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► Barriers and opportunities for enterprise formalization in Suriname

Assessment of the wood and tourism sectors



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Assessment of the wood and tourism sectors

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► Abbreviations

To maintain consistency and alignment with the commonly used naming conventions in Suriname, this report utilizes the Dutch abbreviations for national institutions wherever possible.

AAV	General Contractors Association (<i>Algemene Aannemers Vereniging</i>)
ABS	Suriname Bureau of Statistics (<i>Algemeen Bureau voor de Statistiek</i>)
AKMOS	Association of Small Medium Sized Enterprises in Suriname (<i>Associatie van Kleine en Middelgrote Ondernemingen in Suriname</i>)
ASFA	Manufacturers Association of Suriname (<i>Associatie van Surinaamse Fabrikanten</i>)
AWJ	Ministry of Labor, Employment and Youth Affairs (<i>Ministerie van Arbeid, Werkgelegenheid en Jeugdzaken</i>)
BDS	Business Development Services
DNA	National Parliament (<i>De Nationale Assemblée</i>)
EFF	Extended Fund Facility
EUR	Euros
EZOTI	Ministry of Economic Affairs, Entrepreneurship and Technological Innovation (<i>Ministerie van Economische Zaken, Ondernemerschap en Technologische Innovatie</i>)
FOB	Free On Board
FPIC	Free, Prior and Informed Consent
FSC	Forest Stewardship Council
GDP	Gross Domestic Product
GoS	Government of Suriname
HFLD	High Forest Cover Low Deforestation
ICL	Incidental Cutting Licences
ILO	International Labour Organization
IMF	International Monetary Fund
ITP	Indigenous and Tribal People
JusPol	Ministry of Justice and Police (<i>Ministerie van Justitie en Politie</i>)
KAMPOS	Collaboration of Tribal Peoples in Suriname consisting of the Kwinti, Aluku, Matawai, Paamaka, Okanisi and Saamaka (<i>Samenwerkingsverband van Tribale Volken in Suriname bestaande uit de Kwinti, Aluku, Matawai, Paamaka, Okanisi en Saamaka</i>)
KKF	Chamber of Commerce and Industry (<i>Kamer van Koophandel en Fabrieken</i>)

KYC	Know Your Customer
MFP	Ministry of Finance and Planning (<i>Ministerie van Financiën en Planning</i>)
MoP	Suriname's Multi-Annual Development Plan 2022-2026
MSME	Micro, Small and Medium-sized Enterprises
MTCT	Ministry of Transport, Communications and Tourism (<i>Ministerie van Transport, Communicatie en Toerisme</i>)
NIMOS	National Institute for Environment & Development (<i>Nationaal Instituut voor Milieu en Ontwikkeling in Suriname</i>)
NOB	National Development Bank (<i>Nationale Ontwikkelingsbank van Suriname</i>)
NV	Public Limited Company
OSH	Occupational Health and Safety
ROS	Ministry of Regional Development and Sport (<i>Ministerie van Regionale Ontwikkeling en Sport</i>)
SBB	Foundation for Forest Management and Forest Supervision (<i>Stichting voor Bosbeheer en Bostoezicht</i>)
SBF	Suriname Business Forum
SSB	Bureau of Standards (<i>Surinaams Standaarden Bureau</i>)
SBV	Association of Banks (<i>Surinaamse Bankiersvereniging</i>)
SHATA	Suriname Hospitality and Tourism Association
SME	Small and Medium-sized Enterprises
SNTA	Suriname National Training Authority
SRD	Suriname Dollars
SURGE	Suriname's Enterprise Growth Programme
SVJ	Association of Journalists (<i>Surinaamse Vereniging van Journalisten</i>)
US\$	United States Dollars
VFR	Visiting Friends and Relatives
VSF	Trade and Industry Association (<i>Vereniging Surinaams Bedrijfsleven</i>)
VIDS	Association of Indigenous Village Leaders in Suriname (<i>Vereniging Van Inheemse Dorpshoofden in Suriname</i>)
VWW	Association of Retailers (<i>Vereniging van Winkeliers</i>)

► Executive summary

This report documents the main barriers to the formalization of enterprise in Suriname's wood and tourism sectors. Conducted from December 2023 to March 2024, the study brought together a team of both international and local consultants. It presents insights gathered from 50 stakeholders across government, local enterprises, employers and business membership organizations, workers organizations, international organizations, and civil society. These stakeholders shared their perspectives on pervasive informality through interviews and contributed recommendations during a stakeholder workshop in Paramaribo in March 2024.

