

# WANTED: Innovative and Productive Entrepreneurs for a Sustainable Suriname

A CET Knowledge Product  
Country Office Suriname

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**IDB**

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Caribbean

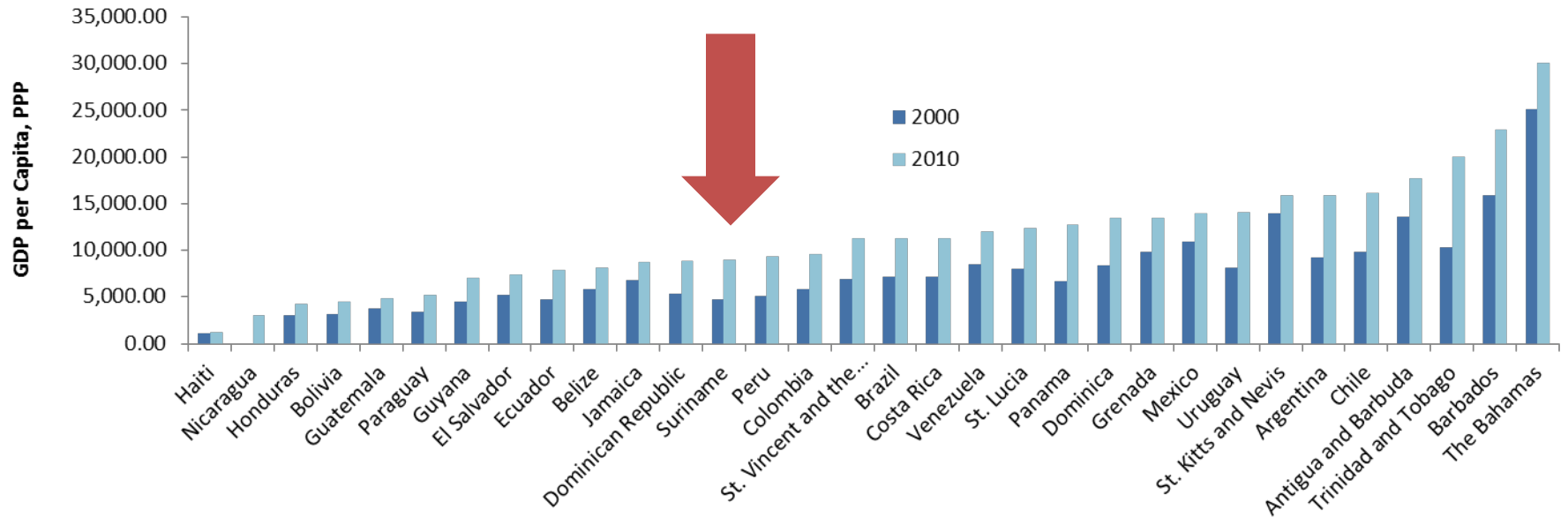
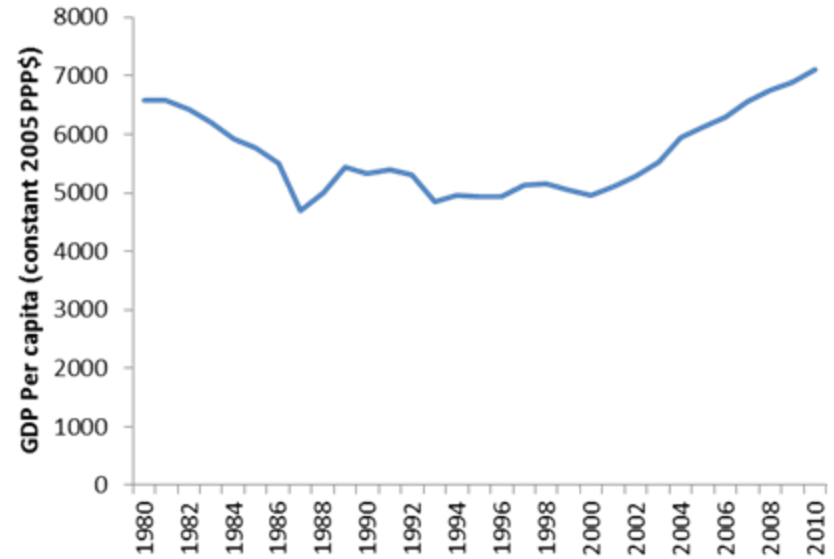
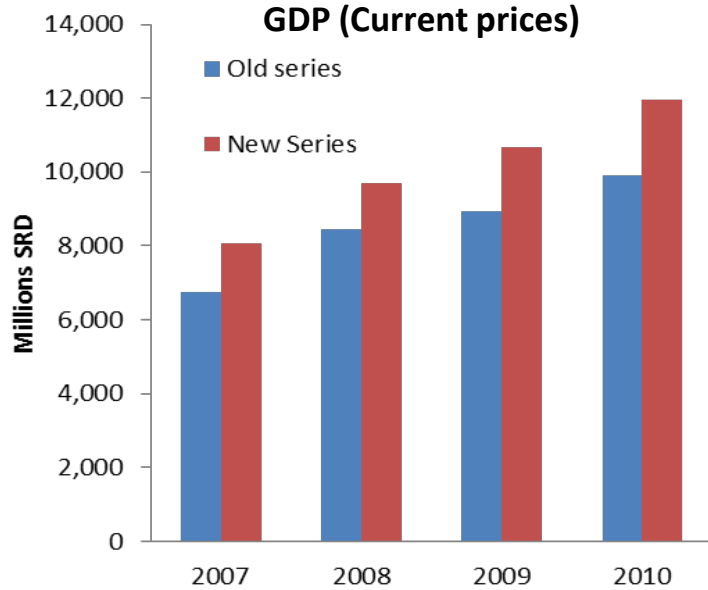
## Why are we here?

- 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.

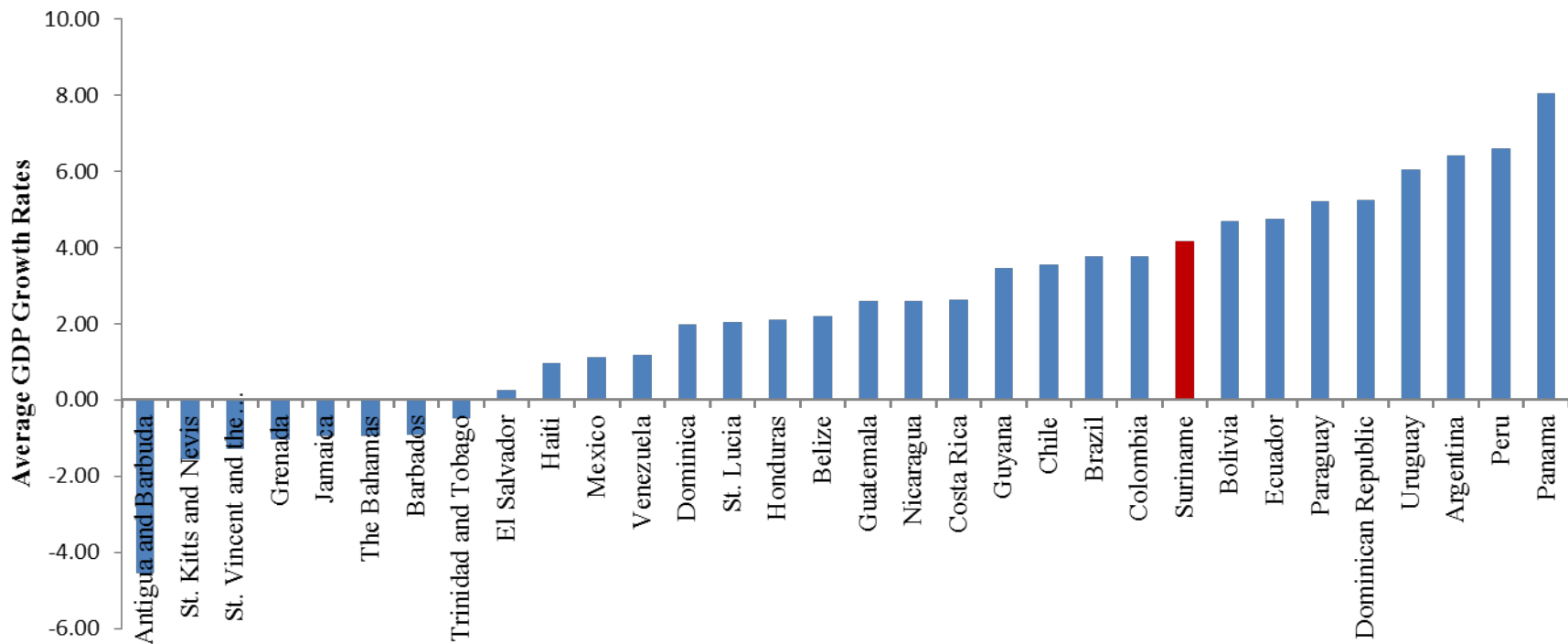
**A bit windy road, but hang in there. . .**

