

WANTED: Innovative and Productive Entrepreneurs for a Sustainable Suriname

A CET Knowledge Product
Country Office Suriname

The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the Inter-American Development Bank, its Board of Directors, or the countries they represent.

The unauthorized commercial use of Bank documents is prohibited and may be punishable under the Bank's policies and/or applicable laws.

Copyright © Inter-American Development Bank. All rights reserved; may be freely reproduced for any non-commercial purpose.



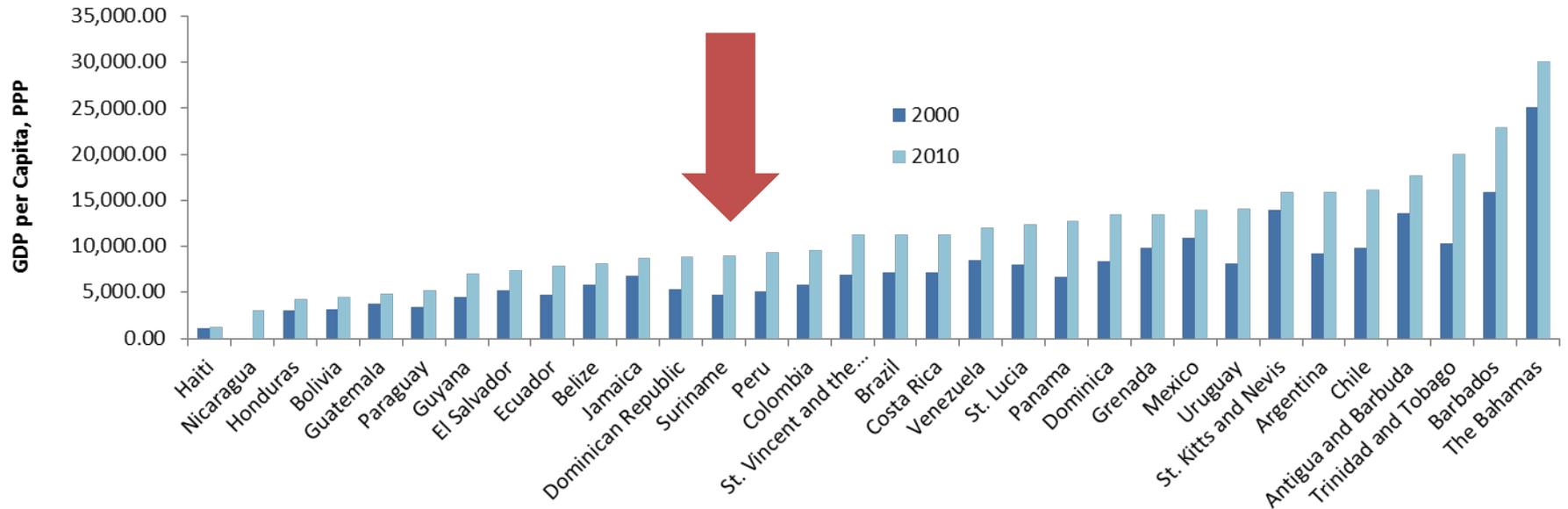
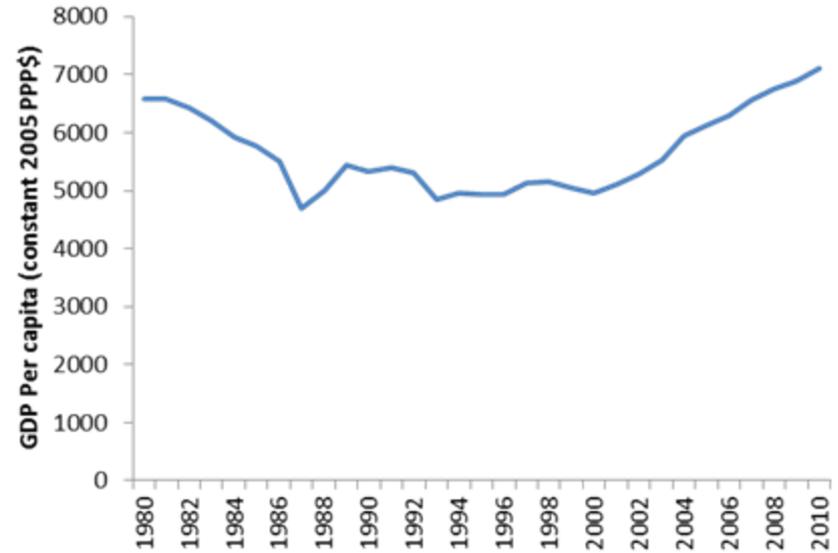
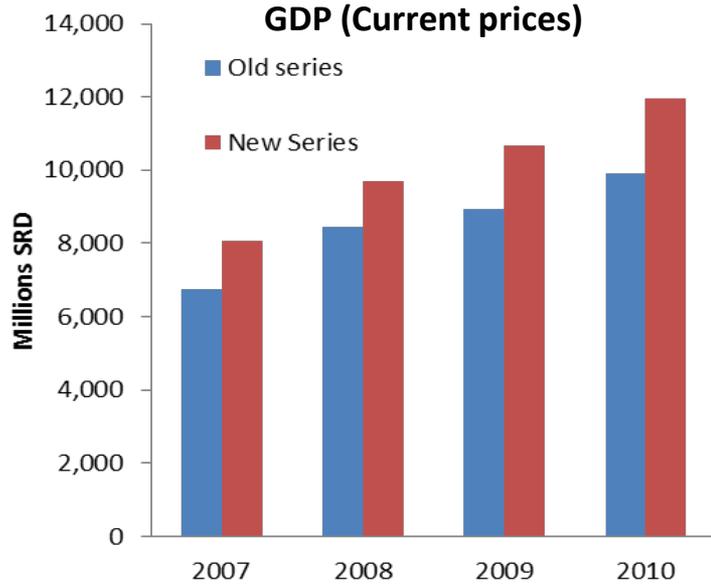
Why are we here?

- Business leaders should be frontline advocates for policies that lead to optimal productivity and output.
- Effective advocacy requires a better understanding of key constraints.
- Therefore, the business community should coordinate their messages around empirical and solid findings to produce solutions that are home-grown, not imported.

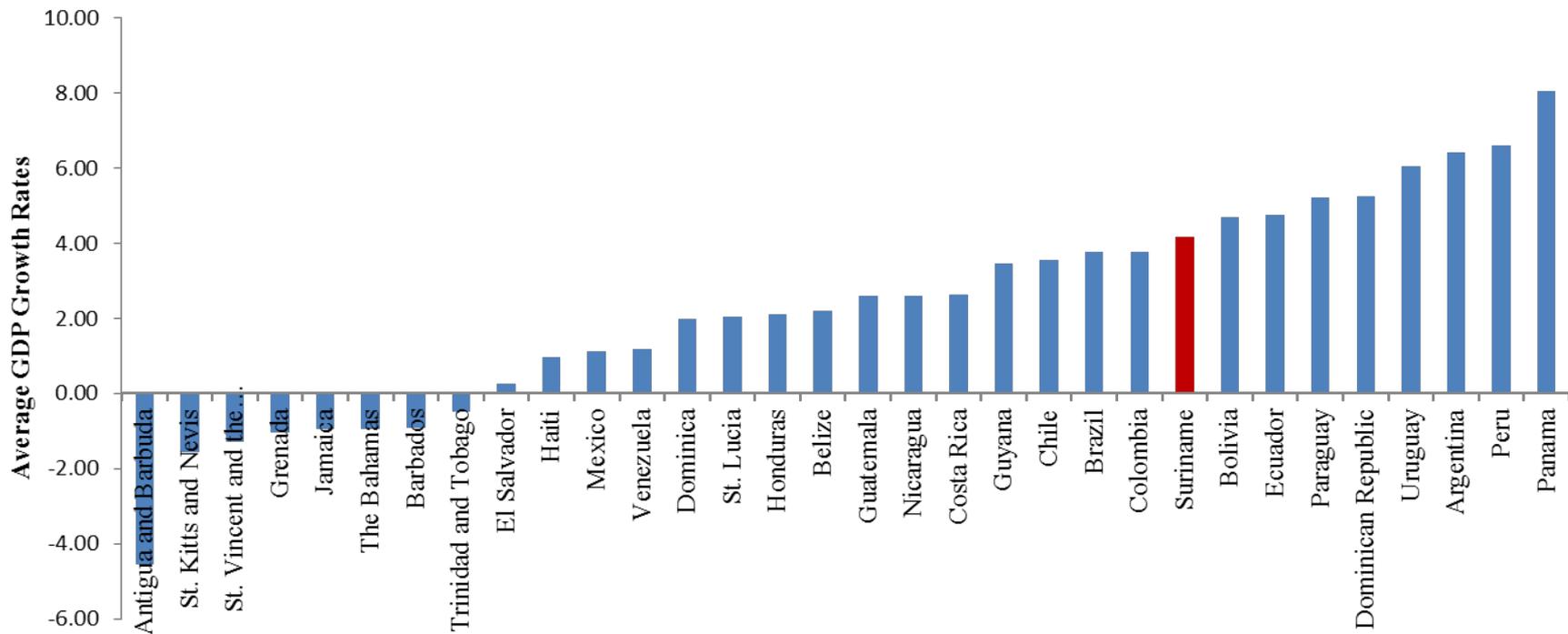
A bit windy road, but hang in there. . .