Undertaken at a crucial juncture in Suriname's post-independence era, the study sheds light on the socio-economic challenges facing the nation, encompassing uneven economic growth, limited economic diversification, declining purchasing power, widespread labour shortages, and significant urban-rural disparities. In response to these challenges, the Government of Suriname is implementing various reforms aimed at stabilizing the economy, strengthening institutional capacity, and bolstering the MSME sector, all while maintaining its status as the world's greenest country.

Addressing widespread informality is identified as a key factor in advancing Suriname's economic reforms in harmony with the Government's environmental and social objectives. Today, the vast majority of Surinamese enterprises operate within the informal sector. This widespread informality carries significant repercussions: Beyond eroding public finances and hampering the Government's capacity to deliver effective services and infrastructure, informality constrains entrepreneurs and their employees from fully realizing the benefits of their labour and from adopting sustainable business practices.

The wood processing and tourism sectors have been identified as pivotal for fostering job creation, enhancing environmental stewardship, and promoting formalization. However, although Suriname has a comprehensive regulatory framework on paper, these regulations are often bypassed due to a mix of weak enforcement, limited entrepreneurial knowledge, and a culture prone to corruption. The result is a business environment where enterprises oscillate between complete informality and partial formalization, with full formalization being rare. Critical challenges include poor coordination among regulatory bodies, unclear definitions of formal enterprise, cultural and geographic divides impacting perceptions and access to services, educational disparities, low productivity, a lack of incentives to formalize, and perceived limited business growth opportunities. Moreover, the current enforcement and compliance system is fragmented and ineffective.

To progress Surinamese economic development sustainably, enterprise formalization is vital. Recommendations in line with the ILO's four-dimensional enterprise formalization approach include establishing a streamlined, digital formalization process accessible in Paramaribo and the interior, reinforced by a network of formalization agents. Tax reforms tailored to MSMEs, complemented by public awareness campaigns, are proposed alongside the creation of an independent watchdog to tackle corruption in regulatory authorities and the establishment of a unified, resource-smart inspection system that implements a fair and transparent penalty mechanism. Importantly, efforts to encourage formalization in Suriname must ensure that enterprises receive clear advantages from operating within the formal sector. There are ample opportunities to make formal entrepreneurship both more attractive and environmentally sustainable. This includes enhancing access to existing SME financing by offering comprehensive business development services that are accessible to entrepreneurs both in Paramaribo and the interior, emphasizing a gender-inclusive approach. Additional measures to amplify the benefits of formalization encompass expanding market access. This can be achieved by broadening the public register of formalized tourism enterprises and improving the productivity of formalized wood processing enterprises through obtaining sustainability certifications, addressing the prevalent skills shortages and supply chain upgrading.

Crucial to the success of these initiatives is the collaboration and coordination among key public and private actors in Suriname. The multi-stakeholder group formed during this study is envisaged to evolve into a “formalization task force” that will serve as a dynamic platform for brainstorming, collaboration, and implementation of these initiatives. Being inclusive of all key stakeholders, this task force would have the potential to play a critical role in translating the proposed measures into actionable strategies, thereby contributing to a more formalized, productive, and sustainable business environment in Suriname. Finally, in line with the deliberations conducted during this study, it is suggested that the task force develops a roadmap for enterprise formalization which would priorities and guide enterprise formalization activities in Suriname in the short- and medium-term.

► Purpose and structure

The objective of this study is twofold: (1) to conduct a comprehensive review of the barriers to enterprise formalization in Suriname, with a particular focus on the wood-processing and tourism sectors, and (2) to identify practical strategies that can assist businesses and their workforce in transitioning towards a green and formal economy.