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

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



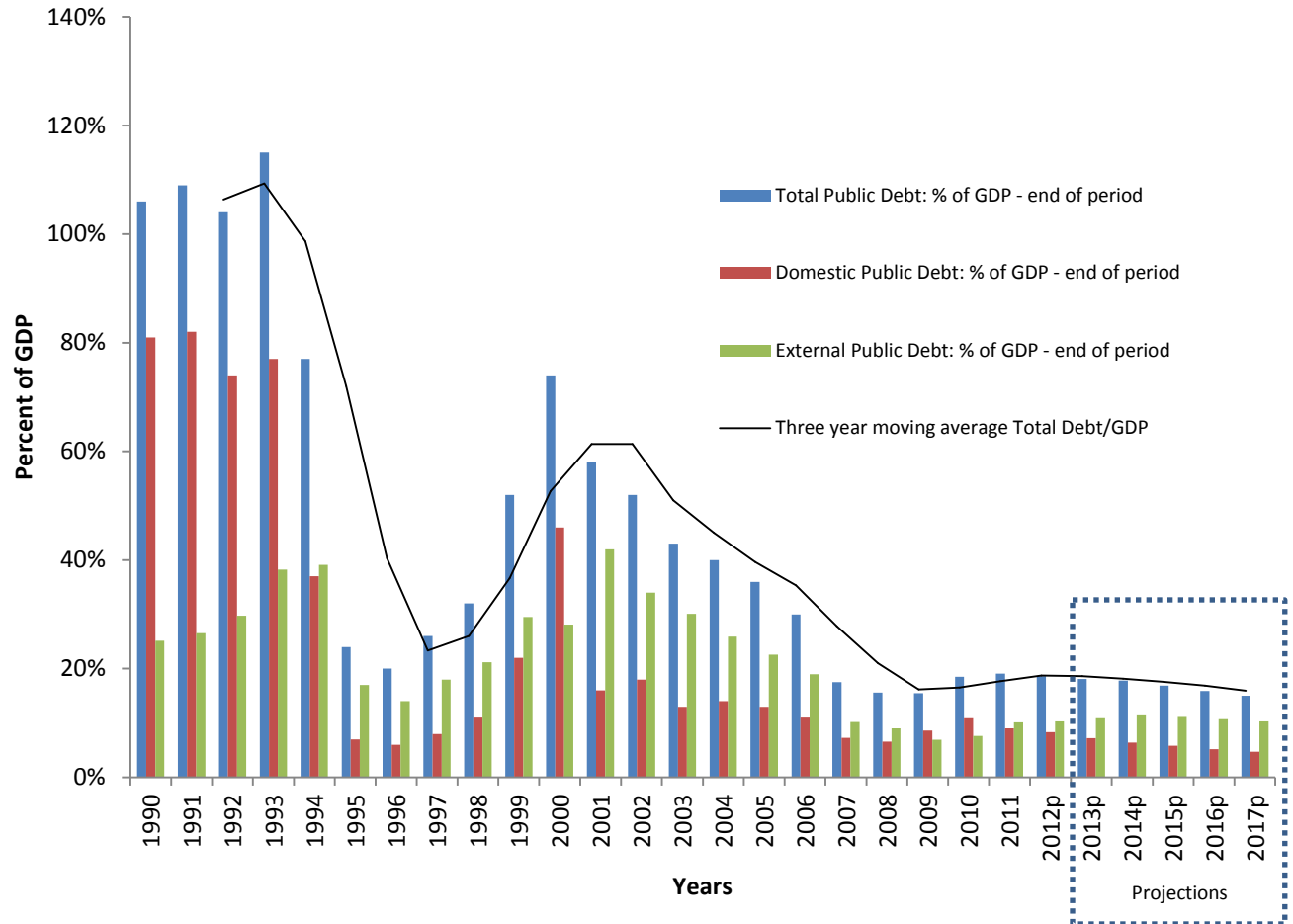
# Suriname is among the fastest growing countries in LAC.



# Main fiscal variables still look better compared with others.

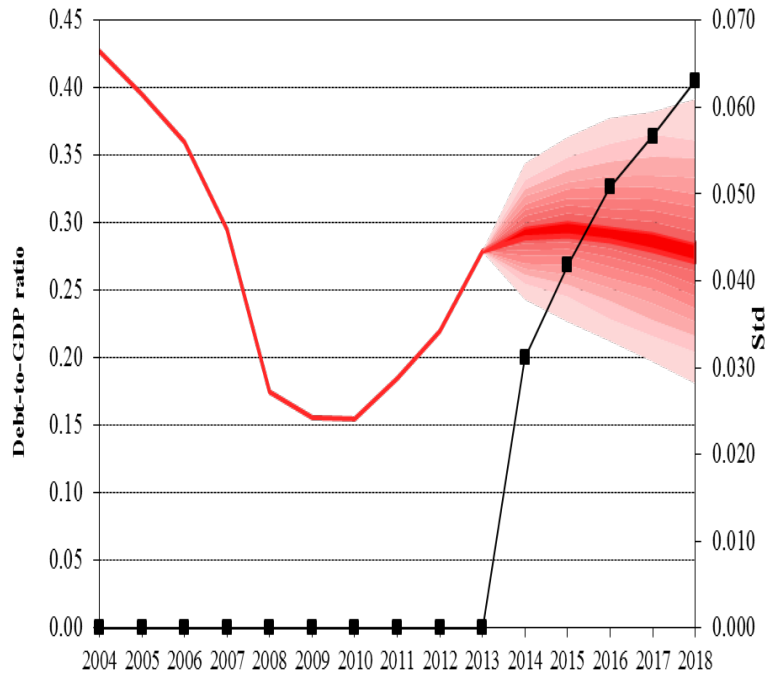
Fiscal comparison  
end 2012.

	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
<b>Suriname</b>	<b>-2.8</b>	<b>22.0</b>
Trinidad and Tobago	-4.3	36.4

