



**PUBLIC
SIMULTANEOUS DISCLOSURE**

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

SURINAME

COUNTRY DEVELOPMENT CHALLENGES UPDATE (CDC UPDATE)

April 2020

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Executive Summary

Suriname is a small and ethnically diverse, commodity-based economy. Those structural features have contributed to recurrent economic crises that have undermined the country's development progress. Moreover, recent crude oil discoveries and high expectations for further discoveries, while providing a boon, could serve to expose existing macroeconomic vulnerabilities. Keeping in mind those key structural aspects (small size, ethnic-based politics and commodity dependence), strengthening natural resource management policies, particularly in the area of public finance and broader public sector governance could help the country achieve macroeconomic stability and realize its development potential. Furthermore, improving private sector competitiveness and investing in human development are important and complementary policy priorities for the country to achieve and sustain macroeconomic stability. To sustain and advance on the progress made in social development, the country needs to continue improving on the reliability of and access to basic services such as healthcare, water and sanitation, electricity and housing and urban planning.

The country's main challenge in the short term is to restore macroeconomic stability and establish policies and governance frameworks to improve public sector performance. Suriname's economy is growing steadily after the 2015 commodity crisis, but significant challenges and risks remain. Economic growth returned to positive territory, averaging 1.9 percent in 2017-2019, after a 9 percent contraction in real GDP from 2014-2016. Growth was mostly led by gold production which increased by over 40 percent in 2017—due to new gold mines starting production. Inflation decelerated to single digits from high double digits, and unemployment is falling. However, fiscal and debt positions continue to worsen after the 2015 commodity shock with fiscal deficits averaging 8 percent of GDP for the period 2015 to 2019, and central government debt increasing to 78 percent of GDP in 2019. The country's external position remains weak with persistent current account deficits, low international reserves, high dollar denominated debt, a widening gap between the official and parallel exchange rates (70 percent parallel market premium in April 2020) leading to credit rating downgrades. There are also important vulnerabilities to the banking system with low profitability, high non-performing loans and some large banks that do not meet the minimum regulatory capital requirements. Governance continues to be a challenge as the country ranks lower than most regional comparators in the areas of government effectiveness, regulatory quality, rule of law and corruption. There are significant data gaps that hamper the measurement of public sector performance and decision-making for both public institutions and private enterprises.

Competitiveness of the private sector needs to improve, along with an enabling environment to support the development of non-traditional sectors of the economy. The private sector is challenged by an unfavorable business environment. Suriname is ranked in a relatively low position, 165th of out 190 countries—in the 2019 Ease of Doing Business survey and underperforms relative to the Latin America and Caribbean (LAC) average in 7 of the 10 areas covered by the Ease of Doing Business index. Moreover, private sector's competitiveness and performance is undermined by an under-developed financial sector, inadequate human capital, and the need for policies to support development of sectors related to agroindustry and tourism. Improving access and reliability of basic infrastructure services such as transportation, telecommunications and trade and integration logistics are important for private sector development.

Poverty and inequality in Suriname remain relatively high. The overall poverty rate (% of population with income below USD 5 a day) for Suriname was estimated at 21.2 percent in 2017. However, poverty in the interior region of Suriname is much higher at 47.9 percent, with almost one in every two households being classified as poor. Also, inequality in the distribution of per capita income (Gini coefficient) was estimated 0.48. While the country has made much progress

in increasing life expectancy and education outcomes, inequalities persist in accessing basic services such as water and sanitation services, electricity, healthcare and housing.

Suriname's growth and development progress is also affected by gender and ethnicity issues, climate change and natural disasters. Both areas are identified as cross-cutting themes. Women's participation is underrepresented in economic and political areas in Suriname. Indicators in health, education, labor, and entrepreneurship reveal that Surinamese women experience high levels of gender inequality. Surinamese women are also faced with high levels of intimate partner violence. The country faces climatic risks such as sea-level rise and extreme weather events or natural disasters. Adaptation to climate change remains insufficient and the continued impacts of climate change could further increase the country's vulnerability and negatively affect key sectors such as agriculture, water, energy, health, and tourism. On the mitigation front, it is critical that Suriname fulfill its commitments to global climate agreements, as spelled out in its NDCs. Moreover, indigenous people and maroon communities are most at risk of natural disasters brought by climate change due to their high poverty levels and their location in remote areas. However, the country has set out an ambitious plan to meet these challenges with its update its Nationally Determined Contribution (2019) that strengthens climate change resilience and outlines a cost-effective pathway to decarbonization of sustainable economic development.

Recent international developments is expected to have adverse socioeconomic impact on Suriname. The spread of Coronavirus (COVID-19) and its effects on global demand and supply chains, commodity prices and the need for imposing international travel restrictions and social distancing measures could have adverse impacts on Suriname's socioeconomic performance. Preliminary estimates suggest that economic growth would contract by 2 percent in 2020 along with a worsening of fiscal, debt and external positions. The closure of businesses and other social distancing measures would also have large negative effects on firms, households and the financial sector.

In the context of the above analysis, this report identifies three strategic priorities that offer opportunities to support the country's development course: (i) public finance and governance; (ii) private sector competitiveness and infrastructure; and (iii) basic services. The underlying factors contributing to the first priority area include deficiencies in public expenditure management, public investment management, public procurement, public financial management, tax revenue policies and administration, and inadequate economic institutions to guide appropriate fiscal and macroeconomic policy responses—as discussed. Strengthening public finance institutions are critical for the country to efficiently collect tax revenues, properly manage commodity-related revenues and allocate those resources, with a view to achieve macroeconomic stability, and encourage the emergence of a diversified private sector. In light of a large but weak public sector, there is a great need to continue supporting private sector development with a view to diversifying the country's exports and revenue sources over the medium to long term and also to capitalize on any potential benefits in the short to medium term from recent oil and gas discoveries. However, this report revealed that more work is needed to strengthen the key inputs required for a competitive and diversified private sector. These include the need to improve the business climate, the country's human capital base, and infrastructure, along with policies to support the development of sectors such as agroindustry and tourism. Given the existing inequalities and quality of basic services, further investments are needed in water and sanitation services, electricity access and reliability, healthcare services and housing and urban planning.

In summary, the key areas for policy intervention to promote sustainable growth and development are: (i) improving public sector management (particularly public finance and governance frameworks); (ii) undertaking interrelated structural reforms to improve private sector competitiveness; (iii) investing in basic services to improve access and reliability; and (iv) enacting

policies to tackle cross-cutting issues related to climate change, disaster risk management and gender and diversity.

Chapter I: Socioeconomic Performance and Development Challenges

A. Recent socioeconomic performance

- 1.1 **Suriname is a small and ethnically diverse, commodity-based open economy with relatively weak institutions and policy framework.** The economy is highly concentrated in the extractive industries—specifically gold and crude oil—which plays a key role in driving growth, employment and government revenues. The export basket is dominated by gold and crude oil which together generate over 70 percent of exports and attract high inflows of foreign direct investment (FDI). However, the country lacks effective public sector institutions to raise and allocate resources efficiently. Key policy decisions are made at the highest levels, without a well-organized public sector, and with a limited base of information about the country’s economic and social performance. Moreover, the dominance of ethnic-based political parties in Suriname could also help to explain challenges in the quality of governance and decisions related to the design and execution of public policy. The literature indicates that ethnic-based voting can lead to lower-quality politicians, facilitate the extraction of rents by political leaders, and promote policies that could disproportionately benefit special interest groups (see Banerjee and Pande, 2007; Padro i Miquel, 2007). Nevertheless, Suriname’s political system encourages collaboration and alliances among various ethnically-based parties, which contributes to a uniquely complex political balance. Within this system, consensus-building is one of the salient features of the government’s decision-making process. While that approach provides some clear advantages, it usually comes at a cost of a protracted pace of decision-making (see Khadan, 2018).
- 1.2 **Commodity dependence is expected to increase with a recent offshore oil discovery.** In January, 2020 the Apache Corporation and Total announced a ‘significant’ oil discovery at the offshore Maka Central-1 well, estimated (preliminary) at 300 million barrels of oil and 1.4 trillion cubic feet of gas.¹ It will take at least eighteen months for the companies to decide whether the oil will be commercially extracted. It will then take approximately three years before the oil goes into production. The State-owned oil company has a 20 percent share and will have to put up about US\$800 million to US\$1 billion if it wants to participate in the production.² This find significantly increases the known reserves of Suriname, as proven oil reserves in 2018 was estimated at 87 million barrels. The current production rate is about 6-6.3 million barrels per year (IMF, 2018). A second ‘significant’ oil discovery was made by Apache and Total on April 2, 2020.³
- 1.3 **The combination of high commodity dependence and weak institutions have contributed to highly volatile and relatively low long-term average economic growth.** The country’s average growth rate for 1975-2000 was 1 percent, significantly lower than the LAC average of 2.96 percent. Suriname turned the corner in the 2000s with sustained growth averaging 4.4 percent, due mainly to favorable commodity prices and large investments in the mining sector. However, a reversal of commodity fortunes in 2015 in the presence of largely unsustainable macroeconomic policies and weak economic institutions led to a drastic change in the country’s economic performance: real GDP contracted by 9 percent from 2014-2016, accompanied by large fiscal and external imbalances, low international reserves, a rapid rise in debt and high double digit inflation.

¹ Estimates from Wood Mackenzie consulting group: <https://oilnow.gy/featured/suriname-discovery-contains-300-million-barrels-of-oil-over-1-trillion-cubic-feet-of-gas-woodmac/>

² The State-owned oil company is in the process of raising about US\$1 billion (26 percent of GDP) to support its 2020-2027 investment program. The first bond issue of US\$150 million was made in the first quarter of 2020.

³ See <https://bit.ly/2X1duAM>

- 1.4 **There are significant sustainability risks associated with commodity dependence, both in the short and long term.** Commodity dependent countries are highly susceptible to sharp and large declines in commodity prices and other negative economic forces such as the resource curse and the Dutch disease which can lower long term economic growth (Corden and Neary, 1982 and Sachs and Warner, 1999; Auty, 2001). Moreover, commodity dependence may not only be a curse in terms of growth, but also in terms of less democracy, more corruption and poor governance (see for example, Auty, 2001; Isham et al. 2005; Ross, 2001). Furthermore, the demand for fossil fuels is expected to decline as countries aim to reduce greenhouse gas emissions and cope with the increasing social and economic impacts of climate change. In that regard, it is important for Suriname to plan for the economic consequences of fossil fuel phase out by pursuing policies to diversify export earnings and fiscal revenues, investing in renewable energy (see energy and electricity section), economic diversification (see private sector competitiveness and infrastructure section) and supporting private sector engagement in sustainable and climate-change-related economic activity. It is also important for Suriname to consider reorienting investments away from potential stranded assets and focus on investing in long term decarbonization strategies (see Caldecott et al., 2016; Solano-Rodriguez, 2019; IDB and DDPLAC, 2019).⁴
- 1.5 **A moderate economic recovery is on the way—led by the mining sector.** The improvement in commodity prices and especially gold production helped return growth to positive territory of 1.7 percent in 2017 and 2 percent in 2018 and 2019. Growth was mostly led by gold production which increased by over 40 percent in 2017—due to new gold mines starting production.
- 1.6 **The unemployment rate is falling.** The unemployment rate increased from 5.5 percent in 2014 to 9.7 percent in 2016. Data from the General Bureau of Statistics (ABS) shows that the unemployment rate declined to 7.6 percent in 2017 and the IMF estimated that the unemployment rate fell to 7 percent in 2018 and it will gradually decline to about 6.3 percent by 2020.
- 1.7 **Inflation has been reduced to low single digits.** Inflation increased from 4.1 percent in October 2015 to peak at 79 percent in October 2017. The increase in inflation was associated with a partial reduction of electricity subsidies and a depreciation of the exchange rate. Inflation increased to 7 percent in February 2020, from 5.5 percent in November 2018.
- 1.8 **Fiscal and debt positions have worsened, and new proposed reforms are delayed.** Fiscal policy was largely unsustainable during the commodity super cycle of the 2000s: mining and crude oil revenues increased significantly averaging 35 percent of total revenues, while expenditure increased and was largely concentrated in non-discretionary items. Transfers and subsidies and wages and salaries accounted for roughly 70 percent of total government spending. As a result, the 2015 commodity shock led to large fiscal imbalances and a rapid buildup of debt: the fiscal deficit averaged 8 percent of GDP for the period 2015 to 2019 and central government debt increased from 26.3 to 78 percent of GDP from 2014-2019. The authorities launched an adjustment program in late 2015 supported by a 24-month International Monetary Fund (IMF) Stand-By-Arrangement (SBA)—but it was cancelled within 1 year. Its current fiscal strengthening program which includes the introduction of a value added tax (VAT) together with measures to improve tax administration, strengthen public financial management and improve the public investment system has been characterized by postponements and delays in implementation.
- 1.9 **The banking system face important vulnerabilities.** As of July 2019, non-performing loans remained high at 12.5 percent of gross loans, profitability was low with a 0.7 percent return on assets, and some large banks do not meet the minimum regulatory capital requirements despite an ongoing supervisory response to bring them back into compliance (IMF, 2019). The capital adequacy ratio for the banking system stood at 10.5 percent (above the 10 percent minimum

⁴ See Caldecott et al (2016) a detailed discussion on stranded assets.

requirement). Dollarization remains high with foreign currency deposits in percentage of total deposits and foreign currency credit to private sector in percentage of total credit to private sector ratios averaging 63 and 47 percent over the period 2015-2019, respectively.

- 1.10 **Suriname's current account remains in deficit with relatively low international reserves.** Suriname has been recording persistent current account deficits since 2013. The current account deficit fell from 16.4 percent of GDP in 2015 to about zero in 2017—a result of an improvement in the terms of trade, and higher gold exports. However, at the end of 2019 the current account recorded a deficit of 6.1 percent of GDP. Gross international reserves declined by 47 percent from 2014 to 2015, reaching 1.5 months of imports. Although international reserves improved to US\$647.5 million in 2019, there has been a persistent decline in 2020 reaching US\$565 million (2.5 months of imports of goods and services) in February 2020 (IMF, 2019).
- 1.11 **Monetary policy is aimed at single digit inflation within a de jure flexible exchange rate arrangement.** Monetary policy is geared towards maintaining low inflation and exchange rate stability. The nominal exchange rate has remained relatively stable since December 2016, averaging US\$1/SRD 7.5, but US dollar shortages have emerged and the spread between the official and parallel rates has increased (estimated at over 70 percent in April 2020). Also, the Central Bank of Suriname (CBvS) lacks standard tools to undertake open market operations and does not have standing facilities that are common to most central banks. Instead, the CBvS relies on various ad hoc instruments (such as foreign exchange swaps and occasional loans to banks) to manage liquidity. The CBvS had ceased monetary financing of the budget via a Memorandum of Understanding (MoU) with the Ministry of Finance (MoF) in 2016. However, the government cancelled the MoU in March 2019 and requested financing from the CBvS.
- 1.12 **Suriname's GDP per capita has been losing ground since 2014.** According to the World Bank, Suriname's GDP per capita stood at US\$ 5,726 in 2000, reaching a high of US\$ 8,930 in 2013, an increase of 41 percent. By 2018, per capita GDP had declined to US\$ 8,048 in 2018.
- 1.13 **The 2017 Survey of Living Conditions for Suriname estimated an overall poverty (percent of population with income below US\$ 5 a day) of 21.2 percent, comparable to other countries in the Caribbean region.** However, poverty in the interior is much higher at 47.9 percent, with almost one in every two households being classified as poor. Also, estimates show that men are on average better off in per capita terms than women. Reassuringly, children appear to have the lowest poverty rates and there is no evidence of gender bias among children (Khadan, Strobl, Tuffour 2020).
- 1.14 **COVID-19 and commodity shocks.** The main transmission channels of the ongoing shock for Suriname will be commodity prices (gold and oil). In 2019, the IMF projected that the country's economic growth would continue to improve over the medium term with real GDP growth estimated to reach 2.5 percent in 2020. However, the ongoing shock now cast doubt on that assumption. Lower growth at best or an economic contraction is expected for 2020 (Standard & Poor's downgraded Suriname to 'CCC+' from 'B' in April 2020, with a negative outlook and forecasted that real GDP would contract by 2 percent in 2020). The ongoing shock would further weaken the country's fiscal, debt and external positions. Second round effects on firms and households would occur through the impact of social distancing measures and internal and international travel restrictions. In terms of firms, data from private sector surveys show that the sectors (construction, hotel and restaurants, retail and transportation) most likely to be affected by the ongoing shock account for over 60 percent of firms in the private sector, more than 70 percent of private sector employment and their sales to tourists as a proportion of total sales averages between 13 to 40 percent (see Khadan, 2020). Moreover, more than half of the firms in the transportation sector and 38 percent of firms in the retail sector had a credit or loan from a financial institution. These statistics imply that the exposure of private sector firms to the ongoing shock is not trivial and has implications for their balance sheets, employment and the financial

sector. While it is expected that there can be a cascading effect on employment across sectors of the economy if the crisis deepens, two sectors: services and sales workers and elementary occupations are expected to be most affected. These two sectors account for almost one-third of the total employed persons. The data from the Suriname's 2017 Survey of Living Conditions shows that 18 and 26 percent of persons working in the services and sales workers and elementary occupations respectively are classified as poor. Moreover, another 11.9 percent of workers in the sales and services sector are classified as being vulnerable to poverty while the estimate is 17.9 percent for workers in elementary occupations. In terms of coping mechanisms, employees of both sectors benefit from remittances and government support programs. 6.6 percent of persons employed in services and sales and 6.0 percent of employees in elementary occupations receive remittances. Remittances are sent from The Netherlands (77 percent) French Guyana (8 percent) and the USA (4 percent). With supply shocks ongoing in advanced economies, remittance flows could be temporarily impaired, implying a stronger role for government support programs to the affected households.

- 1.15 **Short to medium term risks:** In addition to the ongoing shock the economy faces other risks: (i) downside risks include increasing central government debt and debt service; a high share of foreign-currency denominated debt; a 70 percent parallel market premium on the SRD/USD exchange rate; low and declining levels of international reserves; banking sector vulnerabilities; possible delays in further strengthening of the anti-money laundering/counter terrorist financing (AML/CFT) regime; and a weak non-mineral engine of growth. Upside risks include new discoveries of crude oil and gold (including recent upward trend in gold prices) which could boost growth and improve the fiscal and external position in the mid-2020s. Faster implementation of fiscal or energy sector reforms could also help improve the fiscal position.

