A National Competitiveness Strategy for Suriname

The first five years 2014 - 2018

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12 March 2014

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What is competitiveness?

. . . Competitiveness of Nations is a field of economic theory, which analyses the facts and policies that shape the ability of a nation to create and maintain an environment that sustains more value creation for its enterprises and more prosperity for its people ... in other words, *Competitiveness is how a nation manages the totality of its resources and competencies to increase the prosperity of its people . . .*

The World Competitiveness Yearbook 2011

Profile

This report was prepared by Michael Julien, a financial economist with over 25 years of experience in the Caribbean, South America, East, West and Southern Africa, Eastern Europe and the Middle East. As Team Leader he has led multi-disciplinary experts on approximately half of his assignments for various international agencies – including the United States Agency for International Development (USAID), the European Union (EU), the UK's Department for International Development (DfID), and the Inter-American Development Bank (IADB).

From 2000 – 2004 he managed the USAID-funded New Economy Project in Jamaica - a technical assistance programme to improve the business enabling environment. In 2005 he designed the European Union-funded €20 million Private Sector Development Programme (PSDP) that was subsequently implemented by JAMPRO and other private sector support agencies.

* * * * *

Acknowledgements

The strategy and action plan articulated in this report were developed on the basis of extensive consultations with key stakeholders in Suriname's public and private sectors. I would therefore like to thank them and the private and public sector institutions whom I interviewed over the course of this consultancy.

I would like to express my sincere thanks to the Competitiveness Unit of Suriname for its consistent patience and support over the duration of this assignment.

Michael V. Julien

25th September2013

ACRONYMS

CMSE	Caribbean Single Market and Economy
CUS	Competitiveness Unit Suriname
DB	Doing Business
EOS	Employer Opinion Survey
EPA	Economic Partnership Agreement
FDI	Foreign Direct Investment
GATS	General Agreement on Trade in Services
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GoS	Government of Suriname
IADB	Inter-American Development Bank
IDCS	Investment and Development Corporation of Suriname
IMF	International Monetary Fund
ISO	International Organisation for Standardization
KKF	Suriname Chamber of Commerce
NCS	National Competitiveness Strategy
NIP	National Industrial Policies
OPEC	Organization of Petroleum Exporting Countries
PPP	Public Private Partnership
PSAR	Private Sector Assessment Report
QE	Quantitative Easing
R&D	Research and Development
SBF	Suriname Business Forum
SELA	Latin American and Caribbean Economic System
SMEs	Small and Medium Enterprises
SOE	State Owned Enterprises
SWSF	Soverign Wealth and Stabilization Fund
ToR	Terms of Reference
TRIPS	Agreement on Trade Related Aspects of Intellectual Property Rights
VSB	Suriname Trade and Industry Association
WEF	World Economic Forum
WTO	World Trade Organization

Executive Summary

Objective.The specific objective of this consultancy was to formulate a National Competitiveness Strategy (NCS) for Suriname for the Kabinet of the Vice President of the Republic of Suriname – in close collaboration with the Competitiveness Unit Suriname (CUS). The purpose of the assignment is to develop a National Competitiveness Strategy aimed at strengthening the country's capacity to invest, export and compete in the context of an increasingly globalized trade and business environment

Expected Results.The expected results of this consultancy are: 1) Government and private sector endorsement and ownership of a comprehensive national competitiveness strategy, and 2) Articulation of a time-bound strategy and action plan - approved by Government and the private sector - for short- and medium-term implementation.

Basis of the strategy.Improving competitiveness should be a highly selective process. The focus of the strategy should be on addressing the most critical constraints first, followed by improvements in less acute challenges after the first set of "priority or binding" constraints have been successfully addressed. Although the strategy reflects the Business Strategist approach it does not entirely embrace the globalization and the neoclassical models of economic development promoted by the Washington Consensus. But it is founded on the theory that, over the long term, competiveness is a combination of 1) supporting government institutions to invoke reforms aimed at providing highly efficient support services to the private sector, 2) an alignment of education with labour market needs, and 3) the updating of laws ensuring property rights, and an increase in transparency and good governance.

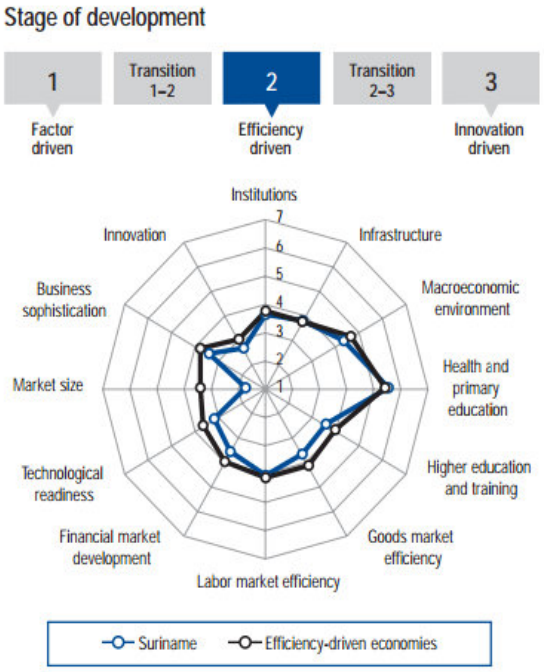
Status.Overall, Suriname's 2012 – 2013 ranking on the Global Competitiveness Index (GCI), at 114th of 144 countries, is relatively poor. Similar rankings on the World Bank's Doing Business Index, at 164th of 185 countries are equally low. Therefore concerted efforts on the part of the public and private sectors need to be made to improve the country's operating framework as the basis for upgrading the business environment and stimulating increased private sector investment in productive activities.

Suriname is well-poised for economic growth over the next five years: Its monetary and fiscal policies are sound; its GDP growth rate has averaged between 4% and 4.5% between 2010 and 2012; ithas generated a current account surplus of US$781 million in 2012; its debt-to-GDP ratio is amoung the lowest in the Caribbean and the country continues to attract internatonal investors into its oil and gold mining sectors. Foreign exchange reserves have swollen from US$602 million in 2008 to US$1 billion in 2012 representing almost 8 months of import coverage in that year. Over the last three years, its intenational credit ratings have been upgraded by both Moody's and Fitch.

A range of competitiveness issues needs to be addressed if Suriname is to maximize its economic development potential. The importance of this agenda has been well established in various diagnostic reports including the 2012-2013 Global Competitiveness (GCI) Report, the 2013 World Bank Group Doing Business Report, the 2010 World Bank Enterprise Survey and the 2012Compete Caribbean Private Sector Assessment Report (PSAR). The Table below summarized Suriname's 2012 – 2013 Competitiveness Ranking and Stage of Development in the Global Competitiveness Report published by the World Economic Forum (WEF).

The Global Competitiveness Index

	Rank (out of 144)	Score (1–7)
GCI 2012–2013	**114**	**3.7**
GCI 2011–2012 (out of 142)	112	3.7
GCI 2010–2011 (out of 139)	n/a	n/a
Basic requirements (40.0%)	**83**	**4.3**
Institutions	93	3.6
Infrastructure	79	3.7
Macroeconomic environment	96	4.3
Health and primary education	82	5.5
Efficiency enhancers (50.0%)	**124**	**3.3**
Higher education and training	102	3.6
Goods market efficiency	128	3.7
Labor market efficiency	96	4.1
Financial market development	107	3.6
Technological readiness	105	3.2
Market size	139	1.7
Innovation and sophistication factors (10.0%)	**117**	**3.0**
Business sophistication	112	3.4
Innovation	124	2.6



Suriname ranks 114th out of 144 countries in the 2012 – 2013 GCI. It is assessed as second to last in competitiveness in the region, before Guyana. Since its independence in 1975, Suriname's turbulent history has constrained the country's development. However, more recently, strong commodity prices —accompanied by sounder policies — have put the country on a more favorable growth path.

Significant improvements have been realized in recent years, which enabled the country to move up to 103rd in 2008/09 rankings. But because a larger number of competing countries have adjusted their competitiveness rankings faster than Suriname, it has slipped from a ranking of 103rd in 2008/2009 to 114th in 2012/2013.

As the GCI table reveals, Suriname's poorer rankings – and the ones that pull the country's overall rating down are its Efficiency Enhancers – which, with the exception of Labour Market Efficiency, all rank below the score of 100. The Stage of Development Chart (on the right) also reveals that Suriname's Achilles Heel is its market size, which in turn, influences its ability to innovate, to develop its level of business sofistication, and to improve goods market efficiency.

As a barometer of what is possible, it should be noted that the two highest ranked countries in the Caribbean are Panama (ranked 40th) and Barbados (ranked 44th). Costa Rico is also ranked at 57th – within the top 50% of GCI-ranked countries. These rankings are highly commendable and, in advancing Suriname's own Competitiveness improvement agenda, it would be instructive to carry out detailed analyses of why such small countries have been able to achieve those metrics.

Similary, Suriname's DB 2013 overall business environment ranking when compared with other countries in the region was 164th of 185, again, a relatively low ranking.

Limitations of Competitiveness Rankings. Do competitiveness rakings – and the growing obsession of numerous developing countries with improving their rankings on the GCI - actually lead to increased valued addition and (increased) economic prosperity nationally?

Globally, while there is close to wholesale buy-in to the GCI model, empirical evidence suggests that the rankings actually mask other more pivotal variables that influence both value addition and prosperity. In *"One Economics, Many Recipes: Globalization, Institutions and Economic Growth",* Dani Rodrik questions the logical assumption that improved rankings are a reflection of the two crucial barometers (increased value addition and resulting economic prosperity) of developing countries[1]. Rodrik concludes that deliberately structured – and therefore distorted – industrial policy was the driving force behind East Asia's closing of the productivity convergence gap between Eastern and Western countries. It is axiomatic that the failure of many Latin American countires to achieve similar economic status was mainly due to their inability to increase the potency of theirnational industrial policies on economy prosperity.

Furthermore, increasing a country's GCI's ranking does not automatically allow the country to avoid the (GDP per capita) middle income growth trap. Since 1960, only 13 countries have been able to rise out of the middle income trap into high income status.

Notwithstanding the limitations highlighted by Rodrik and others, the GCI annual rankings have become a bell-weather barometer of the conduciveness of national environments to accomodating critical sustainable development variables such as education, infrastructure, and innovation. Therefore, Suriname has little choice but to initiate the institutional reforms associated with higher levels of operational efficiency by the private sector. But as Rodrik point out . . .for countries trying to dig out of poverty, success usually requires following policies that are tailored to local economic and political realities rather than obeying the dictates of the international globalization establishment".

What Suriname should do. Over the period 2014 – 2018 Suriname's competitiveness strategy should be based on three sets of priorities:

1. Initiating economic transformation
2. Improving the country's Doing Business (DB) Rankings, and
3. Improving the country's Global Competitiveness Index (GCI) Efficiency Enhancers

Initiating economic transformation. The nexus of the concept behind competitiveness, i.e. that of achieving higher levels of prosperity for all on a sustainable basis, lies in the capacity of a country to shift its investments into higher value-generating activities that are either 1) close to the activities already being undertaken within the country or b) are strategic bets i.e. entirely new activities "distant" from the ones currently being undertaken. For Suriname, the closer activities would be linked to agriculture, agro-processing and the natural resource extractive industries. For the strategic bets, Suriname would have to identify new opportunities that would transform the mix of productive goods into a new portfolio of high growth exports. Such an analysis would be the entre or inputs for the development of a national industrial policy.

[1]Rodrik, D. One Economics, Many Recipes: Globalization, Institutions and Economic Growth, Princeton University Press, 2007.

Countries that have pursued the "closer diversification approach" have seen progressive growth but countries that have gone after strategic bets have seen more sustainable prosperity in their economies over time - Brazil and Colombia with bio-fuels; Singapore with bioengineering and biomedicine; Costa Rica with Intel. Partly because CARICOM countries, are by global standards, "small" they have been mostly inclined to make *nearby* jumps in supportive industrial policy e.g. from supporting agriculture to supporting agro-processing[2]. However, such an approach, while logical, confines the development of the country to things that they know or can be readily accessed – partly because of the proliferation of use in many nearby countries. Consequently both added value and wages increase initially but (those increases) then become progressively difficult to sustain in terms of elevating the export earning potential by increasing market share.

The rationale behind taking strategic bets is that *countries seldom grow rich by producing the same things more productively.*An initial action plan and an outline of the key ingredients for advancing the strategy bets model are provided in Appendix 1.

Improving Suriname's Doing Business (DB) Rankings. Making gains in the World Bank's DB rankings is important because of the high correlation between those rankings and the CGI. But it is also important because improvements in the DB rankings will signal that critical business enabling envionrment issues are being progressively addressed. Furthermore, improvements in the DB rankings mostly occur because institutional reforms and processes have occurred and these are key to also elevating a country's GCI metrics.

There are clear benefits to beginning the process of improving Suriname's competitiveness ranking by addressing priority or binding contraints on the DB index. The first is the high correlation between improvements in DB Rankings and the GCI. This implies that improvements in the DB rankings will lead to gains in the GCI. The second is that unlike the GCI, the DB Rankings provide quantifiable and comparative data on country performance. In contrast, the GCI index is based on a survey questionnaire issued to a limited number of respondents in-country. Therefore the DB is based on measurable data, while the GCI is not[3]. The third benefit is that the global DB Report provides examples of what some countries did to improve their rankings in each of the ten critical indicator areas. In so doing, it is suggestive about the types of actions which Suriname may want to consider initiating to improve its own ranking globally in the near- to medium-term. Also, there is a reasonably strong correlation between FDI inflows and the DB rankings. Consequently, if Suriname improves its DB Rankings it is likely to improve its investment attractiveness to foreign investors as well. There are also key lessons to be learnt from the experiences of countries that have moved up the DB rankings ove the last 10 years i.e. since the inception of this World Bank initiative.

To improve its ranking Suriname should concentrate on shifting its indicators scores toward the regional average. Of the ten DB indicators to focus on, Suriname's No.1 priority should be to improve

[2]See the findings of "Policies for Achieving Structural Transformation in the Caribbean by Ricardo Huasmann and Bailey Klinger. IDB. 2009.

[3]The Competitiveness Unit Suriname (CUS) has formally contacted the WEF to seek clarification on a number of Suriname's GCI rankings and was awaiting a response at the time this strategy document was prepared.

Government's "turnaround efficiency" of high transaction activities – registering a business, getting permits, and reducing importing and exporting time frames. However, it must be emphasized that progress in achieving results will not be immediate: On average only 1 – 3 DB reforms per country are introduced annually and only by 58% of the 185 countries. Only 23 countries achieved reforms in 3 or more areas and none achieved more than 4 reforms per year. An action plan to implement DB reforms and improve Suriname's ranking is presented in Appendix 2.

Improving Suriname's Global Competitiveness Index (GCI) Efficiency Enhancers. The rationale for focusing on the GCI Efficiency Enhancer Pillars is that these are Suriname's weakest indicators and therefore the ones that need to be addressed most urgently if the country is to bring about a meaningful improvement in its Competitiveness status.

The approach taken toward formulating a strategy to improve Suriname's GCI ratings was to adopt the Competitiveness Dashboard questions used by the WEF as the primary point of reference for zero-in in on the main issues to be addressed. On that basis, specific responses could be formulated to each of the indicators within each Efficiency Pillar. In total, actions were proposed for 49 indicators in the group of Efficiency Enhancers. The action plan for improving the Efficiency Enhancers is presented in Appendix 3.

The pros and cons of this approach are relatively transparent. The advantage is that it forces Suriname to focus on the issues that shape the opinions of those interviewed locally and, if measurable changes have been put in place, their responses should reflect this. The disadvantage is that is does not capture the most innovative initiatives being undertaken by other countries relative to Suriname. Therefore there is the risk that Suriname's improvements could be negated by rapid gains being made by comparator countries. Consequently, there is also the need for Suriname to track the performance of those countries as well – both to better understand the models and initiatives being undertaken but also to assimilate lessons learned about cost, time frames and processes involved in modernizing critical reforms.

In terms of the organizational arrangements to implementing actions aimed at improving both the DB and GCI metrics, it is strongly recommended that the Competitiveness Unit Suriname (CUS) adopt a public-private dialogue approach – appointing permanent groups that would be tasked with implementation responsibility and "progress monitoring" for improving both sets of indicators.

Strategy Validation. It is important to appreciate that this strategy should be validated over time. Given that it is a proposed five-year plan, it should be validated at least annually and modified to reflect issues such as implementation capacity, resource availability, political will and public and private sector commitment to the actions plans articulated in Appendices 1, 2 and 3 to this report.

Moreover, it is anticipated that key influencing factors such as the degree of success in oil exploration, articulation of a transformation/industrial strategy and the cost-benefits of implementing some of the reforms would mean that the strategy be treated as a "work in progress". Therefore new priorities can be added to the action plans using criteria such as highly relevant; possibility of completion within the targetedtime frame; and degree of efficiency in accessing resources needed to implement them.

1. Introduction

1.1 Objectives, Purpose and Results

The specific objective of this consultancy was to formulate a National Competitiveness Strategy (NCS) for Suriname for the Kabinet of the Vice President of the Republic of Suriname – in close collaboration with the Competitiveness Unit Suriname (CUS).The purpose of the assignment is to develop a National Competitiveness Strategy aimed at strengthening the country's capacity to invest, export and compete in the context of an increasingly globalized trade and business environment.

The objective of this consultancy is: "Suriname international competitiveness improved".

The expected results of this consultancy are:

1. Government and private sector endorsement and ownership of a comprehensive national competitiveness strategy, and

2. Articulation of a time-bound strategy and action plan - approved by Government and the private sector - for short- and medium-term implementation.

1.2 Deliverables

The estimated time frame for this assignment was 70 working days to be utilized in three fixed tranches of work:

- Phase 1 (Inception Phase of 15 days);
- Phase 2 (Analysis Phase of 30 days) and
- Phase 3 (draft and final Strategy preparation and Validation Phase of 25 days).

A study tour was also anticipated: At least one Study Tours for Suriname's Competitiveness Unit to a Stage 2 – 3 categorized country (e.g. Costa Rica). With the exception of the Study Tour, the assignment was carried out in Suriname.

This report was derived primarily from a combination of a) a process of iterative consultations between the consultant and stakeholders in Suriname; b) research on competitiveness trends and issues carried out by the consultant and c) examination of both the operating structure and processes used by some highly successful countries to enhance their national competitiveness positions globally.

In addition, the consultant made presentations to the Council of Ministers and to various Ministries (e.g. The Ministry of Natural Resources; Ministry of Agriculture; Ministry of Home Affairs etc.) on competitiveness issues and priorities. He also attended the National Competitiveness Forum in Paramaribo on 7th and 8th February 2013 and attended the SELA Seminar on Innovation on 11th and 12th of April 2013.

1.3 Suriname's Competitiveness Status

Overall, Suriname's ranking on the Global Competitiveness Index (GCI), at 114th of 144 countries, is relatively poor. Similar rankings on the World Bank's Doing Business Index, at 164th of 185 countries are equally low. Therefore concerted efforts on the part of the public and private sectors need to be made to improve the country's operating framework as the basis for upgrading the business environment and stimulating increased private sector investment in productive activities. A detailed analysis of Suriname's competitiveness rankings is provided in Appendix 4, Background.

A range of competitiveness issues needs to be addressed if Suriname is to maximize its economic development potential. The importance of this agenda has been well established in various diagnostic reports including the 2012-2013 Global Competitiveness (GCI) Report, the 2013 World Bank Group Doing Business Report, the 2010 World Bank Enterprise Survey and the 2012 Compete Caribbean Private Sector Assessment Report (PSAR). Table 1 below summarized Suriname's 2012 – 2013 Competitiveness Ranking and Stage of Development in the Global Competitiveness Report published by the World Economic Forum.

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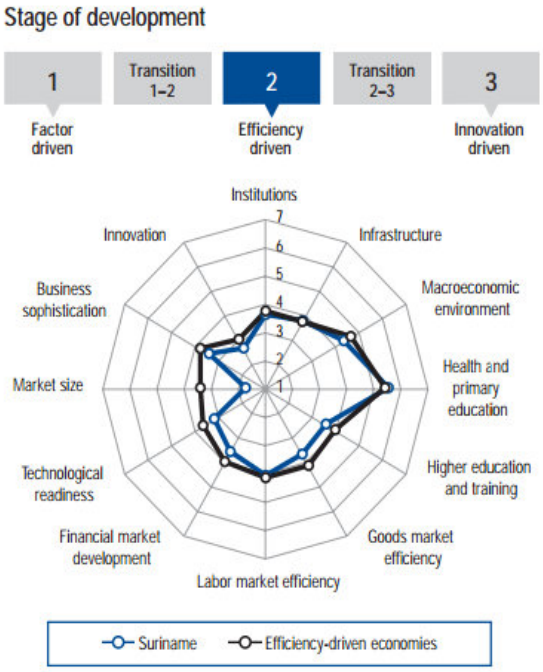
Innovation	124	2.6



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2. Economic Structure and Recent Performance

2.1 Economic Structure

Suriname's economy is dominated by the mining industry, with exports of alumina, gold, and oil accounting for about 85% of exports and 25% of government revenues. The country's economic structure is a mix of state-owned, private sector and FDI-driven activity as noted in Table 2 below:

	Government	National private	Foreign private	TOTAL
Emplyment	Centrale govt 25% Parastatals 6% SOE's 4%	58%	7%	174600 persons
GDP	Centrale govt 11% Parastatals 4% SOE's 10%	48%	27%	12644 Mln (2010)
Net export earnings	SOE's 33%			
Public Revenues	Central govt 15% Parastatals 2% SOE's 35%	23%	25%	3500 Mln
Contribution to GDP:				
Agricult. & Fisheries 9%	SOE's 5%	95%	0%	1130 Mln
Forestry 1%	SOE's 0%	60%	40%	130 Mln
Mining 40%	SOE's 40%	5%	55%	5020 Mln
Manufacturing 11%	0	95%	5%	1380 Mln
Construction 4%	0	70%	30%	510 Mln
Electricity & Water 4%	69%	1%	30%	520 Mln
Commercial Service 20%	5%	85%	10%	2504 Mln
Non-comm. Serv. 11%	30%	70%	0%	1450 Mln
	Public	**Private national**	**Private foreign**	**Total**
Share in GDP	3161 Mln SRD 24%	6069 Mln SRD (48%)	3414 Mln SRD (27%)	12644 Mln SRD
Number of workers	61110	101270	12220%	174600
GDP: SRD per worker	51726	59930	279378	72417
Index: GDP per worker	71	83	386	100

Source: Investment and Development Corporation Suriname N.V.
2011http://www.idcs.sr/Portals/1/Documents/Presentatie_Frankrijk_okt2011.pdf

The structure of the domestic or national private sector is as follows: Historically the private sector in Suriname was dominated by large private and state-ownedcompanies set up to take advantage of the country's natural resources**.** Today, there are three large private mining companies and more than100 state owned companies operating in the petroleum sector, public utilities and transport,and also in non-mineral commercial production activities such as bananas, shrimp and milk.

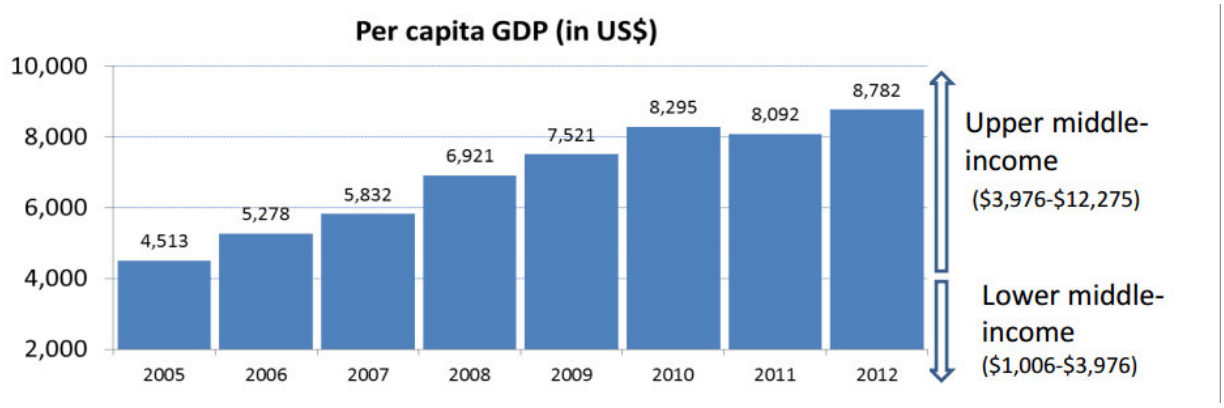
The Suriname Trade and Industry Association (VSB) stated in 2008that there were some23,560 companies registered with the Chamber of Commerce, of which perhaps a third wereinactive. There were around 200 large private companies with more than 100 employees,mainly in mining, banking, agro-processing, insurance and trade. The balance was SMEs ofwhich around 70 percent were family owned. Most SMEs were strongly dependent on importedraw materials, machines, equipment and finished products.

27.2 percent of enterprises were retailers, 13.2 percent were in transportation, 11.3 percent were importers, and 10.9 percent were bars and restaurants. The majority of the rest were in export, trade and services. Only 3.5 percent were in manufacturing and only 3.2 percent in agriculture, agro-industry and forestry. Of the active work force, around 27.4 percent were employed directly by government, 14.6 percent inmining, energy, transport, finance and health care, 11.2 percent in trade, 9.4 percent inconstruction, 8.6 percent in agriculture, forestry and fisheries and 6.5 percent in industry. 22.3percent were employed in the informal sector with illegal gold mining as one of the importantinformal activities. SMEs accounted for around 40-50 percent of employment. In summary:

- Overall, private enterprise dominates both Employment (63%) and GDP (75%).
- State Owned Enterprises (SOEs) account for a significant share of Export Earnings (33%) and public revenue (35%) of SRD $3.5 billion.
- The private sector is dominant in agriculture and fisheries, manufacturing, construction and commercial and non-commercial services
- Mining accounts for 40% of GDP of which SOEs contribute 40% and FDI 55% to “Mining GDP”.
- The private sector employs almost twice as many workers as the public/parastatal/SOE sector.

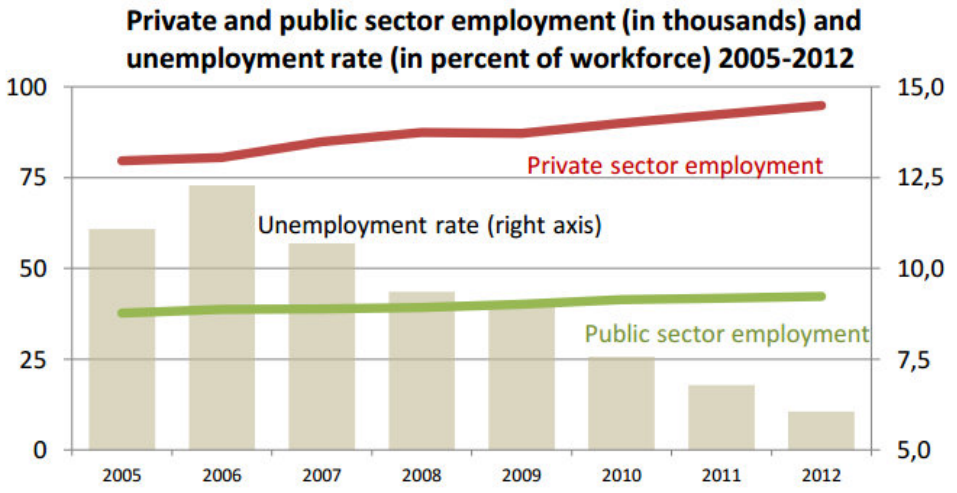
2.2 Economic Performance

In contrast to its relatively low competitiveness rankings, Suriname’s economic performance has been exemplary in recent years. Table 3 below, signals the progressive gains in GDP per capita i.e. prosperity,since 2005. The Central Bank’s adjusted estimate is that GDP per capita was $9,010 in 2012.



Source: Suriname Central Bank Presentation on "The Economy in Suriname 2011 – 2012"

In line with these gains, the private sector is driving employment growth and unemployment is trending downwards towards 5% - below the levels of most developed countries (Table 4 below):



Source: Suriname Central Bank Presentation on "The Economy in Suriname 2011 – 2012"

The May 2012 IMF Article 4 report points out that "the pace of economic activity has remained strong, and inflation pressures have abated considerably".

After slowing to 3% in 2009, economic growth picked up to just over 4% in both 2010 and 2011, and 4.5% in 2012 supported by robust activity in the oil and gold sectors, as well as public investment. Inthe wake of the 20% currency devaluation against the U.S. dollar in the official exchange market in January 2011, and a simultaneous 70% increase in domestic fuel taxes, 12-month inflation spiked to 22.6%t in April2011. However, since then, it has fallen steadily, to3.6% in May 2012. Core inflation has levelled-off, to around 4½%.

The fiscal balance strengthened markedly in 2011. Despite a significant drop in grants (1¼% of GDP), on account of the near-depletion of the Netherlands Treaty Funds, the fiscal balance shifted from a deficit of about 3% of GDP in 2010 to an estimated surplus of just under 1%In 2011.

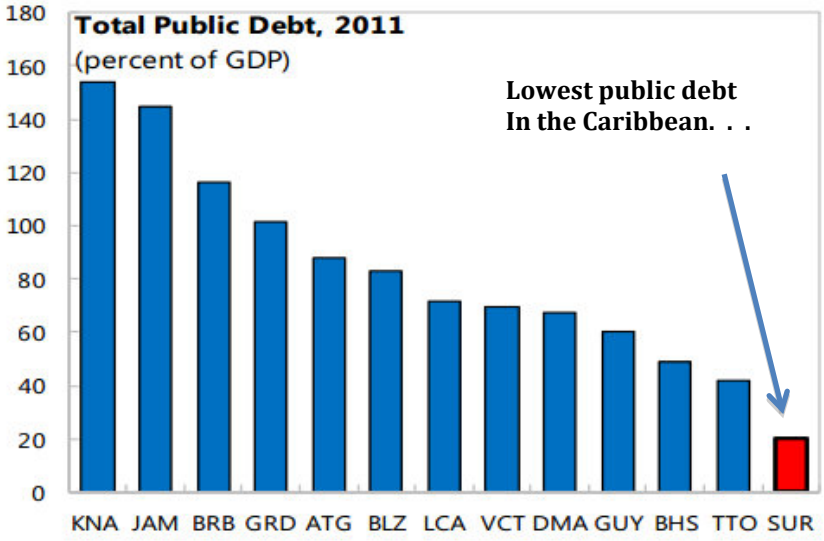
Suriname's strong economic performance has placed it on a solid platform for future growth. As Table 5 below shows, the country's debt to GDP position is the lowest in the CARICOM region and the country achieved a notable feat of becoming a net creditor to the domestic banking system rather than a lender from it.

Suriname's national accounts estimates have undergone a major revision.Newly-released national accounts data, rebased to 2007, show that the level of nominal GDP in 2010 was about 20% higher than previously assessed. Current and constant price estimates of GDP by production were revised and rebased from 1990 to 2007, using improved and updated methodologies. The broader coverage

(including with respect to financial intermediation), and the conceptual and methodological changes and improvements (using System of National Accounts 1993 concepts and methods) led to higher estimates of nominal GDP[4].

The composition of the economy has not changed considerably. The main contributors to GDP growth remain mining and quarrying, manufacturing, and trade. However, while the mining and quarrying sector is contributing less to GDP under the revised estimates (down from 19 percent to 8 percent), the contributions of manufacturing, which includes the processing and refining of bauxite, gold, and oil and, particularly, trade –has been revised upwards - from 10 percent to 17 percent[5].

Table 5: CARICOM Country Debt to GDP ratios in 2011



Source: Suriname Central Bank Presentation on "The Economy in Suriname 2011 – 2012"

Meanwhile, mineral exports, particularly gold, have increased 50-fold since 2000, reflecting both higher prices and volumes. The trade surplus rose markedly in 2011, but this improvement was more than offset by deterioration in the services and income accounts, reflecting in part higher profit repatriations by foreign-owned miningcompanies. As a result, the current accountsurplus narrowed from 6½ percent of GDP in 2010 to 5½ percent in 2011. The financialaccount improved noticeably, with lower grant inflows more than counteracted by higher loandisbursements (mainly from the IADB) andforeign direct investment inflows. The overall balance of payments registered a surplus of morethan US$200 million, bringing gross international reserves to nearly US$1 billion (5¼ months ofimports) at the end of 2011.

Moreover, Suriname authorities have now cleared all their longstanding external payments arrears. In July 2011, Suriname signed an agreement with the United States to repay, over a period of three years, the last of its outstanding external payments arrears (US$32 million), which had accumulated since the 1990s. In May 2012, the authorities paid off the remaining balance on this loan (US$21.6 million) ahead

[4] Suriname 2012 Article 4 Report. http://www.imf.org/external/pubs/ft/scr/2012/cr12281.pdf

[5]The higher nominal GDP estimates affected the main fiscal and external ratios proportionally. For instance, the debt ratio in 2010 was about 3 percentage points of GDP lower under the revised GDP stimates. Another example is per capita GDP, which increased in 2010 from US$ 6,123 under the old data series to US$ 8,192 under the new estimates.

of schedule. In recent months, citing the clearance of all external payments arrears and the improved economic outlook, both Fitch and Standard and Poor's upgraded Suriname's sovereign debt rating by one notch, to B+ and BB-, respectively.

Suriname's investment outlook is equally promising with average investment flows predicted at US$1 billion annually between 2011 and 2015 (Table 6, below)

Table 6: Suriname's Investment Outlook 2011 – 2015

Area of Potential and Actual Investment	Estimated Amount US$
Total estimated investment	$6.9 billion
Breakdown:	
Public Sector spending on agriculture, energy, telecoms, social infrastructure and transport	$1.9 billion
Foreign Direct Investment in gold, bauxite, petroleum	$2.5 billion
Local Private Sector Investment in agriculture, small scale mining, manufacturing, tourism, ICT and services	$700 million
State-owned company investment in mining, energy, agriculture, telecoms and transport	$1.8 billion
Total	**US$6.9 billion**

Source: 3rd China-Caribbean Investment Forum: Country Profile Data.12th September 2012

All this means that the outlook for Suriname over the near term remains strong with growth projected at 4% to 6% per annum up to 2017. Building on the macroeconomic stabilization in 2011, the medium-term economic outlook is favourable. Continued strong commodity prices and FDI inflows would helpimprove the balance of payments and raise international reserves to very comfortable levels:

- Large planned private and public investments in the mining, energy, and transportation sectors are expected to boost construction activity in the short term and raise the country's growth potential in the medium term. As a result, growth is expected to pick up to about 5 percent over the coming years.

- IMF staff presented to the authorities an illustrative medium-term scenario that would bring thenon-mineral fiscal deficit back to around 5 percent of GDP, similar to the level that was achieved prior to the 2009 deterioration. This would be consistent with an overall fiscal surplus of 1–1½ percent of GDP over the medium term—with significantly higher surpluses in the longer term, once revenues from major resource projects (gold, oil refining, and bauxite) materialize.

- The proposed fiscal path would allow the authorities to sustain increased levels of public investment, aimed at developing the country's human and physical capital. The fiscalsurplus would also provide for a gradual decline in the already-low public debt levels, while setting aside some savings in the proposed sovereign wealth and stabilization fund.

2.3 Risks and expected macroeconomic management strategy

While the economic outlook for Suriname is positive, it is predicated on a benign external environment and continued buoyant commodity prices. The recent international financial crisis was accompanied by a sustained increase in gold and international oil prices, with Gold hitting an all-time high of US$1,800 per troy ounce in September 2012. Should commodity prices fall significantly and remain at low levels for a prolonged period of time, this would affect Suriname's economy negatively. For instance, faced with policy shifts on gold in India and Vietnam and a lower than expected annualized GDP growth rate of 7.7% for China in the first quarter of 2013, the New York Gold Settlement Price dropped to a low of $1,321.50 per ounce on 15 April 2013 but has since recovered to $1,460 per ounce on May 9th.

The long-term price trends for gold are mostly speculative. But many major economies have opted for Quantitative Easing (QE) – resulting in cumulative pressure on Asian and other emerging economies to do the same thing. The effect has been that stock market values have increased significantly since financial securities,the investment alternative available to high net worth individuals and institutions, is offering very low returns because of QE. Consequently, gold is now "competing" against the alternative of relatively robust returns on stock market investments. For Suriname however, if prices "hold" at between $1,400 - $1,500 per ounce for the rest of 2013, that price range would have reduced annual gold export earning by at least 25% per unit of extracted gold. Exports of gold, which stood at US$1.622 billion in 2012, could lose U$250 million to $400 million in export value in 2013.

Oil exploration has also attracted foreign investors to Suriname: According to state-owned Staatsolie, "seven exploration wells are to be drilled in the offshore between 2014-2016[6]." It is too early to tell whether these exploratory measures will be positive. But over the medium term, with high GDP growth rates in many Asian countries slowing and with shale oil/gas supplies in the U.S. on the increase, the outlook for oil is that prices could level off – although this will be highly influenced by OPEC's willingness to adjust supply in order to keep global prices up.

Suriname authorities recognize that under such an adverse confluence of events, economic activity and government revenue could decline considerably, and planned investments in the mineral sector might be put on hold or cancelled altogether. They agreed that the best way to mitigate these risks is for them to continue building buffers and reserves in the near term.

Policy-wise, the IMF's recommendations that Government has endorsed are to1) maintain strong fiscal policies, 2) boost tax collection from the informal gold sector, 3) maintain tight control on current spending – keeping the increases at a rate lower than nominal GDP growth; 4) rationalize and improve the targeting of transfers programs to the most vulnerable groups, 5) secure technical assistance from the IMF and the IADB to strengthen public finance (expenditure) management capabilities and 6) work toward establishing a Sovereign Wealth and Stabilization Fund (SWSF). The move to establish an SWSF underscores the importance of maintaining prudent fiscal policies that would allow the government to save surplus mineral revenues and accumulate buffers that can be used in the event of negative shocks[7].

[6]The firms involved are Tullow, Murphy, Kosmos/Chevron, Apache and Malaysia's Petronas.

[7]Establishment of the Suriname Stabilization and Savings Fund was planned for introduction in late 2012

3. Improving Suriname's Competitiveness

3.1 What Should Suriname do?

The preceding discussion and issues raised exposes the complexity of the competitiveness enhancement challenge as follows:

1. Should Suriname focus its competitiveness efforts on improving its GCI indicators to a) avert further slippage of its ranking and b) improve its ranking – especially in areas where it is rankings are lower than 100, or
2. Should Suriname focus on *one important thing* plus a selective number of indicators that would lead to improvements in the GCI over the medium term?

Over the next five years, improving all or most of Suriname's 111 indicators would be daunting andcostly. Given that Suriname has only recently entered the field of Competitiveness and that the Competitiveness Unit has a limited amount of resources and a small team, such a strategy would be highly ambitious. Further, the strategy would run the risk of taking on much more than the Unit could manage and digest. In such a context, there is a possibility that the Unit would become an inward-looking bureaucratic government mechanism with limited *real* engagement with the private sector. Such a strategy would also be compromised by the nature of some of the GCI indicators – some of which will require long term consideration (e.g. market size and innovation) and others which are causal (better institutions foster trade but trade also fosters better institutions).

Also, one of the arguments against a "sea change" in across-the-board institutional reforms is the findings on China and India which showed that earlier seemingly minor - and incomplete reforms – actually ignited more growth that more complex reforms, which were invoked after those two countries had achieved high growth rates for some time. In other words, *the onset of economic growth does not require deep and extensive institutional reform although continued (broader) reforms are necessary to sustain growth*[8].

Given the limiting parameters noted above, it would be more pragmatic for Suriname to focus on the second option – that of selecting a limited number of indicators to improve on the institutional or public sector side of the competitiveness coin.

3.2 Goal, Objectives and Expected Results

On the assumption that the proposed strategy would be endorsed by Government and the private sector, the goal of the Competitiveness Strategy would be to raise the average per capita Gross Domestic Product (GDP) from its current level of US$9,010to about US$12,800 by 2018[9]. The objective is twofold: 1) to raise the level of awareness and commitment to increasing productivity in the private

[8]Dani Rodrik. In Search of Prosperity, Princeton University Press. 2003. Much of the cross-national empirical work on institutions has been plagued by the endogeneity of institutional quality: are rich countries rich because they have high-quality institutions or [is it] the other way around?

[9] Assumes a nominal annual growth rate of 6% in GDP per capita.The competitiveness strategy does not examine measures of social equality (the Global Development Index) and income distribution (the Gini coefficient). But the building of a stronger middle class is an important indicator of success.

sector and 2) to improve the operational efficiency of key public sector services providers via appropriate processes to produce improvements to the services provided by them to the private sector. Both the goal and the objective are in line with Suriname's National Development Plan 2012 – 2016 which recognizes the country's development challenges under five main strategic areas:

1. Good governance: by modernizing and making institutions more efficient in quality services;
2. Social development for an equitable society: by improving social protection and citizen security;
3. Economic diversification, competitiveness, and innovation, including greater PPP efforts;
4. Education for building a knowledge society and competitive skills; and
5. Protecting natural resources and managing the impact of climate change.

If the strategy is effectively implemented the expected results over the first five years should be:

1. National awareness of the importance of Competitiveness and its reform implications increased;
2. Productivity of the country increased;
3. Economic Tranformation initiated;
4. Doing Business Ranking improved – especially the high-transaction services provided by Government to the private sector are improved (e.g. customs, building permits);
5. Suriname's international ranking on the Global Competitiveness Index would have risen, and
6. A results-based national industrial policy, supportive of increased competitiveness would have been articulated and activated.

The next sub-sections of this report highlight each of the expected results and the approach that Suriname should consider using to achieve them.

3.3 Increasing National Awareness of Competitiveness

While the Competitiveness Unit Suriname (CUS) is still relatively young (just over 12 months old), it has been reasonably aggressive in promoting Competitiveness nationally. Its actions have included:

1. Launch of Suriname's first National Competitiveness Forum "Policies and Mechanisms to enhance Suriname's Competitiveness: Closing the Productivity Gap" on 7 - 8 February 2013.
2. Preparation of an assessment and recommended action plan to improve Access to Finance for SMEs in Suriname.
3. The engaging of four working groups on a Caribbean Growth Forum agenda of identifying policy recommendations and action plans for four priority areas of future development: Public Private Partnership, Access to Finance, Education, and Economic Decentralisation.
4. Hosting of a Latin American and Caribbean Economic System (SELA) international seminar on mechanisms to support innovation of Small and Medium Enterprises (SMEs) on March 23rd 2013, and
5. Presentation of the CUS for the President of Haiti and the President of the Republic of Suriname.

The CUS has also reinforced these initiatives with a number of publicly-aired interviews on Competitiveness and the implications for Suriname. However, while these actions have generated keen interest from the private and public sectors, there is still a considerable amount of work to be done in

defining CUS' operatonal role with the public sector and in articulating and providing examples of how the Unit will support private sector initiatives to improve firm-level competitiveness.

A strategy to build public sector awarness should be aimed at improving public and private sector receptitvity to CUS initiatives with a reciprocal responsiveness by the CUS to initiatives originating within the private and public sector. Therefore the CUS mission, areas of opportunity for enhancing public sector capacity and its main roles in providing support to the private sector must be carefully articulated so that there are clear parameters placed on the types of activities that it can or cannot support[10].In promoting and undertaking such activities, the CUS' modus operandi will be made clearer to both groups of stakeholders and its "success stories" made easier to articulate and understand to all.

Promotion of success stories e.g. the reduction in time taken to clear imports and approval of exports or the strengthening of investor rights or an improvement in the competitiveness of a key exporter or cluster - will go a long way to forging a perception of the CUS as an operational unit that succeeds at faciliating progress on "real" issues affecting private enterprise competitiveness in Suriname.

3.4 Improving productivity

Perhaps the most important issue to understand about productivty is that the concept extends beyond the conventional meaning of "firm-level productivity". Productivity measures the efficiency with which an economy or a business transforms inputs into outputs (total factor productivity or TFP).Productivity growth means accomplishing more with what we have, that is, being more resourceful, to achieve higher profitability, to mitigate volatility in labour application, to increase attractiveness for foreign investment, and eventually to support all levels of government withreasonable growth in tax revenues.

In *"The Age of Productivity – Transforming Economies from the Bottom Up"*, the authors point to seven recommendations to improve productivity of which only one is aimed at improving firm-level productivity. The other six are directed at infrastructure, innovation, enabling environment and industrial policy issues.Productivity improves because *efficiency* is improved (better roads leading to faster transit times, faster access to government support services, closer linkages between industry and research centers on research and development opportunities etc.). So broader productivity gains will occur if the CUS succeeds in its mission to improve its Doing Business and GCI rankings.

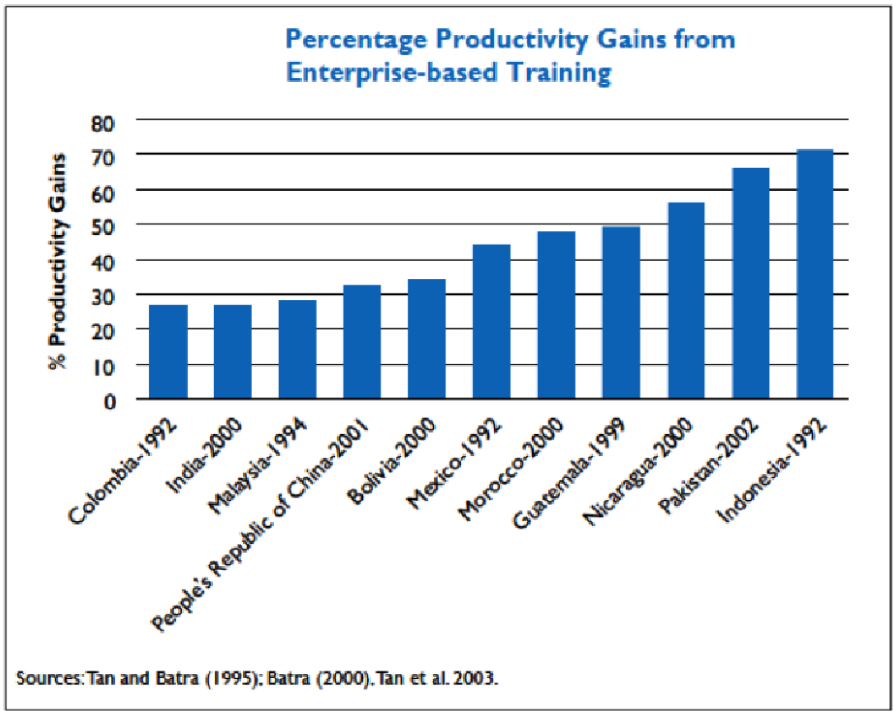
But *"The Age of Productivity"* also highlights two key factors that have influenced the low levels of productivity in Latin American countries: 1) very low productivity growth rates in services and 2) the limited number of large firms in most economies – where productivity gains are the greatest.

With regard to firm-level productivitity, the good news for industry is that improving productivity and innovation is not necessarily expensive,time-consuming, or difficult. However, it takes a commitment and discipline to identify areas for improvement, work toward the improvement, and maintain those improvements over time.

[10]A report to USAID by J.E. Austin Associates, Inc. concluded that the leading constraint to competitiveness at the level of a nation, industry cluster or firm is the mindset of the leadership. That is why competitiveness initiatives seek to change the mindsets first and then work on technical implementation (from the report: A Review of National Competitiveness Councils in Latin America and the Caribbean by Chemonics International Inc. September 26th, 2008.)

One of the most effective ways to improve firm-level productivity is to implement a nationwide scheme or Training Fund aimed at fostering improvement in workforce skills – a strategy often referred to as workforce development or enterprise-based training (EBT).

Table 7 below illustrates the impact of EBT in a variety of countries:



Typically, a mechanism is established via a tax levy system whereby a levy is imposed on workforce income and partly paid by employers and employees (e.g. in the 1% - 2% range) into an Employment or Enterprise Training Fund. Enterprises can then access training for workers from training providers who are then paid by the training fund, substantially reducing the net costs of workforce development to employers and employees. To ensure quality and uniformity in occupational standards, only approved training institutions (i.e. those who have been vetted by a national standards and qualifications authority) are eligible. Priorty sectors can also be encouraged to access the Fund.

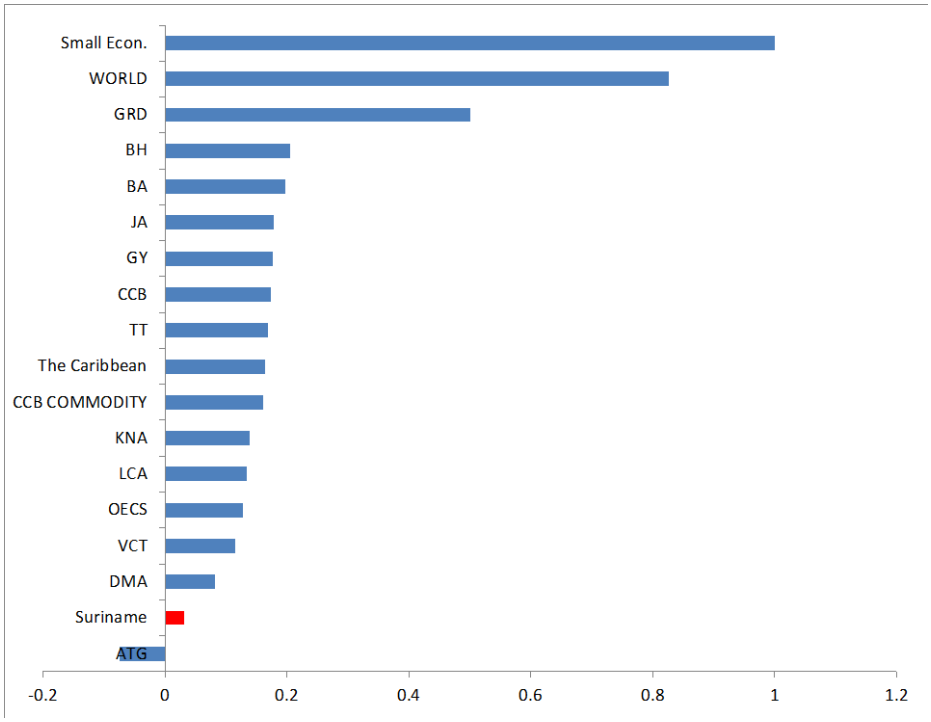
The overall purpose of these mechanisms is to raise the productivity, competitiveness and incomes of enterprises and individuals by providing them with needed skills[11].Countries using various versions include Brazil, Barbados, Jamaica, Mauritius and Singapore. Most schemes are found in Latin American and Africa. Theytend to be prevalent in Europe but are less dominant in Southern Asia.The coverage of levy systems varies widely from country to country. However, mostschemes exclude the public sector from levy collections e.g. Mauritius, Tanzania, South Africa.

[11] For a synopsis of these programmes see: A Review of National Training Funds by Richard Johanson. SP Discussion Paper No. 0922. Social Protection and Labour. The World Bank. November 2009. Website location: http://siteresources.worldbank.org/SOCIALPROTECTION/Resources/SP-Discussion-papers/Labor-Market-DP/0922.pdf

Generally, there are two prerequisites for effective Training Funds: 1) levy success depends on a sufficiently wide economic base in the formal sector and reasonable administrative capacity, and 2) they require extensive private sector consultations and will only work well if stakeholder inputs are carefully incorporated into the design of the Training Fund scheme. Also, they are less effective in countries with highly informal economies. Therefore the design of an Enterprise-based training fund for Suriname will have to take these three critical factors into consideration.

There are two reasons why Suriname should treat the productivity issue as a top priorityi.e. country level output per employee per hour. First, the country's labour productivity levels, in recent years has been slipping and productivity is an essential prerequisite for enhancing national competitiveness (Table 8). Second, the level of training offered to the workforce by Suriname's private sector is noticeable low and must be addressed in order to improve the country's attractiveness as a sort after business location (see Table 9below):

Table 8: Suriname's Labour Productivity Relative to Rest of Small Economies (ROSE)



Source: Enterprise Surveys 2010 by the World Bank

As Tables 8 and 9 suggest, Suriname faces dual challenges in workforce development: signficantly more training of workers and at least a 50% increase in training of enterprise managers.

A proactive approach to improving workforce development is closely aligned with the strategy of initiating economic transformation, which is presented in section 3.5 below. The reason: economic transformation typically requires the "freeing up" of the operational time of managers to focus on new, more value-adding investment opportunities.

Table 9: Level of Formal Training by Suriname

Firm-level Knowledge	Suriname	Latin America & Caribbean	World
Share of firms offering formal training	2 %	44 %	35 %
Years of top manager's experience working in the sector	11	19	16

Source: Suriname: Enterprise Surveys 2010 by the World Bank

But this can only occur if the skills and competence of the workforce has improved to levels sufficient to allow management to delegate more and more responsibility for intermediate and basic occupational tasks to their workers – which effectively gives management more "thinking time" to develop and pursue new, more complex investment opportunities for their businesses.

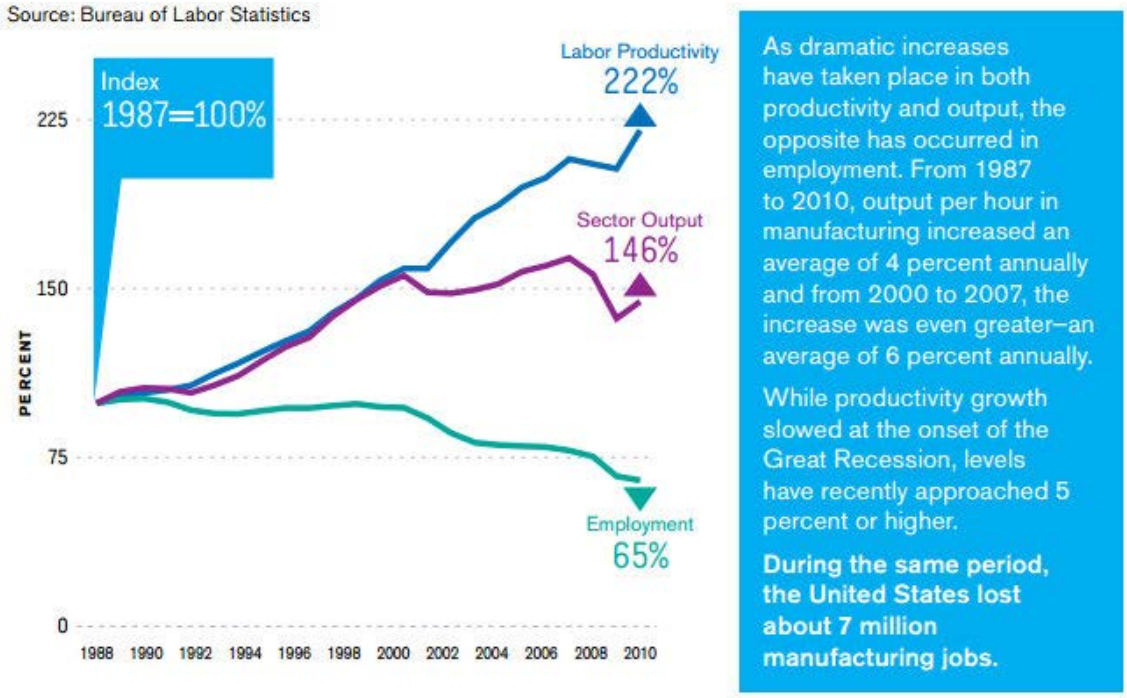
As is the case in other parts of the developing world, It is noted that there is less than ideal alignment of education-to-employment career paths in Suriname and that the size of the workforce is much larger than the (annual) supply of graduating students into it. Therefore, a concerted effort needs to be made to increase *workforce* productivity – as well as introducing reforms into the educational system to bring about a much closer, and therefore more relevant supply of skills sets into the market place.

One example of radical steps taken is Morroco, where 1) vocational education was separated from the educational system, 2) the focus was on training people with skills needed by priority industries, 3) private participation in schools was deliberately encouraged, and 4) increase enrollment was "ramped up" between 2008 – 2013 to ensure an adequate supply of skilled labour to growth sectors.

However, it is important to note that productivity gains can come from other enterprise initiatives. These include features such as continuous improvement in business processes, a focus on the consumer, maintaining a high quality product or service, using innovation and technology to streamline work flows, improving communication, employee involvement in decision making and performance incentives.

It is also important to visualize that productivity gains can occur without increasing the number of jobs in the workforce given that productivity can mean doing more with less (resources). In particular, gains during a recession can mean that labour productivity rises while employment declines (see Chart 1, Productivity, Output and Employment of U.S. Manufacturing Sector 1987 – 2010, below).For countries like Suriname, which is rapidly moving towards full employment, productivity initiatives by the private sector should be a positive step in "cooling off" the economy and should ameliorate the tendency of escalating labour rates – likely to occur as a result of the impending scarcity of labour over the next 2 – 5 years.

Chart 1: Productivity, Output and Employment of U.S. Manufacturing Sector 1987 - 2010



Source: from "U.S. Manufacturing Competitiveness Initiative:
Preparing America to Succeed in the 21st Century Global Innovation Economy"

3.5 Initiating Economic Transformation

3.5.1 Basic Tenents

In devising an economic transformation strategy it is important to understand the main points of reference of economic prosperity and how it is attained and perpetuated. In the Western World, there were three lasting strategic principles which underscored the successive development of nine economic cores between the Year 1200 and the current day[12]. The repeated formula was:

1. A concentration of highly talented and diverse people in one place
2. A focus on the production and marketing of unique premium priced products and services
3. Becoming a strong logistical hub, mostly to facilitate global/regional commerce

This "merchant order" went through various geographic cores – each of them linked with a characteristic technology. From Bruges to Los Angeles, these technologies were associated with 1) rubber stock; 2) the caravel; 3) printing; 4) accounting; 5) the Fluyt; 6) the Steam Engine; 7) the Piston

[12] These successive economic cores were Bruges, Venice, Antwerp, Genoa, Amsterdam, London, then Boston, New York and Los Angeles. For further information see "A Brief History of the Future" by Jacques Attali. Arcade Publishing. New York.

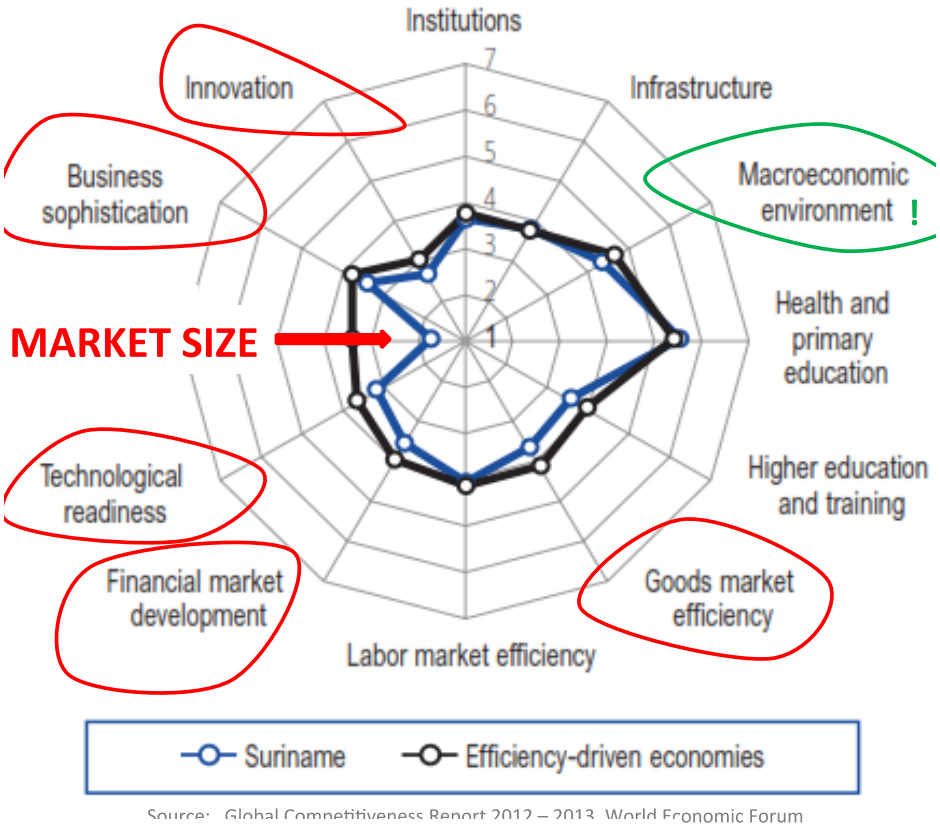
Engine; 8) the Electric Engine and 9) the microchip. Eachof the nine cities became “a core” when it succeeded at transforming a service into an industrial product.

In today’s world the concentration of highly talented persons is referrred to as “the knowledge economy”; the unique products that are commanding significant price premiums are known as Apple, Facebook, Amazon and Twitter, and the logistical hub (in the past mostly for shipping and travel) has become the ICT-driven internet superhighway.

Above all, the development of a strong “knowledge capital” base is an irrevocable prerequisite for achieving sustained economic growth and prosperity for emerging economies. And at the heart of this strategy is the need to both 1) develop your country’s human resource capacities and 2) go on a skills and innovation acquisition drive to “import” foreign talent, expecially where local talent is lacking, lagging, or inadequate.

3.5.2 Addressing Market Size and Knowledge Capital Issues

Why are these two challenges so important? Because Suriname’s exceedingly small market size is at the heart of its competitiveness limitations (Chart 2 below):



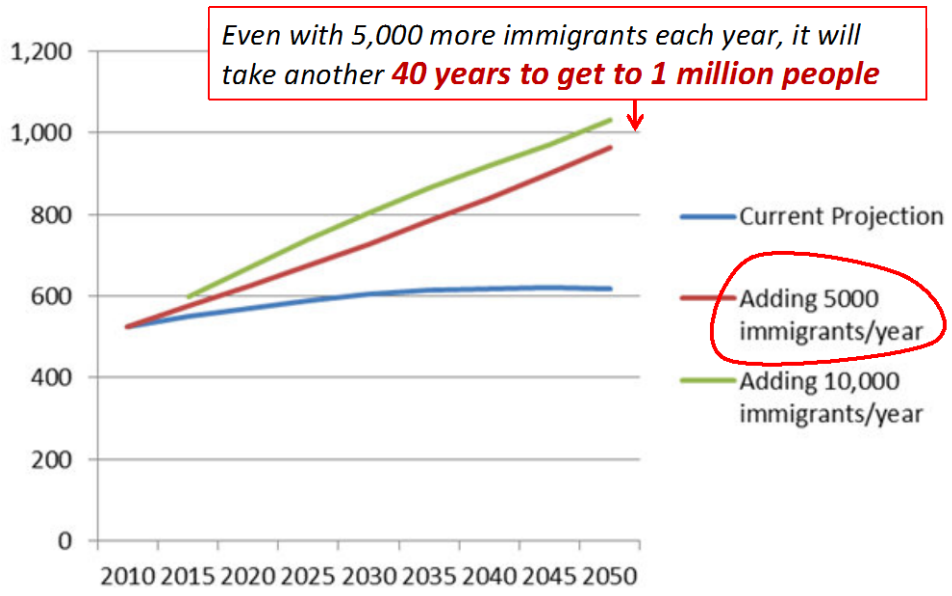
Source: Global Competitiveness Report 2012 – 2013, World Economic Forum

6

As the chart re-confirms, it is Suriname's small market size that is the major impediment to business sofistication, techonological readiness, financial market development, goods market efficiency and innovation. In other words, these variables are interdependent of each other since it is unlikely that significant improvements in ICT, finance, labour force productivity etc., will occur in small and therefore relatively stagnant markets.

Thus, Suriname must confront two challenges: 1) how to strengthen its educational system to nurture an increasing proportion of science, technology and engineering graduates through its tertiary levels educational system[13] and 2) the articulation of deliberate polices aimed at attracting more and more foreign talent to its shores. In the case of the latter, the strategy would be to increase the innovative capacity of the country. But itis also to build-out the size of the domestic market with the knock-on beneficial effects of improved technological readiness, demand-led financial market development, increased business sofistication and improved goods market efficiency.

The numerical implications of policies aimed at increasing market size by broadening the country's population base are highlighted in Chart 3, below:



Source: author's estimates based on population trends established by the United Nations

As the Chart shows, Suriname's population growth rate, based on a projected decline in its fertility rate in most ethnic groups, will flatten out. This means that total population is likely to crest and then flatline over the next 10 to 30 years. Further, Suriname's population density in 2010 was reported at 3.36 persons per square kilometre, among the lowest in the Western World. In constrast, even with a deliberate influx of 5,000 new immigrants per year, it would take Suriname up to 40 years i.e. to Year

[13] Given the complexity of education sector reform, defining a strategy to strengthen the relevance of Suriname's educational system is beyond the scope of this competitiveness consutlancy

2050, before it would attain a population base of 1 million persons- up from the 2012 Census of 541,638 persons in that year[14].

Although an increase in the inflow of immigrants poses special challenges (housing, education, social services, ethic assimilation etc.,) there are numerous options that Suriname could pursue. These include 1) offering dual citizenship to Surinamers living abroad; 2) offering right-of-citizenship to grandchilden born overseas to decendants of Surinamers; 3) reducing the resident-to-citizenship approval time frame to no more than three years; 4) establishing an inward skills migration policy similar to that of Australia, Botswana or Singapore; 5) setting up a fast-track offshore low-tax residency programme similar to that of Panama or Costa Rica; 6) re-defining Suriname as a regional low tax base programme for companies and 7) encouraging Surinamers to have more childen i.e. increasing the population growth rate.

But what will a deliberate inward migraton strategy do for Suriname's economic transformation? It will create "network" building blocks that did not exist before. Immigrants will have much stronger and possibly more creative contact with the outside world, including access to new knowledge, products, systems, new opportunities and solutions to Suriname-specific challenges. By encouraging immigrant convergence, Suriname will be stimulating stronger dynamism in the econonmy and increasing the potential for novel explorations into many facets of its existence e.g. approaches to education, bio-diversity, information technology, new sector development etc.Such strategies have been especially successful in more advanced economies. For example, the United States makes up for its skills shortages and innovative capacity by deliberately "importing" talented individuals and granting them legal residence in the USA. Consequenlty, immigrants make up 14% of that country's population but account for 52% of the business initiatives undertaken in Silicon Valley. The United Kingdom also invokes similar policies, rejuvenating its entrepreneurial spirit and capacity in the process.

As recent experiences have show, the progressive influx of Chinese into Suriname over the last 10 years has boosted investment in construction and generate new supplies of mechandise at affordable prices to Surinamers, essentially disrupting the more modest levels of entrepreneurial competition to much more intensive (product) availability and price sensitive levels.

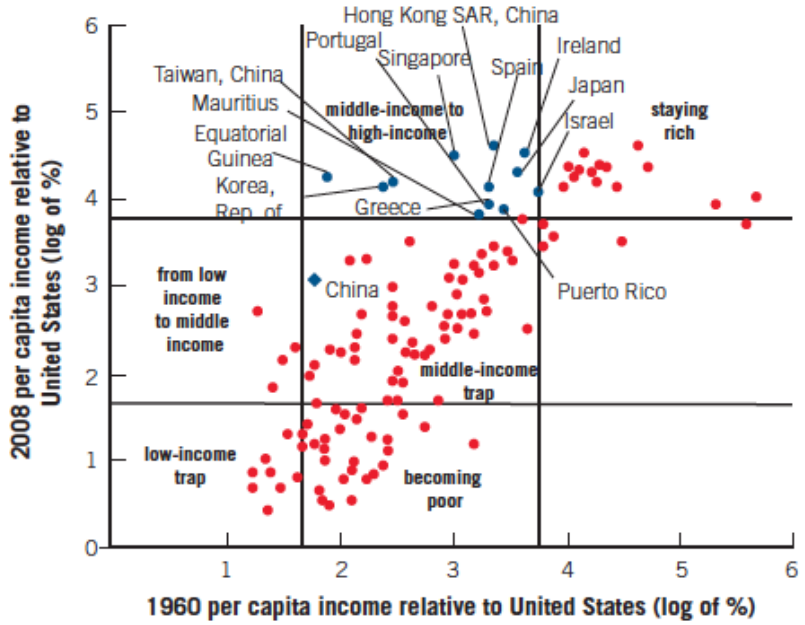
3.5.3 The rationale for shifting into strategic bets

The nexus of the concept of competitiveness, i.e. that of achieving higher levels of prosperity for all on a sustainable basis, lies in the capacity of a country to shift its investments into higher value-generating activities that are either 1) close to the activities already being undertaken within the country or b) are strategic bets i.e. entirely new activities "distant" from the current ones. For Suriname, the closer activities would be linked to agriculture, agro-processing and the natural resource extractive industries. For the strategic bets, Suriname would have to identify new opportunities that would transform the mix of productive goods into a new portfolio of high growth exports.

[14]Under current statistical estimates the net increase in population is 6,000 persons/year i.e. the "natural change" births less deaths metric.

Countries that have pursued the "closer diversification approach" – such as Trinidad and Tobago in the oil and downstream oil sectors – have seen progressive growth. But countries that have gone after strategic bets have seen more sustainable prosperity in their economies over time - Brazil and Colombia with bio-fuels; Singapore with bioengineering and biomedicine; Costa Rica with Intel. Partly because CARICOM countries, are by global standards, "small" they have been inclined to make *nearby* jumps in supportive industrial policy e.g. from supporting agriculture to supporting agro-processing[15]. However, such an approach, while logical, confines the development to things that they know or can be readily accessed. Consequently both added value and wage increases tend to be insignificant in terms of elevating the export earning potential of those that adopt such strategies.

The challenge is significant: In "Avoiding Middle-Income Growth Traps", the World Bank (2012) estimates that of 101 middle income economies in 1960 only 13 became high income by 2008 – including Equatorial Guinea, Greece, Portugal, Puerto Rico, Republic of Korea, Singapore, Spain, and Taiwan:



Source: World Bank 2012.

As noted at the start of this report: *countries seldom grow rich by producing the same things more productively.*

Admittedly, in the case of Suriname, the rationale for focusing on (identified) strategic bets is difficult to make in the face of the consistent growth in GDP per capita, which has risen from US$3,452 in 2003 to US$9,010 in 2012. Moreover, increases in planned investments in both the gold and oil sectors are likely to maintain the above-average growth momentum – at least over the medium term. Also, the fact that Suriname is approaching full employment would suggest that the preferred solution should be "if it

[15] "Policies for Achieving Structural Transformation in the Caribbean" by Ricardo Huasmann and Bailey Klinger. IDB. 2009.

works, don't fix it". Other arguments can also be made to neutralise the strategic bets approach: small population size, bureaucratic support services from Government, limited education and skills capacity etc.

However, it is also true that strengthening institutional capacity – a key enabler of improved competitiveness - is unlikely to occur without a reason for doing so i.e. until and unless there is a pressing need to transform government services, education, and training (such as a deliberate economic transformation programme) what would be the motivating factors that would bring such transformations to fruition?

Paradoxically, it was Suriname's "strategic "jump" into oil production thirty years ago that has contributed to its strong economic performance today. Also, the timing for initiating an economic transformation program could not be better: Suriname's macroeconomic and fiscal framework is strong, thereby allowing the country to at least invest in the exploratory phases of such a program – as compared with many other Caribbean countries that are debt strapped and whose fiscal positions are extremely fragile. As noted earlier, hidden beneath the buoyant metrics is the worrying fact that Suriname's labour productivity has slipped – by as much as 10.8% in 2010 according to enterprisesurveys.org - and its total factor productivity (TFP) is the lowest in CARICOM. This would suggest that Suriname's above average buoyancy is being fuelled by the exponential growth in gold exports and by higher than average oil prices – not by improvements in productivity.

3.5.4 Identifying economic transformation opportunities

If Suriname is to explore strategic bets – as yet unknown – how should it go about doing this? First, it should carry out an analysis of its export sophistication and the degree of connectivity of its product space[16]. This analysis should allow Suriname to determine the extent of the scope for upgrading quality and growth in existing products or whether it should place more emphasis on strategic bets (if space is limited to improve the quality of existing product lines).

In terms of strategic gaps, the essence of economic transformation is to first identify what the market wants and then to gear your "support infrastructure" to match those needs. Essentially, this means that you work on both the demand- and the supply-side of the development coin. The strategic approach proposed to initiate the concept of economic transformation is for Suriname to do three things:

1. **Support the public-private dialogue (PPD) process**. The Government or an international donor could provide a loan to support the creation of deliberation councils and funding for studies to support the technical work of the councils. The studies would help identify ways in which productivity could be increased through adequate provision of public inputs (research and development, legal framework, regulatory issues, infrastructure, education, and labor training). Such an initiative should include resources to fund the budgetary costs of the solutions that this process

[16] For an understanding of "product space" see the findings of "Policies for Achieving Structural Transformation in the Caribbean by Ricardo Huasmann and Bailey Klinger. IDB. 2009

will identify, and the rules of use should provide assurances that such solutions are consistent with the public interest. Moreover, the existence of resources to be allocated to the solutions creates incentives to the private sector to participate in the deliberation councils rather than free ride on the efforts of others. It should also provide incentives to the political process to fund such solutions.

The Suriname Business Forum (SBF) leads public-private dialogue in the country but does not yet pursue the type of strategic gap analysis noted above. Nevertheless, if the SBF were to take on this added responsibility there is a risk that the studies might explore only those things that the private and public partners are already familiar with – thereby negating the purpose of this specific PPD process – that of identifying strategic investment opportunities that are beyond conventional models of industry or sector diversification. Effectively, the studies could simply "gather dust".

2. **If the findings of the gap analyses suggest it, create a venture fund designed to promote new activities or processes** or a refocusing of development banks on facilitating longer strategic jumps. Such a body would have an open window that encourages investors to come with business plans for such activities and should identify what aspects of the business environment are problematic or missing for the industry to be viable. Financial support is granted in part to encourage the private sector to develop such plans and to reveal this publicly valuable information to the venture fund. *The venture fund should act as an information revelation mechanism for the space of opportunities and the obstacles and should prepare policy solutions for the obstacles identified*. One of its main functions should be to inform the government about obstacles and to propose solutions. In other words, the Fund must identify the requisite "sector ecosystem" necessary to attract private investment[17].

   The fund should be evaluated not in terms of the amount of money it lends, but instead on the amount of investment it triggers by helping to fix the provision of public inputs, even if these investments are financed privately. Being owned at least partially by the government, and embedded in the government, should facilitate the implementation of the policy proposals that emerge from this process. *Again, the idea is not to find solutions that are specific to the investor, but instead, to design solutions that would be of use to any other firm or individual with a problem of that kind.* This way, the business environment is improved for all other incumbents and for potential entrants to this activity and others[18]. The objective of this exercise is to bring about meaningful changes in the institutional support infrastructure of government – so that many other firms will be able to see the feasibility of making investments in new high growth sectors in the economy.

[17] Jamaica Promotions Ltd (JAMPRO) applies such a model. However, identification of the required ecosystems has failed to elicit sufficient support from Government because of the country's severe fiscal constraints.

[18] For example, Gartner, a leading information technology research firm, included Colombia as one of its top 30 countries for offshore service destinations.For the analysis, Gartner identifies 10 categories, i.e. "the ecosystem", that are important for organizations to consider when looking at a potential location for offshore or "near shore" IT or business process services, including language, government support, labor pool, infrastructure, educational system, cost, global and legal maturity, cultural compatibility, and data and intellectual property security and privacy.

3. **If the findings of the gap analyses suggest it, build a new industrial zone(s) with an experienced management team**. The zone would solve some easy to identify constraints such as power, water supply, transportation infrastructure for goods and workers, and access to regulatory and certification services. Beyond this, the management team would have to promote the use of the industrial zone by attracting new investors. Each investor would have specific concerns about operating in the country given any missing public and private inputs and capabilities. The management team would have to have the capacity to analyze these missing inputs, explore ways to circumvent them, and inform government of problems, solutions, and costs in order to assess whether addressing these problems is warranted in light of these potential new investments.

   Here again, the idea is that the industrial zone, in the same way as the venture fund, is really in the business of exploring opportunities and obstacles and identifying solutions that trigger new activities. Being embedded in the government would help in implementing solutions. To this end, every opportunity must be taken to design solutions that are as general as possible to have the widest effect on new activities, beyond that of the investor who helped identify the obstacle.

These institutions are designed in this open -architecture search mode to avoid the well-known failures in "targeted" industrial policies of the past that created white elephants rather than structural transformation. To this end, the guidelines in the previous section equally apply to such institutions, particularly the focus on productivity - enhancing investments and providing sector-specific public goods rather than subsidizing low productivity.

In Colombia, the development of offshoring services is a useful example of how such an approach works: The Inter-American Development Bank (IDB) approved a $12 million loan to promote the expansion of the offshoring services industry in Colombia in order to increase employment, boost exports of high value-added services, and improve the sector's business climate.

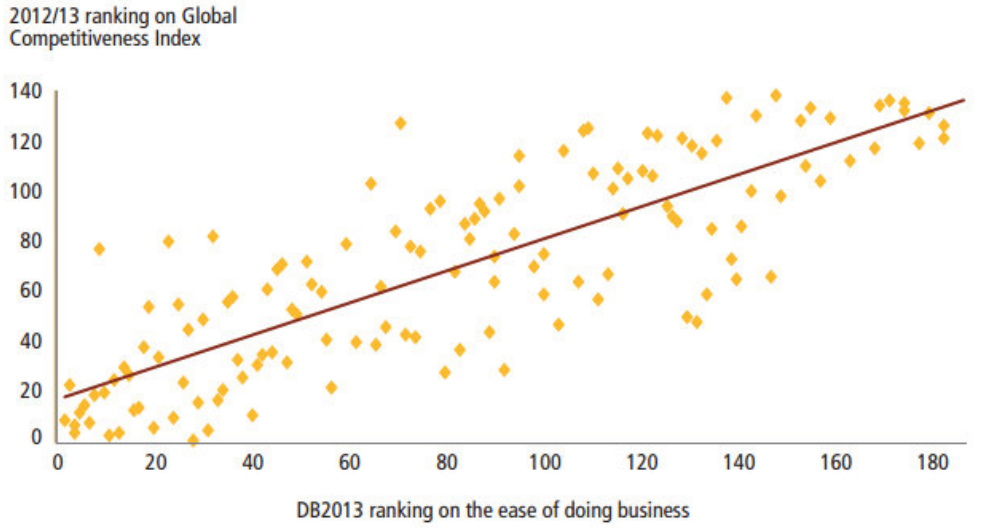
Colombian services centers have in recent years managed to attract multinational firms such as CitiGroup, Hewlett Packard, Kimberly Clark, Siemens and Tata as clients, and in 2011 the sector accounted for $640 million, or 13 percent of total services exports. Still, the country is not yet recognized as a top global offshoring location and lags behind some neighboring countries.

In order to help Colombia gain ground, the Bank will finance a government program based on public-private partnerships between universities and businesses. Under this system, the curricula include both technical knowledge and so-called "soft" skills (such as customer service and English) that address the industry's specific needs. The four-year program will train 4,000 youths.

This is an example of a policy initiative, which may have to be refined based on political and budgetary constraints in Suriname. *It is axiomatic that Government must be willing to respond to what the market wants and to move to put the requisite ecosystems in place to make the transformational jumps a reality*. Finally, it is important that these processes inform the formulation of Suriname's industrial policy rather than the other way around. This methodology will add to the credibility of the industrial policy in that policy will be shape by identified opportunities and not just on the basis of theoretical top-down concepts on what the "targeted" priorities should be.

3.6 Improving Suriname's Doing Business Ranking

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to compare it with the regulatory environment in other economies. One of the reasons why improvements in the Doing Business Rankings is important is that there is a high correlation (0.83) between the DB Rankings and the rankings of the World Economic Forum's GCI[19] (Chart 4 below)



Note: Relationships are significant at the 5% level after controlling for income per capita.
Source: Doing Business database; WEF 2012.

Doing Businessprovides an aggregate ranking on the ease of doingbusiness based on indicator sets that measure andbenchmark regulations applying to domestic SME businesses through their life cycle.

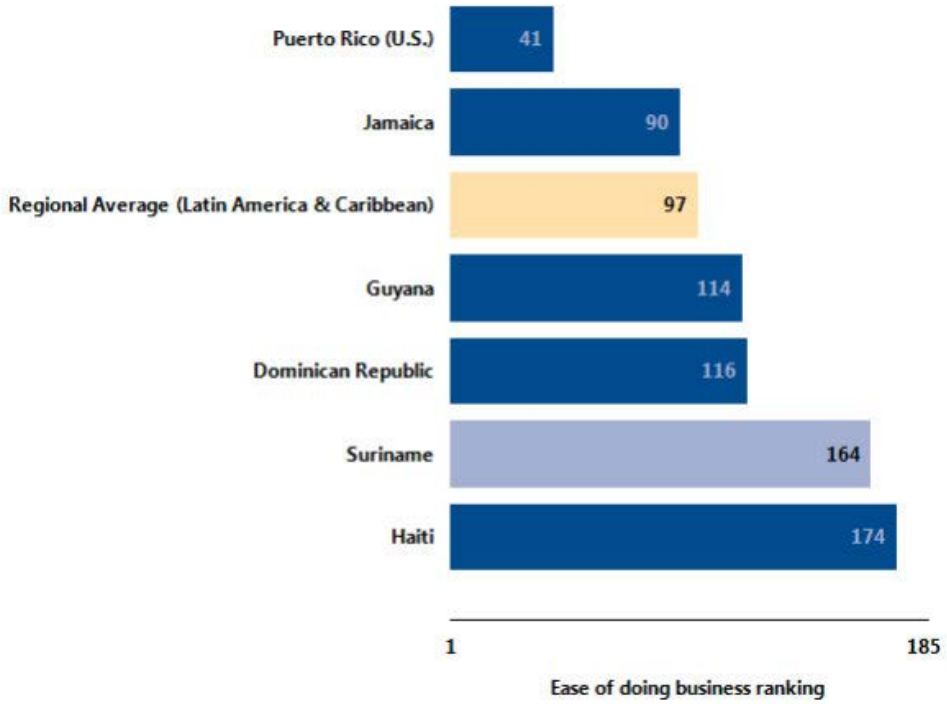
Economies are ranked from 1 to 185by the ease ofdoing business index. For each economy the index iscalculated as the ranking onthe simple average of itspercentile rankings on each of the 10 topics included inthe index inDoing Business 2013:starting a business,dealing with construction permits, getting electricity,registering property, getting credit, protectinginvestors, paying taxes, trading across borders,enforcing contracts and resolving insolvency. Theranking on each topic is the simple average of thepercentile rankings on its component indicators[20].

The aggregate ranking on the ease of doing business benchmarks each economy's performance on the indicators against that of all other economies in the Doing Business sample. While this rankingtells much about the business environment in aneconomy, it does not tell the whole story.Still, a highranking does mean that the government has created aregulatory environment conducive to operating

[19]Although the correlation is high, the DB indicators do not measure the full range of factors, policies, and institutions that affect the quality of the business environment in an economy. It does not capture aspects of security, prevalence of bribery and corruption; market size, macroeconomic stability, etc.

[20]It should be noted that the employing workers indicators were not included in the 2013 aggregate ease of doing business ranking but the data was presented in that year's economy profile.

abusiness.Suriname's DB 2013 overall business environment ranking when compared with other countries in the region (164th of 185) is illustrated in Chart5below:



Source: Doing Business 2013: Economic Profile: Suriname. World Bank and IFC

There are clear benefits to beginning the process of improving Suriname's competitiveness ranking by addressing contraints on the DB index. The first is the high correlation between improvements in DB Rankings and the GCI. This implies that improvements in the DB rankings will lead to gains in the GCI. The second is that unlike the GCI, the DB Rankings provide quantifiable and comparative data on country performance (see Table 6 below) . In contrast, the GCI index is based on a survey questionnaire issued to a limited number of respondents in-country. Therefore the DB is based on measurable data, while the GCI is not[21]. The third benefit is that the global DB Report provides examples of what some countries did to improve their rankings in each of the ten critical indicator areas. In so doing, it is suggestive about the types of actions which Suriname may want to consider initiating to improve its own ranking globally in both the near- to medium-term.

As noted earlier, there is a reasonably strong correlation between FDI inflows and the DB rankings. Consequently, if Suriname improves its DB Rankings it is likely to improve its investment attractiveness to foreign investors as well.There are also key lessons to be learnt from the experiences of countries that have moved up the DB rankings ove the last 10 years i.e. since the inception of this World Bank initiative.

[21]The Competitiveness Unit Suriname (CUS) has formally contacted the WEF to seek clarification on a number of Suriname's GCI rankings and was awaiting a response at the time this strategy document was prepared.

Table 10: Examples of actions taken by countries to improve Doing Business Rankings

Good practices around the world, by *Doing Business* topic (limited to first six of 10 topics)			
Topic	**Practice**	**Economies**	**Examples**
Making it easy to start a business	Putting procedures online	106	Hong Kong SAR, China, FYR Macedonia, New Zealand, Peru, Singapore
	Having no mimimum capital requirement	91	Kaszkistan, Kenya, Kosovo, Madagascar, Mexico, Mongolia, Morocco, Portugal, Rwanda, Serbia, UAE
	Having a one-stop shop	88	Bahrain, Burkina Faso, Georgia, Republic of Korea,
Making it easy to deal with con-struction permits	Having comprehensive business rules	135	Croatia, Kenya, New Zealand, Republic of Yemen
	Using risk-based building approaches	86	Armenia, Germany, Mauritus, Singapore
	Having a one-stop shop	31	Bahrain, Chile, Hong Kong SAR,China, Rwanda
Making it easy to obtain an electricity connection	Streamlining processes (utility obtains escavation permit or right of way if required)	104	Armenia, Austria, Benin, Cambodia, Czech Republic, Panama
	Providing transparent connection ocsts	103	France, Germany, Ireland, Netherlands, Trindad and
	Reducing the financial burden of security	96	Argentina, Austria, Kyrgyz Republic, Latvia,
	Ensuring the safety of internal wiring by regulating the electrical profession	40	Denmark, Germany, Iceland, Japan
Making it easier to register property	Using and electronic database for	108	Jamaica, Sweden, United Kingdom
	Offering Cadestral information online	50	Denmark, Lithuania, Malaysia
	Offering expedited procedures	16	Azerbaijan, Bulgaria, Georgia
	Setting fixed transfer fees	10	New Zealand, Russian Federation, Rwanda
Making it easier to get credit	Allowing out of court enforcement	122	Australia, India, Nepal, Peru, Russian Federation
	Allowing general description of collateral	92	Cambodia, Canada, Guatemala, Ngeria, Rwanda
	Maintaining a unified registry	67	Bosnia and Herzegovina, Ghana, Honduras, Mexico
	Distributing data on loans below 1% of income per capita	123	Brazil, Bulguria, Germany, Kenya, Malaysia, Tunisia, Sri Lanka
	Distributing both positive and negative credit information	105	China, Croatia, India, Italy, Jordan, Panama, South Africa
	Distributing credit information from retailers, trade creditors, or utilities as well as financial institutions	55	Fiji, Lithuania, Nicaragua, Rwanda, Saudi Arabia, Spain
Protecting Investors	Allowing rescission of prejudicial related –party transactions	73	Brazil, Mauritius, United States,
	Regulating approval of related-party transactions	60	Albania, France, United Kingdom
	Requiring detailed disclosure	53	Hong Kong SAR, China, New Zealand, Singapore
	Allowing access to all corporate documents during the trial	46	Chile, Ireland, Israel
	Requiring external review of related-party transactions	43	Australia, Arab Republic of Egypt, Sweden
	Allowing access to all corporate documents before trial	30	Japan, Sweden, Tajikistan
	Defining clear duties of directors	28	Colombia, Malaysia, Mexico, United States

Source: Table 1.4 Good Practices around the world by *Doing Business* topic. 2013 Doing Business Report.

Since 2005 there has been a convergencein business regulatory practices in two-thirdsof the areas measured by DoingBusiness: starting a business, payingtaxes, dealing with construction permits,registering property, getting credit andenforcing contracts. This means that laws,regulations and procedures in these areasare more similar across economies todaythan they were 8 years ago. Overall, *more convergence has occurred in the areas measured by Doing Business that relate to the complexity and cost of regulatory processes than in those that relate to the strength of legal institutions.*

The greatest convergence in regulatorypractice has occurred in business startup.Among the 174 economies coveredby Doing Business since 2005, the timeto start a business in that year averaged112 days in the worst quartile of theeconomies as ranked by performanceon this indicator, while it averaged 29days for the rest. Since then,thanks to 368 reforms in 149 economies,the average time for the worst quartilehas fallen to 63 days, getting closer to theaverage of 18 for the rest. Similar but lessstrong patterns are observed for indicatorsof time, procedures and cost for payingtaxes, dealing with construction permitsand registering property.

But in three areas the trend runs inthe other direction. In protecting investors,trading across borders and resolvinginsolvency the realities in different economieshave slowly drifted apart rather thanconverged. This does not mean that inthese 3 areas the average regulatory environmentis worse today than in 2005;it is actually better. But itdoes mean that economies that were inthe best 3 quartiles of the distribution inthese 3 areas in 2005 have strengthenedpractices and institutions somewhatfaster than those in the worst quartile.What these lessons suggest is that Suriname should adopt a similar trend to the DB forerunner "improvers" – focusing first on simplifying complexity and reducing the cost of regulatory processess.

To achieve improvements in its DB Rankings, Suriname will have to establish initial performance targets which it should then set out to achieve over the first 3 – 5 years.

But in setting DB targets, what approach should Suriname take?

There are two options to consider: 1) regional average performance (RAP) and 2) global best performance (GBP). For each of the sub-indicators monitored by DB there are four rankings showing 1) country level, 2) regional average, 3) regional best peformance and 4) global best performance annual trends since 2006. Because Suriname's rankings are among the worst in the world, in most cases, it would have to cut its procedures, timeframes, costs, and other sub-indicators in half just to reach the regional average performance levels and even more drastically, in order to attain levels of efficiency associated with global best performance. On this basis, it would be perhaps more pragmatic for Suriname to use regional average performance as the targets for each DB indicator. However, other countries in Latin America and the Caribbean are also initiating actions aimed at improving their own DB rankings. This imples that the actual targets in 3 – 5 years need to be extrapolated and should serve as the milestones for Suriname over the future performance period.

Within each indicator group, it is also important to understand what the "drivers" of improved rankings are given that each group has, on average, at least five sub-indicators whose efficiency has an overall impact on country performance/ranking. For instance, in terms of Starting a Business, Suriname's ranking is 178 out of 185 economies and is the second to last performer in the region. On this indicator,

two “drivers” of performance which strongly influence Suriname’s ranking are: 1) the number of days taken to obtain approval of the company’s Act by Suriname’s President and 2) the time taken to obtain a trade licence.

In contrast, in the two main issues with another indicator, Registering Property, Suriname’s ranking is 171 out of 185 economies and is the worst ranked of comparator economies in the region. On this indicator, the main “drivers” are 1) the time that it takes for the buyer to receive the orginal deed proving ownership (6 months) and 2) costs of executing and notarizing the final sale purchase agreement (at 21.5% of the property price) which hare well outside the region’s best performance barometers.

To establish targets for Suriname, the methodology would be for the CUS to identify the peformance metrics of the region’s most highly ranked country for each indicator and then lay out a plan to introduce improvements in its own metrics – especially for the main “drivers” of DB peformance (see section 4, Action Plan for improving Suriname’s competitiveness).

3.7 Improving Suriname’s GCI Ranking

To improve Suriname’s GCI ranking, which addresses issues well beyond the Doing Business model, will require a more structured approach to 1) identifying the major challenges to be addressed and 2) establishing a mechanism to build strong ownership and implementation of identified solutions to the country’s GCI challenges.

One mechanism is that of using Working Groups, with “Champions” (public sector) and Co-Champions (private sector, unions, NGOs etc.). Each Working Group would articulate its Mission or Vision Statement and design supporting projects aimed at upgrading Suriname’s status in terms of the twelve competitiveness pillars. This model is being successfully used by the Phillipines National Competitiveness Council, resulting in two consecutive 10-notche jumps in improvement – from 85th to 65th position in the 2011 – 2012 GCI and 2012 – 2013 Global Competitiveness Index respectively[22].

The rationale behind this approach is based on the nature of the GCI rankings – where, in almost every case - Government or the public sector is at the core of the *facilitating end* of the competitiveness challenge and the private sector is at the *application end*of the solutionsthat would have to be developed to address those challenges. Each working group would be responsible for formulating policy recommendations and implemenation/action plans with assigned responsiblities, budgets, performance targets and milestones i.e. a results-based GCI improvement operational system[23].

As a reminder, the survey on global competitiveness, which taps businesses as respondents, grades countries based on the following 12 categories or “pillars”: [government] institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness,

[22]http://www.slideshare.net/arangkadaph/becoming-more-competitive-moving-in-the-top-quartile-by-guillermo-luz-ncc-private-sector-cochairman

[23]To date, four working groups (private public partnership, access to finance, education and economic decentralization) have been established. A fifth working group on Innovation was also initiated in March 2013.

market size, business sophistication, and innovation. As noted earlier, there are 111 indicators listed under the 12 pillars. The World Economic Forum's (WEF's) scoring of these indicators is based on information for a combination of sources including the WEF's Executive Opinion Survey (EOS), the World Bank/IFC's Doing Business Rankings, the International Air Transport Association, the IMF, the World Health Organization, UNAIDS and others.

How should Suriname go about improving its GCI metrics?

Strategically – and over the short- to medium-term, Suriname should focus on improving its Effeciency Enhancers since the country falls into that global competitiveness category. The low scoring on the six Efficiency Enhancers is the primary reason why Suriname's GCI rank is greater than 100 since its Basic Requirements scores are all below 100 (see Table 11, below). Consequently the six pillars to concentrate on improving are:

1. 5th Pillar: Higher Education and Training (3 of 8 indicators ranked above 100)
2. 6nd Pillar: Goods Market Efficiency (9 of 16 indicators)
3. 7th Pillar: Labour Market Efficiency (3 of 8 indicators)
4. 8th Pillar: Financial Market Development (5 of 8 indicators)
5. 9th Pillar: Technological Readiness (5 of 7 indicators)
6. 10th Pillar: Market Size (2 of 2 indicators)

While it is also noted that 8 of 9 indicators under the 11th Pillar, Business Sofistication and 6 of 7 indicators under the 12th Pillar, Innovation, have scores in excess of 100, these two pillars only account for 10% of the weight assigned to the overall score for Suriname. Therefore, these latter two Pillars are not as important (at this stage of Suriname's development) as the six Efficiency enhancement ones.

This does not not imply that the other six Pillars should be ignored since it is important to keepin mind that the 12 pillars are not independent: they tend toreinforce each other, and a weakness in one area oftenhas a negative impact in others. For example, a stronginnovation capacity (pillar 12) will be very difficult toachieve without a healthy, well-educated and trainedworkforce (pillars 4 and 5) that is adept at absorbing newtechnologies (pillar 9), and without sufficient financing (pillar 8) for R&D or an efficient goods market that makesit possible to take new innovations to market (pillar 6).Although the pillars are aggregated into a single index,measures are reported for the 12 pillars separatelybecause such details provide a sense of the specificareas in which a particular country needs to improve.

Therefore the four Basic pillars and the two on Innovation and Business Sofistication also need to be addressed but perhaps with not as much emphasis as that to be placed on the six Efficiency Enhancers.

Nonetheless, on the basis of the preceding logic behind where emphasis should be placed, Working Groups should be established to examine the underlying problems of each of the six "urgent" Pillars and to determine what should be done about addressing each indicator challenge. A useful hint as to the priorities to be addressed lie in the content of the questions asked by the WEF in its competitiveness dashboard for the GCI 2012 – 2013 rankings which provides a full employer opinion survey (EOS) question for each indicator.

Table 11: Suriname's relative GCI Ranking in the WEF Global Competitiveness Index 2012 – 2113

The Global Competitiveness Index

	Rank (out of 144)	Score (1–7)
GCI 2012–2013	**114**	**3.7**
GCI 2011–2012 (out of 142)	112	3.7
GCI 2010–2011 (out of 139)	n/a	n/a
Basic requirements (40.0%)	**83**	**4.3**
Institutions	93	3.6
Infrastructure	79	3.7
Macroeconomic environment	96	4.3
Health and primary education	82	5.5
Efficiency enhancers (50.0%)	**124**	**3.3**
Higher education and training	102	3.6
Goods market efficiency	128	3.7
Labor market efficiency	96	4.1
Financial market development	107	3.6
Technological readiness	105	3.2
Market size	139	1.7
Innovation and sophistication factors (10.0%)	**117**	**3.0**
Business sophistication	112	3.4
Innovation	124	2.6

The next step in the process would be to develop a short list of countries whose indicator rankings were between 50 and 70 for each indicator in the "Urgent" group and to identify the measures that they had adopted in order to be classifed within the best performing "half" of the 144 countries in terms of GCI metrics. This process would allow each CUS Working Group to develop a relatively clear understanding of the types of changes/improvements which they would need to initiate in order to raise Suriname's GCI ranking appreciably.

In terms of country identification, it would be best if regional countries were examined first, since it could be possible that the reforms they invoked were supported by regional donor groups who could 1) also be approached for assistance by Suriname[24] or 2) provide some proximity to the service providers who had carried out the technical upgrading measures in that country. For instance, within the Central American and Caribbean region, two countries stand out for their high rankings in the GCI: Panama (40th) and Barbados (44th).

[24] One example is Jamaica, where the IDB has recently agreed to support a Ministry of Commerce Initiative to facilitate on-line registration of businesses with the Registrar of Companies.

The extent of the research on the instruments used by more successful countries could involve detailed site visits to institutions in those countries by CUS and Working Group members and will require thorough preparation on the issues to be investigated by each Group. While electronic communication would be a first step towards information disclosure, it is unlikely that it will produce a full exposé on the reform development process and the lessons learned by the country of inquiry.

There are two qualifiers to the recommended approach. First, given that some of the changes proposed are likely to have far-reaching implications for key government entities, it would be important to secure Ministry funding commitments to finance the costs of the reforms proposed by the Working Groups. To this end, the CUS would have to secure the support of the Kabinet of the Vice President in terms of obtaining Ministry commitment to implementing the reforms and in ensuring that satisfactory budget allocations for the reforms are included in the the annual recurrent budget development process.

Second, it is possible that some of the recommended improvements, while feasible on a technical basis, may not be cost-effective to implement given Suriname's small economic size and therefore relatively low level of transaction frequency in some areas (e.g. registration of companies, number of conveyances per year etc.). In such instances scalable "second best" solutions may have to be adopted since the "best" solutions may prove too costly for the nation to adopt.

3.8 Streamlining National Industrial Policy

It is reiterated here that the competitiveness goal of achieving prosperity requires that developing countries streamline their national industrial polices (NIPs) to be closely supportive of sectors with high-growth potential. While NIPs are out of favour with the international donor establishment and partly neutered by WTO free trade commitments, they are nowback on the policy agenda. The reason: it is now widely accepted that those countries that managed to catch up with the old industrialised, high-income countries are the ones whose governments proactively promoted structural change, encouraging the search for new business models and markets and channelling resources into promising and socially desirable new activities. Empirical evidence shows this for the early catching-up experience of Germany, the United States and Japan as well as for the more recent post-World War II examples – from the "Asian Tigers" of Korea and Taiwan to the emergence of China.

Overall, there has been growing evidence that the customization of development strategy has proved to be a far more potent approach to economic transformation than following mainstreamed "best practices" – as noted by Jacques Attali ("Brief History of the Future"), Dani Rodrik ("One Economics, Many Recipes" and the "Globalization Paradox") and, more recently, McKinsey and Company ("Strategy Archetypes in Economic Development and Key Success Factors in Systems Transformation").

In a "Brief History of the Future" Attali points to three lasting preconditions for developmental success. In "One Economics, Many Recipes" and the "Globalization Paradox", Rodrik concludes that deliberately structured – and therefore distorted – industrial policy was the driving force behind East Asia's closing of the productivity convergence gap between Eastern and Western countries (Also see Appendix 4). Rather than wholesale adoption of Washington Concensus principles (see below) he points out that countries actually progresss by focussing on addressing a limited number of "binding constraints" – a

focus on narrower targeting of refroms. In “Strategy Archtypes” McKinsey has carefully documented the distinclty varied strategies used by “Success Stories” such as South Korea, Chile, Malaysia, Morroco, and Georgia, Rwanda and India.

In contrast, none of the countries that strictly followed the Washington Consensus has achieved comparable success in terms of technological upgrading, economic growth, and poverty reduction[25]. However, industry policy should not be seen as a panacea since there is considerable evidence of failed policy experinments across the world. The risks cannot be understated: when market failure justifies public interventionin principle, inappropriate policies may have outcomes that are even worse – eitherdue to erroneous assumptions or because they i.e. Special interest groups capture public policies.

What is National Industrial Policy? National Industrial Policy comprises any government measure, or set of measures, to promote or prevent structural change in an economy[26]. With “industrial policy” defined so broadly, it is not possible to delineate its scope exactly. Still, changing the sectoral composition of an economy involves the development of new industries and steady renewal of their competitive advantages. This requires private and public action on several fronts. What is well known is that firms rarely achieve competitiveness on their own, that is, without a supporting environment of suppliers, production-oriented services, and pressure from strong competitors. Once firms start to specialize and target more demanding new markets, they require new services that are not yet available and can sometimes not be provided by market actors, especially when the new activities are still nascent.

To date, Suriname’s Industrial Policy has not been explict. Instead, it consists of various policies and positions adopted by government over time. Most of Suriname’s unstated industrial policy is centered around investment Incentives but there are other elements as well (e.g. tariff barriers, labour rights and work permits, right to private ownership and establishment, protection of property rights, competition for State-Owned Enterprises, Trade and Bilateral Investment Agreements, etc.)

Suriname is a member of the World Trade Organization (WTO) and does not impose any performance requirements, nor does it provide any performance incentives, that would be inconsistent with Trade Related Investment Measures (TRIMS) requirements.

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[25]The Washington Consensus is the term used since 1989 to summarize commonly shared themes proffered by Washington-based institutions such as the IMF, World Bank, and U.S. Treasury Department, believed to be necessary for the recovery of countries in Latin America from the economic and financial crises of the 1980s. The Consensus included ten broad sets of policy recommendations: 1) fiscal policy discipline, 2) re-directing of public spending from subsidies, 3) tax reform, 4) market-determined interest rates, 5) competitive exchange rates, 6) trade liberalization, 7) foreign direct investment, 8) privatization of state enterprises, 9) deregulation and prudential oversight of financial institutions and 10) legal security for property rights. Following the 1997 – 98 “Asian Crisis” Singapore, Indonesia and South Korea quietly abandoned the Consensus and invested heavily in infrastructure projects – with remarkable success. Criticized by academia and developing countries, the Consensus has lost some of its credibility and dominance – especially after the 2008 Great Depression.

[26]See: Industrial Policy in Developing Countries – Overview and Lessons from Seven Country Cases. Tilman Altenburg. German Development Institute. Discussion Paper 4/2011

Overall, with the exception of the oil/energy sector, Suriname's implicit NIP is relatively netural:No performance requirements are imposed as a condition for establishing, maintaining, or expanding investments, or for access to tax and investment incentives[27]. Currently, all investments, both foreign and local, are subject to the same standard laws that govern daily trade. But larger, multi-million dollar investors have been able to negotiate separate terms with the Government of Suriname (GoS).

There is no economic or industrial strategy that has a discriminatory effect on foreign investors or foreign-owned investments, except the oil sector. In this sector, by law, ownership is limited to the State Oil Company Suriname (Staatsolie). Staatsolie has sole ownership of all the country's oil-related activities. For investors, access is only possible through Exploration and Production Sharing Agreements with Staatsolie. All other sectors are open to foreign ownership. In those cases, foreign companies, like local ones, are required to register with the Chamber of Commerce and Industry (KKF), and obtain appropriate licenses as necessary.

Unless requesting special investment incentives, smaller foreign investments are not subject to more screening processes than local companies. Standard screening is usually done by the KKF. Larger/major investments are subject to screening by the Ministry presiding over the specific sector the investment is in. Major investments, particularly in the mining sector, go through extensive negotiations processes to determine the terms of investment. In all cases, small or large, filing is mandatory. The purposes and criteria for screening of investments vary depending on the nature of the investment, but are primarily meant to assure that the investment is within the legal parameters of trade legislation.

Caribbean Single Market and Economy (CSME) countries theoretically have Most Favoured Nation (MFN) status over other foreign investors. However, in light of the need for foreign investment in most economies, it is highly unlikely that larger international firms would be denied investment opportunities in practice. The Economic Partnership Agreement (EPA) signed with the European Union has also given European companies better market access to the CARIFORUM countries, including Suriname.

There is no entity in Suriname that regulates competition. Neither is there any discrimination specifically targeted at foreign investors at the time of the initial investment or after the investment is made, such as through special tax treatment, access to licenses, approvals, or procurement. In practice, different investors (both foreign and local) are offered different deals at the discretion of the GoS, as represented by the Ministry negotiating the deal. Investment benefits are usually obtained through negotiations with the government and can change depending on sector and the company's negotiating strength.

There are no current privatization programs of parastatal entities. In past privatization attempts the GoS had indicated a preference for foreign investors to take over the parastatals. Processes and bidding criteria have been transparent and primarily conducted with the assistance of international consultants. Suriname's new government has indicated that it would place all shares of ailing parastatals under the management of the Investment and Development Corporation Suriname (IDCS). The intent is to have this entity attract the necessary investment, locally or internationally, to revamp these parastatals.

[27] Excerpted from http://www.state.gov/e/eb/rls/othr/ics/2011/157362.htm. U.S. Department of State. 2011 Investment Climate Statement - Suriname.

In the oil sector there is an expansion program that includes the doubling of the capacity of the refinery to 15,000 bpd by 2013, expansion of the Staatsolie Power Company Suriname's power generation capacity from 14 MW to 28 MW, and the launch of a pilot project to produce ethanol from sugarcane.

The GoS plans to sign an agreement with Surgold, a joint venture company between Alcoa subsidiary Suralco and Newmont Mining Corporation, for the mining of gold in the Merian area in southeastern Suriname in the Nassau Concession and the building of a second gold refinery. In November 2012, Surgold and a team representing GoS completed negotiation of a Mineral Agreement, which outlines terms for the development and operation of the proposed project. The agreement will be presented for approval to the Council of Ministers, the State Council and the National Assembly. The proven reserves in this area are 3 million troy ounces. Rosebel Gold Mine (owned by Canadian mining giant Iamgold), is also heavily invested in Suriname with proven reserves at Rosebel of 2.6 million troy ounces, while the probable reserves were an additional 2.2 million troy ounces.

In January 2011 the GoS embarked on an ambitious plan that will seek to order the informal gold sector. Once considered small-scale this untaxed and unregulated sector is currently estimated at US$1 billion annually. Thousands of Brazilians, mostly illegal, and local Maroons (indigenous descendents of those who escaped slavery by fleeing into the rain forest) find employment in this sector. Chinese shop owners have also set up businesses, also unregulated, near the mining sites. Government intends to establish special one-stop centers in the interior for miners to conduct all their activities with it.

There are no requirements that investors purchase from local sources or export a certain percentage of output. Both local and foreign investors, however, have found it useful to purchase from local sources and import only those goods unavailable on the local market. Larger companies (e.g., the mining companies) have signed contracts for the delivery of products that are not readily available on the market.

In the case of foreign investments, no requirements exist that nationals own shares or that the share of foreign equity be reduced over time, or that technology be transferred. Suriname does not impose any "offset" requirements, which would force foreign suppliers to invest in manufacturing, Research and Development (R&D), or service facilities in order to receive procurement approvals. With regard to the telecommunications sector, the government did require the companies Digicel and Uniqa to deposit US$1 million each in a performance bond as a guarantee that the companies would provide the services for which they had requested licenses.

In order to operate a company, investors must obtain a special industry license. There are no special requirements on percentage of local content or equity. No requirements exist for substitution for imports, nor for export targets. Investors are not required to use specific employment agencies, nor to transfer technology or use local sources of finance. To receive permission to hire a foreign national, the investor needs to show the Ministry of Labour that every effort was made to hire a host country national first. The rule does not, however, apply to specialists; in that case the company is free to use whomever it deems necessary for its operation. The specialists must also obtain work permits.

Exceptions have been made to the requirement that Surinamers be hired first. The GoS has signed contracts with Chinese companies for construction and infrastructure projects which, through

negotiations, included in the contracts the stipulation that Chinese nationals be allowed to enter Suriname to work in jobs that host country nationals could have performed.

Foreign firms are welcome to participate in research and development. Larger foreign investors, such as the Alcoa subsidiary, Suralco, have played a major role in the establishment and maintenance of research facilities at the Anton de Kom University.

In 2009 Suriname's National Assembly passed new legislation regarding the issuance of work permits to foreigners. Although the procedures remain the same, a foreign worker must apply first for a residency permit at the Ministry of Justice and Police, after which s/he can apply for a work permit at the Ministry of Labor. The new legislation limits the term of a work permit to three years, in order to make it possible to better track the movement of foreign workers in Suriname, and to prevent foreign workers from obtaining employment that can regularly be done by Surinamese citizens. The new legislation also introduced a permit requirement for interns. The free movement of artists, university graduates, media workers, musicians, and sports persons of CARICOM origin is arranged through the CSME regulations. CSME regulations also provide for the free movement of those wanting to establish or conduct business within the community.

Non-tariff barriers on both imports and exports include: proof of residency, registration with the Chamber of Commerce (i.e. KKF), Customs' import registration numbers, and tax identification numbers from the Tax Office of the Ministry of Finance. Under the 2003 Law on the Movement of Goods, "the Ministry of Trade and Industry created "negative lists" for both imports and exports. In theory, anything can be imported or exported without a license unless it is on the "negative lists." Examples of goods on the negative list for imports are: chemicals, pesticides, and animals on the Convention of Endangered Species and Faunas List. Examples of goods on the negative list for exports are: bark wood, explosives, gold, and other precious metals i.e. requiring Government permission to export.

Tariff barriers include consent and statistical fees charged in addition to regulatory import duties. An amendment was made on the issue of consent fees in 2008 as the Foreign Exchange Commission, through General Decree 216, waived all consent fees in all cases where the Ministry of Finance has already exempted or suspended import duties. Imports from countries outside CARICOM, except the European Union, are subject to increased import duties due to the Common External Tariff (CET) adopted by CARICOM members. Imports are subject to a 7 percent turnover tax as stipulated under the 1997 Law on Turnover Tax. Exports are subject to consent and statistical fees. Companies in the bauxite sector pay a 2 percent statistical fee on both imports and exports. In the gold sector the royalties are 2.25 percent, with an additional 6.25 percent if the price of gold exceeds US$425 per troy ounce. A statistical fee of 0.5 percent is also applied on the export of timber (except to CARICOM countries).

CSME regulations also prevent members from importing products from outside of CARICOM if the same quality goods can be produced or delivered by fellow member states by a pre-set deadline, not taking price into account. Violation could lead to a case being filed at the CARICOM Secretariat.

In October 2008, Suriname, as a member of the CARIFORUM, signed an Economic Partnership Agreement (EPA) with the European Union. Under this agreement the CARIFORUM countries have agreed to have all goods from CARIFORUM states, except rice and sugar, enter the European market

duty and quota free. Parties have also agreed on a three year moratorium before reducing import duties on goods imported from the European Union in 2011. In 2011, they will introduce a gradual scheme of reduction of duties over a period of 25 years. Parties have also agreed that in order to protect the fragile economies of the CARIFORUM states, 13.1 percent of goods imported from the EU will be placed on an exclusions list, meaning that duties will never be reduced or eliminated on these products. The parties have further agreed to extend to each other any treatment or benefit that is provided to a third party through a Free Trade Agreement (FTA) signed after this EPA.

Foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity. Once private entities have registered their business with the KKF they have the right to freely acquire and dispose of interests as they see fit. Competitive equality is the standard applied in competition between private enterprises and public enterprises with respect to access to markets, credit, and other business operations, such as licenses and supplies.

Secured interest in property, both movable and real, are recognized and enforced. The concept of mortgages exists, and the Mortgage Office registers mortgages. Acquisition and disposition of all property rights are protected and facilitated by law. However, for those IP aspects for which there exist laws (Authors right [Copyright] and Trademarks) these laws are not up to date.

Suriname is a member of the World Trade Organization (WTO) and, since 1975, a member of the World Intellectual Property Organization (WIPO), and ratified the Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement on 1st January 1995. While Suriname is officially party to the following international agreements on intellectual property rights, there is little or no adherence to these agreements since they are not incorporated into the country's domestic legislation:

- Paris Convention for the Protection of Industrial Property (November 25, 1975)[28]
- Berne Convention for the Protection of Literary and Artistic Work (February 23, 1977)
- Hague Convention concerning International Deposit of Industrial Designs (November 25, 1975)
- Nice Agreement concerning the International Classification of Goods and Services for the Purpose of Registration of Marks (December 16, 1981)
- Strasbourg Agreement concerning the International Patent Classification (November 25, 1975)

The Ministry of Justice and Police presides over the Bureau for Intellectual Property Rights and has on several occasions mentioned its intent to improve the country's legislation on this issue. So far, however, intellectual property rights have not received a high level of attention from legislators. A basic Intellectual Property Rights law was prepared in 2004 and was presented to the National Assembly. This draft law, however, never made it onto the legislative agenda for discussion and approval. Subsequently, the draft law was retracted for revisions and has not yet been resubmitted.

[28] See http://www.wipo.int/wipolex/en/profile.jsp?code=SR for more explanation about the dates and Suriname as party to these treaties.

More advanced and specialized legislation (e.g., brand and music piracy, industrial property and associated rights) was supposed to be added to the basic legislation once it was approved. The current legal framework for discussing copyrights, patents, and trademarks dates back to 1912 and 1913. The Law on Copyrights was last amendment in 1981, while the local regulations were last amended in 2005 and 2008 in order to facilitate the collective management organization (CMO) for music and the necessary Governmental Supervision on this CMO. Neighboring rights (related rights) in copyrights, geographical indications, industrial designs, and utility models, layout designs of integrated circuits, undisclosed information, or new plant varieties remain unprotected.The WTO TRIPS agreement has been neither implemented nor enforced even though the Ministry of Justice and Police has indicated its intention to do so. Suriname has signed the WIPO Internet Treaties, but has not ratified them.

Because Suriname has a relatively high level of openness on industrial policy, the question is: how should the country shape its NIP to best suit the interests of its priorty sectors i.e. those with considerable high growth potential? The answers to that question requires answers to a prerequiste question: What are the sectors with the strongest value added prospects for Suriname?On the assumption that the priority sectors are energy, extractive industries, and agriculture Suriname can begin to shape its industrial policy in support of the expansion objectives of those sectors. Moreover, the approach to industrial development policy would be different for relatively independent larger-scale sectors like oil, energy and gold (e.g. a policy level business enabiling environment enabling policy) than it would be for SMEs (e.g. a more hands-on technical assistance approach).

Although the preceding description touches on the key issues of an industrial policy, establishing the basis for a relevant industrial policy is beyond the scope of this assignment. However, within the confines of its WTO obligations, which effectively elminates use of much of the more traditional instruments used to invoke preferrential industrial policy in the past, there is still some policy space forSuriname to utilize the following instruments as part of a future NIP:

1. Providing low-cost energy to priority industries to create critical mass (clusters) and to enhance their international competitiveness;
2. Institutionalising the adoption of international stardards in the public and private sectors (e.g. ISO standards);
3. Strengthening the STEM (science, technology, engineering and mathematics) capacity via creation of a scholarship fund for overseas training for Suriname graduates;
4. Promoting increased demand for STEM expertise via establisment of Technology Parks
5. Encouraging international companies to increase on-the-job training of Surinamer staff;
6. Sale of public sector equity in profitable companies (e.g. in the financial sector) to nationals to boost opportunities for wealth creation locally;
7. Deliberate funding support to encourage/promote innovative ideas nationally; and
8. Establishing a proactive inward migration policy aimed at accelerating the acquisition of talent and human capital

Perhaps the most significant area of discretion is that national governments have the option to exclude any specific service from liberalization under the WTO's General Agreement on Trade in Services (GATS).

However, even in this area there is strong promotion by international donors in the developing world to have private companies taken on service delivery responsibilities of the public sector through Public Private Partnerships (PPPs).

The lessons from industrial policy in seven developing country cases compiled by the German Development Institute (GDI) can help inform the industrial policy framework for Suriname[29]. One guideline is that industrial policy tends to be more effective when it is linked to a long term industrial transformation program assocated with strong investments in industrial capacity building and targeted competitiveness initiatives – including the establishiment of appropriate support institutions. Also, clear roadmaps that identfiy the next steps, specific constraints, and ways to overcome them need to be articulated in the policy-related transformation program. Policies also need detailed annual plans which define specific policy targets and indicators that are subjected to period performance reviews. Finally, it is axiomatic that NIPs should be developed as a bottom-up process that is responsive to private sector priorities and demands.

4. Action Plans for Improving Suriname's Competitiveness

4.1 Areas of Focus

The action plans articulated in this section of the strategy document focus on three areas:

3. Initiating economic transformation
4. Improving Suriname's Doing Business Rankings, and
5. Improving Suriname's Global Competitiveness Index (GCI) Efficiency Enhancers

A number of assumptions and caveats govern the validity of these plans.First, it is assumed that theplans are indicative only and require the review, modifications, buy-in and approval of the various lead groups that should be logically assigned as Champions (public sector) and Co-Champions (private sector) for advancing reforms aimed at improving Suriname's GCI ranking.

Second, the plans do not cover all aspects of competitiveness – only those through which reasonable change would bring about improvement in the stage of development in which Suriname is classified (i.e. the Efficiency stage). As noted earlier, the rationale is that the country should begin to implement a digestible level of strategic actions rather than to overload its capacity to address (too many) challenges and constraints. This means that the strategy itself can and should be modified by the CUS and the Working Groups as implementation progresses.

Third, based on lessons learned from other countries' experiences, it should be noted that the key tasks would need to be further articulated as a result of diagnostic findings. Also, it must be emphasized that progress in achieving results will not be immediate: On average only 1 – 3 DB reforms per country are

[29]Industrial Policy in Developing Countries: Overview and lessons learned from seven country cases. Tilman Altenburg. Deutsches Institut für Entwicklungspolitik / German Development Institute. Discussion Paper 4/2011.

introduced annually and only by 58% of the 185 countries. Only 23 countries achieved reforms in 3 or more areas and none achieved more than 4 reforms per year.

4.2 Methodology

The proposed plan for initiating economic transformation (Appendix 1) is a starting point for potentially boosting economic prosperity. It provides an overview of the two main choices available to Suriname and focuses o the issues of avoiding the middle-income (GDP per capita) trap of declining productivity.

The action plans for improving the Doing Business Rankings (Appendix 2) and for Improving the GCI Efficiency Enhancers (Appendix 3) are based on standard methodology, namely 1) articulation of the proposed action, 2) list of key tasks to be carried out, 3) identification of the responsible entity, 4) a shortlist of partners to consult/engage, 5) indicative target dates for completion, and 6) definition of the indicator(s) that would signal that successful achievement of the expected result has been realized.

With regard to the indicator targets, the consultant has used the LAC regional average to benchmark what they should be – based on the expectation that the primary objective would be to improve Suriname's overall ranking from 114 to less than 100 in 36 to 48 months[30].

[30] It is assumed that the first phase of the overall competitiveness enhancement program would be 5 years with the first year commitment to organization of the work and the securing of technical assistance funding for improving productivity.

Appendix 1. Action Plan for Initiating Economic Transformation

Strategic Issue	Activity/Action Required	Responsible Entity
1. Market Size: Articulation of deliberate polices aimed at attracting more and more foreign talent to its shores. The rationale is to increase both market size and the innovative capacity of the country	1.1 Develop new immigration policy and determine the optimal number of immigrants per year and eligibility criteria for selecting them	1.1.1 CUS and Ministry of Home Affairs; Cabinet of Ministers
	1.2 Amend existing immigration and citizenship laws to reflect adoption of the new immigration policy	1.1.2 House of Assembly/Ministry of Home Affairs
	1.3 Develop a targeted promotional campaign to advertise/promote new immigration policy to attract eligible target groups	1.1.3 CUS and Immigration Dept./Ministry
2. Identifying [market-led] economic transformation opportunities	2.1 Support the public-private dialogue (PPD) process by supporting the creation of deliberation councils and funding for studies to support the technical work of the councils. The studies would help identify ways in which productivity could be increased through adequate provision of public inputs	2.1.1 CUS and the SBF
	2.2 Carry out an analysis of its export sophistication and the degree of connectivity of Suriname's product space.	2.2.1 CUS with donor assistance
3. Implementing the economic transformation programme	3.1 Based on the findings in 2.2, create a venture fund designed to promote new activities or processes or a refocusing of development banks on facilitating longer strategic jumps.	3.1.1 CUS in collaboration with IDCS and Development Bank
	3.2 Articulate an industrial policy supportive of the identified opportunities and "early (investment) starts" in the new process	3.2.1 Planning Department and CUS
	3.3 If aligned with the findings in 2.2, build a new industrial zone(s) with an experienced management team. The management team would have to promote the use of the industrial zone by attracting new investors and by identifying the critical industry factors for success (i.e. the ecosystems) and addressing them.	3.3.1 CUS guidance to Development Park Authority

Appendix 2. Action Plan for Improving Suriname's Doing Business Ranking

Country Profile:

Doing Business Indicator Group # 1: Starting a Business

2013 Suriname Ranking: 178 of 185

Primary reason for low ranking: Time taken to obtain approval of the Company's Act by the President

Secondary reason for low ranking: (High) notary costs linked to amount of nominal capital of company

Country in comparator group with highest metrics: Puerto Rico; 12th of 185

Country in comparator group with second highest metrics: Jamaica; 21st of 185

Start date for initiating work on reforms: 1 June 2014

Range of Performance indicators to achieve:

Indicator	Puerto Rico	Jamaica	Suriname (current)	Suriname (Target)
Procedures (number)	6	6	13	10
Time taken (days)	6	7	694	30
Cost (% income per capita)	0.9%	6.7%	110.9%	<10%
Paid in minimum capital (% Of income per capita)	0.0	0.0	0.4	0.0

If Suriname were to achieve these metrics i.e. the targets, it's ranking for starting a business would improve from 178th to between 80 and 100. The actions necessary to achieve these targets are described below.

It is advised that a legal expert and or a work flow management specialist with experience in streamlining Efficiency processes be engaged to redefine the approval time frames and the number of processes associated with starting a business.

Indicator Group # 1: Starting a business					
Proposed Action	**List of Key Tasks**	**Responsible Entity**	**Partners to Consult**	**Estimated Completion date**	**Results Indicator**
1. Reformulate the application procedures process to reduce number of procedures from 13 to less than 10	1.1. Carry out DB comparisons of processes used in other countries (e.g. Puerto Rico, Jamaica, Barbados) as the basis for re-designing the application procedures in Suriname	CUS	Chamber of Commerce, Kabinet of the President	31 December 2013	Reduced procedures established for registering a company
2. Eliminate the need for President's approval of each Company's Act and transfer this function to Ministry of Justice, Registrar of Companies or Chamber of Commerce	2.1. Revise or amend the Act governing this legal requirement. 2.2 Transfer this responsibility to appropriate party to grant them legal jurisdiction over approval of the Company's Act. 2.3 If appropriate, create a Registrar of Companies and grant legal authority to them for prescreening each Company's Act.	National Assembly	Kabinet of the President of the Republic of Suriname Chamber of Commerce Ministry of Justice	31 December 2014	Reduction in time taken to compete registration of companies is no more than 30 calendar days
3. Eliminate the costing guidelines for notary fees for drafting and notarizing the Articles of Association and replace with fixed fee system for Notary Services	3.1 Create a standardized Articles of Association. Amend any Acts or Regulations governing the Notary fee based rule	Ministry of Justice and National Assembly	Registered Notaries	30 June 2015	Fixed fee costs do not exceed 10% of per capita income
4. Eliminate the requirement in the national company's Act for a minimum paid in capital	4.1 Amend company's Act legislation to eliminate this requirement	National Assembly	Kabinet of the President and/or Ministry of Justice	30 June 2014	Requirement for paid in capital eliminated

Action Plan for Improving Suriname's Doing Business Ranking

Country Profile:

Doing Business Indicator Group # 2: Dealing with Construction Permits

2013 Suriname Ranking: 92 of 185

Primary reason for low ranking: Time taken to obtain building permit from Ministry of Public Works and time taken to obtain water and sewage connection

Secondary reason for low ranking: Number of procedures to obtain building permit and start building

Country in comparator group with highest metrics: Guyana; 29th of 185

Country in comparator group with second highest metrics: Jamaica; 50thof 185

Start date for initiating work on reforms: 1 June 2014

Indicator	Guyana	Jamaica	Suriname (current)	Suriname (Target)
Procedures (number)	8	8	11	8 or less
Time taken (days)	195	145	461	145 or less
Cost (% income per capita)	18.3%	212.4%	60.4%	<30%

If Suriname were to achieve these metrics i.e. the targets, it's ranking for dealing with construction permits would improve from 92nd to between 30 and 50. The actions necessary to achieve these targets are described below.

Indicator Group # 2: Dealing with Construction Permits					
Proposed Action	**List of Key Tasks**	**Responsible Entity**	**Partners to Consult**	**Estimated Completion date**	**Results Indicator**
1. Obtaininga building permit at the Ministry of Public Works	1.1 Carry out analysis of why it takes up to six months to obtain building permission from Ministry and compare work flow mgmt in Suriname with Guyana and Jamaica 1.2Lay out work plan to address/reduce time-consuming activity or capacity bottlenecks or work flow management efficiencies. 1.3Introduce efficiency reforms to approval process	CUS to provide Technical Assistance to Ministry of Public Works for analysis and proposed solutions	Architects and Engineers Associations Leading Contractors Fire Department	31 December 2014	Average time taken to obtain permit reduced from 180 days to 90 days
2. Obtaining approval from the Suriname Water Company (SWM)	2.1 Diagnostic on why it takes up to 240 days to obtain approval and inspection from SWM 2.2 Develop recom-mendations for reducing SWM process to less time. 2.3 Implement recommendations aimed at re-ordering SWM efficiency in building permit process	CUS and SWM (as above)	Ministry of Public Works Contractors	31 December 2014	Reduction in time taken to obtain SWM approval from 240 days to 55 days (maximum)
3. Reduce costs associated with obtaining water and sewage connection	3.1 Examine the SWM costing structure and basis to identify cost saving options for client(s)	CUS and SWM	Architects, Engineers, Contractors	31 December 2013	Cost reduced from 60% of per capita income to < 30%

Action Plan for Improving Suriname's Doing Business Ranking

Country Profile:

Doing Business Indicator Group # 3: Getting Electricity

2013 Suriname Ranking: 39 of 185

Primary reason for high ranking: Number of procedures (limited to 4)

Secondary reason for high ranking: Time taken in days to receive connection (58 days)

Country in comparator group with highest metrics: Puerto Rico; 37th of 185

Primary reason why Puerto Rico is ranked higher than Suriname: Time (days) taken to secure a connection

Start date for initiating work on reforms: 1 June 2014

Indicator	Puerto Rico	Haiti	Suriname (current)	Suriname (Target)
Procedures (number)	5	4	4	4 or less
Time taken (days)	32	60	58	50 or less
Cost (% income per capita)	384%	4,599%	634.4%	No change

If Suriname were to achieve these metrics i.e. the targets, it's ranking for dealing with construction permits would remain the same or improve slighted from 39 to 38. The actions necessary to achieve these targets are described below.

It must be acknowledged that Suriname consumers are already receiving electricity supplies at a subsided rate and that any reduction in cost would increase the losses incurred by the power generating company. Nonetheless the costs of external connection works, at US$45,018, are quite high and the reasons for this should be carefully examined/justified by N.V. Energiebedrijven Suriname (EBS).

Indicator Group # 3: Getting Electricity					
Proposed Action	**List of Key Tasks**	**Responsible Entity**	**Partners to Consult**	**Estimated Completion date**	**Results Indicator**
1. Reduce the turnaround time for application approval by EBS	1.1 Analysis of why it takes up to 14 days to process electrician application 1.2 Based on findings, EBS to invoke modifications to work flow process mgmt. system and/or train electricians to be more accurate	CUS to engage EBS on improving turnaround efficiencies	Electrical Contractors	31 December 2014	Average time taken to obtain EBS feedback on electrical plans reduced from 14 to 10 days
2. Reduce the turnaround time for external inspection by EBS	2.1 Analysis of why it takes up to 13 calendar days for EBS response to electrician submission of electrical (drawing) plans and identify ways to reduce the turnaround time for inspection from 13 days to 10 days 2.2EBS to re-organize processing of inspection applications to improve response time to electrical contractors. 2.3 Introduce efficiency reforms to inspections process	As above EBS EBS EBS	Electrical Contractors	31 December 2014	Average time taken to obtain inspection reduced from 14 to 10 days
3. Examine basis for costs of external connection works by EBS	2.1 Carry out cost analysis of external works and take corrective action	EBS	Ministry of Public Works	31 December 2014	Reduction in cost of external works

Action Plan for Improving Suriname's Doing Business Ranking

Country Profile:

Doing Business Indicator Group # 4: Registering Property

2013 Suriname Ranking: 171 of 185

Primary reason for low ranking: Cost (% of property value)

Secondary reason for low ranking: Time taken in days to register property

Country in comparator group with highest metrics: Jamaica 105th of 185

County in comparator group with second highest metrics: Dominican Republic 110th of 185

Start date for initiating work on reforms: 1 June 2014

Indicator	Jamaica	Dominican Republic	Suriname (current)	Suriname (Target)
Procedures (number)	6	7	6	No change
Time taken (days)	37	60	197	60 days or less
Cost (% of property value)	7.5%	3.7%	13.7%	7.5% or less

If Suriname were to achieve these metrics i.e. the targets, it's ranking for registering property would improve from 171 to 100 - 110. The actions necessary to achieve these targets are described below.

In its comparator group Suriname ranks last of the group (for this indicator). Therefore, this is an important indicator requiring improvements in its cost and efficiency metrics. Overall, however, none of the member countries of the group have scored above 100 and the regional LAC average is 113. There are two reasons why Jamaica's costs are lower than Suriname's: 1) Jamaica transfer taxes and duties are 7% of the property price vs. 10.5% in Suriname and 2) the attorney witnessing the transfer instrument charges US$50 for this service vs. a notary fee in Suriname of 11% of the property value.

Indicator Group # 4: Registering Property					
Proposed Action	**List of Key Tasks**	**Responsible Entity**	**Partners to Consult**	**Estimated Completion date**	**Results Indicator**
1. Reduce the time that the Lands Office takes to supply the notary with a stamped and registered sale purchase agreement	1.1 Analysis of why it takes up to 180 days to register purchase agreement 1.2 Review the process used by Jamaica's National Land Agency and determine relevance/applicability to Suriname 1.3 Introduce work flow process management system at Lands Office to improve management of registration system	CUS to engage Lands Office on improving turnaround efficiencies	Notary Publics Work Flow Process Management Expert(s)	31 December 2015	Average time taken to obtain registered sale purchase agreement from Lands Office reduced from 197 to 60 days
2. Reduce the total transaction costs of sale/purchase of property	2.1 Determine the basis for high levels of registration fee, government tax and notary costs 2.2 Examine scope to reduce registration fee and government levied tax for sale/purchase of property by 50%. 2.3 Examine the scope for reducing notary fees of 11% of property price to so% of existing costs.	CUS to engage: Ministry of Finance Bar Association Notary Publics	Ministry of Justice (may require adjustments to laws if notary fees are legal stipulated)	31 December 2015	Total transaction costs reduced from 13.7% to no more than 7.5% of property costs.

Action Plan for Improving Suriname's Doing Business Ranking

Country Profile:

Doing Business Indicator Group # 5: Getting Credit

2013 Suriname Ranking: 159 of 185

Primary reason for low ranking: no depth of credit information index; no public registry coverage; no private credit bureau coverage

Secondary reason for low ranking: (average) strength of legal rights index

Country in comparator group with highest metrics: Puerto Rico 12th of 185

County in comparator group with second highest metrics: Dominican Republic 83rdof 185

Start date for initiating work on reforms: 1 June 2014

Indicator	Puerto Rico	Dominican Republic	Suriname (current)	Suriname (Target)
Strength of legal rights Index	9	3	5	6
Depth of credit information Index	5	6	0	5
Public registry coverage (% of adults)	0	44.1	0	0
Private bureau coverage (% of adults)	81.5	60	0	> 60%

If Suriname were to achieve these metrics i.e. the targets, it's ranking for getting credit will be between 50 and 90, within the regional average of 87 for the LAC region - from a current score of 159. The actions necessary to achieve these targets are described below.

Analysis of the strength of legal rights index suggest that Suriname would have to add one more of five sub-indices to its "positive" list. Also, the target of 5 for depth of credit information index can be reached by establishment of a credit bureau that meets five of six of the sub-index criteria. Likewise, the coverage of firms and individuals of > 60% of adults/firms within five years should be met if a credit bureau is established by 2018.

Indicator Group # 5: Getting Credit					
Proposed Action	**List of Key Tasks**	**Responsible Entity**	**Partners to Consult**	**Estimated Completion date**	**Results Indicator**
1. Increase the strength of legal rights index (from 5 to 6)	1.1 Establish a collateral registry that is unified by asset type and includes an electronic database indexed by debtor's name	CUS to engage Central Bank on collateral registry initiative	Commercial Banks Ministry of Finance	31 December 2016	Strength of legal rights increase from 5 to 6
2. Establish a (private) credit bureau	2.1 Design the credit bureau legally so that the following 6 sub-indices are included: 1. Data on both firms and individuals are distributed 2. Positive and negative data is distributed 3. Credit information form retailers, trade creditors and utilities are distributed 4. More than 2 years of historical credit information is available 5. Data on loans below 1% per capita is distributed 6. Borrowers have guarantee to inspect their credit data	CUS to engage Central Bank, Commercial Banks, Ministry of Finance with criteria Central Bank to design and arrange management system or ownership structure for credit bureau	National Assembly (for passage of credit bureau legislation)	31 December 2016 for credit bureau establishment and 31 December 2018 for significant data acquisition	At least 5 of 6 sub-index indicators attained At least 60% of firms and individuals registered on credit bureau

Action Plan for Improving Suriname's Doing Business Ranking

Country Profile:

Doing Business Indicator Group # 6: Protecting Investors

2013 Suriname Ranking: 183 of 185

Primary reason for low ranking: no director liability; minimal investor protection, minimum legal disclosure requirements

Secondary reason for low ranking: (average) strength of shareholder suits index

Country in comparator group with highest metrics: Puerto Rico 19th of 185

County in comparator group with second highest metrics: Guyana82ndof 185

Start date for initiating work on reforms: 1 June 2014

Indicator	Puerto Rico	Guyana	Suriname (current)	Suriname (Target)
Extent of disclosure index	7	5	1	4
Extent of director liability index	6	5	0	5
Extent of shareholder suits index	8	6	5	6
Strength of investor protection index	7	5.3	2	5

If Suriname were to achieve these metrics i.e. the targets, it's ranking for protecting investors would be between 80 to 100, within the regional average of 92 for the LAC region - from a current score of 183. The actions necessary to achieve these targets are described below.This indicator is important: Suriname ranks last in its group of comparator countries. The disclosure index requires transparency in obligations with regards to potential conflict of interest, disclosure to shareholders, disclosure in annual reports, etc. The director liability index assures minority shareholders of the right to seek legal resources against majority shareholders; ease of shareholder suits focus on minority shareholders (less than 10% ownership) access to transaction documents. It should be noted that the strength of investor protection index is a simple average of the extent of disclosure; extent of director liability and ease of shareholder suits indices.

Indicator Group # 6: Protecting Investors					
Proposed Action	**List of Key Tasks**	**Responsible Entity**	**Partners to Consult**	**Estimated Completion date**	**Results Indicator**
1. Increase the strength of disclosure index	1.1 Update laws pertaining to disclosure obligations of a company so that: 1. A corporate body must be defined that provides legal approval of transactions 2. Conflict of interest disclosure is required of all parties pertaining to a transaction 3. Immediate disclosure to shareholders is required 4. In cases of conflict of interest, the requirement that an external body review the transaction prior the company entering into it.	CUS Ministry of Justice	National Assembly Bar Association Ministry of Finance KKF and larger private sector companies Registered Accounting and Audit firms	31 December 2016	Strength of disclosure index increased from 1 to 4
2. Increase the extent of director liability index	2.1 Update laws pertaining to shareholder rights in companies including: 1. Rights of shareholders to hold majority share-holders liable for damages caused to the company as a result of non-arms lengths transactions 2. Rights of shareholders to	CUS Ministry of Justice	National Assembly Ministry of Finance Bar Association KKF and larger private sector companies	31 December 2016	Strength of director liability index increased from o to 5

	hold members of an approving body liable for damages of buyer/seller transactions caused by the company 3. Voiding of transactions upon a successful claim by shareholder plaintiff 4. Obligation of defendant to pay damages for harm caused to the company 5. Exposure of defendant to fines and imprison-ment for wrongful acts		Registered Accounting and Auditing firms		
3. Improve ease of shareholder suits index	3.1 Update the laws pertaining to minority shareholders' (with less than 10% equity) rights to information by allowing them to: Inspect transaction documents before filing suit 1. Request an inspector to investigate the transaction being queried 2. More than 2 years of historical credit information is available 3. Data on loans below 1% per capita is distributed 4. Borrowers have guarantee to inspect their credit data	As above	As above	31 December 2016 for credit bureau establishment and 31 December 2018 for significant data acquisition	Increase the strength of the shareholder suits index from 5 to 6

Action Plan for Improving Suriname's Doing Business Ranking

Country Profile:

Doing Business Indicator Group # 7: Paying Taxes

2013 Suriname Ranking: 49 of 185

Primary reason for high ranking: time taken to prepare tax returns, in hours per year

Secondary reason for high ranking: low number of payments per year

Country in comparator group with highest metrics: Suriname 49th of 185

County in comparator group with second highest metrics: Dominican Republic 98thof 185

Start date for initiating work on reforms: 1 June 2014

Indicator	Guyana	Dominican Republic	Suriname (current)	Suriname (Target)
Payments (number per year)	35	9	29	N/a
Time (hours per year)	263	324	199	N/a

Suriname ranks No.1 in its comparator group of countries. The administrative burden of complying with taxes in Suriname is well below the average for LAC of 114. But Suriname had not introduced any reforms in this area since its performance was first recorded in 2008. The country's Profit tax rate is higher than LAC and the OECD high-income average. However, unlike the LAC and OECD regions, Suriname's total tax rate (i.e. as a share of profit) is the lowest because it does not make provision for labour tax and contributionsprevalent in the other two groups.

Because of Suriname's regional DB ranking on Paying Taxes an action plan was not developed for this indicator. There is a risk that Suriname's Paying Taxes indicator will slip – mainly because other countries with poor scores will be making progress on improving their own ranking. However, Suriname is in a strong position relative to the LAC average and is unlikely to see significant slippage in this area over the next 4 – 5 years. Strategies used by most advancing countries, include allowing self-assessment, electronic filing and payment and having one tax base.

Action Plan for Improving Suriname's Doing Business Ranking

Country Profile:

Doing Business Indicator Group # 8: Trading Across Borders

2013 Suriname Ranking: 97 of 185

Primary reason for low ranking: time to export and time to import

Secondary reason for low ranking: documents to export

Country in comparator group with highest metrics: Dominican Republic 46th of 185

County in comparator group with second highest metrics: Guyana 84thof 185

Start date for initiating work on reforms: 1 June 2014

Indicator	Guyana	Dominican Republic	Suriname (current)	Suriname (Target)
Documents to export (number)	7	6	8	6
Time to export (days)	19	8	23	17
Costs to export (US$/container)	730	1,040	1,000	1,000
Documents to import (number)	8	7	6	6
Time to import (days)	22	10	21	19
Cost to import (US$/container)	745	1,150	1,165	1,165

If Suriname were to achieve these metrics i.e. the targets, it's ranking for trading across borders will be between 70 to 80, within the regional average of 90 for the LAC region - from a current score of 97. The actions necessary to achieve these targets are described below.

Indicator Group # 8: Trading Across Borders					
Proposed Action	**List of Key Tasks**	**Responsible Entity**	**Partners to Consult**	**Estimated Completion date**	**Results Indicator**
1. Reduce the number of documents to export (from 8 to 6)	1.1 Eliminate the need for a commercial invoice and terminal handling receipts as requirement to export	CUS: engage Customs Department on exporter information requirements	Central Bank (on export data requirements) ABS (on data requirements)	31 December 2016	Number of documents required reduced from 8 to 6
2. Time to export (single window facility)	2.1 Allow for electronic filing and payment by exporter: 1. Carry out diagnostic of information flow and electronic information needs 2. Develop RFP and call for proposals 3. Implement the electronic system 4. Test/validate the system	CUS: engage Customs Department and Port Community (brokers, ship's agents, exporters etc.)	Ministry of Finance (on implementation costs)	31 December 2018	Time to export reduced from 23 to less than 17 days
3. Time to import (single window facility)	3.1 Allow for electronic filing and payment by importer: 1. Carry out diagnostic of information flow and electronic information needs 2. Develop RFP and call for proposals 3. Implement the electronic system 4. Test/validate the system	CUS: engage Customs Department and Port Community (brokers, importers, ship's agentsetc.)	Ministry of Finance (on implementation costs)	31 December 2018	Time to import reduced from 21 to less than 19 days

Action Plan for Improving Suriname's Doing Business Ranking

Country Profile:

Doing Business Indicator Group # 9: Making it easy to enforce contracts

2013 Suriname Ranking: 180 of 185

Primary reason for low ranking: Cost (% of the claim)

Secondary reason for low ranking: Time taken to resolve the claim

Country in comparator group with highest metrics: Guyana 75th of 185

County in comparator group with second highest metrics: Dominican Republic 84th of 185

Start date for initiating work on reforms: 1 June 2014

Indicator	Dominican Republic	Guyana	Suriname (current)	Suriname (Target)
Time (days)	460	581	1,715	727
Cost (% of claim)	40.9	25.2	37.1	37
Procedures (number)	34	36	44	44

If Suriname were to achieve these metrics i.e. the targets, it's ranking for making it easy to enforce contracts will be between 110 and 120, within the regional average of 115 for the LAC region - from a current score of 180. The target is important since Suriname is ranked last on this indicator amongst its comparator group of countries. The actions necessary to achieve these targets are described below.

Indicator Group # 9: Making it easier to enforce contracts					
Proposed Action	**List of Key Tasks**	**Responsible Entity**	**Partners to Consult**	**Estimated Completion date**	**Results Indicator**
1. Reduce the time taken in days to enforce contracts	1.1 Carry out timeline diagnostic on process in Suriname vs. process in Guyana to enforce contracts 1.2 Invoke measures aimed at reducing time to enforce contracts (e.g. increasing the number of judges) 1.3 Consider establishment of special commercial court 1.4 Make all judgments in commercial cases publicly available in practice	CUS Ministry of Justice	Guyana Judicial System Suriname Bar Association	31 December 2018	Time taken reduced from 1,715 to no more than 727 days
2. Reduce cost of enforcing contracts (% of claim)	2.1 Identify the costing/pricing structure of legal counsel and judicial system for enforcing contracts 2.2 Introduce reforms aimed at re-defining the cost structure for enforcing contracts	CUS Ministry of Justice Court system Bar Association	Bar Association (on fee-based guidelines for legal counsel)	31 December 2018	Cost of enforcing contracts not increased in Suriname
3. Reduce the number of procedures applicable to enforcing contracts	3.1 In line with 1.1 and 1.2 and 2.1 and 2.2, identify opportunities to reduce the number of procedures applicable to enforcing contracts	Ministry of Justice Bar Association	Third parties involved (court documentation system)	31 December 2018	Number of procedures rationalized to less than 44

Action Plan for Improving Suriname's Doing Business Ranking

Country Profile:

Doing Business Indicator Group # 10: Resolving Insolvency

2013 Suriname Ranking: 158 of 185

Primary reason for low ranking: Cost (% of estate)

Secondary reason for low ranking: Recovery rate (cents on the dollar)

Country in comparator group with highest metrics: Puerto Rico 24th of 185

County in comparator group with second highest metrics: Jamaica 32ndof 185

Start date for initiating work on reforms: 1 June 2014

Indicator	Jamaica	Puerto Rico	Suriname (current)	Suriname (Target)
Time (years)	1.1	2.5	5.0	2.5
Cost (% of estate)	18	8	30	20
Outcome (0 as piecemeal sale; 1 as going concern)	1	1	0	1
Recovery rate (cents on the dollar)	63.1	73.4	8.6	50

If Suriname were to achieve these metrics i.e. the targets, it's ranking for resolving insolvency will be between 90 and 110, within the regional average of 103 for the LAC region - from a current score of 158. The target is important since Suriname is ranked second to last on this indicator amongst its comparator group of countries. However, the Doing Business Report does not provide any process data on an insolvency case. This makes it difficult to address the efficiency and cost issues to improve a country's ranking. The actions necessary to achieve these targets are described below.

Indicator Group # 10: Resolving Insolvency					
Proposed Action	**List of Key Tasks**	**Responsible Entity**	**Partners to Consult**	**Estimated Completion date**	**Results Indicator**
1. Reduce the time taken in years to resolve insolvency cases	1.1 Modify bankruptcy laws to provide: 1. A legal framework for out-of-court workouts 2. Specific time limits for the majority of insolvency procedures 3. Professional or academic qualifications for insolvency administrators by law 4. Creditor Committee involvement in insolvency proceeding decisions	CUS Ministry of Justice	The Puerto Rico and Jamaica legal Insolvency (process) systems Suriname Bar Association	31 December 2018	Time taken reduced from 5 years to 2.5 years
2. Reduce insolvency costs as a % of the estate value	2.1 Carry out diagnostic on legal costs of insolvencies 2.2 Benchmark Suriname's legal cost structure against that of most efficient performers (Puerto Rico and Jamaica) 2.3 Introduce reforms to bring Suriname costs in line with Best Practice regionally	CUS Ministry of Justice Court system Bar Association	Bar Association (on fee-based guidelines for legal counsel)	31 December 2018	Insolvency costs do not exceed 20% of estate value
3. Improve the recovery rate to creditors (cents on the dollar)	3.1 In line with 1.1 and 2.1 and 2.2, and 2.3 identify opportunities to reduce the total insolvency costs (and thereby improve the recovery rate)	Ministry of Justice Bar Association	Third parties involved (court documentation system)	31 December 2018	Recovery rate is at least 50% (cents on the dollar)

Appendix 3. Action Plan for Improving Suriname's Global Competitiveness Index (GCI) Ranking

Efficiency Enhancer: 5th Pillar: Higher Education and Training

Suriname 2012 – 2013 Ranking: 102nd of 144

The eight indicators to be addressed are summarized in Table A5 below

	5th pillar: Higher education and training		
5.01	Secondary education enrollment, gross %*	74.8	97
5.02	Tertiary education enrollment, gross %*	12.1	104
5.03	Quality of the educational system	3.4	84
5.04	Quality of math and science education	3.8	85
5.05	Quality of management schools	4.3	63
5.06	Internet access in schools	2.5	125
5.07	Availability of research and training services	3.4	115
5.08	Extent of staff training	4.2	47

Indicators 5.01 and 5.02 are derived from data from third parties (the World Bank and the United Nations). Indicators 5.03 to 5.08 are based on WEF/CGI Executive Opinion Surveys (EOS) carried out in Suriname via VSB

Indicator Group: Higher Education	Title with units	Description	Base Period and Source	Competitiveness Target	Action Required
5.01 Secondary education enrollment rate	Secondary education enrollment, gross %* **Score: 74.8 %**	**Gross secondary education enrollment rate:** The reported value corresponds to the ratio of total secondary enrollment, regardless of age, to the population of the age group that officially corresponds to the secondary education level. Secondary education (ISCED levels 2 and 3) completes the provision of basic education that began at the primary level, and aims to lay the foundations for lifelong learning and human development, by offering more subject- or skills-oriented instruction using more specialized teachers.	2008: UNESCO Institute for Statistics (accessed May 4, 2011); UNICEF ChildInfo.org Country Profiles; The World Bank, [i]EdStats Database [i] (accessed July 8, 2011); national sources and [i] The World Development Indicators 2009[i] (CD-ROM edition)	1. 2011 Score is 85.2% (from World Development Indicators). 2. Target should be 90% by 31/12/2015	Put in place secondary school education enrollment strategy with MINOV to attain target
5.02 Tertiary education enrollment rate	Tertiary education enrollment, gross %* **Score: 12.1%**	**Gross tertiary education enrollment rate**: The reported value corresponds to the ratio of total tertiary enrollment, regardless of age, to the population of the age group that officially corresponds to the tertiary education level. Tertiary education (ISCED levels 5 and 6), whether or not leading to an advanced research qualification, normally requires, as a minimum condition of admission, the successful completion of education at the secondary level.	2008: UNESCO Institute for Statistics (accessed May 4, 2011); UNICEF ChildInfo.org Country Profiles; The World Bank, [i]EdStats Database [i] (accessed July 8, 2011); national sources and [i] The World Development Indicators 2009[i] (CD-ROM edition)	2002 Score is 12.1%. No score listed for 2011 in WDIs. Target for 2015 to be determined	Determine actual 2011 score from MINOV data
5.03 Quality of the educational system	Quality of the educational system, 1–7 (best) **Score: 3.4**	How well does the educational system in your country meet the needs of a competitive economy? [1 = not well at all; 7 = very well]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Increase the supply of technical (TVET) graduates into the economy	See Caribbean Growth Forum Action Plan and Dashboard for Education
5.04 Quality of math and science education	Quality of math and science education 1–7 (best) **Score: 3.8**	How would you assess the quality of math and science education in your country's schools? [1 = poor; 7 = excellent – among the best in the world]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Increase the supply of STEM graduates into the economy	This requires an Economic Transformation Program

Indicator Group: Higher Education	Title with units	Description	Base Period and Source	Competitiveness Target	Action Required
5.05 Quality of management schools	Quality of management schools, 1–7 (best) **Score: 4.3**	How would you assess the quality of management or business schools in your country? [1 = poor; 7 = excellent – among the best in the world]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Establish international accreditation standards for business schools by 31 December 2018	See Caribbean Growth Forum Action Plan and Dashboard for Education
5.06 Internet access in schools	Internet access in schools, 1–7 (best) **Score: 2.5**	How would you rate the level of access to the Internet in schools in your country? [1 = very limited; 7 = extensive]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Equip all schools with computer labs and internet access for students by 31 December 2018	MINOV to develop and include budget for labs and internet access in annual recurrent expenditure budgets
5.07 Local availability of specialized research and training services	Availability of research and training services, 1–7 (best) **Score: 3.4**	In your country, to what extent ishigh quality, specialized training services available? [1 = not available; 7 = widely available]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Reduce the areas of specialization needed (but unmet) in private sector by 31 December 2018	See Caribbean Growth Forum Action Plan for Education
5.08 Extent of staff training	Extent of staff training, 1–7 (best) **Score: 4.2**	To what extent do companies in your country invest in training and employee development? [1 = hardly at all; 7 = to a great extent]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Increase number of companies providing training from 2% to 20% by 31 December 2018	Provide tax credits to companies who invest in training and employee development

Action Plan for Improving Suriname's GCI's Ranking

Efficiency Enhancer: 6th Pillar: Goods Market Efficiency

Suriname 2012 – 2013 Ranking: 128th of 144

The sixteen indicators to be addressed are summarized in Table A6 below

	6th pillar: Goods market efficiency		
6.01	Intensity of local competition	4.7	76
6.02	Extent of market dominance	3.7	76
6.03	Effectiveness of anti-monopoly policy	3.4	118
6.04	Extent and effect of taxation	3.3	86
6.05	Total tax rate, % profits*	27.9	28
6.06	No. procedures to start a business*	13	130
6.07	No. days to start a business*	694	141
6.08	Agricultural policy costs	3.3	118
6.09	Prevalence of trade barriers	4.8	34
6.10	Trade tariffs, % duty*	10.9	111
6.11	Prevalence of foreign ownership	4.1	104
6.12	Business impact of rules on FDI	3.9	115
6.13	Burden of customs procedures	3.4	108
6.14	Imports as a percentage of GDP*	51.3	60
6.15	Degree of customer orientation	3.7	132
6.16	Buyer sophistication	3.1	95

Indicators 6.05, 6.06, 6.0 are Doing Business Indicator references. Indicator 6.10 is derived from International Trade Centre Data and indicator 6.14 is WTO-derived data. All other indicators are based on WEF/CGI Executive Opinion Surveys (EOS) carried out in Suriname via VSB. Suriname's high scores on indicator 6.05 (taxes) and 6.09 (prevalence of trade barriers) do not require specific actions to improve them.

Indicator Group: Goods Market Efficiency	Title with units	Description	Base Period and Source	Competitiveness Target	Action Required
6.01 Intensity of local competition	Intensity of local competition, 1–7 (best) **Score: 4.7**	How would you assess the intensity of competition in the local markets in your country? [1 = limited in most industries; 7 = intense in most industries]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Comment:*this indicator can improve if local market size increases and if SOEs are privatized (see Market Size indicator targets)*	1. Increase market size via inward migration policy 2. Privatize SOEs on IDCS list
6.02 Extent of market dominance	Extent of market dominance, 1–7 (best) **Score: 3.7**	How would you characterize corporate activity in your country? [1 = dominated by a few business groups; 7 = spread among many firms]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Comment: *this indicator can improve via growth in SMEs towards becoming larger firms*	Introduce smaller firms to productivity and competitiveness enhancing techniques to strengthen their growth prospects and capacity
6.03 Effectiveness of anti-monopoly policy	Effectiveness of anti-monopoly policy, 1–7 (best) **Score 3.4**	To what extent does anti-monopoly policy promote competition in your country? [1 = does not promote competition; 7 = effectively promotes competition]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Establish a Competition Commission by 31 December 2018	Seek technical assistance for establishing a Suriname Competition Commission

Indicator Group: Goods Market Efficiency	Title with units	Description	Base Period and Source	Competitiveness Target	Action Required
6.04 Extent and effect of taxation	Extent and effect of taxation, 1–7 (best) **Score 3.3**	What impact does the level of taxes in your country have on incentives to work or invest? [1 = significantly limits incentives to work or invest; 7 = has no impact on incentives to work or invest]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Comment: *Establishing a target would be dependent on tax reform policies of government including reforms aimed at reducing the tax burden on enterprises*	Consult with the Ministry of Finance to determine degree to which tax reform (including VAT) will affect the burden of taxation on private enterprise over the short to medium term.
6.05 Total tax rate	Total tax rate, % profits* **Score 27.9%**	This variable is a combination of profit tax (% of profits), labor tax and contribution (% of profits), and other taxes (% of profits)	2010: World Bank/International Finance Corporation, [i]Doing Business 2011: Making a Difference for Entrepreneurs [i] For more details about the methodology employed and the assumptions made to compute this indicator, please visit http://www.doingbusiness.org/methodologysurveys	Comment: Suriname's is ranked 28th on the GCI for this indicator. Therefore no action is required	No action required
6.06 Number of procedures required to start a business	Numberof procedures to start a business* **Score: 13**	Number of procedures required to start a business	2010: World Bank/International Finance Corporation, [i]Doing Business 2011: Making a Difference for Entrepreneurs[i] For details about the methodology employed and the assumptions made to compute this indicator, please visit http://www.doingbusiness.org/methodologysurveys/.	Reduce the number from 13 to 10 (ref: Recommendations in Action Plan for Doing Business Indicators)	Compare DB processes in Puerto Rico, Jamaica, Barbados) as the basis for re-design of procedures in Suriname

Indicator Group: Goods Market Efficiency	Title with units	Description	Base Period and Source	Competitiveness Target	Action Required
6.07 Time required to start a business	No. Days to start a business* **Score: 694 days**	Number of days required to start a business	2010: World Bank/International Finance Corporation, [i]Doing Business 2011: Making a Difference for Entrepreneurs [i] For details about the methodology employed and the assumptions made to compute this indicator, please visit http://www.doingbusiness.org/ methodologysurveys/.	Reduction in time taken to compete registration of companies is no more than 30 calendar days	See: Action Plan for Doing Business Indicators
6.08 Agricultural policy costs	Agricultural policy costs, 1–7 (best) **Score 3.3**	How would you assess the agricultural policy in your country? [1 = excessively burdensome for the economy; 7 = balances the interests of taxpayers, consumers, and producers]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Update the Suriname Agricultural Sector Plan 2005 – 2010 and circulate its action plan to private sector groups	1. Updating of the SASP and develop a 2013 – 2016 version*with stronger support for resolving land tenure issues* and providing private sector initiatives 2. Clearly communicate contents of new version to private sector
6.09 Prevalence of trade barriers	Prevalence of trade barriers, 1–7 (best) **Score 4.8**	Tariff and non-tariff barriers limiting ability of imported goods to compete in the domestic market? [1 = strongly limit; 7 = do not limit]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	No action required given that the GCI indicator ranks 34 out of 144 countries	No action required

Indicator Group: Goods Market Efficiency	Title with units	Description	Base Period and Source	Competitiveness Target	Action Required
6.10 Trade tariffs	Trade tariffs, % duty* **Score 10.9**	Trade-weighted average tariff rate	2010:International Trade Centre This indicator is calculated as the average of the applied tariff rates, including preferential rates that a country applies to the rest of the world. The trade pattern of the importing country's reference group (2007 data) is used as a weighting	Comment: *recommendation dependent on National Industry Policy priorities (to be defined)*	Develop National Industrial Policy, inclusive of sector priorities and tariff strategy
6.11 Prevalence of foreign ownership	Prevalence of foreign ownership, 1–7 (best) **Score 4.1**	How prevalent is foreign ownership of companies in your country? [1 = very rare; 7 = highly prevalent]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	One option is to privatize larger SOEs to Foreign Investors. Butdegree of FDI should be determined in Industrial Policy	As above
6.12 Business impact of rules on FDI	Business impact of rules on FDI, 1–7 (best) **Score 3.9**	To what extent do rules governing foreign direct investment (FDI) encourage or discourage it? [1 = strongly discourage FDI; 7 = strongly encourage FDI]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	2001 Investment Law updated i.e. modernized by 31 December 2014	Establish a review time frame and action plan for updating the Investment Law through IDCS leadership
6.13 Burden of customs procedures	Burden of customs procedures, 1–7 (best) **Score 3.4**	How would you rate the level of efficiency of customs procedures (related to the entry and exit	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	See: targets and action plan for Customs in Doing Business Action Plan (Trading Across Borders)	Improve the operational efficiency of Customs

Indicator Group: Goods Market Efficiency	Title with units	Description	Base Period and Source	Competitiveness Target	Action Required
		of merchandise) in your country? [1 = extremely inefficient; 7 = extremely efficient]			
6.14 Imports as a percentage of GDP	Imports as a percentage of GDP* **Score 51.3%**	Imports of goods and services as a percentage of gross domestic product	2010: World Trade Organization, Statistics Database: Time Series on International Trade (accessed July 4, 2011); Economist Intelligence Unit, [i]CountryData Database[i] (accessed July 4, 2011)	Comment: *improvements are subject to strategic orientation of National industrial Policy regarding range of goods produced locally.* (Suriname GCI ranking is 60th of 144 countries)	Formulate National Industrial Policy
6.15 Degree of customer orientation	Degree of customer orientation, 1–7 (best) **Score: 3.7**	How well do companies treat customers? [1 = generally treat their customers badly; 7 = are highly responsive to customers and customer retention]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Raise the perceived level of customer service from 3.7 to 5.0	Introduce "customer awareness" skills development as part of Productivity Enhancement programme

Indicator Group: Goods Market Efficiency	Title with units	Description	Base Period and Source	Competitiveness Target	Action Required
6.16 Buyer sophistication	Buyer sophistication, 1–7 (best) **Score 3.1**	In your country, how do buyers make purchasing decisions? [1 = based solely on the lowest price; 7 = based on a sophisticated analysis of performance attributes]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Comment: *This is a purchasing power-dependent question.* *Ranking dependent on improvements in GDP per capita and Gini Co-efficient*	No direct action required (perhaps "buyer education" programme).

Action Plan for Improving Suriname's GCI's Ranking

Efficiency Enhancer: 7th Pillar: Labour Market Efficiency

Suriname 2012 – 2013 Ranking: 96th of 144

The eight indicators to be addressed are summarized in Table A7 below

	7th pillar: Labor market efficiency		
7.01	Cooperation in labor-employer relations	4.1	92
7.02	Flexibility of wage determination	5.0	76
7.03	Hiring and firing practices	2.8	137
7.04	Redundancy costs, weeks of salary*	9	31
7.05	Pay and productivity	3.2	123
7.06	Reliance on professional management	4.2	69
7.07	Brain drain	3.5	64
7.08	Women in labor force, ratio to men*	0.60	115

Indicator 7.04 is a Doing Business Indicator reference. Indicator 7.08 is derived from International Labour Organization statistics. All other indicators are based on WEF/CGI Executive Opinion Surveys (EOS) carried out in Suriname via VSB. Suriname's high score on indicator 7.04 (redundancy costs) does not require specific actions to improve that metric.

Indicator Group: Labour Market Efficiency	Title with units	Description	Base Period and Source	Competitiveness Target	Action Required
7.01 Cooperation in labor-employer relations	Cooperation in labor-employer relations, 1–7 (best) **Score: 4.1**	How would you characterize labor-employer relations in your country? [1 = generally confrontational; 7 = generally cooperative]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Improve the score from 4.1 to at least 5.0 by 31 December 2018	Establish a tri-partite (government, private sector, unions) body to identify and address potential labour reforms- *especially hiring and firing practices that currently require third-party approval.*
7.02 Flexibility of wage determination	Flexibility of wage determination, 1–7 (best) **Score: 5.0**	How are wages generally set in your country? [1 = by a centralized bargaining process; 7 = up to each individual company]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Improve the score from 5.0 to 6.0 by 31 December 2018	1. As above (tripartite group). 2. Also, identify countries with higher GCI scores and examine policies used to achieve them
7.03 Hiring and firing practices	Hiring and firing practices, 1–7 (best) **Score: 2.8**	How would you characterize the hiring and firing of workers in your country? [1 = impeded by regulations; 7 = flexibly determined by employers]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Improve the score from 2.8 to 4.0 by 31 December 2018	1. As above (tripartite group). 2. Also identify countries with higher GCI scores and examine policies used to achieve them.
7.04 Redundancy costs	Redundancy costs, weeks of salary* **Score: 9 weeks**	Redundancy costs in weeks of salary: This variable estimates the cost of advance notice requirements, severance payments, and penalties due when terminating a redundant worker, expressed in weekly wages.	2009: World Bank/International Finance Corporation, [i]Doing Business 2010: Reforming Through Difficult Times [1]	No target required: Suriname scored 31st of 144 countries for this indicator on the GCI	No action required

Indicator Group: Labour Market Efficiency	Title with units	Description	Base Period and Source	Competitiveness Target	Action Required
7.05 Pay and productivity	Pay and productivity, 1–7 (best) **Score: 3.2**	To what extent is pay in your country related to productivity? [1 = not related to worker productivity; 7 = strongly related to worker productivity]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Increase the score from 3.2 to 5.0 by increasing the number of performance contracts linked to productivity (i.e. output) by the private and public sectors	VSB and KKF to provide technical training to employers and employees on the pros and cons of performance/productivity contracts. Government to hire workers on fixed-term productivity-based contracts
7.06 Reliance on professional management	Reliance on professional management, 1–7 (best) **Score: 4.2**	In your country, who holds senior management positions? [1 = usually relatives or friends without regard to merit; 7 = mostly professional managers chosen for merit and qualifications]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Increase the number of managers trained in their technical fields in the private sector (see Caribbean Growth Forum Acton Plan and Dashboard)	Continue to promote managers on the basis of meritocracy. Government to create tax credit to encourage the private sector to increase the level of professional management in firms.
7.07 Brain drain	Brain drain, 1–7 (best) **Score: 3.5**	Does your country retain and attract talented people? [1 = no, the best and brightest normally leave to pursue opportunities in other countries; 7 = yes, there are many opportunities for talented people within the country]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Comment: *reducing the brain drain dependent on 1) economic growth prospects, 2) remuneration packages and employee benefits and 3) inward migration policy adopted by Government*	See also: action plan for 10th Pillar, Market Size (below).

Indicator Group: Labour Market Efficiency	Title with units	Description	Base Period and Source	Competitiveness Target	Action Required
7.08 Female participation in labor force	Women in labor force, ratio to men* **Score: 60%**	Ratio of female participation in the labor force (%) to male participation in the labor force (%)	2009: International Labour Organization, [i]Key Indicators of the Labor Markets Net[i] (accessed 4 May 2011); national sources. This measure is the percentage of women aged 15–64 participating in the labor force divided by the percentage of men aged 15–64 participating in the labor force.	Target: a score of 70% by 31 December 2018	MINOV to access ABS employment data by gender and work classification to establish national employment trends on gender basis. MINOV-invoked policy to: 1. Increase the training of women in TVET courses 2. Increase the number of STEM graduates who are women Ministry of Community Development to: 1. Increase the provision of community support programs aimed at providing women with more (time-based) flexibility for educational purposes

Action Plan for Improving Suriname's GCI's Ranking

Efficiency Enhancer: 8th Pillar: Financial Market Development

Suriname 2012 – 2013 Ranking: 107th of 144

The eight indicators to be addressed are summarized in Table A8 below

	8th pillar: Financial market development		
8.01	Availability of financial services	3.7	123
8.02	Affordability of financial services	3.4	120
8.03	Financing through local equity market	3.1	95
8.04	Ease of access to loans	2.4	103
8.05	Venture capital availability	2.0	123
8.06	Soundness of banks	5.6	49
8.07	Regulation of securities exchanges	3.3	116
8.08	Legal rights index, 0–10 (best)*	5	89

Indicator 8.09 is a Doing Business Indicator reference. All other indicators are based on WEF/CGI Executive Opinion Surveys (EOS) carried out in Suriname via VSB. Suriname's high score on indicator 8.06 (soundness of banks) does not require specific actions to improve them.

Indicator Group: Financial Market Development	Title with units	Description	Base Period and Source	Competitiveness Target	Action Required
8.01 Availability of financial services	Availability of financial services, 1–7 (best) **Score: 3.7**	Does the financial sector in your country provide a wide variety of financial products and services to businesses? [1 = not at all; 7 = provides a wide variety]	2010 -11 weighted average: World Economic Forum, Executive Opinion Survey	Increase score from 3.7 to 5.0	1. Meet with private sector to identify missing elements of financial services. 2. Meet with bankers to evaluate feasibility of provision of missing financial products and services. 3. Establish an action plan to introduce more financial products to market. 4. Review financial services offered by best performing comparator countries
8.02 Affordability of financial services	Affordability of financial services, 1–7 (best) **Score: 3.4**	To what extent does competition among providers of financial services in your country ensure the provision of financial services at affordable prices? [1 = not at all; 7 = extremely well]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Comment: affordability is a factor of 1) market size, 2) degree of liberalization of financial sector and 3) central bank "deposit reserve" policy	1. Hold discussions with Central Bank on reducing the SRD and USD reserve requirements of commercial banks. 2. Improve the quality and availability of SME financial information provided to banks (draft a new Accountancy Act requiring improved financial reporting by private sector 3. Support training of entrepreneurs to prepare better business plans
8.03 Financing through local equity market	Financing through local equity market, 1–7 (best) **Score: 3.1**	How easy is it to raise money by issuing shares on the stock market in your country? [1 = very difficult; 7 = very easy]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Increase the score from 3.1 to 4.0 by 31 December 2018	Develop and implement training programs aimed at increasing the larger private sector's understanding of how to issue shares on the Suriname Stock Exchange (there are only 11 companies listed on the Exchange).
8.04 Ease of access to loans	Ease of access to loans, 1–7 (best) **Score: 2.4**	Obtain a bank loan in your country with only a good business plan and no collateral? [1 = very difficult; 7 = very easy]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Increase score from 2.4 to 4.0: See DB Action Plan recommendations on "Getting credit"	1. Design and set up credit bureau. 2. Improve quality and availability of SME financial information (Accountancy Act) 3. Support training of entrepreneurs to prepare better business plans

Indicator Group: Financial Market Development	Title with units	Description	Base Period and Source	Competitiveness Target	Action Required
8.05 Venture capital availability	Venture capital availability, 1–7 (best) **Score: 2.0**	In your country, how easy is it for entrepreneurs with innovative but risky projects to find venture capital? [1 = very difficult; 7 = very easy]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Increase the score from 2.0 to 4.0 by 31 December 2018	1. Review and draft improvements to legislation that will create incentives for the creation of venture capital companies (Drum Report on "Improving Access to Finance for SMEs"). 2. Establish a Venture Capital Investment Fund for SMEs.
8.06 Soundness of banks	Soundness of banks, 1–7 (best) **Score: 5.6**	How would you assess the soundness of banks in your country? [1 = insolvent and may require a government bailout; 7 = generally healthy with sound balance sheets]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	No action required since Suriname GCI ranking is 49th of 144 countries	No action required
8.07 Regulation of securities exchanges	Regulation of securities exchanges, 1–7 (best) **Score: 3.3**	How would you assess the regulation and supervision of securities exchanges in your country? [1 = ineffective; 7 = effective]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Increase the score from 3.3 to 5.0 by 31 December 2018	Enact a new capital markets law governing the licensing, supervision and corporate governance of securities market participants (Drum Report on "Improving Access to Finance for SMEs"
8.08 Legal rights index	Legal rights index, 0–10 (best)* **Score: 5**	Degree of legal protection of borrowers and lenders' rights on a 0–10 (best) scale	2010: World Bank/International Finance Corporation, [i] Doing Business 2011: Making a Difference for Entrepreneurs [i].	Target already established for improving score from 5 to 6 under DB Action Plan	See: action plan for Doing Business Indicators: CUS to engage Central Bank on collateral registry initiative

Action Plan for Improving Suriname's GCI's Ranking

Efficiency Enhancer: 9th Pillar: Technological Readiness

Suriname 2012 – 2013 Ranking: 105th of 144

The seven indicators to be addressed are summarized in Table A9 below

	9th pillar: Technological readiness		
9.01	Availability of latest technologies	4.3	110
9.02	Firm-level technology absorption	4.1	121
9.03	FDI and technology transfer	3.7	130
9.04	Individuals using Internet, %*	32.0	83
9.05	Broadband Internet subscriptions/100 pop.*	4.5	76
9.06	Int'l Internet bandwidth, kb/s per user*	4.7	109
9.07	Mobile broadband subscriptions/100 pop.*	0.0	128

Indicators 9.04, 9.05, 9.06, and 9.07 are International Telecommunications Union referenced. All other indicators are based on WEF/CGI Executive Opinion Surveys (EOS) carried out in Suriname via VSB.

Indicator Group: Technological Readiness	Title with units	Description	Base Period and Source	Competitiveness Target	Action Required
9.01 Availability of latest technologies	Availability of latest technologies, 1–7 (best) **Score: 4.3**	To what extent are the latest technologies available in your country? [1 = not available; 7 = widely available]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Increase the score from 4.3 to at least 5.0 by 31 December 2018	Increase the awareness of the value of usage of ICT products in e-commerce by offering ICT internet-based upgrading to hotels, exporters and SMEs (currently only 11% of firms have their own Websites)
9.02 Firm-level technology absorption	Firm-level technology absorption, 1–7 (best) **Score: 4.1**	To what extent do businesses in your country absorb new technology? [1 = not at all; 7 = aggressively absorb]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Increase the score from 4.1 to 5.0 by 31 December 2018	1.Increase the share of firms using technology licensed from foreign companies 2.Increase the availability of Programming training courses to students in Suriname (e.g. National School Connectivity Plan)
9.03 FDI and technology transfer	FDI and technology transfer, 1–7 (best) **Score: 3.7**	To what extent does foreign direct investment (FDI) bring new technology into your country? [1 = not at all; 7 = FDI is a key source of new technology]	2010–11 weighted average: World Economic Forum, Executive Opinion Survey	Increase the score from 3.7 to 4.7 by 31 December 2018	Include Technology Transfer provisions in National Industrial Policy to encourage closer linkages between Foreign Investor and local (supplier and service provider) companies
9.04 Internet users	Internet users/100 pop*. **Score: 32% (2004 indicator?)**	Percentage of individuals using the Internet: [i]Internet users[i] refer to people using the Internet from any device (including mobile phones) in the last 12 months.	International Telecommunication Union, [i]World Telecommunication/ICT Indicators 2011[i] (June 2011 edition)	Increase percentage of internet users from 32% to 50% by 31 December 2018	1. TAS to create incentives to encourage entry of more internet providers to drive prices down and stimulate higher usage. 2. Accelerate the provision of e-Government services to the public 3. Develop a policy of universal adoption of computer labs and internet services in all schools (87% of primary schools have no access)

Indicator Group: Technological Readiness	Title with units	Description	Base Period and Source	Competitiveness Target	Action Required
9.05 Broadband Internet subscriptions	Broadband Internet subscriptions/100 pop.* **Score: 4.5**	Number of fixed broadband Internet subscriptions per 100 population: Total fixed (wired) broadband Internet subscriptions refer to subscriptions to high-speed access to the public Internet (a TCP/IP connection), at downstream speeds equal to, or greater than, 256 kb/s. This can include, for example, cable modem, DSL, fiber-to-the-home/building, and other fixed (wired) broadband subscriptions. This total is measured irrespective of the method of payment. It excludes subscriptions that have access to data communications (including the Internet) via mobile cellular networks.	2010: International Telecommunication Union, [i]World Telecommunication/ICT Indicators 2011[i] (June 2011 edition)	Increase score from 4.5 to 5.5 by 31 December 2018	1. Telecommunications Authority Suriname (TAS) to create incentives to encourage entry of more competitors, particularly in Wi-Fi technologies; thereby driving prices down to encourage greater uptake by consumers and the private sector. 2. GoS to increase commercial internet usage by increasing the supply of educated IT professionals in Suriname via Government support for private training schemes (by providing well-designed training incentives for firms through fiscal incentives, matching grants or subsidies as appropriate)

Indicator Group: Technological Readiness	Title with units	Description	Base Period and Source	Competitiveness Target	Action Required
9.06 Internet bandwidth	Internet bandwidth, kb/s/capita* **Score: 4.7**	International Internet bandwidth (kb/s)/capita: [i]Internet bandwidth[i] is measured as the sum of capacity of all Internet exchanges offering international bandwidth. The data were rescaled for the sake of readability. The capacity is measured in kilobits per second (kb/s) per capita.	2010: International Telecommunication Union, [i]World Telecommunication/ICT Indicators 2011[i] (June 2011 edition)	Increase the score from 4.7 to 5.7 by 31 December 2018	TAS to increase the capacity of all internet exchanges offering international bandwidth by encouraging more internet providers in the market place
9.07 Mobile Broadband Subscriptions	Mobile Broadband Subscriptions/100 pop **Score: 0.0**	Number of broadband subscriptions per 100 population	2010: International Telecommunication Union, [i]World Telecommunication/ICT Indicators 2011[i] (June 2011 edition	Note: actual baseline number for 2012 needs to be determined before setting competitiveness target	Government to encourage mobile service providers to reduce the costs of their mobile broadband services to customers

Action Plan for Improving Suriname's GCI's Ranking

Efficiency Enhancer: 10th Pillar: Market Size

Suriname 2012 – 2013 Ranking: 105th of 144

The seven indicators to be addressed are summarized in Table A9 below

	10th pillar: Market size		
10.01	Domestic market size index, 1–7 (best)*	1.4	140
10.02	Foreign market size index, 1–7 (best)*	2.7	129

Indicators 9.04, 9.05, 9.06, and 9.07 are International Telecommunications Union referenced. All other indicators are based on WEF/CGI Executive Opinion Surveys (EOS) carried out in Suriname via VSB.

Indicator Group: Market Size	Title with units	Description	Base Period and Source	Competitiveness Target	Action Required
10.1 Domestic market size index	Domestic market size index, 1–7 (best)* **Score: 1.4**	Sum of gross domestic product plus value of imports of goods and services, minus value of exports of goods and services, normalized on a 1–7 (best) scale: The size of the domestic market is calculated as the natural log of the sum of the gross domestic product valued at PPP plus the total value (PPP estimates) of imports of goods and services, minus the total value (PPP estimates) of exports of goods and services. Data are then normalized on a 1–7 scale. PPP estimates of imports and exports are obtained by taking the product of exports as a percentage of GDP and GDP valued at PPP.	2010: Authors' calculation. For more details refer to Appendix A in Chapter 1.1 of this [i]Report[i].	Increase the score from 1.4 to 2.0 by 31 December 2018	1. Increase consumption by increasing Suriname's population base through an inward migration policy. Preliminary estimate is that of 5,000 immigrants per year. 2. Increase consumption by implementation of social transfers to poor (via a social equity programme).

Indicator Group: Market Size	Title with units	Description	Base Period and Source	Competitiveness Target	Action Required
10.2 Foreign market size index	Foreign market size index, 1–7 (best)* **Score: 2.7**	Value of exports of goods and services, normalized on a 1–7 (best) scale: The size of the foreign market is estimated as the natural log of the total value (PPP estimates) of exports of goods and services, normalized on a 1–7 scale. PPP estimates of exports are obtained by taking the product of exports as a percentage of GDP and GDP valued at PPP.	2010: Authors' calculation. For more details refer to Appendix A in Chapter 1.1 of this [i]Report[i].	Increase the score from 2.7 to 3.0	1. Increase growth in export by expanding investments in oil and gold sectors and by expanding the range of manufactured and agricultural products exported from Suriname. 2. Implement Productivity Enhancement Programme (providing networking advice, finance and technical support to exporters)

Appendix 4. Background to Suriname's Competitiveness Challenges

A4.1 The Competitiveness Landscape

There are three approaches to competitiveness that have emerged over the last two decades:

- **The Real Exchange Rate,** which, in combination with domestic economic policies, achieves internal and external balance. An appreciation of the real exchange rate is a loss while depreciation is an improvement in international competitiveness.

- **Business Strategist approach** is based on four interrelated factors: firm strategy, structure and rivalry, demand conditions, related supporting industries and factor conditions (e.g. skilled labour, capital and infrastructure). The government is a facilitator encouraging firms to become competitive and creating the environment that enables firms to increase productivity and become competitive. Typically measured by the World Economic Forum Index & Doing Business.

- **Technology and Innovation approach**that is the introduction of new products and technologies through joint ventures, new licencing agreements, intra-firm organizational changes, and opening new plants that is new-to-firm innovation.

In the case of Suriname, the 20 percent devaluation in January 2011 is likely to have placed the current exchange rate within the equilibrium band**.**Therefore, the exchange rate is broadly in line with medium-term macroeconomic fundamentals. With solid management by the Central Bank of Suriname, the country is unlikely to experience significant imbalances in this area over the medium term.

In recent years the Business Strategist approach has been almost universally adopted by emerging economies and, in particular, developing countries. This approach embraces globalization and the neoclassical models of economic development promoted by the Washington Consensus (the larger development agencies that provide policy advice and promote perfect competition worldwide). It is founded on the theory that competiveness is a combination of facilitating government institutions that have invoked reforms aimed at providing highly efficient support services to the private sector, an alignment of education with labour market needs, the updating of laws ensuring property rights, and an increase in transparency and good governance.

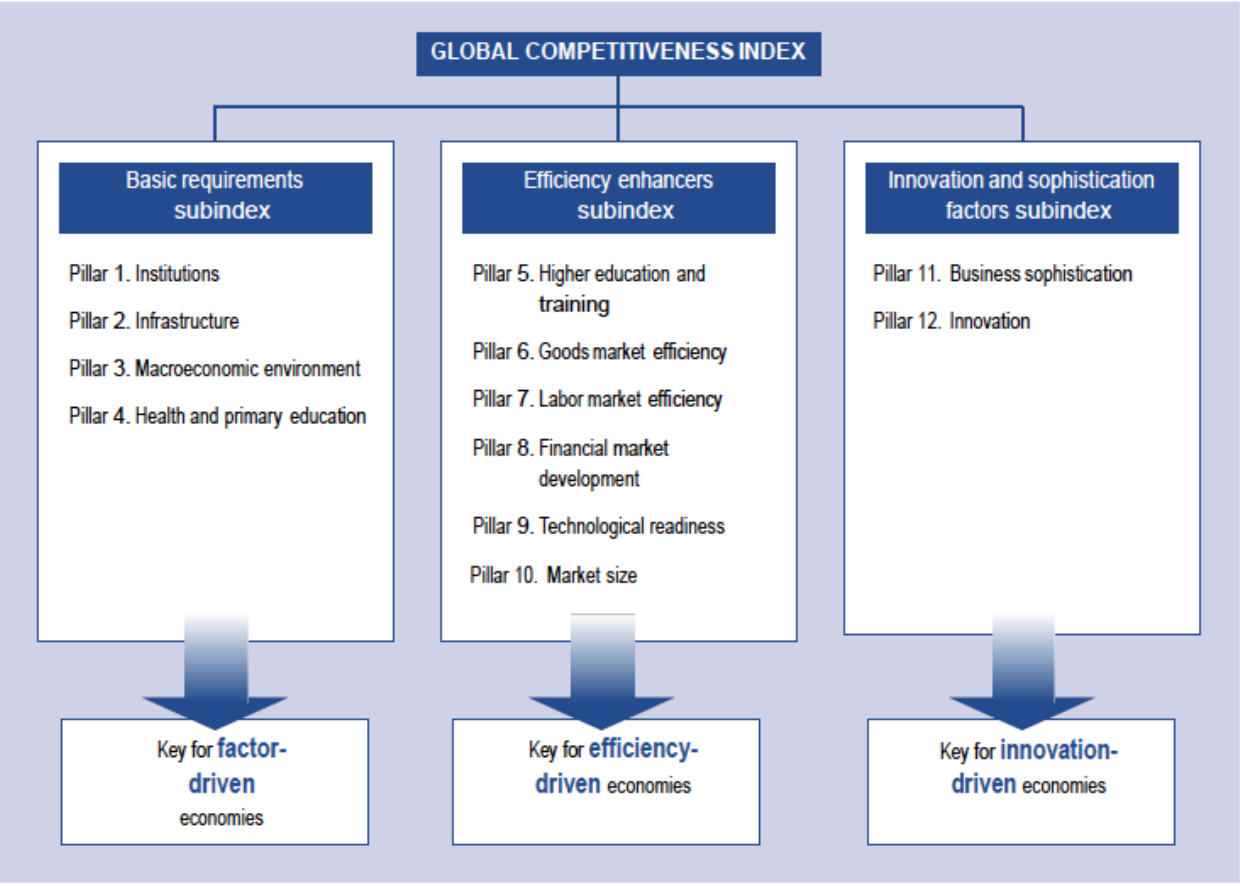
The technology and innovation approach is based on increasing levels of evidence that countries seldom grow rich by producing the same things more productively. To do so they must change what they produce: new economic activities that are more productive and thus are able to pay higher wages[31]. Such strategies are the impetus behind countries overcoming the "middle income trap". To do so requires concerted efforts to improve the effectiveness of a country's National Innovation System - *that set of distinct institutions which jointly and individually contribute to the development and diffusion of new technologies and which provides the framework within which governments form and implement policies to influence the innovation process. As such it is a system of interconnected institutions to create, store and transfer the knowledge, skills and artifacts that define new technologies*

[31]Policies for Achieving Structural Transformation in the Caribbean by Richardo Hausmann and Bailey Klinger. IDB 2009

A4.2 The Global Competitiveness Index's Methodological Framework

The World Economic Forum (WEF) has been at the forefront of national competitiveness analysis for the past three decades, working with leading academics and continuously incorporating relevant new findings of theoretical and empirical economic literature into its work. The Global Competitiveness Index (GCI) was introduced in 2004 as a state-of-the-art, comprehensive methodological framework to assess the set of institutions, policies, and factors that determine national levels of productivity across more than 130 economies. The Index identifies a large number of macro- and micro-economic drivers of growth, analyzing a total of 113 indicators. The GCI builds on the awareness that competitiveness is a complex phenomenon that cannot be explained by one or two factors exclusively. On the contrary, competitiveness—and hence sustained growth - is driven by the inter-relationships of several diverse elements. The GCI methodological framework groups all these elements into 12 Pillars of Competitiveness, as shown in Table 1 and detailed below:

Table A4.1: The 12 Pillars of Competitiveness in the GCI[32]



[32] Source: Sala-i-Martin et al., 2009.

1. The institutions pillar gauges the quality of 1) public administration, and overall security situation in a given economy and 2) private institutions, in terms of their corporate ethics and accountability.

2. The infrastructure pillar measures the quality and extensiveness of roads, railroads, air transport, and telecommunications, as well as the efficiency of port and electricity supply.

3. The macroeconomic stability pillar captures hard data indicators, notably the government budget balance and debt, inflation, the interest rate spread, and the national savings rate.

4. The health and primary education pillar comprises two sub-pillars: basic health standards and the quantity as well as quality of primary education.

5. The higher education and training pillar includes two sub-pillars: one measures enrollment levels at the secondary and tertiary levels and the quality of higher education, and the other measures the extent of vocational and on-the-job training.

6. This pillar is divided into two sub-pillars, analyzing respectively the extent to which government interventions create distortions (including through agricultural policies, antimonopoly policies, taxation, and red tape) and the intensity of competition, as well.

7. The labour market efficiency pillar assesses the flexibility of the labor market in each country and the extent to which it fosters the efficient use of talent.

8. The financial market sophistication pillar consists of two sub-pillars that gauge first the efficiency of the financial system and second its soundness and trustworthiness. It analyzes variables such as the ease of obtaining bank loans, the soundness of banks, the ease of raising money on the local stock market, and the availability of venture capital.

9. The technological readiness pillar measures the extent to which countries leverage technologies and knowledge available in the country irrespective of their origin, with a special emphasis on ICT penetration and usage.

10. The market size pillar includes both domestic and foreign markets, therefore giving credit to export-oriented economies and geographic areas - such as the European Union (EU) or the Caribbean Community (CARICOM) Single Market and Economy - that comprise many countries but have one common trade policy and market.

11. The business sophistication pillar measures micro-economic factors that are particularly important for firms and countries high on the value chain and close to the technological frontier.

12. The innovation pillar captures measures of the innovation potential of a given country, as well as a measure of innovation outputs e.g. the number of registered utility patents per capita.

A4.3 Classification of CARICOM Countries into Stages of Development

Table 2 below provides a synopsis of the GCI comparative classification of four CARICOM countries according to the Index's "Stages of Development" barometers (i.e. factor driven; efficiency driven; and innovation driven).

Table A4.2: Classsification of selected CARICOM countries into Stages of Competitive Development

Stages of Development	Caricom Countries and Comparators	Other countries in this stage	Important areas for competitiveness
Stage 1(factor-driven) **Income of < US$2,000**	**Guyana**	India, Madagascar, Honduras, Nigeria, Pakistan, Phillipines	Basic Requirements (critical) and Efficiency Enhancers (very important)
Transition from 1 to 2 **Income of $2,000 - $3,000**	**Jamaica**	Algeria, Egypt, Guatemala, Paraguay, Saudi Arabia, Venezuela	Basic Requirements (critical) and Efficiency Enhancers (increasingly important)
Stage 2 (efficiency-driven) **Income of $3,000 - $9,000**	**Suriname**, Costa Rica, Dominican Republic, Panama, Mauritius	Argentina, Brazil, Peru, South Africa, Thailand	Basic Requirements (very important) and Efficiency Enhancers (critical)
Transition from 2 to 3 **Income of $9,000 - $17,000**	**Barbados**	Chile, Coratia, Mexico, Russian Federation, Turkey, Uruguay	Same as above, but innovation factors become increasingly important
Stage 3 (innovation-driven) **Income > $17,000**	**Trinidad and Tobago**, Cyprus, Ireland, Malta	Hong Kong SAR, Iceland, Israel, Taiwan, China, USA	All three areas important: Basic Requirements, Efficiency Enhances, and Innovation Factors

Source: Measuring the Competitiveness of Selected CARICOM Countries. IADB. 2009

In the factor-driven stage, countries and firms compete based on their factor endowments, primarily low-cost labor and natural resources, and their economies are centered on commodities and/or basic manufactured products. Efficient public and private institutions (pillar 1), extensive and well-functioning infrastructure (pillar 2), good macroeconomic fundamentals (pillar 3), and a healthy and literate labor force (pillar 4) are critical elements for national competitiveness at this stage.

As economies move up the development ladder to the intermediate, efficiency-driven stage, long-term growth increasingly depends on efficient factor markets and production processes and practices at the firm level. Key competitiveness drivers in this stage are quality higher education and training systems (pillar 5), efficient markets for goods and services (pillar 6), flexible labor markets (pillar 7), sophisticated and sound financial markets (pillar 8), a large domestic and/or foreign market that allows for economies of scale (pillar 9), and the ability to leverage existing technologies, notably Information and Communication Technology (ICT), in the national production system (pillar 10). In the third and most advanced innovation-driven stage of development, competitiveness is still driven to a large extent by efficient markets and production processes; however the capacity to produce new and innovative products becomes increasingly important. At this point, a large innovation potential (pillar 12) and the use of sophisticated production processes (pillar 11) are the crucial competitiveness enhancers.

Economies are allocated to the different stages of development according to their GDP per capita at market exchange rates, which is used as a proxy for wages. This criterion is then complemented by a second one measuring the extent to which countries are factor driven, using as a proxy the share of exports of mineral products as a share of total exports (goods and services) over the 2003–07 period. It is assumed that countries that export more than 70 percent of mineral products are to a large extent factor driven. The countries falling between two of the three stages are defined as "in transition."

CARICOM economies are each in a different stage of development, with Guyana, Suriname, and Trinidad and Tobago in stages 1, 2, and 3, respectively, and Jamaica and Barbados in transition from stage 1 to 2 and 2 to 3, respectively. Hence, despite their geographic proximity, the factors driving their competitiveness are quite different depending on the specific economy.

A4.4 The Competitiveness Unit Suriname (CUS)

The CUS was established in June 2012 under the Kabinet of the Vice President to oversee implementation of the Suriname's Competitveness Enhancement Program. The program is partially funded by the Inter-American Development Bank (IADB) and the Government of Suriname. Chart A4.1, below, highlights the Unit's emphasis on four thematic issues: 1) Business Climate Reform, 2) Innovation and Industrial Policy, 3) Law and Governance and 4) Human Capital Development.

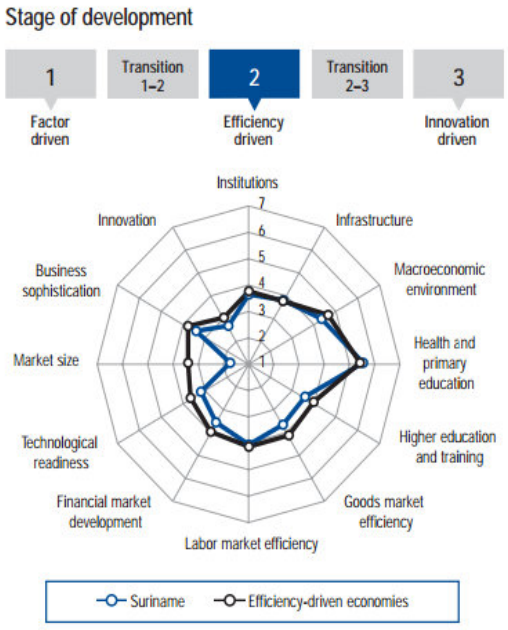
The Unit has a staff of two senior managers and four young professionals and has initiated a number of information gathering activities including 1) a field-trip to Panama to develop a better understanding of that country's competitiveness strategy and 2) attendance at the Regional Inter-American Competitiveness Network Annual Meeting in October 2012 in Chile. The main tasks of the CUS are to 3) Coordinate Government actions to strengthen National Competitiveness; 4) Identify priority economic growth sectors; 5) Develop a Private Sector Development Roadmap; 6) Develop/ Monitor Doing Business Agenda and 7) Develop/ Monitor National Competitiveness Strategy and Action Plan.

A4.5 Suriname's Competitiveness: strengths and weaknessess

A range of competitiveness issues needs to be addressed if Suriname is to maximize its economic development potential. The importance of this agenda has been well established in a range of recent diagnostic reports including the 2012-2013 Global Competitiveness (GCI) Report, the 2013 World Bank Group Doing Business Report, the 2010 World Bank Enterprise Survey and the 2012Compete Caribbean Private Sector Assessment Report (PSAR). Table A4.3 below summarized Suriname's 2012 – 2013 Competitiveness Ranking and Stage of Development in the Global Competitiveness Report published by the World Economic Forum.

The Global Competitiveness Index

	Rank (out of 144)	Score (1–7)
GCI 2012–2013	**114**	**3.7**
GCI 2011–2012 (out of 142)	112	3.7
GCI 2010–2011 (out of 139)	n/a	n/a
Basic requirements (40.0%)	**83**	**4.3**
Institutions	93	3.6
Infrastructure	79	3.7
Macroeconomic environment	96	4.3
Health and primary education	82	5.5
Efficiency enhancers (50.0%)	**124**	**3.3**
Higher education and training	102	3.6
Goods market efficiency	128	3.7
Labor market efficiency	96	4.1
Financial market development	107	3.6
Technological readiness	105	3.2
Market size	139	1.7
Innovation and sophistication factors (10.0%)	**117**	**3.0**
Business sophistication	112	3.4
Innovation	124	2.6



Suriname ranks 114th out of 144 countries in the 2012 – 2013 GCI. It is assessed as second to last in competitiveness in the region, before Guyana. Since its independence in 1975, Suriname's turbulent history has severely constrained the country's development. However, strong commodity prices — accompanied by sounder policies — have put the country on a more favorable growth path.

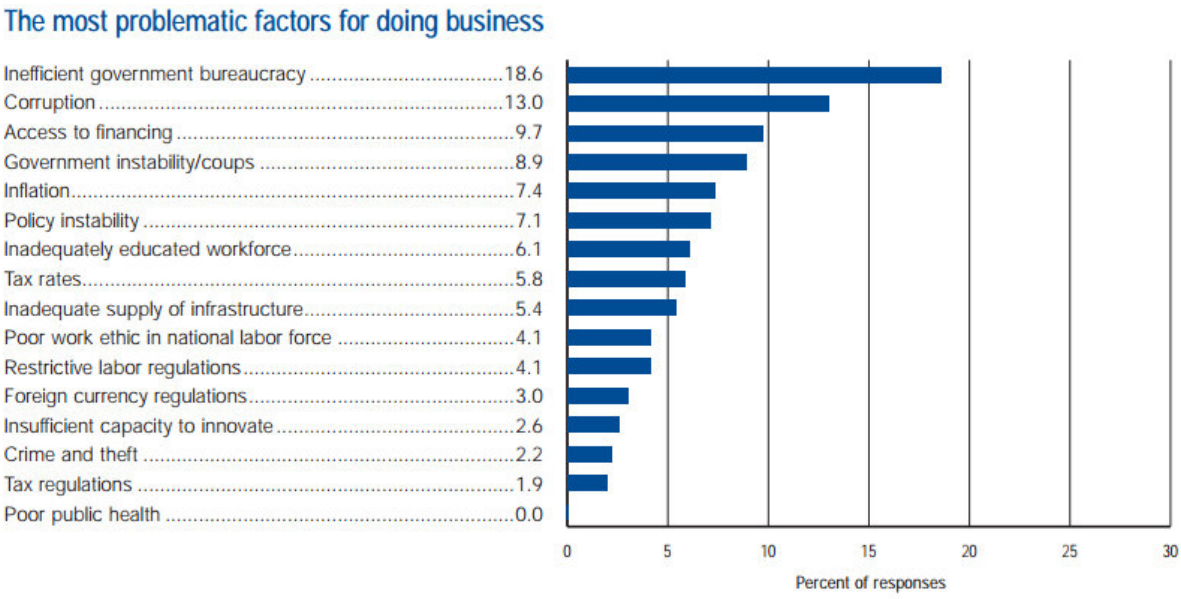
Significant improvements have been realized in recent years, which enabled the country to move up to 103rd in 2008/09 rankings. However, as a larger number of competing countries have adjusted their competitiveness rankings faster than Suriname, it has slipped from a ranking of 103rd in 2008/2009 to 114th in 2012/2013.

Suriname's strengths and weaknesses become particularly apparent when benchmarked against the averages of those at the efficiency-driven stage of development.

Suriname ranks 96th with respect to macroeconomic stability, the second best rating among the five CARICOM countries in Table 2, after Trinidad and Tobago, one of the two other resource exporting countries in the group. Aided by high commodity prices and sounder policies, the macroeconomic environment has gradually stabilized in recent years. Suriname's public finances were put on stronger footing with the government running a budget surplus in 2007. Containing spending and a reform of tax collection that raised revenue, as well as the introduction of excise taxes achieved this. Also, inflation has been contained after surging to double-digit levels in 2008 as a result of accelerated credit growth.

Another area of strength for Suriname is health and primary education (82nd). But the fairly poor health conditions of the population are partially offset by the good results achieved for primary education in terms of both enrolment and quality. The improvements have been impressive since the early Nineties. In 2012/2013, 88% of all children attended primary schools compared to 78% in 1990–91. Still, the health conditions remain worrying despite some improvements reflected in reduced infant mortality and higher live expectancy. Tuberculosis, HIV/AIDS, and malaria are fairly widespread (105th, 105th, and 108th, respectively), and in particular HIV/AIDS creates significant costs for businesses (107th).The quality and availability of infrastructure has registered the largest improvement since 2008/09, moving up by 20 positions to 79th overall among the pillars of the GCI. The quality of infrastructure for ports has improved to 42nd for seaports and 99th for air transport, respectively.

Suriname is also addressing some specific issues relating to the business-enablingenvironment that had constrained business activity in the past: Some regulations have been streamlined to make it less burdensome for business (94th). But transparency of policymaking needs to be improved (121st), and the legal framework strengthened to allow for challenging regulations and settling disputes among businesses (115th and 116th, respectively). When asked about the most problematic factors for doing business (Table A4.4, below), Surinamese business leaders highlighted inefficient government bureaucracy as the most important issue by far, with 18.6% of all responses, followed by corruption (13%),and access to finance (9.7%).



Against these developments a number of serious shortcomings related to other areas captured by the GCI persist in Suriname. These will have to be addressed for the country to move ahead.

The most significant challenge for Suriname is to restore the efficiency of the goods, financial sector development, and market size. Suriname performs poorly in all three areas, ranked 128th, 107th, and 139th respectively.

Domestic competition is limited to relatively few companies that dominate markets for goods and services (76th), a situation that is aggravated by a largely ineffective anti-monopoly policy (118th). At the same time, the entry of new businesses that could increase competitive pressure is heavily restricted through administrative and regulatory barriers to entry. Moreover, the country is protected from foreign competition by barriers to trade (111th) and to entry of foreign direct investment (115th), which has limited the country's ability to fully leverage its significant potential for attracting FDI.

Reforming labor markets would require alleviating the country's significant and persistent rigidities. Presently, *it is cumbersome and costly to hire and fire employees in Suriname, and the relationships between labor and employers are prone to conflict*. Moreover, meritocracy has not taken root in the country's business culture, resulting in a loss of efficiency of employees. Hiring and firing practices (137th), pay and productivity (123rd) and to foster female participation in the labor force (115th) could significantly improve the availability of skilled and motivated talent to business.

*The two areas where Suriname lags behind its peers by the highest margin is 1) market size, where it is ranked 139th of 144 countries; and 2)*the strength of investor protection, at 141st out of 144.

As a middle-income economy of approximately 538,500 persons, the domestic market size is small in Suriname. Further developing trade in goods and services would benefit the country because it would intensify competition among domestic businesses and could enable them to realize economies of scale, hence partially offsetting the disadvantages of the country's small domestic market size.

In the case of technological readiness, Suriname's FDI and technology transfer ranks 130th of 144 countries. In the shorter term, fostering technological readiness could provide additional advantages. Given Suriname's stage of development and the need to diversify the economy to make it more resilient to commodity price variations, it is important that the country fully makes use of existing technologies for increased development. The country's business sector does not appear to leverage the latest technologies for competitiveness through licensing or FDI, although it does somewhat better with respect to using ICT.

Suriname's ranking in the World Bank's Doing Business Report for 2013 is similar to that of the GCI 2012 – 2013 report: overall, Suriname has slipped from 155th in 2009 to 164th of 185 countries in 2013. The Doing Business Report focusses mostly on regulatory issues and reflects the most problematic factor for doing business of "inefficient government bureaucracy" – as noted in Table 2 above. The DB rankings, like the GCI are also relative – which means that a country's ranking can be lowered even if it does nothing to improve its performance given that other countries are also moving to improve their own rankings annually.

A4.6 Limitations of competitiveness rankings

It may be useful to ask: do competitiveness rakings – and the growing obsession of numerous developing countries with improving their rankings on the GCI - actually lead to increased valued addition and (increased) economic prosperity nationally?

Globally, while there is close to wholesale buy-in to the GCI model, empirical evidence suggests that the rankings actually mask other more pivotal variables that influence both value addition and prosperity. In *"One Economics, Many Recipes: Globalization, Institutions and Economic Growth",* Dani Rodrik questions the logical assumption that improved rankings are a reflection of the two crucial barometers (increased value addition and resulting economic prosperity) of developing countries[33]. In relatively thorough analyses of emerging market conditions and performance Rodrik concludes that deliberately structured – and therefore distorted – industrial policy was the driving force behind East Asia's closing of the productivity convergence gap between Eastern and Western countries. Table A4.5, below provides a poignant snapshot of the differences between polices proposed by the Washington Consensus (i.e. neoclassical economic theory as the "mainstream ideal") and those used in East Asia (i.e. actual economic policy).

Institutional Domain	*Mainstream Ideal*	*"East Asian" Pattern*
Property rights	Private, enforced by the rule of law	Private, but government authority occasionally overrides the law (esp. in Korea)
Corporate governance	Shareholder ("outsider") control, protection of shareholder rights	Insider control
Business-government relations	Arm's length, rule based	Close interactions
Industrial organization	Decentralized, competitive markets, with tough antitrust enforcement	Horizontal and vertical integration in production (*chaebol*); government-mandated "cartels"
Financial system	Deregulated, securities based, with free entry. Prudential supervision through regulatory oversight.	Bank based, restricted entry, heavily controlled by government, directed lending, weak formal regulation
Labor markets	Decentralized, deinstitutionalized, "flexible" labor markets	Lifetime employment in core enterprises (Japan)
International capital flows	"Prudently" free	Restricted (until the 1990s)
Public ownership	None in productive sectors	Plenty in upstream industries

Source: "One Economics: Many Receipes, Globalization, Institutions and Economic Growth"

Rodrik concludes that the failure of many Latin American countries to use similar selective approaches had resulted in a *widening* of the convergence gap in recent years. African countries, even in the face of sustained economic growth, are also experiencing a widening of that gap when compared with developed nations – mainly because of their failure to increase productivity in the manufacturing sector[34]. The issue of low productivity in manufacturing sectors of developing countries is also highlighted by Ganeshan Wignaraja in"*Competitiveness Strategies for Developing Countries – a manual for policy analysis"*and by Sanjaya Lall in "*Competitiveness, FDI and Technological Activity in East Asia".*

[33]Rodrik, D. One Economics, Many Recipes: Globalization, Institutions and Economic Growth, Princeton University Press, 2007.
[34]The Future of Economic Convergence by Dani Rodrik, Harvard University Press, August 2011

Another underlying assumption is that improvements in the Doing Business environment are logically linked to more FDI – leading to greater technology transfer and value addition in the recipient country[35].

So what is the correlation between a country's Doing Business Ranking and Foreign Direct Investment levels? Based on 2004 to 2011 rankings and FDI in those years a study concluded that the correlations between the two indicators for developed countries was quite low (0.33) whereas the correlation was 0.61 for developing countries[36]. Improvements are especially strong in "starting a business" and"closing a business" and "protecting investor rights" indicators. The conclusion is that improvements in "doing business" can be one importantfactor attracting more FDI inflows to developing countries.

In *"The Age of Productivity – Transforming Economies from the Bottom Up"*, the authors point out that low economic growth in Latin America and the Caribbean (LAC) region is not a factor of (limited) Foreign Direct Investment (FDI). Instead, it is due primarily to low productivity growth. Furthermore the study postulates that the region could greatly accelerate its economic growth andclose the income per capita gap with policies that promote better ways of using existing resources[37]. For instance, a typical Latin American country could have increased income per capita by 54% since 1960 if its productivity had grown like the developed world. Consequently, income per capita in this typical country would have almost doubled if its productivity were close to full potential. According to the authors, productivity can be improved by a combination of the following measures:

1) Reducing transportation costs via improvements in the efficiency of the transportation sector, theregulatory framework of ports and airports, and improvinginfrastructure.

2) Deepening credit markets by improving property registries and creditor rights protection, andwith better supervision and financial regulation.

3) Improving tax regimes by simplifying tax regimes for all firms and reducing evasion.

4) Improving social security by developing less distortive ways of providing universal access, cutting links with type of employment and avoiding parallelprograms only for the informal (sector).

5) Better Micro and Small Firms policy by aiming to help productive firms to grow, or low productivity firmsto become medium productivity firms and evaluating such support programs.

6) Promoting innovation: fostering innovation and improving links between firms and research centers;

7)Introduction of proactive but restrained industrial policy.

In summary, the reality is that (higher) GCI rankings are necessary preconditions or "best practice ground rules" for creating an environment that is conducive to FDI and prospects for increasing added value. But on their own - and without selective industrial policies aimed at "steering" the economy towards value adding activities – improving a country's GCI ranking should not be expected to lead to greater prosperity. As Rodrik points out … "for countries trying to dig out of poverty, success usually requires following policies that are tailored to local economic and political realities rather than obeying the dictates of the international globalization establishment".

[35]The World Bank's Doing Business Ranking is closely aligned with the annual GCI rankings

[36]Foreign Direct Investment and Ease of Doing Business: Before, During and After the Global Crisis. Nihal Bayraktar Pennsylvania State University – Harrisburg, June 27, 2011.

[37]Pages, Carmen ed., The Age of Productivity, Inter-American Development Bank, Washington, D.C., 2010.

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