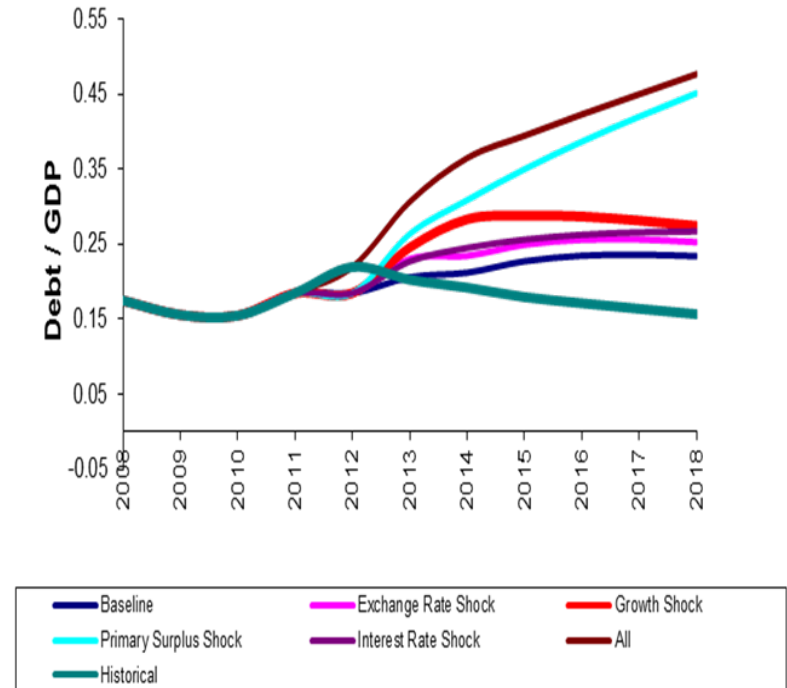


# And debt is will remain sustainable.

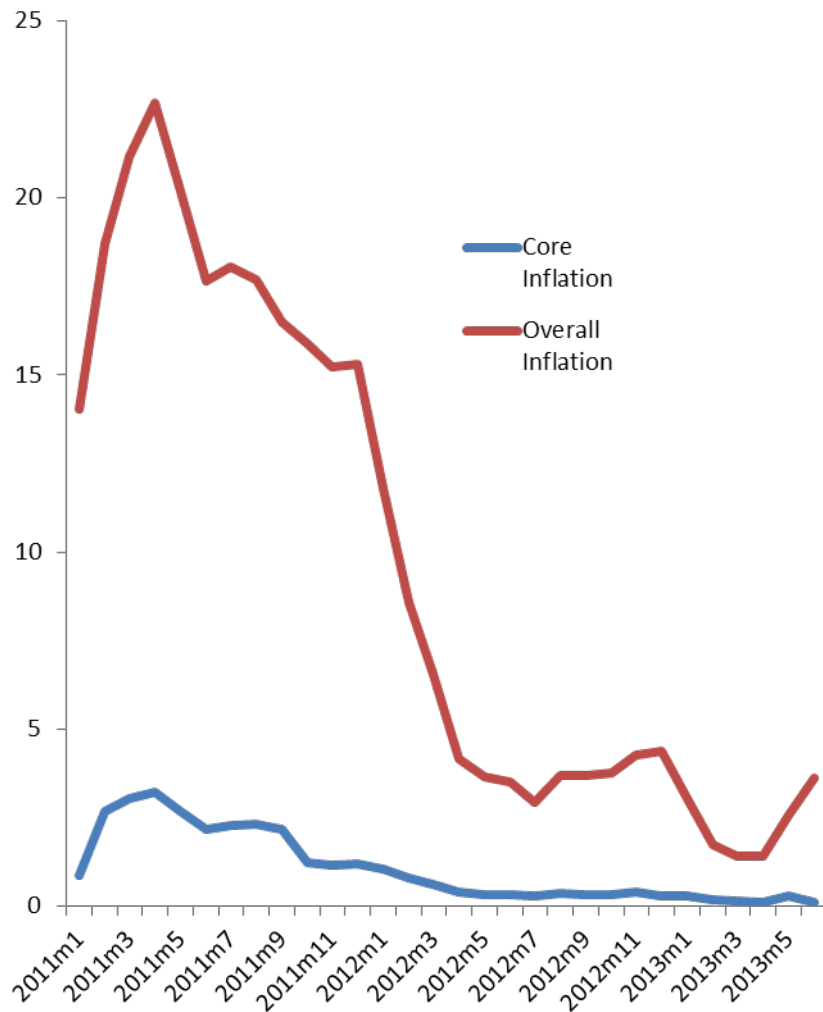
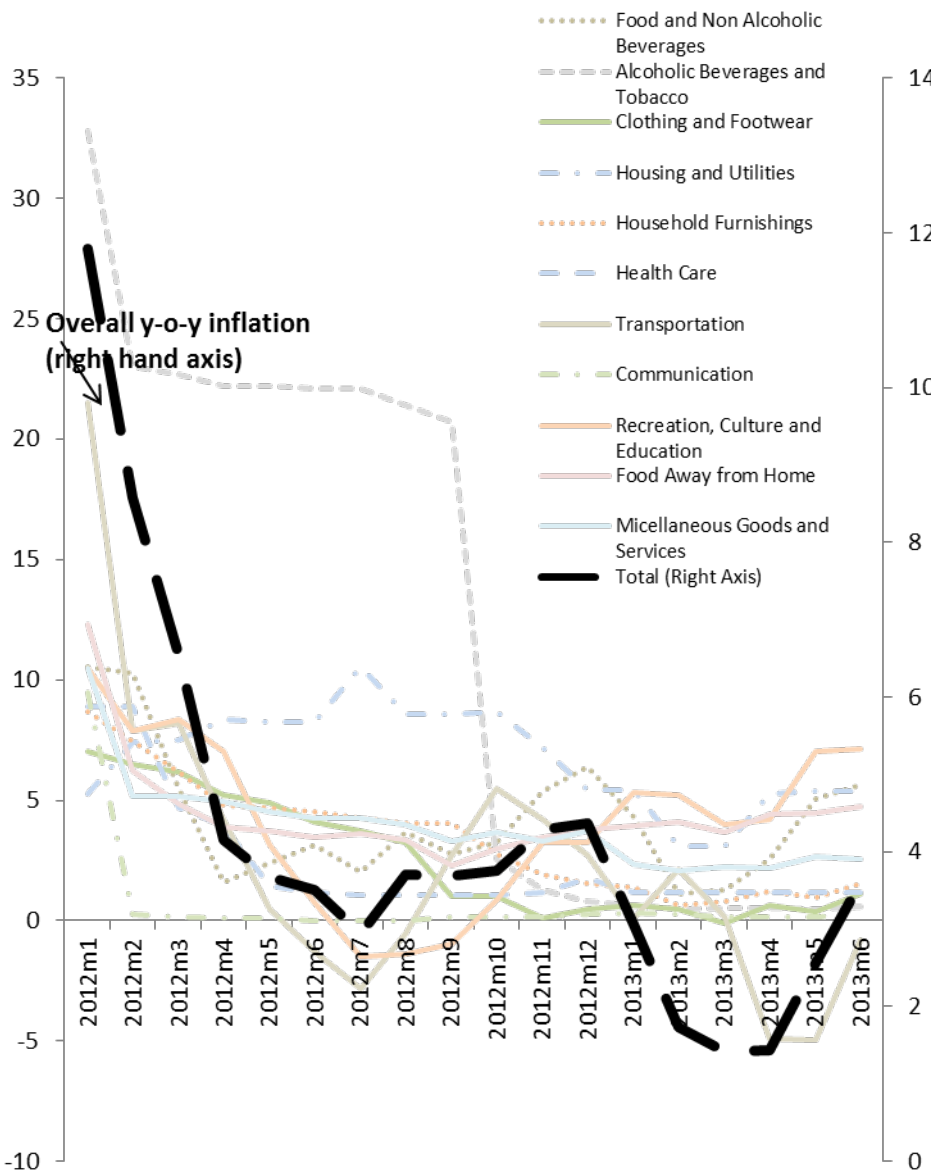
### Fan Chart



