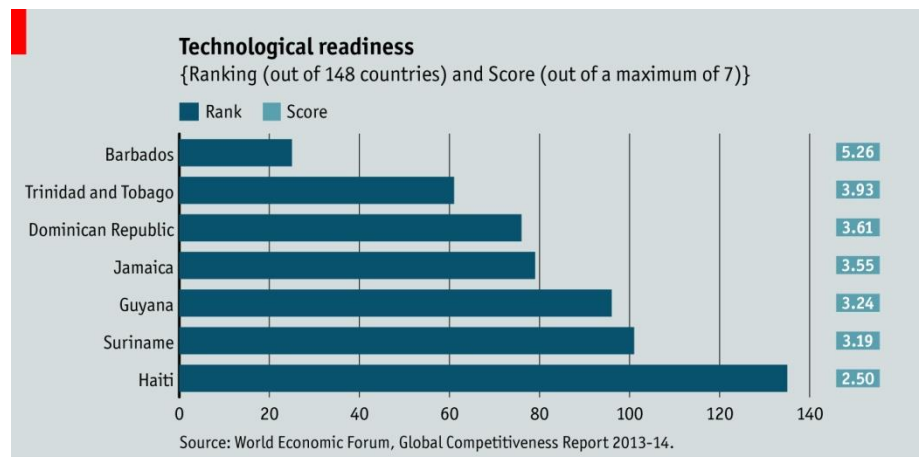
The WEF's Global Competitiveness Report highlights a long list of problems whose resolution would improve the business environment in Suriname. Local stakeholders, most visibly the Chamber of Commerce and Industry (KKF), advocate a reduction in red tape. It is worth noting that not all private-sector stakeholders are in favour of increased competition. Anecdotal evidence indicates that some private firms benefit from government's tight control over the economy and from the cumbersome nature of the government-procurement system (the government is the largest customer in the country). These firms wish to maintain the status quo, as it gives them an edge over

newer and less experienced firms that would also like to win government contracts.

Technology and innovation

The WEF's 2013-14 Global Competitiveness Report presents data that indicates that technology and innovation are lagging in Suriname compared with the situation in other countries at similar stages of development (ranking 101st for technological readiness and 125th for innovation out of 148 countries; see Figure 6). Suriname ranks well on Internet users, broadband Internet subscriptions and Internet bandwidth. Areas that require improvement include availability of the latest technologies, firm-level technology absorption, and foreign direct investment (FDI) and technology transfer.

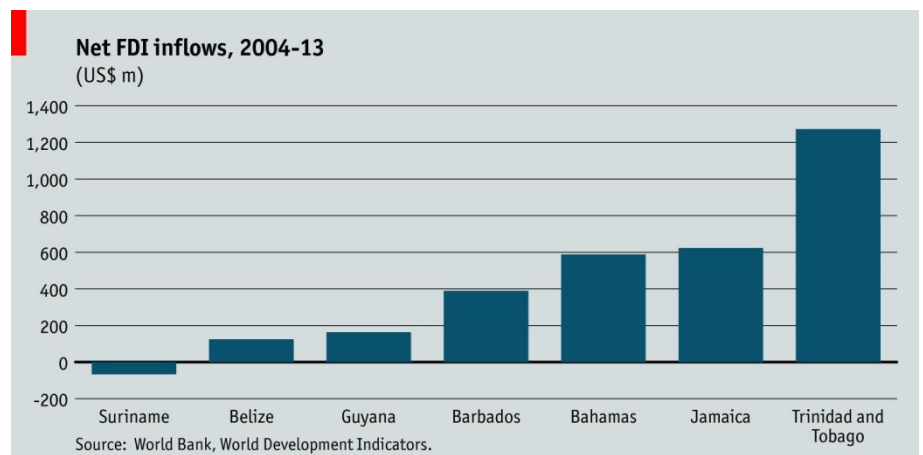
Figure 6



Trade and FDI policies

The poor investment climate in Suriname is portrayed in Figure 7, which shows that net FDI was negative in the period from 2004 to 2013. The mining sector attracts most FDI; however, the cash flow characteristics of the sector, and especially the gold-mining industry, involve very large initial investments but also large outflows related to exports.

Figure 7



Surprisingly for such an open economy, trading across borders is also problematic in Suriname. The World Bank 2014 Doing Business report notes that exporting one container requires on average eight documents, takes 22 days and costs US\$1,000. Importing a container requires on average 6 documents and 19 days, at a cost of \$1,165.

