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ESEE
Enabling Environment for
Sustainable Enterprises

► The enabling environment for sustainable enterprises in Suriname

An assessment with a focus on
productivity drivers



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enterprises in Suriname**
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► Executive Summary

Suriname, in its quest to improve the environment for enterprise development and increase productivity, requested the International Labour Organization (ILO) to conceptualize and execute the following Enabling Environment for Sustainable Enterprise (ESEE) assessment, with a focus on the external factors affecting productivity. The survey examined the economic, social and political dimensions of the business environment and their perceived effect on productivity. Through the administration of surveys, focus groups and in-depth interviews with business owners/managers, workers, government and trade union representatives, the research team from the Arthur Lok Jack Global School of Business and DOOR Advisory Services Limited was able to capture tripartite constituents' general perceptions of the business environment and its potential effect on productivity in Suriname. Due to the timing of the study during the global COVID-19 pandemic, the team took the opportunity to explore the impact of the pandemics on the current business environment and its likely impact in the future. Some of the key findings from the survey are highlighted in this report and summarized in the sections below.

Economic Elements

In general, the regulatory environment was perceived to be weak with bribery being one of the major obstacles to doing business. Social partners were mostly excluded from the development of new regulations and the effectiveness of existing laws and regulations are perceived to be hindered by a lack of institutional oversight and limited enforcement.

There is also the belief that Suriname could benefit from more open trade and further economic integration. Customs procedures and personnel are deemed to be inefficient, which increases the difficulty of trading with suppliers and buyers on the international market.

Many of the business owners/managers expressed that Information and Communication Technologies (ICT) solutions were readily available and attainable. However, workers were of the impression that ICT solutions currently in place at

most companies are in need of an upgrade and a shift is required toward greater digitization of business processes.

Social Elements

An area of concern appears to be the quality of higher and vocational training available in Suriname. The higher education and vocational training provided does not seem to meet the required needs of the business sector and business owners/managers reported frequently experiencing difficulty in finding the requisite talent when recruiting.

According to both business owners/managers and workers, health issues seem to be an area affecting productivity in Suriname, especially in physically demanding professions. Additionally, there seems to be poor oversight of the implementation of organizational safety and health standards among both public and private institutions, which can adversely affect productivity. This is particularly troubling considering that this is an important area in the fight against the spread of the COVID-19 virus.

Political Elements

Social partners (i.e. representatives of employers' and workers' organizations) felt the Government falls short in terms of providing the necessary conditions for effective social dialogue and in terms of engaging in dialogue, particularly when developing new policies. Labour standards appear to be understood and respected for the most part and there are strong conflict resolution mechanisms in place both within labour or legal institutions and internally in Surinamese companies.

Perception of Most Important Factors to Enhance Productivity

Overall, productivity is considered low in Suriname. Macroeconomic policy and sound management of the economy were mentioned as the main external areas for improving productivity in Suriname. Other areas of importance included fair competition, trade and economic integration,

education, training and lifelong learning and ICT. Lack of standardized internal performance management processes that facilitate merit based rewards and incentives in companies, has been identified by workers as a limiting internal factor that needs to be addressed to boost productivity.

Impact of COVID-19 on Business in Suriname

Suriname confirmed its first imported COVID-19 case on March 13, 2020. As of August 22, the authorities confirmed a total of 3,569 positive cases of which 953 active, 57 deaths and 2,559 recovered.

Suriname has implemented several measures to curb the spread of COVID-19 including:

- Restriction of social gatherings
- Temporary curfew (lock down)
- Closure of all schools and universities
- No in-restaurant dining (take-away services are allowed)
- Controlled access to markets and supermarkets

Suriname's airspace was closed for commercial flights as of March 13 and lockdown measures began to be rolled out from March 24, 2020 onwards. These increasingly strict measures and closing of borders with Guyana, partially helped to contain numbers at first. However, community spread began in early June 2020, ultimately pushing the government to establish a total national lockdown on June 3, 2020. After a few weeks of the lockdown measures eased up again beginning of July 2020.

The COVID-19 pandemic is having a deleterious effect on the Suriname economy. The Government was forced to introduce a stay at home order that brought an abrupt halt to normal business operations across most industries. Based on the number of redundancy applications at the Dismissal Commission between May and June 2020, the Ministry of Labour reported a slight increase in unemployment within the private

sector and a few cases of companies experienced challenges with the payment of wages.

Precautionary measures to combat the spread of the virus (such as two-meter social distancing) negatively affected and affect worker productivity both in the public as private sector. Companies are forced to implement a shift system with fewer employees at one time. Other observed negative effects include:

- Drops in export sales due to closing of the air-space
- Investment plans of businesses have been put on hold
- Some companies are unable to operate during the stay at home order or lockdown;
- Changes in sales due to hoarding and price increases by the wholesalers
- Loss of income, especially the tourism sector (drop of 95-100 per cent)
- Reduction in consumer demand and purchasing power
- Supply chain disruptions

The transition to remote work as a means of maintaining some level of performance and productivity has been stymied by the fact that a large percentage of jobs in the economy require the workers' physical presence and many employees do not possess the required infrastructure (laptop, internet, etc.) at home to perform their tasks. ICT deficiencies are well documented in Suriname. For example, the internet penetration rate in 2017 was 49 persons per 100, much lower than the Latin American and Caribbean average of 63 persons per 100¹.

Recommendations

Based on the overall findings, the following recommendations for improving the environment for sustainable enterprise development and improving the external factors affecting productivity are outlined:

1 <https://data.worldbank.org/indicator/IT.NET.BBND.P2?end=2018&locations=SR&start=2014>

Economic Elements

Enabling Legal and Regulatory Environment

1. Government has to take the necessary initiative to improve the predictability and transparency of the legal business environment including more decisive measures to combat corruption.
2. Enforcement was highlighted one of the major weaknesses in the current system. Government should provide greater institutional oversight of the regulatory environment and the equitable enforcement of rules and regulations through initiatives such as conducting regulatory impact assessments² and the use of sunset clauses for targeted programs that specify start and end dates for these programs;
3. Government should promote greater inclusion and dialogue with and among social partners in the development of laws and regulations. One way this can be done is through the use of task forces comprising government representatives and social partners to address specific problems along the lines of the upcoming “Center for Innovation and Productivity”.

Trade and Sustainable Economic Integration

4. The Government has to continue to spearhead policy initiatives geared toward further opening of the economy such as mutually beneficial external partnership agreements. Ease of trade can be facilitated through the removal of trade and logistic inefficiencies, particularly with customs at ports of entry, which is perceived to hinder national productivity;
5. The Government should make greater use of ICT solutions to improve the efficiency of its port operations and adopt a centralized approach to tracking and disseminating trade and logistic data. Automation, modernization and improvement of logistics infrastructure are also critical success factors;

Fair Competition

6. There is a strong perception among business owners and workers that there is some level of inequity displayed by the Government in its promotion of fair competition. To address this issue, the Government will have to take procedural steps to become more transparent with the strict enforcement of antitrust laws through the establishment of a fair trading commission and a procurement regulatory body whose mandate would be to promote fair competition;

Information Communication Technologies

7. There is the general perception that private sector companies face productivity issues due to the use of obsolete ICT solutions. To address this, companies in Suriname should commit to continuous investment in new technologies and to become more open to the implementation of digital solutions that can positively affect productivity. This need seems to be even more pressing in times of COVID-19 where measures to slow the spread require businesses to review and update their material and use of ICTs. The Government can also play a role in promoting the further uptake of ICTs by incentivizing through vouchers or other measures companies to utilize ICT consultancy services;
8. Many of the transparency and inefficiency issues perceived to exist within the public sector organizations could likely be addressed through the implementation of e-governance solutions. In other jurisdictions, e-governance solutions (e.g. online taxation, business registration, ID registration, grants and housing applications etc.) have been successful in removing many of the bureaucratic burdens currently faced by Suriname’s public sector. These ICT based solutions automate many of the steps involved in the delivery of Government services thus increasing the speed, transparency and accountability associated with completing these tasks. This is an area that should be given urgent attention by the Government to better streamline the

² <http://eese-toolkit.itcilo.org/index.php/en/toolkit/toolkit-part-2/section-2-3/assessment-tool-12/what-is-a-regulatory-impact-assessment.html>

efficiency of its response to COVID-19 and the measures taken to slow down its spread.

Social Elements

Education, Training and Lifelong Learning

9. The current education system is found to not meet industry needs. Changes in curriculum and teaching strategies are required particularly at the higher and vocational levels. Education service providers need to form a closer link with the private and public sector to ensure that training is better aligned to industry relevant needs, including those of ICT requirements and needs. A better balance has to be struck between the provision of theory with practical hands on training. Quality internships and apprenticeships or on the job training initiatives can be beneficial in this regard.

Adequate Social Protection

10. Government bodies responsible for oversight of occupational safety and health (OSH) standards need to increase the level of enforcement of OSH regulation in order to promote a safer working environment within companies, particularly in light of the health concerns related to the COVID-19 pandemic;
11. The Government should launch a public awareness/public education campaign to assist companies with understanding and adjusting to the new stipulations in the recently passed Employment Protection of Families Act.

Political Elements

Social Dialogue and Respect for Universal Human Rights

12. Key decisions in the national interest should be preempted by greater social dialogue among tripartite constituents, particularly during the policy formulation process. This step ensures greater buy in from the population and more accountable and transparent governance;

Other Considerations

13. Concern about perceived favoritism within the business sector in Suriname was noted. This could negatively affect worker motivation and productivity. Public and private sector firms need to take steps to promote transparency in the recruitment process and have standardized procedures and processes in place for measuring performance and productivity and for rewarding employees.
14. Finally, the high level of bureaucracy and burdensome process that exists within private and public sector organizations were highlighted as major contributors to low productivity. Private and public sector firms and organizations need to take the initiative in re-engineering their business processes to improve the ease of doing business and carrying out their daily tasks which will not only improve worker productivity but the quality of the services provided.

► List of Acronyms and Abbreviations

APF	<u>Algemeen Pensioenfonds (General Pension Fund)</u>
BAZO	<u>Basiszorgverzekering (Basic Health Insurance)</u>
DWCP	<u>Decent Work Country Programme</u>
EESE	<u>Enabling Environment for Sustainable Enterprises</u>
ICT	<u>Information and Communication Technologies</u>
IDB	<u>Inter-American Development Bank</u>
ILO	<u>International Labour Organization</u>
IMF	<u>International Monetary Fund</u>
OSH	<u>Occupational Safety and Health</u>
SOR	<u>Surinaamse Ongevallen Regeling</u>
UNDP	<u>United Nations Development Programme</u>
UNESCO	<u>The United Nations Educational, Scientific and Cultural Organisation</u>
VSB	<u>Vereniging Surinaams Bedrijfsleven (Surinamese Business Association)</u>
WEF	<u>World Economic Forum</u>

► 1. Introduction

In early 2019, during the development of Suriname's Decent Work Country Programme (DWCP), tripartite constituents in the country sought assistance with creating an enabling business environment for sustainable enterprises to start, consolidate and grow. During the exercise, constituents raised that the country required support to increase enterprise productivity and to remove barriers that hinder national productivity. As a first step toward achieving these goals, the International Labour Organization (ILO) agreed to undertake an Enabling Environment for Sustainable Enterprise (ESEE) assessment with a special focus on the external factors affecting business productivity.

The ILO, with support from experts in the area of productivity and surveys, developed a standard survey to be used for an ESEE assessment focusing on productivity, which capitalizes on the general ESEE methodology of the ILO. This methodology was initially developed to assess, advocate and reform the environment in which enterprises start up and grow, and adapted to investigate productivity. It allows stakeholders to identify major constraints hampering business development and productivity and fosters dialogue between workers, employers and the government to reach shared policy recommendations. The assessment forms the basis for the adoption of reforms leading to unlocking entrepreneurial potential, supporting productivity enhancements and boosting investments that can help generate overall economic growth, create better jobs and reduce poverty³.

For the purpose of this study, productivity is defined as "a ratio between the volume of output and the volume of inputs i.e. it is a measure of how efficiently production inputs, such as labour and capital, are being used in an economy to produce a given level of output. Broadly, productivity measures can be classified as single factor

productivity measures (relating a measure of output to a single measure of input, e.g. labour productivity) or multifactor productivity measures (relating a measure of output to a bundle of inputs, e.g. multifactor productivity) and is considered a key source of economic growth and competitiveness."⁴. This study also looks at external factors – i.e. those that do not directly relate to the internal working and management of businesses.

1.1 Country Overview

Suriname is a factor driven economy heavily dependent on the production and export of natural resources, mainly timber, oil, bauxite, gold, and other precious minerals. The mining sector is particularly important as it accounts for approximately 85 per cent of exports and 27 per cent of government revenues.⁵ However, the heavy reliance on commodities for trade has made the economy vulnerable to external shocks, which adversely affects its economic growth. In fact, the GDP growth rate of Suriname has been declining in recent years reaching an estimated low of -4.9 per cent in 2019.⁶ Due to the COVID-19 pandemic these projections are likely to be even lower in 2020. Furthermore, Suriname has reported a negative current account balance for the majority of the period 2017 to 2019. In 2017, the ratio to GDP was 1.89 per cent but it declined to -3.41 per cent in 2018 and further declined to -10.71 per cent in 2019 with projections of -12.01 per cent expected in 2020.

Although the mining sector is the main foreign exchange earner, 79.9 per cent of the workforce operates in the services or "tertiary" sector primarily based in in the districts of Paramaribo and Wanica (See Table 1). Between 2015 and 2019, Suriname's labour force participation rate hovered around of an average of 26 per cent⁷. Additionally, the most recent Suriname Business Count in 2016 reported

3 See: www.ilo.org/eese

4 https://www.oecd-ilibrary.org/economics/productivity/indicator-group/english_0bb009ec-en

5 https://www.cia.gov/library/publications/the-world-factbook/geos/print_ns.html

6 <https://www.imf.org/external/pubs/ft/weo/2020/01/weodata/download.aspx>

7 <https://data.worldbank.org/indicator/SL.TLF.ACTI.1524.ZS?end=2019&locations=SR&start=2015>

► Table 1: Company and Workforce Distribution by District and Sector

Grouped Sectors	Companies	Workforce	Paramaribo	Wanica	Nickerie	Other Districts*	Interior**
Primary Sector ⁸	330	5135	2624	45	15	78	2373
Secondary Sector ⁹	1480	14984	9879	1552	796	1687	1070
Tertiary Sector ¹⁰	9448	55535	40861	5137	2508	3509	3500
Government, Education & Healthcare ¹¹	439	5021	3860	557	87	363	140
Other ¹²	8	24	18	0	0	0	0
Total	11705	80699	57242	7291	3406	5637	7083

Source: Suriname Business Count 2016

*Other Districts include Coronie, Saramacca, Commewijne & Para

** Interior includes Sipaliwini, Brokopondo & Marowijne

that 89.8 per cent of businesses were classified as micro (< 10 employees) and provided 36.8 per cent of employment opportunities. **FIGURE 1**

The country faces several challenges including weak reserves, exchange rate depreciation, inflationary pressure and high government debt¹³. The inflation rate in Suriname was reported as approximately 22 per cent in 2017 but it experienced a notable decline to 6.9 per cent in 2018 and in 2019 a further drop to 4.3 per cent¹⁴. A 2018 policy brief by the Inter-American Development Bank (IDB) highlights that Suriname faces additional challenges in developing its human capital, which undermines its economic growth prospects¹⁵.