### Debt Dynamic



# Inflation is now low and stable.



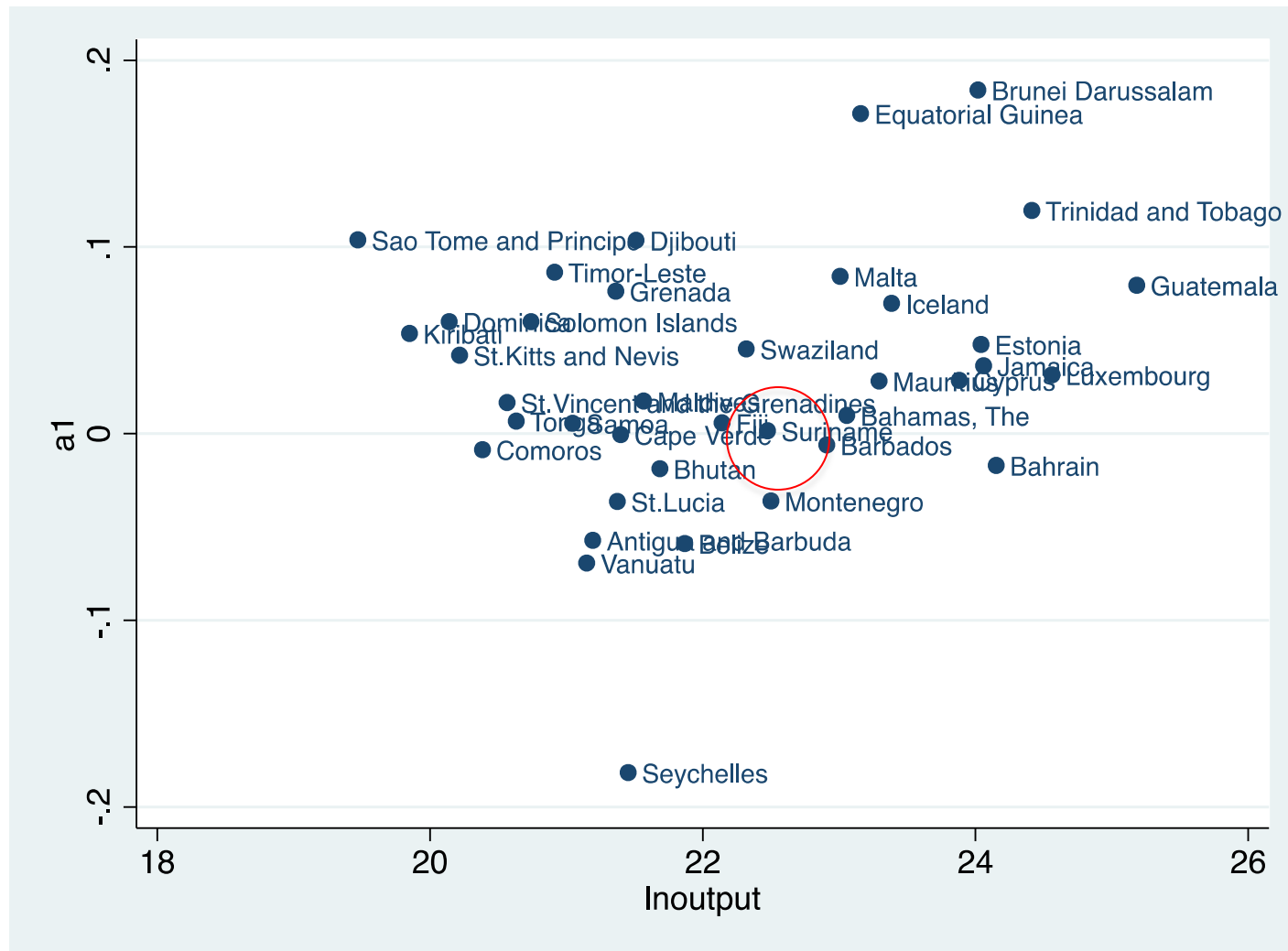


Imagine

**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

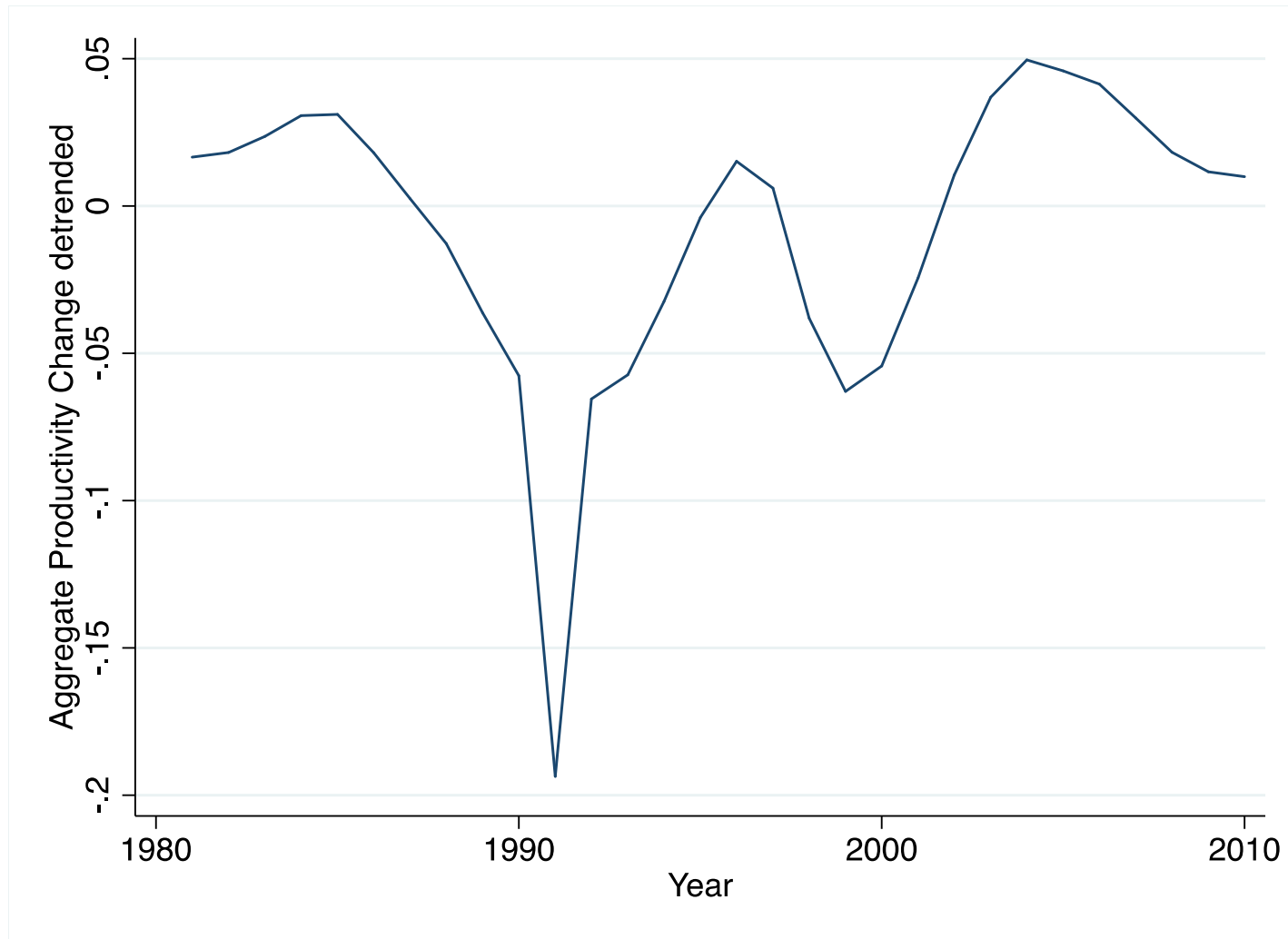
and  $TECHCH_i^{t+1} = \left[ \frac{D_i^t(x_i^{t+1}, y_i^{t+1})}{D_i^{t+1}(x_i^{t+1}, y_i^{t+1})} \times \frac{D_i^t(x_i^t, y_i^t)}{D_i^{t+1}(x_i^t, y_i^t)} \right]^{\frac{1}{2}}$  or technological change.

A la Caves, et. al.

## **Jokes aside, let's talk about two examples**

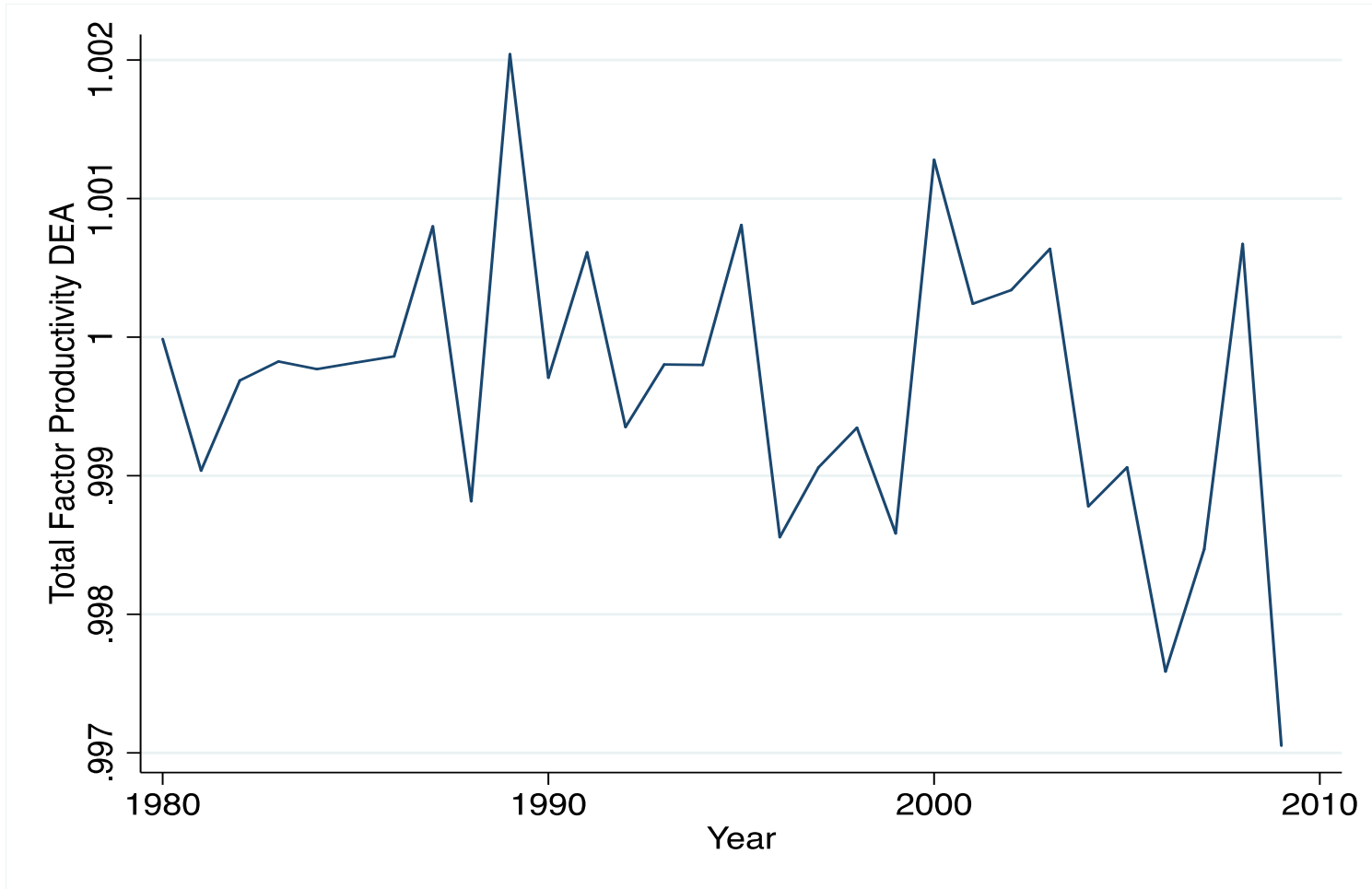
- How do we get more stuff (growth)?
  - Example A: More material (capital)
  - Example B: More labour
  
- **Neither is sustainable**
  - Example C: More productivity. . .
    - How?