The Investment Law passed in 2001 did not provide equal access to investment in the country, was strongly biased against FDI and focused almost exclusively on the use of ad hoc fiscal incentives for PSD. As such, the law was highly discretionary and did not provide guidance for investors about the rules for PSD. In 2003 a new investment law was drafted, providing a clear set of rules that would apply to all private-sector investment in the country, including equal rights for FDI. But because the legislative process in Suriname is complex and requires the building of consensus between the political parties that form the government, negotiations tend to be protracted, and as of September 2014 the new investment law was still awaiting approval by the cabinet of ministers. Its passage is a priority that requires renewed efforts by PSD stakeholders.

Labour regulation There is scant formal analysis available of rigidities in Suriname's labour market. Information collected in April 2012 by the IDB noted that the formal labour market is very rigid; provisions included in the Dismissal Decree require a special permit from the Ministry of Labour for the sacking of any employee. This requirement provides incentives for private-sector companies to remain very small and employ few people. In September 2014 government passed new legislation establishing a minimum wage. As of the time of writing this report it is unclear what repercussions new legislation would have on the expansion of private sector activities in the country.

Environment Suriname's environmental assets include a rich biodiversity in both coastal areas and the interior. This rich environment is also fragile, and is exposed to the risks presented by informal gold mining. The issue of the environment is closely linked to the rights of Amerindians and Maroons. The vast majority of Suriname's mineral and forest resources are located in the interior (or hinterland), which also boasts high biological diversity and strong potential for tourism. However, the interior is also the home of indigenous peoples and Maroons, who for centuries have almost exclusively occupied and exploited the forests, savannahs, rivers and creeks.

While they speak their own languages and have their own culture and history, indigenous peoples and Maroons are not simply ethnic groups—in terms of governance, two important circumstances set them apart. First, indigenous peoples and Maroons have their own traditional governance systems. These provide structure for the community and regulate access to resources. They are to some extent recognized by Suriname's government as traditional authorities. They receive monthly stipends from the central government, and are officially installed after being appointed by their communities. However, traditional governments are not mentioned in the constitution or in any other Surinamese law or statute.

Second, indigenous peoples and Maroons are recognized under international law as having the right to self-government and to own and control their traditional lands and resources in accordance with their own customs and traditions. This was confirmed in a recent judgment of the Inter-American Court of Human Rights (the Saramaka People vs Suriname, 2007). The court ordered Suriname to adopt legislation to recognize the Saramaka's traditional authorities and their ownership of their traditional territories and resources, and also issued specific orders with regard to resource exploitation in the country's indigenous and tribal areas. These included the adoption of minimum principles for consultation and consent, as well as requiring that benefit-sharing agreements are reached and that environmental and social impact studies are carried out before resource development. The central government acceded to the jurisdiction of the court and indicated that it would comply fully with the order; however, this part of the judgment is still awaiting implementation.

Recently news reports published in the capital, Paramaribo, indicate that the Vereniging van Saramaccaanse Gezagsdragers (VSG, the association of indigenous leaders) has drafted a map demarcating approximately 9,000 km² of what it considers to be tribal territory for purposes of autonomy. This, and other similar actions, could have a significant impact on the development of the interior and on rights for mining or the development of tourism.

The Suriname PSAR identifies that the single most important source of risk to the environment is related to informal mining. The PSAR recommends the preparation of a report focused on PSD and the environment, containing recommendations to maintain the biodiversity of Suriname and to provide a framework for respecting the rights of Amerindians and Maroons.

Gender The government of Suriname has undertaken important efforts to mainstream gender as an issue, but information on entrepreneurship in Suriname disaggregated by gender is scarce.⁸ This issue has been recognized in the Multi-Annual Development Plan (MOP) 2006-11, which presents gender as an issue that affects all sectors. Additionally, one of the MOP's strategies for poverty alleviation consists of increasing the economic and physical independence of women. Moreover, gender focal points at the various ministries (the Gender Management System) assist in this aim, while the National Bureau on Gender Policy (NBG) is responsible for the execution of gender policy. Despite government efforts, Suriname is ranked 110th out of 136 countries in the WEF's

⁸ The NBG is working on the development of a Gender Database System (GDS), using the DevInfo software programme. The Bureau of Statistics has trained three staff members in working with DevInfo. According to UNICEF: "DevInfo is a powerful database system that is used to compile and disseminate data on human development. The software package has evolved from a decade of innovations in database systems that support informed decision making and promote the use of data to advocate for human development. The DevInfo project is an interagency initiative managed by UNICEF on behalf of the United Nations (UN) System." http://www.unicef.org/statistics/index_24300.html

2013 Gender Gap Index (GGI), performing worse than most Caribbean countries and indicating that significant differences in opportunities exist.⁹

On the specific subject of women's employment and economic opportunities, it is known that even though women's participation in the labour market has been increasing significantly, men still constitute about 60% of the labour force. In terms of labour formality, 35-40% of women aged 25-64 are formally employed compared with around 60% among men. Informal labour offers many women a household income or a necessary addition to a regular wage. Working in the informal sector is attractive for women because the flexible hours and the possibility of working from home (at least part of the time) enable them to combine this form of labour with childcare and household duties. Additionally, women head a significant share of households. In 2008 women were the heads of one-third of all households (at 32.9% of the total or 29,058 women). Unemployment is considerably higher among women than men. In 2008 a total of 13,082 persons were formally unemployed; of these, 71% were female and 29% were male.