- Context
- A Complication
- Decision: Two Worlds
- Response

Compared with other countries in the region, things are still better for Surinamers.



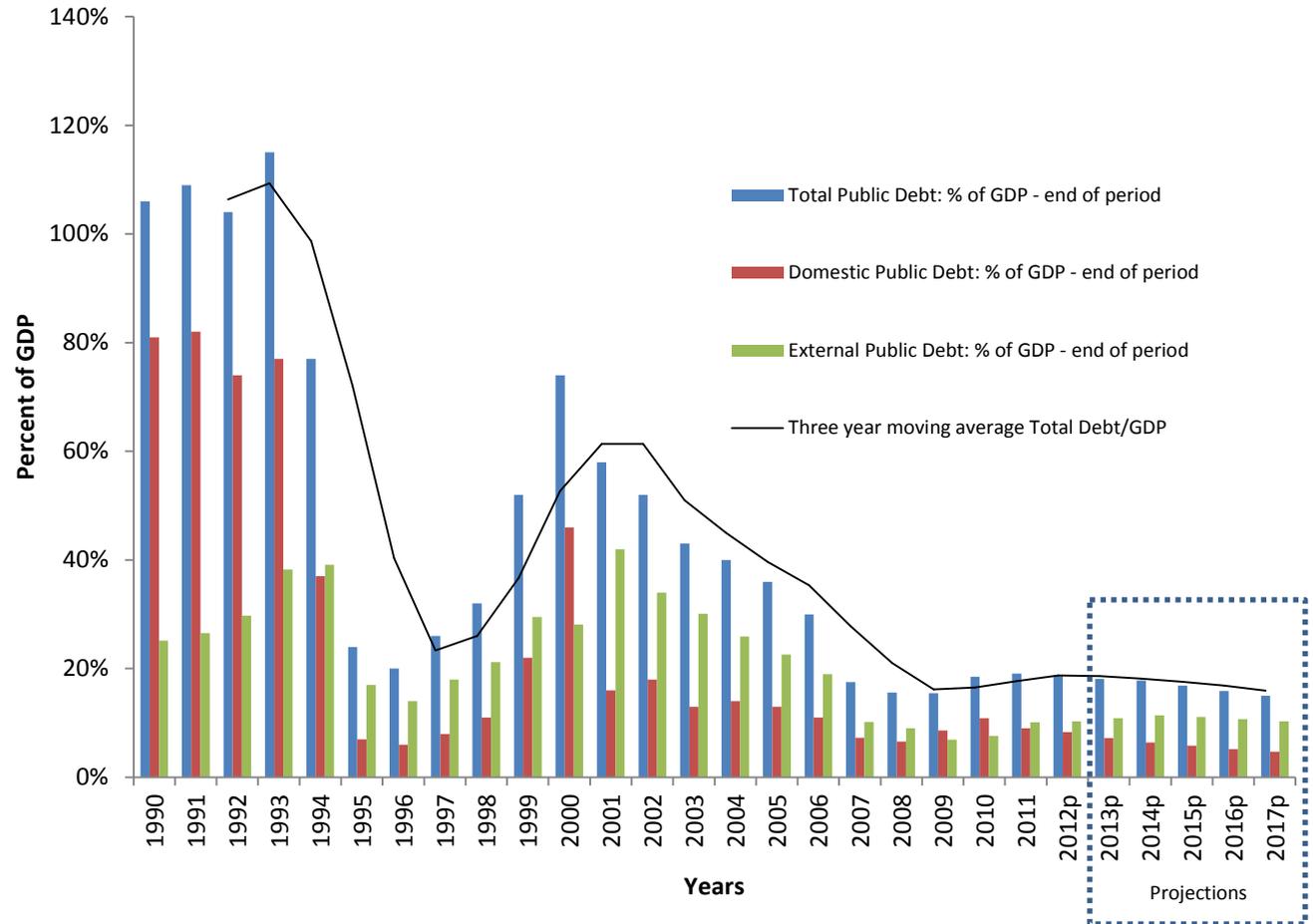
Suriname is among the fastest growing countries in LAC.



Main fiscal variables still look better compared with others.

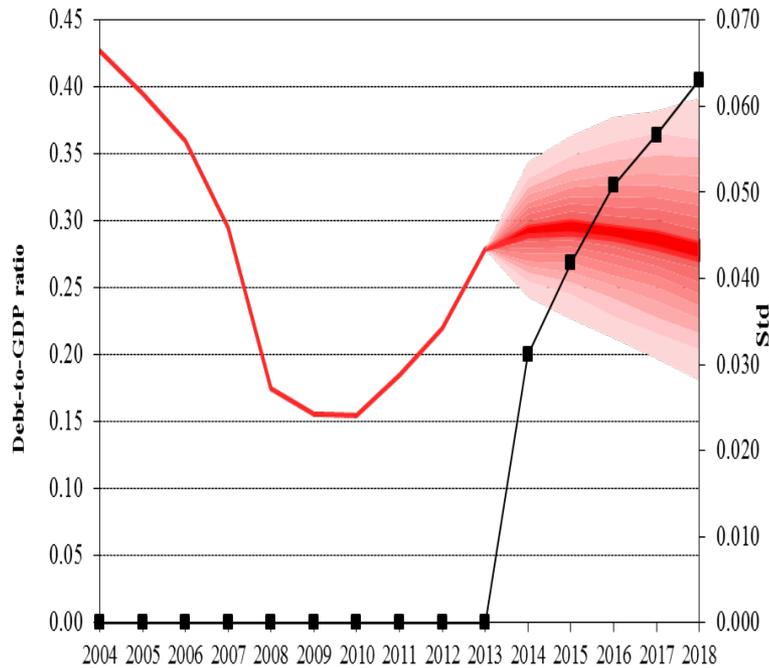
Fiscal comparison
end 2012.

	2012	
	<i>Fiscal Balance</i>	<i>Debt % GDP</i>
Bahamas	-5.9	56.5
Barbados	-8.0	72.3
Guyana	-4.4	61.3
Jamaica	-5.6	142.8
Suriname	-2.8	22.0
Trinidad and Tobago	-4.3	36.4

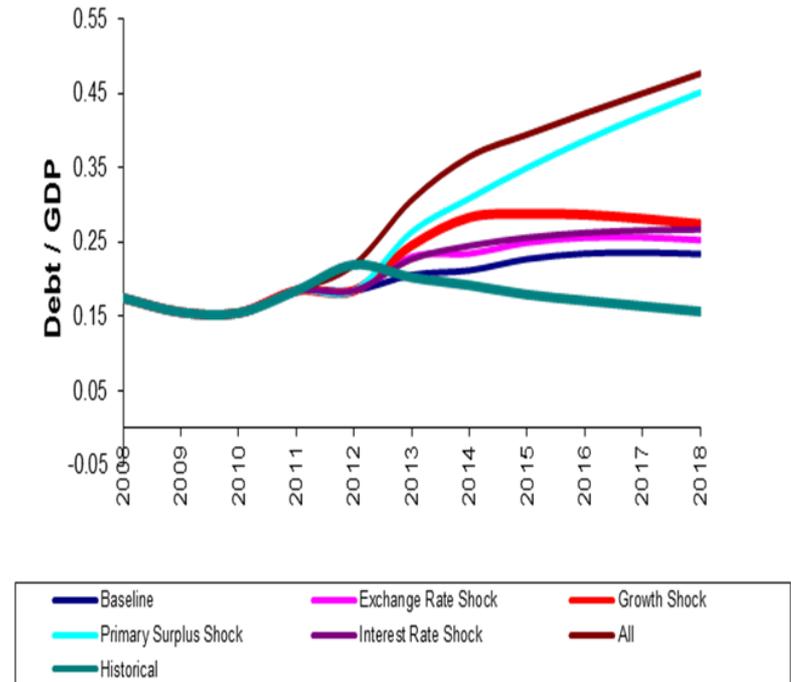


And debt is will remain sustainable.