There are also notable issues with broadband connectivity and internet access. Evidence of this is reflected in the 2017 internet penetration rate of 49 persons per 100, which was much lower than the Latin American and Caribbean average of 63 persons per 100.

According to the Political Rights Index, which measures the extent to which the law provides citizens the ability to choose their government in free and fair periodic elections held by secret ballot and based on universal and equal suffrage, in 2019 Suriname was ranked 61st out of 195 countries.¹⁶ In the same year, Suriname ranked 80 out of 195 countries on the Civil Liberties index, which

8 Agriculture, Forestry & Fishing, Mining and Quarrying

9 Manufacturing, Electricity, Gas, Steam and Air Conditioning Supply, Water Supply, Sewerage, Waste Management & Remediation Supply, Construction

10 Wholesale and retail trade, repair of motor vehicles and motorcycle, Transportation and Storage, Accommodation and Food Service Activities, Information & Communication, Financial and Insurance Activities, Real Estate Activities, Professional, Scientific & Technical Activities, Administrative and Support Service Activities, Arts Entertainment and Recreation, Other Service Activities

11 Public Administration & Defense, Compulsory Social Security, Education, Human Health and Social Work Activities

12 Activities of Households as Employers, Activities of Extra-territorial Organizations and Bodies

13 <https://www.imf.org/en/News/Articles/2017/01/24/PR1714-Suriname-IMF-Executive-Board-Concludes-2016-Article-IV-Consultation>

14 <https://www.imf.org/external/pubs/ft/weo/2020/01/weodata/download.aspx>

15 Khadan, Jeetendra, Development challenges in Suriname / Jeetendra Khadan, p. cm. — (IDB Policy Brief ; 279), May 2018

16 <https://knoema.com/atlas/Suriname/Political-rights-index>

measures the freedom of a citizen to exercise customary rights, such as freedom of speech or assembly, without unwarranted or arbitrary interference by the government; such a right as guaranteed by the laws of a country¹⁷. These indices suggest some degree of consideration for human rights in Suriname with room for improvement.

The International Monetary Fund (IMF)¹⁸ suggests that Suriname should seek ways to achieve structural economic reform and make the necessary fiscal and monetary policy adjustments to achieve macroeconomic stability. These policy initiatives should be coupled with changes in the regulatory environment, which currently does not facilitate the ease of doing business and has stymied private sector development¹⁹. This is troubling since private sector development, specifically as it relates to increased entrepreneurship, innovation and productivity, is desperately needed to transition the economy away from its over reliance on the mining sector.

1.2 Aim of the EESE assessment report focusing on productivity

The main objective of the EESE assessment with a focus on productivity is to elucidate the general perceptions of the business community and its labour force on various aspects of the business environment that could potentially affect the proper functioning of enterprises, including external factors affecting productivity in Suriname. The study does not look per se at internal factors within firms affecting their performance and productivity.

The findings of the study are expected to support the Centre for Innovation and Productivity in developing an initial action plan and form the basis for broader tripartite dialogue towards the formulation of recommendations and reforms to further unlock the potential of enterprises and entrepreneurs in Suriname. Finally, the findings and

the action plan will form the basis for continued work between the ILO and tripartite constituents in the development of joint 3-5 year action plans to improve the business environment, the levels of productivity, generate economic growth and create better jobs.

1.3 Methodology

During the EESE process, both quantitative and qualitative approaches were used to collect primary data, which was then triangulated with secondary data from international sources (e.g. World Bank, World Economic Forum (WEF), and United Nations Development Programme (UNDP)). This approach provided additional validity to the findings and information to fill in gaps.

In the quantitative phase, an adapted version of the ILO's EESE questionnaire to Suriname and to external factors impacting productivity, was administered, primarily face to face²⁰ with business owners/managers (218) and workers (30) from a cross section of the primary secondary and tertiary business sectors in Suriname. Based on business population distribution presented in Table 1, the majority of companies belong to the tertiary sector and are heavily concentrated in Paramaribo and Wanica. Due to time and other constraints, data collection was focused in these districts. Additionally, the sample mirrored closely the sector distribution of these companies. The sample of workers was comprised of twelve (12) females and (18) males who were predominantly from Paramaribo. A breakdown of the composition of the final sample is presented in **TABLES 2, 3 and 4**.

¹⁷ <https://knoema.com/atlas/Suriname/Civil-liberties-index>

¹⁸ IMF Country Report No. 18/376 2018, Article IV Consultation; Press Release; Staff Report and Statement by the Executive Director for Suriname.

¹⁹ International Bank for Reconstruction and Development, International Finance Corporation and Multilateral Investment Agency and Country Partnership strategy for Suriname, Period Financial Year 2015-2019, Report No: 91238-SR, April 2015

²⁰ There were only four (4) questionnaires completed online

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► **Table 2: Breakdown of Sample of Survey Participants by Location**

	Business Owners/ Managers	Workers
Paramaribo	177	24
Wanica	36	5
Commewijne	4	1
Saramacca	1	
Total	218	30

► **Table 3: Breakdown of Sample of Survey Participants by Sector**

	Business Owners/ Managers	Workers
Primary	8	1
Secondary	48	5
Tertiary	152	13
Government Education and Healthcare	10	11
Total	218	30

► **Table 4: Breakdown of Sample of Business Owner/Manager Survey Participants by Firm Size***

	Number of Participants	Percent
Micro	101	46.3
Small	57	26.1
Medium	36	16.5
Large	6	2.8
N/A	18	8.3
Total	218	100

* Micro <10 employees, Small 10-49 employees, Medium 50-250 employees, Large >250 employees

The selection of participants for the survey was carried out using a combination of quota and snowballing sampling techniques. An initial list of contacts was compiled from different sources and followed by a referral approach where each participant was encouraged to recommend an eligible individual. Thirdly, the survey was promoted on social media to get additional participants. The combined efforts yielded an overall response rate of approximately 20 per cent.

The companies represented in the survey were at various levels of formality. Table 5 below provides a detailed breakdown of the registration status. The majority of firms were formalized to some extent.

► **Table 5: Breakdown of Sample of Business Owner/Manager Survey Participants by Type of Business Registration**

Type of Registration	Yes	No
Resort/district Business Permit	110	84
Registration with the Tax Authority	174	34
Registration of the Owner with APF	101	93
Registration of the Owner with SOR	128	65
Registration of the Owner with BAZO	118	78
Registration of the Employees with APF	101	100
Registration of Employees with SOR	139	64
Registration of Employees with BAZO	115	90

The qualitative phase included focus groups with workers and owner/managers as well as interviews with key informants. Two focus group sessions were held with five (5) business owners/managers and six (6) workers. Selection criteria for both focus groups were to have representatives of both the formal and informal sectors, of businesses of different sizes and years in operation, spread across the country's main sectors. Participants were selected from the list of those requested to take the survey but who had for

different reasons not been able to take part in the quantitative phase.

Two rounds of in-depth interviews were carried out with a total of 11 representatives of government, workers' and employers' organizations.

The questions asked in the in depth interviews and the focus group sessions sought to build upon the areas covered in the quantitative phase in order to gain deeper insight. The in-depth interviews were carried out during the early phases of the national lockdown imposed after the first cases of COVID-19 (May 29th – June 3rd 2020 for all respondents except VSB, which was concluded on June 24th 2020). In addition to questions linked to EESE and productivity, key informants were asked about their perceptions of the impact of COVID-19 on enterprises and the business environment in the country. It is worth noting however that the major spike and increase of COVID cases in Suriname came after these interviews were completed.

1.4 Limitations

The data collection team faced several challenges during the research process. First, the official list of registered businesses is outdated and data from the informal sector is not recorded in a centralized database. This had implications on the sampling. Secondly, the questionnaire was perceived as complex for small business owners/managers, informal business owner/managers and workers. Respondents in both surveys (especially Business Owner/Managers) found the questionnaire too long and some questions unnecessary. Lastly, secondary data for Suriname is scarce and often outdated by 2-3 years. Nevertheless, valuable insights were generated on the potential impact of the economic, social and political environment on productivity in Suriname through gathering and triangulation of data from different sources – from perception surveys, to literature reviews and interviews. Some initial reflections on COVID-19 were also captured.

► 2. Economic Conditions

2.1 Enabling Legal and Regulatory Environment

Enterprise development requires favorable and encouraging legal and regulatory environment backed by strong institutions with effective monitoring and enforcement powers. There are many benefits to having a strong legal and regulatory environment including increased business formality, employment, investment and taxation. However, a legal and regulatory environment that does not properly address corruption or one that is burdened with extensive bureaucracy can have a negative effect on productivity. This type of environment forces companies to devote a significant amount of time to non-business related matters such as establishing relations with governmental officials. These types of activities often result in an increased cost of doing business.

2.1.1 Business Owner/Manager Perspective

The majority of business owner/managers surveyed perceive Suriname's regulatory environment to be either sometimes a hindrance (48 per cent) or a major obstacle (14 per cent). Additionally, the survey results suggest that the level of bribery in Suriname makes daily activities and investment difficult as over 85 per cent of respondents agreed that bribery is a burden on their businesses. Generally, answers were evenly split regarding the degree to which the regulatory environment is business friendly, as 43 per cent of respondents had a positive perception while 49 per cent did not.

Most of business owner/managers surveyed (59 per cent) also reported that the legal and regulatory environment is unpredictable and not transparent. The survey yielded mixed results with respect to the notion of whether administrative burdens make daily work and investments difficult. While roughly half of the individuals

surveyed agreed, the remaining respondents disagreed to these statements, as illustrated in **FIGURE 1**.

According to focus group participants, the effectiveness of laws and regulations to control firm behaviour is limited as few companies regularly apply them and enforcement is weak in Suriname. Additionally, it was mentioned that there is currently no government body that regularly assesses whether companies comply with regulations and that employees do not regularly inquire about labour laws and workplace legislation. They mostly do so when there is a conflict. This issue is compounded by the perception that not all stakeholders are included in the process of amending policy or developing new regulations. The perception of a weak regulatory framework was shared by workers particularly as it pertains to their rights. There were reported cases in which employers did not, or irregularly, pay the mandatory staff insurance and pension contributions.

2.1.2 Secondary Data

These perceptions are supported by the country's most recent rankings on the World Bank's Regulatory Quality Index and the Ease of Doing Business Index. The Regulatory Quality Index measures the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. Suriname was ranked between the 27th and 32nd percentile among 214 countries between 2016 and 2018²¹, well below the Latin American and Caribbean average, which was around the 58th percentile for the same period.

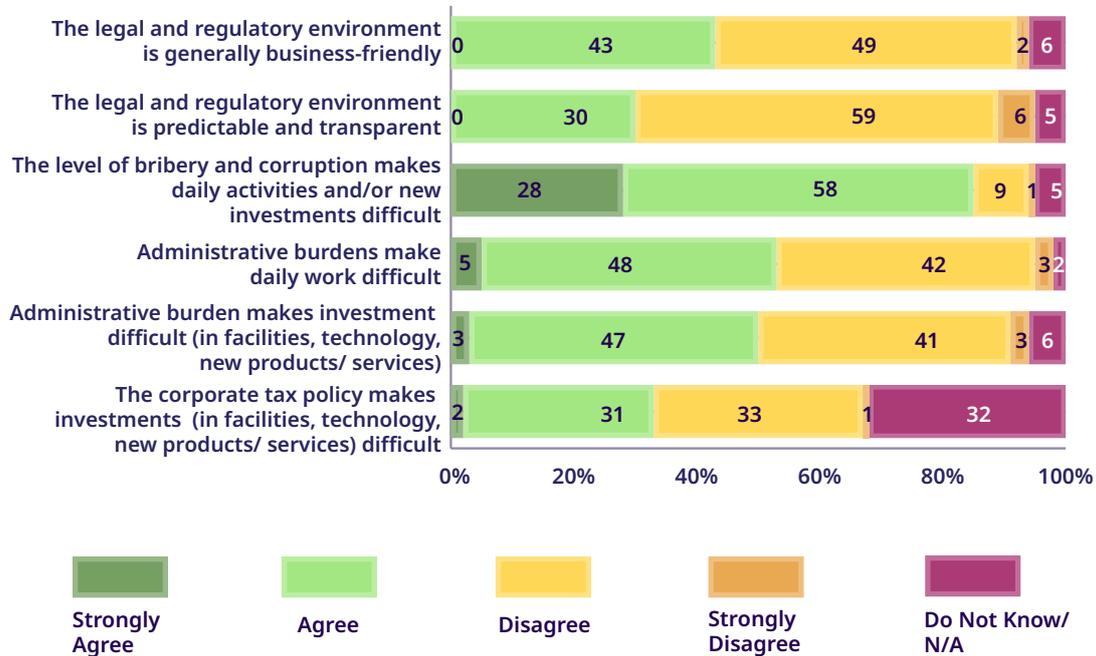
The Ease of Doing Business Index on the other hand specifically measures regulations directly affecting businesses,²² which is linked closely to productivity and is a direct determinant of investment attractiveness.

Suriname has maintained a weak ranking over the past five years and is currently ranked 162 out

21 <http://info.worldbank.org/governance/wgi/>

22 <https://www.doingbusiness.org/en/rankings>

► Figure 1: Owner/Manager Perceptions of Suriname's Legal and Regulatory Environment



of 190 countries.²³ The World Economic Forum's Global Competitiveness Report 2016-2017 stated Suriname possessing several problematic factors affecting the ease of doing business, namely, inefficient government bureaucracy, corruption, access to finance and an inadequately educated workforce.

The starting a business sub-index is known to have a strong positive correlation with productivity. Evidence suggests that regulatory reforms making it easier to start a formal business are associated with increases in the number of newly registered firms and with higher levels of employment and productivity. Conversely, overly cumbersome regulation of startups is associated with high levels of corruption and informality²⁴. Suriname is currently ranked 171 out of the 183 countries, up one place from 2019²⁵. Starting

a business in Suriname thus continues to be burdensome.

2.2 Trade and Sustainable Economic Integration

Regional and international trade integration has the potential to increase productivity for companies through the increased access to cheaper raw materials and advanced technology and equipment. It is argued that trade openness brings many economic benefits, including increased technology transfer, transfer of skills, increased labour, total factor productivity and economic growth and development²⁶. Additionally, open trade policies put companies head to head with international rivals by creating opportunities to enter foreign markets and conversely allowing

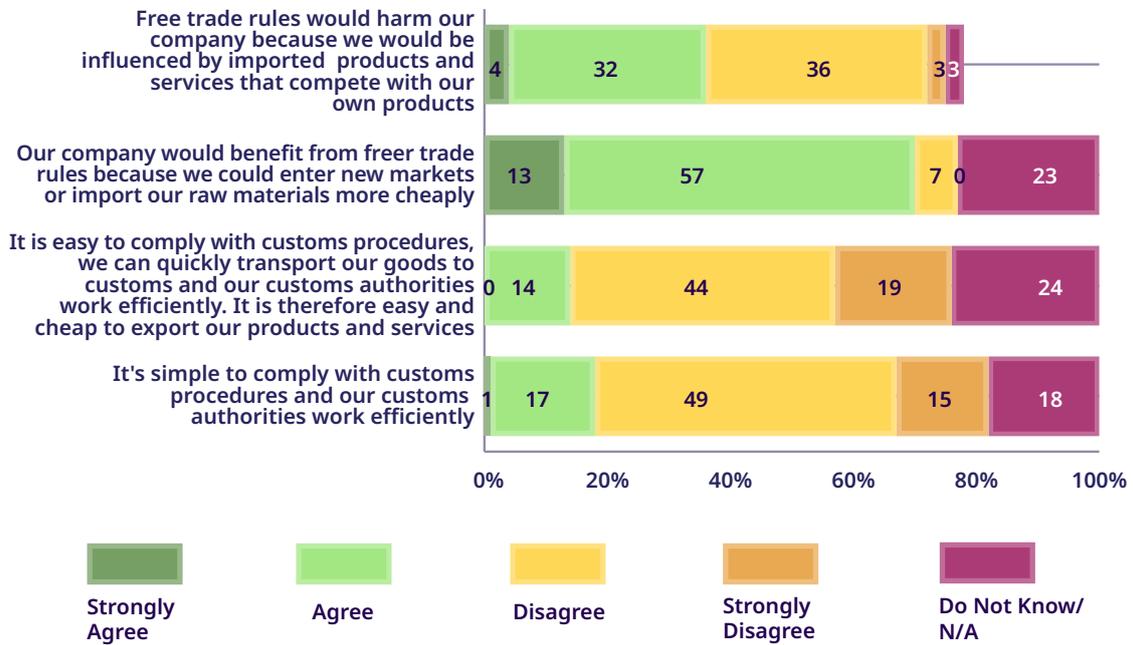
²³ <https://www.doingbusiness.org/en/rankings>

²⁴ <https://www.doingbusiness.org/en/data/exploretopics/starting-a-business/why-matters>

²⁵ <https://www.doingbusiness.org/en/data/exploretopics/starting-a-business>

²⁶ https://www.economicsonline.co.uk/global_economics/trade_openness.html

► Figure 2: Owner/Manager Perceptions of Trade Regulations



international companies to enter the local market. This situation therefore places pressure on companies to improve their productivity in order to compete effectively.

While some firms will be able to make the necessary adjustment to compete successfully, others may be forced to leave the market, which can produce issues such as job displacement and increase income inequality. Therefore, the costs and benefits of trade and suitable economic integration policies must be carefully assessed. Consequently, there may be varied perceptions of the benefit of trade and economic integration in Suriname.

2.2.1 Business Owner/Manager Perspective

The vast majority of respondents to the survey perceive regional economic integration as either very important (56 per cent) or important (33 per cent). In general terms, survey respondents favour freer trade regulations. Over two thirds of the polled owners and managers agreed that freer trade rules would benefit their

companies, while only about one third indicated that freer trade rules may harm their company.

FIGURE 2

Weak institutional systems appear to undermine the ease of trade, as approximately 53 per cent of respondents perceive the efficiency of customs authorities with respect to processing imports and exports as either poor or very poor, which can limit the ability of firms to operate effectively.

This trend was consistent across all of the tradable sectors as seen in FIGURE 4.

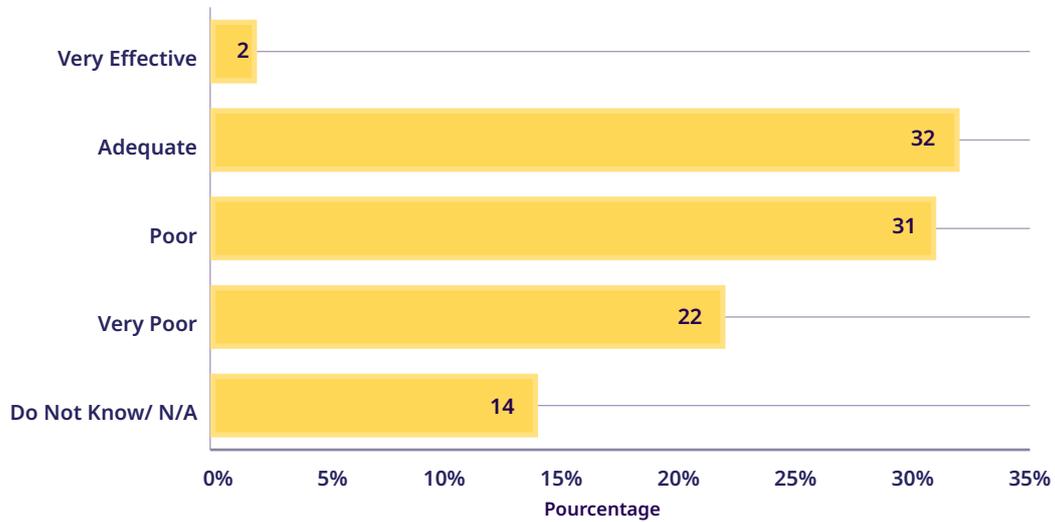
When answers from respondents are compared based on business size, representatives from large firms appear to be especially disappointed with the efficiency of the existing customs procedures. The majority (83 per cent) found the efficiency of the authorities to be poor or very poor.

FIGURE 5

2.2.2 Key Informant Interviews

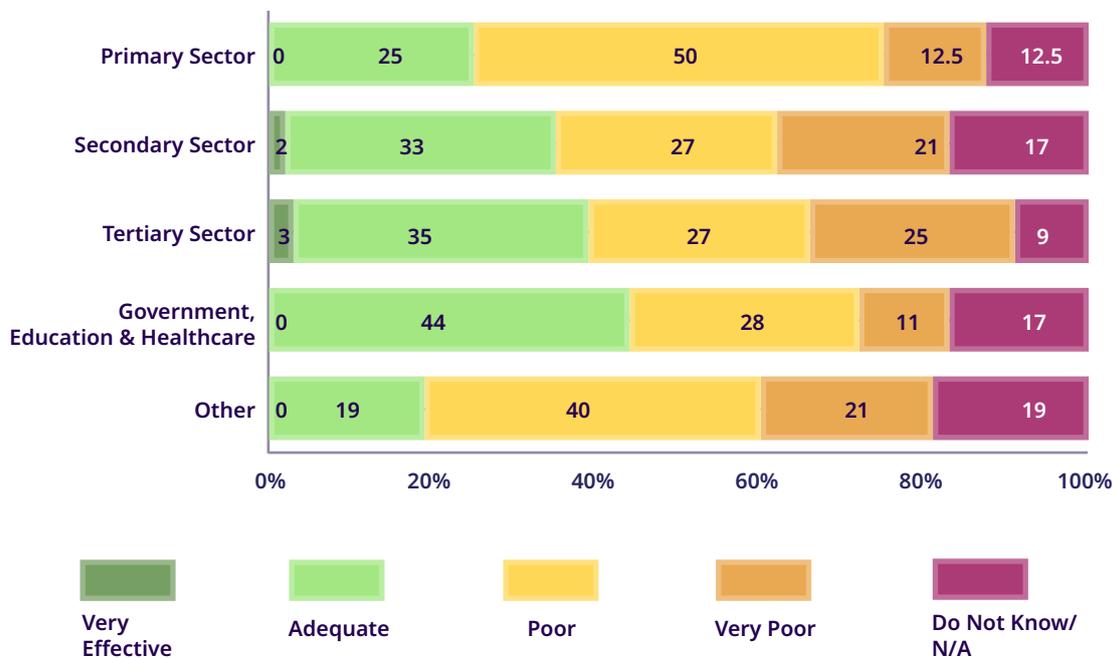
Key informants perceive that successive governments failed to modernize the system and

► Figure 3: Owner/Manager Perceptions of the Efficiency of Customs Authorities*



*How do you assess the efficiency of customs authorities in processing imports and exports?

► Figure 4: Owner/Manager Perceptions of the Efficiency of Customs Authorities by Sector*



*How do you assess the efficiency of customs authorities in processing imports and exports?

► Figure 5: Owner/Manager Perceptions of the Efficiency of Customs Authorities by Firm Size*



* How do you assess the efficiency of customs authorities in processing imports and exports?

** Micro <10 employees, Small 10-49 employees, Medium 50-250 employees, Large >250 employees

incorporate greater use of ICT solutions in the trade and logistics infrastructure of the country. Trade and Logistics data collection and dissemination by freight and shipping service providers is uncoordinated and decentralized. Additionally, respondents are of the view that local entrepreneurs do not sufficiently utilize ICT based marketing and e-commerce solutions for doing business across borders. This was partly attributed to the poor quality of ICT infrastructure and the high cost of internet services.

Currently, there are limited direct flight connections in Suriname which causes both scale and time disadvantages when trading across borders. One example given was that it is easier to export goods to the Netherlands via the mid-Atlantic route compared to exporting goods to the CARICOM region (e.g. Barbados). As a result, companies are sometimes hesitant to take on export initiatives because of cost versus yields considerations. Concerns were raised about potential

corruption in the industry stemming from the cash-based payment system that exists at the nation’s ports. With the push from social distancing with COVID-19, it will be important to see if there are growing efforts towards the use of cash-less payment systems.

2.2.3 Secondary Data

The World Bank’s Trade across Border Ranking corroborates the perceptions of trade and logistic inefficiencies expressed by respondents. The Trade across Border ranking classifies countries according to the time and cost associated with the logistical process of exporting and importing goods. Measures are derived from three sets of procedures within the overall process of exporting or importing a shipment of goods: documentary compliance, border compliance and domestic transport. In 2018, Suriname was ranked 87 out of 190 countries²⁷ suggesting that there are

27 <https://www.doingbusiness.org/en/rankings#>

deficiencies in one or more of these areas. This is especially concerning since the country relies on foreign markets for approximately 50 per cent of GDP²⁸. This situation is exacerbated by the COVID-19 pandemic, which has severely disrupted local and international supply chains making it even more difficult for businesses in Suriname to trade across borders and connect international buyers going forward.

2.3 Fair Competition

The rules for fair competition are major building blocks of market economies. Fair competition forces firms to cut costs, to innovate products and/or to reform management practices. The removal of anti-competitive practices at the national level creates a level playing field for all companies, whereby the most productive and innovative firms outperform their competitors. According to the treatment effect hypothesis if one could, *ceteris paribus*, transplant a firm from a less to a more competitive market that firm would exhibit an increase in measured productivity²⁹.

2.3.1 Business Owner/Manager Perspective

The survey found that the Surinamese Government's role in ensuring fair competition has significant room for improvement. While 17 per cent of owners and managers believe that the Government's policies and industrial regulations ensure fair competition, an overwhelming 73 per cent either disagree or strongly disagree. Survey respondents are split evenly between supporting and opposing the notion that their business activities, including daily operations and investment are negatively affected by unfair competition.

Responding to whether foreign companies receive special conditions and incentives, more than half of the respondents (54 per cent) felt that there was no special treatment given to

foreign companies by the Government. However, 22 per cent of survey respondents perceived this to be the case. **FIGURE 6**

Further drilling into the perception of special treatment of foreign firms revealed this view was mostly held concerning primary or extractive sector (see **FIGURE 7**).

2.3.2 Key Informant Interviews and Secondary Data

Key informants believed the country's anti-monopoly policies were favorable and the prevalence of monopolies was limited to the provision of utilities in Suriname. However, according to the most recent data from the World Economic Forum's (WEF) measure of the effectiveness of anti-monopoly policies and extent of market dominance, Suriname was ranked 125 out of the 144 countries based on the measurement of effectiveness of anti-monopoly policies³⁰ and 86 out of the 144 countries on the extent of market dominance in 2015³¹. The main weakness identified by key informants is the absence of a specific institute for anti-monopoly to enforce the anti-monopoly policies.

The prevailing view is that companies in Suriname are very averse to competition and do not view competition as a challenge to becoming more innovative. According to most recent data from WEF 2014-2015, Suriname was ranked 98 out of 144 countries on the intensity of local competition. However, between 2016 and 2017 the country recorded a growth in the number of new business registrations per 1000 persons from 1.14 to 2.29³² and outperformed the Latin American and Caribbean average of 1.57 for the same period indicating a small increase in entrepreneurial activity.

28 https://data.worldbank.org/indicator/NE.EXP.GNFS.ZS?name_desc=false

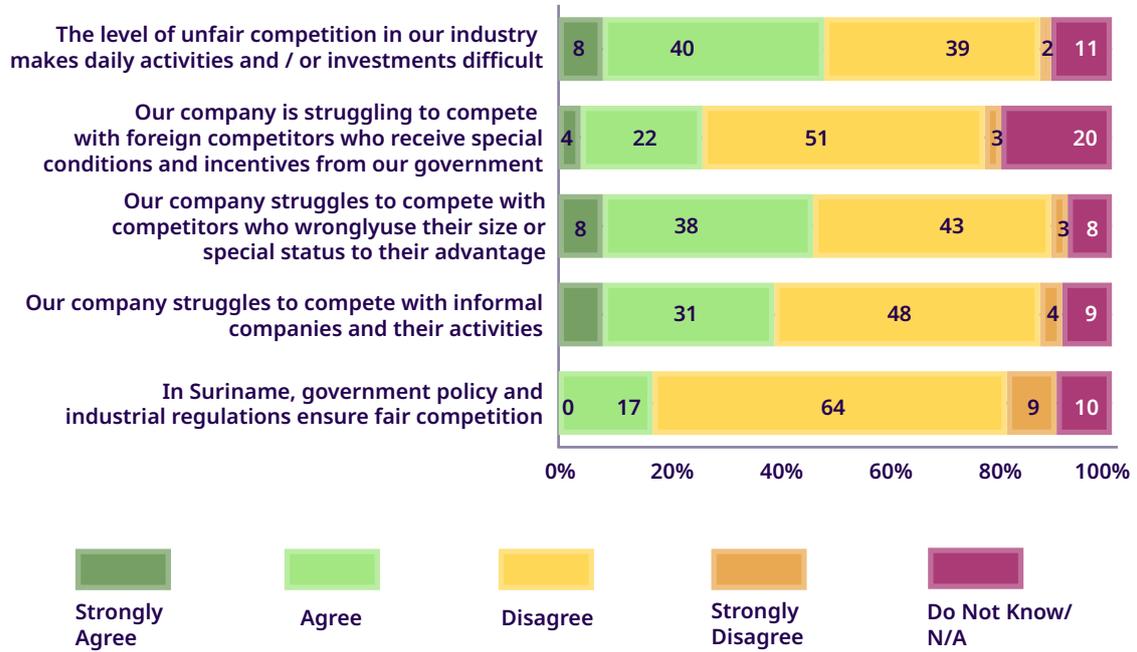
29 https://www0.gsb.columbia.edu/mygsb/faculty/research/pubfiles/15059/backus_2014_wp_procom.pdf

30 <https://reports.weforum.org/global-competitiveness-report-2014-2015/rankings/>

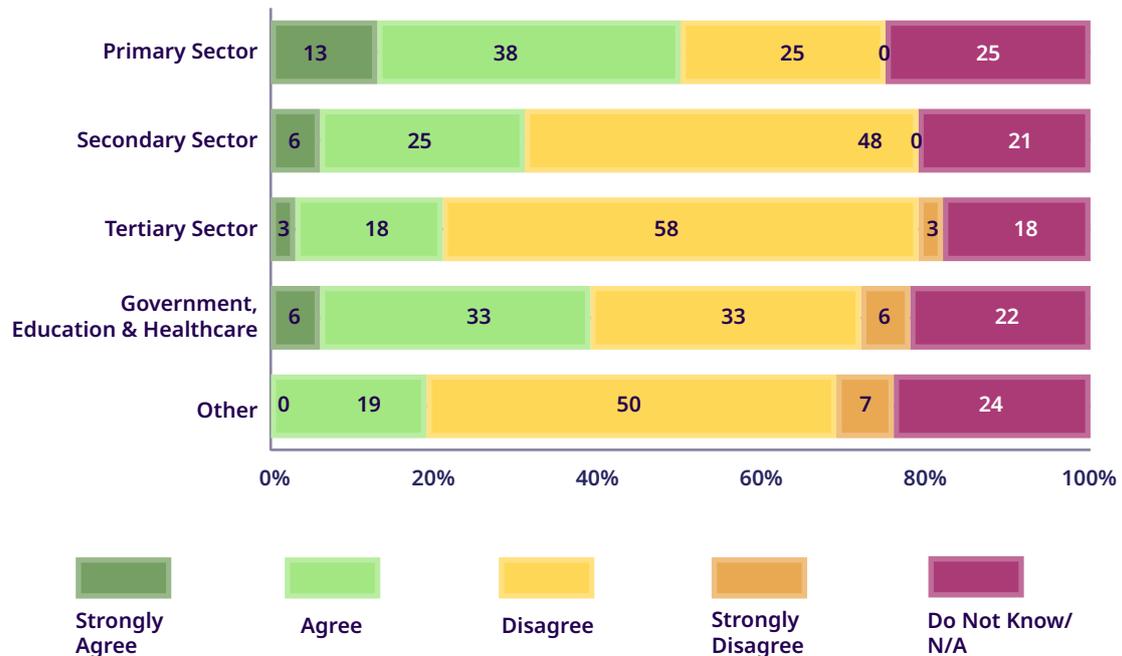
31 <https://reports.weforum.org/global-competitiveness-report-2014-2015/rankings/>

32 <https://data.worldbank.org/indicator/IC.BUS.NDNS.ZS?end=2017&locations=SR&start=2015>

► Figure 6: Owner/Manager Perceptions of Fair Competition



► Figure 7: Owner/Manager Perceptions of Unfair Competition among Foreign Firms by Sector*



*To what extent do you agree with the statement: Our company is struggling to compete with foreign competitors who receive special conditions and incentives from government.

2.4 Information and Communication Technologies (ICTs)

The use of ICTs) has become a fundamental component of organizational productivity. ICT improves the speed of processing information and streamlines communication methods, which reduces labour and coordination costs. Easy and affordable access to ICT enables firms to become more competitive and innovative, thus presenting large transformative potential. ICTs may also promote substantial firm restructuring by improving equipment utilization and reducing inventory. Moreover, the possibility of developing better communication channels with suppliers, clients, knowledge providers, and competitors may increase innovation capacity. Investments in ICT and their increased usage are therefore major factors to be considered when seeking to increase productivity. Therefore, an understanding of the following dynamics in Suriname is central to designing effective public policies to promote ICT adoption and increase firm productivity.

2.4.1 Business Owner/Manager Perspective

Business owners and managers in Suriname generally perceive that ICT is readily available and affordable for their companies. A large proportion of respondents (almost 50 per cent) indicate that they do not perceive a lack of ICT in general terms and further point out that ICT availability is adequate to drive innovation. Furthermore, 55 per cent of business owner/managers perceive that their company has access to adequate expertise and financial resources to use ICT effectively.

Generally, almost 50 per cent of survey respondents perceive that laws and regulations in Suriname facilitate the productive use of the internet. Simultaneously, about one fifth of participants stated “do not know” in response to this question, suggesting that a fairly large segment of respondents are not well informed about this issue. **FIGURE 8**

These perceptual trends were generally consistent across business sectors with the exception of a large portion of Government, Education and Healthcare (56 per cent) and Primary Sector (50 per cent) participants who believed that the lack of access to ICT has made daily work more difficult (**FIGURE 9**).

Additionally, 44 per cent of participants from the Government, Education and Healthcare and 37 per cent of Tertiary Sector participants perceive that the level of innovation within their organizations are stymied by the lack of access to ICT (**FIGURE 10**).

In contrast, views expressed by participants in the workers’ focus group suggest there is a general tendency to use old systems in Suriname: both, in terms of organizational structures but also with respect to ICT. There was a call for a change towards new technologies and increased digitization to drive innovation capacity and increase productivity in the work place.

2.4.2 Key Informant Interviews

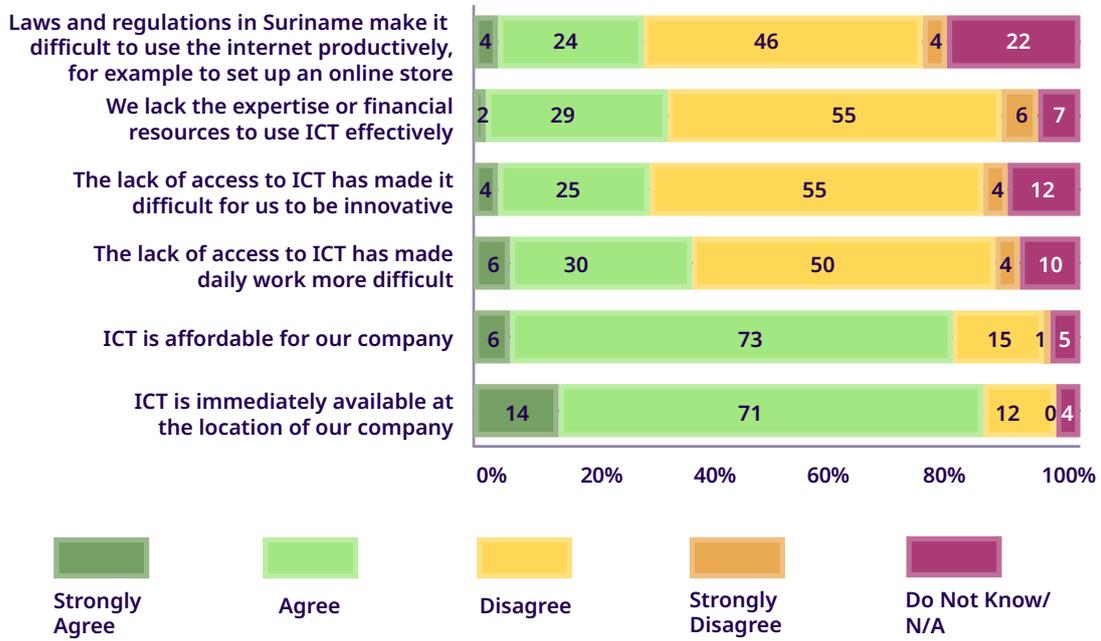
Key informants indicated that ICT initiatives for companies in Suriname positively correlate with scale and capital. It is more common to observe investments in ICT development among larger firms. This may be due to the levels of competition they face, which pushes them to seek greater efficiency and quicker access to markets. On the other hand, it is perceived that smaller companies with less capital only make ICT investments when it is unavoidable. Potential reasons included a lack of knowledge and competence in the use of ICT solutions, lack of appreciation for the benefits in relation to the cost, and resistance from workers for fear of job loss.

2.4.3 Secondary Data

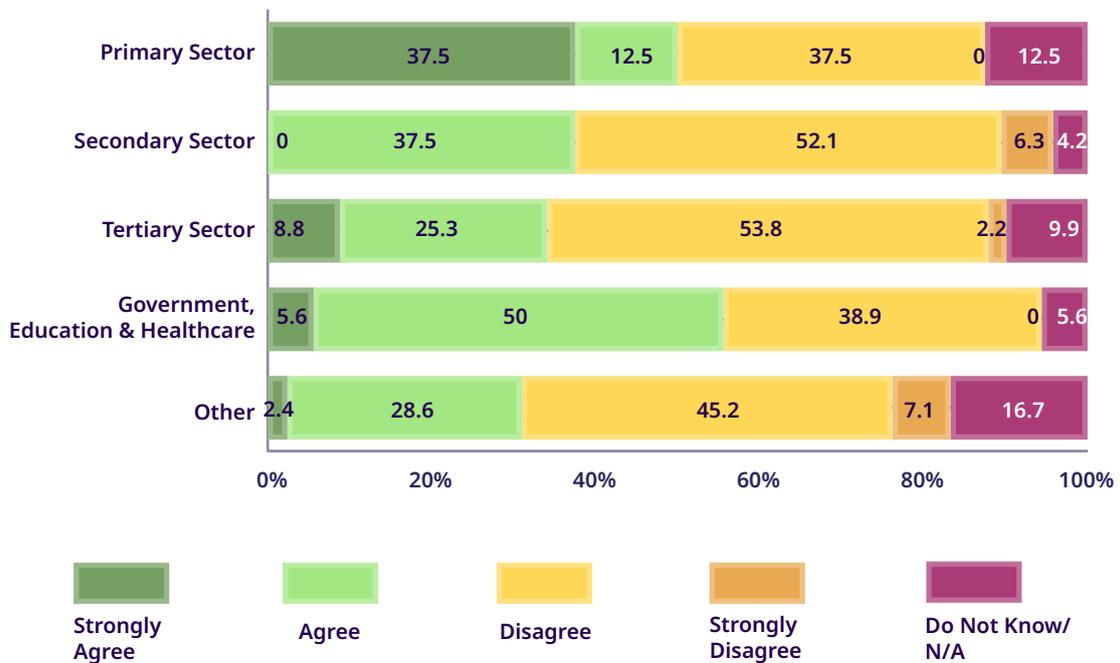
According to the most recent WEF ICT Development Index for Suriname, used to gauge and compare the level of development of ICTs for any given country, in 2017 the country was ranked 88 out of 176 countries confirming more can be done in this area³³. Similarly, on the Networked Readiness Index, which measures how well an economy is using ICTs to boost competitiveness

33 <https://www.itu.int/net4/ITU-D/idi/2017/index.html>

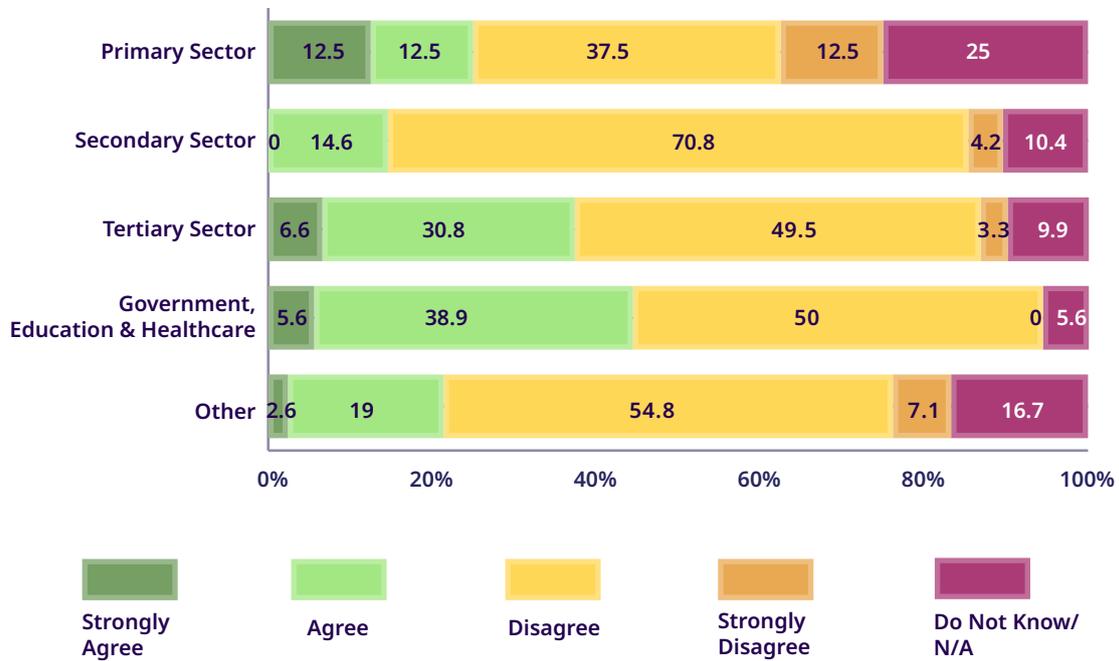
► Figure 8: Owner/Manager Perceptions of ICT and Productivity



► Figure 9: Owner/Manager Perceptions of ICT Access and Productivity by Sector*



► Figure 10: Owner/Manager Perceptions of ICT Access and Innovation by Sector*



*To what extent do you agree with the statement: The lack of access to ICT has made it difficult for us to be innovative.

and well-being³⁴, in 2015 Suriname was ranked 113 out of 143 countries. The internet penetration rate in Suriname in 2017 was 49 persons per 100, which was much lower than the Latin American and Caribbean average of 63 persons per 100 again emphasizing deficiencies in its ICT development. In 2018, fixed broadband subscriptions (p 100), which measures fixed subscriptions to high-speed access to the public Internet (a TCP/IP connection), at downstream speeds equal to or greater than, 256 kbit/s, equaled 13 persons per 100³⁵, similar to the Latin America and the Caribbean average.

ICT platforms are playing a key role in helping persons stay connected with businesses (e.g.

through e-commerce) and to each other during the COVID-19 pandemic. This situation further emphasizes the urgent need for upgrades to the ICT infrastructure in the country and to the development of skills in the maintenance and use of ICT. The pandemic can be a catalyst for Government to engage ICT service providers and invest in solutions to improve the current level of connectivity in the country. COVID-19 pandemic is likely to force many companies in Suriname to fast-track ICT uptake and usage as they attempt to remain solvent.

34 <https://www.weforum.org/agenda/2016/07/what-is-networked-readiness-and-why-does-it-matter/>

35 <https://data.worldbank.org/indicator/IT.NET.BBND.P2?end=2018&locations=SR&start=2014>

► 3. Social Conditions

3.1 Education, Training and Lifelong Learning

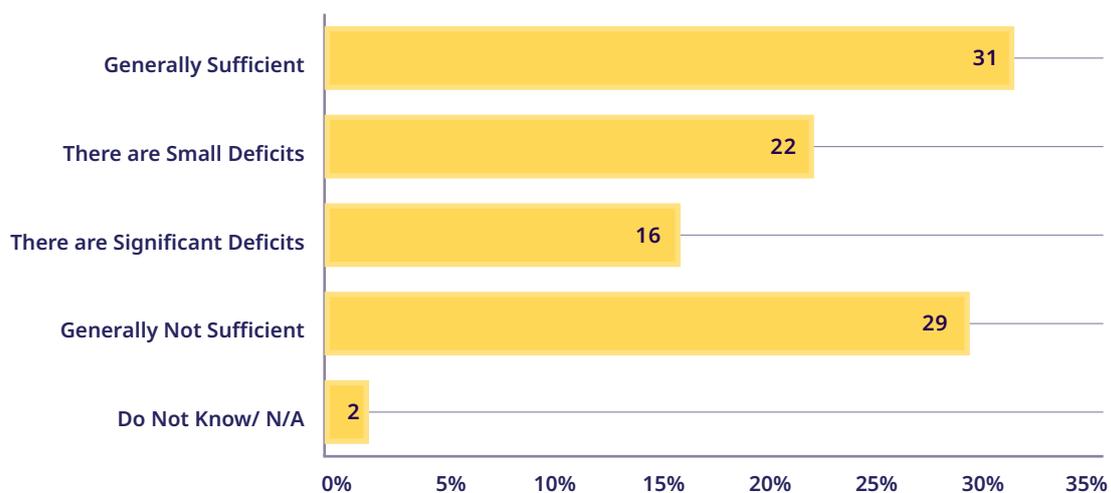
Human capital, that is the set of skills, health and knowledge possessed by an individual, is an important contributor to productivity growth and ultimately to poverty reduction and shared prosperity. Consequently, high-quality institutions of vocational and higher education, training and lifelong learning are critical elements for countries seeking to develop a highly skilled and motivated work force. Everything else being equal, a well-trained and highly skilled worker is more likely to outperform his/her untrained counterpart, resulting in increased firm productivity. While ICTs and regulations provide the relevant framework and appropriate instruments, a well-educated and skilled workforce is key to sustainable economic development. In addition, it plays a very crucial role in securing economic and social progress and improving income distribution.

3.1.1 Business Owner/Manager Perspective

Business owners' and managers' perceptions regarding vocational training in Suriname differs quite substantially from that of workers. While 31 per cent indicate that in general there is sufficient vocational education in Suriname, 22 per cent state that there are small deficits and 16 per cent indicate that there are significant deficits. Interestingly, 29 per cent of respondents perceive that there is generally insufficient vocational education. **FIGURE 11**

A closer look at the owner/managers' perceptions across the various sectors (**FIGURE 12**) reveals that the most substantial deficiencies in vocational training are perceived to exist for the Primary and Tertiary Sector. Sixty three per cent of respondents in the Primary Sector and 56 per cent of respondents in the Tertiary Sector expressed there were significant deficits in the vocational training offered or it was generally insufficient.

► **Figure 11: Owner/Manager Perceptions of Vocational Education***



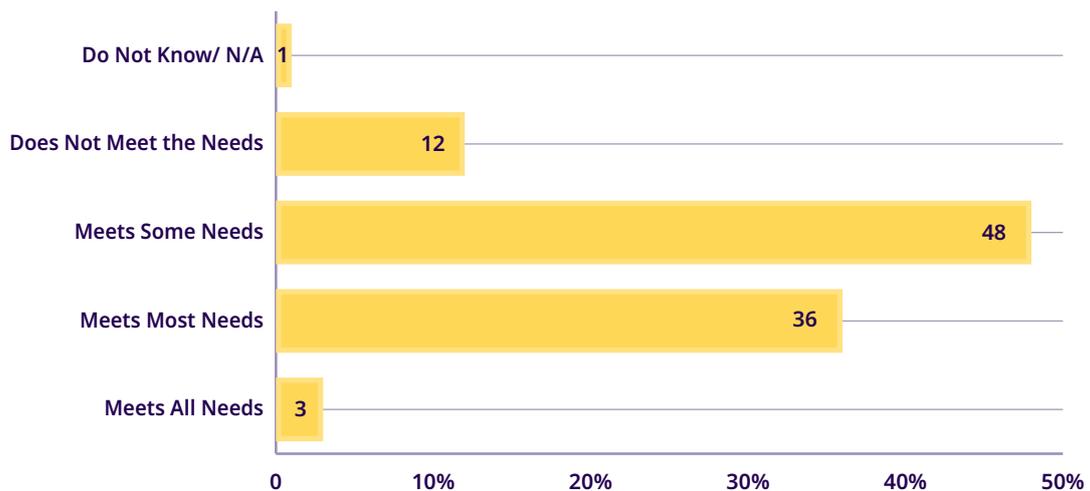
*Do you think that there is sufficient vocational education in Suriname?

► Figure 12: Owner/Manager Perceptions of Vocational Education by Sector*



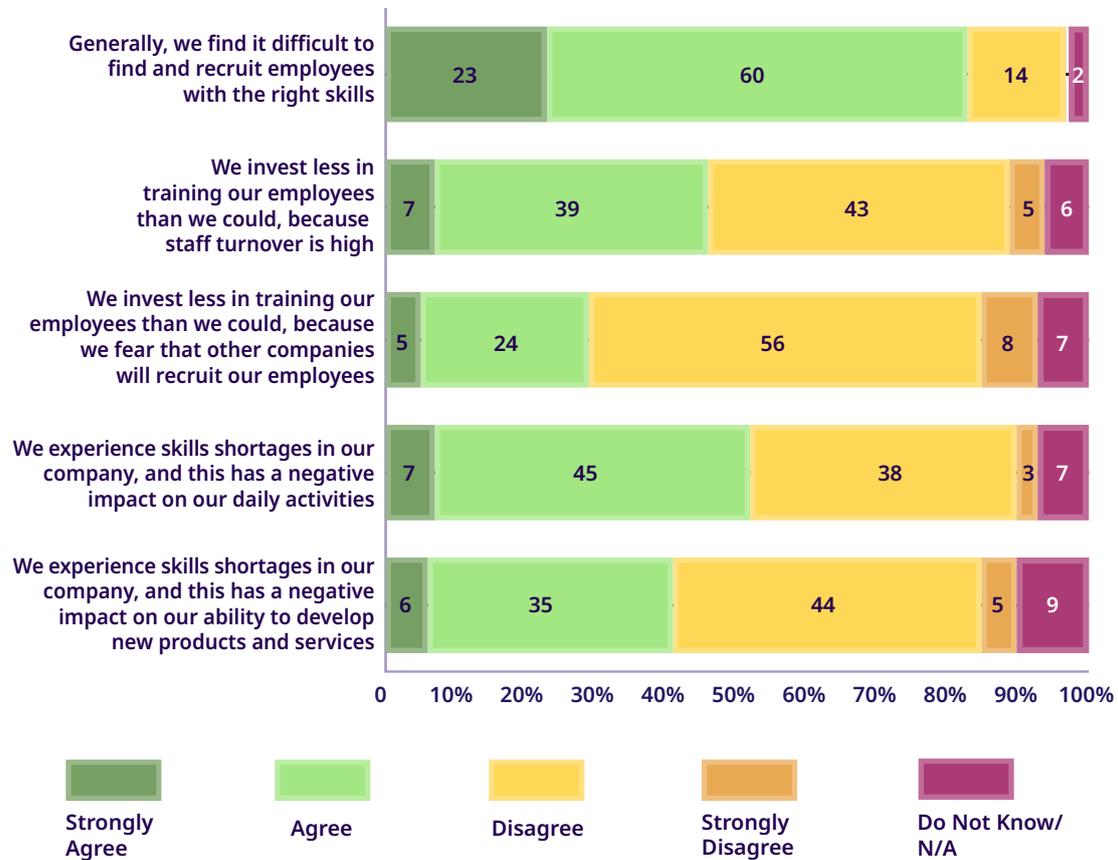
*Do you think that there is sufficient vocational education in Suriname?

► Figure 13: Owner/Manager Perceptions of Higher and Vocational Education in Suriname*



*To what extent do you think that higher and vocational education in Suriname meets the needs of the business community?

► Figure 14: Owner/Manager Perceptions of Employee Skills Shortages and Impact on Business



The majority of respondents (48 per cent) indicate that higher and vocational education in Suriname only meets some of the country’s needs. Just over one third of respondents perceive higher and vocational education in Suriname to meet most needs, while only 3 per cent believe that it meets all needs. **FIGURE 13**

Business owners and managers in Suriname see the recruitment of employees with the right skill sets as a major obstacle to business growth. Almost 75 per cent of respondents indicate that the identification of skilled workers is difficult. Moreover, roughly 50 per cent agree that their companies experience skills shortages, which negatively impact their daily activities, while roughly 40 per cent do not see skills shortages as a major hindrance to their operations.

The survey yielded fairly evenly distributed results regarding the relationship of employee turnover

and staff training. Approximately 46 per cent of respondents pointed out that high employee fluctuation is one reason why the company doesn’t invest in training, while 48 per cent disagreed with this finding. The focus group participants also pointed to high employee turnover as a reason for companies being hesitant to invest in employee training.

When asked about the available employee skills that are necessary to develop new products and services, the majority of survey respondents (50 per cent) indicated that they do not face any shortages in that specific regard. However, just over 40 per cent of business owners and managers indicated that they experience skill shortages, which have a negative effect on their ability to develop new products. Focus group participants perceived the existing education system and heavy theoretical nature of the curriculum as the underlying cause for the misalignment

► Figure 15: Worker Perceptions of Workforce Skills*



*Overall, do you think employees have the skills required/demanded by companies in Suriname?

between the skills needed and those available.

FIGURE 15

3.1.2 Worker Perspective

In contrast to the findings among the business owner/managers, Figure 16 shows that just over half of the workers surveyed, perceive that employee skill levels generally meet the demand and company requirements in Suriname. An additional third of respondents believe that there are only minor skills deficits, while only a small number of workers reported that workers have significant skills deficits or generally do not have the required skills. **FIGURE 15**

When asked about the availability of vocational training in Suriname, four out of the thirty workers who responded, reported there is sufficient training, while an additional eight indicated that there are only small deficits. The majority of workers suggest there are either significant deficits or generally insufficient vocational training in Suriname. Furthermore, Figure 17 shows that one third of the workers surveyed believe that the current level of higher and vocational education in Suriname meets most needs of the business community, while just over half think that the current educational system only meets some needs.

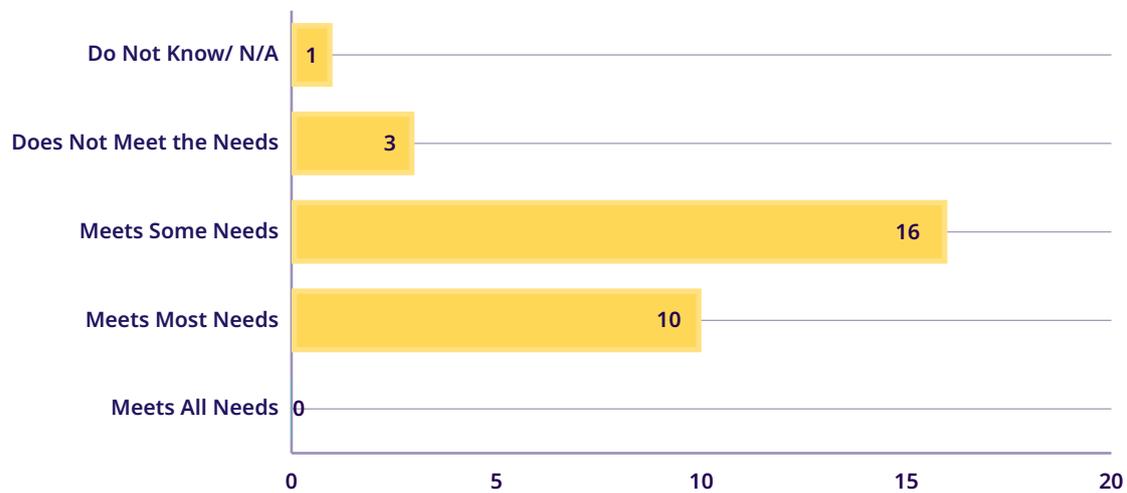
Only, three workers felt that the higher and vocational education in Suriname does not meet the business community’s needs. Focus group participants mentioned that industry relevant skills are mainly acquired through on the job training and work experience but in many cases significant effort is required to convince employers that additional training is necessary. **FIGURE 16**

Workers also reported that most companies prefer employees who are trained on the job and may invest in specific training if required. During focus group discussions, workers expressed that employers overall prefer tertiary/vocational education due to the practical knowledge employees bring to the organization.

3.1.3 Key Informant Interviews

Similar to business owners, key informants felt the level of education and skills training offered in Suriname was very low because of the poor alignment between the needs of the private sector (demand) and the education/skills training offered (supply). This also applies to vocational training, which is standardized and not adapted to the context. Vocational training falls under the purview of the Suriname National Training Authority (SNTA), an organization that many felt was not proactive

► **Figure 16: Worker Perceptions of Higher and Vocational Education in Suriname***



**To what extent do you think that higher and vocational education in Suriname meets the needs of the business community?*

enough in its effort to adapt training curricula or to stimulate cooperation with the Private Sector, Ministry of Labour and the Ministry of Education. Overall, it was felt that education is expensive in Suriname and the current system does not meet the goal of lifelong learning.

3.1.4 Secondary Data

Secondary data sources support the overall perceptions of the participants. According to UNESCO data, public expenditure on education, which includes direct expenditure on educational institutions and educational-related public subsidies given to households and administered by educational institutions, amounted to 3.44 per cent of Gross National Income³⁶ and earned the country a rank of 116 out of 186 in 2017. Based on UNDP’s education index, which measures a country’s relative achievement regarding adult literacy and combined gross enrolment in primary, secondary

and tertiary education, in 2018 Suriname ranked 109 out of 204 countries³⁷ indicating the need for interventions to improve the system. Furthermore, outside the formal education system, in 2018 only 35 per cent of firms offered formal training programs for their permanent, full-time employees³⁸, which is below the Latin American and Caribbean average of 43 per cent. The most recent WEF data on the extent to which companies invest in training and employee development ranked the country 101 out of 144 further illustrating the need for companies to make a greater effort to train staff³⁹.

3.2 Adequate Social Protection

Productivity in the workplace can be improved through the provision of key services to the workforce, including access to health care, occupational safety and health measures, unemployment

36 <https://www.indexmundi.com/facts/suriname/education-expenditure>

37 <http://hdr.undp.org/en/data>

38 <https://data.worldbank.org/indicator/IC.FRM.TRNG.ZS?locations=SR>

39 https://tcdata360.worldbank.org/indicators/entrp.staff.train?country=SUR&indicator=3447&viz=line_chart&-years=2012,2016

benefits and maternity support and protection. Although some of these policies can be seen as adding costs to the company and adversely affecting profitability, these costs may be offset by a rise in the quantity and quality of worker output resulting from better health, overall well-being and higher motivation.

3.2.1 Business Owner/Manager Perspective

When asked about the effect of poor health on productivity, 61 per cent of respondents found that it greatly affects productivity in their workplace. A further 24 per cent indicated that this negatively affects their operations to some extent. This perception was fairly consistent across all sectors.

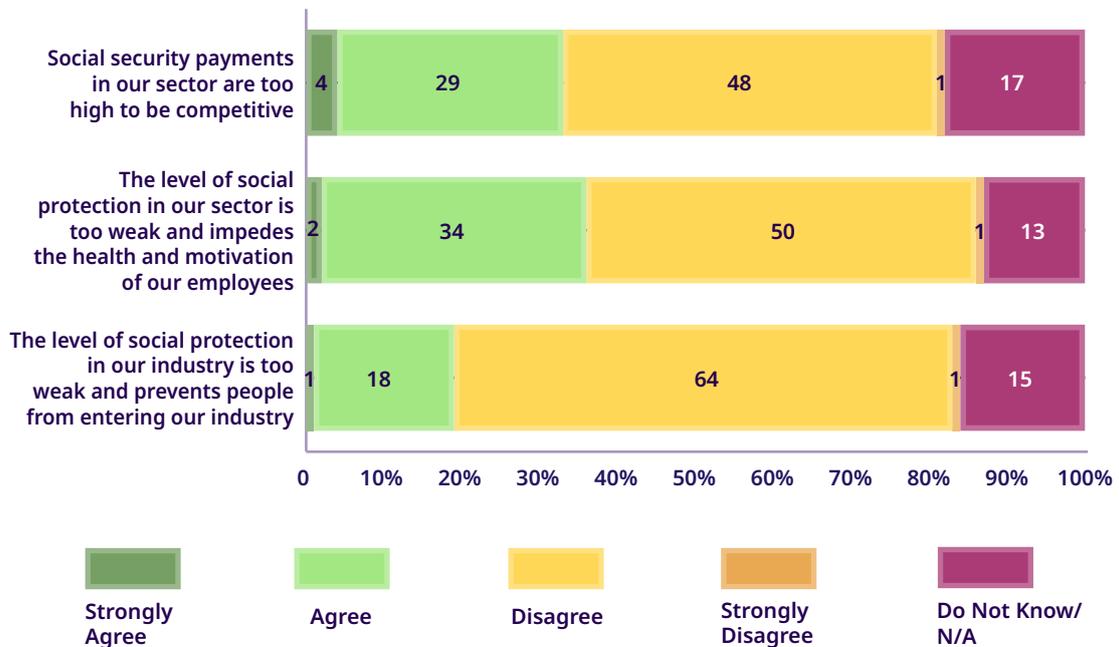
While high social security payments can impact the a firm’s competitiveness in the short run, 47 per cent of respondents generally perceive that the government’s statutory social security contributions positively affect companies. Only

22 per cent stated that these contributions have a negative impact on businesses in Suriname.

Figure 18 shows that when asked about the level of social protection in Suriname, almost half of business owners and managers indicate that social security payments are suitable. Furthermore, over half (51 per cent) of the respondents perceive the level of social protection as adequate and do not see a potentially adverse impact on employee health and motivation. On the other hand, over one third of business owners and managers (36 per cent) believe that social protection is too weak and impedes the health and motivation of their employees. There was general disagreement from 65 per cent of survey participants that the level of social protection is too weak and prevents people from entering the industry. **FIGURE 17**

However, business owners/mangers expressed the view that currently poor health affects productivity at the workplace, especially in physically intensive jobs. Additionally, there is the general perception among owner/managers that while

► **Figure 17: Owner/Manager Perceptions of Social Security Contributions and their Effect on Business**



occupational safety and health practices are known and employed in most companies, they are often implemented because some of the companies' core clients demand it.

3.2.2 Worker Perspective

Significantly, the majority (23 out of 30) of workers reported that health greatly affects productivity in the workplace. With respect to the role of statutory social security contributions, half of the respondents indicated that these contributions positively affect companies in Suriname, while approximately one quarter of respondents (7 out of 30) perceived them as negative. Only three respondents believed that statutory social security contributions do not substantively affect local companies.

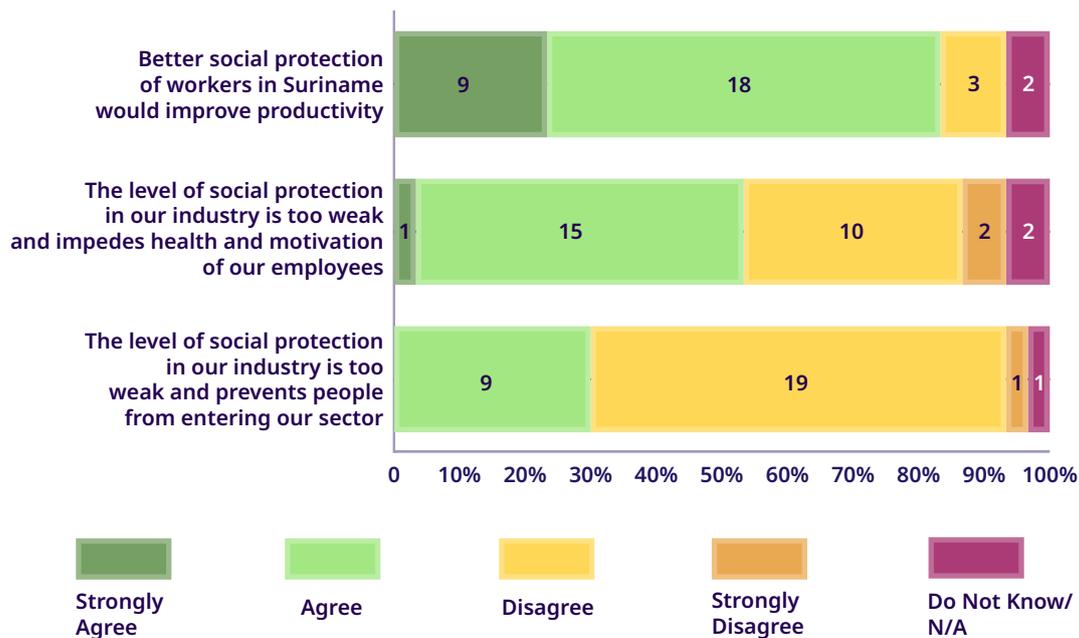
When asked whether enhanced social security would increase productivity in Suriname, the vast majority of respondents either agreed or strongly agreed (25 out of 30). Furthermore, over half of respondents (16 out of 30) perceive the level of social protection as being too weak in their industry, resulting in poor health and low motivation among employees. However, a significant proportion (20

out of 30 workers questioned in the survey) do not think that the weak level of social protection in their industry dissuades or prevents people from entering their sector. Meanwhile, nine out of the 30 surveyed workers do believe that the low level of social protection reduces the attractiveness of their respective industries to prospective candidates. **FIGURE 18**

Focus group participants generally support the survey finding that poor employee health affects productivity. Participants raised their concerns that in certain industries such as forestry, mining and fishing, employees are often physically overworked and, as a result, become less productive. The recently passed Employment Protection of Families Act was also mentioned which provides maternity protection to female workers. The correlation between the implementation of the act and the overall performance of firms over time remains to be determined.

Finally, there is the general perception that occupational safety and health (OSH) practices are generally known but their implementation could be improved. Focus group participants felt public sector officials do not regularly control OSH practices in companies and should do so more

► **Figure 18: Worker Perceptions of Social Protection and Productivity**



regularly. The need for strong enforcement of OSH practices has gained added prominence as a key strategy in the country's effort to contain the impact of the COVID-19 pandemic.

3.2.3 Key Informant Interviews

Key informants from the public sector indicated that the new Employment Protection of Families Act is still in the early stages of implementation and many businesses are either not fully aware or compliant. A majority also felt that many workers did not know or understand social protection measures. It was reported that in the formal sector, companies, especially small business, do not always comply with the obligations and opt instead to focus on production and growth. They also noted that while social protection is minimal

in the informal sector, workers still choose to operate in the sector out of necessity.

3.2.4 Secondary Data

In recognition of the importance of healthcare to the overall productivity of the country, most recent data coming out of Suriname for 2017 shows that the percentage of GDP spent on healthcare was approximately 11.7 per cent of GDP, close to the 12.4 per cent average for the rest of Latin America and the Caribbean⁴⁰. This figure is likely to increase in 2020 as the country combats the COVID-19 pandemic. With poor health already flagged by both business owners and workers as a hindrance to productivity, widespread cases of COVID-19 and its side effects could potentially exacerbate this issue in Suriname.

40 <https://data.worldbank.org/indicator/SH.XPD.GHED.GE.ZS?end=2017&locations=SR&start=2015>

► 4. Political Conditions

4.1 Social Dialogue and Respect for Universal Human Rights and International Labour Standards

Society as a whole tends to benefit from social dialogue as it facilitates the exchange of ideas as well as consensus building. Freedom of association and the right to collective bargaining are fundamental elements of an equitable and effective society that places emphasis on mutual respect and social benefits for all stakeholders.⁴¹ Labour standards and collective bargaining, if implemented successfully, encourage better and longer working relationships between firms and workers, thereby increasing mutual trust and the degree of cooperation that positively affects productivity. However, a highly unionized environment also creates the risk of reduced corporate agility i.e. slowing companies' ability to re-organize itself to take advantage of new opportunities or technological changes. It is therefore important to examine owner/managers and workers' perception of these factors in more detail.

4.1.1 Business Owner/Manager Perspective

The survey results suggest there is room for improvement in terms of government promotion of social dialogue. The majority of respondents (58 per cent) believe the government actively promotes social dialogue and utilizes the process in decision-making only to a limited extent. Only 8 per cent of respondents perceive that the government very actively or actively promotes social dialogue. Approximately 25 per cent of respondents appear disenchanted and report that the government does not promote social dialogue at all. **FIGURE 19**

When asked about the degree to which labour standards are respected in Suriname, over 56 per cent either agreed or strongly agreed that

this was the case. About one third (32 per cent) disagreed with the statement. This pattern was mirrored across all sectors with the exception of the Primary Sector where only 25 per cent of respondents agreed with this statement. **FIGURE 20**

The owner/managers in the focus groups further backed the findings of the perception survey by stating the government does not actively promote tripartite social dialogue nor does it utilize the process in policy decision making. Two major exceptions were the Chamber of Commerce and the Bureau of Standards, in which such dialogue is implemented on a small scale.

Participants pointed out that various labour or legal institutions in the country are active in dealing with conflicts between employers and workers. In many cases, when a conflict arises, employees reach out to these institutions for advice and advocacy support. The respondents also indicated that, by and large, the importance of human rights and international labour standards are respected and understood in Suriname. There was a general commitment to following international guidelines and local regulations.

4.1.2 Worker Perspective

Over half of survey respondents (16 out of 30) reported the government promotes social dialogue and uses the process in policy decision making only to a limited extent. Eight participants indicated that the government is actively involved in fostering social dialogue and only one person stated that government very actively pursues areas of social dialogue. **FIGURE 21**

The majority of workers surveyed (16 out of 30) report that labour or legal institutions and regulations are effective or very effective in resolving conflicts and disputes between employers and employees. Nine respondents indicated that they are rarely effective, while only three persons said they are not effective. **FIGURE 22**

⁴¹ <http://www.oecd.org/employment/revamp-collective-bargaining-to-prevent-rising-labour-market-inequalities-in-rapidly-changing-world-of-work.htm>

► Figure 19: Owner/Manager Perceptions of Promotion of Social Dialogue by Government*



**To what extent do you think the government actively promotes social dialogue and utilizes the process in policy decision making?*

► Figure 20: Owner/Manager Perceptions of Respect for International Labour Standards

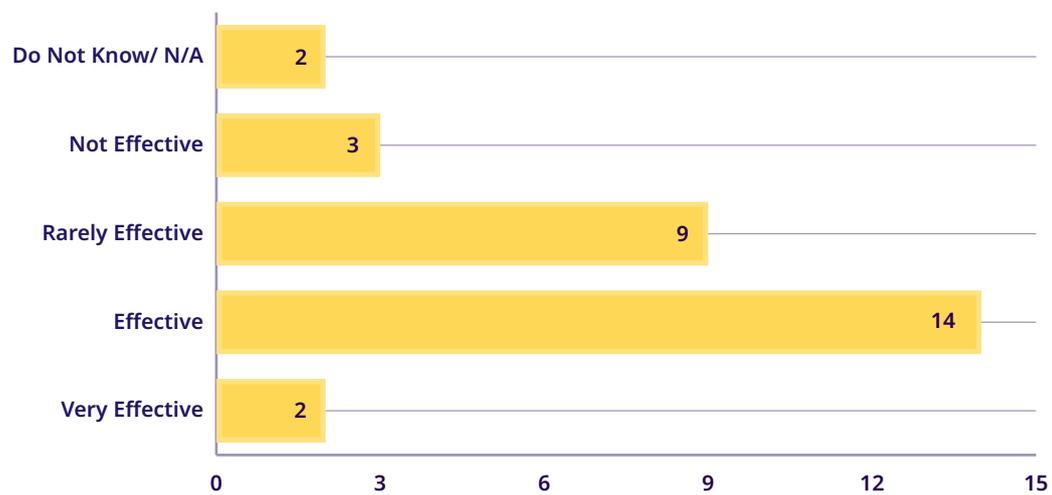


► **Figure 21: Worker Perceptions of Promotion of Social Dialogue by Government***



**To what extent do you think the government actively promotes social dialogue and utilizes the process in policy decision making?*

► **Figure 22: Worker Perceptions of Effectiveness of Institutions in Conflict Resolution***

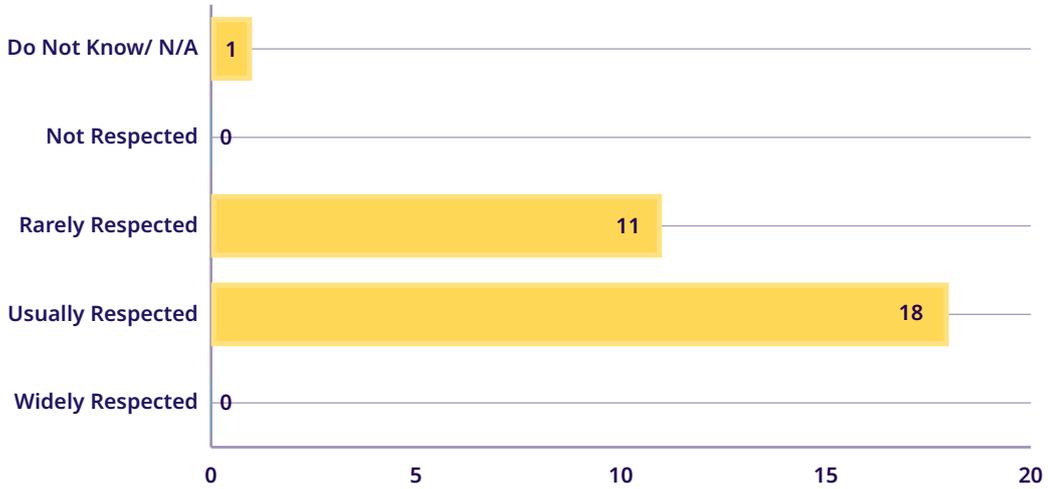


**How effective are the labor or legal institutions and regulations in resolving conflicts and disputes between employers and employees?*

When asked about overall human rights, eighteen respondents reported they are usually respected, while eleven respondents indicated they are rarely respected. **FIGURE 23**

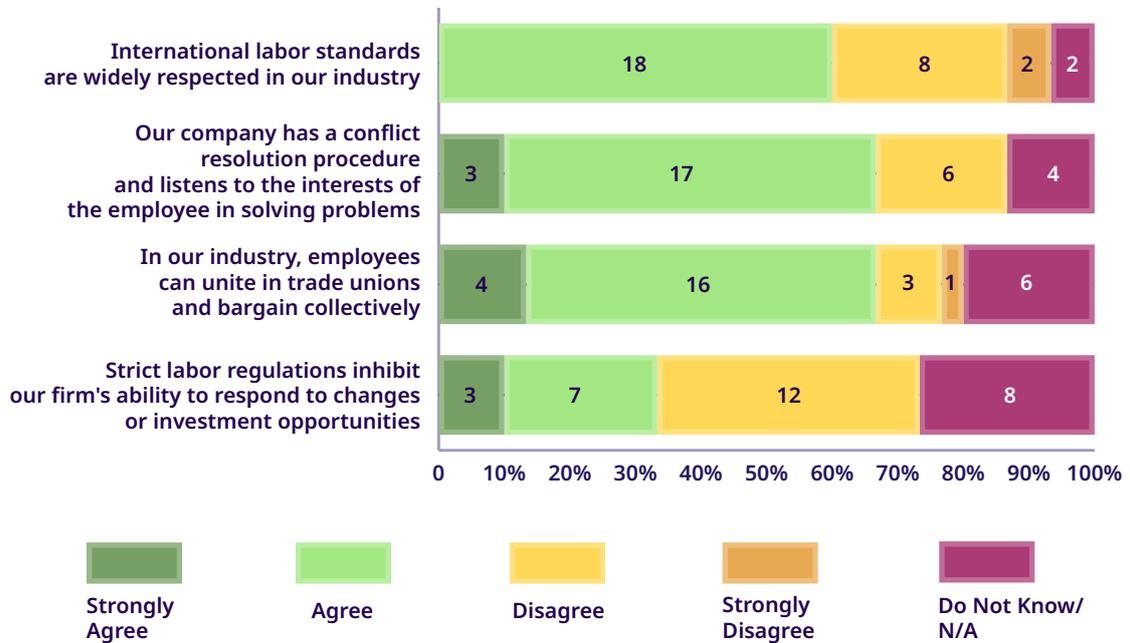
The majority of workers (18 out of 30) agree that international labour standards are widely respected in their industry and two thirds of the respondents report their company has a conflict

► Figure 23: Worker Perceptions of Respect for Human Rights*



*In general, to what extent do you think human rights are respected in Suriname?

► Figure 24: Worker Perceptions of Respect for International Labour Standards



resolution procedure and management listens to the interests of workers when solving problems. There also appears to be opportunities for workers to unite in trade unions and bargain collectively. **FIGURE 24**

When probed for more insight, workers in the focus group shared the perspective that the government does not actively promote tripartite social dialogue and there was a general feeling that the younger generation and youth related groups are seen as a threat and are hence overlooked in discussions. There was consensus that human rights and labour standards are overall understood, but not always respected, particularly those related to labour.

The general perception is that the public sector entities are characterized by a top-down structure and workplace negotiations are rarely possible. In the private sector, however, workplace relations depend on the specific organizational structure and culture of the company. Furthermore, participants perceived that in some cases, unions only get involved in the instances where they can expect direct benefits and engage when their own interests are concerned.

4.1.3 Key Informant Interviews

Key informants echoed some of the sentiments expressed in the workers' focus group citing that only few business organizations participate in tripartite dialogue largely due to mistrust. The cooperation between workers and employers has an ad hoc structure and depends on the organization's growth level (if employees are part of unions and employers of business organizations).

4.1.4 Secondary Data

Suriname has ratified 33 conventions and 1 protocol of the International Labour Standards. 31 are in force, 2 Conventions have been denounced and 1 instrument abrogated as at 2017⁴². These fundamental conventions of the ILO cover freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labour, the abolition of child labour and the elimination of discrimination in respect of employment and occupation.⁴³

42 https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11200:0::NO::P11200_COUNTRY_ID:103287

43 <https://www.ilo.org/declaration/lang--en/index.htm>

► 5. Perception of Most Important Factors to Enhance Productivity

5.1 Main Factors for Improving Productivity

The thematic areas explored to this point all form part of the necessary requirements of a business environment that promotes the creation and sustainability of productive companies in Suriname. This section looks at the relative importance placed on these areas by business owner/managers, workers and key industry experts.

5.1.1 Business Owner/Manager Perspective

Respondents of the survey believe that a number of factors impact productivity in the workplace, but by far the most important external factor identified as necessary to increase productivity, is sound and stable macroeconomic policy and sound management of the economy (68 per cent). Other major factors include fair competition, trade and economic integration and education, training and lifelong learning. Worth noting that ICT did not rank too high as an impactful factor for potential increases in productivity. This may be due to lack of understanding of how ICTs may be used or to the type of sectors in which most the respondents work in. **FIGURE 25**

The focus group with owners and managers yielded valuable insights with respect to current and future state of productivity in Suriname. In general, participants agreed that productivity in Suriname is very low and productivity is perceived to be higher in the private sector than in the public sector. This disparity is perceived to exist because the private sector firms possess more rigorous monitoring systems looking at the performance of their employees compared to Government institutions. There is also a cultural dimension to the low level of productivity since foreign employees, such as Chinese and Filipinos, are perceived to work more productively than members of the local community. Some participants also highlighted that productivity within companies are sometimes also negatively affected by external

factors such delays and shortages in the supply of raw materials from international suppliers and service delivery disruptions by value chain partners. However, participants acknowledged that within the Surinamese companies, not enough emphasis is placed on aligning employees' attitudes and roles with the company objectives.

5.1.2 Worker Perspective

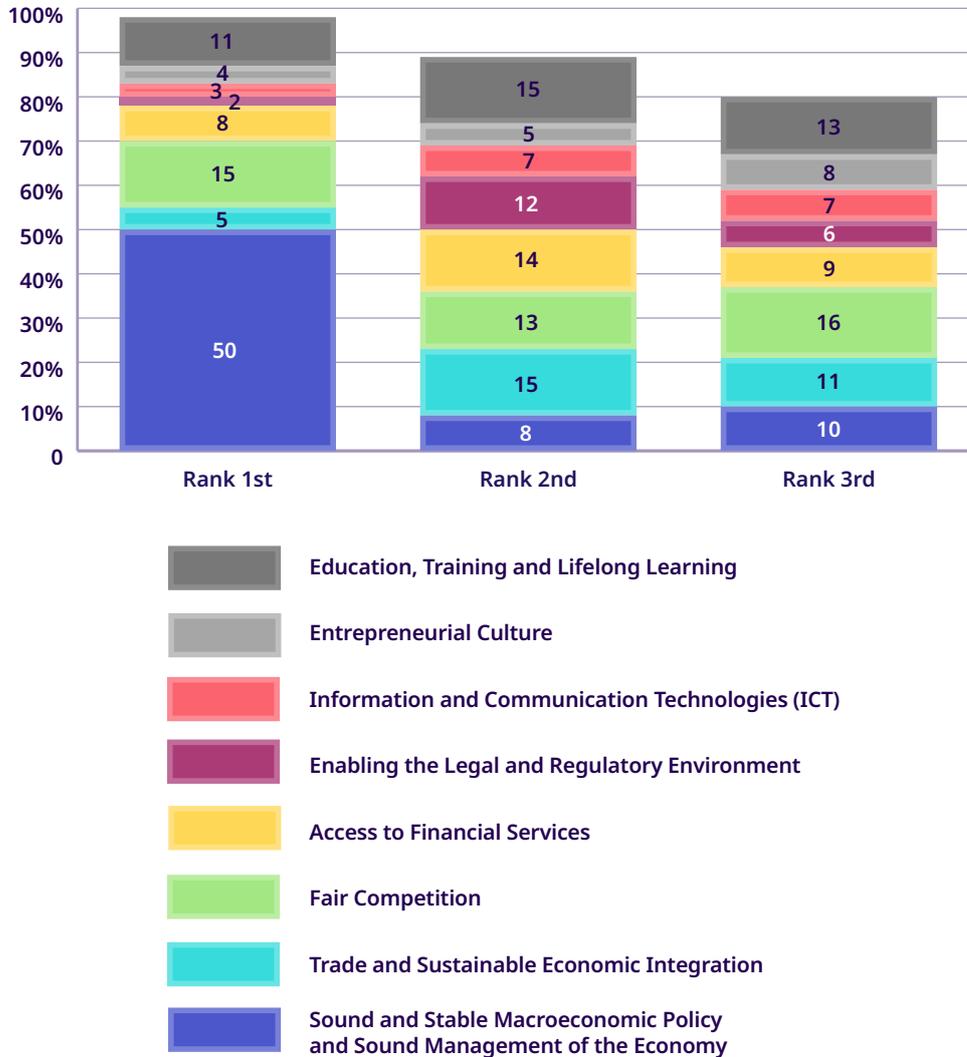
From the workers' perspective, it appears that some companies are genuinely concerned about boosting productivity since two thirds of the surveyed participants indicated that their company provides incentives or similar allowances related to productivity improvements. However, among this group it was felt that the most important external factors for improving productivity in Suriname were sound and stable macroeconomic policy and sound management of the economy along with education (13 out of 30 respondents). Furthermore, workers suggested that ICT (9 out of 30 respondents), when implemented adequately, have the potential to enhance productivity in the workplace. **FIGURE 26**

Members of the workers' focus group also further revealed that productivity often depends on a number of factors, including the size, type and structure of the company. Workers feel their productivity is hindered by unnecessary internal procedures and processes.

Several limitations and problems with respect to productivity in Suriname highlighted by the group included the lack of standardization of productivity metrics and measures, the need for more streamlined processes within organizations and limited know-how in key areas by management. It was mentioned that the appointment of managers is often based on favouritism and not on qualifications or experience. Furthermore, the lack of formal processes, power games and the lack of appreciation of employees' efforts were mentioned as central limitations to increased productivity.

Focus group participants proposed that changes are required in the Surinamese work culture,

► **Figure 25: Owner/Manager Perceptions of the Top 3 Most Important Factors to Enhance Productivity in Suriname***



*Arrange which three factors you want to see a change to improve the productivity in your company?

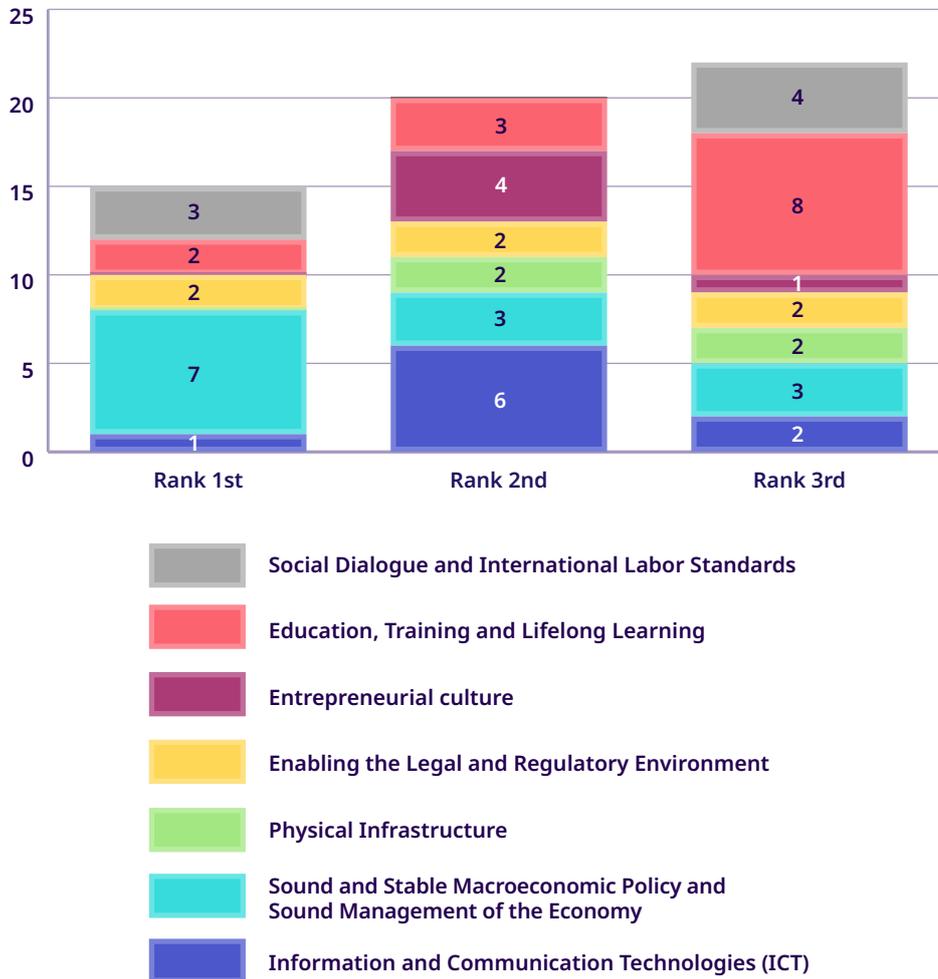
such as the elimination of favouritism during the recruitment and selection process and a change in attitudes. Participants suggested that the inclusion of different approaches in innovation such as new technologies and digitization, as well as standardization in business processes and productivity metrics and measures and a fair salary, could yield increases in productivity.

Additional interviews with key experts from the public and private sectors echoed that, in general, productivity is low due to a number of different

reasons in Suriname. Experts underscored that a lack of sound human resource management policies adversely affects productivity in the workplace. There was consensus that a good organizational incentive structure is critical to encourage employees to be more productive.

The issue of a challenging general economic climate was raised; a state of affairs that causes companies to struggle to survive. As a result, they often do not have the financial means to incentivize employees. Key informants agreed that

► **Figure 26: Worker Perceptions of the Top 3 Most Important Factors to Enhance Productivity in Suriname***



**In which three factors would you like to see change in order to enhance productivity at your company?*

proper use of ICT is critical and companies are required to stay up to date in order to remain competitive. Several informants indicated that the role of government is to provide guidance and sound policies that are aimed at increasing productivity, including the elimination of corruption.

Improvements and investment in infrastructure are required in some industries such as timber, mining and fishing. Access to affordable education is critical, as managers require the right leadership and management skills. As employees

perceive opportunities to grow within organizations and are provided with the right tools, productivity often increases.

Regional integration is perceived as a central factor for economic growth. Increased sales and revenue can help companies provide additional incentives to employees who show high performance. As such, the Government of Suriname plays a central role in creating an enabling environment that remains stable and predictable even when governments change.

▶ 6. Impact of COVID-19 Pandemic on Business in Suriname

Suriname confirmed its first imported COVID-19 case on March 13, 2020. While low numbers remained at first, positive cases began to rise considerably during June and then again July, leading to over 3,500 positive cases by the third week of August. Managing of COVID has been challenging for several reasons, among them a change in government leading to a change in the COVID Management team.

Suriname has implemented several measures to curb the spread of COVID-19 including:

- ▶ Restriction or social gatherings
- ▶ Temporary curfew (lock down)
- ▶ Closure of all schools and universities
- ▶ No in-restaurant dining (take-away services are allowed)
- ▶ Controlled access to markets and supermarkets

Suriname's airspace was closed for commercial flights on March 13 and from there a series of lockdown measures were implemented including closing of borders with neighbouring countries like French-Guyana and Guyana.

On May 25, national elections were held. Shortly after, in June, the country confirmed community spread due to greater mobility and reduced social distancing within the country and across the borders. In an attempt to reduce numbers, the government issued a total lockdown as of June 3, which was later eased at the start of July.

The COVID-19 pandemic is having a deleterious effect on the Suriname economy and the enterprises that sustain it (see the infographic below developed by the Employers' Organization VSB based on surveys carried out with their members). As a result of COVID and in an attempt to curb the spread, the Government was forced to introduce a stay at home order that brought an abrupt halt to normal business operations across

most industries. Based on the number of redundancy applications at the Dismissal Commission between May and June 2020, the Ministry of Labour reported an increase in unemployment within the private sector. Additionally, some companies experienced challenges with the payment of wages.

As measures eased, and in order to continue combating the spread of the virus, the Government mandated all institutions implement additional safety measures which continue to impact performance of workers both in the public as private sector. For example, the two-meter social distancing measures have affected the number of employees working at a time. This has forced companies to implement a shift system with fewer employees at a time. Some companies have found a niche (e.g. by producing sanitizers), but most companies (especially the industrial sector) have to endure dramatic losses in production and productivity.

In an attempt to provide some relief to the private sector, the Government introduced some measures⁴⁴:

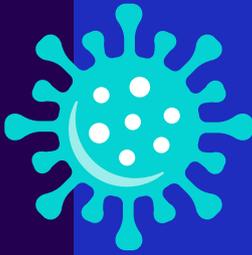
- ▶ The SRD 400 million Emergency Fund has the objective to finance social support measures including housing related expenses. This fund managed both national and international resources allocated as a result of the pandemic. This included social support measures for vulnerable groups for a period of up to six months. Food packages have been provided to vulnerable groups (as of May 4, 2020 2300 food packages).
- ▶ The SRD 300 million Production Fund was established to support small and medium-sized enterprises though no concrete information on the fund was available at the time of writing this report.
- ▶ Additionally, the Central Bank of Suriname (CBvS) temporarily lowered the local currency cash reserve requirement from 35 per cent to

44 <https://publications.iadb.org/publications/english/document/LAC-Post-COVID-19-Challenges-and-Opportunities-for-CCB.pdf>

ABOUT STIA

MEMBERS-POTENTIAL:

62%
of GDP



Covid-19 and Surinamese businesses

Based on information gathered until June 2020



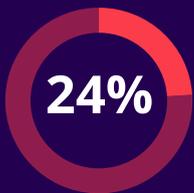
WORKERS
20,000+



of our companies are effected by Covid-19



air transportation needs
4 years
to recover



of the companies are uncertian about their future



Industry



of activities stopped

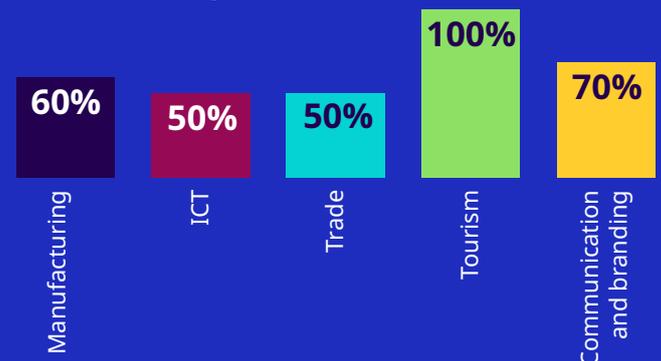


of workforce could not work



workers are beeing paid

Revenue drop



Work from home



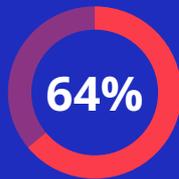
For the tourism sector, service to customers is important. No remote work possible here.



of back office workers in transportation are supposed to work from home



of the business service providers cannot work remote



of companies are not content with government approach towards covid-19



start approach was good



the economic interest is insufficiently considered



lack of a clear plan



communication is not clear enough



no support to businesses



want to see change in policy



of the tobacco market may include contraband

Leadership



Relationship with employee



27.5 per cent. This enables commercial banks to provide new short-term loans to private sector companies and to individuals affected by the COVID-19 pandemic at a special interest rate of 7.5 per cent per year, significantly than the 14.5 per cent average lending rate in March 2020. Commercial banks are authorized by the CBvS to grant 3 – 6 months deferral of payments to companies and individuals who are affected by the COVID-19 pandemic.

- ▶ The Ministry of Finance issued wage subsidy measures (tax discounts) and unemployment benefits for workers. Companies can register for support and there are wage subsidy measures (Tax discounts) and unemployment benefits available for workers. A

Social and Political Effects

In general, the Government's response to the virus is perceived at the time of carrying out interviews with key informants in late May/early June as adequate (for example closing of the borders). This may partly help explain the initial low number of positively tested people and casualties. However, since the social gathering and curfew restrictions eased up the infection rate spiked forcing the Government to revert quickly to measures that were more stringent. Among measures introduced, several social protection initiatives intended to ease the strain on displaced workers were put in place. These measures included an unemployment benefit from the COVID Emergency Fund (SRD1500 as compensation) and tax breaks. Some key informant interviews felt there had been limited social dialogue with the business community to facilitate the development of a Covid-19 response plan or to identify ways to provide additional support to employers who have had to cease operations either permanently or temporarily as a result of the pandemic.

Employers trying to survive the loss in demand are further burdened by the fact that opportunities to introduce remote work are limited, contributing further to the loss of activity and performance during the crisis. According to data collected by VSB via its members, 45 per cent of its members cannot consider remote work options because the jobs within the organization require physical presence. Another major obstacle is the fact that many employees do not possess the

required infrastructure (laptop, internet, etc.) at home to productively perform their tasks.

COVID-19 is likely to affect the social and political aspects of the enabling environment in following ways:

- ▶ Increased burden on the healthcare system can potentially lead to increased health contributions for businesses and individuals, as they might seek other ways to provide and get sufficient healthcare support (higher health insurance premiums, import of testing kits or other medical items, etc.)
- ▶ Social protection contributions for businesses could be revised upwards to offset social security payments made during the pandemic
- ▶ Stricter enforcement of OSH regulations and practices can be expected
- ▶ Provision of training to staff beyond OSH likely to be reduced as businesses contend with smaller budgets.

Economic Effects

The economic effects are being felt on the bottom lines of private sector firms and throughout the economy. So far, the economic impact of COVID-19 on both the private and public sector include:

- ▶ Drops in export sales due to closing of the air-space
- ▶ Investment plans of businesses have been put on hold
- ▶ Companies cannot operate during the stay at home order or lockdown ;
- ▶ Changes in sales due to hoarding and price increases by the wholesalers
- ▶ Loss of income, especially the tourism sector (drop of 95-100 per cent)

The exact level of business discontinuation is difficult to estimate because of the size of the informal sector. However, it was reported that so far, the production sectors appear to have been most severely affected by the pandemic but there is the need for further data collection on this issue,

at least within the formal sector⁴⁵. Overall, there has been a reduction in consumer demand and purchasing power, adding further pressure on firms trying to survive. This issue is compounded by the disruptions in supply chains locally and globally. Many sectors that are dependent on international flights for supply have been affected adversely by the closed airspace. Additionally, the adjusted working hours with reduced staff have undermined the efficiency of the local distribution network.

The pandemic crisis is serving to exacerbate the preexisting economic challenges already afflicting Suriname. The coalescence of these crises comes at a time of political transition in the country, as elections have led to a change of Government. As a result, at the time of writing this report, no concrete economic recovery plans are in place by the government.

Going forward, COVID-19 is likely to affect the economic aspect of the enabling environment in following ways:

- Increased uptake of ICT solutions by businesses seeking to improve efficiency and maintain productivity
- Continued challenges with trade, based on disruptions in international and local supply chains
- Further impairment of the financial stability of businesses which creates uncertainty to provide the monthly salaries to the workers and has significant impact on the motivation.

⁴⁵ Note: The VSB collected data regarding this subject, though the report had not been finalized or made public at the time of finalizing this report

► 7. Assessment of the Results and Way Forward

The EESE with a focus on external factors of productivity survey results highlighted a number of challenges and opportunities for the country to support and increase productivity. To a large extent, respondents perceive productivity in Suriname is low. The various dimensions that have been explored in the surveys, focus groups and interviews point to a small number of core areas that could be addressed, including a sound macroeconomic framework and trade policy, ICT and education. The role of the government here is critical. It appears that private sector stakeholders expect the public sector to provide adequate guidance and a well-designed legal framework in areas such as fair competition, social dialogue and social protection. A more inclusive and proactive government process that includes key stakeholders' views and inputs should be implemented in policy making.

Furthermore, while some respondents reported that incentive systems exist in their organizations to reward for performance, one way of enhancing productivity may include the establishment of more specific performance measures within organizations, in both the public and the private sectors. Standardization and streamlining of internal processes have the potential to increase productivity. Allegations of favouritism are worrisome because of its negative effect on productivity. Implementing objective data driven performance management systems at enterprise level could help overcome these types of issues as it forms the basis of a more transparent, objective and meritocratic culture within companies.

There were divergent opinions between business owners, workers and key informants on the effect of ICT as a leading external factor for improving productivity. Business owners are generally of the view that the lack of ICT does not affect their business but workers and key informants lament the fact that there are deficiencies in this area, especially among smaller firms. It seems owner/managers, while believing ICT is affordable and available in Suriname, are hesitant to invest in ICT because they lack knowledge or awareness of the deficiencies or limitations in the ICT their

businesses currently use. However, successful integration of ICTs is found globally to be a key driver for productivity. As expressed in one focus group, a large proportion of Surinamese workers are not familiar with online shopping and other productivity-enhancing opportunities that ICT offers which speaks to the low level of sophistication with which businesses utilize ICT solutions.

Overall, the perceptions of the employers and workers were supported by the findings from the focus group sessions, key informant interviews and secondary data. Based on these findings, specific recommendations for strengthening the environment for enterprise development and external factors that enable higher productivity are outlined below. It should be noted that COVID-19 has created a more fluid and less predictable environment, therefore the priority given to these recommended actions may need to be reviewed and revised given the context.

Economic Elements

Enabling Legal and Regulatory Environment

1. Government has to take the necessary initiative to improve the predictability and transparency of the legal business environment including more decisive measures to combat corruption.
2. Enforcement was highlighted one of the major weaknesses in the current system. Government should provide greater institutional oversight of the regulatory environment and the equitable enforcement of rules and regulations through initiatives such as conducting regulatory impact assessments⁴⁶ and the use of sunset clauses for targeted programs that specify start and end dates for these programs;
3. Government should promote greater inclusion and dialogue with and among social partners in the development of laws and regulations. One way this can be done is through the use of task forces comprising

⁴⁶ <http://eese-toolkit.itcilo.org/index.php/en/toolkit/toolkit-part-2/section-2-3/assessment-tool-12/what-is-a-regulatory-impact-assessment.html>

government representatives and social partners to address specific problems along the lines of the upcoming “Center for Innovation and Productivity”.

Trade and Sustainable Economic Integration

4. The Government has to continue to spearhead policy initiatives geared toward further opening of the economy such as mutually beneficial external partnership agreements. Ease of trade can be facilitated through the removal of trade and logistic inefficiencies, particularly with customs at ports of entry, which is perceived to hinder national productivity;
5. The Government should make greater use of ICT solutions to improve the efficiency of its port operations and adopt a centralized approach to tracking and disseminating trade and logistic data. Automation, modernization and improvement of logistics infrastructure are also critical success factors;

Fair Competition

6. There is a strong perception among business owners and workers that there is some level of inequity displayed by the Government in its promotion of fair competition. To address this issue, the Government will have to take procedural steps to become more transparent with the strict enforcement of antitrust laws through the establishment of a fair trading commission and a procurement regulatory body whose mandate would be to promote fair competition;

Information Communication Technologies

7. There is the general perception that private sector companies face productivity issues due to the use of obsolete ICT solutions. To address this, companies in Suriname should commit to continuous investment in new technologies and to become more open to the implementation of digital solutions that can positively affect productivity. This need seems to be even more pressing in times of COVID-19 where measures to slow the spread require businesses to review and update their material and use of ICTs. The Government can also play a role in promoting the further uptake of ICTs by incentivizing through vouchers or

other measures companies to utilize ICT consultancy services;

8. Many of the transparency and inefficiency issues perceived to exist within the public sector organizations could likely be addressed through the implementation of e-governance solutions. In other jurisdictions, e-governance solutions (e.g. online taxation, business registration, ID registration, grants and housing applications etc.) have been successful in removing many of the bureaucratic burdens currently faced by Suriname’s public sector. These ICT based solutions automate many of the steps involved in the delivery of Government services thus increasing the speed, transparency and accountability associated with completing these tasks. This is an area that should be given urgent attention by the Government to better streamline the efficiency of its response to COVID-19 and the measures taken to slow down its spread.

Social Elements

Education, Training and Lifelong Learning

9. The current education system is found to not meet industry needs. Changes in curriculum and teaching strategies are required particularly at the higher and vocational levels. Education service providers need to form a closer link with the private and public sector to ensure that training is better aligned to industry relevant needs, including those of ICT requirements and needs. A better balance has to be struck between the provision of theory with practical hands on training. Quality internships and apprenticeships or on the job training initiatives can be beneficial in this regard.

Adequate Social Protection

10. Government bodies responsible for oversight of occupational safety and health (OSH) standards need to increase the level of enforcement of OSH regulation in order to promote a safer working environment within companies, particularly in light of the health concerns related to the COVID-19 pandemic;
11. The Government should launch a public awareness/public education campaign to assist companies with understanding and

adjusting to the new stipulations in the recently passed Employment Protection of Families Act.

Political Elements

Social Dialogue and Respect for Universal Human Rights

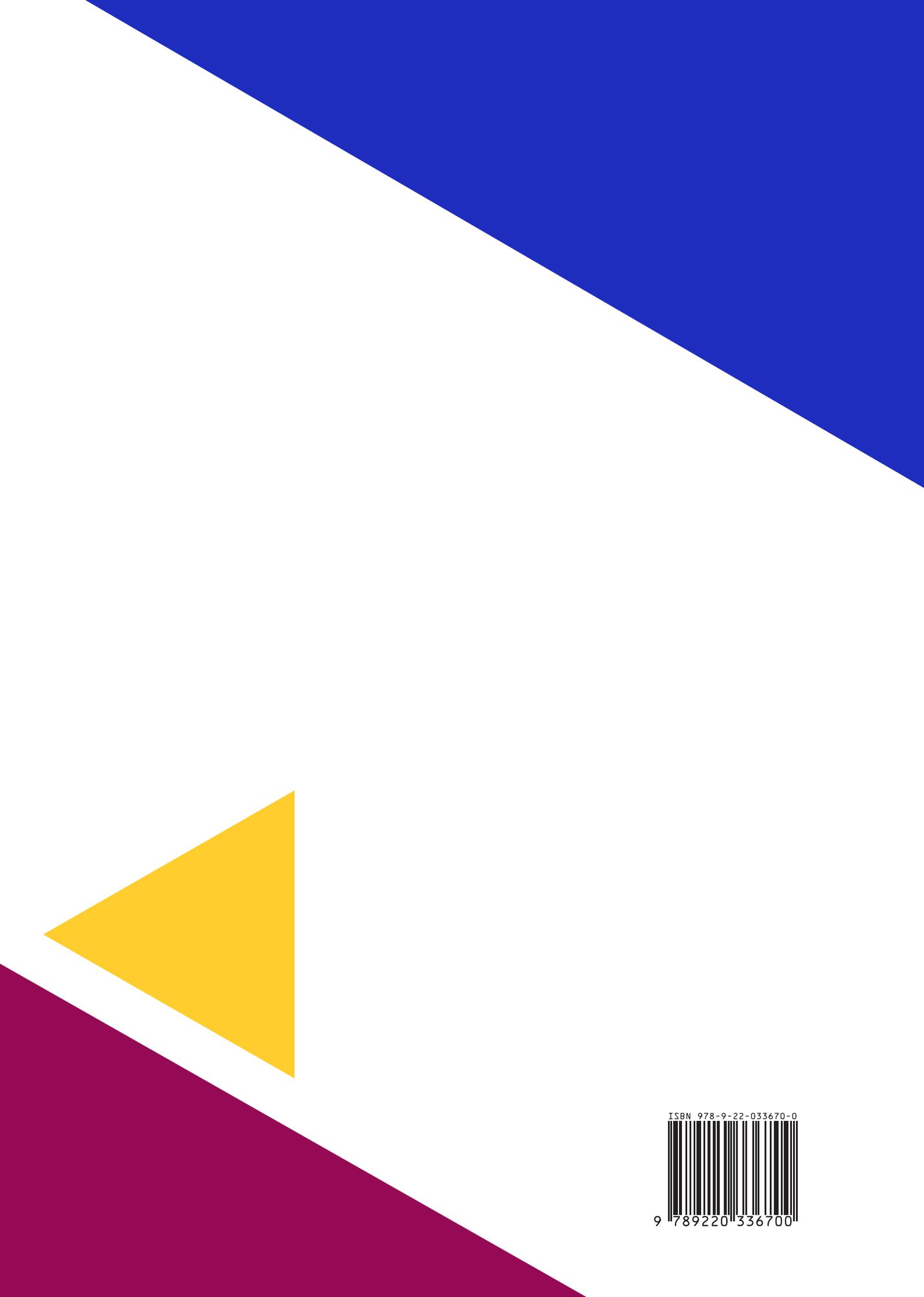
12. Key decisions in the national interest should be preempted by greater social dialogue among tripartite constituents, particularly during the policy formulation process. This step ensures greater buy in from the population and more accountable and transparent governance;

Other Considerations

13. Concern about perceived favoritism within the business sector in Suriname was noted. This

could negatively affect worker motivation and productivity. Public and private sector firms need to take steps to promote transparency in the recruitment process and have standardized procedures and processes in place for measuring performance and productivity and for rewarding employees.

14. Finally, the high level of bureaucracy and burdensome process that exists within private and public sector organizations were highlighted as major contributors to low productivity. Private and public sector firms and organizations need to take the initiative in re-engineering their business processes to improve the ease of doing business and carrying out their daily tasks which will not only improve worker productivity but the quality of the services provided.



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