The data indicate that a lack of professional expertise, informality, segregation by sector and occupation, and family responsibilities are likely obstacles for women in becoming entrepreneurs. Others barriers related to the business environment and the lack of credit and services affect women disproportionately, and more analysis is needed to identify the causes that determine this outcome.

⁹ The GGI measures the gap between men and women in economic participation and opportunity, educational attainment, health and survival, and political empowerment across 14 different variables and a total of 134 countries.

III. Emerging sectors

It is not possible to identify large and fast-growing sectors in Suriname's economy. This is not to say that there are no industries or export-oriented businesses with the potential for expansion. Most businesses with export potential are being developed and, like the rest of the private sector, face a difficult business climate. There are some sectors that may already be developing in the direction of expansion into external markets, such as fisheries (taking advantage of Suriname's tropical climate and abundance of water resources), specialized agricultural goods and tourism.

As noted in this report the mining sector has few linkages with the domestic private sector. Very few goods and services are provided by domestic companies to the mining sector, mostly related to transportation, food and security services. Most high value-added goods and services demanded by mining companies are provided by foreign companies. Although this is not an emerging sector, this report notes the opportunity to strengthen linkages between domestic companies and mining companies. The Ministry of Trade and Industry is considering the introduction of local content legislation that would facilitate this process. In some isolated cases this process of deepening linkages has started. For example, Iamgold, the mining company that is exploiting the gold Rosebel mines, needed modern port services for the importation of chemicals required for processing gold. To modernize port facilities, Iamgold worked with Integra Port Services, a domestic company, on upgrading facilities and training personnel. The process was successful and triggered the interest of Dubai Ports, which in July 2011 acquired a controlling interest in Integra Port Services and Suriname Port Services. This example shows that linkages between mining and domestic companies can be strengthened.

IV. Priority areas and action plan

The Suriname Private Sector Assessment Report (PSAR) identifies priority actions to accelerate private-sector development by creating space for private-sector expansion in the economy.

Background The priority actions presented in this report would add to the work programs of stakeholders that are active in facilitating PSD in Suriname, in particular the Competitiveness Unit Suriname under the Office of the Vice President and the Suriname Business Forum (SBF). The objective of this report is to respectfully contribute to the process to accelerate growth and development in Suriname, and to provide complementary and comprehensive review of programs, alternatives, and options, including a preliminary proposal for priority interventions and an action plan.

Priorities and action plan Suriname would benefit from strengthening institutions that currently represent private sector interests. These institutions have government support: many government officials are board members, directors, or hold other management roles within private sector firms, but overall success in improving the business climate has been limited. The decisions made by these institutions in many cases fail to trigger concrete action by the responsible government authorities. Although members of government are on the boards of these institutions, the implementation of decisions is relatively slow and the impact, in some cases, is weak. This is an area that should be strengthened. Recent improvement in this regard has been recorded. The Competitiveness Unit Suriname, with strong support from public and private sector stakeholders, sponsored the preparation of a set of laws designed to improve the business climate. This is a good start, and the public-private dialogue process should be strengthened further, especially with more active participation of private sector representatives.

The mining sector offers an opportunity to accelerate technology transfers into Suriname. For example, in Trinidad and Tobago the energy sector is undergoing an interesting process of technological spill overs from foreign-owned companies to a large number of small- and medium-sized domestic companies. These spill overs are taking place in both upstream and downstream activities, and involve a high degree of specialization by local firms in certain areas related to the oil and gas sector. These local companies are expanding and selling their highly specialized services in Africa and the Americas. Suriname can learn from this process and make use of the mining sector, as this industry involves a number of multinational corporations that specialize in gold extraction, alumina production, and oil and gas exploration and extraction.

The PSAR identifies the need to open up space for private-sector expansion in all sectors of the economy. The priorities presented here reflect an effort to select only those that offer high value-added, that can be implemented in the short term and that do not face the possibility of significant political opposition. The priorities are presented as being clustered around the key challenge areas identified earlier in the report.