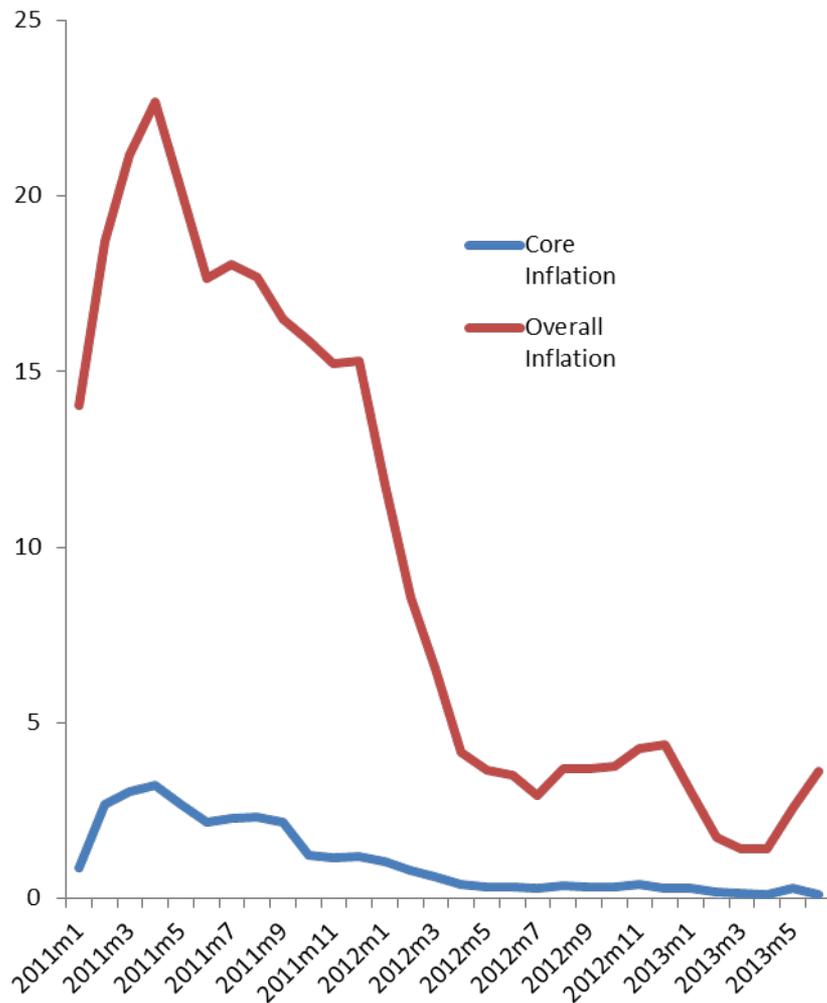
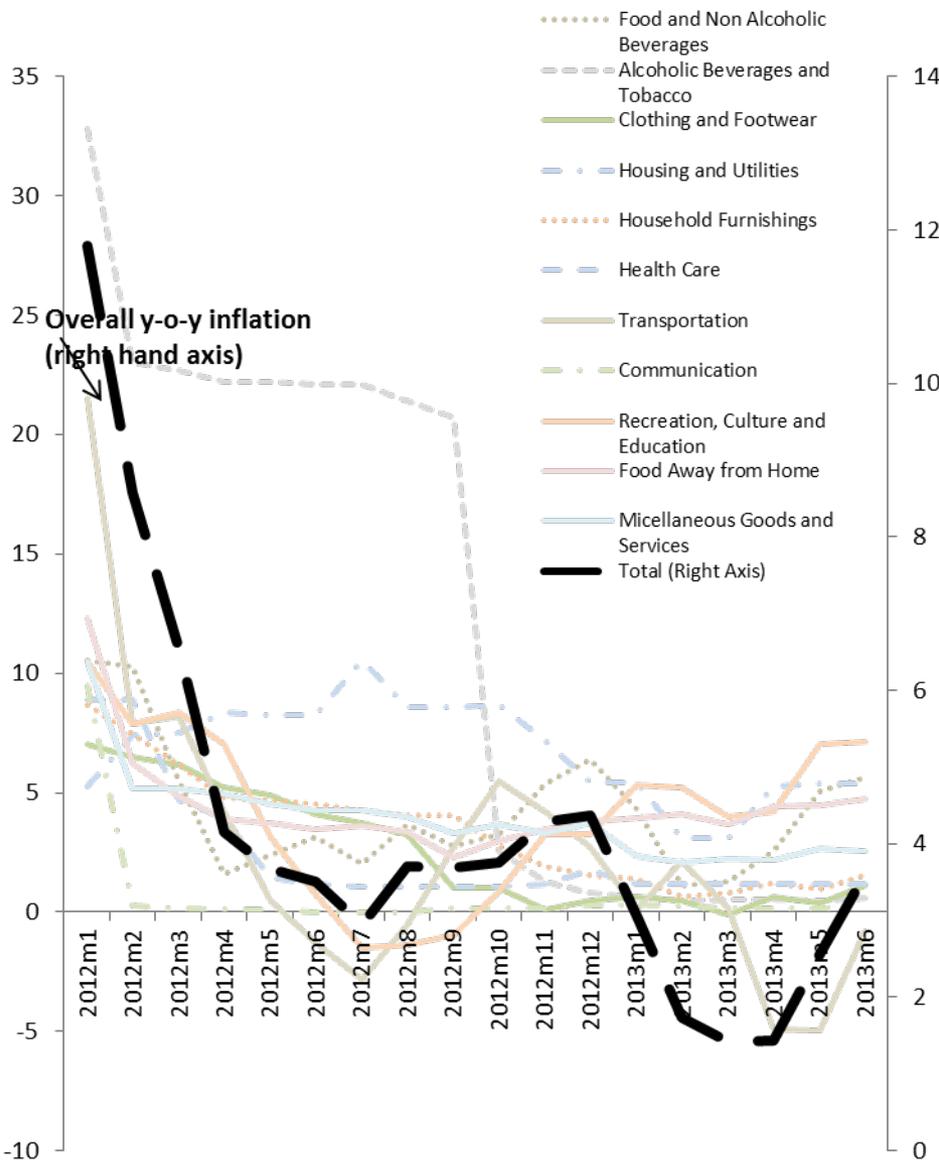
Fan Chart



Debt Dynamic



Inflation is now low and stable.

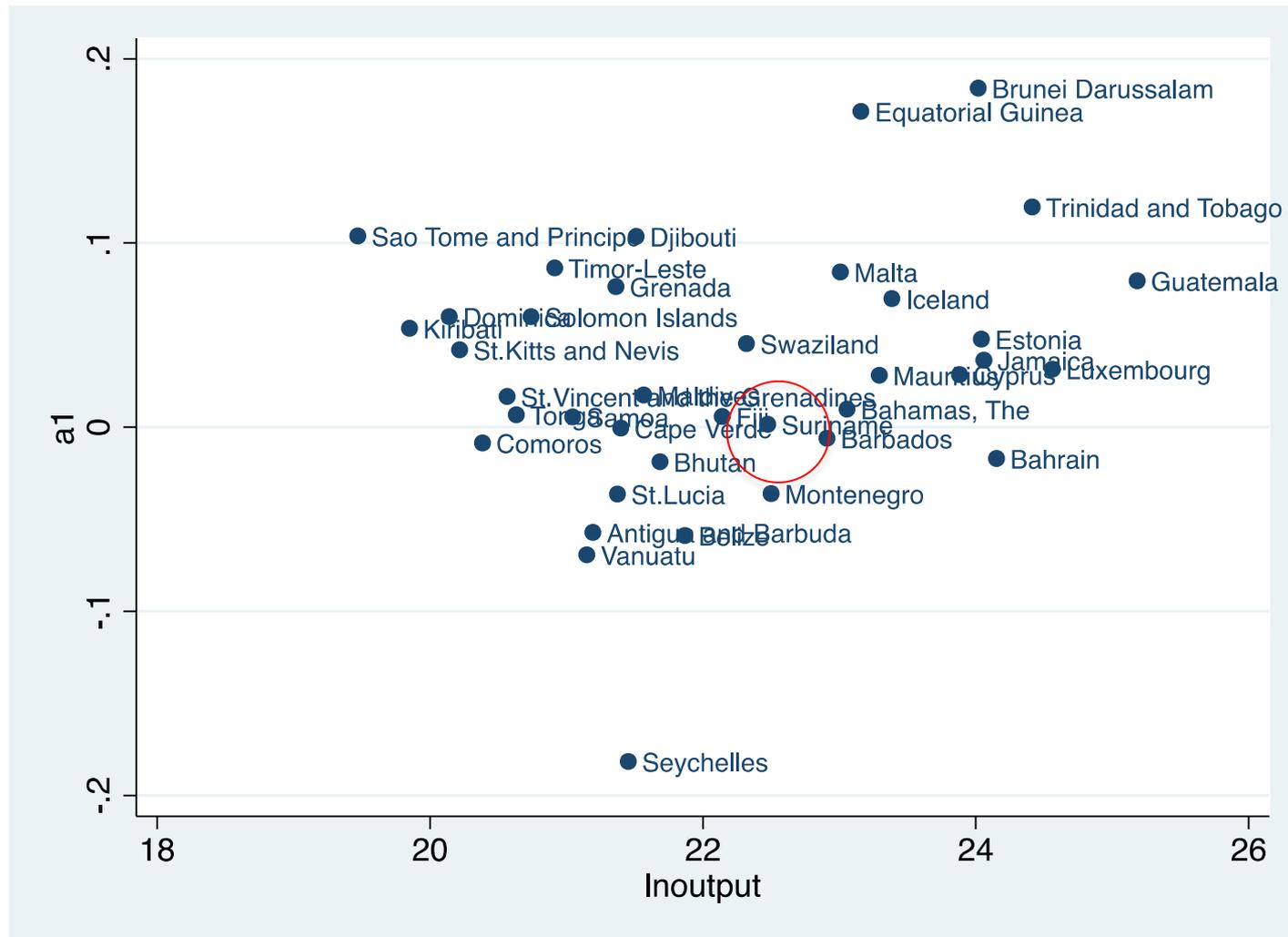


Imagine

Jere noh! Arki dja!