The study's findings have been systematically compiled and are presented in the following structure:

Section 1 - Introduction sets the stage by outlining the context of the study, detailing the methods employed, and explaining the conceptual framework for enterprise formalization.

Section 2 - Enterprise formalization in Suriname: Trends and outlook offers a comprehensive overview of Suriname's country profile, focusing on key governmental strategies and policies relevant to enterprise formalization in the wood-processing and tourism sectors.

Section 3 - The enterprise formalization process in Suriname provides a thorough description of the various steps required for enterprises in the wood-processing and tourism sectors to formalize their operations is provided.

Section 4 - Findings: Barriers and opportunities for enterprise formalization summarizes the study's findings, organized around key themes that emerged during the research.

Section 5 - Recommendations to promote formalization puts forward a set of short-, medium-, and long-term recommendations designed to support enterprises in Suriname on their journey towards a more formal and green economy.



► 1. Introduction

1.1 Context of the study

Suriname, renowned as the world's greenest country due to its extensive rainforest cover, stands at a crucial crossroads, nearly fifty years after gaining independence. The country is contending with a range of socio-economic challenges, including uneven economic growth, limited diversification of its economy, diminishing purchasing power, decent work deficits, wide-spread labour shortages, and a pronounced urban-rural divide. In 2021, the Government of Suriname (GoS) embarked on a three-year program with the International Monetary Fund (IMF) aimed at restoring fiscal stability, reducing public debt to sustainable levels, stabilizing the financial sector, and enhancing institutional capabilities to address corruption, money laundering, and governance issues. Concurrently, the promise of Suriname's abundant natural resources, particularly within the wood industry, the forthcoming development of the oil and gas sector, and the untapped potential of its (eco-)tourism industry, offers a beacon of hope for stimulating economic development and job creation.

Amidst these complexities, Suriname faces a pivotal task: preserving its status as the world's greenest country while navigating its economic development towards a just transition that safeguards the environment and biodiversity while maximizing social and economic benefits for its peoples. A critical element in aligning Suriname's ambitious economic reforms with environmental and social progress is addressing the widespread issue of informality. Today, the vast majority of Surinamese enterprises operate within the informal sector. This widespread informality carries significant repercussions: Beyond eroding public finances and hampering the GoS's capacity to deliver effective services and infrastructure, it constrains entrepreneurs and their employees from fully realizing the benefits of their labour and from adopting sustainable business practices. While informal businesses may offer a critical source of livelihoods in the short term, in the longer run, they face an array of limitations including restricted access to markets and finance, lower productivity, absence of legal protections, and a lack of social security for both business owners and their workers. In addition, informal businesses are less likely to access effective business development services and often face challenges in obtaining and complying with certifications for sustainability standards. This limitation not only restricts their growth potential but also impedes Suriname's broader efforts to build an environmentally sustainable and economically robust business ecosystem.

