WANTED:
Innovative and Productive Entrepreneurs for a Sustainable Suriname

A CET Knowledge Product
Country Office Suriname

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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.

<table>
<thead>
<tr>
<th>Country</th>
<th>Fiscal Balance</th>
<th>Debt % GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahamas</td>
<td>-5.9</td>
<td>56.5</td>
</tr>
<tr>
<td>Barbados</td>
<td>-8.0</td>
<td>72.3</td>
</tr>
<tr>
<td>Guyana</td>
<td>-4.4</td>
<td>61.3</td>
</tr>
<tr>
<td>Jamaica</td>
<td>-5.6</td>
<td>142.8</td>
</tr>
<tr>
<td>Suriname</td>
<td>-2.8</td>
<td>22.0</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>-4.3</td>
<td>36.4</td>
</tr>
</tbody>
</table>
And debt is will remain sustainable.
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: spurs 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.

<table>
<thead>
<tr>
<th></th>
<th>Suriname</th>
<th>Small Countries</th>
<th>Suriname (if higher productivity)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Deepening</td>
<td>4.90</td>
<td>3.67</td>
<td>5.4</td>
</tr>
<tr>
<td>Labour</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>TFP</td>
<td>-0.9</td>
<td>3.17</td>
<td>1.59</td>
</tr>
<tr>
<td>OUTPUT GROWTH</td>
<td>4.01</td>
<td>6.85</td>
<td>7.00</td>
</tr>
</tbody>
</table>
“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.
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

<table>
<thead>
<tr>
<th>Constraint</th>
<th>LAC Average</th>
<th>Suriname (% of Firms)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crime, Theft &amp; Disorder</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to Land</td>
<td></td>
<td></td>
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<tr>
<td>Tax Rates</td>
<td></td>
<td></td>
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<tr>
<td>Licenses &amp; Permits</td>
<td></td>
<td></td>
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<tr>
<td>Practices Informal Sector</td>
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<td></td>
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<tr>
<td>Courts</td>
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<tr>
<td>Corruption</td>
<td></td>
<td></td>
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<tr>
<td>Access to Finance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customs &amp; Trade Regulation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inadequately educated workforce</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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

![Graph showing Baseline GDP and More Productive GDP over years from 2010 to 2025. The graph compares the development of Baseline GDP and More Productive GDP, illustrating a significant increase in More Productive GDP compared to Baseline GDP.](image)
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!

Graph showing two lines, one for Baseline GDP and another for More Productive GDP, both increasing over time from 2010 to 2025.