So, why are we here today?

Despite performing well, Suriname faces a significant challenge.



Kong mi broko na ptjieng monie.

- What do we mean by “Productivity?”

Nothing is more elegant than Mathematics!

$$Y_{it} = A_{it} F(K_{it}, L_{it})$$

$$y_{it} = a_{it} + \alpha k_{it} + (1-\alpha)l_{it}$$

$$a_{it} = y_{it} - \alpha k_{it} - (1-\alpha)l_{it}$$

A la Solow. . .

Or alternatively, Data Envelopment Analysis (DEA).

$$M_i^{t+1}(x_i^{t+1}, y_i^{t+1}, x_i^t, y_i^t) = \frac{D_i^{t+1}(x_i^{t+1}, y_i^{t+1})}{D_i^t(x_i^t, y_i^t)} \times \left[\frac{D_i^t(x_i^{t+1}, y_i^{t+1})}{D_i^{t+1}(x_i^{t+1}, y_i^{t+1})} \times \frac{D_i^t(x_i^t, y_i^t)}{D_i^{t+1}(x_i^t, y_i^t)} \right]^{\frac{1}{2}}$$

where $EFFCH_i^{t+1} = \frac{D_i^{t+1}(x_i^{t+1}, y_i^{t+1})}{D_i^t(x_i^t, y_i^t)}$ or efficiency change

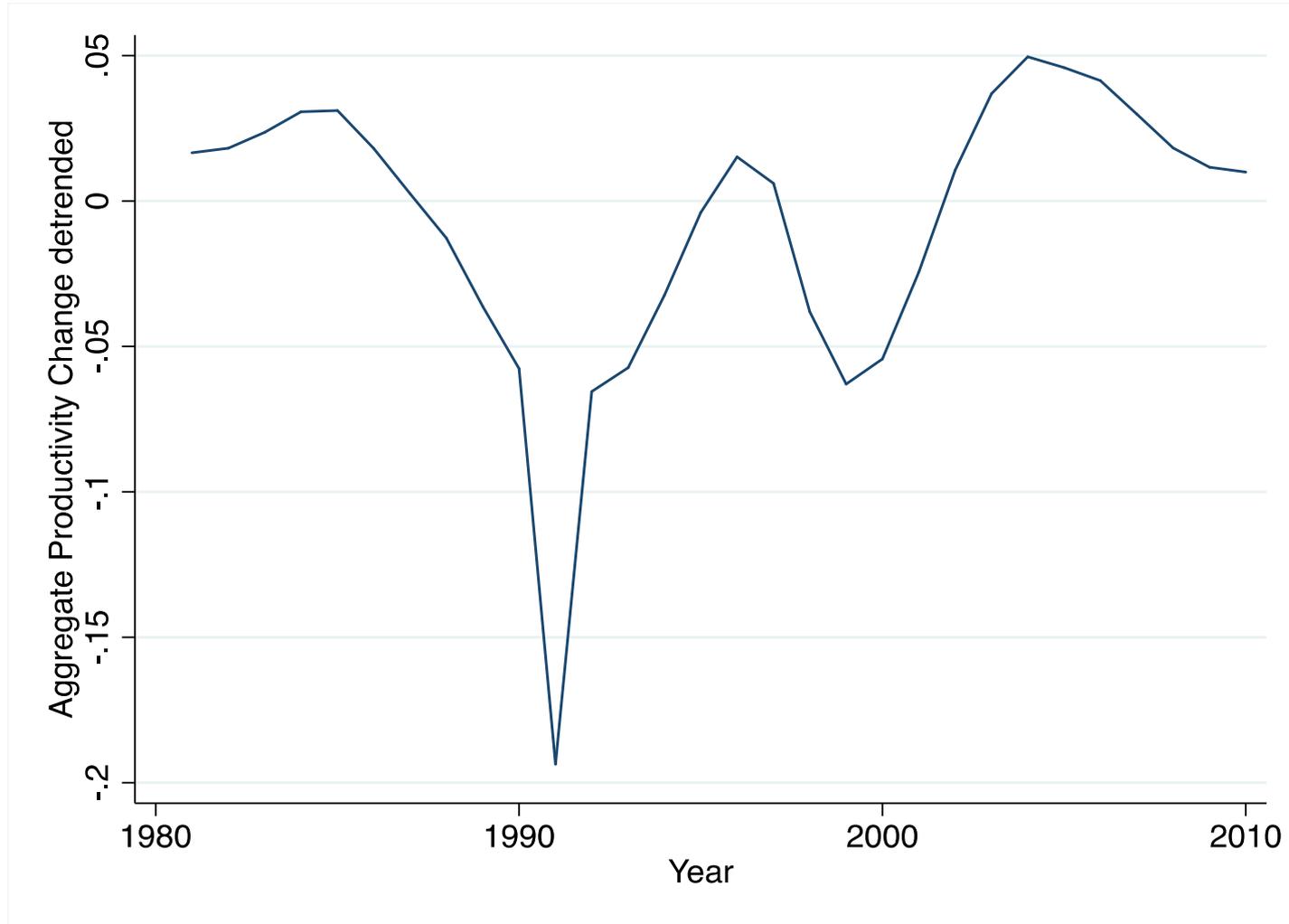
and $TECHCH_i^{t+1} = \left[\frac{D_i^t(x_i^{t+1}, y_i^{t+1})}{D_i^{t+1}(x_i^{t+1}, y_i^{t+1})} \times \frac{D_i^t(x_i^t, y_i^t)}{D_i^{t+1}(x_i^t, y_i^t)} \right]^{\frac{1}{2}}$ or technological change.

A la Caves, et. al.

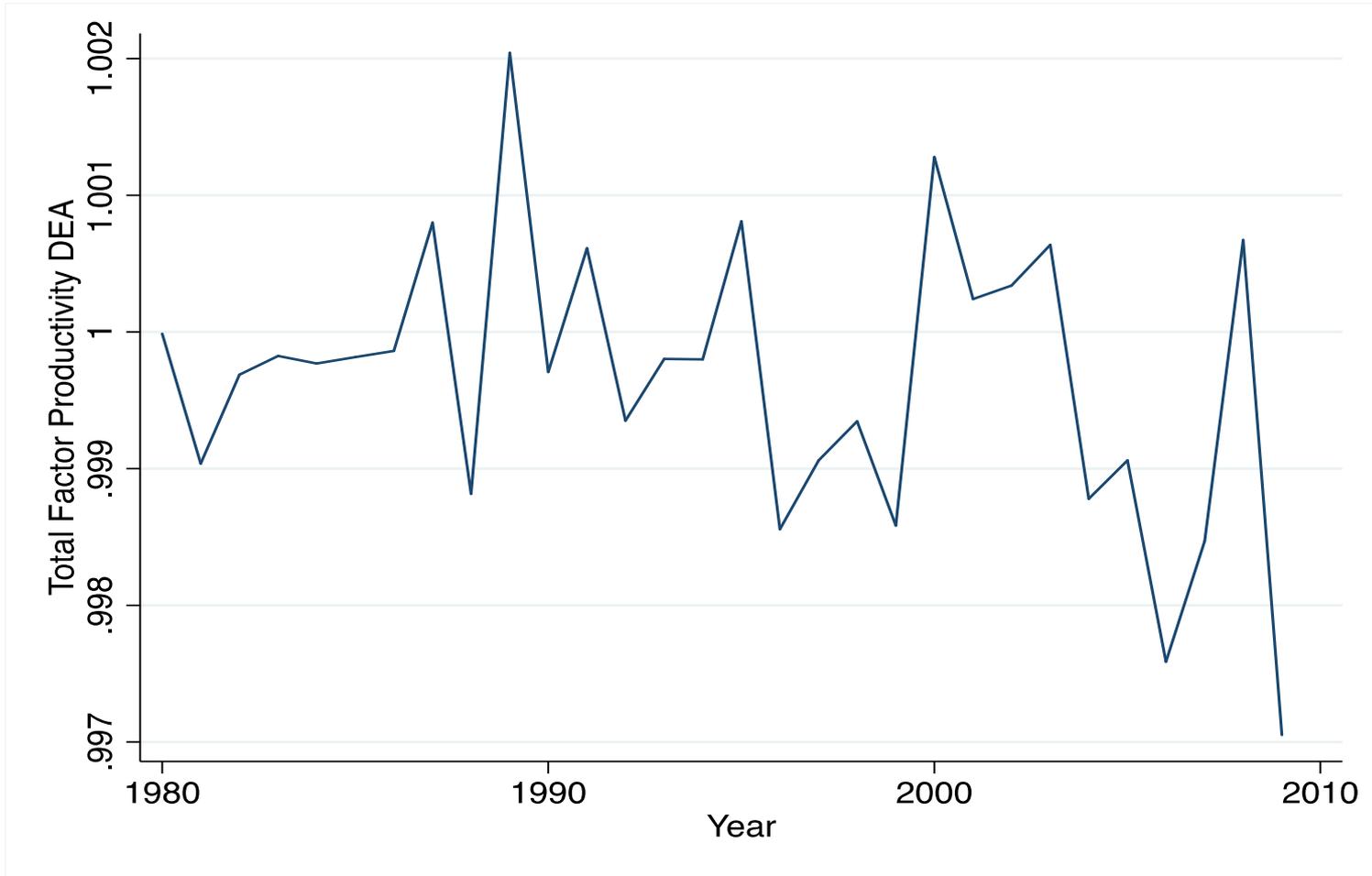
Jokes aside, let's talk about two examples

- How do we get more stuff (growth)?
 - Example A: More material (capital)
 - Example B: More labour
- **Neither is sustainable**
 - Example C: More productivity. . .
 - How?

