

# Private sector, competitiveness and productivity in Suriname

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# What is competitiveness?

We define competitiveness as the set of institutions, policies, and factors that determine the level of productivity of a country.

Xavier Sala i Martin in the WEF GCI Report

# Outline of my presentation

- ▶ Thank you, apologize for forcing you to listen to and to talk to me in English, and for almost always thinking like an economist
- ▶ Modeling the economy of Suriname
- ▶ Understanding the incentive framework for private sector savings, investment, and risk taking
- ▶ Who are the entrepreneurs in Suriname?
- ▶ Brief overview of what government has recently done
- ▶ My assessment of priorities moving forward
- ▶ Concluding remarks

# Modeling the economy of Suriname

## Unqualified growth success

- ▶ Growth, GDP PPP, more than doubled since 2000 (in 2013 nominal US\$9,700; PPP US\$16,226) (higher than Brazil, Costa Rica, Colombia, Peru and many more) [..\DATA\WDI GDP pc PPP 2013 comp.xlsx](#)
- ▶ Public debt 29.8% of GDP (2013)
- ▶ Inflation 1.9% per year (2013, period average)
- ▶ International rating agencies, after disliking Suriname for a very long time, now love you: BB-/stable by Standard & Poor's; Ba3/stable by Moody's; and BB+/stable by Fitch
- ▶ We do not know how many poor people are in Suriname, but I can guess ... a lot less than in other countries in the region

# How did you do it?

- ▶ Energy sector is the engine of growth—gold, oil and alumina, Iamgold, Newmont, Staatsolie and Alcoa
- ▶ Got smart—since 2000 your fiscal and monetary policy has improved
- ▶ Got lucky—this is not bad, we all wish for good luck
- ▶ Transmission mechanism:
  - ▶ 1 Multinational companies export and pay government
  - ▶ 2 Government spends: salaries (60% of formal employees are public servants); goods and services; and investment
  - ▶ 3 Fiscal multiplier

But ...

- ▶ The good times hide current weaknesses and future risks
- ▶ International prices go up and DOWN (have you heard about Suralco?)
- ▶ What is worse is that the volatility that they transmit to the economy

## ► PUBLIC SECTOR and private sector

- ▶ Low productivity
- ▶ What made all this possible is rapidly changing

Country	DEA TFP
Suriname	2.7%
Dominican Republic	3.6%
Guyana	2.8%
Panama	3.8%
Peru	4.8%
Trinidad and Tobago	8.6%

# Modernization means opening space for private sector expansion

FROM (obsolete)	TO (modern)
Government leads	Private sector leads
Mining sector leads	Greater participation of other sectors
Government employs most formal jobs	Private sector employs most formal jobs
Many public enterprises	Strategic public intervention
PUBLIC-private partnerships	Public-PRIVATE PARTNERSHIPS
For young people: it is really appealing to work for government or to migrate	More opportunities for young people in Suriname, to invest and to work in the country
People are forced/escape by engaging in informal activities	Formal activities result from a better incentive framework, more people become formal entrepreneurs

# Understanding the incentive framework for private sector savings, investment, and risk taking

- ▶ It is not easy to be an entrepreneur: inefficient government bureaucracy; corruption; access to finance; inadequately educated workforce; poor work ethic in national labor force; registering property, getting credit, protecting minority investors, enforcing contracts, resolving insolvency and starting a business
- ▶ Global Entrepreneurship Report—Adult population survey summarizes the current situation well:
  - ▶ People report good opportunities to start a business
  - ▶ People report not being afraid to fail if they start a business
  - ▶ BUT people report no interest in starting a business, the lowest in Latam (Suriname TEA 5.1%; second lowest is Guatemala 12.3%; highest Ecuador 36%)

# Who are the entrepreneurs in Suriname?

- ▶ Small businesses trade and commerce—selling goods and services to government and to the population
- ▶ Importers
- ▶ Small industrial companies—AGROFIX that produces pesticides; JOVI Cosmetics that produces traditional beauty products; De Molen Flour Mills which produces food products
- ▶ Export 5% of total

Patents		Trademark		Industrial design	
Applied	Granted	Applied	Registered	Applied	Registered
0	0	1276	299	0	0

	2005	2006	2007	2008	2009	2010	2011
High-tech exports (current US\$, million)	2.3	1.3	1.6	1.6	3.7	4.7	5.5

# The magic of innovation: Listen carefully please

- ▶ [..\PICS\20141112\\_074115.mp4](#)

Mr. Dwight Jubithana, accompanied by Ms. Cherelys Dwarka Singh said

# knowledge

# Brief overview of what government has recently done

- ▶ New laws that establish universal health and pension systems; new minimal wage law
- ▶ As of November 2014 the following laws have been submitted from the Cabinet of Ministers to the State Council: E-publications; Business and professional registration; Competition Law; and Limited Liability Law. The following laws are drafts that are still being discussed with stakeholders: electronic transfers, administrative principles, secured transactions, industrial property, financial statements, and trade registry. Several other pieces of legislation are in the pipeline

# My assessment of priorities moving forward—boring: no magic wand

- ▶ Leveled playing field—expansion of private sector activities
  - ▶ Business climate again and again and again—focus on the indicators presented in the Ease of Doing Business Report—how many days? How many steps? How much does it cost?
  - ▶ Strengthening links in the mining sector (Integra Marine)
  - ▶ Investment law needs to be replaced
  - ▶ A lot less government, please, control the temptation of being pro active ...
  - ▶ Government procurement as a agent of structural change?
- ▶ Risks: the benefits of change accrue to entrepreneurs that do not exist
- ▶ Oil and gas ☺ and industrialization (look at the Trinis) Trinidad-LNG-Bound-for-Spain.jpg

*"Blessed as we are with hydrocarbon resources; we have a choice to make. There have been attempts to persuade us that the simplest and easiest thing to do would be to sit back, export our oil, export our gas, do nothing else and just receive the revenues derived for such exports and, as it were, lead a life of luxury—at least for some limited period. This the government has completed rejected, for it amounts to putting the entire nation on the dole. Instead, we have taken what may be the more difficult road and that is—accepting the challenge of entering the world of steel, aluminium, methanol, fertiliser, petrochemicals, in spite of our smallness and in spite of our existing level of technology."*

Eric Williams, Sod Turning Ceremony ISCOTT in 1977

# Concluding remarks

- ▶ Business climate and step back: you cannot plan private sector growth, only the private sector can do that
- ▶ Innovation matters, here we can help at the margin
- ▶ Reform matters, here we can help
- ▶ And tolerance and peace matter, this we need to preserve
- ▶ The difference between growing fat and growing rich

Comments and suggestions please CElias@VT.Edu