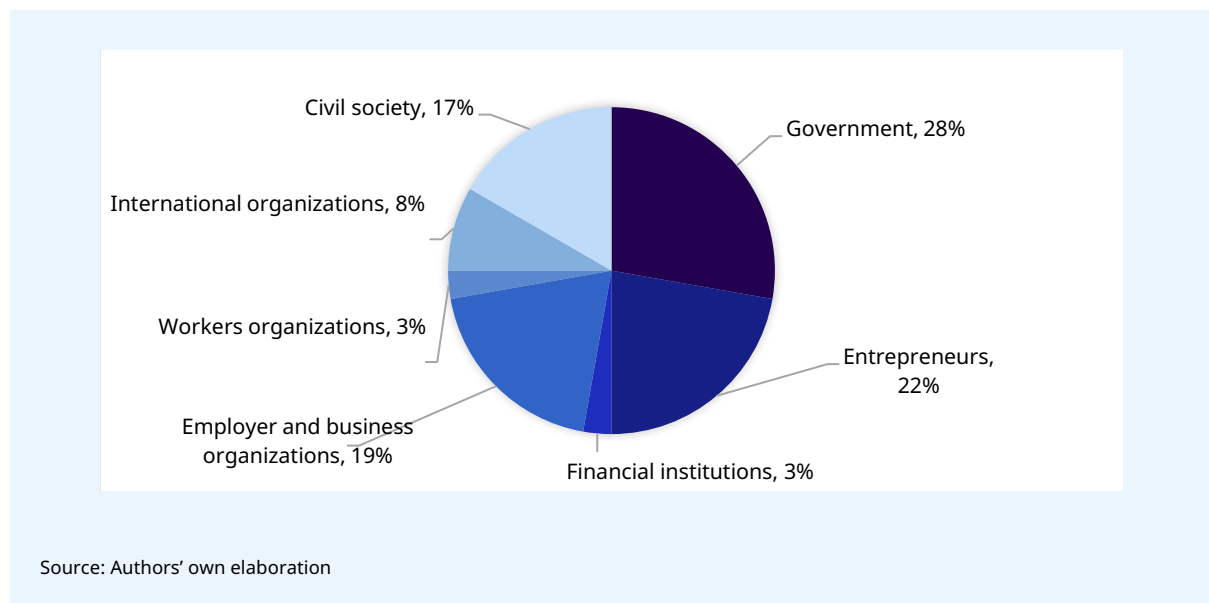
In November 2023, recognizing the urgency of guiding Suriname's enterprises towards a sustainable and formalized economy, the International Labour Organization (ILO) commissioned a team of consultants to undertake an assessment of the barriers and opportunities for enterprise formalization. This study places particular emphasis on the wood-processing and tourism sectors, two critical areas with significant potential for influencing Suriname's journey towards green economic development.

1.2 Methods

This study, carried out from December 2023 to March 2024, utilized a multi-method approach: (1) A desk review formed the foundation, where key background information supplied by the ILO, along with other relevant secondary data, was analysed to understand the business environment and sector-specific trends in wood processing and tourism in Suriname. (2) To gather first-hand information and insights, semi-structured interviews were conducted both remotely and in person. These involved 50 stakeholders, including representatives from national and local governments, private sector associations, formally and informally operating entrepreneurs, trade unions, civil society organizations, and international organizations, to pinpoint the barriers to and opportunities for enterprise formalization in Suriname. (3) A critical component was the stakeholder consultation workshop, held on the 20th and 21st of March in Paramaribo. This workshop utilized participatory methods informed by human-centred design principles. Its

objective was to validate preliminary findings and brainstorm potential strategies and pilot initiatives to promote enterprise formalization in Suriname over the next four years. The insights and data collected through these methods have been synthesized in this report and are presented alongside an action-oriented roadmap for enterprise formalization in Suriname for the period 2024-2027.

► **Figure 1: Distribution of interviews per stakeholder group**



1.3 Conceptual understanding of enterprise formalization

Definition of (in)formality

The ILO defines enterprises as economic units, including individual entrepreneurs and cooperatives, that engage in the production of goods or services for sale or barter.¹ To ascertain whether an economic unit operates formally or informally, two key criteria are used: (1) registration status to determine the extent to which the economic unit is registered with the appropriate regulatory authorities, and (2) regulatory compliance to evaluate whether an economic unit adheres to applicable regulations, including business licensing, tax obligations, social security contributions, and labour laws.² However, Suriname's approach to defining a formal enterprise is less explicit. In the absence of a national definition of what constitutes a formal enterprise, the Suriname Bureau of Statistics (*Algemeen Bureau voor de Statistiek* – ABS), considers an enterprise as formal based on its registration with any of several entities, such as the Chamber of Commerce and Industry (*Kamer van Koophandel en Fabrieken* – KKF), the Ministry of Economic Affairs, Entrepreneurship and Technological Innovation (*Ministerie van Economische Zaken, Ondernemerschap en Technologische Innovatie* – EZOTI), Ministry of Labor, Employment and Youth Affairs (*Ministerie van Arbeid, Werkgelegenheid en Jeugdzaken* – AWJ), District Commissioner's office, the Trade and Industry Association (*Vereniging Surinaams Bedrijfsleven* – VSB), the Manufacturers Association of Suriname (*Associatie van Surinaamse Fabrikanten* – ASFA), Association of Small Medium Sized Enterprises in Suriname (*Associatie van Kleine en*