B. Development challenges

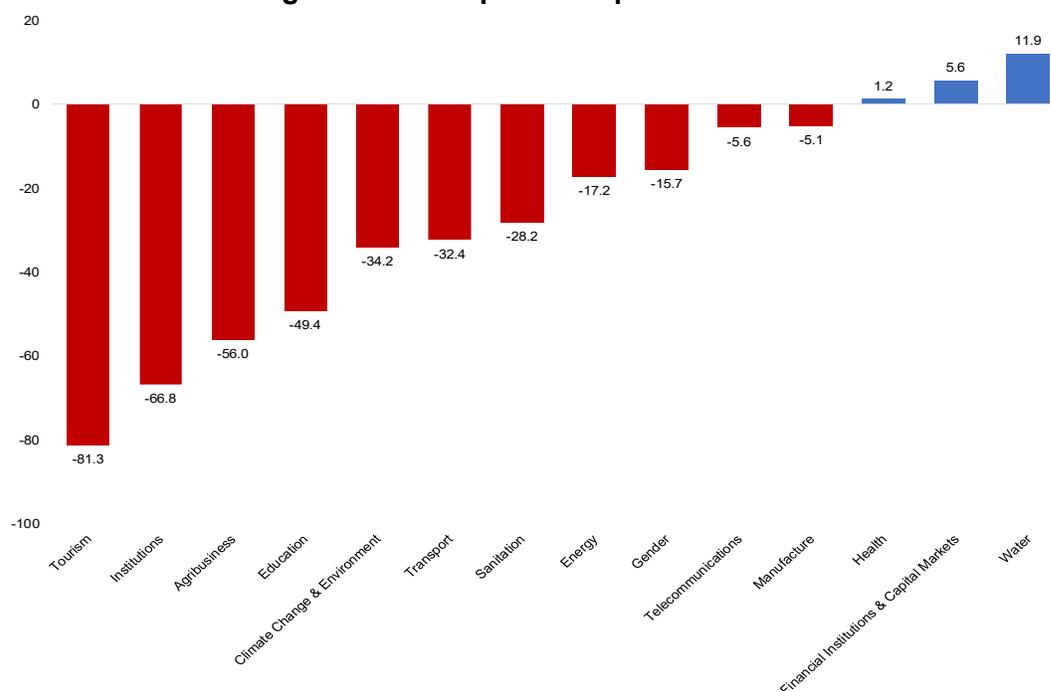
- 1.16 The findings of the 2016 CDC (see IDB, 2016) which were based on the Growth Diagnostic methodology of Hausmann, Rodrik and Velasco (2005) and the Development Gaps model by Borenzstein et al. (2014) indicated that the main challenges facing Suriname relate to (i) public finance and governance, (ii) private sector competitiveness and infrastructure, and (iii) basic services. Climate change and gender inequality are considered cross-cutting challenges as there is a need to integrate them across sectors. An update of the development gap analysis using more recent data and refinements to Borenzstein's methodology shows that the development challenges identified in 2016 persists (see Figure 1). The Development Gap approach compares the level of achievement measured by an indicator with a calculated "norm" appropriate for the country. The indicators are selected among the most commonly used yardsticks of development in each area. The norm is the level of achievement that could be expected in a given country considering its level of per capita income. The estimates for individual indicators are first standardized and then aggregated into different sector or development areas (see Borenzstein et al. 2014 and Lennon and Acevedo, 2020).⁵ The formulation of the methodology is outlined below:

$$y_{it} = \beta * GDPpc_{it} + b_t + a_i + \epsilon_{it}$$

⁵ The approach used by Lennon and Acevedo (2020) adds two contributions to (Borenzstein et al, 2014): (i) innovations to the methodology included the use of an intermediate level of aggregation and the use of panel data and adjustments for limited dependent variables and (ii) an expanded set of indicators was included from sources such as the World Bank Enterprise Surveys, Financial Access Survey, Findex Database, World Economic Forum and the Food and Agriculture Organization Corporate Statistical Database (FAOSTAT).

Where, y_{it} is the development indicator for country i at time t , $GDPpc_{it}$ is the GDP per capita for country i at time t , b_t is a time fixed effect (yearly shocks), a_i is a country fixed effect and ϵ_{it} is the time-varying error.⁶ The development gap is estimated as the composite error: $\widehat{\mu}_{it} = \widehat{a}_i + \widehat{\epsilon}_{it}$

Figure 1. Development Gaps for Suriname



Source: IDB Invest staff estimations⁷

- 1.17 **Public Finance and Governance:** The main public sector challenge in this CDC Update (as it was in IDB, 2016) relates to improving the country’s fiscal performance to support macroeconomic stability. The underlying factors contributing to that challenge includes—public expenditure management, public investment management, public procurement, public financial management, tax policy, tax and customs administration and related economic institutions to guide policy. These conclusions were reinforced by the results from the 2018 Public Expenditure and Financial Accountability (PEFA) assessment (see PEFA, 2018). Moreover, the 2018 World Governance Indicators show that government effectiveness, regulatory quality, rule of law and corruption continue to be weaker than most Caribbean countries and have been deteriorating.
- 1.18 **Private Sector Competitiveness and Infrastructure:** Suriname was ranked 110 out of 144 countries on the 2016 global competitiveness index (GCI). Suriname scored the lowest on the GCI in strength of investor protection, favoritism in decisions of government officials, inefficient government spending, intellectual property protection and efficiency of legal framework in challenging regulations. Further evidence suggests that the private sector is constrained by an inadequate business climate. Difficulties in accessing financing—both in international and

⁶ See Lennon and Acevedo, 2020 for all data and assumptions.

⁷ It is important to note that Suriname lacks data in some key performance indicators across sectors. As a result, the gap analysis is used as a general guide to identify the development challenges for Suriname. Indeed, further qualitative analysis revealed important challenges, particularly institutional weaknesses not captured by available data in those sectors that show positive gaps (health, financial institutions and water, see section C).

domestic markets—along with an inadequately educated workforce obstruct the development of a dynamic and diversified private sector. Evidence shows many business impediments such as high levels of bureaucracy, legal uncertainty, difficulty of enforcing contracts, access to credit and protection of property rights. Moreover, the lack of an adequate business climate and strong public institutions hinder investor confidence, private sector activity and growth. These are reflected in Suriname’s low rank—position 165th out of 190 countries—in the 2019 *Ease of Doing Business* survey (World Bank, 2019a). The country underperforms relative to the Latin America and Caribbean (LAC) average in 7 of the 10 areas covered by the Ease of Doing Business index.

- 1.19 **Basic services:** While the country has made much progress in increasing life expectancy and education outcomes, inequalities persist in accessing basic utilities such as water and sanitation services, electricity, healthcare and housing. According to data from the World Health Organization (WHO, 2019), there are disparities in access to ‘at least basic sanitation’ in urban and rural areas: the national average is 84 percent of the population, but with 89 percent in urban areas and 75 percent in rural areas. There is a wide disparity in access to sanitation services between the richest and the poorest populations, with only 50 percent of the poorest population having access to ‘at least basic sanitation’, compared to 97 percent for the richest inhabitants (WHO, 2019). Also, for water supply services, 98 percent of the population in the urban areas have access to ‘at least basic water supply’ compared to 90 percent for rural areas. There are also differences in terms of access to electricity between the urban and rural areas: the national electricity access rate is 96.8 percent with 99 percent access in urban areas and 91 percent access in rural areas. Additionally, the housing market is largely inaccessible to low-income groups and efforts to reform the market remain limited. In the area of health, non-communicable diseases are on the rise, along with unresolved maternal and child health deficiencies and infectious disease. Gender inequalities have also been documented in accessing and receiving health services along with a rise in suicides particularly among adolescent women. There are also climate change resilience inequalities as a result of the disparity in access to basic services, which reduces the adaptive capacity of vulnerable communities to respond to climate change.
- 1.20 **Cross-cutting issues:** Suriname’s growth and development progress are also affected by gender and ethnicity issues, and climate change and natural disasters. The gender inequality index shows that Suriname is ranked 112 out of 162 countries (UNDP, 2019). The ranking shows that women are underrepresented in the labor market and face health challenges. Suriname’s ND GAIN (Notre Dame Global Adaptation Initiative) ranking is low (108) indicating a low level of readiness and high vulnerability, which is in part the result of the climate risks that the country faces such as sea-level rise (SLR) and extreme weather or natural disasters. Due to their high poverty levels and their location in remote areas, the indigenous and maroon communities are most at risk of natural disasters. These issues were discussed in IDB (2016) and remain relevant.
- 1.21 **Overall, the short to medium term challenges facing Suriname are similar to what was described in IDB (2016):** (i) Suriname has to improve macroeconomic performance—particularly on fiscal and debt challenges—in the short term which includes policies related to improving the country’s economic institutions; (ii) interrelated structural reforms are required to set the economy on a high sustainable growth path; (iii) investing in basic services to improve access and reliability; and (iv) enacting policies to tackle cross-cutting issues related to climate change, disaster risk management and gender and diversity.

Chapter II: Development Challenges and Policy Recommendations

A. Public finance and governance

2.1 **Suriname's institutional framework remains weak.** A large but weak public sector, both in terms of resources as well as governance, limits the government's ability to effect positive change.⁸ The challenges to public institutions discussed in IDB (2016) persist. Here we summarize and update the main issues related to public sector management; data collection and evidence-based policy making, state owned enterprises, government-provided transactional services, and the mining, geothermal and hydrocarbon sectors.

I. Public sector management

Context and challenges

2.2 **Public expenditure management:** Suriname's capacity to maximize the use of resources available for capital spending is constrained by the following factors.

- i. **Public investment management.** The public investment management function in Suriname is decentralized and carried out at the level of each ministry. On the government side there is no requirement for projects to be subject to an economic appraisal and there are no national guidelines on economic analysis for feasibility studies. Also, the government does not maintain a project database; therefore, there is no systematic reporting on project monitoring (see IDB, 2016 further details).
- ii. **Public procurement.** This area has significant fiscal and economic relevance as it represents an important share of total public expenditure (averaged 11.6 percent of GDP over the last 10 years) and plays a critical role in the execution of public investment and the provision of citizen services. Significant gaps in procurement practices are reflected in low value for money, and inadequate controls in procurement (PEFA, 2018). Some activities to update the legislative framework and build capacity are in progress, such as procurement legislation which has been stalled in parliament given the government's focus on other priorities (see IDB, 2016).
- iii. **Public financial management (PFM).** The government has taken important steps to improve their PFM in the past few years, however these measures have not been enough to address some of the underlying gaps with the PFM system. A comparison between 2011 and 2018 shows six areas with improvements due to reforms. However, the PEFA (2018) assessment revealed an outdated and incomplete legal framework for budget preparation and execution which limits the credibility, transparency, and comprehensiveness of the budget. The existing PFM system suffers from several weaknesses which were discussed in IDB (2016) and remains relevant.
- iv. **Internal and external audit functions.** The internal and external audit functions are constrained by the following: weak internal controls at the ministry level due to a lack of appropriate legislation and a low capacity to carry out control activities and internal audit; absence of a structured channel of communication between the Central National Accountant Service (CLAD, *Dutch acronym*) and the ministerial audit units; poor coordination and cooperation between the internal and external audit institutions; and limited autonomy of the audit institutions. The CLAD also lacks organizational independence while the financial autonomy of the *Rekenkamer van Suriname* (also known as the Surinamese Court of Auditors, *RvS, Dutch acronym*) is constrained since its operational budget is part of a separate ministry

⁸ Public employment accounts for 60 percent of total employment (Elias, 2012) and government expenditure accounts for 35 percent of GDP.

budget; lack of a formal mechanism to follow up on audit recommendations; and the need to develop modern accounting and internal auditing manuals and approaches (see IDB, 2016).

2.3 **Revenue policy and administration:** In order to improve effectiveness and efficiency in tax and customs administration, the following three structural problems and gaps, i) tax policy, ii) tax administration, and iii) customs administration, need to be addressed.

- i. **Tax policy.** Suriname's tax system is characterized by a combination of high tax rates and a complex structure of statutory tax expenditures, incentives, and waivers. The proliferation of these tax benefits has not only eroded public revenues but has also created serious economic distortions and inefficiencies. Discretionary waivers are system induced due to high tax and duty rates, which cannot be removed at once without risking economic stability. However, there has also been an extensive use of discretionary waivers that are not justified on economic or technical grounds that should be phased out. A rough approximation to the total tax expenditures in Suriname, including all tax expenditures categories, is about 7 percent of GDP, of which the indirect tax component represents 5.7 percent of GDP, and the direct tax component represents 1.2 percent of GDP. Also, many of Suriname's businesses complain that taxes are far too high. The problem is that those who actually pay taxes pay at a high rate, but many with statutory tax liability pay little or nothing. Thus, the need for tax reform is great. However, it is also clear that the reform could not focus exclusively on raising more revenue. It would also have to address the effect of the tax structure on investment, saving, production, employment and incomes (IDB, 2016).
- ii. **Tax administration.** Tax processes are inefficient, organization is fragmented, lines of responsibility are not clearly defined and there is a lack of transparency. The efficiency of the tax administration is constrained by the following: taxpayer education and service functions are limited in the Directorate of Taxes and Customs (DOTC); tax compliance with direct taxes is low, and the DOTC has no updated and/or integrated Information Technology (IT) system. Additionally, Suriname faces the challenge of establishing the capacity to carry out several VAT implementation activities essential for the future introduction of the VAT (IDB, 2016).
- iii. **Customs administration.** There is no formal organization in place, and it is difficult to identify a clear line of authority within the Customs Department. Operational manuals that detail customs procedures to be applied in the clearance process for officers, inspectors or units and for the private sector, do not exist. Risk analysis concepts are not applied, so a 100 percent review of documentation and goods is performed, and post-release audit has not been implemented yet. The current organization appears to be focused solely on routine day to day operations and not on strategies to develop proper risk management, post release audit capacity, or to implement authorized economic operator programs, which can result in effective and efficient controls and therefore better services to the trade community (IDB, 2016).

2.4 **Transparency in the extractive sector.** There is a need to better govern international financial flows by improving the disclosure of information on the trade of natural resources. Suriname became a candidate for the Extractive Industries Transparency Initiative (EITI) in May 2017. After being suspended in February 2019 for the non-publication of its first EITI report, the government finally published the report for the fiscal year ending December 2016 in May 2019. The Report made 37 recommendations that should be implemented, in the short term, to reduce revenue losses from the extractive sectors (see EITI, 2019).

2.5 **Civil service administration.** Suriname scored 13 out of 100 on the Aggregated Civil Service Development Index in 2018, which placed the country in the lowest of three tiers for civil service development (Underwood, 2018). The report noted that the best-performing quality index was Integrative Capacity, which evaluates the efficacy with which the civil service system harmonizes the expectations and interests of the different actors (management, employees, and other interest

groups), reinforcing a sense of belonging and reducing conflict. Conversely, the quality index that had the lowest possible score of 0 was Diversity Management, which provides information on the extent to which workers' access to employment and/or advancement opportunities in the Civil Service may be curtailed due to differences associated with race, ethnicity, language, gender, or disability (Underwood, 2018).

Policy recommendations

- 2.6 **Strengthen the revenue administration.** The country is currently implementing a reform program to improve revenues and tax administration. Suriname should accelerate implementation in the following areas: (i) Taxes: introduction of the VAT; (ii) Organizational structure: improve the organizational structure of the tax office and taxpayer services; (iii) Internal revenue operations: improve internal revenue operations through the full implementation of a new Tax Information Number (TIN) system, improve the tax return system for all taxes, introduce a new payment system for all taxes through the banking system, improve tax audit procedures based on risk analysis, and modernize tax arrears collections procedures and systems and the tax appeal system and institutions; (iii) Customs processes: improve customs processes according to the World Customs Organization standards, modernize the customs audit business model and the customs IT system; and (iv) Tax legal framework: review and update the country's tax legal framework.⁹
- 2.7 **Public investment.** There is a need to enhance the government's capacity to maximize the use of public resources for public investment by addressing the following: (i) implement objective criteria for the prioritization of public investment projects; (ii) strengthen the multi-year perspective in fiscal planning and budgeting; (iii) strengthen the link between investment budgets and expenditure estimates; (iv) implement standardized methodologies to prepare and (ex-ante) evaluate public investment projects; (v) enhance rules for quality control at the initial stage of the public investment project; (vi) implement a monitoring and evaluation system to assess the efficiency of project implementation; and (vii) introduce an ex-post evaluation mechanism of completed projects (IDB, 2016).
- 2.8 **Public procurement.** There are several areas that require intervention to improve public procurement. These include: (i) the creation of a Public Procurement Unit to provide a policy and monitoring function; (ii) approval and implementation of a stand-alone procurement law in accordance with international best practices as well as the associated regulations, manual and standard bidding documents and a comprehensive and sustainable training program to ensure that those carrying out public procurement conform with the policies of the government (IDB, 2016).
- 2.9 **Public financial management.** The government has started the implementation of a new Integrated Financial Management System (IFMIS) to improve transparency and facilitate faster execution of purchase and procurement of government goods and services. To date the core financial modules of the system have been developed and are being piloted in line ministries. The impact of the new IFMIS platform will depend on how widely it is adopted in the central government. As with any IFMIS implementation, one key factor for success will be reviewing and streamlining existing processes in order to adapt to the new solution instead of trying to maintain old practices and replicate them in the new system (IDB, 2016).
- 2.10 **Internal and external audit functions.** The authorities should develop a quality control mechanism for internal control units within the government. The absence of a centralized quality control mechanism to govern the work of the internal control units within the 17 line ministries and

⁹ These policies recommendations are part of an ongoing fiscal strengthening program support by the IDB (SU-L1050). Available here: <https://www.iadb.org/fr/project/SU-L1050>

approximately 30 parastatals requires a thorough review of existing gaps in codes of conduct; training in ethics; and internal autonomy, as a first step towards crafting an effective coordinating framework. This assessment should examine the ability of these units to detect and prevent risks in administrative and operational processes, with the intent of identifying and distilling best practices for the creation of a quality control mechanism adapted to the local context of fiduciary management (IDB, 2016).

- 2.11 **Enhance the capacity of the Supreme Audit Institution to comply with international audit standards.** In accordance with its 2017-2021 Strategic Plan: (i) reform the RvS Human Resource Department to manage new personnel responsibilities under the 2019 Audit Act, replete with new policy guidelines, information management software and adequate staffing certified for human resource management; (ii) develop manuals and training initiatives to support an enhanced suite of auditing services including performance and financial audits, in keeping with International Organization of Supreme Audit Institutions (INTOSAI) standards; (iii) strengthen the Quality Assurance Unit to monitor performance for the expanded suite of audits; and (iv) develop a comprehensive communication strategy that strengthens the professional relationship with the Public Accounts Committee, line ministries and parastatal agencies on the remit of the RvS and promote greater dialogue with civil society concerning the quality and accessibility of its reports.
- 2.12 **Strengthen the legislative and governance framework supporting the EITI.** Although Suriname's EITI report reflects a broad multi-stakeholder consensus that brings together civil society, private sector and the government, all working within the ambit of a single terms of reference and code of conduct, there is need for greater institutionalization to ensure that disclosure rates improve, and recommendations are enforced (EITI, 2019). At a minimum these efforts in the short term should entail: (i) review and update existing legislation governing extractive industries to ensure alignment with the EITI regulatory paradigm; (ii) development of standard operating procedures, reporting infrastructure and performance monitoring mechanisms for the EITI Secretariat; and (iii) coordination of inter-sectoral policies and strategies to better enable reporting by state owned enterprises and regulatory bodies.