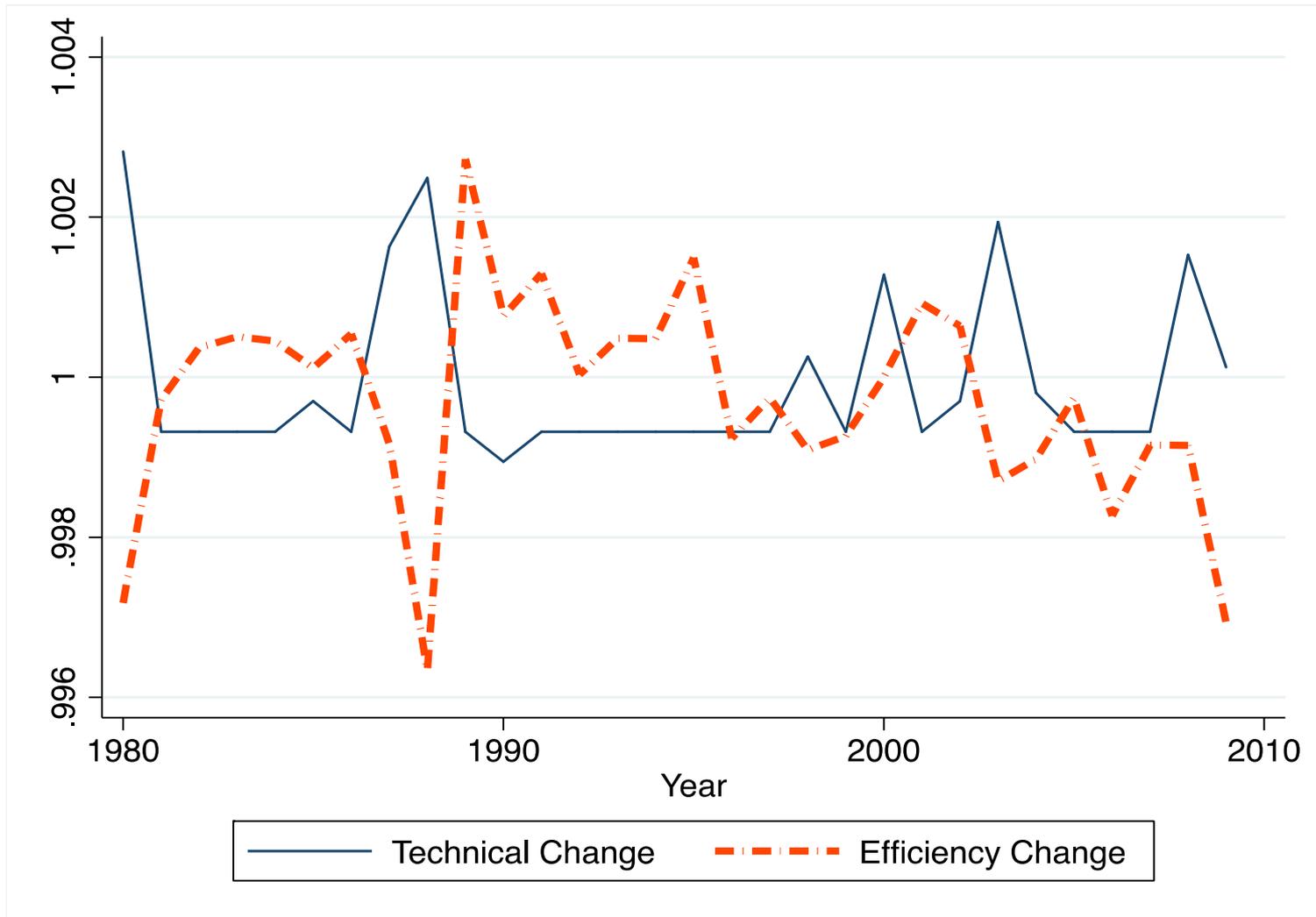
Aggregate productivity in Suriname is low and falling.



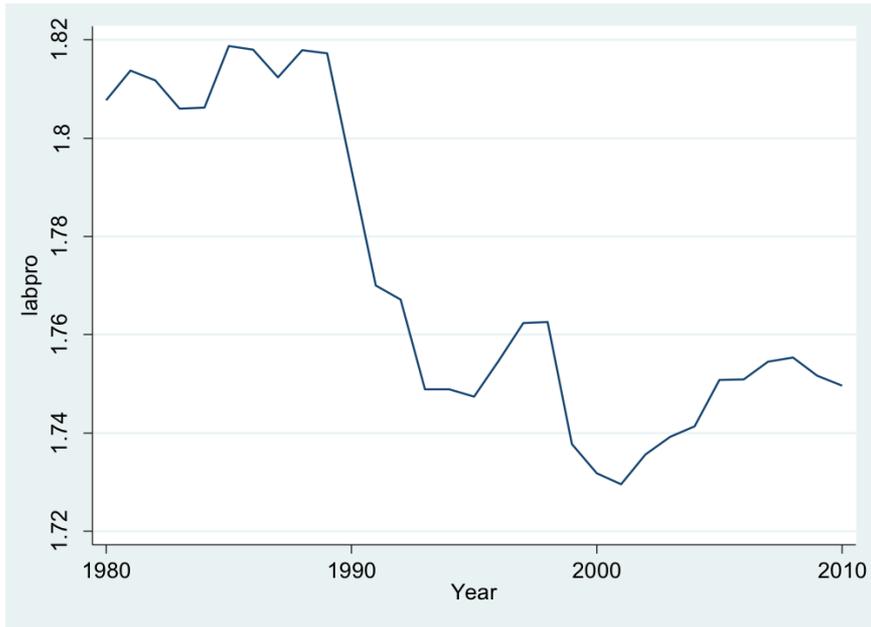
. . .also when compared with other small countries.



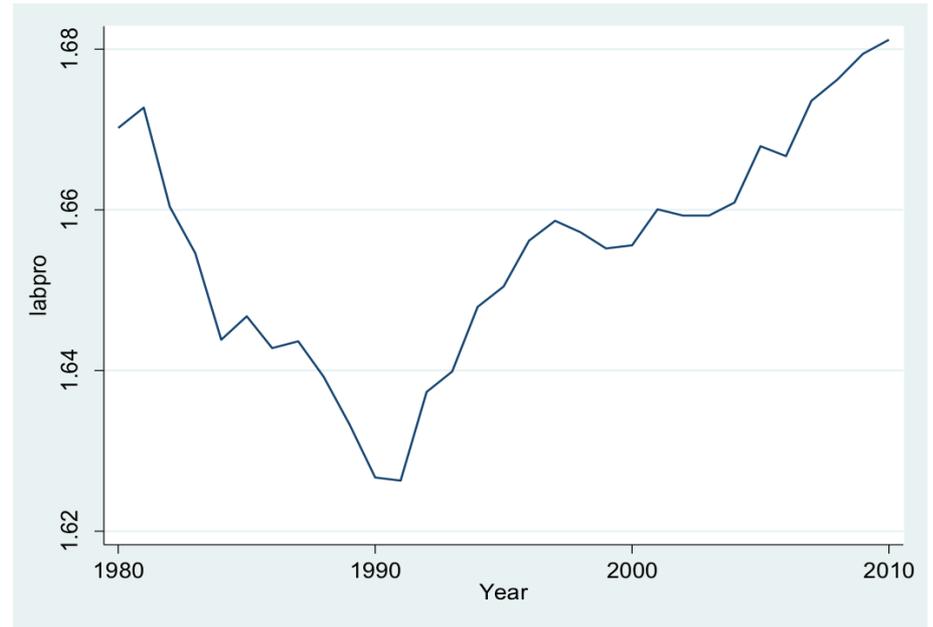
Decomposed productivity: spurts of technical change with large investments?



Labour productivity took a hit and is not recovering fast enough.