¹ ILO (2021). Enterprise Formalization: An Introduction. Thematic Brief 1 /2021. Accessed on 01 April 2024 at: https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_766156.pdf

² ILO (2021). Theory of Change: Enterprise formalization for decent work. Access on 11 April at: https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/briefingnote/wcms_820591.pdf

Middelgrote Ondernemingen in Suriname – AKMOS), the General Contractors Association (*Algemene Aannemers Vereniging* – AAV), the Association of Retailers (*Vereniging van Winkeliers* – VVW), or the NGO Forum.³

For the purposes of this study, such a broad spectrum of registration options was not considered analytically practical. Additionally, the ABS definition does not align with the understanding of enterprise formalization held by most stakeholders interviewed, particularly financial service providers.⁴ The common perception among these stakeholders is that formalization typically starts with registration at the KKF, a crucial initial step. However, achieving a fully formal status in Suriname usually involves a series of additional requirements, including obtaining a tax number and meeting sector-specific standards and licensing conditions, which may be issued by Line Ministries or District Commissioners. Moreover, association with entities like the VSB is also a choice some entrepreneurs make. This leads to a scenario where businesses in Suriname operate across a spectrum of formalization. For example, a business might be registered with the KKF but not with the tax office, or it may hold a specific license but lack KKF registration. In other cases, an enterprise could fulfil all tax and licensing requirements yet hire staff informally.

Considering this complexity, this study adopts a broad and heterogeneous approach to understanding enterprise formalization in Suriname and recognizes that the degree of informality can vary among economic units, spanning a range from full compliance with legal, fiscal, and labour regulations to complete informality.

Approach to enterprise formalization

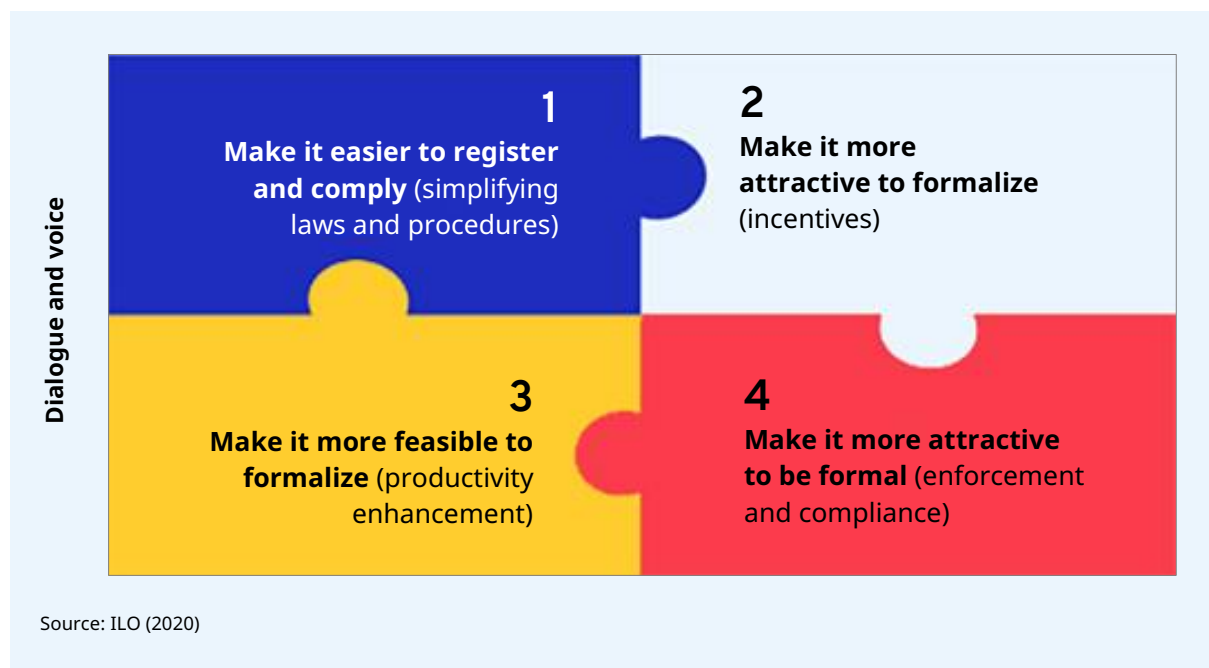
Recognizing the complexity and heterogeneity of enterprise formalization in Suriname, this study embraces a comprehensive and adaptable approach. It seeks to identify various pathways to foster formalization, tailored to the specific needs and formalization degrees of each economic unit.