II. Data collection and evidence-based policy

Context and challenges

- 2.13 **Data that are related to the measurement of public sector performance is limited for policymaking in Suriname.** The lack of data as a basis for policymaking is a deficiency across all sectors. As a result, the lack of quality data hampers effective decision-making for both public institutions and private enterprises. Research by Russell and Muñoz (2015) shows that Suriname lags other countries in LAC in the production and use of statistical information for decision making as viewed through several analytical perspectives. In all approaches considered, Suriname ranks in the lowest quintile compared to other countries in the LAC region.
- 2.14 **There are two main reasons behind Suriname's data problems.** These are: i) data are scarce; and ii) data are not shared. In terms of scarcity, ABS is by law the institution responsible for coordinating the collection and dissemination of data in Suriname but only presents the data in aggregated form. On data sharing, as reported anecdotally from a variety of sources, the ABS is limited in its ability to facilitate the exchange of data among government institutions. There are few formal linkages among the different data producing and using institutions despite recent efforts such as the MoU signed between the ABS and the Central Bank (IDB, 2016). The 2002 Statistics Act granted the ABS the ability to levy fines on those that do not meet data requests; however, this is rarely used. The ABS is additionally challenged by low salaries, resulting in difficult recruitment and high staff turnover.

Policy recommendations

- 2.15 **Efforts to strengthen evidence-based policymaking must address both capacity shortfalls and incentive frameworks for data production, sharing and usage.** Emphasis should be given to those data that allow the analysis of public sector performance so that there will be a connection between past performance and future planning. Such an effort would also strive to change the perception of information from a proprietary instrument of power to a public good. IDB (2016) provides detailed recommendations in this regard that remain relevant (see Table 3.1.1 of IDB, 2016).

III. State-owned enterprises

Context and challenges

- 2.16 **There are 120 state-owned enterprises (SOEs) in Suriname, with roughly 50 percent of them consisting of foundations that provide public services which are not self-sufficient and therefore receive government subsidies.** Some of these entities suffer from structural and institutional weaknesses and are totally dependent on allocations from the annual budget, while others are fully self-financed, partially financed or dormant. Quasi-fiscal burdens on SOEs include administered and regulated price policies that do not allow a full and timely pass-through to consumers of exogenous cost changes, as is the case with the Power Company and National Transport Company. These translate into transfers and subsidies from the central government that totaled SRD1.7 billion (US\$230 million or 6 percent of GDP) in 2018. Furthermore, the system of direct and indirect subsidies to these entities is not transparent and the extent of possible misappropriation of resources is unknown. Monitoring and reporting of these entities, which vary in size and are spread across various ministries and sectors, are relatively weak and not routinely done. As such, the overall fiscal implication of the sector is uncertain.

Policy recommendations

- 2.17 **Enhance the regulatory and policy framework.** To this end, the following is suggested: (i) review of the current legal SOE framework and recommendations considering best international practices; (ii) develop a Suriname state owned enterprise governance policy, including a gradual divestment strategy; (iii) develop legislation for uniform governance of parastatals; and (iv) strengthen annual financial reporting regulations (see IDB, 2016 for further details).
- 2.18 **Increase efficiency of SOEs.** The following measures can help make SOEs more efficient: (i) an economic analysis and diagnostic of SOEs in Suriname, with a focus on the largest companies should be conducted; (ii) developing uniform operating policies for the whole sector, including the following areas: cash management, debt, procurement, dividends, and human resources; (iii) developing a comprehensive information system to facilitate the role of the government as the owner, in order to help monitoring and evaluation tasks.
- 2.19 **Improve governance of SOEs.** Several steps can be taken to improve the governance of SOEs. These are: (i) strengthen the Economic Affairs Department of the MoF; (ii) strengthen corporate governance by mandating more information and transparency in managing public companies; and (iii) strengthen SOE oversight capacity to contain attendant fiscal risks (see IDB, 2016).

IV. Government-provided transactional services

Context and challenges

- 2.20 **Low level of digital service provision by the public sector.** Suriname's ranking in the United Nations e-Government Development Index declined from 110th in 2016 to 116th in 2018. This can be attributed in part to the lack of information concerning the scope and availability of online transactions. A catalog of transactions that are managed by government entities does not exist and the total number of government transactions available online is unknown. Also, digital service

provision is conditional on citizens demand for online services, which is not driven by a robust and integrated digital identity framework as well as suitable digital literacy levels.

Policy recommendations

- 2.20 **Modernize public service delivery through innovation and people-centered approaches.** The government should conduct feasibility and cost-benefit analyses of which transactions might be efficiently delivered using digital platforms. At the same time, efforts to leverage technological efficiencies should be paired with initiatives to recognize and utilize the assets inherent in a diverse workforce and ensure that the needs and expectations of citizens and government workers are kept at the forefront of digital reforms. Additionally, IDB (2016) provided detailed recommendations on improving transactional services that remain relevant, these are related to: i) cross-cutting mechanisms to improve transactional services offered by the government; ii) specific actions directed at citizens; and iii) specific actions directed at businesses (see Table 3.1.2 of IDB, 2016).

V. Mining, geothermal and hydrocarbons¹⁰

Context and challenges to the oil and gas sector

- 2.21 **Recent discoveries of crude oil and prospects for further discoveries (see section A).** The recent (January and April 2020) announcements of crude oil discoveries suggests the possibility of a prolific new resource area off Suriname's coast. Indeed, the Guyana-Suriname Basin has an estimated resource potential of more than 13 billion barrels of oil,¹¹ according to the U.S. Geological Survey, and is considered one of the world's top unexplored basins. The state oil company—Staatsolie—is a fully integrated company that was established in 1980 and is an active participant in both exploitation and regulation of the hydrocarbon sector. Currently, Staatsolie is the sole concession owner of both onshore and offshore resources. Foreign investors are also allowed to conduct petroleum exploration and production, through partnership agreements. Staatsolie started developing the onshore Tambaredjo field in 1982, and currently owns and operates other onshore fields - Calcutta and Tambaredjo North-West – and produces an average of 16,500 barrels per day (bpd), of which 15,000 bpd are refined and primarily utilized domestically for power generation. The oil reserves in these fields amount to at least 100 million barrels. In 2016, Staatsolie entered into Production Sharing Contracts in the offshore area of Suriname with several operators¹² to develop offshore resources. In the context of the recent crude oil discovery by Apache and Total, this section examines some of the challenges related to the country's oil and gas sector.
- 2.22 **Regulation and exploitation:** Staatsolie functions in a dual role as regulator and operator of onshore oil fields and is also active in offshore plays under the Mining Decree of 1986 and the Petroleum Law of 1990. The entity was created to fill the need for a legal entity to enter into Production Sharing Service Contracts (PSC) with Gulf Oil, which facilitated knowledge transfer and other capacity building programs. However, imposing and monitoring strong measures to avert the challenges of self-regulation and managing active PSCs, where the SOE is a counterpart, remains a challenge. Also, in 2007 the management of Staatsolie decided to separate the data for exploration and production used in regulatory roles from data required as a commercial entity, however, further delineation of functions is necessary for promote an effective, fair, and transparent regulatory environment.

¹⁰ All information for this section was taken from IDB (2020d).

¹¹ Guyana oil resource estimate as of January 2020 was already over 8 billion barrels.

¹² Kosmos Energy Suriname, Teikoku Oil Suriname, Apache Suriname Corporation, Petronas Suriname, Tullow Oil Suriname.

- 2.23 **Managing risks:** As Staatsolie signals its intention to go public through bond issuances and share offerings to raise capital to expand production, the company must be able to manage risks associated with project development, oil price volatility, decarbonization, and a narrow domestic downstream market that can constrict cashflow. There are also sensitive geopolitical risks involving the upcoming elections and the relation with other nations that should be considered (Oil Price, 2020). Suriname would also need to assess the potential losses from investing in the fossil fuel sector given the expected decline in fossil fuel demand in the coming years and take policy action to minimize the risk of stranded assets (see Caldecott et al., 2016).

Policy recommendations

- 2.24 **Separation of management and regulatory roles.** While institutional stability and success of the Staatsolie as an SOE is commendable, for the continued healthy development of Suriname's oil and gas sector, the separation of management and regulatory roles from resource exploration and exploitation must be more profound. As the scale of both onshore and offshore activities increases, it remains essential that the minimization of conflict and high transparency defines the industry.
- 2.25 **Establish an independent regulator.** In line with growing industry practice, the authorities should create an independent regulator to manage the relationship of the international oil companies and the State, allowing Staatsolie the flexibility to further participate in the industry. The independent regulator should manage all geophysical data gathered from seismic activity that are necessary to prepare data packages for facilitating licensing rounds.
- 2.26 **Support decarbonization projects.** Staatsolie could support through direct public investment or Public-Private Partnerships (PPP), the country's decarbonization goal as underlined in its Nationally Determined Contribution (NDC). This will facilitate the appropriate infrastructure for a cleaner energy matrix that is not delayed and ensure that energy resilience is also achieved.

Context and challenges to the mining sector

- 2.27 **The mining sector consists mainly of gold and bauxite.** Decades of extraction have depleted known bauxite reserves leaving the government to evaluate opportunities for relaunching and expanding bauxite production. Significant reinvestment in the bauxite sector is needed to install new infrastructure to access remote deposits, however, state control of the sector in the absence of an international investor is risky, given the required investment and current pricing on international markets. Meanwhile the gold sector remains robust with the country's largest gold mine, Rosebel, which is operated by IAMGOLD, a Canadian mining company. The second major gold project in Suriname is the Merian Gold project, which is owned and operated by Surgold, a limited liability company in turn owned by Newmont, an American mining company based in Colorado.¹³ Meanwhile, artisanal and small-scale gold mining is extensive in Suriname, particularly in the interior of the country, and is responsible for 60 percent of all Surinamese gold production and employs an estimated 40,000 workers.¹⁴
- 2.28 **There is no mining policy to guide the development of the sector, which inhibits sector governance, and the mining legislation remains outdated and outside of best practice.** Components for updating include: environmental and social impact assessments; links to national development goals; ties to local development; requirements for the revision of mine closure and rehabilitation plans with a changing context; requirements for extensive and ongoing community consultation; responses to commodity price volatility; financial reassurance funds for mine

¹³ At current rates of production, proven and probable reserves would last for slightly more than 10 years, (IMF, 2018).

¹⁴ Water is extensively used in mining and conversely, small scale gold mining in some parts of the interior contaminates water sources with mercury, arsenic and cyanide. See <https://bit.ly/3blzjcq>

closure; progressive rehabilitation; adhering to international best practice on environmental management, including water, waste and biodiversity; emergency preparedness planning; protection of women and children; and artisanal mining.

- 2.29 **The country's geological data and information are out of date.** The Geological Mining Service (GMD) does maintain a public library, and maps have been digitized. However, there are significant shortcomings with regards to data accessibility as available geological information is only accessible in person in Paramaribo. The most recent map of the country is from 1977, although some limited mapping is planned or underway. There is a pressing need to improve the level of details in geological maps, as well as improve the capacities of GMD staff on mapping.
- 2.30 **While the mining life cycle is acknowledged in the Mining Decree, more is required on mine closure and post-closure rehabilitation in the permit application process.** Exploitation permit applications must include a program for rehabilitation, but the details of these programs are vague. For example, there is no clarity on whether they must be developed with community consultation, and there is no specificity on the extent to which they must address both environmental and social impacts upon closure and the period following the end of mining operations.
- 2.31 **Transparency in license allocation and permitting is not extensive.** Permitting process is often characterized as opaque, and the involvement of the President and Minister in the process can make the system unstable. There is a need, according to permit holders, to reduce the discretion of senior officials in the process in order to increase transparency and improve investor confidence.
- 2.32 **Suriname generates revenue from the mining sector using a variety of mechanisms, including taxation, royalties, dividends, fees and local content; combined, these mechanisms account for a major portion of government revenues.** However, the equal legal standing of the Mining Decree and Mineral Agreements, with differing tax and royalty rates in each, creates parallel systems of taxation that complicate revenue generation and accounting, and can erode investor confidence. The same erosion of confidence stems from the absence of a mining policy and clear vision for the sector. Potential investors do not have a clear idea of how the sector will be managed going forward, or clear evidence that risks and benefits will be shared equitably by the government and investors.
- 2.33 **Tax and royalty collection in the largely informal sector results in significant lost revenues for the government.** Similarly, the lack of transparency and record-keeping relating to the collection of payments from small-scale mining permit holders means that mining revenues are largely generated from a limited number of large-scale mining operations.
- 2.34 **The resources and staff capacities needed to administer the tax system, deal with transfer and other pricing issues, and to audit results is lacking, as is evident from the lack of revenues generated from most of Suriname's extracted minerals.** The government's inability to retain senior staff with relevant institutional knowledge compounds these problems. Many GMD staff have joined the private sector—where salaries are higher—or moved from mining into petroleum. With limited resources available for training, building these internal capacities in negotiation and revenue management is not underway.
- 2.35 **Existing mineral agreements are not explicitly tied to national policy and development objectives.** Revenues generated from the mining sector are largely integrated into the national budget; however, there is no open or transparent data on how benefits from the sector are being distributed at the local, regional and national levels. This is particularly problematic for small-scale mining permit holders, who pay royalties on their production at registered gold houses but reportedly receive limited proof of their payments. The impression among these permit holders is that the funds rarely reach the national treasury. A broader range of mechanisms should be

developed to ensure that information on revenue management can be disseminated and understood regardless of language, literacy, culture or geography.

- 2.36 **The lack of national legislation on indigenous and tribal rights**—particularly with regards to land and resources—allows for tensions to easily emerge in interactions among indigenous communities and mine operators (Weitzner, 2008). While a limited amount of socioeconomic planning is required in the permitting process. Community consultations are not required in the Mining Decree, though they are integrated in the Environmental Impact Assessment (EIA) process. Nevertheless, while these EIA-related consultations form an important part of the formulation of the environmental management and closure plans, there is little guidance on whether consultations should be continued throughout the mine’s operating life in order to ensure that plans and operations reflect ongoing changes in the operating context.

Policy recommendations

- 2.37 **Suriname should develop a modern legislative regime for the mining sector that provides clear lines of responsibility and accountability for government and companies.** Such a regime should provide the foundation of good governance and contribute to sustainable development in all aspects of a population’s social and economic life. Capacity-building efforts in this pillar should focus on integrating international norms and best practices into the development of a mining policy to guide development of the sector.
- 2.38 **The legal and policy frameworks must involve a detailed mine closure plan.** The frameworks should, consistently require that developers provide the necessary financial assurance to implement mine closure and rehabilitation and ensure that mine closure plans are revisited and implemented in a progressive manner throughout the life of the mine. For Suriname, capacity building could include understanding methods for incorporating stakeholder consultations in the development and periodic revision of mine closure objectives and plans. Similarly, good practice for estimating the costs of mine closure plans, and the design and management of financial assurance mechanisms to cover the costs of mine closure must be agreed during the license allocation phase.
- 2.39 **Better legal and policy frameworks are needed for Artisanal and Small-scale Mining (ASM).** ASM is a complex and diversified sector that ranges from informal individual miners seeking to make a subsistence livelihood, to small-scale formal commercial mining entities that can produce minerals in a responsible way that respects local laws. Thus, outcomes would be greatly improved by integrating ASM considerations and formalization strategies into the draft Mining Act prior to its adoption, including the establishment of legal and policy frameworks to facilitate the organization of the ASM sector. Policies should also focus on reduction of mercury and other chemical contaminants and improve access to high recovery technology in the artisanal gold mining sector. Additionally, development and regulation of ASM zones improves fair trade and reduces conflict in the industry.

B. Private sector competitiveness and infrastructure

2.40 **Suriname's private sector continues to face significant challenges.** The challenges to private sector development discussed in IDB (2016) persist. Here we summarize and update the main issues related to private sector competitiveness in Suriname: the business environment and innovation, financial sector, agroindustry and forestry, transport, trade and integration, education, labor market and tourism.

I. Business environment, innovation and technology

Context and challenges

- 2.41 **Suriname's private sector continues to be challenged by an unfavorable business environment.** The country's *Doing Business* ranking fell from 161 of 189 countries in 2014 to 162 of 190 countries in 2020, despite its Distance to the Frontier score having slightly improved from 46.26 to 47.5 during that same period. While the country's improvements in its Distance to the Frontier score between 2014 and 2020 have largely been in starting a business, registering property, and trading across borders, the country has also regressed in areas such as getting electricity, dealing with construction permits, paying taxes, and protecting minority investors. The country's Distance to the Frontier score remains relatively low compared to the Caribbean region's average, and shows that there continues to be significant room for improvement in: (i) enforcing contracts; (ii) starting a business; (iii) getting credit; (iv) protecting minority investors; and (v) registering property (World Bank, 2019a). The 2019 World Bank's Enterprise Survey showed that the main constraints identified by the firms were: (i) access to finance, (ii) political instability, (iii) an inadequately educated workforce, and (iv) electricity.
- 2.42 **Legislative support is needed to continue improving the country's competitiveness.** While much progress has been made in developing and advancing key pieces of legislation, further support is needed to ensure that all secondary legislation (regulations) supporting the legislation is defined, and that the legislation is implemented. Specifically, further work is needed to strengthen access to finance, the legal environment for enforcing contracts, procedures to establish and register new businesses, and strengthen related institutions, largely in the intellectual property realm (see IDB 2020a for further details).
- 2.43 **Innovation and technology challenges persist.** The percentage of firms that reported introducing a new product or service fell sharply from 66.5 percent to 30.2 percent, and the proportion of companies using technology licensed from foreign companies fell from 5.4 percent to 5.3 percent during the 2010 and 2019 rounds of the World Bank's Enterprise Surveys. However, it is worth noting that firms showed significant improvements in other innovation indicators such as spending on research and development and introducing process innovation (see IDB, 2020a; and IDB, 2016 for further details).
- 2.44 **Telecommunications, media and technology.** The telecommunications infrastructure deficit is large, particularly in the interior. While urban coastal areas have access to better telecommunications infrastructure and information and communication technologies (ICT) services, remote and sparsely populated zones of the interior lag considerably behind. Other challenges include: (i) market concentration; (ii) a digital ecosystem that is in an embryonic stage; (iii) an unreliable electricity service (see section on energy) and (iv) an outdated regulatory framework (see IDB, 2020c).
- 2.45 **Considerable opportunities for the private sector from the oil and gas sector.** Two major oil discoveries were made off the coast of Suriname in the first half of 2020, not far from offshore deposits in neighboring Guyana. The size of the Suriname discovery is yet to be confirmed (see Section A for preliminary estimates), but it could be large enough to transform the Surinamese economy as well. The oil and gas sector can have different impacts on small economies. First,

the operation of the public sector will be impacted as a result of fiscal revenues and royalties. Second, the external sector will be impacted through direct foreign investment and the boost in external commerce which will have an influence on the terms of trade and could negatively impact the relative competitiveness of non-commodity products and services. The third impact is related to the potential for developing linkages with the local economy as new investors will demand a new set of services and products, and by extension a new set of skills in the labor force. The fourth impact is increased demand in other sectors of the economy, caused by the first three, such as increased demand for infrastructure, communications, recruitment, housing, medical, and lodging and food services, among others.