Suriname



Another Caribbean country

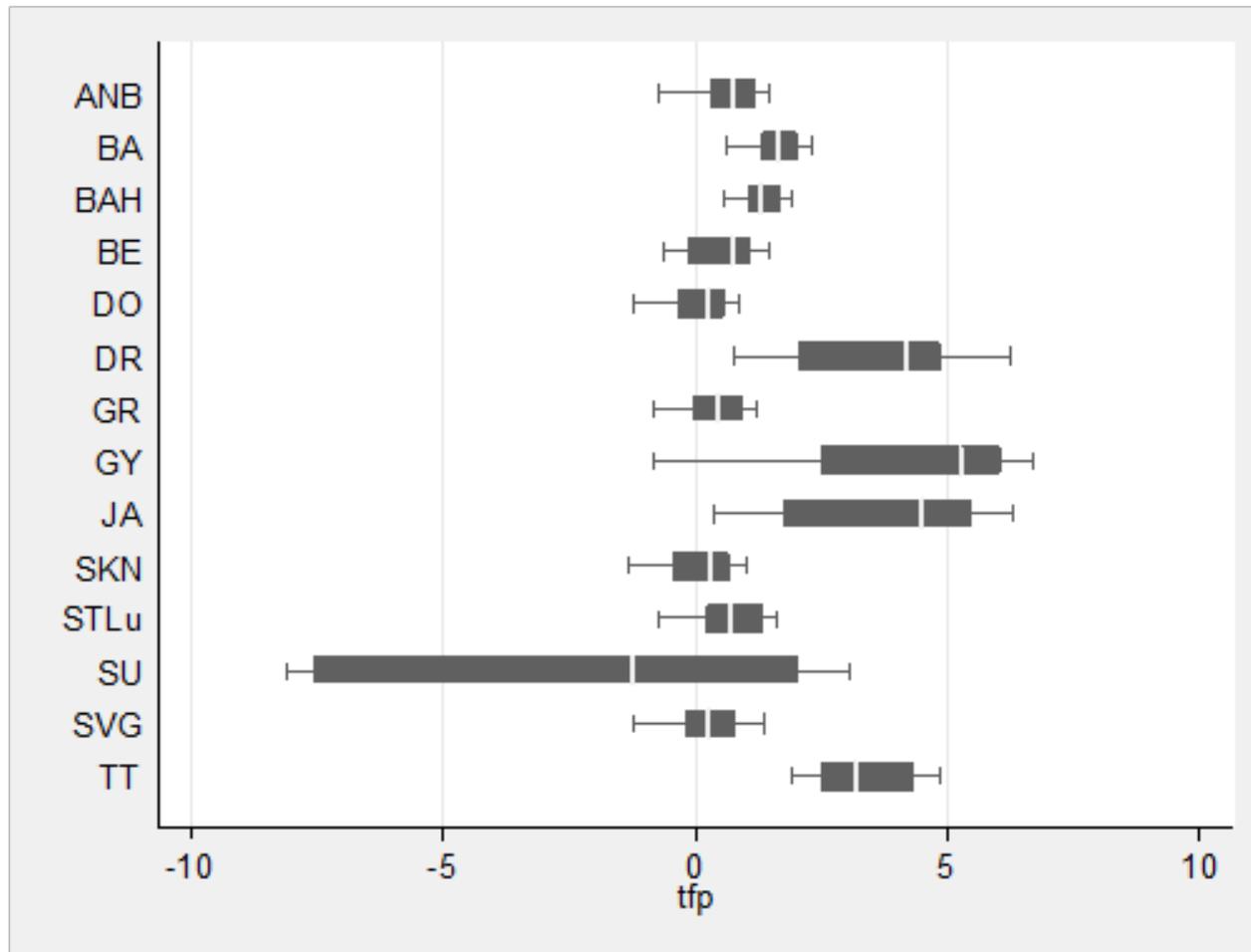
We find that Suriname's outstanding growth performance is below potential---and productivity is a big reason for this.

	Suriname	Small Countries	Suriname (if higher productivity)
Capital Deepening	4.90	3.67	5.4
Labour	0.01	0.01	0.01
TFP	-0.9	3.17	1.59
OUTPUT GROWTH	4.01	6.85	7.00

“No spang.” Really?

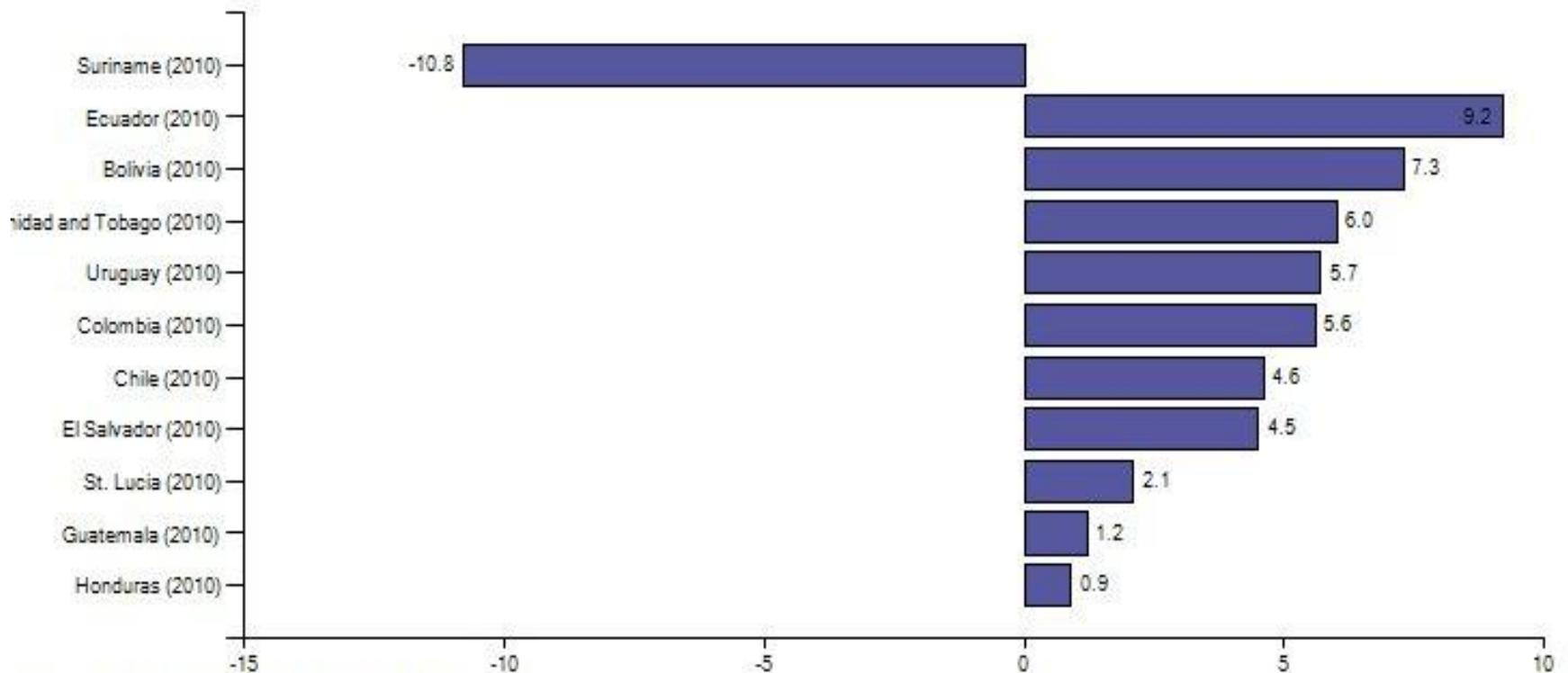
More evidence.

Surinamese firms appear to be the least productive in the Caribbean.



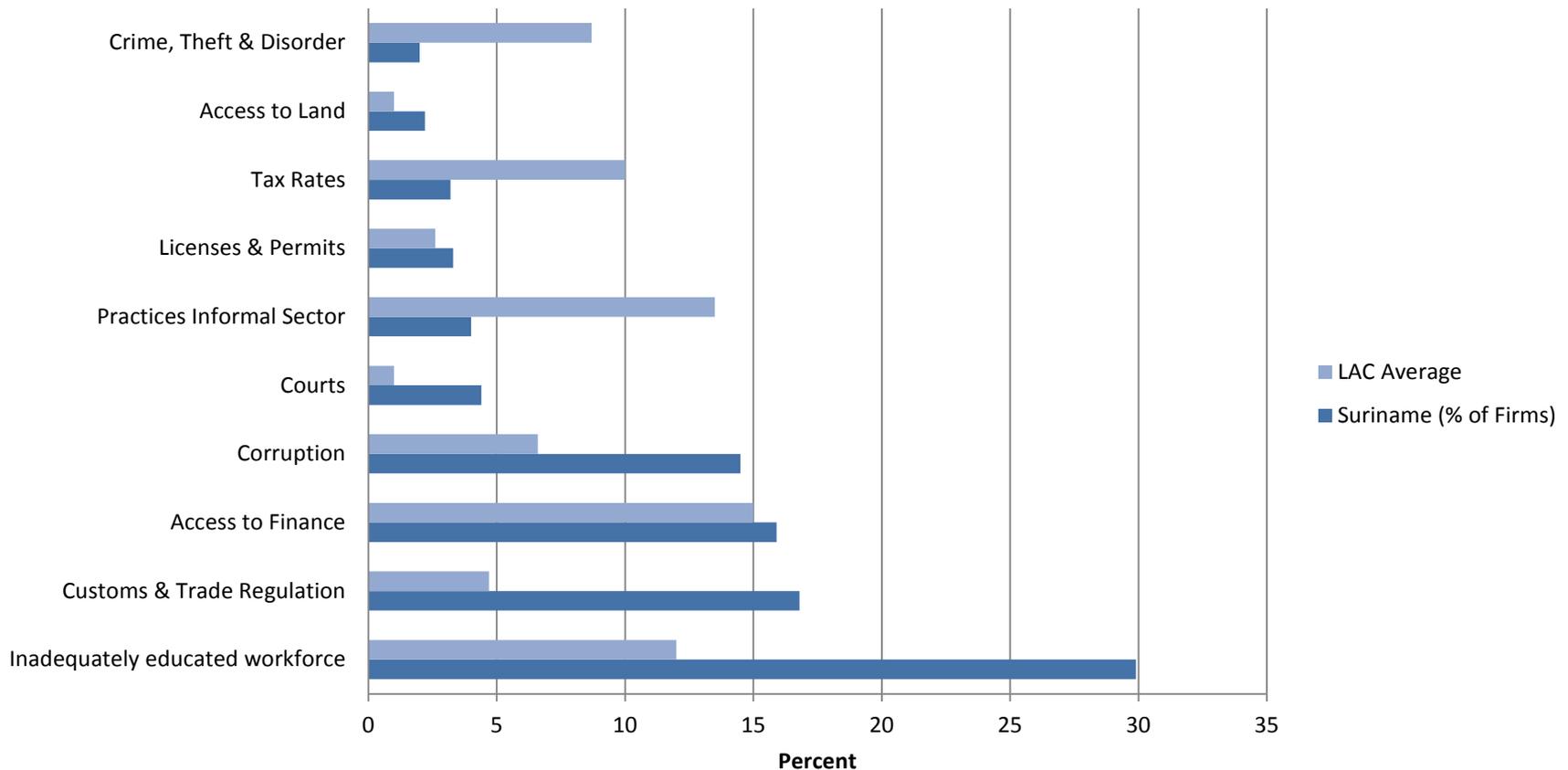
. . .perhaps driven by the fact that firm level labour productivity growth has been large and negative.