**Aggregate productivity in Suriname is low and falling.**

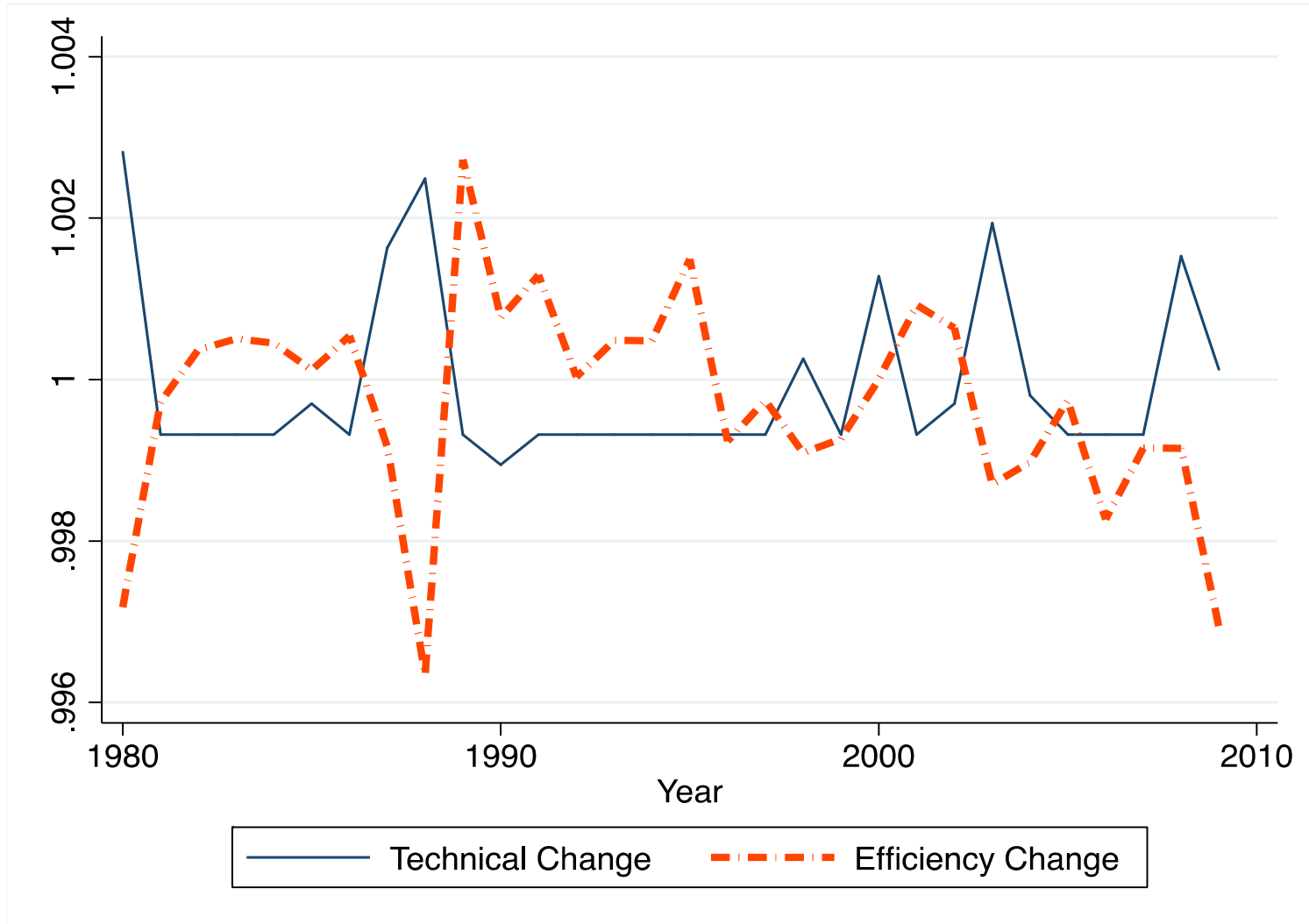




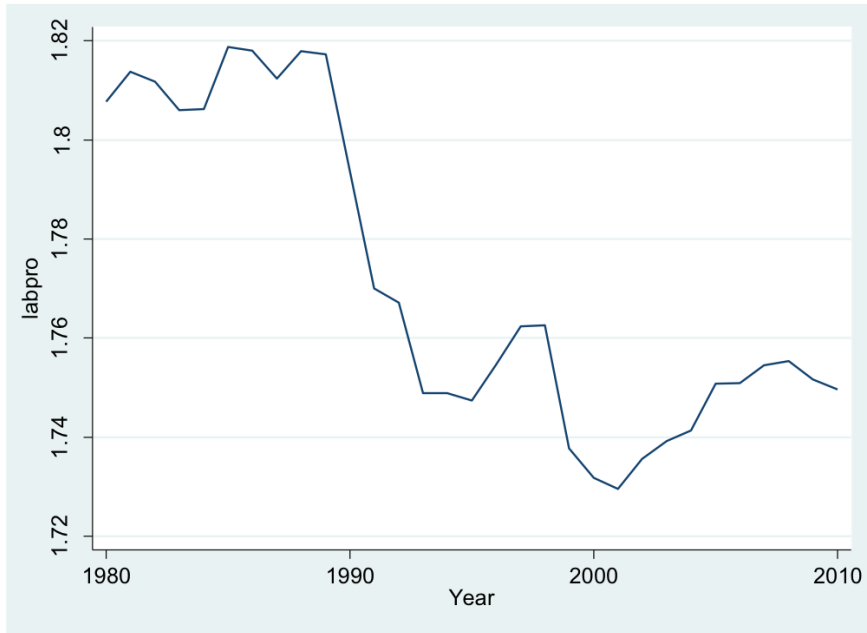
**. . .also when compared with other small countries.**



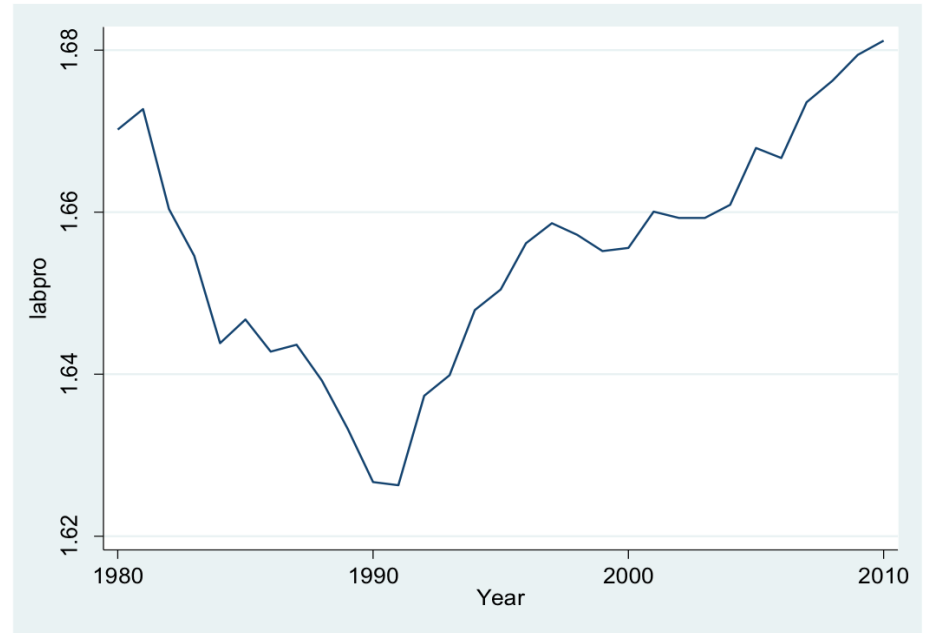
# Decomposed productivity: spurts of technical change with large investments?