**Table 4 Suriname priority areas and action plan
Structure of Institutions Supportive to Business**

Issue	Responsibility for leadership	Technical difficulties	Political friction
The Suriname Business Forum and the Competitiveness Unit Suriname are ideally suited to the role of coordinating reforms necessary to facilitate PSD. The most relevant tasks in the short run for the institution are (i) ensuring its financial sustainability, and (ii) defining a small number of priority activities for PSD	Suriname Business Forum and Competitiveness Unit Suriname	None	Medium
Inadequate follow-up of PSD projects and poor monitoring and evaluation systems	Suriname Business Forum and Competitiveness Unit Suriname—build a single system to monitor all PSD indicators with links to PSD projects	Medium—requires building the capacity to collect and analyze primary data	Low
Access to Finance			
Issue	Responsibility for leadership	Technical difficulties	Political friction
Identify opportunities for expanding the range of financial services available	Suriname Business Forum and Competitiveness Unit Suriname	Medium—requires banking expertise in preparing an assessment of current services and options	None
Continue to improve credit ratings from Fitch, Moody's and Standard & Poor's	Office of the Vice Presidency, Central Bank, Ministry of Finance	Medium—requires reviewing very old loans in arrears and negotiating resolution with debtors	None—the government already has agreed to resolve this problem
Business Environment			
Issue	Responsibility for leadership	Technical difficulties	Political friction
Restart process of approving a new investment law	Office of the Vice Presidency, Competitiveness Unit Suriname	None	Medium—requires support from the Cabinet of Ministers and the President
Improve property rights—property registration, resolution of conflict, enforcing contracts	Suriname Business Forum and Competitiveness Unit Suriname	High	Medium
Public sector reform—procurement system that facilitates participation of small and medium enterprises	Office of the Vice Presidency, Competitiveness Unit Suriname	Medium—requires specialized review of procurement processes	Medium
Public sector reform—privatization of public enterprises	Government-wide effort	Medium—requires specialized due diligence	High
Technology and Innovation			
Issue	Responsibility for leadership	Technical difficulties	Political friction
Focus on innovation and facilitating research and development—design a policy/approach	Suriname Business Forum and Competitiveness Unit Suriname—learn from other relevant experiences	None	None
Trade and FDI			
Issue	Responsibility for leadership	Technical difficulties	Political friction
Reduce transaction costs for international trade—exports and imports, customs, and port and airport infrastructure	Office of the Vice Presidency, Competitiveness Unit Suriname	Medium	Medium
Focus on accelerating trade expansion and regional integration	Suriname Business Forum and Competitiveness Unit	Medium	None

	Suriname—complete review of opportunities for accelerate trade and regional integration		
Building linkages between the domestic private sector and the mining sector	Office of the Vice Presidency, Competitiveness Unit Suriname and Suriname Business Forum—bring the mining sector into the Forum	Medium	None
Identifying opportunities for agglomeration and specialization, including cluster and related value chains	Suriname Business Forum and Competitiveness Unit Suriname	Medium—requires specialized analysis	None

Labour Regulation

Issue	Responsibility for leadership	Technical difficulties	Political friction
Improving labour market efficiency	Suriname Business Forum and Competitiveness Unit Suriname—prepare an assessment and identify quick wins to make the labor market more flexible	Medium	High—public unions may oppose this initiative

Source: author analysis and recommendation

Poor availability of data In addition to the PSD activities prioritized above, Suriname would benefit from filling in information gaps, such as:

- A mapping of private-sector activities by sector
- A mapping of financial sector products available to the private sector, including banking services on factoring, secured transactions, discount of letters, long-term lending terms and options, stock-exchange bond issue conditions, credit ratings of people and companies
- A mapping of trade-related information relevant to companies in selected sectors for selected markets, such as phytosanitary and other food-safety concerns, standards and certification, trading mechanisms and timing, costs
- A complete description and analysis of labour markets
- A complete description and analysis of the tax system
- A complete description and analysis of registries, real estate and movable property
- A complete mapping of licensing requirements by sector
- A complete mapping of bottlenecks for PSD

Conclusions The Suriname Private Sector Assessment Report (PSAR) presents an overall assessment of PSD and recommendations for facilitating and accelerating private investment and growth. It is important to clarify that important PSD initiatives are currently supported by stakeholders in Suriname. The intention of this report is to provide stakeholders with a comprehensive review of programmes, alternatives and options, including a preliminary proposal for priority interventions and an action plan. If this succeeds in re-energising PSD support in Suriname, it will be because stakeholders take ownership of the action plan and agree on the way forward.

The common thread of this report and its recommendations, and the overarching PSD goal in Suriname as presented in this report, is gradually to open up space for the expansion of private-sector activities. Because of the small size of the country's economy, the expansion of private-sector activity will require Suriname to gradually replace public enterprises with private ones, with a special emphasis on export promotion and regional integration. Opening up space for PSD will not be easy, and will require the design and implementation of co-ordinated actions in many different areas.

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