Multiple Countries



While firms concur and identify “an inadequately educated workforce” as a main to doing business, only 2 percent of them offer on-the-job training.

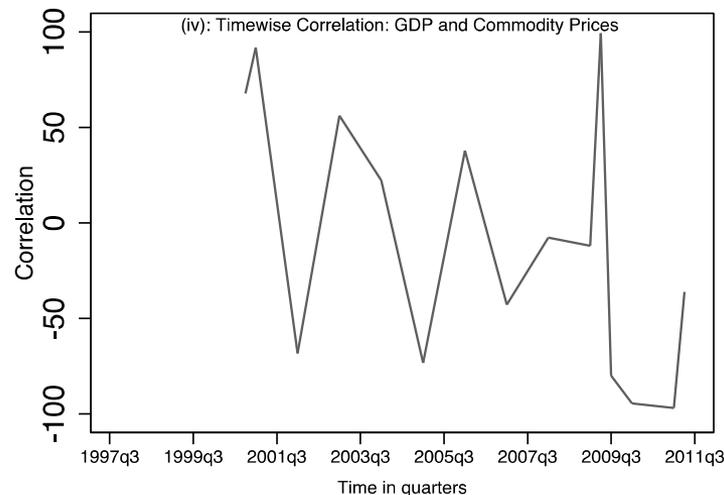
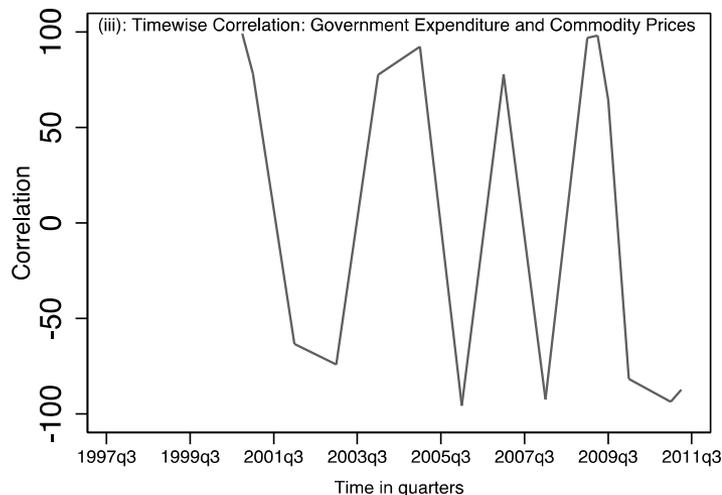
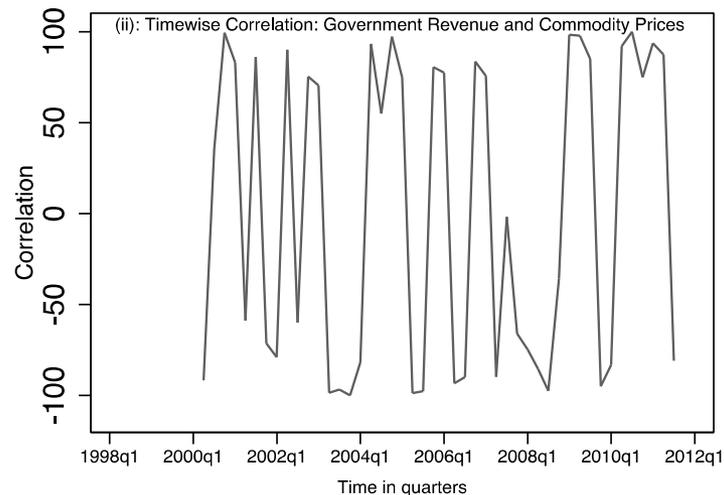
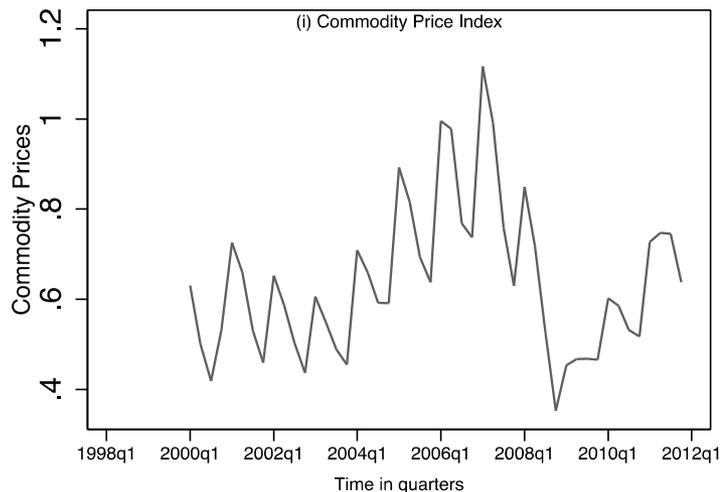
Top 10 Business Environment Constraints for Firms in Suriname



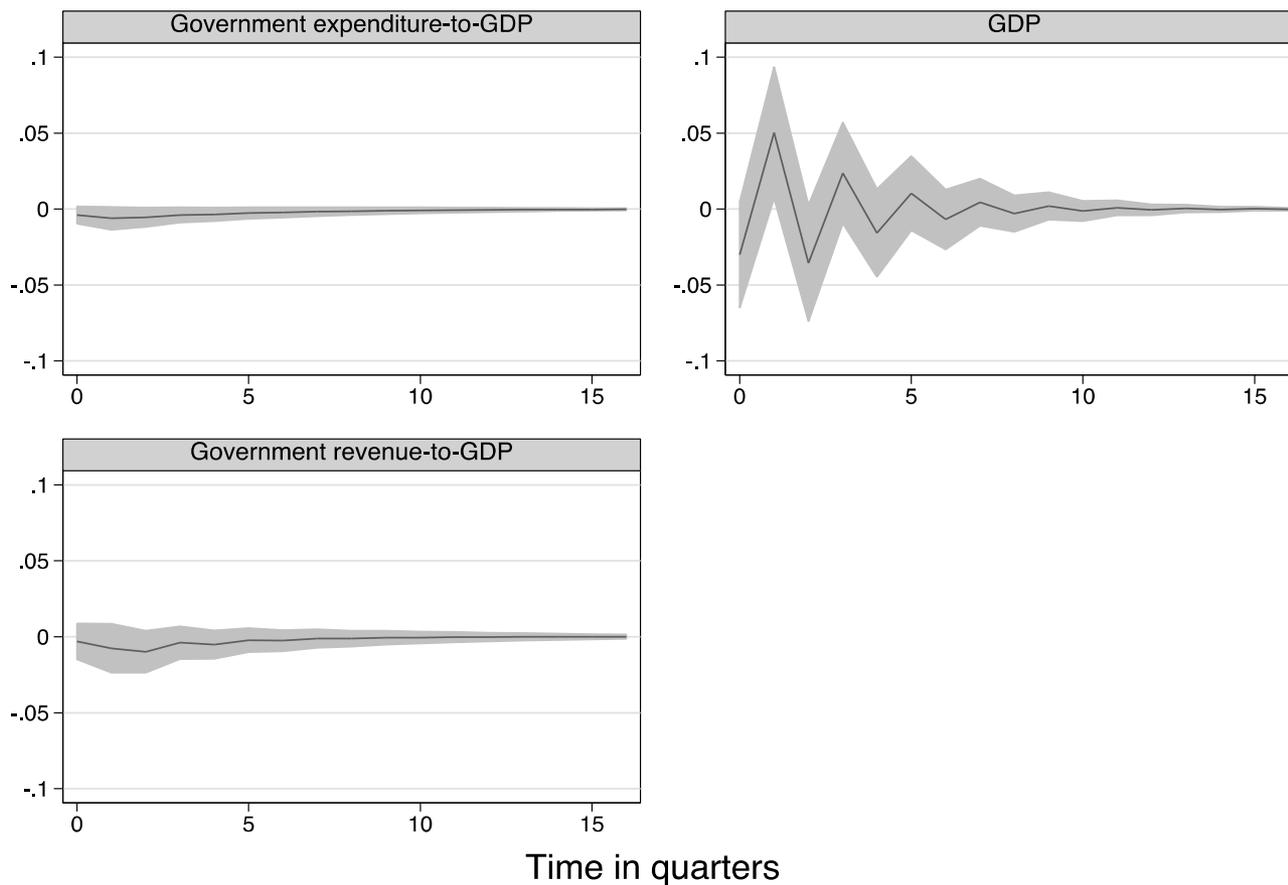
Kong mi broko na ptjieng monie.

Why bother with competitiveness?

Given Suriname's structural macroeconomic challenges, low productivity erodes partially its stability buffer (which is necessary given its inherent volatility).



. . . Particularly as demonstrated by the vulnerability of GDP to commodity price shocks.

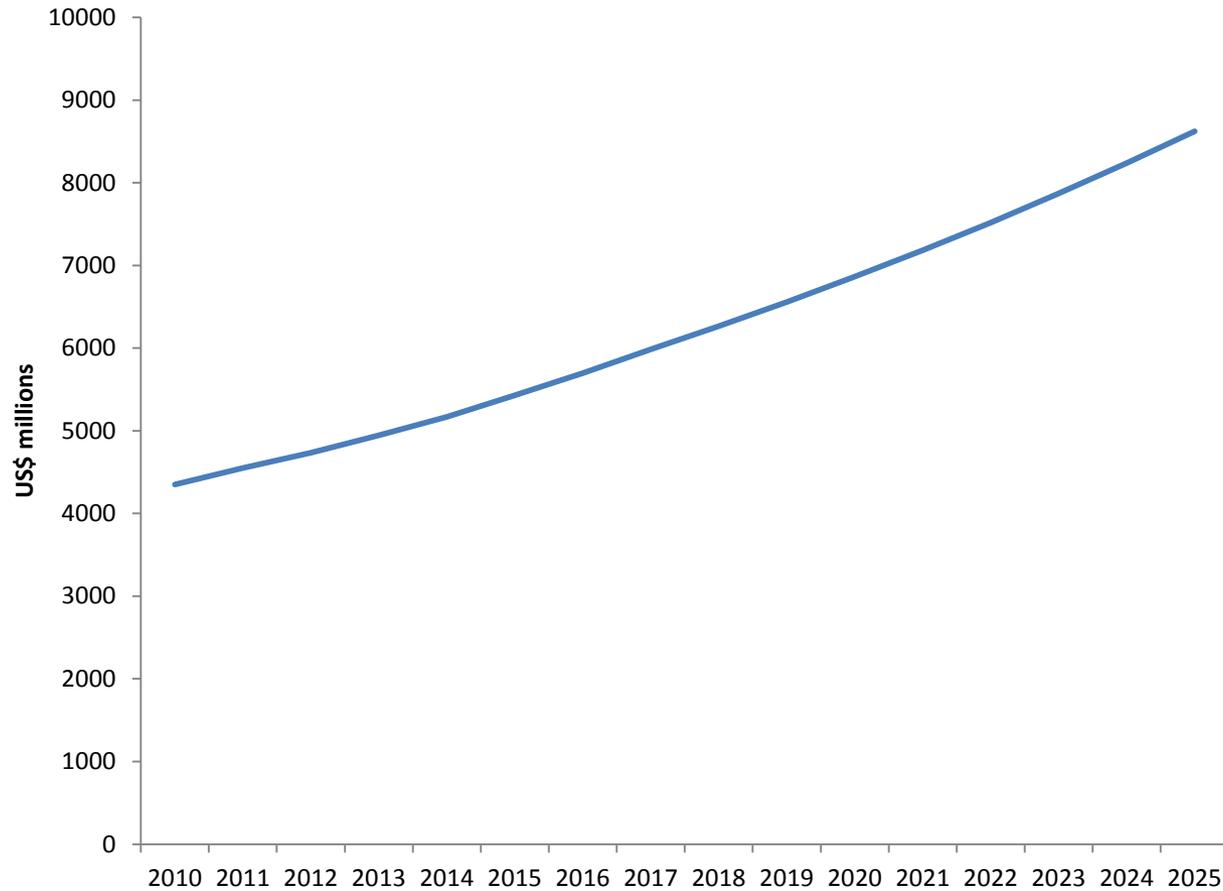


Structural impulse response to commodity price shock.

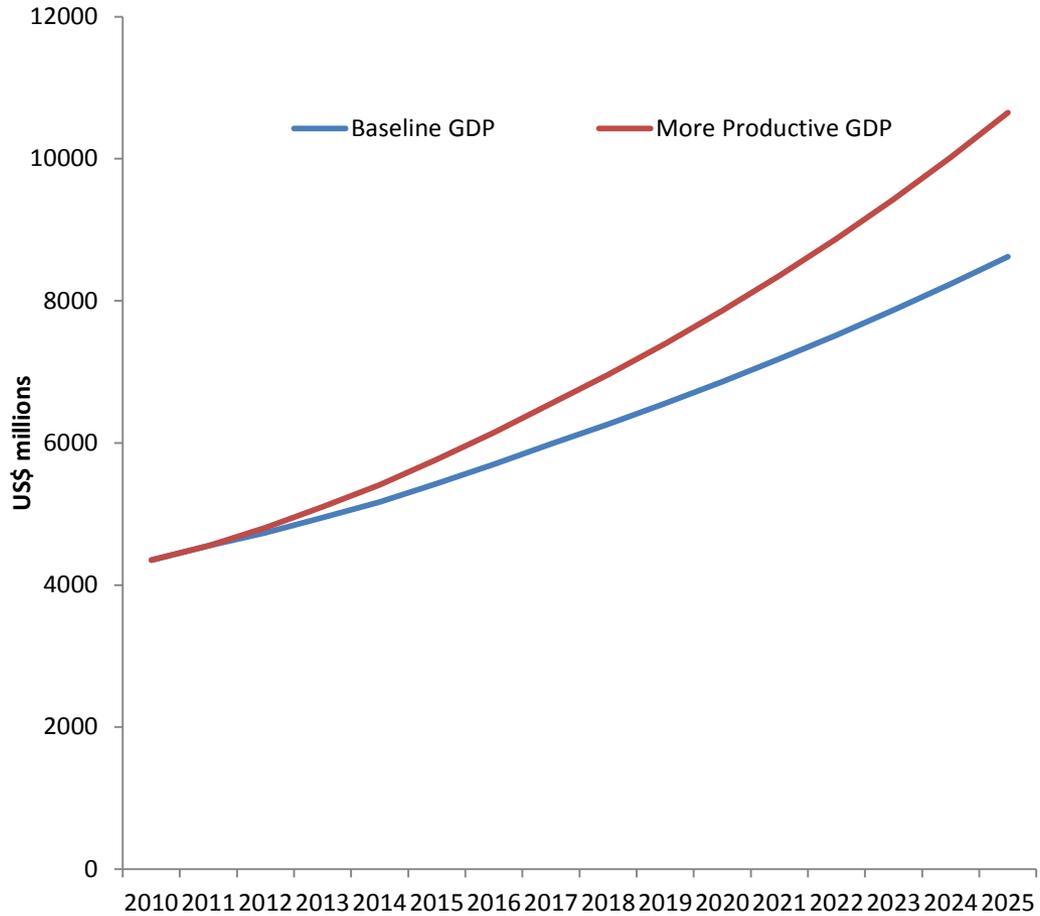
Sang joe wan doe?

Decisions: Two Worlds

Do Nothing (and hope for the best)



Leap Forward



We are full of questions. Where shall we look?

- Labour productivity:
 - Education
 - Role of government vs private sector
 - Wage negotiations
 - HR
 - Crowding out
- Enterprise survey data
 - Technology, innovation, training
- Institutions (economic freedom index?) (what about legal framework and legislature?)
- Reforms are needed!

How to leap forward? What do we have to do?

- Institutional reforms (especially given government's role): streamline procedures and use IT.
- HR reform and remuneration structure
- PPP: skills training
- Open (export oriented) competition to break interest capture.
- Foster technology adoption and indigenous innovation.

We need to know what we do
not know.

Some things we are already working on, but it is time to dig deeper:

- To get it right
- To speak with one voice
- To put the business community, households, and people at the centre of the economic growth model.

MORE DATA!

Your choice!