Guided by the insights of ILO's Recommendation No. 204 on 'Transition from the Informal to the Formal Economy,' the study delves into four critical dimensions of enterprise formalization, as depicted in Figure 2. These dimensions include: (1) Simplifying laws and procedures to make it easier to register and comply; (2) Offering incentives to enhance the appeal of formalization; (3) Boosting productivity, thereby positioning formalization as a practical and beneficial option for entrepreneurs; and (4) Reinforcing enforcement and compliance mechanisms to discourage informal business practices. The study's methodology, analysis, and subsequent recommendations are all grounded in these foundational dimensions and underpinned by a focus on social dialogue and environmental sustainability.

³ ABS (2016). Questionnaire Business Census. Accessed on 01 April 2024 at: <https://www.statistics-suriname.org/wp-content/uploads/2019/02/bt-2016-formulier-versie-6-edp.pdf>

⁴ Anonymous key informant 40, interviewed in March 2024 by J. Schweitzer and S. Girdhari; Anonymous key informant 44, interviewed in March 2024 by J. Schweitzer and S. Girdhari

► **Figure 2: The ILO's approach to enterprise formalization**



► 2. Enterprise formalization in Suriname: trends and outlook

2.1 Country profile

Geography and population

Suriname, situated on the northeastern coast of South America, is bordered by the Atlantic Ocean to the north, by French Guiana to the east, by Brazil to the south, and by Guyana to the west. Being classified as a High Forest Cover Low Deforestation (HFLD) country, Suriname has 93 per cent forest cover and is rich in natural resources and biodiversity.

With a population of just 645,300, Suriname is among the world's smallest and least densely populated countries, yet it stands out for its extraordinary ethnic diversity. South Asians, primarily descendants of Indian contract labourers, represent the largest ethnic group, constituting over 25 per cent of the population. Following closely are the Maroons, descendants of African slaves, accounting for about 20 per cent of the populace. Creoles, of predominantly African descent, make up approximately 15 per cent of the population, and Javanese descendants and those of mixed ethnicity 25 per cent. The Indigenous Surinamese, or Amerindian Surinamese, form about 4 per cent of the population. Dutch is the official language of Suriname. However, its use varies among the different ethnic groups, with many learning Dutch as a second language.⁵ This makes enterprise formalization especially complex for ethnic minorities, given that most public services and business regulations are only available in Dutch.

Suriname exhibits a pronounced divide between urban areas and the interior. Approximately two-thirds of the Surinamese population live in urban settings, with a significant concentration in the capital, Paramaribo, and along the coastal areas. By contrast, the interior of Suriname is predominantly inhabited by small settlements of Maroons and Indigenous people who live in relative isolation from the rest of the country, maintaining their distinct customs and traditions.⁶ Common issues faced by both communities include complexities in land tenure and restricted access to essential services, including access to enterprise formalization services.⁷ Suriname is the only country in South America that has not yet legally guaranteed the collective rights of Indigenous and Tribal Peoples (ITPs) to the territories of their ancestors and has not ratified ILO Convention 169, which recognizes indigenous peoples' right to self-determination within a nation-state.⁸ Although tribal communities can obtain usage rights to their land, the absence of constitutionally guaranteed land rights undermines economic activities in the interior and reduces opportunities to gain access to formal financial services. Moreover, these historically marginalized groups are also known to suffer from higher poverty rates, lower education levels, and limited access to social services.⁹ The Association of Indigenous Village Leaders in Suriname (VIDS) and the Collaboration of Tribal Peoples in Suriname (KAMPOS), representing the Kwinti, Aluku, Matawai, Paamaka, Okanisi, and Saamaka groups, play pivotal roles in advocating for the rights of ITPs in Suriname. Central to their advocacy is the principle of free, prior, and informed consent (FPIC), to ensure that ITP communities have a decisive voice in