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



Suriname



Another Caribbean country

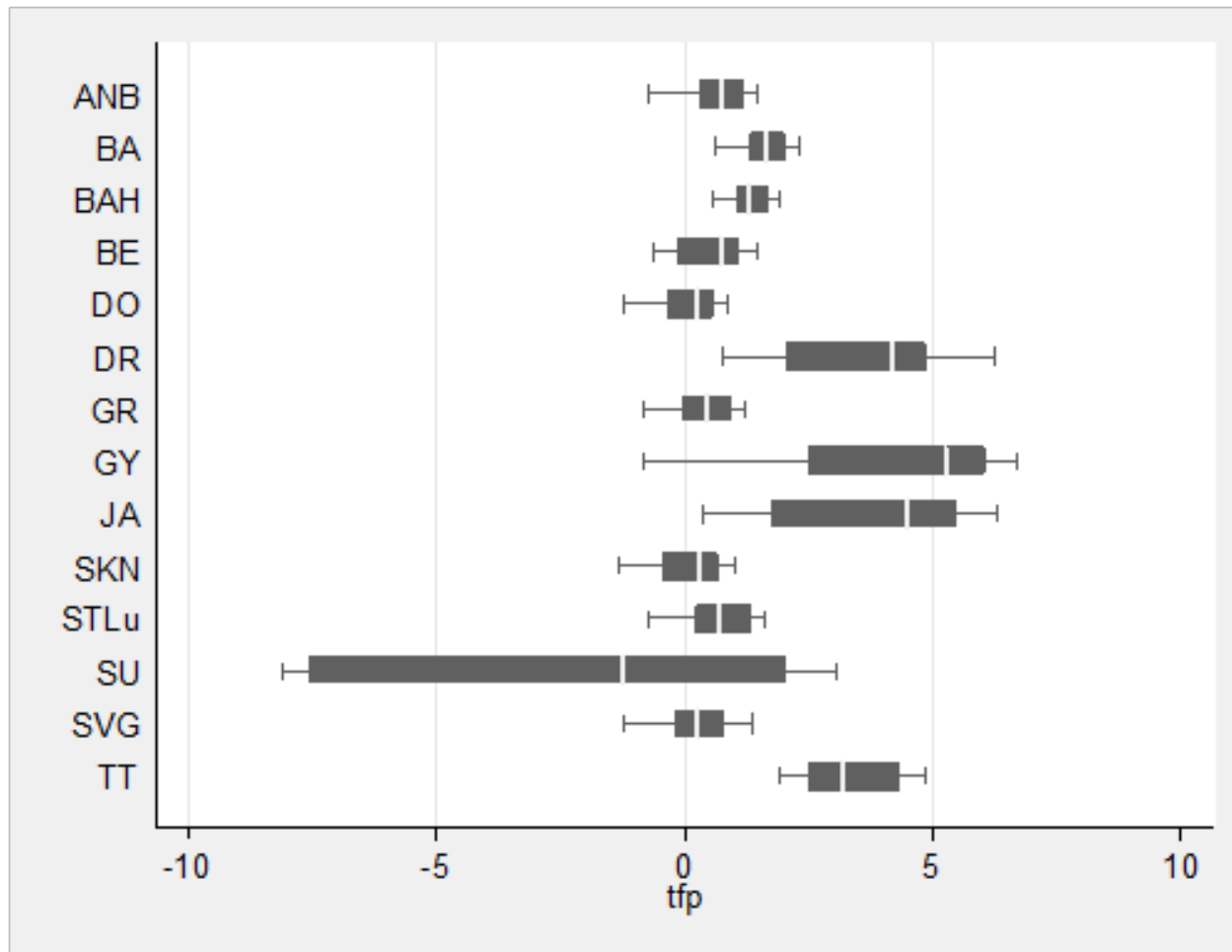
**We find that Suriname's outstanding growth performance is below potential---and productivity is a big reason for this.**

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

“No spang.” Really?

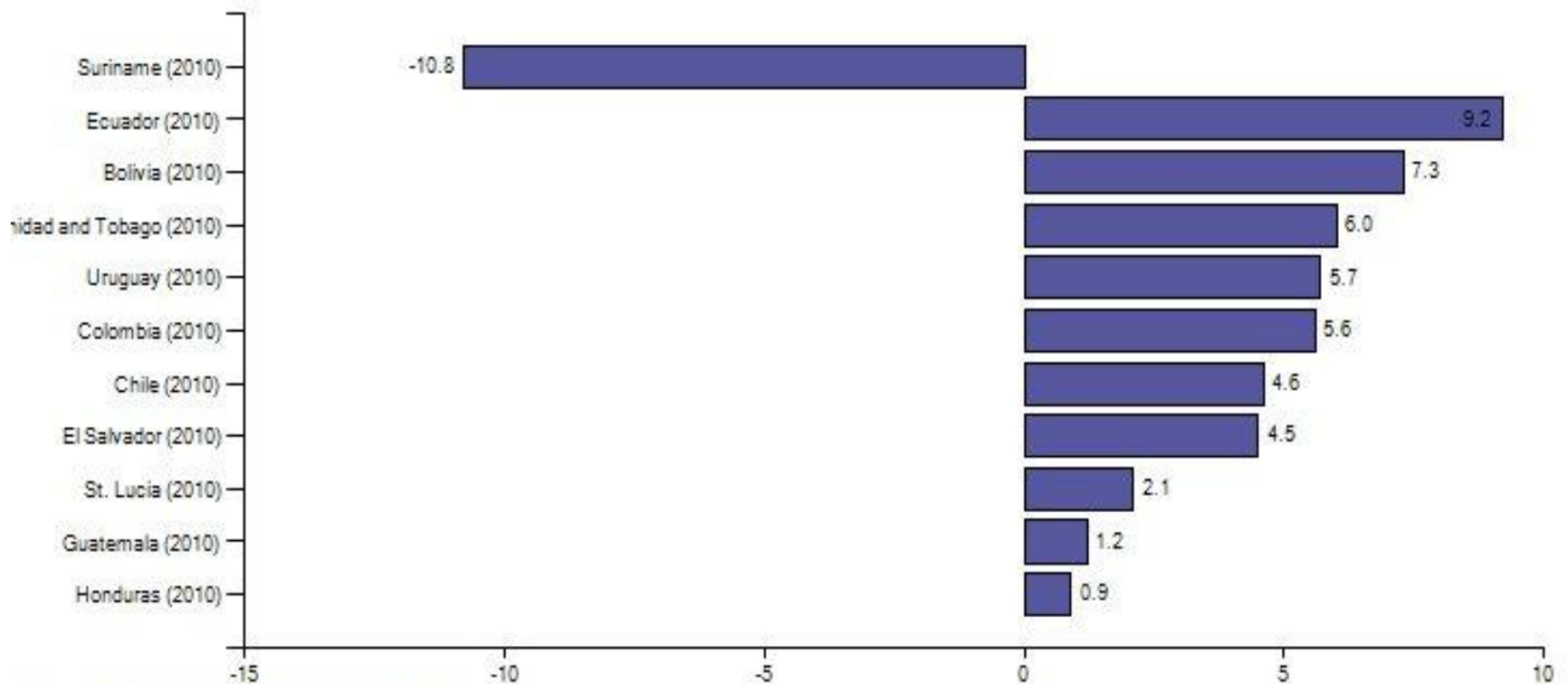
More evidence.

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



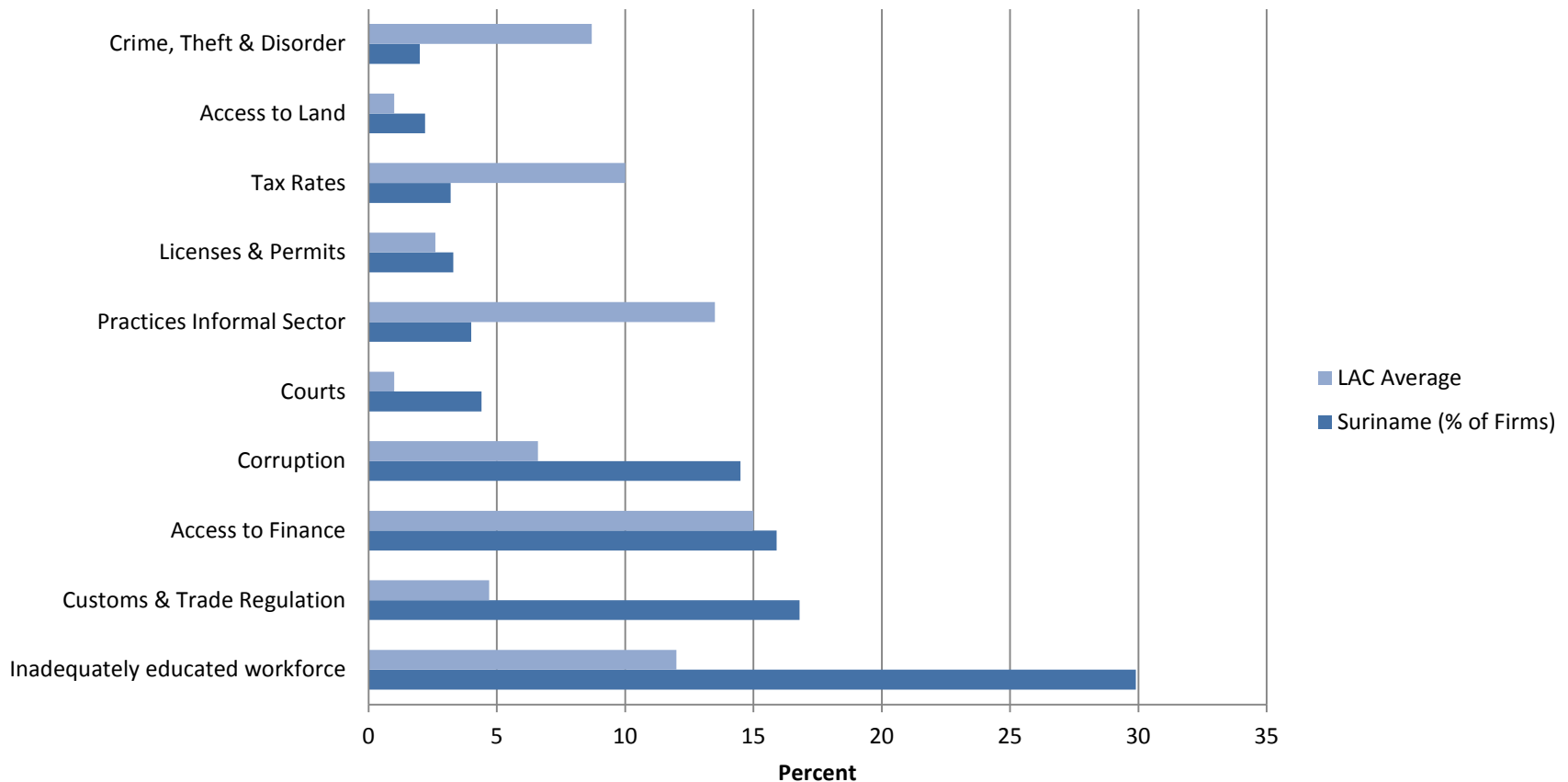
**. . .perhaps driven by the fact that firm level labour productivity growth has been large and negative.**

**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

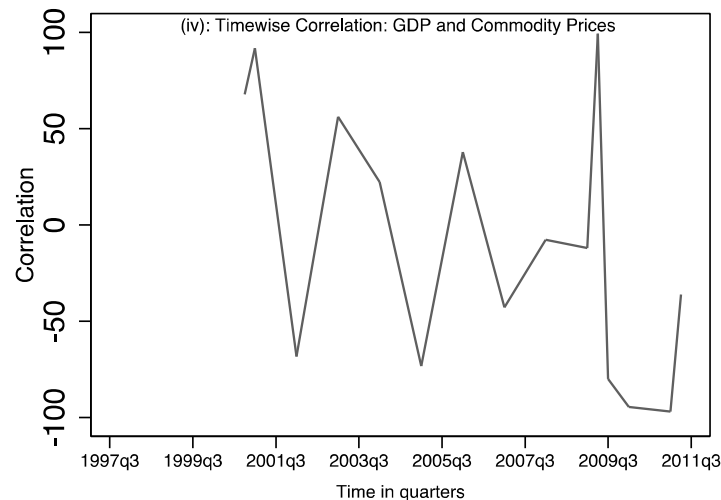
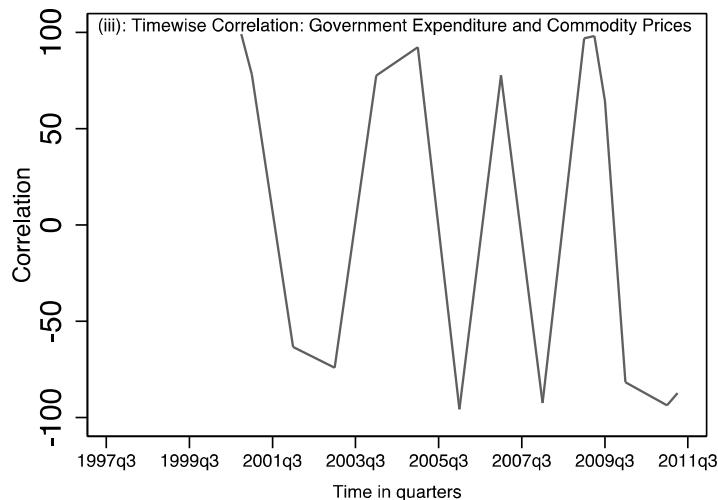
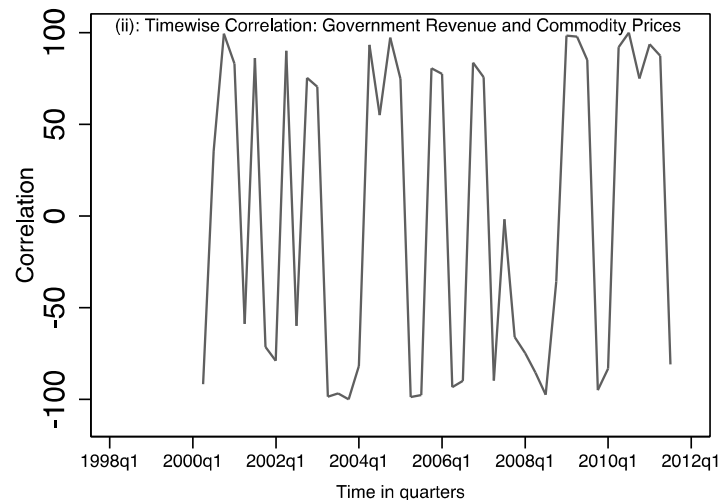
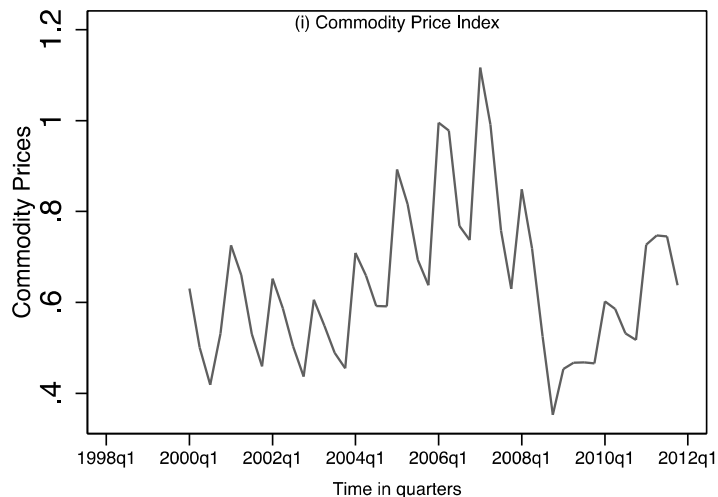




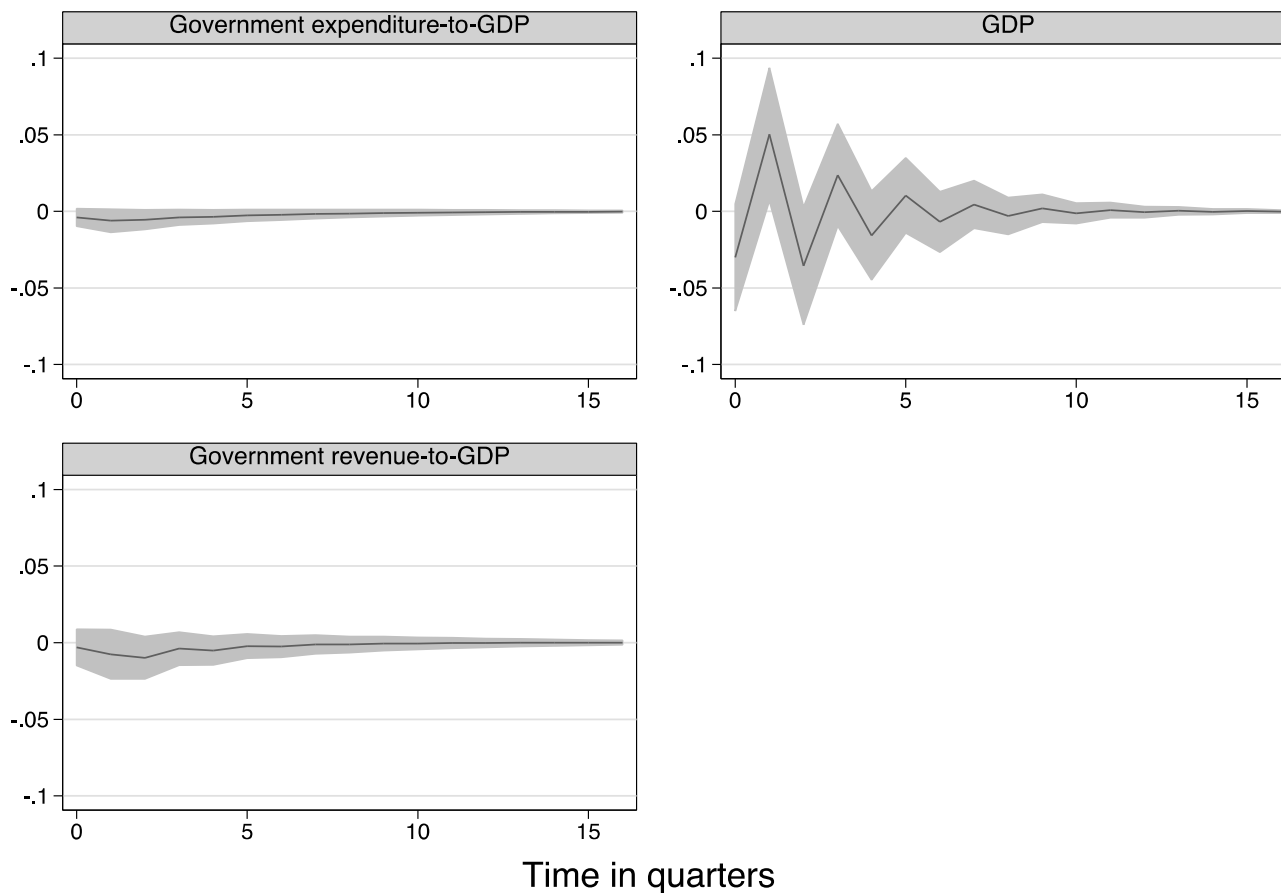
Kong mi broko na ptjieng monie.

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.**

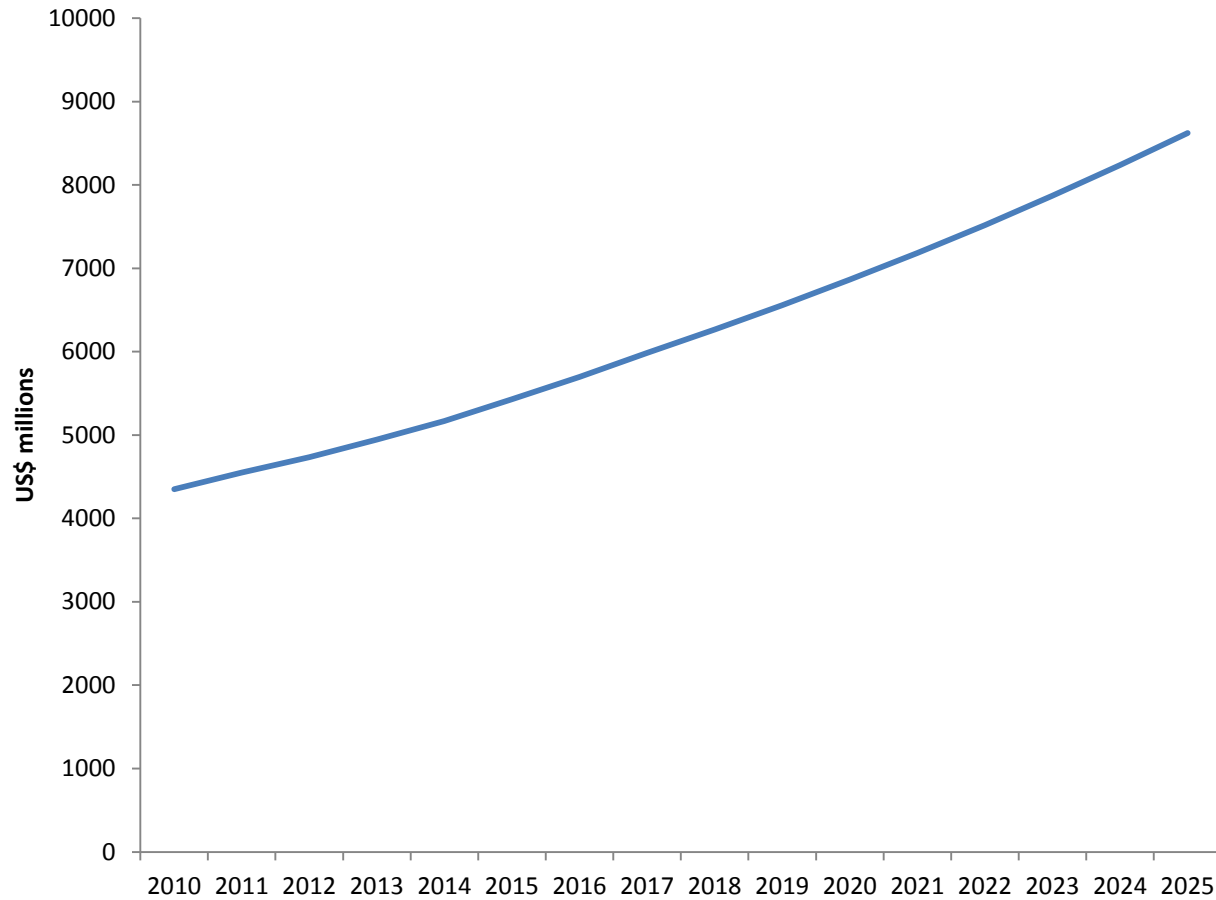


Structural impulse response to commodity price shock.

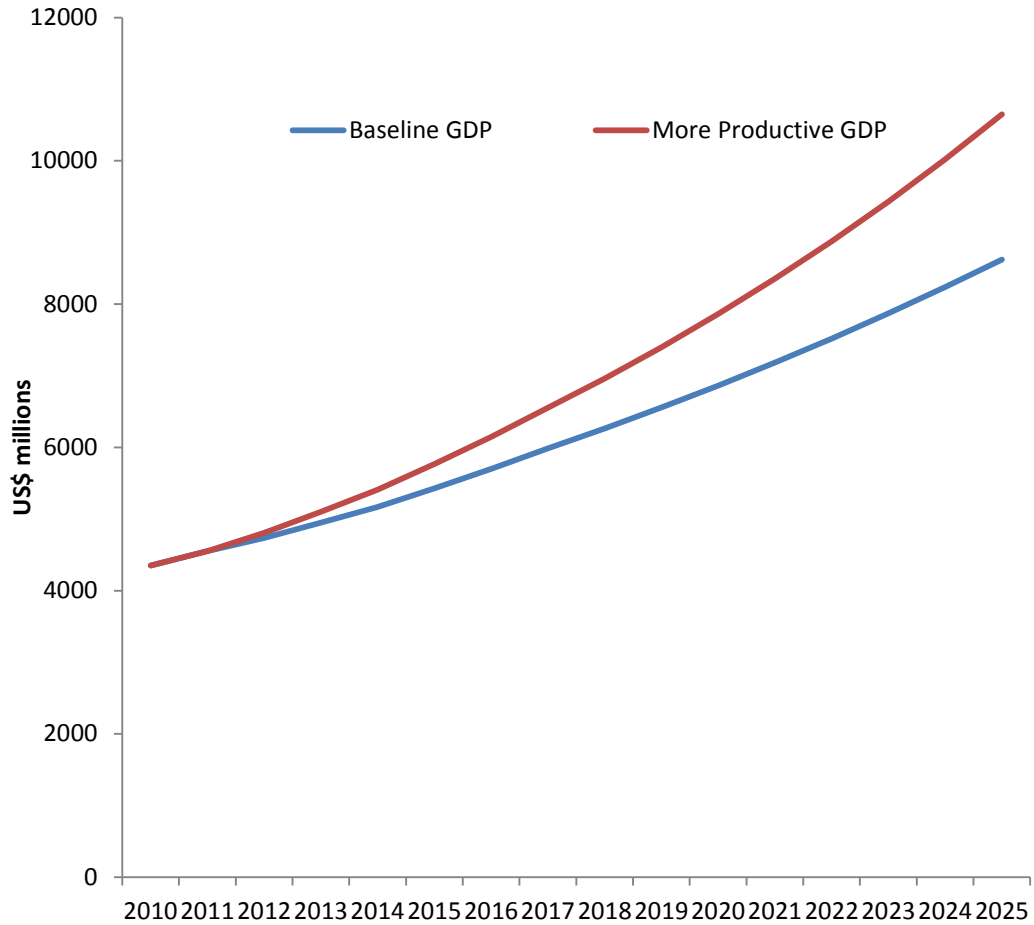
Sang joe wan doe?

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!