Policy recommendations

- 2.46 **Business climate reforms.** Continue to support the *Good Governance and Business Facilitation Action Plan*, which includes support for the drafting of regulations and development of the second phase of reforms envisaged under the plan (see IDB, 2020a). These would include, among other things, strengthening of existing institutions to support the implementation of business climate reforms, and support of minor, and sector-specific reforms. Further institutional strengthening and public/private/academia collaboration is also needed.
- 2.47 **Constructing the ecosystem for innovation.** There is a need to support intellectual property reforms, strengthening of standards and methodology, and support for prioritized sectors. Specifically, on the intellectual property (IP) side, support should include the implementation of laws (IP Law, Copyright Law) and treaties (for example, the Geneva Act, Marrakesh Treaty), as well as the development of legislation to support traditional knowledge. On the standards side, support should include the implementation of the recommendations for the national quality infrastructure policy. Regarding prioritized sectors, support would be needed to better define them and to gain consensus with key stakeholders in the productive sector (see IDB, 2020a).
- 2.48 **Skills and entrepreneurship.** There is a need to support the development of skills for the digital economy through further support and training around the FabLab,¹⁵ as well as support for developing bootcamps for digital skills in the country. In addition, activities would be undertaken to support entrepreneurship in the country through development of the ecosystem for entrepreneurship and the development of skills for technological applications, strengthening of the satellite offices being established by the Ministry of Trade, Industry and Tourism, and the development of seed funds to support entrepreneurship in the country (see IDB, 2020a).
- 2.49 **To address the telecommunications infrastructure deficit there is need to:** (i) support the deployment of advanced broadband networks to facilitate ICT coverage and rural connectivity;¹⁶ (ii) boost technology uptake and strengthen the digitalization of key productive sectors; (iii) improve electricity access and reliability (see section on energy) and (iv) improve the regulatory framework to capture current industry trends and enhance competition (see IDB, 2020c).
- 2.50 **The announcements of significant discoveries of oil and gas in 2020 are expected to have a significant impact on the local private sector.** Within the oil and gas value chain, several types of services can be identified with different levels of technological sophistication and requirements. Usually, the activities in the higher range of the value chain, corresponding to exploration and exploitation are dominated by international companies, while the lower ranges (e.g., catering, security, logistics, engineering, environmental, maintenance, inspection, and other services) provide more opportunities for local participation. Suriname is already engaging in efforts to promote economic diversification. In particular, the Business Climate and Innovation

¹⁵ The FabLab is a pilot initiative to aide young entrepreneurs to acquire skills for digital innovations, as well as the provision of spaces for learning and innovation.

¹⁶ The country is working to formulate a national strategy regarding broadband services which should be supported (Government of the Republic of Suriname, 2017).

Program (SUBCIP) is supporting mapping and value chain analysis and the development of local content for the sector. In this regard, the recent oil discoveries present an opportunity to further engage local Micro, Small & Medium Enterprises (MSMEs) in areas such as housing, tourism, agriculture and food, and business services. This would entail a more comprehensive initiative aimed at: (i) providing access to more advanced business support services (e.g. technology extension services, business incubation, expansion of the Innovation in Firms in Suriname pilot program) to increase the number of firms that can meet the pre-qualification requirements of the incoming companies; and improving the competitiveness of existing MSMEs that can provide support/indirect services to the international companies; (ii) improving access to skilled workers (ranging from petroleum engineers, geologists, and technicians); and (iii) improving the other elements of an enabling environment for local firms. Moreover, given the declining importance of fossil fuels there should be consideration for transitioning the private sector from fossil fuel related activities to sustainability and climate-change-related activities. For example, exploring opportunities in renewable energies, electrification and infrastructure.

II. Financial sector

Context and challenges

- 2.51 **The banking system has important vulnerabilities.** The share of non-performing loans remains high, profitability is low, dollarization remains high and some large banks do not meet the minimum regulatory capital requirements (see section A). Although the official exchange rate has stabilized, U.S. dollar shortages have emerged and the spread between the official exchange rate and the parallel market rate increased to more than 70 percent as of April 2020. There are also challenges related to further withdrawal of correspondent banking relationships (CBRs) as the Dutch authorities are conducting investigations into suspected money laundering activities by a few Surinamese banks. To address the AML/CFT challenge, the country is developing a national risk assessment to identify, evaluate, and understand the money laundering/terrorist financing risks in Suriname which will be critical to help the country prepare for the Caribbean Financial Action Task Force Mutual Evaluation in 2020.
- 2.52 **High concentration in the banking sector.** Assets of the three largest commercial banks, De Surinaamsche Bank (DSB), Hakrinbank, and Republic Bank, as a share of total commercial banking assets is almost 80 percent, which compares very high with Latin America (65.7 percent), and Caribbean countries such as Dominican Republic (65.4 percent), The Bahamas (63.5 percent), or Jamaica (68.2 percent), among others (Global Financial Development Report, 2019).
- 2.53 **Lack of penetration of the financial system.** Domestic credit to private sector as a percent of GDP is 28.3 percent, far from the regional ratio of 47 percent and lower than the Caribbean average of 40 percent (IMF, 2019). The percentage of firms with a bank loan or line of credit is 36.6 percent for Suriname compared to 52.1 percent for Caribbean countries which reveals a limited degree of access to finance for Surinamese companies (World Bank, 2018). Long-term lending is somewhat curtailed by the lack of creditworthy investments, low degree of market sophistication, and fragile funding structure. Also, the banks' portfolio distribution favors government financing instead of the private sector: less than 10 percent of total portfolio supports manufacturing, agribusiness and mining, while over 40 percent of the portfolio is allocated to government financing and mortgages.¹⁷
- 2.54 **Vulnerability to foreign exchange volatility.** As much as 63 percent of deposits and 45 percent of loans are denominated in foreign currency. This exposes banks to foreign exchange risk in the case of local currency devaluation, unless the portfolios have natural hedges, or such positions are adequately covered in the derivatives market (Central bank of Suriname, 2019).

¹⁷ See Central Bank of Suriname: <https://www.cbvs.sr/>

- 2.55 **Limited supply of financial services and gaps in banking and financial inclusion.** Compared to other Caribbean countries, although Suriname is a small country and its population is concentrated towards Paramaribo, the country (11.5 branches per 100,000 adults) is well below Caribbean peer countries such as The Bahamas (27.4), Belize (19.3), LAC average (15.3) and the Caribbean average (13.9). Other indicators such as Automated Teller Machines (ATM) per 100,000 adults show similar relative deficiencies (see World Bank, 2019b).
- 2.56 **Limited access and use of finance by firms.** Suriname lacks proper access and use, by firms and households, of formal financial services such as payments, savings, credit and insurance, affecting proper growth of its private sector and hence, its productivity (see IDB, 2016 for details).
- 2.57 **Institutional failures.** The ongoing weaknesses of the banking system could intensify de-risking strategies and further losses of CBRs. Suriname has made efforts toward improving its AML/CTF framework; however, more needs to be done to comply with the Financial Action Task Force standards and avoid financial exclusion. Delays in the process of strengthening the AML/CTF regime could cause further withdrawal of CBRs (see IDB, 2016 for details).
- 2.58 **The capital market is not a viable financing option.** The Surinamese capital market is not a viable financing option for the private sector. The absence of a more dynamic debt market forces businesses to seek funds through traditional means, such as the commercial banking system, which offers limited options, particularly in terms of tenor, grace and repayment schedules. The lack of a well-developed capital market diminishes investment opportunities for institutional investors. There are 38 pension funds and 12 insurance companies that manage long-term liabilities and demand matching investment opportunities (IDB, 2016). As of 2018, pension funds' assets under management reached US\$467 million, and insurance companies managed an additional US\$181 million. Together they represent 19 percent of GDP and 26 percent of total commercial banks assets. In spite of this, investment opportunities are limited. Pension funds concentrate about 25 percent of their portfolio in tradable securities—equity, bills and bonds—and the rest is invested in cash or bank deposits (30 percent), and other categories, such as mortgage loans and real estate.¹⁸

Policy recommendations

- 2.59 **Financial sector strengthening.** Creating an enabling environment to foster further financial development for better access to finance is a necessary step forward for Suriname. Also, given the challenges faced by financial institutions in Suriname, there is a need to improve the levels of capitalization, through additional equity contributions and Tier II debt. Moreover, there is a need to improve the funding composition, both in terms of additional long-term funding to help banks finance investments, and through local currency financing to close the foreign exchange gap. Banks will also need support with AML/CTF training to help mitigate the risk of losing CBRs.
- 2.60 **PPPs and capital market development.** A specific regulatory framework for PPPs (including concessions regulations) and the designation of a dedicated department or unit to lead the PPP agenda (starting with planning and feasibility studies) could be a solution to foster long term infrastructure investments in sectors such as transport, energy, water, telecommunication and IT. The presence of institutional investors with a long-term investment outlook is an opportunity to foster the expansion of Suriname's capital market. For this to happen, adequate regulatory and supervisory capacities need to be in place, as well as the right market incentives, for the development of a debt market. A more efficient allocation of institutional investors resources, through a wider range of assets in the capital markets, will help expand credit, and supply local currency resources.

¹⁸ See Central Bank of Suriname: <https://www.cbvs.sr/>

2.61 **Access to finance-financial inclusion/banking.** Efforts should be put, initially, to further enhance retail payment systems through the use of financial technologies (Fintech) such as mobile phones (see IDB, 2016 for details). In addition, support should be given to financial intermediaries to expand their small and medium enterprise portfolios through suitable funding, improved product development, as well as adequate incentives and guarantee schemes to mitigate some of the risk faced by commercial banks.

III. Tourism sector

Context and challenges

2.62 **Suriname has potential for tourism.** The country's tourism assets include its biodiversity, natural capital, as well as its multi-ethnic influenced gastronomy, culture and heritage. Tourism can yield economic benefits for Suriname, while at the same time protecting and enhancing its natural endowments and maintaining its authentic multicultural and diverse society. Below we examine some of the constraints to realizing this potential.

2.63 **Inadequate tourism policies and limited institutional capacity.** One of the greatest challenges has been the integration of different sectors, as tourism and travel is a transversal and multi-faceted activity, requiring the cooperation and alignment of different areas of government. A key initiative that needs to be supported in this regard is the National Strategic Tourism Plan (NTSP) which aims at integrating cross-cutting thematic areas into the tourism policy, and coordinating a completely different set of capacities, knowledge and skills among decision-makers, technical staff, and partners from the private sector and non-governmental organizations (NGOs).

2.64 **Limited technological development to support and implement a sustainable tourism development policy.** Suriname has not yet formulated a vision or strategy on technological development. Moreover, technological advances are critical not only for measuring progress and impacts in tourism development (social, environmental, and economical terms), but also in terms of understanding the market forces that shape the tourism destinations in Suriname and affect the productivity of activities associated with tourism (see UCLA, 2011). The capacities required to develop clear indicators to measure progress in complicated, integrated priority areas are scarce and/or lacking in the country.

2.65 **Openness, connectivity and accessibility constraints.** A constraining factor has been restrictive regulations (e.g., ownership limitations for the airline industry and visa requirements to enter the country), as well as connectivity challenges internally, and with international and regional markets (see Transportation section for further details). According to International Air Transport Association (IATA's) Global Connectivity Index, Suriname's air global connectivity has increased from 1,836 in 2008 to 2,487 in 2018 (higher values represents better connectivity), but it is still far below the median of the Caribbean countries (5,394). Moreover, regional connectivity within the Caribbean has decreased below 2013 levels, also being lower than the median for the Caribbean (CDB, 2018). Suriname ranked lower in the quality of air transport infrastructure and airline seat kilometers (in millions) compared to the Caribbean and LAC (WEF, 2016). Suriname also has critical hurdles in terms of providing quality accommodation to tourists, facilitating payment transactions (electronic payments) and the availability and reliability of public transportation.

2.66 **Risk of tourism affecting cultural and natural resources.** The quality of the environment is a key factor within the tourism sector in Suriname and should be protected to ensure and improve the competitiveness position of Suriname in the LAC region. As a new policy arena, sustainable tourism can support public and private businesses to jointly focus on innovation, professionalization and promotion of tourism-oriented products and services that will place the country as a "new" nature and cultural destination in South America.

Policy recommendations

- 2.67 **Strengthening of organization and management structures to enable investments.** To be able to pursue a prudent tourism policy, the institutional strengthening of public and private institutions is necessary. The country's legislation and regulatory system, including tax and non-tax incentives, should be revised to attract local and international investors, particularly in the hospitality sector. More importantly, the country should establish a transparent and straight-forward policy to attract investors and promote research and development and innovation of tourism products and services.
- 2.68 **Promoting technological advances, access and sustainable tourism policies.** It is important that Suriname's tourism destinations adapt to a digital environment and begin to progressively incorporate technologies in their business and decision-making processes. Policies should not only focus on establishing Suriname on the world map as a nature and culture destination, but also improving access through better airline/transportation connectivity. Additionally, there must be national awareness fueled for the conservation and preservation of the country's nature and culture. Other options to consider are community-led ecotourist alternatives that help protect the environment while creating local opportunities for the local economy.

VI. Agroindustry and forestry

Context and challenges

- 2.69 **IDB (2016) summarized the main issues affecting the efficiency in the provision of agricultural services in the country, namely: animal and plant health, food safety, innovation systems, statistics and information, irrigation and drainage and sustainable fishery management.** IDB (2016) (sections 3.96-3.102) also includes a series of policy recommendations, many of which are being implemented. In this update we focus on forestry and the agroindustry.
- 2.70 **Agroindustry: Suriname's agribusiness sector is in the midst of a discovery process of new sub-sectors that are expected to drive renewed growth and exports.** The main challenges affecting the sector include (i) low returns to agricultural production; (ii) insufficient innovation to generate and grow new agricultural products, and (iii) a lack of financing to the agribusiness sector, particularly financing modalities that can foster investments in new ventures (see IDB 2020b for details).
- 2.71 **Forestry: Management of Suriname's forest.** Suriname is characterized as a High Forest, Low Deforestation (HFLD) country (Government of Suriname, 2018a). Its forest cover is 93 percent with low deforestation of 0.05 percent in the 2009-2015 period, mainly due to mining. The aim of the country is to maintain this status and it is promoting policies to this end.¹⁹ Of the country's area with forest cover (15.2 million hectares (ha) or 93 percent of the land cover), 2.3 million is in protected areas (including the 1.6 million ha Central Suriname Nature Reserve, a United Nations Educational, Scientific and Cultural Organization (UNESCO) heritage site), and 4.5 million ha is assigned for forestry production. Of the latter, 2 million ha are under forest management concessions, 800,000 ha under community forests, 170,000 ha under incidental cutting licenses (including the hydropower lake) and 200,000 ha under exploratory licenses.²⁰ In recent years, timber production in the country has quadrupled from 250,000 m³ in 2010 to an estimated 1,000,000 m³ in 2018. Over the same period the export of roundwood has increased from 50,000 m³ to more than 500,000 m³, with very little processed wood being exported. This increase in wood extraction activity has highlighted the challenges and opportunities that Suriname faces in managing its forests, particularly those designated for wood production.

¹⁹ https://unfccc.int/sites/default/files/suriname_cop23cmp13cma1-2_hls.pdf

²⁰ <http://sbbsur.com/wp-content/uploads/2019/03/rapport-bosbouw-sector-2017.pdf>

- 2.72 **Institutional and legal framework.** Forestry operations in Suriname are based on the 1992 Forest Management Act, which also gave rise to SBB, the Foundation for Forest Management and Production Control, which operates as an autonomous government entity. Over the years, SBB has developed important capacity and leadership in the sector and is currently implementing a new forest information system and forest management requirements. However, this work is hampered by legal and regulatory constraints (for example, outdated forestry management concepts, hindrance to forestry industry development, and an outdated concession policy). At the community level, legislation does not exist to recognize and secure indigenous and maroon collective rights to their traditional lands, territories and resources.
- 2.73 **Forest operations.** Low productivity and inefficiency characterize wood extraction. While the allowable cut within a rotation cycle is 25 m³/ha, on average a productivity of 10m³/ha is reached. This can be explained by the fact that from the more than 1000 tree species found in Suriname, only 200 species are used for commercial purposes, while only ten species contribute to 70 percent of the national production, of which *Dicorynia guianensis* alone contributes 24 percent. Further, 50 percent of the harvest units are logged with minimal planning (conventional logging). Research carried out by SBB showed that planning and a corresponding implementation of that planning (controlled logging) can reduce the CO₂ emissions by 40 percent (from 3.23 Mg C per m³ for conventional logging to 1.96 Mg C per m³ for controlled logging), (Zalman, Ellis, Crabbe and Roopsind, 2019). Illegal logging is estimated at 10 percent of yearly production. Several of the forest concessions are idle or producing below the average productivity.
- 2.74 **Timber processing and marketing.** 70 percent of wood production is sold as roundwood, while 30 percent is processed. Timber processing is mainly done by sawmills. In general, technology is obsolete, with not much concern for efficiency. Yields in sawmilling are between 30-50 percent of round log volumes.
- 2.75 **Community forestry.** Community forests represent nearly 20 percent of forestry production area, and resources from those forests are meant to support the development of communities holding the concessions. That said, there is very little capacity at the community level for proper forest management and the administration of resources derived from it, either when exploitation of the forest is done by the community itself, or by an agreement with a private operator.

Policy recommendations

- 2.76 **Agroindustry: The recommendations to address the main challenges in the Agroindustry are:** (i) increase returns to agricultural production by reducing existing agricultural productivity gaps, reducing production costs, and increasing diversification of agricultural markets; (ii) foster entrepreneurship in non-traditional agricultural products; (iii) target key or lead local or foreign firms within the agricultural value chains; (iv) develop financial mechanisms that can foster investments in new risky ventures, specifically tailored to the agribusiness sector and (v) promote the use appropriate technologies that simplify processing, provide power, and minimize fossil fuel consumption; and (vi) integration of ICT in all aspects of farming, marketing, data and record-keeping and integration of data systems.
- 2.77 **Forestry: The recommendations to address the main challenges are:** (i) revision and modernization of forest management legislation and regulation, including the validation and formalization of the code of practice of sustainable forest harvesting; (ii) identify restrictions to market access for processed wood products; (iii) explore opportunities for forest product certification (also linked to market access); (iv) expand the scope of the Sustainable Forestry Information System Suriname, including wood processing, monitoring, and mobile applications; (v) promote more efficient wood extraction practices to reduce its impacts on the forest; (vi) improve capacity of community forest concession holders in forest management, negotiation, and

administration; and (vii) enable a revenue generating system through result-based payments for forest ecosystem services.

V. Transport

Context and challenges

- 2.78 **Suriname is heavily dependent on roads for internal transportation, with river and air travel playing a supporting role to serve areas that are difficult to access overland.** Suriname's road network connects with Guyana and French Guyana by ferries across the Corantijne River in the west and the Marowijne River in the east. The north-south corridor between Paramaribo and Brokopondo gives access to the inland territories. The commercial and main production centers (except for mine products) are located in Paramaribo and its suburbs and these industries are dependent on the road network for raw materials and transportation of goods and finished products. For international travel, air transport is the leading form, followed by a combination of land and river travel to connect with its neighbors to the east and west. International shipping is done through maritime transport with air transport playing a very small role.
- 2.79 **The quality and coverage of transport infrastructure is poor compared to its sub-regional neighbors.** Suriname ranked 81 out of 144 countries evaluated in the pillar of overall infrastructure (WEF, 2016). The country lags all its Caribbean peers in airport infrastructure at position 104. With respect to roads, although there is not an updated road assets' inventory or a periodic evaluation of the condition of the road network, it is estimated (2017) to be comprised of 4,169 km of roads, of which only 56 percent are paved (UNDP, 2018). These deficiencies in road infrastructure, coupled with other market inefficiencies, such as poor organization of the sector and atomization of cargo trucking supply, increase the logistic costs of cargo transport (IDB, 2013).
- 2.80 **High motorization and poor infrastructure contribute to congestion in urban areas.** Suriname's average motorization rate is relatively high at 40,900 vehicles/100,000 inhabitants compared with LAC (17,600 vehicles/100,000 inhabitants) and keeps growing at a fast pace (6 percent per year), (WHO, 2018). Congestion in urban areas is driven by high motorization, coupled with a relatively high concentration of the population, economic activities and public services in the coastal belt, as well as a deficient public transport service and limited infrastructure. Other contributory factors include the lack of separate bicycle or scooter lanes and unregulated parking on sidewalks.
- 2.81 **Institutional capacity and resources are lacking to improve road safety.** The Suriname Road Safety Commission was established in 2008 as the national coordinating mechanism with responsibilities for road safety; and was commissioned to implement Suriname's 2018-2021 Road Safety Strategy Plan that launched in March 2019. However, there is a lack of specific funding for its implementation. Although the country has laws on speed limits, drunk-driving, use of helmets, seat belts and child restraints, the police's enforcement capacity is limited.
- 2.82 **Operational inefficiencies and a lack of regulation affect the quality of public transport services.** Public transport plays a key role in urban mobility, with more than 500 permit licenses for public transport routes, provided via 1,100 medium-sized (30 seats) buses which are owned by both the State and private sector. Monocentric bus routes covering most parts of the sprawled city, a lack interconnectivity and overlapping in the city center, absence of exclusive lanes, traffic congestion and consequently slow travel speed have resulted in a significant drop in the demand for urban bus services. Public transport is subsidized by the government and both private and public transport buses are managed by the Ministry of Public Works, Transport and Communication (MPWTC), which lacks sufficient well-trained personnel to carry out adequate public transport management and perform safety and service quality control of the public transport operators. Moreover, there is no safety protocol and control mechanism in place to make these

subsidies and other government expenses for public transport more efficient and effective. All these factors have led to an unreliable, unsafe, inefficient and costly public transport system.

- 2.83 **The port of Paramaribo has constraints.** The port is the main import/export gate and trade node for all relevant production locations in the country, especially for agricultural, forestry, fishing and mining production areas. The entrance to the Suriname river channel restricts large ships as part of it has a draft of 6.5 meters. In addition, according to the Liner Shipping Connectivity Index (LSCI), Suriname has a low level of connectivity to global shipping networks, compared with most of the sub-regional ports in the Caribbean basin.
- 2.84 **Air transport has regulatory failures and infrastructure gaps.** The current institutional arrangements for air transport do not conform to the general norms of the subsector since there are institutional overlaps among the different civil aviation bodies. Despite recent improvements, the national airport still has many infrastructure gaps, especially on the land side, as it lacks basic facilities such as boarding bridges (see IDB, 2016).
- 2.85 **Gender inequality in the transport sector remains a key challenge for Suriname's inclusive development.** A study conducted by the Institute for Development and Strategic Studies (INDEST), in 2001, of micro-entrepreneurs in Commewijne, Nickerie and Greater Paramaribo found that the participation of women in the transport sector was not significant and in the construction sector it was nil.

Policy recommendations

- 2.86 **Improve the connectivity, capacity, and safety of the road network.** There is a need to upgrade and expand the road infrastructure in high trafficked sections of the network to address capacity and safety requirements. Improvement of strategic linkages between roads, fluvial navigation, ports and airports to form an interconnected network can enhance the overall performance of the transport sector. In order to take advantage of potential trade opportunities with the growing neighboring economies (Guyana, Brazil) and to enhance Suriname's sub-regional integration, it is particularly important to improve the East-West road corridor (Suriname-Guyana), including the construction of a bridge over the Corantijne River to replace the existing deficient ferry service. Equally important, in order to enhance the tourism industry and regional connectivity, it is necessary to improve the capacity and safety conditions of the 50 km of road connecting the Johan Adolf Pengel International Airport (PBM) to the city of Paramaribo. In general, the road network of the country must meet the transport needs of key economic sectors, in synergy with other productive infrastructure initiatives. The implementation of the Road Safety Strategy Plan Suriname 2018-2021 will require the strengthening of the institutional structure and capacities and the coordination mechanisms. Modern and effective road safety measures in road infrastructure, together with the appropriate resourcing for the enforcement and control actions, will be key to preventing the increase in deaths and injuries due to traffic incidents.
- 2.87 **Develop sustainable financing mechanisms for road maintenance and rehabilitation.** Suriname requires a road asset management system through which the total inventory of roads and bridges in the network, their condition and the investments made in them are kept up to date. Periodically, evaluations of the state of the road network should be carried out to determine the impact of investments and to program the optimal type and timing of interventions. This maintenance program should be for the whole sector and integrated with the annual operational and financial planning of the MPWTC and the Road Authority.
- 2.88 **Transit demand management measures and technologies can contribute to alleviating congestion.** In addition to infrastructure improvements, other traffic management strategies can be implemented to reduce the impact of congestion in urban areas, such as implementation of Intelligent Transportation Systems (ITS) technologies to improve traffic control and implementation of travel demand management policies in urban areas, such as reducing speed

limits, regulating heavy vehicles, parking pricing and non-motorized corridors. In addition, the strengthening of technical capacities for planning and management of the road network through the use of modern traffic measurement and simulation techniques, big data and artificial intelligence tools for network monitoring, as well as the strengthening of police control agencies and traffic laws are key measures to mitigate the effects of congestion.

- 2.89 **The institutional framework can be modernized to provide better public transport services.** A set of strategies, tools, and public policies, pursuing the core objectives of improving the overall quality of service, connectivity and accessibility and safety will contribute to reducing congestion levels in urban areas. In this regard, it is important to focus on improvements in infrastructure and urban assets such as bus stops, bus bays, dedicated lanes and parking lots; efficient mechanisms for private participation and public-private collaboration in the provision of public transport services; the elimination of barriers to the participation of women and minority groups in the benefits of the public transport system; increase the capacities of public sector institutions in charge of planning and managing public transport; and the establishment of more effective mechanisms and policies for controlling subsidies and transfers to the private sector, following a service-based model.
- 2.90 **Climate change adaptation and resilience measures should be incorporated into the design and implementation phases of transport projects.**²¹ Given the level of exposure of the country's transport infrastructure to present and future climate change impacts, it is crucial to account for climate change when undertaking Disaster Risk Assessments (DRA) for expanding or rehabilitating road infrastructure. These DRAs should then be used to revise the national road design guidelines. Also, the country should work on a Blue spot analysis (asset management, identification and prioritization of intervention) to help decision makers prioritize and compare alternative interventions in the road network to build the network's resilience to climate events.
- 2.91 **Institutional arrangements for the air transport sector can be implemented.** It is important to ensure the complete independence of the technical regulator from the accident investigation, in order to adopt the correct implementation of International Civil Aviation Organization's standards and recommendations practices, while avoiding duplication of functions and conflicts of interest. To address this problem, it is recommended to create an independent board for accidents and incidents investigation that reports directly to the Chairperson of the Parliament (Ricovert, 2015).
- 2.92 **Support female participation in non-traditional jobs in the transportation sector and promote gender equality and safety in the urban transportation system through the following activities:** i) promote the design and implementation of training programs (vocational training) for women in non-traditional jobs in alliance with Universities and the private sector (i.e. traffic agents and bus drivers); ii) establish a code of conduct for workers that include protocols to address sexual harassment in the workplace; iii) enhance security at bus stops by installing street lights and camera surveillance; iv) improve the cycleway network and provide space for bicycle parking near residential and commercial buildings, public transport stops, schools, and other facilities; v) provide mechanisms for women to request support in case of violence or harassment (such as panic buttons and mobile apps).

VI. Trade and integration

Context and challenges

²¹ Suriname's updated NDCs focus on four key areas: forests, electricity, agriculture and transport. It is committed to maintaining 93 per cent forest cover but says "significant international support is needed for the conservation of this valuable resource in perpetuity." (UNFCCC, 2019).

- 2.93 **Exports and FDI are concentrated in the mining and oil sectors and there is limited integration with global value chains (GVCs).**²² Gold accounts for around three-quarters of overall exports, and petroleum for another 10 percent. Inflows of FDI are also concentrated towards mineral extraction: 80 percent of FDI went to the mining sector during 2013-2017. There is limited integration in GVCs as shown by Suriname's position of 123 of 144 economies in value chain breadth (WEF, 2016).
- 2.94 **Sector-specific constraints limit the potential of promising export industries.** With abundant land, Suriname should have a competitive advantage in the Caribbean Community (CARICOM) market, in which it has preferential access. However, business and land regulations and permitting have been identified as areas of weakness, as has compliance with quality standards in other CARICOM member states, including a lack of laboratory facilities for export products. Similarly, while Suriname offers competitive costs for services in the Dutch language, there is a limited pool of prospective employees, especially those with the more specialized skills needed to move the country towards exports of services with higher added value (IBM-Plant Location International, 2018).
- 2.95 **There is a lack of proactive policies to promote exports and attract investments.** The principal export sectors consist of capital-intensive extractive industries that do not create much employment and have limited productive linkages to the broader economy (IDB, 2019a). Nonetheless, efforts to attract investors in non-traditional sectors with potential to use Suriname as an export platform have been lacking.
- 2.96 **The institutional and policy structure to attract investment is deficient.** Suriname did not have an investment promotion agency (IPA) in place until recently. Whereas InvestSur was formally created in 2002 as the agency responsible for FDI promotion and attraction, it was not actually made operational until 2017 (Scheifler, 2018; IDB, 2019a). Although this reflects a political will for internationalization, there is much work to be done in terms of institutionalizing InvestSur as a modern promotion agency with a well-articulated strategy for providing a full range of services.
- 2.97 **Delays at borders exacerbate the country's physical remoteness.** Suriname's ranking for *Trading across borders* (87 of 190) has improved since 2016 (103 of 189) and is better than those for the other *Doing Business* topics, but specific challenges still exist. For example, the border compliance time for exports is 3.5 days, compared to the LAC average of 2.3 days.
- 2.98 **Trade procedures are complex and not digitally enabled.** The outcomes-based methodology used in the *Trading across borders* aggregate does not lend itself well to Suriname's specific case. Drilling down to individual areas of trade facilitation reveals considerable space for improvement. According to the Organization for Economic Co-operation and Development (OECD) *Trade Facilitation Indicators*, Suriname's performance is below the upper middle-income country (UMIC) average in all areas of analysis except for formalities relating to documents (OECD, n.d.). The areas of advance rulings, external border cooperation, governance and impartiality, trade community involvement, and information availability are highlighted as important challenges.
- 2.99 **Suriname has not yet ratified the WTO Trade Facilitation Agreement (TFA) (WTO n.d.b).** Acceptance of the TFA would commit the country to simplifying paperwork requirements and modernizing and streamlining export and import procedures, which in addition to enabling existing traders to increase volumes and new firms to start exporting, would provide a forum to interact with potential sources of technical and financial assistance, and serve as a positive signal to foreign investors regarding the trade and business environment (Thomas, 2017).

²² This is a reflection of the country's undiversified industrial activity.

- 2.100 **Goods face difficulties reaching international markets due to limited logistics connectivity.** This is a transversal issue that hinders export competitiveness, especially with respect to non-traditional products that do not benefit from pre-existing supply chains and with potentially high value-added perishable goods that suffer more from delays.
- 2.101 **Congestion at the Port of Paramaribo hinders transport productivity.** This is due to multiple factors including cumbersome manual procedures, insufficient space in which to handle cargo and provide value-added services, and limited road access to the port (IDB 2019b). With respect to procedures, lack of electronic data impedes the use of modern risk analysis; instead, 100 percent of import container shipments are inspected. Moreover, the lack of digitalization and interoperability among systems results in multiple transactions in person and unnecessary validation procedures. In addition to these issues, there is limited liner shipping service to the country.
- 2.102 **Air and land transport connectivity with neighboring countries is deficient.** Limited cold chain and export inspection facilities at the airport, procedural inefficiencies, and infrequent flights present a bottleneck for international sales of perishable goods (IDB 2019a; World Bank 2017). Suriname's road connectivity with Guyana is limited to a remote ferry that operates only once each day. The border crossing with French Guiana also involves a ferry. These crossings lack sufficient services, controls, and infrastructure. There are no formal crossings with Brazil given the remoteness of the border region. Road connectivity between the coast and inland areas with potential for agricultural production or tourism is limited.

Policy recommendations

- 2.103 **Interventions are suggested in three main areas:** (i) continuing with the institutional operationalization of InvestSur; (ii) strengthening the export capacity of the private sector; and (iii) improving trade logistics and facilitation.
- 2.104 **Continue with institutional operationalization of InvestSur as a modern promotion agency,** including updating of the legal framework and clear mapping of responsibilities vis-à-vis other government agencies. In addition to standard lead generation and investment facilitation activities, it is recommended that this be accompanied with concrete actions, including evaluation of sectors and development of strategies to target them, country branding and image-building activities, and the implementation of a Single Window for Investment.
- 2.105 **Strengthen the capacity of the private sector to export.** A review of the business climate and identification of constraints to potential investors and exporters in consultation with the private sector, accompanied by policy advocacy on the part of InvestSur, could yield significant gains across the board. It is also advisable to improve the information available to traders, such as through market intelligence and information to assist with compliance throughout the import/export process. Agricultural producers, especially prospective exporters of niche goods, would benefit from improvements to the quality system, including laboratory facilities and training for staff, and the extension of services to support farmers and exporters in obtaining certifications and demonstrating compliance with standards. The promotion of productive linkages between foreign companies and local producers and providers would contribute to extending the benefits of the external sector to more people. The services sector would benefit from the identification of skills gaps and the development of recommendations on how to address them. Moreover, the economy would benefit from streamlining regulations aimed at attracting investment to more complex industrial activities. For instance, prospects in manufacturing automation could be analyzed and financing via value-chain solutions and financial intermediaries could be expanded.
- 2.106 **Improve trade logistics and facilitation.** Advance with planned modernizations to infrastructure, equipment, IT and procedures at the Port of Paramaribo. During this process, attention should be given to ensuring interoperability among various systems, including between the Port Community

System (PCS) and the Electronic Single Window (ESW) currently under preparation. The implementation of a robust risk management system based on predictive analytics would reduce the need for inspections. Similarly, upgrades to procedures and facilities at the airport would aid in uncovering export opportunities for niche goods with high value-added potential. Benefits to trade could also come from modernizing border processes and crossings with Guyana and French Guiana, consistent with the principles of coordinated border management. In all of these cases, physical investment and IT solutions alone are not sufficient, as they should be complemented by a thoughtful reengineering of processes.

VII. Education

Context and challenges

- 2.107 **Coverage remains high at the primary school level, but retention and dropouts are prevalent.** The curriculum reform from grades 3-6 was completed in 2016. Primary school reform will be closed in 2021. Henceforth, the upcoming interventions in education should focus on lower secondary as well as teacher training in the new curriculum and also teacher-student interactions. Moreover, a diagnostic carried out recently indicate that 90 percent of students from the interior districts do not speak Dutch at home and there is no program to support their transition to Dutch when they enter the school system. Teachers working in remote areas do not have the appropriate skills to teach in multilanguage settings and usually have less experience and lower education levels than their peers in the urban areas.
- 2.108 **Early tracking poses a challenge to the quality of the education system.** Early tracking towards technical/vocational training appears extremely ineffective since there is little articulation between the offered skills and the needs of local employers. More efforts should be made to collect and analyze data at this level that will allow a proper diagnosis. Additionally, students employability is constrained by: (1) a supply-driven and outdated curriculum and no analysis of future labor demand trends; (2) inadequate staff for the TVET (Technical and Vocational Education and Training) sub-sector; (3) the inadequacy and obsolescence of the resources and infrastructure; (4) shortage of quality teachers; and (5) the absence of education opportunities in the interior after lower secondary school (IDB, 2016).
- 2.109 **High dropout rates.** In 2017, the average dropout rate in the first two grades of primary school (grades 3 and 4) was 13.9 percent. This challenge stems from a combination of two main factors: i) heterogeneous student population with low access to specialized programs; and ii) teachers with insufficient training and instruments to teach in diverse environments (see IDB, 2016). At the secondary school level, dropout rates are almost 15 percent per grade and, as a consequence, graduation from this level is low (Ministry of Education, Science and Culture (MOESC), 2015). Only 69 percent of secondary school-aged youth attends secondary school in any of the different streams (academic, technical and vocational). Of the remaining 31 percent, some are out of school (12.4 percent) and others attend primary school (18.6 percent) with higher chances of dropping out for being over-age at the time of entering secondary education (CIMA 2017).
- 2.110 **Limited Early Childhood Education (ECE).** For children below 4 years old, ECE is not formalized and existing institutions provide programs that are not structured or of comparable level and quality nationwide. Formal pre-primary education targets 4 and 5-year-olds and, in some cases, 3-year-olds depending on the month of birth (UNICEF, 2019). In 2018, out of the total number of children at 5 years of age at the beginning of the school year, 65.3 percent were attending pre-primary education, 28.3 percent were attending primary education and 6.3 percent were not attending any type of formal education (UNICEF, 2019).
- 2.111 **Inadequately maintained schools in the interior of the country.** Sanitary systems are lacking or in poor condition, and often do not have adequate access to water and electricity. Also, many

students regularly walk long distances to attend school or even use canoes as forms of transportation (see IDB, 2016).