⁵ Britannica. People of Suriname. Accessed on 05 April 2024 at: <https://www.britannica.com/place/Suriname/People>

⁶ Britannica. People of Suriname. Accessed on 05 April 2024 at: <https://www.britannica.com/place/Suriname/People>

⁷ VIDS (2024). *Powakka, een voortzetting van aantasting van de fundamentele rechten van inheemse volken door de overheid*. Accessed on 05 April 2024 at: <https://vids.sr/>; and IWGIA (2023). "The Indigenous World 2023: Suriname". Accessed on 05 April 2024 at: <https://www.iwgia.org/en/suriname/5106-iw-2023-suriname.html>

⁸ The Amazon Conservation Team (2022). *The Road to Indigenous Land Rights in Suriname*. Accessed on 05 April 2024 at: <https://www.amazonteam.org/the-road-to-recognizing-indigenous-land-rights-in-suriname/>

⁹ VIDS (2020). *Baseline Report of the Situation of Indigenous Peoples in Suriname 2020*. Accessed on 02 April 2024 at: https://vids.sr/wp-content/uploads/2021/05/BaselineReport_ENG_final_May2021-compressed.pdf

matters that affect their land, culture, and economic activities. This includes the development and implementation of initiatives related to enterprise formalization.

Macro-economic trends

Suriname's economy is driven by its abundant natural resources, with mining accounting for nearly half of public sector revenue and gold representing more than three-quarters of total exports. This makes Suriname extremely vulnerable to external shocks and fluctuations in global commodity prices. Between 2001 and 2014, Suriname enjoyed robust economic growth, averaging 4.4 per cent, largely propelled by favourable commodity prices. This surge positioned it among the fastest-growing economies in Latin America, with the Gross Domestic Product (GDP) per capita reaching nearly US\$9,200 and a decline in poverty rates.¹⁰

However, beginning in 2015, Suriname's economy contracted, and the budget and balance of payments came under severe distress. Government revenue from mining fell sharply, foreign reserves were drained, and GDP growth contracted. By 2020, a severe fiscal and balance of payments crisis began to unfold in Suriname, which continued into 2021. Domestic economic vulnerabilities were exacerbated by the COVID-19 pandemic, leading to a sharp GDP contraction (16.0 per cent in 2020) and increasing unemployment and poverty. From 2015 to 2022, youth unemployment escalated from 13 per cent in 2015 to 30 per cent in 2022, with female youth unemployment rising even more sharply from 21 per cent to 45 per cent.¹¹ Women in Suriname encounter significant barriers in entering the formal economy, with the employment rate for women aged 26-40, was 60 per cent compared to 95 per cent for men. Despite women's higher education levels, gender stereotypes and caregiving responsibilities limit their economic engagement, often pushing them into the informal sector out of necessity rather than choice.¹²

In tandem with these macroeconomic challenges, there has been a notable shift towards informal economic activities in Suriname which provides many Surinamese an informal social safety net to hedge against declining purchasing power. The informal economy's share of Suriname's GDP rose sharply from 22 per cent in 2015 to a staggering 75 per cent in 2021.

In early 2024, Suriname's labour market continues to be characterized by high informal employment, high youth unemployment, gender disparities, a strong urban-rural divide and chronic labour shortages. Suriname's micro, small, and medium-sized enterprises (MSMEs) are engines of innovation, employment, and economic diversification, but their potential is stifled by a severely underdeveloped business environment, in large part due to a bloated public sector that absorbs 28 per cent of the active labour force. According to the World Bank's 2020 Doing Business Report, Suriname is ranked 162nd out of 190 economies, receiving particularly low scores in the categories of "starting a business," "getting credit," and "enforcing contracts."¹³

Looking ahead, the discovery of several offshore oil deposits in 2020 presents potential opportunities for long-term economic growth and improved fiscal stability, although production is not expected to commence before 2028. However, overdependence on the oil industry could further perpetuate Suriname's vulnerability to global commodity price fluctuations and pose potential environmental risks that may harm its reputation as being "the greenest country" in the world. The wood processing and eco-tourism sectors have been

¹⁰ World Bank (2023). The World Bank in Suriname. Accessed on 05 April 2024 at:

<https://www.worldbank.org/en/country/suriname/overview>

¹¹ ILO (2023). Decent Work Country Programme, 2023-2026. Accessed on 04 April 2024 at: https://www.ilo.org/caribbean/information-resources/publications/WCMS_868061/lang--en/index.htm

¹² Suriname Bureau of Gender Affairs (2018). Situation Analysis of Women and Men in Suriname: Economy.

<https://caribbean.unwomen.org/sites/default/files/Field%20Office%20Caribbean/Attachments/Publications/2018/Factsheet%20UNGEI%20Economy%20final%20English.pdf>

¹³ World Bank (2020). Economy Profile Suriname. Doing Business 2020. Accessed 04 April 2024 at:

<https://www.doingbusiness.org/content/dam/doingBusiness/country/s/suriname/SUR.pdf>

identified as promising alternatives that can drive economic development and employment in Suriname, while simultaneously promoting the sustainable use of the country's natural resources.

The wood sector

With more than 15.2 million hectares of forest cover, accounting for 93 per cent of its total area, Suriname stands as one of the world's most forested countries. Within this vast expanse lies approximately 4.5 million hectares designated as 'production forest,' with an estimated annual logging capacity of 120,000 hectares.¹⁴ The sector is strongly dominated by men, with only 10.8 per cent of women working in industrial sectors such as the timber sector, compared to 34.5 per cent of men in 2016.¹⁵ While ITPs traditionally engage in timber harvesting, they are also disproportionately affected by illegal mining and large-scale logging due to a lack of formal land and tenure rights.¹⁶

Suriname's wood industry revolves primarily around logging and basic sawmilling operations. Local communities, small-scale foresters, and logging companies share the responsibility of felling trees. Skidders then extract the felled timber and load it onto trucks or boats for transportation to sawmills. Roughly 75 per cent of lumber reaches the sawmills by truck, with the remaining 25 per cent transported by boat. The industry itself comprises around 128 forestry companies, 83 sawmills, and a mere 13 secondary wood processing facilities. This translates to employment for approximately 4,000 individuals in logging and log transportation, with an additional 3,000 employed in sawmills. According to an ILO study, the enterprises involved in the wood industry consist of mostly informal small enterprises (nearly 50 per cent), medium-sized enterprises (40 per cent), and large enterprises (10 per cent). A significant concern is the high informality within the sector, with many workers lacking written contracts.¹⁷

In 2018, Suriname's timber production reached 1.084 million cubic meters of which half was exported, generating US\$70 million in revenue. A concerning aspect is that a significant portion of these exports were unprocessed logs, primarily destined for Asian markets. In stark contrast, the export value of finished wood products in 2022 stood at a meagre US\$250,317, encompassing items like doors, windows, and furniture.¹⁸ The Foundation for Forest Management and Forest Supervision (*Stichting voor Bosbeheer en Bostoezicht* – SBB), a public entity that is mandated to oversee forest management in Suriname, estimates that roughly 10 per cent of lumber is sourced illegally through informal channels. These operations often involve mobile sawmills deployed directly at logging sites, converting logs into planks for local sale, primarily in the construction sector.¹⁹

In 2022, the GoS unveiled its Multi-Annual Development Plan for 2022-2026 and announced a phased approach to eliminate round wood exports and increase the value addition of forest products within the country. However, the limited current scale of processed wood product exports underscores the critical need to support wood sector entrepreneurs and to increase domestic wood processing drastically. Providing local enterprises with essential skills, technology, and (human) resources is vital to facilitate a shift towards formal and more productive business models.²⁰

¹⁴ Timber Trade Portal. Overview of Timber Sector of Suriname. Accessed on 04 April 2024 at:

<https://www.timbertradeportal.com/en/suriname/109/timber-sector>

¹⁵ ILO, "Country Profiles: Suriname, 2016", ILOSTAT database. