



Report on Small and Medium Sized Enterprises in Suriname



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Paramaribo,
June 2008

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Executive Summary

In any country SMEs are the backbone of the economy as they represent the majority of businesses. The private sector is increasingly recognised as key catalyst of development. The enterprise is an important source of growth and employment, the main pillars for poverty reduction. Enterprises produce, innovate, invest and generate employment and wage income, as they need to ensure the added value of their business activities and operate efficiently and effectively.

The definition of small and medium sized enterprises varies between regions and countries, based on different criteria, such as: the number of employees, sales, revenue, etc. Based on several studies and research the following definition has been set for the SMEs in Suriname:

Micro-enterprise:	1 to 10 workers (full- or part-time)
Small enterprise:	11 to 25 workers (full- or part-time)
Medium enterprise:	26 to 100 workers (full- or part-time)
Large enterprise:	101 or more workers (full- or part-time)

There are mainly four types of enterprises in Suriname namely:

- Multinationals and Trans National Companies
- State owned Enterprises
- Large Companies
- Domestic Private Sector (mainly SMEs)

The state owned companies are large companies and therefore not relevant for this study. The major economic sectors of Suriname are the mining, agriculture, fisheries, timber, eco-tourism, trade and the service sector. The majority of businesses consists of SMEs in commerce and industry. SMEs are facing a lot of difficulties both within the enterprise and wider domestic and external economy.

The macro economic environment has been stable over the last five years with an average GDP of 6% and showing a peak in 2004 with 8.1%. GDP growth was mainly generated by an increase in government income due to high commodity prices. The main export products are alumina, gold and petroleum and those products are delivered by large companies. Diversification of the economy, growth of agricultural exports and nature-based services, and value added industries and manufacturing should improve sustainable economic growth and reduce vulnerability to price volatility in the commodity market. This is critical, as although commodity booms can spur short-term growth in SME activity, they might be inimical to the long-term survival and competitiveness of these firms, as such booms also drive higher inflation, exchange rate appreciation and an unwillingness on the part of many firms to undertake structural reforms and dynamic reforms because of the ability to make easy profits in boom times.

Foreign investment has increased due to political stability and domestic demand has boosted because of an expansionary monetary policy and includes mainly investments

in the mining sector (bauxite; gold; oil); tourism related sector (hotels; accommodation parks) and the telecommunication sector. A shift of foreign investments in the tourism and the telecommunication sector contributes to diversification of the Surinamese economy, because the last fifty years the Surinamese exports are based on mining and agricultural products.

The services sector generates the largest number of jobs, 39% of which is accounted for by the government sector. Around 40%-50% of the employed population is working in the SME sector. An international comparison of the business climate based on an analysis of the World Bank's Doing Business Report 2008, ranked Suriname 142 out of countries in the Ease of Doing Business.

In comparison to other CARICOM countries, Suriname has a very high trade openness, since the production structure depends heavily on imported inputs and consumption is largely based on foreign consumer goods and services.

An assessment of the capacity of the private sector has been executed in order to identify gaps and to create a framework to strengthen the private sector.

The Ministry of Trade and Industry, which is responsible for industrial development, is working on enhancing the competitiveness of especially small and medium sized companies. The set up of a Bureau of Standards Institute and the appointment of a Board for the Suriname Business Forum consisting of government and private sector representatives was a positive development for the year 2007. A few projects such as certification program for SMEs and capacity building programmes for business support organizations have been conducted by the Ministry of Planning and Development Cooperation in collaboration with Business Organizations.

On the macro level very few incentives are given to the SMEs. Many laws affecting SMEs should be updated urgently to provide an enabling environment to enterprises. The government has worked together with the private sector and other institutions to promote public private partnerships, including the Suriname Business Forum, to improve the business climate in Suriname. A few good initiatives will be accomplished in 2008 regarding funding and training facilities for SMEs. Business Support organisations and Employers Organisations such as the Association for Manufacturers and the Suriname Trade and Industry Association have conducted training programmes and research on SMEs to enhance their competitiveness in the domestic and international markets.

Many enterprises were trained on different areas to upgrade their business skills.

The regional integration of Suriname in the CSME / EPA and the impact of these negotiations for enterprises are affecting the day to day business of enterprises.

SMEs are facing a lot of challenges nationally and internationally that should be tackled head-on to enable them to compete in the local, regional and international markets.

LIST OF ABBREVIATIONS

ACP-EU	African Caribbean Pacific – European Union
ASFA	Association of Surinamese Manufactures
CARICOM	Caribbean Community
CARIFORUM	CARICOM and the Dominican Republic
CDE	Center for the Development of Enterprises
CSME	Caribbean Single Market and Economy
DFLSA	Development Finance Limited South America
DPS	Domestic Private Sector
ECLAC	Economic Commission for Latin America and the Caribbean
EDF	European Development Fund
EPA	European Partnership Agreement
EU	European Union
FIAS	Foreign Investment Advisory Services
FTBP	Fund for Technical Assistance to the Private sector
GDP	Gross Domestic Product
GNI	Gross National Income
ICFTO	International Confederation of Free Trade Unions
ICT	Information Communication and Technology
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IFONS	Investment Fund for Development Cooperation Netherlands-Suriname
ILO	International Labour Organisation
IMF	International Monetary Fund
INTENT	Internationalization of Entrepreneurship
IOE	International Organisation of Employers
IsDB	Islamic Development Bank
KKF	Chamber of Commerce and Industry - Suriname
KMIO	Small and Medium Sized Enterprises
MCP	Multi Purpose Corantijn Project
ME	Micro Enterprises
MKB	Small and Medium Sized Enterprises / Midden-en Klein Bedrijf
MOP	Multi Annual Development Programme (Small and Medium Sized Enterprises)
NGO	Non Governmental Organisation
NSA	Non State Actors
OAS	Organisation of American States
PLOS	Ministry of Planning and Development Cooperation
PUM	Programme Retired Managers
RBTT	Royal Bank of Trinidad and Tobago
SDC	Skills Development Centre

SMEs	Small and Medium Sized Enterprises
SRD	Surinamese Dollar
STIA	Suriname Trade and Industry Association
SWOT	Strength- Weakness-Opportunities- Threat
USD	United States Dollar
VNO-NCW	Employers Organisation of the Netherlands
VSB	Vereniging Surinaams Bedrijfsleven / Suriname Trade and Industry Association
WTO	World Trade Organisation

CHAPTER 1. INTRODUCTION

1.1. Assignment

In October 2007 the Economic Commission for Latin America and the Caribbean (ECLAC) approached the Suriname Trade and Industry Association to do a study on policies and institutions that support small and medium scale enterprises in Suriname. The objective of the research is to analyze the evolution of Small and Medium Sized Enterprises (SMEs) in Suriname, highlighting recent progress in the design of policies and the introduction of instruments. This research project is financed by the ECLAC.

According to the terms of reference of the project this report should contain:

1. Definition of SMEs in the country context
2. Brief characterization of the general situation of SMEs in Suriname
3. Brief consideration about the strategic policy framework towards the real economy, in which the SME policy is inserted
4. Policy instruments applied in the last five years to promote SME development, their competitiveness and linkages
5. Support Systems
6. Evaluation of institutional development and efficiency and effectiveness of policies
7. Challenges ahead for SMEs.

1.2. Methodology

This study has been executed by the Suriname Trade and Industry Association. Desk research and interviews are conducted to inform this report. Chapter 1 begins with an introduction of the assignment. Chapter 2 gives a definition of Small and Medium Sized Enterprises characterizing enterprises by number of employees, turnover, size of the balance of sheet and investment. The ILO/IOE definition; CARICOM and the Surinamese definition are discussed. Chapter 3 gives a brief characterization of the general situation of the SMEs in Suriname outlining the historical development of the Business Community and the current business climate. Furthermore this chapter gives a qualitative analysis of the SME sector and the economic development in the period 2003-2007. Chapter 4 outlines a brief consideration about the strategic policy framework of the SMEs with the focus on government policy. Chapter 5 handles with the policy instruments applied in the last five years to promote SME development. A categorization has been made to outline the policy instruments on four levels namely the meta level (regional); macro level (government); meso level (organizations) and the micro level (enterprises). Chapter 6 gives a review of the institutions involved in SME policies such as the Suriname Trade and Industry Association, the Association of Manufacturers; the Chamber of Commerce and

Industry and the Suriname Business Forum. Chapter 7 gives an evaluation of the institutional development and efficiency and effectiveness of policies, while chapter 8 discusses the challenges ahead for SMEs in Suriname.

It is a fact that across the Caribbean, the SME sector has been lately identified as priority area that needs further development and several scattered efforts are done or undertaken by many countries in the region, but the measured successes of these actions are different from one country to another. It is therefore important that the regional cooperation and exchange of knowledge and experiences has to be fostered at the same time than the education and the assistance to the local SME sector.

Lack of sufficient government actions for the needs of the Business Community is an important reason why healthy enterprises are built with difficulty to compete with the surrounding CARICOM enterprises. The enabling environment for doing business is a challenge for entrepreneurs to do business in Suriname. Low Productivity and Competitiveness are the key challenges to overcome. The growth of enterprises is constrained by lack of start up capital; high interest rates; lack of government incentives; education level and inadequate business skills and access to technology. Furthermore Public Sector Reform and the set up of a Skills Development Centre can contribute to SME development, because more enterprises can be established and the government has more resources available to pay attention to SMEs. This will result in economic diversification, higher employment and export earnings.

CHAPTER 2. DEFINITION OF SMALL AND MEDIUM SIZED ENTERPRISES

2.1.General

In recent years, greater significance has been given to the role of the small and medium sized enterprises as the engine of growth and development. SMEs represent the overwhelming majority of all businesses in any country. Through the years SMEs have come to be seen as an effective means of increasing the output of goods and services, creating employment and generating of income and foreign exchange earnings in an economy.

The orthodox view also recognises the the private sector as the catalyst of growth and development; with SMEs being a dynamic part of the sector. Although the public sector has an important facilitation role to play, the importance of enterprise as the principal source of growth and employment cannot be underestimated. In deed, economic growth is fuelled, first and foremost, by the creativity, risk-taking and hard work of entrepreneurs. Driven by the quest for profits, enterprises innovate, invest and generate employment and wage income. Indeed, as Schumpeter noted, capitalism is driven by creative destruction-the development of new firms and the failure of others. Enterprises need to ensure that their core business activities continue to add value and are undertaken efficiently and effectively. Enterprises also need a supportive enabling environment characterized by, among other things, the existence of open, rule-based, predictable and non-discriminatory markets, a secure environment and a non-corrupt and well-governed economy. Enterprises benefit from operating in value chains characterized by high-quality industries with a confluence of support services, prosperous consumers and investors. Enterprises also benefit from enterprise-level, sectoral and national mechanisms for effective social dialogue.

Various regions and countries do not apply uniform criteria in their definitions on small and medium sized enterprises due in part to differences in factors such as country size, levels of development and average business size. The various criteria used to define SMEs are: number of employees; sales; revenue; assets, etc. In addition several countries frequently use more than a single definition. Definitions may change according to the specific field of the economic unit (e.g. whether it is a manufacturing, commerce or service unit). For example in Argentina the definition criteria applied is annual sales. However, the applicable definition may differ (under the same criterion) depending on whether it is a manufacturing, commercial or services company. Chile uses two criteria- one based on employment, and the other on turnover (expressed in promotion units). The latter is the most widely used. Costa Rica uses employment-based criteria, such as assets; investments in tools, machinery and equipment and annual sales.

In general, statistical definitions of a SME use one or more of three defining measurements:

- number of employees;
- turnover;
- size of the balance sheet

2.2.ILO - IOE definition on SMEs

The International Labour Organisation (ILO) and the International Organisation of Employers (IOE) have executed through the years many programmes to facilitate Employers Organisations in their work to enhance competitiveness of SMEs. The ILO has developed a number of training tools designed to improve the performance of micro, small and medium sized enterprises. Many of these tools combine basic management techniques with methods of increasing productivity and competitiveness through improved labour practices. Furthermore the ILO and the IOE has designed a toolkit “Reaching out to SMEs” to help Employers Organisations in there activities to provide services to SMEs. The toolkit offers useful case studies demonstrating ways employers’ organizations can reach out to SMEs as well as detailed guidance on providing services, seeking board approval, strengthening representation and advocating for SMEs. Providing services to SMEs poses certain challenges for organizations and the toolkit covers many of the key issues and proposes practical strategies.

In absence of an official definition on SMEs, the International Labour Organisation, ILO, uses the following categories for enterprises in every sector of the economy:

Micro- enterprise: 1 to 5 workers (full- or part- time)

Small enterprise: 6 to 20 workers (full- or part- time)

Medium enterprise: 21 to 50 workers (full- or part- time)

Large enterprise: 51 or more workers (full- or part- time)

The International Finance Corporation (IFC), an affiliate of the World Bank Group focuses on reaching smaller businesses. IFC has also developed a SME toolkit that uses the latest information and communication technologies to help small and medium sized enterprises in emerging markets learn sustainable business management practices. The IFC has designed linkage programmes for selected IFC investments to increase participation of local firms in the project and bring additional benefits to the surrounding communities. The objective of these linkage programmes is to improve local SMEs technical and business skills by qualifying them for contracts to sell higher quality goods and services that generate sustainable new sources of income.

2.3. CARICOM definition on SMEs

Research in some Caribbean countries indicates that the small and medium sized enterprises (SME) sector contributes up to 60% of GDP and employs in total more people than large businesses.

The establishment of the Caribbean Single Market and Economy (CSME) presents many opportunities and challenges for SMEs in different Caribbean countries. The wider Caribbean market provides the opportunity for fast growing SMEs that might have exhausted the domestic market for their product or service to expand into the regional market, benefiting from economies of scale and scope and the free movement of labour, capital and other services. In addition, the regional market could provide a useful learning ground in exporting for SMEs that intend to expand to the international market. On the other hand, however, the regional market is likely to provide more intense competition for country producers, making it critical for them to strengthen the competitiveness of their products and services. The CSME highlights the urgent need to develop a strategic framework that will enable the SME sector to make use of its potential and opportunities for the economic development of the region. In this regard the CARICOM Secretariat is working to finalize a Strategic Plan for SMEs within the CARICOM. According to the CSME the priority strategies for developing the SME sector in CARICOM are:

1. Financing by developing a long term Regional Development Fund for the SME sector in CARICOM to provide Venture Capital Financing; Development Capital and Working Capital financing.
2. Harmonisation of Legislations and Incentive Schemes/Policies for SMEs in CARICOM by identifying and evaluating where within CARICOM member countries special legislative provisions have been made for SMEs with respect to:
 - a. Property Rights
 - b. Contract Law
 - c. Commercial Law
 - d. Bankruptcy law
 - e. Competition Rules
3. Establishing a Regional Coordinating Mechanism for SMEs to coordinate assistance from development /financial / donor institutions and to ensure that policies are implemented to strengthen the SME sector in CARICOM.
4. Institutional Strengthening by establishing Technology Centres or Incubator Models for SMEs in each CARICOM Country to be training/ learning centres to build cultures of Best Practises especially in Quality Management; Supply Management; Marketing Strategies and Networking Strategies.
5. Networking Policies and Strategies by determining the scope of work for CARICOM SMEs Development Working Group.
6. Enabling Environment Policies by negotiating Trade Policies to facilitate the growth and development of CARICOM SMEs within the framework of the WTO.

A small business enterprise is defined as one with an asset base (excluding land and buildings) of between US\$125,000 and US\$1,000,000. For medium sized enterprises there was no definition.

2.4. Surinamese definition on SMEs

In Suriname there is no official definition of SMEs. Various studies have been executed on the development and the impact of SMEs on the Surinamese economy. Studies have shown that it is necessary that an official Surinamese definition on small and medium sized enterprises must be formulated. In absence of the official definition on SMEs, the International Labour Organisation, ILO, uses the following categories for enterprises in every sector of the economy:

Micro- enterprise: 1 to 5 workers (full- or part- time)

Small enterprise: 6 to 20 workers (full- or part- time)

Medium enterprise: 21 to 50 workers (full- or part- time)

Large enterprise: 51 or more workers (full- or part- time)

Through the years there are several studies and research done by employers, consultants and the government on SMEs. In Suriname the most common criteria is the number of workers and the enterprises are categorized as follows:

Micro- enterprise: 1 to 10 workers (full- or part- time)

Small enterprise: 11 to 25 workers (full- or part- time)

Medium enterprise: 26 to 100 workers (full- or part- time)

Large enterprise: 101 or more workers (full- or part- time)

SMEs in Suriname are distinguished from large enterprises, because large enterprises have Collective Labour Agreements for their employees. Most of the large enterprises consists Multi Nationals, State owned companies, semi -governmental companies, Banks, Whole Sale retailers, Assurance Companies etc. Large firms have more advantages than SMEs because they have easier access to long term financing and also tax incentives for multi national companies. SMEs collaborate with large enterprises especially as subcontractors. The cooperation between SMEs and large firms should be developed further at other levels such as knowledge sharing and networking

CHAPTER 3. SMALL AND MEDIUM SIZED ENTERPRISES IN SURINAME

3.1. Historical development of the business community in Suriname

Before categorising the enterprises it is important to mention that in the first half of the twentieth century the Surinamese economy was characterized by the activities of a number of large economic units (plantations, agricultural enterprises and the like). After World War II, this system was replaced by a mixed approach based mainly on 2 dominating tracks:

- On the one hand the exploitation of natural resources by Multinationals (bauxite, gold ,timber and the like)
- On the other hand the establishment of a large number of semi-governmental enterprises in especially the agrarian sector and public utilities

In the period 1954-1960 a lot of companies were established, because of a favourable enabling environment and low price cost quotes of companies. The employment rate in companies increased at an average of 6% a year. This period can be characterised as growth due to favourable price cost quotes for companies.

In the period 1961-1967 the “Brokopondopush” took place and much emphasis was given on the Mining sector especially bauxite and alumina, because of high prices for these commodities on the world market.

After the Revolution of the 1980’s the focus was on a resource based economy, with emphasis on natural resource and not on human resources and the development of domestic firms. A few natural resource based companies were established by the government. The country failed, however, to develop an integrated national vision to promote the national economy at all levels.

During the first decade of the so-called Globalisation (1990-2000) it became increasingly clear that there would be changes in all aspects of the economic production and exchange in the present day world. In seeking a good manner to subdivide the business community of Suriname, support was found in the ACP-EU Cotonou Agreement. An Economic Partnership Agreement (EPA) between the European States (Union) and the former colonies in Africa, the Pacific and the Caribbean.

Studies show that the economic production takes place at three levels in almost all ACP countries, including Suriname.

- Level I: Social and Economic Partners (Trans National Companies TNCs / Multinationals)
- Level II: Private Sector (Domestic Private Sector DPS/ SME/MKB)
- Level III: Civil Society (Micro enterprises -ME).

In recognition of their importance, the EPA carved out a important space for the role of Non-State Actors (NSA), which provide an important voice for civil society, the private sector and other organisations in the process.

In identifying the Non-State –Actors one starts from the organized actors such as Employers, Employees, the NGOs (non- governmental Organisations).

In each of these clusters of Non-State Actors there is thus part of the Business Community that substantially differs from each other in their motivations and goals, yet in a strategic manner jointly facilitates economic growth and employment that benefit the population at large.

Broadly speaking the following clusters may be distinguished for Suriname:

- A. The Social and Economic Partners, consisting of Employers’ Organisations and Trade Unions that through the ILO, the IOE and the ICFTO in mutual dialogue, jointly contribute to the development of the factor labour in these countries. Formerly only these clusters were taken into account. Focus: on the human being.
- B. The Private Sector, where particularly attention was paid to the Domestic Private Sector. The small and medium sized enterprises, of e.g. the ACP-countries for whom there are quite some possibilities in the Funds of the EDF. The Centre for Development of Enterprises and the Pro-Invest Partnership Programme are focused on cooperation between ACP and EU companies and Business Support Organizations. Business Matchmaking events and training programmes are conducted by both enterprises and organizations.
- C. The Civil Society. The Group of economic, social and other NGO’s, which were mainly organized by the Forum-NGOs in Suriname.

3.2. Overview of the Business Climate in Suriname

In Suriname the Business Community consists of state owned companies as well as private enterprises. There are approximately one hundred (100) state owned companies. The state owned companies are responsible for some of the products such as crude oil; electricity; gas; water; telecommunications; banana and shrimps. State owned companies supply 95% of these products, underscoring the limited private sector activity in these sectors. It must be emphasized that the state owned companies are large companies and therefore not relevant for this study.

The major economic sectors of Suriname are the mining, agriculture; fisheries ; timber; eco-tourism, trade and services. The majority of the Business Community in

Suriname consists of Small and Medium Sized enterprises. Most of the companies are in the commerce and industry sectors.

The sub sectors in which the SMEs are strongly represented are:

- Food (rice; vegetables; meat and fish products)
- Drinks
- Fisheries and Fish Processing
- Lumber
- Dairy industry
- Furniture (lumber & steel)
- Chemical enterprises (plastic products)
- Construction
- Poultry
- Textile
- Graphic enterprises
- Transport
- Consultancy / Accountancy
- Administrative Office
- Airline
- Shipping Agent
- Bakery
- Bus Company
- Bus Service
- Fishing Company
- Furniture Store
- Guesthouse
- Optician
- Packaging
- Pharmacy
- Photo studio
- Radio Station
- Research Bureau

Approximately 23560¹ companies are registered at the Chamber of Commerce and Industry. One third of the registered enterprises are inactive, due to closure of companies because of bankruptcy of companies; emigration and cancellation of company licenses. Many persons are registering blank limited liability companies to sell it on short or medium term. The retail sector; imports sector; hotel and bar sector; bus and taxi transportation represent the major part of the enterprises. A total share of 62.4 % of the total amount of registered companies. The other part of 37.6% is contributed mainly by the following sub sectors: Graphic industry; repair and spraying stations; textiles and clothing industry; contractors; manufacturers;

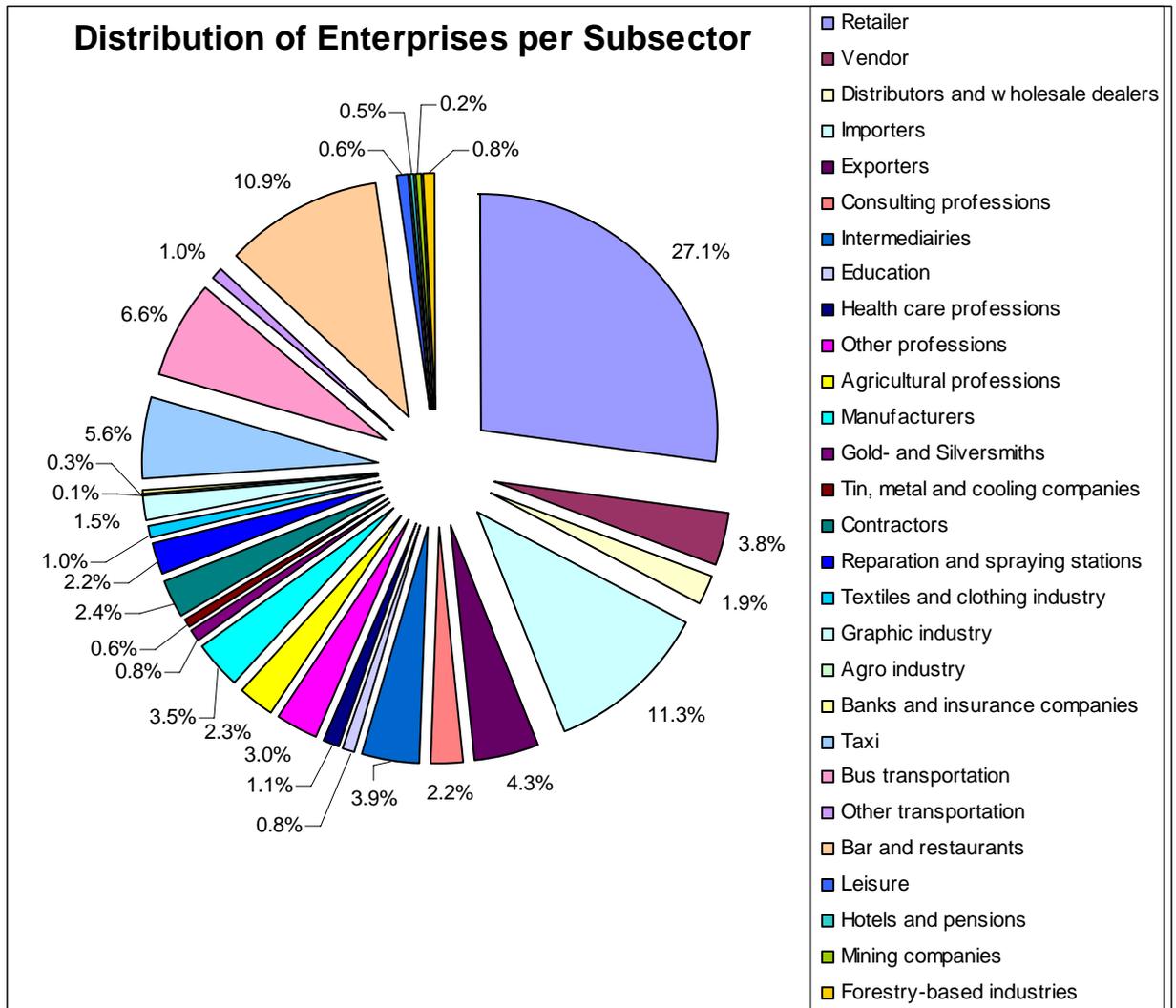
¹ Source: Chamber of Commerce and Industry, January 2008

exporters; intermediaries; consulting professionals; distributors; agricultural professions; vendor; forestry- based industry; health care and other professions.

Table 1: Enterprises per sector of the economy

Subsector	% of total
Retailer	27.2
Vendor	3.8
Distributors and wholesale dealers	1.9
Importers	11.3
Exporters	4.3
Consulting professions	2.2
Intermediaries	3.9
Education	0.8
Health care professions	1.1
Other professions	3
Agricultural professions	2.3
Manufacturers	3.5
Gold- and Silversmiths	0.8
Tin, metal and cooling companies	0.6
Contractors	2.4
Reparation and spraying stations	2.2
Textiles and clothing industry	1
Graphic industry	1.5
Agro industry	0.1
Banks and insurance companies	0.3
Taxi	5.6
Bus transportation	6.6
Other transportation	1
Bar and restaurants	10.9
Leisure	0.6
Hotels and pensions	0.5
Mining companies	0.2
Forestry-based industries	0.8

Figure 1: Enterprises per sector of the economy



Source: Chamber of Commerce and Industry

The micro enterprises are strongly represented in the following sub sectors. According to studies² more than 50 % of the Micro enterprises are operating in the informal sector. The most important sub sectors in which the micro enterprises undertake activities are:

- Retail
- Taxis
- Tour operator
- Bar Restaurant

² Irresponsible Entrepreneurship (Onverantwoord Ondernemen) , Edo de Vries Robbe, 2004, Netherlands

- Boutique
- Car Repairs
- Car Wash
- Catering
- Gift shop
- Website Designer
- Restaurants

There are four types of enterprises in Suriname namely:

A. Multinationals and Trans National Companies

The activities in the mining sector are largely exploited by large multinationals named the Suralco (Suriname Alumina Company), BHP-Billiton and Iam Gold.

B. State owned Enterprises

These enterprises are fully or partially government owned. There are approximately 100 government owned enterprises such as companies providing public utilities (electricity; gas; water supply; telecommunication) and State Oil company. The government has started privatizing a few of the companies.

C. Large Companies

There are about 200 large companies. Most of these companies are in the mining; banking; agro processing; insurance and trade sector.

D. Domestic Private Sector

Most of these enterprises are small & medium sized and micro enterprises. This category represents the largest share of all enterprises in Suriname. Approximately 70% -80 % of all enterprises are actually in the domestic private sector.

3.3. Qualitative Analysis SME sector

Since we are describing the Small and Medium Sized enterprises in Suriname the focus will be on the SME sector. A few characteristics of this type of enterprises in the context of Suriname are:

- 1 Family owned companies (70%) / Non family owned companies (30%)
- 2 Strongly dependant on imported inputs such as raw materials, machines, equipment, goods and finished products.
- 3 Cooperation between companies is at a very low level.
- 4 Quality of the Management (Top; Middle and Low Management)
 - a. Top management: Professionals are in mostly large companies and multinationals
 - b. Shortage of professionals in Small and Medium sized enterprises
 - c. Middle management and low management are sufficient

5 Companies with internal shortcomings

a. Company management

- Short term policy (quick money); no strategic planning
- Weak Product development and Product planning
- Weak financial management
- No updated production systems
- High production costs
- Low product quality
- Lack of technical capabilities
- Safety and health problems
- Inconsistent supply of goods and services

a. Competitiveness

- Low product quality
- Quality/ price ratio is not competitive with the region
- Logistics and transport problems
- Lack of research and planning
- Little or too slow pace of innovation/invention of new products and techniques.

b. Cooperation among companies

- Low cooperation level among companies
- Distrust among entrepreneurs
- Distrust among organisations and the government

6. Companies with external shortcomings

a) Financing of company investments

- Collateral is essential to receive a company loan
- No venture capital available for enterprises
- Limited start up capital available for starters

b) Constraints Labour market

- Constraints on all levels of the labour market
- No up to date training in company to upgrade the skills of workers
- Suriname is in the process to set up a Skills Development Centre
- Low labour productivity and creativity

c) Market

- local market is too small, because of a population of almost 492.829³ people (limited economies of scale and scope)
- No export incentives /facilities for exporters

³ According to the population census held in 2004 by the General Bureau for Statistics

d) CARICOM effect

- Too much exports from other CARICOM countries into Suriname in comparison with exports from Suriname to CARICOM.

Table 2: Imports from CARICOM Countries in Suriname

COUNTRIES	Imports in US\$				
	2001	2002	2003	2004	2005
Antigua & Barbuda	268,762	413,765	5,019,559	1,525,537	1,750,888
Bahamas, The	44,474	6,010,164	5,331	125,788	20,369
Barbados	4,793,465	18,218	5,053,577	3,813,501	3,771,560
Belize	-	125,765	0	9,271	0
Dominica	467,172	579,666	719,001	776,309	850,956
Grenada	30,140	34,303	36,241	41,691	47,090
Guyana	6,715,786	7,530,488	11,413,982	6,032,479	6,882,328
Jamaica	1,032,029	1,665,559	2,075,637	5,343,061	2,896,409
Montserrat	-	-	-	-	-
St.Kitts & Nevis	-	-	-	-	-
St. Lucia	220,251	33,447	-	24,591	128,478
St.Vincent & the Grenadines	67,435	28,284	-	57,216	296,233
Trinidad & Tobago	76,842,606	80,246,775	137,280,863	131,383,598	200,142,248
TOTAL	90,482,120	96,686,434	161,604,191	149,133,042	216,786,559

Source: General Bureau for Statistics

The total exports to the CARICOM countries were US\$ 144,302,888 for the year 2005. The main export products from Suriname to the CARICOM countries are: oil ; rice; detergent; soft drinks; juices etc. The main export destinations are Trinidad & Tobago; Barbados and Jamaica.

e) Government

- Low quality of government services to private sector companies
- Hardly any incentives for private sector development
- Lack of updated laws for modernization of the private sector.
- Lack of a coherent and integrated incentives or industrial policy.

According to Professor Lall a number of factors have contributed to the ability of SMEs to grow, compete, export and innovate. Risk capital in the form of venture capital, government financing or specialised financial services has become increasingly available for small technology based firms. An increasing demand for specialised, custom-made products and better access to and processing of information for SMEs as a result of information based technologies.

Next to that, due to competitive pressures larger firms are subcontracting traditional activities to SMEs to cut costs. Technological changes in transport and communication enable subcontracting to be more efficient. Small firms face new opportunities for overseas investment due to liberalisation of trade and investment flows. And to achieve international competitiveness dynamic clusters of SMEs are growing in both developed and developing countries.

SMEs in many countries face larger competitive challenges posed by accelerating technical changes, globalisation and liberalisation. The rapid change and wide scope of the competitive challenges result in a changing competitive context. Traditional modes of competition based on low costs and prices, are being replaced by the 'new competition', driven by factors such as quality, flexibility, design, reliability and networking.

Information and skills problems affect SMEs from less developed countries to highly industrialised ones. Less developed countries have difficulties with technical change and upgrading as a consequence of lack of information and resources, unawareness of competing technologies in other countries, lack of entrepreneurial knowledge and education to seek necessary technology or assistance.

3.4. Economic development Suriname 2003-2007

The last five years can be marked as a successful period for the government, because of a stable macro environment. The average real growth of the Gross Domestic Product was around 6% for the past period. The GDP growth was mainly because of an increase in government income due to high prices of commodities such as alumina; gold and oil. The three main export products are still alumina, gold and petroleum. In 2004 Gross Rosebel Goldmines, a Canadian Gold Company, started mining activities in Suriname in the gold sector. Banana production and exports also increased, because of the restructuring and the efficient operation of the Banana Company. The Banana Company is also part of a French value chain.

In May 2005, general election has been held. President Venetiaan's coalition was returned to power in the May 2005 parliamentary election albeit with a smaller majority. Continuation of policy take place and attention for the private sector as key to development has been emphasized in the Multi Annual Development Plan and Sector Analysis.

According to the Central Bank estimates, the current- account deficit rose in 2003 as result of a higher trade deficit. Increased earning from Alumina and gold exports could not stem the rise in import spending. In the beginning of 2004 a new currency was introduced replacing the Surinamese Guilder. The new currency the “Surinamese Dollar” (SRD) is worth 1/1000 of the old currency. The new currency must be seen as a new way to restoring confidence in the Surinamese economy and the financial system.

The GDP growth for the year 2004 was high by historic standards, with a peak of 8.1 % in 2004.

Alumina export was still the main source of foreign exchange earnings and a very important source of government revenue. Gold and Oil exports are also significant. The medium term prospects for prices of these commodities are favourable for Suriname. The diversification within the mining sector does not eliminate the country’s vulnerability to commodity price swings however, as alumina, gold and oil prices usually fluctuate together. Diversification of the economy, growth of agricultural exports and nature-based services such as tourism and carbon sequestration projects, and value added industries and manufacturing should ensure sustainable economic growth and contribute to further reducing vulnerability to commodity price volatility.

Improved production capacity and higher productivity is needed to sustain employment and income growth as well as sound fiscal and external accounts. Revenues from oil exports reduced the fiscal deficit to around one percent of GDP in 2005, while the recent increase in domestic fuel taxation will support the fiscal position. The key challenges are to maintain and entrench stable macroeconomic policies and reduce the country’s vulnerability to shocks.

The more stable macroeconomic environment has laid the foundation for a gradual unification of the exchange rate regime.

The inflation rate was stable, except in 2005 because of an increase in the prices of gasoline and diesel in the local market.

The exchange rate was stable due to a prudent monetary and fiscal policy of the government.

The inflation rate for the year 2007 was 8.3 %, while in the year 2003 the inflation rate was 13.1% and 15.8% in 2005. The government is executing a good monetary policy that results in a stable exchange rate and positive development of prices of goods and services in the domestic market. The high inflation rate for the year 2005 was due to a new fuel pricing and taxation mechanism in October 2005. The maximum pump prices are set by the government for each of the three oil products based on the world market prices for oil every month. The policy authorities remain committed to maintaining a stable macroeconomic environment that will facilitate private investment and production.

Political stability has contributed to an increase in foreign investment, while fiscal restraint and monetary expansion have boosted domestic demand. State Oil Company Suriname is executing on shore and expected off shore drilling in 2008 together with international companies. The company has extended its Power Plant and introduced a new product “Electricity” to the market. For the gold sector there will be new investments expected of New Mont Gold company in 2008.

Besides the revenues generated from the mining sector, the agriculture sector, manufacturing, construction and other sectors have also contributed to the tax incomes of the government. Employment has increased especially in the mining sector, construction sector and the services sector.

There was practically no change in the exchange rate policy and the rate remained between SRD2.6 and SRD2.75 to the United States dollar. The monetary authorities adopted a more expansionary policy. The commercial banks were able to reduce the domestic interest rates and increase the flow of credit to the private sector. The sectors agriculture; manufacturing; commerce and housing construction are the prominent sectors that benefited from the loans from the commercial banks. In total an average of 59.6% of the total private sector loans were allocated among these four sectors.

Other sectors that have the possibility to grow are construction, tourism, transport and telecommunication. The latter has benefited from the progressive liberalization of the telecom sector.

A lot of projects based on upgrading the infrastructure are being implemented such as:

- Rehabilitation and Upgrading Port facilities
- MCP –irrigation project West Suriname for the rice sector
- Rehabilitation of Roads
- Energy transmission and distribution

Table 3: Suriname Selected Economic Indicators

	2003	2004	2005	2006 (est.)	2007 (proj.)
Real Economy <i>(Annual percentage, unless otherwise indicated)</i>					
Real GDP growth	5.3	8.1	5.5	5.8	5.3
Consumer Prices (end of period) Inflation rate	13.1	9.1	15.8	4.7	8.3
Exchange rate (SRD per US\$)	2.61	2.72	2.74	2.75	2.75
National Accounts <i>(in percent of GDP)</i>					
Gross Domestic Investment	27.2	32.5	31.8	32.0	30.9
Private sector	25.4	28.9	27.3	28.6	27.3
Public Sector	1.8	3.6	4.5	3.4	3.6
Gross national savings	12.6	28.4	20.9	36.9	33.4
Foreign savings	20.7	4.1	10.8	-5.0	-2.4
External Sector <i>(in percent of GDP)</i>					
Merchandise exports f.o.b.	62.6	58.5	52.3	65.8	59.7
Merchandise imports f.o.b.	-65.6	-47.1	58.8	-61.4	-59.4

Sources: IMF Report; WTO ; General Bureau of Statistics; National Planning Office

Figure 2: The Evolution of real GDP in Suriname 2003-2007

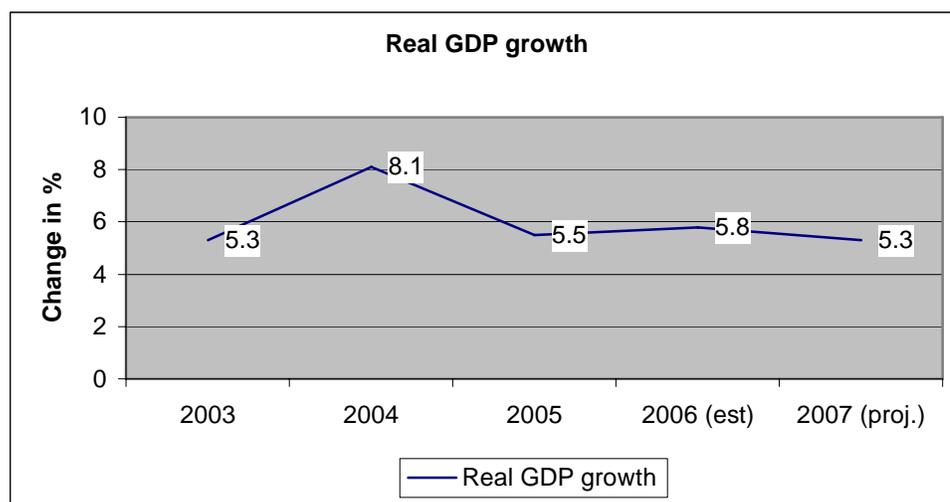
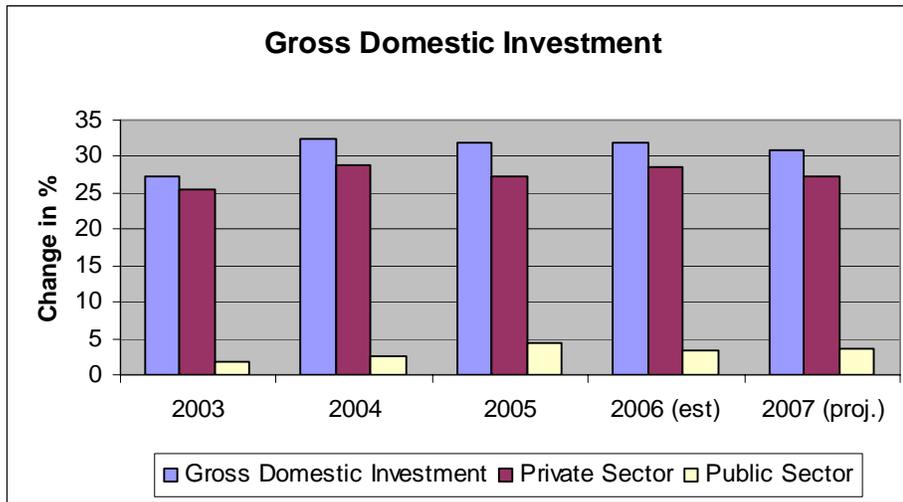


Figure 3: The Evolution of Gross Domestic investment in Suriname 2003-2007



The gross domestic investments increased due to large investments by the private sector especially by the mining companies and the domestic private sector. Enterprises in the manufacturing sector and the services sector accomplished investments in renewal of the industrial process and expansion of the company. Mainly large enterprises and medium sized enterprises accomplished investments in their companies. The growth in the construction sector also led to large investments in enterprises that supply this sector. Investments in the public sector refer to the expansion of the electricity net and water supply.

3.5. Indicators of Employment in the SME sector

Table 4: Number of Jobs by Type of Activity

Sector	2007 Employment	2007(estimate) of the real employment
Agriculture, hunting, forestry & Fishery	10,865	13,500
Mining and quarrying	3,018	6,000
Manufacturing	7,505	10,205
Electricity, gas and water supply	1,549	3,000
Construction	8,000	14,705
Wholesale & retail trade & Hotel & restaurants	15,800	7,500
Transport & communication	3,000	5,000
Financial intermediation , real estate ,renting &	2,709	4,000

business activities		
Public administration	35,830	43,000
Health & social work & other community ,social personal services	4,088	5,000
Total	92,364	
Informal Sector		35,000
Total	92,364	156,910

Source: General Bureau for Statistics (2007 employment figures) ;
Suriname Trade & Industry Association (2007 estimate of the real employment)

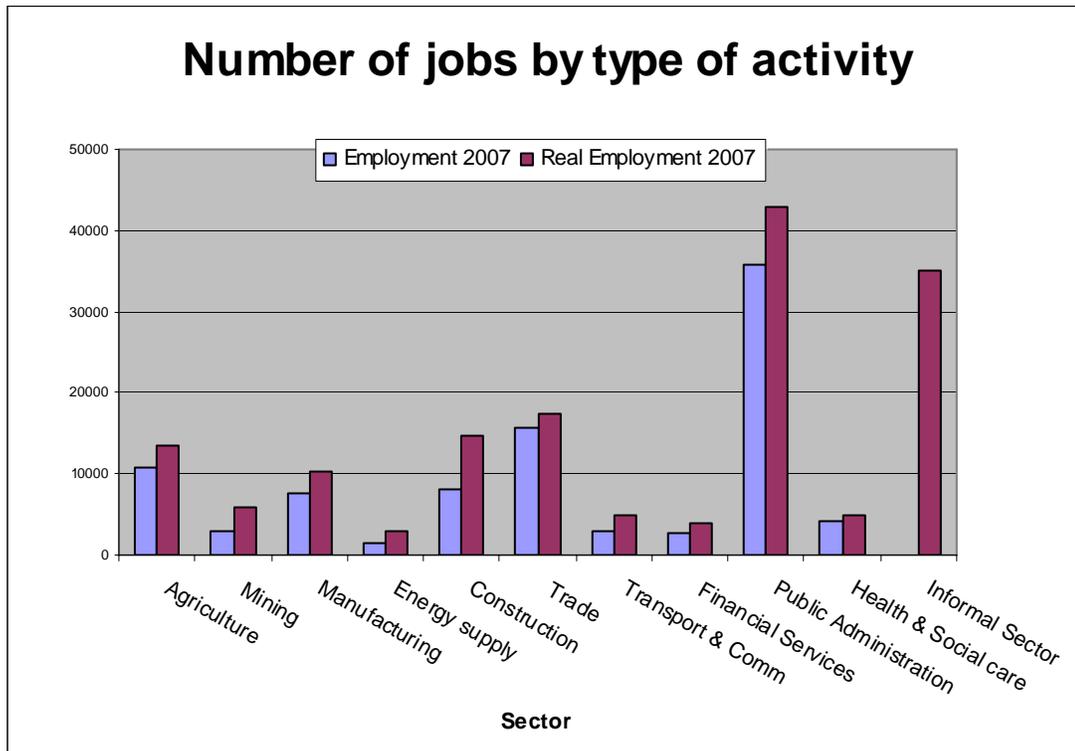
According to the Ministry of Labour Technology and Environment 156,705⁴, of which 65% male and 35% female were employed in 2004. From this total employed persons 44% were categorized as young working persons and 9% as employees with foreign nationality. 4.1% of the employed population did not have an education, while 64.9% only had a primary education. The large number of low-skilled employed persons was reflected in the large number active in the lower professional groups, such as handwork- and craftsmanship (14.6%), professionals in agriculture and fishery (8.9%), lower service rendering and commercial professions (15.3%) and elementary professions (18.3%). Skills development of workers could result in development of new enterprises and diversification of the economy. Skills development should be executed on all level and special courses should be offered to employees based on their need.

The total of employed persons in 2007 was 156,910 included in the informal sector.

The majority of the employed population was active in the sectors: government (27.4%), trade (11.2%), construction (9.4%), agriculture, cattle-breeding, fishery and forestry (8.6%) and industry (6.5%). Job security and free medical expenses are the main reasons why there is high employment in the public sector. The mining sector, energy supply sector, transport sector, financial sector and health care services sector are providing 14.6 % of the employment. Twenty two percent (22.3%) of the employment is active in the informal sector. The illegal gold activities in the interior are the main activities of the informal sector.

⁴ Employment Report 2006, Ministry of Labour Technology and Environment

Figure 4: number of jobs by type of activity



The average unemployment rate is around 10% for the period 2003-2007. Studies have shown that 46.9% male and 53.1% female are unemployed. 72.4% of the unemployed persons only had a primary education, while 9.1% of the number of unemployed persons did not have an education. From the aforementioned it can be concluded that the unemployment in Suriname is characterized by a relatively large number of unemployed adolescents, a higher unemployment rate among women than men and a higher unemployment among persons with a lower education and skill levels.

In Suriname the service providing sector is the largest employer. According to official figures the services sector employed 46% of the working labour force in 2007. Notably, the share of the services sector is primarily determined by the government, with an average of 39 % of the total according to official figures.

Within the scope of sectors with the largest number of jobs the sectors trade and agriculture represent a second and third place with a share of respectively 16% and 13.2%.

Employment has fluctuated between 2003 (111,547 employed persons) and 2007 (156,910 employed persons). The average annual growth is primarily generated by the growth of the number of jobs in the sectors construction, trade, restaurants and

hotels, financial institutes, housing and commercial services and municipal, social and personal services (government excluded). The sector with the most rapidly growing number of job has been the construction sector, because of an infrastructure and a construction boom. Many infrastructural projects are executed by the government such as building of roads; ports; bridges etc. In the private sector houses are build for Surinamese citizen, because loans are easily accessible and with a lower rate of average 10% a year at the commercial banks for the housing sector. Low income shelter programme of the Inter-American Development Bank has also contributed to renovation and building of houses.

The Suriname Trade and Industry Association present also an estimate of the real employment, because a large number of persons are working in the informal sector and generates income. According to estimates the total real employment is 156,910 persons. In almost every sector of the economy activities are taken place in the informal sector.

The persons employed in the SME sector are according to estimates around 40 %-50% of the employed persons. This means that approximately 63,000 persons -78,000 persons are working in the SME sector.

Contribution to GDP

In general the small and medium sized companies are in majority operating in the trade sector, services sector and the manufacturing sector. In 2006, the manufacturing sector has the greatest share in GDP (21 %). The quality of the manufacturing sector is good and is being improved through a certification programme conducted by the government and the business support organizations. The manufacturing sector consists of companies mainly in the food processing, graphic, timber and furniture sector. The contribution of the sector trade and mining are 9.5% and 9.7% of the GDP. Agriculture, Timber and Fisheries counts for in total 4.86% of the GDP.

According to the National Employment report of the Ministry of Labour Technology and Environment, the informal sector accounts for approximately 20% of the GDP⁵. Transport and communications sector counts for 7.2% of the GDP, while real estate is 6.8% of the GDP. The total public administration contributes for 11.3 % of the GDP.

⁵ National Employment Report 2006, Ministry of Labour , Technological Development and Environment

Table 5: Contribution to Gross Domestic Product per sector of the economy

GDP per Sector	2004		2005		2006	
	x SRD million	%	x SRD million	%	x SRD million	%
Agricultural, Hunting & Forestry	171.6	4.2%	212.3	4.3%	253.6	4.3%
Fishery	41.4	1.0%	29.0	0.6%	33.5	0.6%
Mining & Quarrying	343.2	8.4%	437.7	8.9%	511.1	8.7%
Manufacturing	610.8	15.0%	901.4	18.3%	1107.9	18.9%
Electricity, Gas & Water Supply	222.3	5.5%	252.5	5.1%	272.2	4.6%
Construction	118.8	2.9%	153.1	3.1%	200.7	3.4%
Whole sale & Retail trade	333.0	8.2%	433.6	8.8%	500.9	8.5%
Hotels & Restaurants	64.1	1.6%	89.2	1.8%	93.1	1.6%
Transport & Communication	295.2	7.2%	336.1	6.8%	380.1	6.5%
Financial intermediation	223.7	5.5%	293.0	6.0%	322.0	5.5%
Real estate, renting & business	236.3	5.8%	283.0	5.8%	357.8	6.1%
Public Administration	266.0	6.5%	309.5	6.3%	340.2	5.8%
Education (government)	163.5	4.0%	175.1	3.6%	220.2	3.7%
Health and social work (government)	22.6	0.6%	23.6	0.5%	32.4	0.6%
Other Community, social & personal	53.8	1.3%	62.4	1.3%	71.9	1.2%
GDP (formal sector)	3166.1	77.7%	3991.4	81.1%	4697.6	80.0%
GDP (informal sector)	583.5	14.3%	641.3	13.0%	786.6	13.4%
Less: FISIM	107.0	2.6%	166.2	3.4%	214.1	3.6%
GDP at basic price (total)	3642.7	89.4%	4466.5	90.8%	5270.2	89.7%
Taxes less subsidies on product	429.9	10.6%	453.2	9.2%	603.2	10.3%
GDP on market (total)	4072.5	100.0%	4919.7	100.0%	5873.4	100.0%

Source: Planning Office Suriname

Export earnings

Export earnings largely driven by a few natural resource-based products such as bauxite, alumina, gold and crude oil. Approximately 80-90 % of the exports consist of minerals such as alumina, gold, crude oil, followed by the agriculture sector (10%). This means that the share of the SME sector in exports is around 5 % of the total exports.

Table 6: Suriname Exports of Harmonised System Classification 2003 -2005 in US\$

HS Group	Description	2003	2004	2005
1	Live animals and animal products	48,821,787	36,860,906	35,344,197
2	Vegetable products (a.o. Rice, Bananas)	13,916,262	19,157,667	20,940,075
3	Animal or vegetable fats and oils + their products, edible fats, waxes	345,244	272,943	1,029,093
4	Food, beverages, spirits, tobacco and tobacco substitutes	1,038,198	1,655,727	1,845,397
5	Mineral products	25,880,948	35,109,069	26,828,056
6	Products of chemical or allied industries	319,550,465	324,355,691	494,681,340
7	Plastics, rubber and articles thereof	1,024,827	978,232	1,080,712
8	Hides and skins, leather, art, thereof, travel goods, art of animal gut	59,385	32,681	19,583
9	Wood, charcoal, cork, and art thereof, plaiting materials, basket- wickerwire	3,447,633	2,641,256	3,148,230
10	Pulp, paper, paperboard, and art thereof	205,626	141,049	108,291
11	Textiles, and textiles articles	377,578	263,018	195,450
12	Footwear, headgear etc, feathers, artificial flowers, art of human hair	43,582	3,435	97,364
13	Stoneware, plaster, cement, ceramic products, glass and glassware	28,707	31,783	74,472
14	pearls, precious & semi stones, precious metals, imitation jewellery, coins	165,459,319	233,777,876	297,779,096
15	Base metals and articles of base metal (a.o. Aluminium)	3,327,266	3,519,134	4,510,640
16	Machinery and appliances, electr. Equipm., sound and video equipment	3,530,570	5,163,093	35,697,567
17	Vehicles, aircraft, vessels and associated equipment	1,291,175	1,431,539	3,468,121
18	Optical, photographic, measuring and precision equipment, musical instruments	703,070	934,221	951,041
19	Arms and ammunition	2,311	-	122
20	Miscellaneous manufactured articles, toys	343,847	203,634	157,935
21	Art objects	684,243	824,260	1,160,229
22	Not elsewhere classified	285,705	114,871,660	0
	TOTAL in USD	590,367,748	782,228,884	929,117,011

Source: General Bureau for Statistics

3.6. Doing Business in Suriname- internationally compared

The main indicators of the World Bank's "Doing Business Report 2008" that investigates regulations and constraints on the business climate are presented to underscore the challenges faced by Suriname in building a competitive and efficient business environment. Regulations affecting 10 stages of a business's life are measured and presented in the table below.

Suriname is ranked 142 out of 178 economies in the 'Ease of Doing Business'.

Table 7: Ease of doing business in Suriname; Jamaica; Costa Rica and Mauritius

Doing Business 2008	Ranking			
	<i>Suriname</i>	<i>Jamaica</i>	<i>Costa Rica</i>	<i>Mauritius</i>
<i>Categories</i>				
Ease of doing business	142	63	115	27
Starting a business	163	11	113	8
Dealing with licenses	97	74	120	33
Employing workers	50	33	79	61
Registering property	136	108	41	153
Getting credit	135	115	48	97
Protecting investors	174	64	158	11
Paying taxes	23	170	162	11
Trading across borders	86	92	54	17
Enforcing contracts	174	103	130	78
Closing a business	145	22	104	66

Source: Doing Business Report 2008

(Ranking is based on a calculation of the time and cost required to complete each procedure under normal circumstances, as well as the minimum capital that must be paid in).

Starting a business in Suriname (rank 163)

Entry regulations on starting a business include obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. Complex entry procedures are associated with more corruption.

- Number of procedures: 13
- Duration in days: 694
- Cost (% of GNI(Gross National Income per capita / income per capita): 141.8
- Paid in Minimum capital (% of GNI per capita): 1.1

In Guyana, for instance, it requires 8 procedures, 44 days and 87.2% of GNI and no minimum capital to start a business. In Jamaica starting a business requires 6 procedures, 8 days, 8.7% of GNI and no minimum capital.

Dealing with licenses in Suriname (rank 97)

Procedures officially required for an entrepreneur to build a warehouse include submitting project documents to the authorities, obtaining all necessary licenses and permits, completing all required notifications and receiving all necessary inspections. Procedures for obtaining utility connections are included. Where the regulatory burden is large, entrepreneurs are easily tempted to move their activity into the informal economy.

- Number of procedures: 14
- Duration in days: 431
- Cost (% of income per capita): 158

In Jamaica it requires 10 procedures, 236 days and 438.4% of income pc to deal with licensing for building a warehouse.

Employing workers in Suriname (rank 50)

The government regulation in the area of employment and social security laws is measured by the difficulty of hiring, rigidity of hours and difficulty of firing (rigidity of employment index), social security payments and payroll taxes associated with hiring an employee (non wage labour cost), and the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker (firing cost indicator). Employment regulation generally increases the tenure and wages of incumbent workers, rigid regulations have many undesirable side effects, such as less job creation and less investment in research and development.

- Rigidity of Employment index: 23
- Non wage labour cost (% of salary): 0
- Firing costs (weeks of wages): 26

This in comparison to Guyana where the rigidity of employment is indexed to 24, the non wage labour cost is 8% and the firing costs are 56 weeks of salary.

Registering Property in Suriname (rank 136)

The ease of registering property is based on the full sequence of procedures necessary to transfer the property title from the seller to the buyer. This facilitates property rights, and the ability to use property as collateral in accessing credit from banks and other lending institutions.

Efficient property registration reduces transaction costs and helps keep formal titles from slipping into informal status. Simple procedures are associated with greater perceived security of property rights and less corruption.

- Number of procedures: 4
- Duration in days: 193
- Cost (% of property value): 13.7

In the Dominican Republic it requires 7 procedures, 60 days and 5.1% of property value to register property.

Getting credit in Suriname (rank 135)

To determine the functioning of credit markets, institutions that collect and distribute information on borrowers are measured, as well as the effective regulation of secured lending.

- When the quality of credit information is good and legal rights are strong, more credit is extended. With better-functioning credit markets unemployment is lower and women and low-income people benefit. Moreover, many more good business projects are financed, thereby spurring entrepreneurship and growth.
- Public registry coverage (% adults): 0
- Private bureau coverage (% adults): 0

Suriname compares quite unfavourably with best practice economies such as Hong Kong with Legal rights index at 10, Portugal with Public registry coverage of 67.1% and Argentina with 100% Private bureau coverage.

Protecting investors in Suriname (rank 174)

Investor protection is calculated with three different indices, which are the extent of disclosure index (e.g. approval procedures, external review of transactions), the extent of director liability index (ability of investors to hold board liable for damages) and the ease of shareholder suits index (availability of documents that can be used during trial).

Fewer profitable investment projects are undertaken when the rights of investors are not protected, because it takes more oversight attention to realise fewer investments.

- Investor protection index: 2.3

Jamaica and Guyana score a 5.3 on this index. Best practice economy is New Zealand with a 9.7 index score.

Paying taxes in Suriname (rank 23)

It is important for entrepreneurs to see where their tax payments end up. In poor countries business are often used as a collection point for taxes, while rich countries tend to have lower rates and less complex systems. When tax regimes are a burden, business have an incentive to evade taxes.

- Time (hrs): 199
- Total tax rate (% of profit): 27.9
- Number of payments: 17

The tax system in Suriname is not functioning efficiently. The informal sector is relatively large and thus not within the reach of the tax system. Enterprises in the formal sector are sometimes not taxed due to administrative restraints. The consequence is that the large companies carry the burden, since their administration is efficient and easy accessible.

The tax system is just as the government generally subject to heavy bureaucracy and therefore less transparent.

In Puerto Rico it takes up 140 hours and 44.3% of the profit and 16 payments, while in Jamaica it takes 414 hours, 51.3% of profit and 72 payments.

Trading across borders: Importing and Exporting from Suriname (rank 86)

Export and import procedures generally depend on the efficiency of customs, good transport networks and fewer document requirements. The better these work the more competitive a country is globally. However when facing delays, the filing of many documents and even demands for bribes will create an incentive for traders to avoid customs and smuggle goods across the border.

- Number of documents for export: 8
- Time for export in days: 25
- Cost to export (USD per container): 905
- Number of documents for import: 7
- Time for import in days: 25
- Cost to import (USD p container): 815

Enforcing contracts in Suriname (rank 174)

The efficiency of the judicial system in resolving a commercial dispute determines the likeliness of businesses to engage with new borrowers or customers. Economic and social value may be lost when businesses lack the access to efficient courts. They depend on other mechanisms, both formal and informal, and become vulnerable to subversion by the rich and powerful.

- Number of procedures: 44
- Duration in days: 1715
- Cost (% of claim): 37.1

In Guyana it requires 36 procedures, 581 days and 25.2% of the claim to settle a commercial dispute. Best practice economies show data with 20 procedures, 120 days and 0.1% cost.

Closing business in Suriname (rank 145)

Bankruptcy systems are designed to help viable businesses to reorganize and close down unviable businesses. When these systems are inefficient, unviable businesses maintain to operate for years, keeping assets and human capital from being reallocated to more productive uses. This is measured by the time and cost of the insolvency process and how much is recovered by stakeholders.

- Time in years: 5
- Cost (% of estate): 30
- Recovery rate (cents on the dollar): 7.4

In Jamaica it requires 1.1 year, 18% of the estate and 64.3 cents are recovered on the dollar.

CHAPTER 4. STRATEGIC POLICY FRAMEWORK SMALL AND MEDIUM SIZED ENTERPRISES

4.1. Government Policy on SMEs

Government policy that is formulated in the Multi Annual Development Programme (MOP) states that the private sector will be stimulated in the years 2006-2011. The focus of the government policy will be on sustainable development through private sector development. The specific objective is the enhancement of the business climate and the investment climate in such a way that an innovative private sector will develop. The government intervention will be focused on:

- Enhancement of the Investment Climate
- International Cooperation
- Development of Entrepreneurship
- Stimulation of private initiatives/partnerships
- Trainingprogrammes for development of knowledge and Skills regarding entrepreneurship.
- Facilitating affordable finance?

For every sector of the economy a sub sector policy is formulated to promote the private sector. For example for the Horticulture sector the value chain will be developed further to upgrade the sector. Farmers are delivering their vegetables and cut-flowers to wholesale dealers, who bring the products to the domestic and export market. No auction is being held in Suriname for agriculture products. For the Agriculture sector in the Interior a sustainable long-term agriculture policy will be developed.

Public Relations, Training and Advise will be the key components to help realize the objectives.

Suriname has a trade/GDP ratio of 210.8 %⁶ for the year 2004-2006. The average CARICOM ratio is 100%. This means that Suriname is a very open economy, even when compared with its CARICOM counterparts. The production structure is strongly dependant on inputs that are imported of intermediate, capital and final goods. Therefore exports are very important for the Surinamese economy to finance the imports. Further, the productivity and efficiency in the use of capital and other inputs is a vital aspect of international competitiveness.

The Ministry of Planning and Development Cooperation (PLOS) have executed a private sector assessment in 2007. The objective of the private sector capacity assessment is to identify the capacity gaps that exists in the private sector. The assessment will result in a framework for strengthening the private sector. The core issues that were assessed are:

- Policy and legal framework

⁶ Source World Trade Organisation (WTO)- October 2007- Suriname

- Human resources
- Financial resources
- Physical resources
- Natural resources
- Leadership
- Entrepreneurship
- Access to the market

Various stakeholders were interviewed and a workshop was conducted in October 2007. The Ministry of Planning and Development Cooperation and the Ministry of trade and Industry are currently working on measures to support a strong private sector including strong enterprises and business organisations.

The Ministry of Trade and Industry is responsible for industrial development in order to strengthen the earning capacity of the Surinamese economy and an increase in jobs. Furthermore the policy of this government department is to stimulate local and foreign investments. Further integration into the Caribbean Single market and Economy is also a priority area of this department. Special investment funds should result in support for Small and Medium sized enterprises and an adequate policy on licenses will be executed.

In 2007 the Ministry of Trade & Industry set up a Bureau of Standards Institute that will guarantee quality requirements and international standards of imported and exported products. For the year 2008 the Ministry is working on enhancing the competitiveness of especially small and medium sized companies. The Inter-American Development Bank will assist the Ministry with this initiative. Furthermore the Ministry will work on the institutional strengthening of the Small and Medium Sized Enterprises. This will result in the set up of a KMIO- unit (Small & Medium Sized Industrial Enterprises). The focus will be on resource based enterprises in order to decrease the imports of soft drinks; milk; ice-cream products; furniture; juices etc.

The government is also working on a Master plan for industrial areas. Better access to finance for SMEs will also taken into consideration as well as the renewal of the Investment law 2001.

The Ministry of of Labour and Technology and Environment promotes improvement of the working environment through increased labour productivity and the use of modern applied technology that are environment friendly. Technology Development focuses on removal of the phase lag for technology and to establish a solid basis for knowledge and innovation. Continuation of innovation on every level is crucial for the competitiveness of the country. Therefore the government facilitates the integral development of technology, labour and production. Currently the government is executing a technology project in collaboration with the Inter-American Development Bank to formulate a plan of action in order to upgrade the ICT and innovation level of enterprises.

Chapter 5. Policy Instruments for Promotion SMEs

Before starting with the policy instruments used for the promotion of SMEs it is necessary to mention the four levels (micro; meso; macro; meta) that have an impact on the day to day business of enterprises.

The micro level refers to what goes on within the enterprise or its immediate environment (the management of human and financial resources and use of physical resources like energy, transport and communications systems).

The meso level refers to the institutions that are of importance for SMEs. It also refers to workplace organisation, to support networks and institutions and, within this, to the role that social dialogue and social partners play in fostering sustainable enterprises.

At the next level- the macro level- there are a set of policy areas which define the enabling environment of enterprises. These policy areas are: macroeconomic policies (fiscal, monetary and exchange rate) particularly those affecting demand conditions; specific policies at the sectoral level- as well as geographical or regional enterprises development policies, investment promotion and industrial policies; trade and regional integration and market access policies; and the specific regulatory and legal environment for doing business.

At the meta level are the broad political, economic, social and environmental conditions which determine, among other things, the quality of institutions and governance in a society. Included here are a range of factors which might not be specific to enterprise but which effectively influence broader private sector development and general societal outcomes such as stability and the challenges posed by issues like inequality and corruption.

5.1 Meta level –implications SMEs regional – international level

Globalisation and regional integration have changed the business and commercial environment of Suriname. Most small and medium sized enterprises in the private sector are facing common structural problems and weaknesses, profitability is low and competitiveness is weak.

The CARICOM paradigm represents open regionalism, which means liberalization of internal markets for goods, services and other factors of production connected to an orientation of the region towards the world.

However, the economic differences between the CARICOM countries have increased over the years. This can mainly be assigned to the principle of the different CARICOM economies. Some depend economically and socially on tourism, some are focused on information services, and others, such as Belize, Guyana and Suriname,

on resource-based industries. This impedes creating a one size fits all communal sectoral policy for agriculture, industry, transport and services that is relevant for all countries and can be implemented locally. Nevertheless, there is room for improved policy coordination in areas that are amenable to harmonisation, while leaving individual country policy to suit their peculiar needs.

CARICOM works in two directions for Suriname. On the one hand it expands Suriname's universe by creating more connections to countries and institutes in the Caribbean. On the other hand because of these connections Suriname has to deal with the inflow of Caribbean influences, which can lead to diminished control on political and economic issues. This can create either impediments or opportunities for the sustainable development of the country.

The threat of imports from other Caribbean countries has led to a stronger awareness of the challenges faced by Surinamese industry. Increased competition can lead to improvement of quality and price of national products. However, it can also displace production and trade in less competitive import-competing sectors such as food and beverages. Exports to CARICOM countries have benefited in terms of import tariffs, but the level of trade seems to have decreased rather than increased in many CARICOM countries.

CARICOM offers an opportunity to operate on a larger but calculable scale without having to deal with language barriers. However, for Suriname to benefit from CSME, it is necessary to explore the markets in other Caribbean countries in order to determine what products are demanded and how to be competitive in offering these products. Next to that, enterprises can strengthen their local position by cooperating with other Caribbean enterprises. This can be facilitated by business to business contacts, an information exchange (preferably on-line) on regional businesses and sharing of information on technology, logistics, marketing and other critical areas.

Because Suriname is literally and figuratively situated too far from the other CARICOM countries, an economic profit for Suriname is not obvious. Nonetheless, CARICOM offers Suriname indirect economic advantages, by entering the international field, as well as non-economical positive reasons for the functioning of Suriname in the CARICOM.

There are certain aspects of globalisation that are given and irreversible, like communications technology and the existence of the WTO. But there are other aspects of globalisation that should be taken into account. Among these are how far and how fast Suriname should liberalize its economy and what is the appropriate mix of government initiative and market instruments for development. In consultation with the NSA(Non State Actors) , such as the Private Sector Organizations; Trade Unions and the Civil Society, the government should develop a plan of action on how to liberalize the economy and minimize the effects of liberalization on the economy, in such a way that enterprises are prepared to compete in the regional and the international market. It will result in sustainable enterprises, higher employment,

more tax incomes from companies, higher foreign exchange income through increased exports and a higher economic growth. Finally this will result in an increased welfare and prosperity of the Surinamese population.

In bilateral agreements it is also important to explore an appropriate policy and institutional framework that contribute to create a favourable business environment and make Suriname more attractive for foreign-direct-investment. The need to increase competitiveness and stimulate innovation and technology transfer at a regional and national level is also very essential.

A SWOT (Strength- Weakness- Opportunities- Threat) analysis that could result in a plan of action with clear, achievable targets has not been done for the economy.

In most of the cases regarding regional integration processes and bilateral agreements the government has to conduct negotiations under time pressures, with a narrow focus on a limited number of issues. Moreover, little leverage is possible and the focus of the negotiations is clearly on market access and funding, without the more important focus on the development of products and services to trade. We have to secure human and financial resources and capacity to allow official negotiation teams and civil society representatives to prepare and conduct negotiations as appropriate.

Furthermore we have to ensure participatory mechanisms related to the formulation of trade policy, its implementation and subsequent monitoring. A package of technical and financial cooperation should be included as an integral part of, for example, the EPA, not as a side-deal. Institutional capacity building (including training) and structural support to companies is crucial in the negotiation of the agreement.

At the national and regional level; efforts should be made to promote diversification of the sectors through the development of other economic activities based on the current livelihoods and the creation of linkages to other industries.

Special attention should be focussed on the competitiveness of local companies and to decrease the costs of production. Strategic Partnership with foreign investors could be seen as a part of a viable strategy to increase competitiveness and stimulate innovation and technology transfer in the region.

It is also important that we should focus on standards that our companies and products should meet. We have to conduct market studies in order to re- position our companies. We should explore new sectors and focus on also the key growth sectors.

The Business Support Organisations together with the Government institutions must be strengthened to provide effective services to the companies.

Finally higher levels of skills acquisition and investments in education are needed in order to transform the labour force to a higher level so that an appropriate environment can be created to allow higher value-added production and management skills.

The structure of the consultation process, the operational aspects and the necessary resources are recommended in order to ensure the meaningful involvement of non

state actors (social partners). Improvements need to be made in various areas, including:

- More regular dialogue with policy makers;
- Timely access to relevant information;
- Social Partners should be given the possibility to consult with their respective constituencies prior to any consultation meeting.

In a nutshell the EPA has resulted in the following for Suriname:

1. Predictability in market access into the EU, the world's largest import spending market for goods and services (including cultural services) with USD 6.4 trillion spent on imports of goods and services in 2006;
2. The rice quota will now be duty free, compared to the reduced duty now paid. The rice quota will also be increased by 29% and 72% over the current quota for 2008 and 2009 respectively. CARIFORUM's Rice quota is currently 145,000 tonnes and will be 187,000 tonnes in 2008 and 250,000 tonnes in 2009, after which the quota will be eliminated; The present quota available to the ACP (Guyana and Suriname) amounts to 145,000 tonnes. Further, the new arrangement makes no distinction between whole grain and broken rice, which means that CARIFORUM exporters should be better able to target the higher-priced market for whole grain rice, once supplies are available. In addition, the agreement contains a joint declaration committing the EU to keeping the licensing and other arrangements relating to the quota under review with aim of ensuring that CARIFORUM exporters obtain the maximum benefit from the trade.
3. A commitment to allow regional firms to establish (i.e. set up operations) in the EU and facilitating European firms to establish in select sectors in CARIFORUM states, possibly fostering joint venture and other partnership vehicles to improve competitiveness;
4. Export duties (i.e. duties that the exporting country shares on its own exports) on Guyana (precious stones, bauxite, unrefined cane sugar, greenheart, molasses and aquarium fish) and Suriname some wood products, railway/tramway sleepers, Hoop wood /split poles) will be eliminated by 2011 (or three years after the EPA comes into effect);
5. Agriculture and fisheries: Firms in this sector should benefit from EU development support specifically including market development, innovation, linkage development, financing, international health standards for fish/fish products and investment promotion support; CARIFORUM was able to achieve the insertion into the Agreement of a full chapter on Agriculture and Fisheries. Chapter 5 of Title I of Part II of the Agreement sets out the objectives, which include sustainable development and exploitation, and increased competitiveness, and special mention, is made of

the contribution of these sectors to poverty eradication, food security and diversification. There is a commitment on the part of the Parties to engage in a process of dialogue in a range of areas, including technology, developmental experiences, investment promotion, policies and institutional issues. In addition, the EU has made specific commitments on development cooperation which cover the following: improvement in the competitiveness of potentially viable production, including downstream processing through innovation, training, promotion of linkages and other support activities, in agricultural and fisheries products, including both traditional and non traditional export sectors;

- 6 Development of export marketing capabilities, including market research, both for trade between CARIFORUM States and between the Parties as well as the identification of options for the improvement of marketing infrastructure and transportation, and the identification of financing and cooperation options for producers and traders;
- 7 Compliance with and adoption of quality standards relating to food production and marketing, including standards relating to environmentally and socially sound agricultural practices and organic and non-genetically modified foods;
- 8 Promotion of private investment and public-private partnerships in potentially viable production, with the public sector specialising in areas of comparative advantage.
- 9 Tourism: anticompetitive practices such as unfair prices, exclusivity clauses, and refusal to deal, tied sales, quantity restrictions or vertical integration are prohibited. CARIFORUM firms shall have access to technology for tourism. small and medium sized firms (SMEs) participation in the tourism industry is to be encouraged. Tourism satellite accounts are to be upgraded in CARIFORUM, as well as greater environmental management. Internet marketing for SMEs is also to be facilitated as well as tourism exchange programs (including language training).

5.2 Macro level – Policy, legal and regulatory framework for promotion SMEs

The policy, legal and regulatory framework has two broad functions. Firstly, it provides the means by which government can manage the economy so as to achieve sustainable social and economic development. That is government develops policies, laws and regulations to achieve a desired purpose. The second function of the policy, legal and regulatory framework is to protect and assist the SME itself. SMEs require space to operate and physical facilities in which to conduct their business. Sometimes they need protection against unlawful behaviour, but also have legal means available to improve the conduct of business and incentives to prompt the start of the business. A policy, legal and regulatory framework is necessary for the proper functioning of

the economy and the protection of basic individual rights and economic and social functions.

The macro environment for the business community is relatively stable. The monetary policy and exchange rate are stable. However many of the laws that influence the business climate are outdated. A few of those laws are:

1. The investment law. In 2001 the new investment law was launched. After discussions between the government and the private sector it was clear that the investment law 2001 must be changed. The Foreign Investment Advisory Services (FIAS) an affiliate of the Worldbank and the Inter-American Development Bank assisted the government with a new draft of the Investment Law.
2. The Fiscal Law
3. Simple Procedure for starting a company (limited liability)
4. Simple Procedure for licenses
5. Introduction of law on Annual Account
6. Introduction of law on Competition
7. Introduction of Anti- dumping law
8. Improvement of Labour Law (for example dismissal law; working hours)
9. Modification of the Forest law

Suriname Business Forum

The government and the private sector institutions have formed a public private partnership- the so called Suriname Business Forum. The Suriname Business Forum is a platform for dialogue between the government and the private sector organisations to enhance the enabling environment and business facilitation.

After the business community organisations – the Association of Suriname Manufacturers, the Chamber of Commerce and Industry and the Suriname Trade and Industry Association – on May 19, 1999 formulated a joint view of the development of the business community, the Suriname Business Forum was started.

This joint view was necessary to give direction to the development of the private sector.

On September 11, 2000, the Business Forum was formally established by the Ministry of Trade and Industry, the Ministry of Planning and Development Cooperation, the Association of Suriname Manufacturers, the Chamber of Commerce and Industry and the Suriname Trade and Industry Association in the presence of the European Delegation.

By means of a resolution of the Council of Ministers the government confirmed its commitment to the Business Forum.

A structure of 7 technical working groups was chosen, consisting of experts of government and business community organisations that reported about the bottlenecks and actions to improve the following areas:

- macro-economic environment
- legal and justice environment
- enterprise financing

- business development services
- administrative and institutional environment
- tax system and other incentives
- infrastructure and utilities.

Due to the profundity of the discussions conducted, the quality and the effort of the experts, the decision-making by means of consensus and the high-quality of the documents produced, the SBF gained ever more recognition on the part of the Government and the International Organisations in Suriname and abroad.

The institutions of the European Union, in particular, have been very positive – both in Suriname, the region and the wider ACP community – about the daring initiative in Suriname, which in their opinion was carefully prepared, prudently carried out and cautiously continued.

All participating parties are truly aware that the private sector will have to be drastically reshaped and broadened in order to be better prepared for the new challenges that are approaching our country from outside.

The Suriname Business Forum is mentioned even more often in formulating policies to improve the economic situation and also the EU sets the good result as an important condition for a very extensive aid programme that might be realised by the Government and the Private Sector for the benefit of the private sector.

Last year (2007) a Board of the Suriname Business Forum was formed with representatives from the government and private sector institutions.

The Suriname Business Centre will be the outcome of this platform. The Centre will be a one stop window where investors and others can receive information and will perform the following tasks:

- Training, seminar, courses
- Financing of project proposals
- EU /IDB/ IsDB/ OAS / Netherlands/ financial instruments for private sector development
- Organizing sector trade fairs and matchmaking activities

The government and the Board of the Suriname Business Forum are currently working on finalizing the set up of the Business Centre that is funded by the European Union.

Through the years financing of enterprises has been a challenge in Suriname especially when the enterprises requests long-term loans. There are a few local banks that provide short- and medium term loans such as:

1. The Surinaamsche Bank N.V.
2. Royal Bank of Trinidad and Tobago (RBTT) Suriname
3. The Hakrinbank
4. The Volkscreditbank N.V.

5. The Landbouwbank N.V.
6. The Postspaarbank N.V.
7. The Surichange Bank N.V.

These commercial bank provides personal loans; consumer loans; investment credit loans and mortgage loans. The interest rate depends on the type of loans and is about 12% . A few of the commercial banks have also SME desks that provide services to especially this category of enterprises.

IFONS- Investment Fund for Development Cooperation Netherlands – Suriname

IFONS was established in March 1996 for the purpose to stimulate production of goods and services.

During the mid nineties companies in the production and services sector were looking for US\$ to finance long term capital investment projects, that were not funded by the local commercial banks.

The initial investment in the fund was Euro11 million and became out of the treaty signed between the Dutch and Surinamese Government, during the Independence in 1975.

IFONS provides co-financing to the Small and Medium sized Entrepreneurs.

The companies have to contribute 20% of their own resources, the bank for 10% and the IFONS 70%.

The interest rate is based on libor plus 3 points.

The Superior Committee evaluates the requests for financing.

Throughout the years the IFONS has supplied a lot of loans to extend or start a business.

The initial capital is still increasing as a revolving fund.

The Government is presently considering modifying the IFONS and topping up the working capital with an additional Euro 11 million.

FTBP- Fund for technical Assistance to the Private Sector

The Fund for Technical Assistance to the Private Sector provides grants for technical assistance in the Small and medium sized enterprises. FTBP provides 85% of the resources while companies have to provide 15% of the resources. A lot of SMEs have benefited from this facility.

Programma Uitzending Managers –PUM

PUM was founded in 1978 as an initiative of the Netherlands Christian Employers Federation (NCW) and the Confederation of Dutch Industries (VNO), which have since merged into the Confederation of the Netherlands Industries and Employers (VNO-NCW). In March of 1997 PUM became an independent organisation; however it still maintains close ties with VNO-NCW.

PUM has played an important role in the field of international development assistance for the past years, sending senior experts to Suriname to upgrade the level SMEs. Upon request, PUM's experts offer their skills and experience to businesses and organisations in places where these are most needed. PUM projects are intense and generally take two till six weeks. In the course of their careers, PUM's advisers have gained extensive experience in a variety of fields. These experts are independent and work on a voluntary basis (they receive no wages).

In the past years 2004, 2005 and 2006 ninety three (93) projects were executed.

For the year 2007, sixteen (16) projects were approved. Most of the projects were in the agricultural production followed by the hotels/catering/tourism sector and printing /publishing sector.

Development finance Limited South America – DFSLA

DFSLA Incorporated is a financial institution for medium-sized enterprises. It starts with the consultation of a solid business plan. If it is desired DFSLA will also provide comments on preliminary drafts. Financing is focused on longer term (5 to 15 years) and loans are for the present only available in US Dollar (to the extent of 100.000 up to 1 or 2 million US Dollar). Participation in share capital is optional as well.

The parent company is the DFL Caribbean Group located in Trinidad. This is a private development bank that with support of a good rating (Fitch, BB) attracts funds out of the market to finance economic development in the Caribbean. The DFL Group has already provided loans from Trinidad to Suriname, and has a local office in Suriname since last year.

DFSLA is active as a private sector development bank in many areas: industry, agro-industry, mining, tourism, information technology, private health sector and educational institutions and related services in Suriname. The only fields that aren't offered these services are those of primary agriculture and governmental institutions. The bank is primarily focused on improving the competitive position of SMEs. Established as well as new enterprises are being supported. DFSLA emphasizes good governance according to accepted standards and comparison measures in the Caribbean. DFSLA can also finance projects in cooperation with local banks.

Pro€Invest: EU-ACP partnership Programme

Pro€Invest is an EU-ACP (Africa, Caribbean and Pacific) partnership programme developed and undertaken by the European Commission on behalf of the ACP countries. Pro€Invest, which has a budget of 110 million EURO over a period of 7 years, is financed by the European Development Fund (EDF).

Its implementation has been entrusted to a Management Unit within the Centre for the Development of Enterprise (CDE) under the supervision of the EuropeAid, Co-operation office of the European Commission. The Chamber of Commerce and Industry is the antenna for CDE in Suriname. Private sector organisations such as the

Suriname trade and Industry Association and the Association of Manufacturers have benefited from the programmes of ProInvest. The projects varied from institutional strengthening of the organisations to training programmes for SME companies. More information about these programmes will be described in chapter 6.

Intent- Internationalization of Entrepreneurship

Strengthening of the private sector is crucial for a well-functioning economy. New businesses create employment opportunities.

This is the main principle of the services that IntEnt provides.

In recent years foreign entrepreneurs with Surinamese origin have become increasingly interested in supporting the development of the Surinamese SME. Moreover there is also an increased interest coming from institutions focused on development cooperation and a growing awareness in Suriname of the influence of the SMEs on innovation, employment and economic development.

In January 2008, IntEnt started a local establishment in Suriname to exploit the opportunities created by these developments. IntEnt Suriname wants to contribute to the development and prolongation of the SME-sector in Suriname, to indirectly stimulate and strengthen the local economy.

IntEnt Suriname focuses on:

1. The development of migrating entrepreneurs by facilitating the start-up and success of new enterprises.
2. Guiding the remigration of Surinamese (from all over the world) to Suriname to accomplish a successful start-up of their business.
3. Operate as an intermediary on behalf of matchmaking between Surinamese and Dutch enterprises.
4. Expanding and reinforcing the provision of services to all starting entrepreneurs in Suriname in cooperation with different partners in the area of development of entrepreneurship.

In consultation with the customer IntEnt offers an adjusted program. The services consist of several modules:

- Assessment of the business idea
- Personal guidance by a local business counsel
- (mediation of) training of the entrepreneur
- Support with conducting market research
- Support in the development of a business plan
- Generating of financial perspective by using the IntEnt Calculation model
- Guidance up to 18 months after start up
- 1 year membership to the IntEnt Business Club

The contribution of the entrepreneur depends on the composition of the program that is created for the entrepreneur.

Their goal is to give 20 enterprises the opportunity to start their business in the first year. In the second year this number should be expanded with another 24 enterprises.

Nonetheless, 2008 will mainly be focused on the exploration and securing of the continuation on the long term, in such a way that less entrepreneurs quit in the first two years. Finding and creating a basis for clear goals and activities is essential. In order to be effective, the costs for customers have to be reasonable. Commitment of the government, the trade & industry and the social institutions is an important condition. During the last 10 years of Intents activities in Suriname, 99 migrant enterprises were established, however only one third are still operational. The reason why only one third is operational is because most of the entrepreneurs are not real entrepreneurs who have the motivation and the drive for entrepreneurship. Problems with adjustment in Suriname is also reason, because the entrepreneurs have stayed for too long in the Netherlands. Another reason is homesick, because most of the time the family is not emigrating to Suriname. These enterprises vary between micro enterprises up to (potentially) the top scale of small enterprises in a variety of sectors: Cosmetics, ICT, industrial products for example.

Other institutions /facilities

The Inter-American Development Bank and the Islamic Development Bank are also active in Suriname. The IDB provides loans to both the government and the private sector. However the loans offered to the private sector are given to large companies and social and infrastructure projects. The IDB needs to target a portion of its finance to assistance for dynamic SMEs.

The Islamic Development Bank (IsDB) has also provided loans to government projects and additional finance to the Micro Credit facility.

There are also a few Credit lines between the Surinamese Government and some countries such as India, China and Indonesia . The loans available from those credit lines are mostly focused on the government activities.

Micro Finance Facility

The government has formulated a policy on microfinance as a strategy to eliminate poverty. By introducing a facility for micro finance, conditions will be created for promotion of micro entrepreneurship. The project has the following objectives:

- Research on the set up of a Micro finance facility in Suriname
- Design the administrative infrastructure and structure of the Micro finance facility
- Description of the conditions for successful functioning of the micro finance facility.

The various categories of micro finance are classified:

- The traditional Micro finance such as small personal loans;
- Micro finance for cooperation's such as GODO; The Schakel etc;
- Activity based Micro finance supplied by commercial banks
- Credits for development of projects
- Consumer credits
- Micro financing based on cooperation between a bank and a NGO;

- Other types of SME micro credits
- Micro finance without collateral

Every person who has a business plan can apply for a micro credit to start up a micro enterprise.

The government has allocated a budget of €6 million to set up the facility that will be operational in 2008. Funds will be allocated out of the Parity funds- funds available from a treaty between Suriname and The Netherlands.

Skills development Centre

In order to generate economic growth in Suriname the educational level, knowledge and skills of the labour force has to match the demand in the labour market. At this moment the high percentage of unemployment is caused by a mismatch between supply and demand of labour. This frictional unemployment restrains employees from finding a job and employers from finding qualified staff.

The main objective of the newly to be established National Institute for Excellence and Training (NEXT) is to map needed knowledge, skills and expertise and hereby offer relevant courses to improve the connection between labour market and education.

Sectors with potential creating employment opportunities are:

- Tourism; strong growth of demand for services
- ICT; currently one education available, 'insourcing' opportunities
- Agriculture; many positions available but no qualified employees
- Education; obsolete methods of education
- Technical; large part of informal sector

To invest directly in human capital and boost the Surinamese economy the establishment of a Skills Development Center (SDC) is proposed. The government will remain responsible for vocational education, but the programming will be designed by the social partners. NEXT will be key to the regulation of vocational education with as principle the input concerning questions, development and trends perceived by the SDC.

In the short term the objective of the SDC is inserting a qualitative boost to the vocational education by introducing a solid structure for qualification. Implementation of such a structure will give a clear view of what skills have been obtained by the graduate and should still be obtained to occupy a certain position. Next to that training and courses should be developed to satisfy the demand for expertise and new technology.

For the long term it is necessary to structurally improve the connection between education and labour market. This can be accomplished by taking inventory of the knowledge, skills and competences that government and trade and industry will need in the future to continue productivity and to improve their competitive position. Providing school drop-outs the opportunity to get their diploma through the SDC will improve their position in the labour market. Next to that it is crucial that a high quality of education is guaranteed. Many teachers currently have insufficient skills

and knowledge of trends and development in the trade and industry. The SDC staff has to be adequately skilled and have experience of procedures in trade and industry and government. Complementary, the quality of management within trade and industry and the government has to be improved as well. To establish all this it is necessary to develop a universal system of quality control and set clear standards concerning the quality and composition of education, management and training.

5.3 Meso level – Organisations for promotion SME development

The institutional framework, in which SMEs are promoted, regulated and represented is made up of organisations that perform specific functions in the business environment. Governments create organisations to perform these functions (including the ministries, departments, authorities, agencies). There are also other organisations that are formed-non-government organisations- to perform specific functions in the business environment. These include chambers of commerce, business associations, trade unions, research agencies, and private organisations (e.g. accountancy and consultancy firms). Some of the specific functions are:

- Policies, laws and regulations. This refers to those organisations engaged in formulating policies, laws and regulations as well as those that regulate the small enterprise sector (e.g. economic courts, registration authorities, labour commissions).
- Research and advice: This refers to those organisations engaged in activities to better understand the SMEs sector
- Advocacy and representation: This refers to those organisations that represent the SME sector and advocate for new programmes, services, policies or other forms of support.
- Business development services: This refers to those organisations that provide services such as training, information, advice, mentoring, networks and business linkages to SMEs.
- Financial services: This refers to those organisations that provide financial services to small enterprises such as: credit services, micro finance, particularly finance that is specifically tailored to the needs of SMEs.
- Provision of infrastructure: This refers to those organisations that plan for, or provide infrastructure that is used by small enterprises.

In this report three organisations will be outlined regarding their role in SME development. However other organisations such as consultancy firms and some non government and government institutions are important in their role and activities for SME development and will be briefly dealt with in this study.

The three organisations are as follows:

1. The Chamber of Commerce and Industry

2. The Association of Manufactures in Suriname
3. The Suriname Trade and Industry Association

The Chamber of Commerce and Industry

The Trade & Industry Association in Suriname was started in early 1900, with main activities in the gold and bauxite industry. In 1910 the Chamber of Commerce & Industry (KKF) was founded. The KKF stimulates a culture of entrepreneurship to generate economic growth in Suriname by providing services to strengthen the domestic enterprises. The Chamber of Commerce is a public body with its main activity as a registration office for companies.

The objectives of the KKF are:

1. To create a favourable environment for growth and development for all enterprises, especially small and medium-sized enterprises (SME).
2. An enhanced awareness for economic opportunities among entrepreneurs including the realization and continuation of those opportunities.
3. Involvement of policymakers in creating a favourable environment for entrepreneurs.
4. Minimize or removed illegal or dysfunctional regulations or barriers for the trade and industry.
5. Recent and accessible information for trade and industry, with special focus on the Trade Register.
6. An improved strategic alliance between companies and/or organisations.
7. A reinforced KKF and other relevant organisations.
8. A work environment characterized by effective team work with Members of Parliament, employees of Parliament, service providers and volunteers and the enhancement of chances for and development of all parties.

The Chamber of Commerce is providing training programmes on various sectors and how to write a business plan.

The Board of the Chamber of Commerce contains:

- Four members of the retail trade
- Four members of the trade , other than retail
- Three members of manufacturing
- Two members of financial institutions and insurance
- Two members of traffic sector
- Two members of hotel, recreation, entertainment sector
- Two members of mining sector
- Two members of the forestry sector

The Suriname Manufacturers Association (ASFA)

The Suriname Manufacturers Association (ASFA) was established on September 25, 1980. The main objectives of the ASFA are to take care of the interests of national production sectors in general, and the Surinamese Manufacturers in particular in order to promote “Made in Suriname” brand. The focus is to increase the level and quality of the contribution of the sector to the national economic development. The ASFA endeavors to achieve its aims by promoting higher levels of manufacturing production and by increasing the use of local inputs in production as a means of strengthening backward and forward linkages and the multiplier effect of the sector on growth and employment. On the one hand the ASFA gives advice to SMEs and requests information from the national Government, and other institutions regarding the industrial development in the overall development strategy. Within the organisation of the ASFA, the member-concerns are divided in three categories, namely common members, extraordinary members and honorary members.

Through the structures of the ASFA, the member concerns are classified in the following sectors:

1. Agriculture and food industry
2. Steel and metal construction
3. Forestry, wood and lumber
4. Steel structures
5. Textile and foot-wear
6. Plastic goods
7. Chemicals
8. Graphics and paperwork
9. Metals and minerals
10. Spectacles and artificial teeth
11. Machine and winding industry
12. Concrete industry

The ASFA is chaired by the Board of the ASFA, consisting of 7(seven) members. The Board is elected every two years, and can be re-elected. In the execution of its tasks, the Board is supported by the coordinators of the different branches and sectors within the ASFA. ASFA represents mainly the manufacturing sector. Currently the ASFA has approximately 70 -80 members.

Suriname Trade and Industry Association

The Suriname Trade & Industry Association (VSB or STIA) was founded in March 1950. S.T.I.A. advocates Free Enterprise in production and services, whereby everyone, within the limits of public interest, has the right to develop activities to the best of his/her ability.

Objective

S.T.I.A. is a co-operation of individuals pursuing a business in Suriname. The Association's objective is to promote the interests of its members and economic and social welfare of society.

Activities

To realize abovementioned objective S.T.I.A. pursues, among other things, the following activities:

- Promoting private entrepreneurship;
- Consultations and co-operation with social partners and sister organisations at home and abroad;
- Doing research and making publications with respect to issues relating to public interest;
- Giving advice and information to members

The V.S.B. has the following 5 policy clusters:

- I. Policy pertaining to the government, the area of public private partnership, good governance and national development policy
- II. Policy pertaining to the social and economic partners, the area of decent industrial relationships and social dialogue, the unionized private sector
- III. Policy to strengthen small and medium-sized enterprises in the areas of services and support to initiatives of members and the 'domestic private sector'
- IV. Policy pertaining to the global and regional economic integration of Suriname, the area of the CARICOM Single Market, the WTO negotiations, and the EPA negotiations EU/ACP, the compliance of treaties and agreements
- V. Policy pertaining to the restructuring of the VSB-organisation, the area of an effective organisation, in the service of its members, implicitly the policy with regard to the image of the VSB, the area of optimal participation of members and public relations (PR).

The development vision of the Suriname Trade and Industry Association is based on:

1. Improving the laws and regulations concerning the optimal functioning of the business community both nationally and internationally.
2. Improving the industrial relationships in companies and raising them to a higher level.
3. Developing tailor made business development services for VSB member companies aimed at innovation, training, quality improvement, research projects, improvement of the business culture including corporate governance and corporate social responsibility and the like.
4. Improving the competitiveness of the Suriname companies in the region by optimal participation and utilization of globalisation processes, including market access, technical assistance and trade facilitation.
5. Growing into one of the prominent employers' organisations in the region.
6. Providing excellent services to VSB members by means of the VSB-Bureau and in cooperation with other organisations.

The V.S.B., the Suriname Trade and Industry Association, is an umbrella organisation of Companies (Employers) that operate as a collective in ten economic sectors (groups) as regards realizing the objectives of the Association as laid down in the Articles of Association.

The current sector division is as follows:

1. Banking business
2. Trade
3. Timber
4. Industry
5. Agriculture and related sector
6. Mining
7. Tourism (to be newly established)
8. Transport (Shipping, Aviation, Transport over land)
9. Insurance sector
10. Business services

Below follows an overview of the number of members categorized on the basis of the various groups.

Table 8: companies per sector of the economy

Group	2007	% of the total
Agrarian and related businesses	9	5 %
Banking business	8	4 %
Trade	65	37%
Timber	3	2%
Industry	39	21%
Mining	4	2%
Transport	5	2%
Insurance sector	6	3%
Business services	44	24%
Total	182	100%

Source: Number of members of the VSB as at December , 2007

Since 2001 the Suriname Trade and Industry Association is working on *clustering* initiatives to boost competitiveness of SMEs. The project on business clustering was launched in 2002 and was financed by the European Business Assistance Scheme-EBAS. Four business clusters were set up in the hotel; textile; information communication & technology and furniture sector. A business cluster is a virtual organisation representing a group of 3 to 5 equal and autonomous partners (SMEs), who have decided to cooperate closely at corporate level and to help each other to succeed in the market. They form a unit and operate as a team, executing projects on the basis of mutual interest/ mutual benefit. Each partner has equal rights and equal responsibilities. It must be emphasized that all the clusters that were formed by STIA are in the SME sector. The main criteria for the SMEs are:

- A willingness to cooperate with other firms and to prioritise innovation as an important competitive strategy.
- Privately owned
- Domestic
- Commercial focus
- Exposed to international competition
- Management competence and good communication skills
- Professional competences related to the core business

The suitable areas of cooperation are:

1. Purchasing cooperation of raw materials, semi products, expertise, distribution, etc
2. Marketing cooperation

3. Design cooperation for individual products and overall concepts
4. Human resource development cooperation
5. Quality Assurance cooperation
6. Management development cooperation
7. Production cooperation at several levels
8. Logistics cooperation
9. Cooperation on administrative routines
10. Market intelligence cooperation
11. Cooperation on extension
12. Cooperation on procurement of equipment, and on selection of contractors or consultants
13. Cooperation on environmental considerations

The various business clusters were operating at different levels of cooperation. Joint projects of the business cluster were as follows:

Table 9: Projects of the business clusters in Suriname (2001-2005)

Cooperation issues	Fields	Textile cluster	Furniture cluster	ICT ⁷ cluster	Hotel cluster
Technical cooperation	▪ Production	x	x		
Commercial Cooperation	▪ Purchasing	x			
	▪ Customs		x		
	▪ Outsourcing	x			
	▪ Marketing/ Sales	x	x	x	x
Logistics Cooperation	▪ Shipment		x		
Organisation & Management Cooperation	Human Resource Development & Management	x		x	

Source: Suriname Trade & Industry Association

The activities of the textile business cluster were focused on increase in the production and sale of uniforms. The textile business cluster worked on a market

⁷ ICT- Information Communication & Technology

research for uniforms in the Caribbean Market. Promotion of the activities of the textile cluster towards the government was also given priority. Training on Human Resource development was accomplished.

The Furniture business cluster worked especially on collective shipment of furniture to export markets. The ICT business cluster focused on Human Resource Development within the business cluster, because it is difficult to find IT specialists for the sector. The hotel business cluster worked together on an aggressive marketing and sales campaign to have a higher occupation rate for the rooms.

In 2005 a pilot project “regional business networks” focused on SMEs within the key growth sectors of five selected Caribbean countries was started. The project was initiated by the Caribbean Employers’ Confederation (CEC) and the lead applicant was the Suriname Trade and Industry Association. The member employers organisations of the CEC were also partners in this projects such as the Dominica Employers Federation (DEF), Grenada Employers Federation (GEF), Saint Lucia Employers Federation (SLEF) and the Employers Consultative Association of Trinidad & Tobago (ECATT). This project was financed by Pro-Invest. The project aims to promote industrial cross-border inter-enterprise cooperation in the Caribbean region and is key to firms learning from each other to avoid making similar mistakes. The five countries which have been selected for the pilot project were: Suriname; Grenada; Saint Lucia; Dominica and Trinidad & Tobago. The options for business clustering were the Herbal cluster; Agro-Industry cluster; Tourism cluster; ICT cluster and the Small Consultants cluster.

The key growth sectors within the selected countries were as follows:

Table: 10 Key growth sectors in selected countries

Suriname	Dominica	Saint Lucia	Grenada	Trinidad & Tobago
Agriculture	Agriculture	Agriculture	Agriculture	Agriculture
Food Processing	Food Processing	Food Processing	Food Processing	Food Processing
Horticulture	Horticulture	Horticulture	Horticulture	Manufacturing
Forestry	Tropical flowers	Tropical Flowers	Tropical flowers	ICT
Logs	ICT	Transportation-sea	Construction	Construction
Wood processing	Music /entertainment	Music entertainment	ICT	Marine & Yachting
Furniture	Wood processing	Beverages-rum	Beverages-rum	Civil Engineering
Eco Tourism	Eco tourism	Tourism	Tourism	Harbour
Crude oil	Marine & Yachting	Marine Yachting	Marine & Yachting	Transportation – sea
Mining bauxite, gold	Fisheries	Fisheries	Fisheries	Merchant marine services
Beverages-	Beverages -			Printing &

rum	rum			packaging
ICT				Film production
Civil engineering				Music Entertainment
Transportation				Beverage rum
Construction				Fisheries
Fisheries, shrimps				Fish processing
				Chemicals
				furniture

Source Suriname Trade & Industry Association

In April 2006 the regional Herbal cluster was launched. The focus of the herbal cluster was on the development of herbal business through innovative entrepreneurship and management, cooperative relationships, joint decision making, sharing information and experiences, development of export markets and the innovation of products, processes and structures. Five companies from Suriname, Trinidad, Grenada, Dominica and Saint Lucia are participating in the Herbal Cluster that is still functioning very well.

5.4. Micro level – Programmes for enterprise development

The micro level refers to the enterprise level. Various training programmes were executed on Human Resource Development and Management. The need for progress in the development of our human resources and relating this progress to enterprise competitiveness becomes ever more urgent in today's globalized world. The International Labour Organisation has financed many seminars and workshops on Human Resource Management, development and productivity for small and medium sized enterprises. The proper development of skills for the full utilization of human resources is a core area for building capacity within the enterprise. The various training programmes are focused on:

- Promotion of a workplace culture of creativity, innovation and participation to foster meaningful contributions
- Pursuit of better employee-management relations
- Establishment of productivity improvement initiatives at the workplace supported by Productivity- Based Incentive Schemes
- Utilization of modern Human Resources Management practices
- Provision of ongoing, relevant and timely training and development opportunities for employees
- Strategic Management
- Leadership development

The objective of the abovementioned training is to increase the capacity to develop policies that promote and facilitate workplace strategies for minimizing industrial conflict, fostering participatory enterprise development, improving conditions for decent work and achieving higher levels of productivity and efficiency in operations.

One of the important training programmes that was executed is the certification programme initiated by the government together with private sector institutions.

The objective of the project was to certify 40 enterprises in Suriname in accordance with an internationally acknowledged quality management system.

A variety of enterprises has already been certified, but in this case focus goes out to the sector of Small- and Medium-sized Enterprises. The process of certification is expensive and these enterprises would never have committed the resources required to accomplish this on their own.

Within the scope of private sector development, the Ministry of Planning and Development Co-operation (PLOS) has made resources available for these enterprises to join this project collectively. These funds will contribute to partial financing of the project; the remaining costs will be covered by an individual contribution of the participating enterprises.

VSB and ASFA have requested their members their willingness to become certified to ISO- and/or HACCP certified. The 40 enterprises that have been proposed for the project have been inspected on baseline standards in preparation of the process of certification.

The process, which will take up one and a half years, starts with designing a quality management system for each enterprise, after which it will be implemented. Then the enterprises will be certified by an international certification company. After this process 40 or more enterprises in Suriname will be able to test their production and services against global standards.

This will provide the enterprises access to export markets that have set high standards for production and services. It will also secure continuation of production and provision of services domestically, where their position as a supplier or subcontractor will be evaluated by principals in comparison with multinational firms.

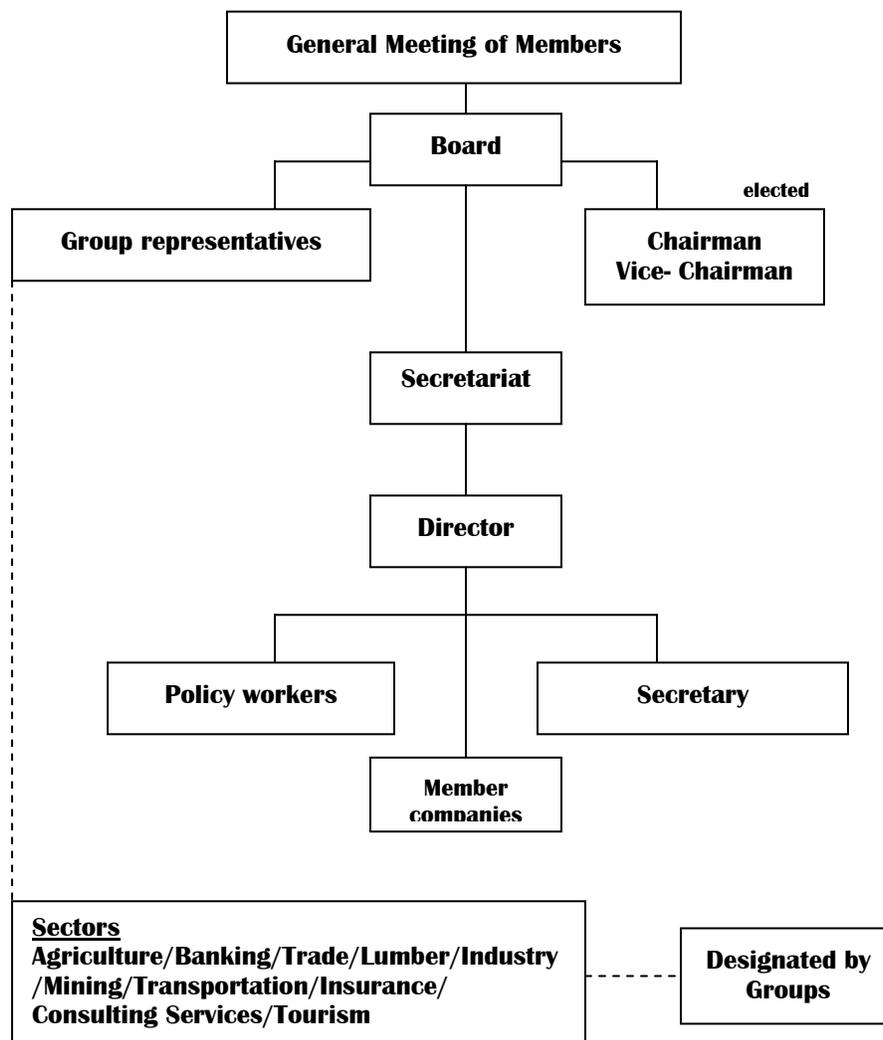
Chapter 6. Support Systems SME policies –review of institutions involved in SME policies

The institutions that are involved in SME policies are the Chamber of Commerce and Industry; the Manufacturers Association; the Suriname Trade & Industry Association and the Suriname Business Forum.

6.1. Suriname Trade & Industry Association

The Suriname Trade & Industry Association has 182 member companies in every sector of the economy. The Board members are elected by the various groups. The Chairman and the vice chairman are elected by the members of STIA.

Organisational Structure



The General Meeting of members is the main organ within the Organisation. Every ordinary member has one vote at the General Meeting. With this, the equality off all members, whether being large or small, is expressed. The Association's Annual Budget and Policy Plan are agreed upon by the General Meeting.

The Board is composed of the Chairman, the Deputy-Chairman, the Treasurer and the Group Representatives. Chairman and Deputy-Chairman are elected by the General Meeting every three years.

The Group Representatives are appointed by the respective sectors every two years.

The President, Treasurer and a maximum of two other Board members, manage the Association's day-to-day routine and supervise the Bureau's operation.

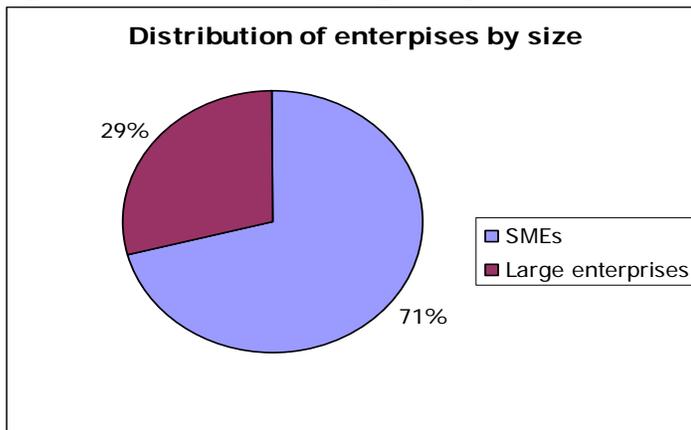
The Bureau with its staff performs the Association's administrative financial management and policy preparation functions for the benefit of the Board. The Bureau is also responsible for the execution of policy decisions.

One hundred and eighty two (182) enterprises are members of the Suriname Trade and Industry Association. A division is given below of the enterprises that operate in the SME sector.

Table: 11 Member of STIA

Small and Medium Sized enterprises (SMEs)	129 companies
Large enterprises	53 companies
Micro enterprises	0 companies
Total	182 companies

Figure5 : Distribution of enterprise by size



The revenues of the STIA consist of membership fee obligations (90%) and other sources of income including certificates, project incomes and sponsorships. STIA

does not receive government subsidies and is dependant on its own resources. With the assistance of Proinvest and ILO they have trained a lot of SMEs.

STIA is an employers organisation, therefore the activities are mainly focused on improvement of the relationship between employers and workers to boost job satisfaction and worker productivity.

ILO projects are focused on Human Resource Development and Strategic Management. Various companies in especially the SME sector were trained on these topics. Proinvest had provided funding for enterprise competitiveness and cooperation among companies in the region and overseas. The successful programme that STIA has executed was the clustering of SME companies.

A manufacturing mission was held in collaboration with Dutch and Belgium enterprises to strengthen SME cooperation.

STIA has provided a lot of training programmes for SMEs, but only the member companies have benefited from these programmes and projects.

STIA has also negotiated for the improvement and renewal of the Investment law 2001. A draft investment law has been prepared.

6.2. Association of Surinamese Manufacturers

The Association of Surinamese Manufacturers, like the Suriname Trade and Industry Association, is dependent for its revenues membership fees. No government subsidies are provided to the Association. The ASFA has fully set in for the “grondstoffenbesluit”- Law on raw materials- a law that is applicable especially to the manufacturing companies and was introduced in 1997. This is an incentive that gives exemption of import duty for raw materials, semi –finished products and packaging materials for the manufacturing companies in the sectors industry, agriculture, cattle-breeding, fisheries, food industry etc. In these sectors most of the SMEs have benefited from this incentive.

Special attention was also given to the integration of Suriname into the Caribbean Single Market and Economy and the implications for the manufacturing sector. The ASFA has participated in a few exhibitions and trade shows abroad.

The ASFA has also executed a Proinvest programme for SMEs. This was a manufacturing partnership mission focused on cooperation between Surinamese and Dutch entrepreneurs. However, only member companies have benefited from these programmes.

6.3. Chamber of Commerce and Industry

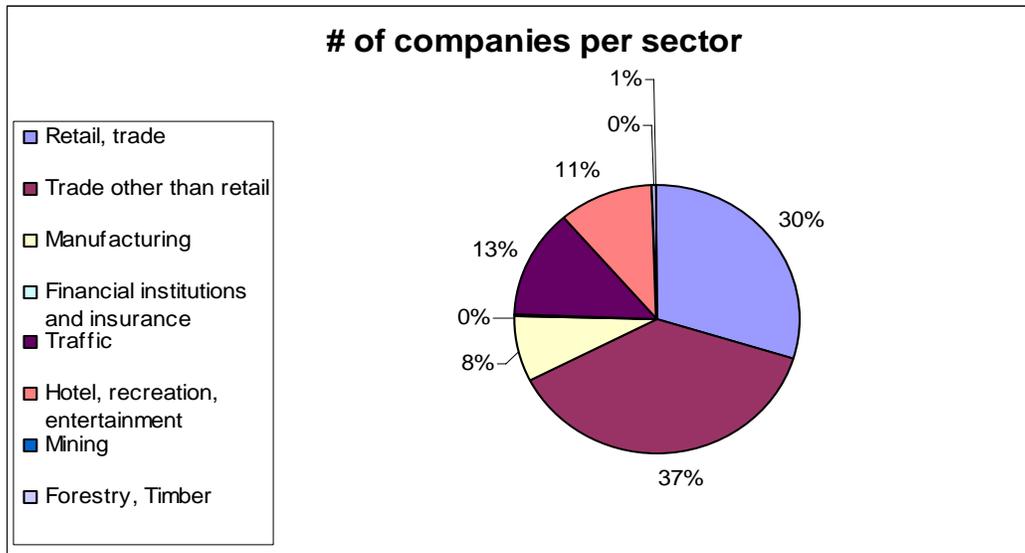
As of January 2008, 23560 companies were registered at the Chamber of Commerce and Industry. According to the Chamber of Commerce and Industry approximately two thirds (15707) of the companies are active businesses, while one third (7853) are inactive.

An updated profile of the division of registered enterprises in sectors was not available so we have used a profile of the year 2001.

In the year 2001, 23967 companies were registered at the Chamber.

Retail trade	7,116 companies
Trade , other than retail	8,963 companies
Manufacturing	1,941 companies
Financial institutions and insurance	80 companies
Traffic sector	3,139 companies
Hotel, recreation, entertainment sector	2,567 companies
Mining sector	29 companies
Forestry sector, timber sector	132 companies

Figure 6: Number of companies per sector



The Chamber of Commerce and Industry receive income from the registration fee that companies are obliged to pay each year. Other sources of income are mainly income from the trade shows, projects, and training. The Chamber of Commerce and Industry does not receive government subsidies.

The Chamber does not focus especially on SMEs for their training programmes. However projects were executed that were of benefit to SMEs. These programmes are:

- The Social Entrepreneurship Program – proposed to design and test an integrated model for promoting the creation and development of new businesses in Suriname. This project was funded by the Inter-American development Bank. The objective of this project was to contribute to the expansion of the country’s entrepreneurial base and generation of new and sustainable jobs for the people of Suriname. To promote a culture that is receptive towards entrepreneurship various activities were undertaken. According to the projects requirements the Entrepreneurship Support Center

(ESC) was established. This centre offers business development services to the business community and to potential and starting entrepreneurs.

- The CPEC- programme that was on improvement of the financial sector and the tourism sector
- CDE- Centre for development of enterprises: a few projects were executed mainly the forestry sector.
- Entrepreneurs – evenings: issues for entrepreneurs are discussed, such as ICT level in enterprises; new forms of energy; tax payment; etc.

6.4. Suriname Business Forum

The Suriname Business Forum is a public private partnership between the government and the private sector in order to create an enabling business environment. The Suriname Business Centre is the working body of the Suriname Business Forum and will be set up this year (2008). The European Commission has sponsored the set up of the Business Centre that will function as a one stop window for businesses and will provide training programmes for entrepreneurs. The Business forum will also have dialogue with the government to improve the business climate in Suriname.

At this stage a few workshops have been held to find out the obstacles faced by entrepreneurs and the constraints of the business climate. The Board of the Suriname Business Forum consists of the government and private sector representatives.

Chapter 7: Evaluation of Institutional development and efficiency and effectiveness of policies

The creation of a facilitating environment for business development requires the effective participation of representatives of entrepreneurs and SME owners in policy formulation, implementation and evaluation. In addition, mechanisms for assessing conditions for business development and for measuring the impact of different policy tools should also be created and effectively implemented. In this regard, effective communication between government and entrepreneurs is crucial.

The effective institutionalization of policy with respect to SMEs needs to incorporate the partnership principle. In mature market economies, self-governing, self-regulating organisations act as professional intermediaries in the process of dialogue between government and entrepreneurs, in order to ensure that the interests of businesses are taken into account in the decision making of public authorities at different levels.

One of the factors influencing the nature and extent of the contribution of SME to economic development, competitiveness and increased social cohesion is the extent of empowerment of small and medium sized businesses and entrepreneurs in a broader sense within the economic system. However, while SMEs may be typically well embedded in their communities and employing local people, this is not always reflected in their level of engagement with formal institutions of governance. Small firms can be a difficult to reach group for consultation purposes, for various reasons. Firstly the lack of time and energy on the part of entrepreneurs for activities that are not directly connected with their businesses; secondly a lack of information about possible benefits of participating and thirdly doubts about whether any policies resulting from their contribution can be implemented quickly enough to make a difference to their particular venture. As a consequence, it is inevitable that only a small minority of entrepreneurs typically become directly involved in the policy-making process, through representative organisations. Mobilizing entrepreneurs to become involved in policy making is not easy, even if policy makers have a will to do so.

Encouraging and facilitating the development of enterprises is an important part of strengthening the basis of a democratic society, through building up the middle class. The burden on the State will lessen, when entrepreneurs become less dependent on the government in generating an income. As a result it will increase the contribution of the entrepreneur to the economy and society. When an enterprise is well governed the State has less responsibility in employing persons. Moreover the increased involvement of the entrepreneurs in the economic society will lead them to challenge policies and encourage a more equitable spread of incomes.

Moreover, increasing the involvement of entrepreneurs within the democratic process is an important element in the institutionalization of policy, which is essential for good governance.

Another key policy issue concerns the effect of administrative and regulatory barriers on the establishment and subsequent development and functioning of SMEs. One of the key roles of government is to create an environment in which private businesses can flourish and thereby make an effective contribution to employment, income growth and economic development. At the same time the state also has an important regulatory function to ensure that business operates within certain rules that seek to balance the need to encourage and promote enterprise with a need to protect wider social interests and the public good. Establishing an appropriate balance is the key challenge. The balance that facilitates the most conducive environment is likely to result from a learning state and private sector, which engage in constant dialogue and are prepared to learn from past mistakes and change policies and strategies to match new realities.

Regulation covers the full range of legal instruments and decisions through which governments establish conditions that promote fair competition and protect the interests of consumers. In this context, it is important to recognize that compliance with regulations and other statutory requirements involves a cost for business, which includes the opportunity costs with respect to the resources devoted to compliance, as well as any direct money costs.

The removal of unnecessary administrative burdens on business must be seen as part of a wider process of regulatory reform that aims to improve the environment in which business is conducted, in order that its potential contribution to economic growth and job generation may be fulfilled. Improving the quality of laws and regulations are key elements in establishing conditions that are necessary for economic and social development.

Although the issue of regulatory burden can affect the general development of SMEs, it can be a particular barrier during the start-up period, when entrepreneurs face many other demands on their time, in a context where time and financial resources are very scarce. All this affects the transaction costs, which in turn have implications for competitiveness, both domestically and internationally.

In Suriname, compared with other countries, it is not easy to do business. The government has an important role to play to remove the obstacles to enterprise creation, for establishing a facilitating environment for private sector development.

The government is working on improving the investment law 2001 and a few other laws that affect SMEs, however many of the laws must be updated urgently.

The government has set a Bureau of Standards and Accreditation Board.

The Suriname Business Forum was also set up and a facility for Micro credits will be set up by 2008. The development of an institutional infrastructure to support technology transfer and facilitate innovation in SMEs (e.g. innovation centers, science parks, technology parks) has not been a policy area for the government.

The Meso level contains the business support organisations. As described in the previous chapters the business support organisations have implemented projects and

programmes aimed at upgrading the operations of SMEs. This resulted in some efficient outcomes such as clustering initiatives at national and regional levels. A Suriname Business Centre will be set up by this year (2008), to promote a public private partnership to facilitate the growth and competitiveness of SMEs. A few of the training programmes for SMEs are continuing.

To bridge the gap in financing the activities in enterprises there will be also a micro finance facility available for starters.

The business support organisations have also a limited budget to implement activities for SMEs, therefore external funding to support their activities is essential. They should also reposition themselves to cope with globalisation and to provide the services that are needed for SMEs, for instance information on sources of technology, market information, standards and product/service requirements.

Chapter 8: Challenges for Small and Medium Sized Enterprises

In Suriname the SME sector has been identified as a priority area that needs further development to become the back bone of the economy. Several scattered efforts are being undertaken by the government and the private sector organisations, but the success of these actions are limited so far. It must be clear that a systematic strategy that considers the mutual impacts of the various policy instruments and measures on each other has not been devised. SMEs in Suriname face a lot of competition on the national and regional market. Therefore providing the right enabling environment to catalyse the competitiveness of SMEs is a key policy challenge. No impartial globalisation can be achieved in Suriname without the sustainability and the strengthening of the SME sector.

A few challenges that SMEs, business support organisations and the government faces in the context of Suriname are as follows:

1. Upgrade the Productivity of SMEs with collaboration of the government and the private sector. Research has shown that the productivity level in especially SMEs is low. Increasing the productivity in SMEs will enhance the competitiveness of the enterprises domestically and internationally.
2. Reorganisation of the weak SME enterprises and to transform them into to sustainable SMEs. An assessment of the SMEs with internal and external shortcomings should be made. Programmes should be developed to assist SMEs to become viable. However, it must be noted that by the process of creative destruction, a portion of SMEs will go out of business, the tricky issue is how to reduce the number of failures.
3. Increase of the exports by SMEs. The total share of exports by SMEs counts for approximately 5%. Marketing research should be carried out either by SMEs or business support organisations to explore the opportunities of the external market for products and services of different sectors.
4. Provide tailor made services by business support organisations to SMEs to become competitive. Targeted business support and advisory services should be provided to SMEs in order to enhance the business management, organisational, logistics and marketing skills of SMEs.
5. Transformation of informal SMEs into formal sector SMEs. Awareness programmes should be launched and incentives (for example tax incentives) should be given to SMEs in order to avoid development of informal sector SMEs or to get a number of them to move to the formal sector, where they can access credit, technical and managerial services more readily.

6. Further creating an enabling business environment through supportive financial mechanisms, such as start-up capital, cash injections and incentives is critical. The financial institutions should stop stigmatising SMEs as a high risk businesses, but should recognise them as business opportunities on a case by case basis.
7. Regional business clustering opportunities for sectors other than the herbal sector should be explored. The herbal sector is a good example of business network through the region. Other business clustering incentives in various sectors should be developed.
8. SME network for Caribbean Enterprises and regional SME trade shows /missions. SMEs should expose their company as collective in the Caribbean region trade shows or elsewhere. External funding is required because of the high costs for trade shows.
9. Attract funding and programmes from EPA for the benefit of SMEs in a SME development fund. More initiatives for SMEs should be developed.
10. The tailoring of regional policies with incentives to encourage the SME sector. The design and implementation of regional guideline and policies under de CSME. The unconditional recognition of the importance of the SME sector should be translated in all regional policies, both the existing policies and the ones that are in the design phases.
11. Establish Surinamese SMEs in other CARICOM countries.
12. Provide industrial areas with infrastructure, technical assistance and other incentives to encourage the start-up and long-term viability of SMEs.

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