- 2.112 **The MOESC exhibits low management capacity in key units (curriculum, research and planning, and ICT).** These units are understaffed and require training and equipment to perform their activities more efficiently. At the same time, communication channels within the ministry are limited and staff are often unaware of important initiatives. Furthermore, the ministry has limited capacity to support schools and teachers and to collect information for monitoring schools (see Jabbar 2014, and Arcia 2014).
- 2.113 **Teaching methods are outdated, and teachers are trained using traditional pedagogical methods based on passive learning and memorization.** In 2016, a report from UNICEF showed that teachers in Suriname had never been trained to manage independent and group work, how to motivate and engage students or foster teacher-student interactions (UNICEF, 2016).²³ Moreover, although Dutch is the official language of Suriname, focus groups in the interior districts revealed this is an important challenge for teachers because when non-native Dutch speakers enter in the early grades (ages 4 and 5) they don't sufficiently speak or understand Dutch (Elias, 2019). As of 2010, approximately 37 percent of the teachers working in the Interior did not even meet the required qualification to teach at the primary school level and 49.2 percent had fewer than five years of experience (School Mapping, 2010)²⁴. To date, there has not been a specific program to address these challenges and support teachers. As a result, children entering the formal education system have very different levels of development.

Policy recommendations

- 2.114 **The recommendations below complement those of IDB (2016).** The recommendations propose to (i) redirect focus to lower secondary (grades 9-11) and address teaching practices, particularly teacher-student interactions in addition to content and (ii) concentrate on early childhood. The specific recommendations are to improve readiness to learn assessment and strengthen teaching practices in this area.
- 2.115 **Curriculum, teacher training and learning assessments for primary education.** There are 5 main recommendations in this dimension. They are: (i) continue the curriculum redesign and implementation in lower secondary (grades 9, 10, 11) to provide continuity, given that the MOESC is currently finalizing the curriculum reform for the final grades of primary education system; (ii) teacher training and coaching for an effective implementation of the new curriculum and to introduce teaching methods that promote student teacher interaction and project-based learning, (iii) provision of learning and teaching materials aligned with the new curriculum; (iv) strengthen the capacity of the MOESC to monitor and support schools by improving the capacity of the MOESC to collect, analyze and use data; and (v) redesign learning assessments to align with the new curriculum and measure competencies, not content knowledge.
- 2.116 **Continue improving access and the quality of early childhood education.** Increasing access to quality preschool education should be made a priority. First, MOESC should implement an instrument to assess children's readiness to learn as they enter the formal education system at the national level, thus identifying children's needs and making it possible to offer specialized services. In addition, the government should invest to increase the supply of qualified preschool

²³ The program was called "I believe in you" in-service teacher training program, which was implemented by the MOESC with the support of UNICEF in all public schools in the interior of Suriname (Brokopondo, Marowijne, Para and Sipaliwini), in the period 2009-2013. The objective was to promote more child friendly education in Suriname.

²⁴ School Mapping for Planning and Policy in the Republic of Suriname. MOESC, 2010. http://kennisbanksu.com/wp-content/uploads/2017/06/SchoolmappigReport_MINOV_2010.pdf

teachers and develop a program to support non-native Dutch speaking children as they enter the education system.

- 2.117 **Enhance teacher recruitment, training and coaching aligned with the new curriculum.** The government can improve its teaching force by recruiting, training and providing adequate incentives for teachers to continuously learn. Training and coaching are necessary for an effective implementation of the new curriculum. Teachers in the interior should receive additional training and support given that their qualifications and experience are limited. Review and improvement of a National Teacher Qualifications Framework is needed to reduce the gap between the qualifications of teachers in the interior and in urban areas.
- 2.118 **Guarantee adequate resources to all schools.** Increasing access to teaching and learning materials, especially in the interior of the country, is necessary to create an adequate environment to promote student learning. Given that education facilities in the interior are deficient and that investing in school infrastructure is a government priority, it would be necessary to strengthen the relevant institutions that is responsible for maintaining school infrastructure. Moreover, there is a need to renovate existing school facilities and build new ones to increase access for students living in rural areas, where the most underserved communities and ethnic minorities reside. School construction should incorporate teacher housing in order to encourage qualified teachers from the urban areas to move to the interior. In addition, there should be guaranteed teacher training and age-appropriate materials adapted to students' home language and local context.
- 2.119 **Reform secondary education so that graduates have the necessary skills.** The reform of the lower secondary education system and reassessment of the current tracking system would help improve the educational system. This reform should include an assessment of the current tracking system that can offer policy recommendations on how to redefine the scope of secondary school to better connect to labor market demands and the economy's needs (see IDB, 2016 for details).
- 2.120 **The TVET curriculum should be better aligned with the labor market.** In this regard, private sector involvement is critical, not only at the curriculum development level, but also for permanent feedback mechanisms between employers and the education sector and establishing programs in which students combine classroom teaching with on-the-job training, according to predefined curricula (see IDB, 2016 for details).

VIII. Labor market

Context and challenges

- 2.121 **The challenges raised in IDB (2016) persist.** The four main challenges in the labor sector are: declining labor productivity, an inadequately educated workforce, a high share of employment in the public sector and inefficient labor intermediation services.
- 2.122 **Declining labor productivity.** Overall, labor productivity in Suriname has grown very slowly in the past decade. GDP per person employed (constant 2011 PPP \$), an indication of labor productivity, has declined from its peak of US\$43,838 in 2011 to US\$39,627 in 2018, although it remains higher than the average for LAC (US\$33,569). Moreover, according to the World Bank (2018), firms in all sectors show a negative productivity growth..
- 2.123 **Inadequately educated workforce and skills gaps.** Suriname's workforce faces disadvantages related to poor skills that are not resolved in post-secondary education and training. The deficiencies (high school dropouts and low educational achievements), described in the Education section of the present document, are not overcome in the labor market. Only 34.8 percent of firms offer training and less than 30 percent of workers receive formal training, significantly below the average for LAC (43.2 percent of firms and 60.8 percent of workers) (World Bank, 2018). The disconnect between job creation and skills supply is illustrated by high unemployment, especially for youth, alongside skills gaps.

- 2.124 **Ineffective labor intermediation services.** The Ministry of Labor provides labor intermediation services through the Public Employment Service (PES), which offers very limited support to jobseekers and employers.²⁵ Most services are provided by telephone because there is no online self-service. The support offered to jobseekers is very limited: no personalized job-search interviews, individual action plans or specialized services in line with the beneficiary's specific needs. At least until 2016, PES did not have a private sector engagement strategy or organized job fairs in collaboration with the private sector. Most private sector companies have not used these employment services, since they largely match low skilled individuals with low paying jobs (PADF, 2013). There is also an absence of a labor market observatory to collect labor market information, which is critical to inform labor market policy and PES's interventions.
- 2.125 **The NEET (Not in Education, Employment, or Training) problem.** The NEET problem is acute in Suriname, where the proportion (17 percent) of Surinamese youth not in employment, education or training was nearly equal to those employed (20 percent).²⁶ Further, at 22 percent, the NEET rate for women was nearly double that for men (13 percent). Within the NEET group, nearly 60 percent of male NEET youth were not working because no work was available or due to seasonal inactivity. By contrast, the related percentage for female NEET youth was 39 percent. The main reason that female NEET youth were not working was household/family duties (33 percent) or pregnancy (30 percent), while no male NEET youth indicated that they were caring for someone. In addition, 9 percent of male NEET youth and 6 percent of female NEET youth were disabled, while over a quarter of NEET youth in Suriname cited "Other" as the reason for not working. While "Other" was the main reason given for both sexes, it was given by only 40 percent for young women as compared to 51 percent for young men. Of concern are the numbers of youth that are either discouraged or did not want to work (22 percent) as well as the number of young women who have no experience of formal work.²⁷

Policy recommendations

- 2.126 **Develop systems to produce timely and relevant data to allow for better diagnostics and policy analysis and design.** In view of the persistent skills gap and the need to diversify the economy, a system to collect data on skills supply and demand, as well as to project future skills needs, should be developed, as well as a portal to provide information for facilitating education and career decisions based on labor market intelligence. Given the effects that the introduction of pension and health insurance reforms and a minimum wage law may have on the labor market, it would be essential to study the impacts in terms of incentives for skilled labor to move to the private sector, and the corresponding impacts on pension coverage and formality (given that hiring costs would be affected).
- 2.127 **Modernize the public employment service.** Labor intermediation services, like the ones provided by PESs around the world, represent a cost-effective policy for promoting better workforce integration. In this regard, the following recommendations are made: (i) devise a digitalization strategy of the service which allows jobseekers and employers to self-access information; (ii) develop targeted support and profiling instruments to better serve vulnerable groups such as women and youth, whose unemployment rates are significantly higher than the national average; (iii) provide youth with information about possible career paths, skills development options and labor market dynamics to better inform their decision making; (iv) design a communication campaign to attract jobseekers of all skill levels and improve support to

²⁵ Unless stated otherwise, the source of all information in the paragraphs is IDB, OECD and World of Public Employment Services (2016). Available at: <https://publications.iadb.org/publications/english/document/The-World-of-Public-Employment-Services.pdf>

²⁶ Suriname Survey of Living Conditions in 2016-2017

²⁷ Taken from unpublished IDB Technical Note on Masculinity in the Caribbean.

employers seeking mid- and high-skilled workers; and (v) design a strategy for engaging with employers, especially in strategic sectors and those with difficulties filling vacancies.

- 2.128 **Develop skills development programs in partnership with the private sector to support growth of priority sectors, the diversification agenda and connect unemployed and NEET youth to jobs.** This is important for attracting skilled labor to new economic sectors. In this regard, the following recommendations are made: (i) develop TVET tracks or training programs with active participation of the private sector to provide training and education that respond to specific industry needs; (ii) emphasize on-the-job training and socioemotional skills to increase employability and fast-track labor insertion; and (iii) leverage private sector funds, since successful skills systems around the world have implemented mechanisms for co-funding skills development with the private sector. For this, instruments like competitive funds or matching grants can ensure co-financing of demand-driven workforce development while better aligning public funds with the diversification strategy and with employers' needs; and (iv) pursue a multisectoral approach for NEET youth: civil society actors can act as agents to communicate the available labor and education opportunities to NEET youth. Interventions for NEET youth who are engaged in care duties would require flexible training schedules and a related social welfare policy to account for the loss of care in households.

C. Basic services

- 2.129 **Suriname's basic services are characterized by inequalities in access, reliability challenges and governance and institutional capacity constraints that hinder social development.** The challenges related to the provision and reliability of basic services as discussed in IDB (2016) persist. Here we summarize and update the main issues related to the improvement of basic services in the following areas: healthcare, water and sanitation services, energy and electricity, and housing and urban planning.

I. Healthcare

Context and challenges

- 2.130 **Vulnerability to COVID-19 and response challenges.** Suriname confirmed its first imported COVID-19 case on March 13, 2020. As of April 3, the authorities confirmed a total of 10 cases with 771 persons in quarantine. The measures implemented by the government thus far are all geared towards preventing the spread of virus and include the closure of all borders - land, sea and air - indefinitely, and measures to facilitate the return of foreigners to their country of origin and retrieve its nationals in foreign countries. The authorities also limited social gatherings, closed all schools and universities, imposed a curfew and restricted in-restaurant and bar dining services. In the short term, the health sector could face important challenges in responding to COVID-19. In terms of population vulnerability, according to the World Health Organization, older people, and people with preexisting conditions (such as heart diseases, diabetes, respiratory conditions) appear to be more susceptible to becoming severely ill with the virus. For Suriname, persons over the age of 65 years is marginally lower than the average for Latin America and the Caribbean: 6.9 percent compared to 8.2 percent. However, the percentage of people with preexisting conditions in Suriname such as diabetes prevalence (percentage of population ages 20 to 79) is 12.5 percent compared to 9.7 percent for LAC. Moreover, the country's medical response to COVID-19 will be constrained by shortages in trained medical staff, accommodation constraints at quarantine facilities and hospitals, and basic medical supplies and equipment to adequately respond to a domestic COVID-19 outbreak. To mitigate these challenges, Suriname is currently receiving support from the Pan American Health Organization (PAHO), other countries (Cuba) and international organizations to support its response efforts.
- 2.131 **The health diagnostic remains similar to IDB (2016), with non-communicable diseases on the increase, unresolved maternal and child health deficiencies and infectious disease**

issues. New issues that arise in the diagnostics, or that are now better informed with respect to the previous CDC, include evidence of the rise of mental health problems, the financial uncertainty of a new health care law aiming at providing universal health coverage, and the evidence that the current scarce resources that are dedicated to the health sector are used inefficiently.

- 2.132 **The high costs of non-communicable diseases (NCDs) are placing a financial burden on Suriname's health system where costs for kidney dialysis and heart surgery procedures, as well as medication to control NCDs, have increased significantly in recent years** (MOH, 2016). Unless current trends in Suriname are reversed, NCDs are likely to pose an additional burden on healthcare services, increase pressure on healthcare costs, and further deteriorate health outcomes. The elevated childhood obesity rates are worrisome, not only because they are a precursor to adult obesity, but also because they have both immediate and long-term effects on health and well-being, including a heightened risk for cardiovascular disease, cancer, and diabetes.
- 2.133 **There is ample room for improvement regarding access to quality services.** Of 132,000 total hospitalizations between 2015-2017, 10 percent were due to ambulatory care sensitive conditions (ACSC); that is, conditions for which hospitalizations could potentially be avoided with quality primary care capable of preventing their onset, treating an acute episode, or delivering proper long-term management. About 50 percent of the hospitalizations for ACSC were due to chronic heart and lung disease and diabetes, thus pointing to lack of effective management of chronic conditions in Suriname's primary care level. Also, the high prevalence of complications from untreated diabetes provide additional evidence for this claim. Poor coordination, lack of continuity and integration of care, as well as organizational access barriers are common factors leading to these problems. Furthermore, guidelines for prevention and standards of care either do not exist, or there is important variation in their application. Access to services is further constrained by facilities not functioning at full capacity due to old infrastructure and obsolete medical equipment that is poorly maintained. Availability of data for reporting to central levels is limited by poor ICT infrastructure, lack of electronic medical records, as well as limited interoperability of existing information systems.
- 2.134 **Shortage of trained medical staff.** Suriname has fewer health personnel compared to most countries in the Caribbean region and there is an acute shortage of doctors in disciplines that are highly required in the country, such as cardiac, neurologic and renal surgery. In addition, there is a shortage of health personnel at the primary care level and a distribution of health personnel that favors the city of Paramaribo, in detriment to the country's interior (see IDB 2016). Gender inequalities have also been documented in accessing and receiving health services (IDB 2016).
- 2.135 **The MOH faces institutional challenges to reduce the double burden of disease.** Institutional bottlenecks for MOH policy implementation have been previously documented in several health programs previously slated for execution in Suriname (see IDB 2016). These include: (i) limited institutional capacity at MOH related to weak governance arrangements; (ii) outdated management systems and processes; and (iii) deficiencies in subject matter training. The MOH needs to improve its multi-sector collaboration especially in efforts to address NCDs. This improvement will facilitate more effective strategic planning, and in turn lead to better health policies being implemented which would cause a necessary shift from curative care to prevention (PAHO, 2018).
- 2.136 **There are unresolved issues regarding the implementation of the National Basic Health Insurance Act (NBHIA).** The government needs to now focus its efforts to evaluate and probably refine the operationalization of the NBHIA, which was passed in September 2014. The overall intent of this legislation is to achieve "value for money" public health spending and to do this, the NBHIA seeks to: (i) establish a Health Care Services Fund, which will become a single pool of funding to pay for a defined basic package of public health care services; and (ii) at the same time

streamline payments to providers. While the NBHIA sets out overall definitions on: (i) responsibilities and obligations of providers; (ii) obligations of beneficiaries under the Fund; (iii) a description of the basic package of health services covered under the Fund; (iv) governance arrangements, operational parameters and monitoring and evaluation arrangements and (v) maximum rates for reimbursements to providers for each health service included in the basic package. There is need to further breakdown and operationalize the NBHIA. There are concerns about whether the NBHIA will likely limit accessibility to the full treatment course for some diseases, forcing patients and their families to spend considerable amounts of money to initiate or continue lifesaving treatments (PAHO, 2017). For the operationalization of the NBHIA to be successful in fulfilling its mandate, it is crucial that an adequately resourced health information management system (HIMS) be put in place, generating real time quality data to modernize administrative processes, detect potential errors, and measure the quality/productivity of providers. Also, a recent fiscal space for health report emphasized that the sustainability of health social security should be assessed to ensure it does not put a strain on public sector finances.

- 2.137 **There is substantial room for efficiency improvements in Suriname's health system** (Pinto et al, 2018). Data Envelope Analyses (DEA) shows Suriname is not obtaining value for money. For the period 2011-15, amongst 71 countries, Suriname's average efficiency performance falls in the lower 25th percentile, ranking 58th. With respect to IDB member countries, the potential gains that Suriname could make by approaching the estimated efficiency frontier for population health outcomes and provision of access to services, while keeping its current health budget, is large and above the average for LAC. For example, regarding health outcomes, if Suriname performed at the level of the most efficient country (at the frontier), life expectancy could be increased almost 8 years at current spending. Additionally, under-five mortality could be reduced on average by 15 deaths per 1,000, and Disability Adjusted Life Years (DALYs) lost for all causes could be reduced on average by around 6,800 DALYs per 100,000. Similarly, for health system access indicators, skilled birth attendance could be improved by 11 percentage points on average whereas DPT immunization rates could be improved on average by 12 percentage points.
- 2.138 **Suicide is a serious public health problem in Suriname.** The country has the second highest rate of suicide in the Caribbean, after Guyana, and is unlikely to meet the Sustainable Development Goal (SDG) indicator 3.4.2 of reducing the suicide mortality rate by one-third by 2030. The risk factors are poverty, social isolation and family conflicts. It is estimated that for every suicide, there are about 10 to 20 non-fatal suicide attempts (Graafsma, et al., 2016). The Hindustani population is most vulnerable, accounting for 62 percent of total suicides in 2013, despite comprising a little over one quarter of the population. Men have a substantially higher rate than women with a ratio of 3 to 1. In terms of age, in 2014, suicide of adolescent women (ages 15-19) exceeded that of their male peers (21.7 vs 4.2), while suicide was the leading cause of death for men of most age groups (20-24, 25-49 and 40-44). Children are also vulnerable to suicide. The percentage of those who have attempted suicide at least once is 8 percent for boys and 11 percent for girls (PAHO, 2017). According to the study carried out by Graafsma, et al, the prevalent methods of suicide are pesticide intoxication and hanging. These statistics reveal the need to implement programs targeted at reducing suicides, differentiated by ethnicity, gender and age.

Policy recommendations

- 2.139 **The Government of Suriname has increased focus on the health sector by setting out its Strategic Plan for Health and Well-Being in Suriname 2019–2028.** The Strategic Plan: (i) identifies the importance for more efficient spending; (ii) proposes a reorientation of the health system towards primary health care and prevention as well as a strong focus on health promotion and partnerships with non-health sectors and communities; (iii) recognizes the importance to develop aggressive human resources strategies to tackle staff shortages both at the primary and

secondary/tertiary care levels (iv) identifies the importance to build a comprehensive integrated health information system that responds to the decision-making needs of the health service users, clinicians, management and policymakers and (v) sets out robust targets, including elimination of Malaria by 2020 (Government of Suriname, 2019a).

- 2.140 **Strengthening the primary health care sector.** It is important to increase access and improve quality of health care at the primary care level by focusing on the upgrade and expansion of physical capacity of Suriname's primary health care centers, equipping health care centers with the necessary materials and supplies, and providing continuous education for health professionals, especially in areas such as NCDs management (see IDB 2016 for further details). It is also critical to establish and implement a continuous quality improvement and learning strategy focused on improving health outcomes while optimizing processes, especially related to NCDs. In addition to adopting a quality improvement agenda, it will be critical for providers, managers and policy makers to develop capacity to use information for improvement throughout the system. To support this, it is critical for the government to support the Information Systems for Health (IS4H) Regional framework developed by PAHO²⁸ to improve governance and interoperability of information and work in coordination with e-Gov to implement a National Electronic Health record.
- 2.141 **Addressing human resources for health.** The key reasons for the staff shortages are: (i) weak recruitment due to non-competitive remuneration; and (ii) poor retention due to the absence of financial incentives and a lack of continued educational opportunities. As a result, it is important for the Government to tackle the recruitment and retention of trained health professionals in order to create a motivated work force (see IDB, 2016 for details). Supply side capacity is also a challenge for communicable diseases. Maintaining capacity for prevention and response is threatened by loss of expertise of malaria (case) management among health professionals given the very reduced number of events. Furthermore, surveillance capacity may be compromised because microscopists in hospitals, medical centers and laboratories hardly ever see malaria positive slides and are at risk of losing their skills for the detection of cases.
- 2.142 **Improving maternal and child health.** The government needs to assess and scale up proven interventions both at the primary and secondary care levels that address the specific major causes of maternal deaths in Suriname (see IDB, 2016 for details).
- 2.143 **Improve the health system's organization and management.** As mentioned previously, the system is performing below its potential for reducing health inequities due to fragmentation, weak administrative and managerial capacity. In keeping with the 2016, WHO and the Government of Suriname recommendations, actions should be taken to operationalize the following policy options: enhance coordination of the different subsystems of the national health system; enhance evidence-based managerial effectiveness towards health inequity reduction goals; and enforce primary health care referral systems, (including intersectoral action), telemedicine and the integration of preventive services. As the health sector in Suriname is moving towards a single fund system that could generate important efficiency gains in the future, it is important to set the building blocks for results-based management of health service provision.

Prevention of suicides require collective action. With regards to the high rate of suicide, strengthening the current public sector institutions and NGOs that are working to reduce the suicide rate will help to improve awareness of the issue and facilitate the identification of those at risk.

²⁸ <https://www.paho.org/ish/index.php/en/stories?id=134>

II. Water and sanitation

Context and challenges to water and sanitation

- 2.144 **The World Health Organization (WHO 2019) reports that 95 percent of Suriname's population have access to at least basic water supply (98 percent for urban areas; 90 percent for rural areas).** Also, 92 percent of the population have access to water supply on their premises, of which 72 percent are piped connections. SWM's (Suriname Water Company) raw water is mostly fresh groundwater from confined aquifers and the company follows international guidelines to monitor water quality. Nevertheless, in 2018, only 79 percent of the entire Central water supply area met the WHO's standard on E. coli.
- 2.145 **Effective governance of the sector is constrained by a weak institutional framework.** The institutional framework of the water and sanitation sector of Suriname has three main deficiencies: (i) laws are outdated; (ii) there is currently no regulator overseeing the water and sanitation sector; and (iii) there is overlap of functions between government institutions overseeing and regulating the sector. The responsibilities between bodies are not clearly established, making it difficult to create policies, regulate, and fund the sector, which results in poor governance.
- 2.146 **Uncertainty and challenges related to the transfer of Department of Water Supply operations to the SWM.** In the past, the Department of Water supply (NH/DWV) was responsible for supplying drinking water in the coastal rural areas and in the Interior. Since April 2016, SWM took over the coastal rural areas. As for the Interior Region, since December 10, 2018 the Ministry of Natural Resources started the transfer of services of 13 Interior areas to SWM. It is expected that SWM will be the sole government-owned water supply provider in the country. However, there is no formal agreement with the government nor clear timelines for this to happen. The intent is for the Ministry of Natural Resources to focus on policy and oversight instead of the operation of water supply systems. The transfer of operations has been challenging to SWM resulting in additional urgent needs for investments since most of the water supply infrastructure in the rural areas of the coast have been handed over in poor condition.
- 2.147 **Data challenges and SWM performance.** Significant data gaps and inconsistencies have prevented SWM from making informed decisions. SWM's non-revenue water (NRW) is high (49.9 percent in 2017) despite SWM's efforts to reduce it. The utility does not have reliable data on its water losses. SWM does not monitor water coverage and therefore does not have precise data on the number of households located in its service area, particularly for the areas recently taken over from the NH/DWV.²⁹ SWM has a high metering rate (94.6 percent). Collection efficiency has averaged about 86 percent. The high level of accounts receivable suggests that SWM lacks strict collection management policies. Moreover, there is low accountability across all levels of the organization.
- 2.148 **No tariff-setting regime and no independent economic regulator.** SWM relies on government subsidies to cover operating expenses and to finance its capital investments. In 2013 and 2014, government subsidies represented 20 percent and 8 percent, respectively of SWM revenues. Government subsidies do not typically cover all expenses. Subsidies are ad hoc, with little regard to SWM's actual cost of service. SWM's financial statements have not been audited since 2014. SWM has low tariffs, in 2014 the average water tariff was approximately US\$0.57 (SRD1.87) per cubic meter of water. This tariff was the lowest of all utilities in the Caribbean region: at least four times lower than the regional average of US\$2.37 for Caribbean utilities in 2014 and 2015.
- 2.149 **There are challenges with accessing and storing freshwater, especially in the interior.** During the dry season, and especially during any drought periods, the availability of freshwater

²⁹ Back-of-the-envelope calculations using data from ABS, and SWM's number of residential connections suggests that SWM's water coverage was 78.2 percent in 2018.

for both potable and non-potable uses can be challenge for villages. Some villagers have invested in rainwater harvesting and storage systems, but this is only the case for a minority. Not everyone can afford storage tanks because they are expensive, and villagers are typically constrained by limited income.

- 2.150 **The WHO (2019) reports that only 84 percent of Suriname’s population have access to at least basic sanitation services (89 percent in urban areas; 75 percent in rural areas).** This means that 16 percent of the population either share sanitation facilities (11 percent), have unimproved facilities (2 percent), or still practice open defecation (3 percent). Open defecation is estimated at 22 percent in rural areas. Only 1 percent of the population is connected to a sewer system, while the rest of the population disposes wastewater through septic tanks (89 percent) and pit latrines (4 percent). There have been deficiencies identified in relation to the design and construction of septic tanks which results in the release of improperly stabilized septic waste into the environment (Gafoor, 2017). The management of wastewater generated in Suriname is inadequate. There are no facilities to safely manage the wastewater produced or to adequately treat and dispose the septage generated from septic tanks.
- 2.151 **Inspection of septic tanks is limited.** The Ministry of Public Works (MPW) has the responsibility for maintaining the combined water and wastewater system in Paramaribo. The MPW also has jurisdiction over the construction of septic tanks and has developed and issued construction details for these tanks. They have the mandate of inspecting the tanks for compliance with the standard once constructed. However, due to limited resources, inspection is limited.
- 2.152 **Wastewater management is limited.** The central area of Paramaribo has a combined rainwater-sewage collection system built in the 1940’s. The majority of the pipelines are more than 60 years old. The sewer system discharges directly into the Suriname River through the use of electrically driven pumps. In areas where an enclosed sewer system does not exist, combined wastewater is discharged through the use of tertiary channels which feed secondary and eventually primary channels. These areas are entirely gravity drained through sluice gates. There is no treatment of sewage before disposal into the environment. The combined untreated sewage is deposited into the Suriname River at a point upstream of Paramaribo. The same is true for septic tank effluent, where domestic effluent is removed using vacuum trucks and dumped directly into the Suriname River untreated. This also applies to domestic grey water which is either conveyed through the combined sewer system or through open trenches. There is currently no tariff schedule for wastewater infrastructure operation. Instead, the MPW relies on budgetary allocations from the national budget. It does not appear that these allocations would cover the cost of operating and maintaining wastewater facilities. Moreover, inadequate and poorly maintained drainage systems contribute to flooding, which affects about 6,685 households.³⁰
- 2.153 **Solid waste management.** Suriname does not have specific legislation concerning environmental protection or waste management. A draft Environmental Framework Law prepared by the National Institute for Environment and Development (NIMOS) and a draft Waste Act prepared by order of the Ministry of Public Works were submitted to the Parliament for approval. These concept versions were prepared in 2002 and 2004 respectively but were never discussed in parliament. Household waste collection is limited. Waste is often incinerated. Waste is collected in just 63 percent of households, with which 29,600 tons of household waste and 3,850 tons of plastic go uncollected each year (Diez et al, 2019).

³⁰ Sea level rise and saltwater intrusion can damage crops in low-lying areas. In addition to decreased productivity, climate change and variability could impact other aspects of the value chain, such as increased temperatures making storing seeds or crops more difficult or exporting crops less certain in the case of increased intensity of tropical storms ([World Bank, 2016](#)).

- 2.154 **The institutional framework for solid waste is fragmented and inefficient.** The key bottlenecks are: (i) a lack of coordination between the Ministries having responsibilities over waste management and the environment; (ii) no clear task division between the Ministries; (iii) and a lack of funding and knowledge.
- 2.155 **Ornamibo dumpsite.** The Ornamibo dumpsite is not equipped with any basic environmental controls such as: soil protective liners; effluent monitoring wells; containment walls to separate effluents from the creek; collection and treatment system for the leachates; cover layer to prevent smell and vectors; gate control; sorting and separation of different waste streams; safe living areas for informal waste recyclers; fire prevention. The lack of environmental protective measures results in: (i) odor nuisance; (ii) potential contamination of surface and groundwater; (iii) fires; and (iv) pests at the site and surrounding areas. There is currently no operational control or management system for the dump.

Policy recommendations

- 2.156 **Strengthening of the legislative and institutional framework.** A stronger legal and regulatory framework to improve governance of the water and sanitation sectors requires changes to the legal, regulatory, and institutional frameworks, which usually take time and resources. Though efforts have been made to draft new legislation, it is necessary for these draft laws to be enacted.
- 2.157 **Creation of an independent regulator for the water sector.** The creation of an independent regulatory body would ensure that the utilities provide services that comply with a set of service standards. In addition, it would support the establishment of tariffs that are commensurate with the cost of service and establish explicit and effective subsidy mechanisms to ensure access for low-income population.
- 2.158 **Improving SWM governing environment.** SWM is not subject to any rules for service provision, performance, or corporate governance. In this regard, it is important to provide SWM with an adequate governing environment, by establishing a new ownership policy, concession contract, and by-laws for SWM. These formal rules will create accountability mechanisms and incentives to ensure successful service in the long run with support from the government. The rules will also encourage improved performance, generating economic value for the government, as well as social value for the community SWM serves.
- 2.159 **Increase investments in the water and sanitation sector.** As identified in the 2011 Suriname Water Supply Master Plan, US\$250 million is required in investments for the improvement of water supply in the coastal region of Suriname. The investments will ensure availability of water supply services to satisfy the population demands to 2024. It would be important to consider an updated plan to address demand beyond the short term. Overall, the capital investments that have been made or are already planned, account for less than 30 percent of identified needs. Therefore, the government, through SWM, needs to increase its capital investments to ensure access to quality water supply services, sanitation services and wastewater treatment for the population. Investments are also necessary in flood prevention and integrated water resource management.
- 2.160 **Improvement of the operational and financial performance of SWM.** The implementation of an action plan to strengthen SWM operations and management is recommended. It should focus on low-cost, high-impact actions to improve SWM's operational efficiency and information systems in order to provide the utility with reliable data, thereby creating a reliable baseline to develop a business plan.
- 2.161 **Facilitate freshwater catchment and storage initiatives.** The establishment of community rainwater collection and storage systems can aid villages greatly in meeting the freshwater demand during the dry season. These systems would be used to collect and store rainwater

during the wet seasons (or from rainfall events). Collected water can be subsequently purified by the use of water purification tablets or other methods prior to use for consumption. A pre-requisite for this recommendation is the review of the current regulation which prohibits the collection of rainwater.

- 2.162 **Development of a waste management strategy.** There is need for a Solid Waste Management Strategy to define the objectives of the government for the sector and to ensure the implementation and enforcement of the Waste Act. The strategy should cover a 10-year period, describe clear objectives on separation, reduction, treatment and final deposit, giving preference to prevention, re-use, recycling and best final treatment or landfilling. The strategy should also include a plan for the development of a sanitary landfill in Paramaribo and the rehabilitation of the current dumpsite.

III. Energy and electricity

Context and challenges

- 2.163 **Electricity costs in rural areas are high, and access is limited.** The national electricity access rate is 96.8 percent with great disparities and significant differences in terms of access for the urban (99.8 percent) and rural (91 percent) populations. In isolated and remote communities in the Hinterland, where the Energy Company of Suriname grid does not reach customers, about 130 villages are being intermittently served with small diesel generators. The electricity service provision is designed for an average time of six hours per day, but this is seldom the case due to irregular provision of diesel or, very often, because the units are out of commission. Electricity for these remote communities, when available, averages an estimated generation cost of US\$0.63/Kilowatt hour (kWh) but can reach US\$1.00/kWh; which is high compared to the main grid. Additionally, significant geographic distances, remote locations, low population density and limited infrastructure constitute appreciable obstacles in the face of limited economic means in the Hinterland. Furthermore, limited community experience in the operation of diesel generators and especially in renewable energy technologies, represent a challenge for the successful long-term deployment of electricity services in these areas.
- 2.164 **Electricity tariffs do not allow for full cost recovery.** Electricity tariffs are fixed and have historically been set at levels that do not allow for the full recovery of the cost of electricity service. The Electricity Sector Plan 2019-2023 estimated electricity subsidies at 4.8 percent of GDP in 2016. Below-cost tariffs make the sector dependent on government transfers to maintain its infrastructure and investment in new capacity, which has resulted in underinvestment and service unreliability.
- 2.165 **Inadequate record keeping and availability of data.** There is a severe lack of comprehensive, accurate, and up-to-date information concerning the electricity sector. Data about the generation, sale and consumption of electricity and the individual grids' capacity and peak demand is limited and not publicly available (see IDB, 2016).
- 2.166 **Institutional weakness in the energy sector.** Regarding the institutional framework, the main challenge is the implementation of the electricity law, especially regarding the creation of the Electricity Authority of Suriname. Technical capacity is needed in the formulation of the Electricity Sector Plan as well as the development of secondary regulations to determine transparent dispatch rules, procedures to tender new non-conventional renewable energy utility scale generation plants, tariff and subsidy methodology-setting, service quality requirements, and sector planning (see IDB, 2016).
- 2.167 **Transfer of the Afobaka dam to the government.** In December 2019, the Afobaka hydroelectric power plant, which generates about half of the electricity of Suriname, was transferred from Suralco (private mining company) to a subsidiary of Staatsolie.

Policy recommendations

- 2.168 **The policy recommendations from IDB (2016) remain relevant.** These fall under two broad categories—tariff adjustment and ensuring sustainable electricity provision—and are briefly summarized below.
- 2.169 **Tariff adjustment:** In an environment where a legal framework does not exist, Suriname should implement a tariff setting mechanism by regulation that allows agents in the sector to fully recover the cost of providing electricity service while providing legal certainty. In this way, the service providers will have the incentive to invest in increasing supply in response to demand growth and operate and maintain their systems in such a way that ensures quality of service. A cost reflective tariff will provide an incentive for improved energy efficiency.
- 2.170 **Ensuring sustainable electricity provision:** This recommendation includes a range of policies that were articulated in detail in IDB (2016) and include (i) a clear long-term rural electrification strategy which should focus on an improved institutional framework and the implementation of renewable energy mini grids; (ii) diversification of the energy matrix which could include a wide variety of sources such as biomass, natural gas, expansion of the hydropower capacity, solar photovoltaic systems, and wind, depending on location and specific local needs; (iii) energy sector reform focused on the establishment of a fundamental legal and institutional base from which to develop the long-term vision for the energy sector; (iv) unbundling of the power utility; (v) strengthening energy conservation and efficiency efforts to ensure that future energy demand can be met; (vi) strengthening data collection and analysis to inform decision making in the sector; (vii) establish clear and publicly available guidelines for the involvement of private sector participation in the energy sector in a coordinated way.
- 2.171 **Maximize hydroelectric capacity of Afobaka dam.** Suriname should take the steps to maximize the benefit of the Afobaka dam, which should focus on the following: (i) rehabilitation of the current plant and/or (ii) expansion of the capacity (for example, Tapajai project). Suriname should elaborate the feasibility, financial, social and environmental studies in order to take a decision on the optimal solution.

VI. Housing and urban development

Context and challenges

- 2.172 **High housing demand, climate change and deteriorating historical buildings in Paramaribo's historic city center.** The housing demand for Suriname is estimated at 3,700 to 4,200 newly constructed units per year (McHardy and Donovan 2016). For the greater Paramaribo area, it is estimated that 149,773 housing units need to be newly constructed, relocated or replaced by 2056, which comes down to 3,744 units per year. About 66 percent of this housing need is new construction and 23 percent is replacement of existing stock that has fallen into disrepair. Another 11 percent is relocation of existing stock that is exposed to high hazard intensity levels, almost exclusively caused by coastal and inland flooding.
- 2.173 **Suriname's housing market is largely inaccessible to low-income groups and efforts to reform the market remain limited.** The main market conditions that influence accessibility include: (i) relatively high cost of land acquisition for housing development (McHardy, Pauline, 2016); (ii) the procedure for entitling government owned land lacks transparency; (iii) privately owned land is often subject to speculation and land use regulation to control speculation is absent; (iv) costs of construction are high, which *inter alia* manifests in long-term vacant lots on valuable urban land; (v) high interest rates for mortgages, (13.6% in 2018, Central Bank of Suriname, online datasets), and (vi) sprawling, low-density growth.
- 2.174 **Paramaribo is subject to a sprawling growth pattern.** Sprawl is associated with economic inefficiency, environmental degradation and residential segregation by income. For the case of

Paramaribo, studies commissioned by the IDB (ERM, 2017a) compared the relative costs associated with business as usual (sprawling) vs. compact growth. Over the next 30 years, Paramaribo would require considerable more land (44 ha) and would incur larger infrastructure delivery costs (US\$17.7 billion) given current sprawling patterns, versus just 24 ha of land and US\$9.4 billion if it were to promote higher density, better coordinated development—thus reducing development costs by 50 percent. The same studies included a greenhouse gas emissions inventory, and the results are equally striking: the business-as-usual scenario is expected to lead to a 2,609 increase in ktCO₂, whereas the compact growth scenario estimates a decrease of 6,486 ktCO₂ (ERM, 2017a).

- 2.175 **The greater Paramaribo area, including the city’s World Heritage Site (WHS), is not adequately prepared for coastal and inland flooding.** Suriname is one of the most vulnerable of all Caribbean countries to sea level rise, as 80 percent of its population lives in the coastal area and 69 percent on land less than 10 meters above sea level, with Paramaribo being home to the majority of these populations. Estimates show that for a coastal flooding event with a return period of 10 years, the total inundated land area for greater Paramaribo is expected to double by 2050 (ERM, 2017b). For inland flooding the estimates are even higher. The average annual economic losses associated with inland and coastal flooding are expected to increase from US\$50 million to US\$116 million if no further measures are taken (IDB, 2017). The country also lacks an integrated adaptation strategy for the greater Paramaribo area.
- 2.176 **Paramaribo’s historic center, a UNESCO WHS is subject to physical, social and economic deterioration.** Despite its potential to generate economic activity, particularly in the tourism sector, a continued lack of maintenance caused many buildings of historic value to be in poor condition or in a state of collapse. Public space is subject to poor maintenance as well as poor organization (IDB, 2017), making it less appealing for recreational, commercial and residential use. Social and economic challenges in the WHS have contributed to high vacancy rates (22 percent full or partial vacancy) and the loss of 2/3 of its residential function, which has led to a perception of abandonment and safety issues (IDB, 2017).
- 2.177 **Financial, institutional and reputational hindrances discourage revitalization of the WHS and valuable urban assets overall.** Poor coordination between entities involved in the WHS management and lack of a clear urban development policy are the main institutional hindrances (IDB, 2017). Moreover, the current institutional setting responsible for land use policies is fragmented across several government departments and they lack sufficient institutional capacity to effectively support housing and urban planning. Financially, the WHS is plagued by a mismatch in supply and demand for properties: property prices are disconnected from fundamentals, mainly due to speculation (IDB, 2017). Another key challenge for the sustainable development of the WHS is the financial feasibility gap for investments in the historic buildings. High real estate prices, interest rates and construction costs in relation to revenue potential currently form a barrier for developers and investors, holding back new residential and commercial activities in the WHS.

Policy recommendations

- 2.178 **Improve data-driven decision making in support of housing and urban planning.** In order to enable climate-smart and compact growth, Suriname requires updated and granular information on land and housing markets. At present, policy decisions all too often rely on decades-old information about land tenure, housing deficits, and still limited data on the potential impacts of climate change to urban assets.
- 2.179 **Develop key planning and regulatory instruments, particularly an integrated Adaptation Strategy for the greater Paramaribo area, as well as a National Housing Strategy.** In line with national-level efforts to ensure adaptation to climate change, subnational Strategies that outline a long-term roadmap to ensure full adaptation to the impacts of climate change, as well

as a set of prioritized urban investments to improve the resiliency profile of areas such as Paramaribo, are essential. Similarly, and based on updated data, a long-term housing strategy that can properly address long-term demand for affordable housing, redress informality, and include the potential impacts of risks such as inland and coastal flooding, should be a priority.

- 2.180 **A regional governance structure that allows for planning beyond the formal district boundaries of the city of Paramaribo is crucial.** In this regard, the following is recommended: (i) Consolidation and strengthening of existing institutions that are responsible for land use policies to create a distinct planning authority to facilitate integrated planning for growth; (ii) The establishment of a formalized greater Paramaribo area with clear boundaries; (iii) The legal framework for planning should be updated to clarify responsibilities, mandates and procedures of associated public entities, to fill gaps in planning legislation and to provide the framework for recurrent planning documents, such as strategic vision and periodical urban development plans; and (iv) A strategic plan is needed to foster a compact city. Shifting to an urban growth pattern of densification rather than sprawling will require changes in the current practice of land-use planning: specific recommendations for sustainable urban growth and land-use practice reform can be found in ERM's Urban Growth Study for Paramaribo (ERM, 2017a).

D. Cross-cutting issues

- 2.181 **Suriname's progress is also affected by gender and ethnicity issues, and climate change.** Women are not adequately represented in economic and political spheres in Suriname. Female representation in top management and ownership in the private sector are the lowest among Latin America and Caribbean countries (LAC), (see IDB, 2016). Lack of professional expertise, the pervasiveness of informal businesses, segregation by sector and occupation, and family responsibilities limit the opportunities for women to participate in the formal private sector and to become entrepreneurial business owners or rise to managerial positions. Although they are gender neutral, empirical evidence has shown that business environment reforms can create a discernible impact on entrepreneurship among women. Therefore, more effective legislation that encourages women's participation in the labor force and ownership should be addressed. Suriname faces climatic risks such as increased SLR and extreme weather or natural disasters. Adaptation to climate change remains insufficient and the continued impacts of climate change could further increase the country's vulnerability and negatively affect key sectors such as agriculture, water, energy, health, and tourism.

I. Gender and diversity

- 2.182 **Suriname has a very diverse population, with various ethno-racial groups.** Suriname's population is largely comprised of African descendants and Asians. The African descendant population can be divided into two distinct populations: i) the Afro-Surinamese and Creoles (referred to simply as African descendants from here on), which account for 15.9 percent of the national population; and ii) maroon communities which make up approximately 22 percent of the population. For the purposes of our analysis, these communities are considered separately due to large differences in the geographic and socio-demographic characteristics of these two groups. Suriname also has a large Asian population which is made up predominantly of Javanese (13.8 percent of the national population) and Hindustani (27.8 percent of the national population) populations. The Mixed population accounts for 13.5 percent of the population. Although accounting for a relatively small portion of the national population, at 3.8 percent, Suriname has an important representation of indigenous peoples. Other ethnic groups such as the Chinese, Whites and Others account for 1.48 percent, 0.3 percent and 1.3 percent, respectively (IDB, 2016).
- 2.183 **Suriname's diverse populations face development challenges that are in part due to the location of these populations.** Entering the interior of the country where many of the nation's

indigenous peoples and maroon communities are located, is particularly difficult, with few roadways extending beyond the coastal areas. These communities also face large inequalities in public health, access to key infrastructure and social services and lower per capita earnings. Access to quality education is also a challenge as the percentage of students attending upper secondary school varies across ethnicity with language constraints (see Education section).: The percentage of Indigenous peoples and Maroon students enrolled in upper secondary is about one-third of their Javanese peers (IDB 2016).

- 2.184 **Gender equality and women’s economic empowerment lag much of the rest of the LAC region.** Indicators in a variety of fields including health, education, labor, entrepreneurship and violence against women reveal that Suriname experiences some of the highest levels of gender inequality in the LAC region. The country’s maternal mortality ratio (MMR) remains higher than other countries in the Caribbean, with significantly higher MMR rates for indigenous peoples and maroon communities. Although there has been a reduction in Suriname’s adolescent pregnancy rates in recent years, going from 49.9 (births per 1,000 women ages 15-19) in 2012 down to 46.0 in 2018, large geographic inequalities remain.
- 2.185 **Large gender gaps exist in educational enrollment and labor market outcomes.** Empirical reports regarding secondary school enrolment show that net enrolment ratios for girls have been consistently higher than that of boys, and boys have consistently had higher repetition rates than girls. At the junior secondary level, the percentage of boy repeaters was 54 percent and girl repeaters was 46 percent in 2014 (Government of Suriname, 2018b). Surinamese women lag in inclusion in economic activity: female labor force participation increased slightly from 42 percent in 2005 to 47.7 percent in 2015. By contrast, the male labor force participation rate was 72.6 percent in 2015.³¹
- 2.186 **Surinamese women are faced with high levels of intimate partner violence.** Cultural norms and traditional gender roles undermine the elimination of gender-based violence. According to Joseph et al. (2019), intimate partner violence (IPV) in the country resonates with global estimates of one in three women having suffered from physical or sexual violence by their male partners at some point in their lives. In Suriname, 32 percent of ever-partnered women experienced physical and/or sexual abuse. While most women agreed that both genders should share authority in the home, 62 percent of surveyed women agree that the men should be the head of the family and 65 percent that taking care of the home is a woman’s role. Few women (15 percent) agree that husbands are justified in beating their wife or partner. Evidence also shows that ethnicity and educational attainment are significantly associated with IPV.

II. Climate change and the environment

- 2.187 **Adaptation or climate resilience remains the main concern of small states in coping with the expected impacts of climate change.** Suriname, as a signatory to the United Nations Framework Convention on Climate Change (UNFCCC) remains committed to contributing to the global reduction of greenhouse gas emissions and has set out a more ambitious reduction goal in its update NDC, that covers forest conservation, energy, transportation and agriculture. This is in addition to a long term adaptation commitment (see IDB, 2016 for details). However, it is recognized that Suriname is a net sink for CO₂ because of the vast area of intact forest and its low deforestation rate (one of the lowest in the world) of 0.02 – 0.05 percent annually. It is designated as a HFLD (see section on Agriculture and Forestry). The main drivers of deforestation and associated emissions are mining (73 percent of emissions), infrastructure (15 percent), urbanization (4 percent), agriculture (3 percent), pasture (1 percent), and burned area (3 percent) (Government of Suriname, 2018c).

³¹ <https://www.ilo.org/ilostatcp/CPDesktop/?list=true&lang=en&country=GBR>

- 2.188 **It is expected that climate change will have significant impacts on the sustainability of the economic and social wellbeing of Suriname (Read, 2010).** There are direct physical impacts to specific sectors/areas of agriculture, human health, water resources and coastal zones from SLR, temperature increase, or changing precipitation patterns. In addition, there could be alterations to Suriname’s comparative advantage and trade flows (see IDB, 2016 for further details).
- 2.189 **Vulnerability associated costs.** There are different climate change scenarios being considered and depending on which one materializes by the end of the century, the scale of impact and adaptation or resiliency costs will be determined. For Suriname and other highly vulnerable small states, the optimal scenario would be one that keeps global atmospheric temperatures below a 2°C (or even at 1.5°C) rise by 2100—a position being advocated for by CARICOM. If a less than optimum scenario occurs, the scale and extent of the costs will increase significantly. High emissions scenarios are progressively manifesting themselves as the most probable given observed trends in recent years and the insufficient global agreements under the UNFCCC until this date. The sectors of the economy of Suriname that will be significantly impacted by the changes are outlined in IDB (2016). Of note, the impact on the hydropower sector is expected to be significant with projections of 40 percent reduction in output under the 1.5°C temperature increase and more severe impacts (up to 80 percent decrease) under higher increases (Donk et al., 2018).
- 2.190 **SLR presents a significant threat to the country given its extensive low lying coastal zone and the concentration of socio-economic activities within this area.** The sea level has risen at least 20cm over the last two decades (World Bank, 2017). In a comparative analysis of eighty-four developing countries globally in relation to the impacts of SLR, Suriname ranked highest in LAC in terms of the shares of population and GDP impacted and second only to Guyana and The Bahamas in terms of urban area and agriculture impacted. The country is also susceptible to the effects of increases in rainfall events with both coastal and interior areas prone to flooding, which is expected to have a disproportionate effect on certain groups, such as women in the country’s interior and farming communities (see IDB, 2016). Climate change may also affect the ability to recharge groundwater (Smith, 2019).
- 2.191 **The costs of implementing the necessary measures to face the challenges posed by climate change will be significant.** The expected cost to meet a climate compatible development for Suriname, as it is outlined in its National Climate Change Policy, Strategy and Action Plan (mainly covering the sectors of “Forests” and “Renewable Energy”) is US\$3,492 billion (92.5 percent of GDP) by 2025. The policy is focused on maintaining forested land, low deforestation rates and increasing the percentage of renewable energy sources, currently renewables account for more than half of the energy supply (see IDB, 2016 for details).
- 2.192 **Resiliency is a key pillar for climate compatible development and sustainability in Suriname.** Governance readiness, economic readiness and social readiness are all three areas in need of improvement as it relates to resiliency for Suriname, which is reflected in the country’s ND-GAIN Index (see IDB, 2016). The country has built its National Adaptation Plan (NAP) to address these issues at two levels. The first level (strategic national level) focuses on priority areas of institutional arrangements, policies and capacities; data and information collection systems; technical capacity; social equity; identification and access to finance and technology; and the integration and institutionalization of climate change adaptation policies, plans and programs in broader Surinamese economic development context. At the second level, the NAP prioritizes action at the economic sectoral level, with the key sectors being water resources, sustainable forestry and agriculture, and livestock and fisheries (Government of Suriname, 2019b).

2.193 **There are opportunities for shifting the current paradigm towards resilience.** These would include economic diversification, strengthening natural capital (e.g. payments for ecosystems services), improvements to education, development of sustainable physical infrastructure, enhanced institutional and regulation frameworks including improved enforcement and increased involvement of the private sector. Some points worth mentioning are: (i) saltwater intrusion, which has caused significant impacts to agriculture in some areas, (ii) severe drought periods that have affected water resources and will continue doing so; and (iii) the high vulnerability to flooding not only of the obviously exposed coastal areas, but also inland flooding that is causing deaths and health problems (see IDB 2016 for details).

III. Disaster risk management

2.194 **Suriname is one of the most vulnerable countries to river and coastal floods.** These hazards have exacted a heavy toll on physical infrastructure, economic sectors, the environment and livelihoods. Within the last decade the frequency and magnitude of floods in Suriname have increased. A recent example in 2017 is the flooding of the Tapanahony and Marowijne rivers in the east of the country, which led to partly or fully submerging various villages, their agricultural plots and other surrounding lands. The approximate population heavily affected, being temporarily displaced, was over 2,000. Also, recent flooding of the banks of the Lawa and Tapanahony rivers have increased the contamination and pollution of the upstream Marowijne river (see IDB 2016 for details on the Prevalent Vulnerability Index, Risk Management Index for Suriname).

2.195 **The Governance and Public Policy in Disaster Risk Management (DRM) Index (iGOPP).** This indicator was developed by the IDB during 2012-2014 and quantifies the documented existence of legal, institutional and budgetary conditions that are considered fundamental for the effective implementation of public policies on DRM in a country. The iGOPP makes it possible to identify the content of public policy reforms in DRM based on international best practices. The value of iGOPP varies between 0 percent (minimum) and 100 percent (maximum). A high value of the iGOPP implies better governance conditions for implementing public policies on DRM. The results of the iGOPP application in Suriname (2018) show a general progress level of 3.92 percent, which places the country in the “low” range of progress. The analysis of the results of the iGOPP by DRM components reveals that Suriname has a low governance score. The “Disaster Preparedness” component is the most advanced, reaching a score of 12 percent, followed by “Risk Reduction” (8 percent) and Financial Protection (4 percent). No progress is reported by the iGOPP for indicators associated with the “General framework for disaster risk management”, “Risk identification and Knowledge” and “Recovery Planning” components (0 percent).

2.196 **Policy interventions for DRM are needed at several levels:**³² (i) at the level of the DRM governance general framework, the National Coordination Center for Disaster Relief (NCCR) needs to continue decentralizing disaster committees to the district level and assess the DRM governance framework as a basis for policy reform; (ii) at the level of risk identification, there is need to improve knowledge on disaster risk and the capacity for risk analysis at the NCCR; (iii) at the level of risk reduction, there is the need to develop a capacity building plan, at the sector level, to incorporate risk management in critical infrastructure projects, and also improve sector-specific regulations so that the sectors allocate resources to development activities for risk reduction and, in addition, incorporate these considerations in the processes of public investment in the pre-investment, investment and post-investment stages of projects; (iv) at the level of disaster preparedness, the NCCR needs to improve disaster preparedness by providing training on emergency procedures at districts levels, including the realization of simulation drills and awareness raising sessions with key stakeholders on gender related issues in DRM; (v) at the level of post-disaster recovery planning there is a need to develop regulations defining

³² See sector note on environment, rural development and disaster risk management for further details.

responsibilities for carrying out post-disaster recovery preparation activities; and (vi) at the level of financial protection there is a need to develop a financial management strategy for disasters that consider budgetary instruments to invest in risk reduction, such as financial protection mechanisms and risk transfer.

E. Conclusion

- 2.197 **Suriname is a small and ethnically diverse, commodity-based economy with weak institutions.** Those structural features, sometimes reinforcing each other, have contributed to recurrent economic crises that undermined the country's development progress. The country's economy is highly concentrated in the extractive industries (gold and oil), which plays a key role in driving growth, exports, and government revenues. However, despite a period (2000-2014) of good economic performance due to the commodities super cycle, the country realized limited improvements in governance, doing business, and human development scores and rankings. Suriname also has a relatively high measure of inequality as reflected in its Gini coefficient of 0.48, with poverty estimated at 21.2 percent. Inequalities in education, health and access to basic utilities exist among ethnic groups, genders and populations living in the urban versus interior of the country. Climate change, natural disasters, and gender and ethnicity issues (which are manifested in the political sphere of policymaking) also contribute to development challenges. These stark realities must be reconciled for charting a clearer development course ahead.
- 2.198 **The analytical work in this report reveals three strategic priorities that offer opportunities to support the country's development course:** (i) public finance and governance; (ii) private sector competitiveness and infrastructure; and (iii) basic services. The main challenge facing the country in the near-term is fiscal and broader macroeconomic stability. The underlying factors contributing to this challenge include deficiencies in public expenditure management, public investment management, public procurement, public financial management, tax revenue policies and administration, and inadequate economic institutions to guide appropriate fiscal and macroeconomic policy responses—as discussed. Strengthening public finance institutions are critical for the country to efficiently collect tax revenues, properly manage commodity-related revenues and allocate those resources, with a view to achieve macroeconomic stability, and encourage the emergence of a diversified private sector. In light of a large but inefficient public sector, there is a great need to continue supporting private sector development with a view to strengthen linkages with the mining and oil sectors, and more importantly diversifying the country's exports and revenue sources. However, this report revealed that more work is needed to strengthen the key inputs required for a competitive and diversified private sector. These include the need to improve the business climate, the country's human capital base, and infrastructure, along with policies to support the development of sectors such as agroindustry and tourism. Given the existing inequalities and quality of basic services, further investments are needed in water and sanitation services, electricity access and reliability, healthcare services and housing and urban planning.
- 2.199 **Suriname's growth and development progress is also affected by gender and ethnicity issues, and climate change and natural disasters.** Both areas are identified as cross-cutting themes. Women's participation is underrepresented in economic and political areas in Suriname. Indicators in health, education, labor, and entrepreneurship reveal that Surinamese women experience high levels of gender inequality. Surinamese women are also faced with high levels of intimate partner violence. The country faces climatic risks such as sea-level rise and extreme weather events or natural disasters. Adaptation to climate change remains insufficient and the continued impacts of climate change could further increase the country's vulnerability and negatively affect key sectors such as agriculture, water, energy, health, and tourism. Moreover, indigenous people and maroon communities are most at risk of natural disasters brought by

climate change due to their high poverty levels and their location in remote areas, where extreme droughts and floods have been recorded in the past.

2.200 **In summary, the key areas for policy intervention to promote sustainable growth and development are:** (i) improving public sector management (particularly public finance and governance frameworks); (ii) undertaking interrelated structural reforms to improve private sector competitiveness; (iii) investing in basic services to improve access and reliability; and (iv) enacting policies to tackle cross-cutting issues related to climate change, disaster risk management and gender and diversity.

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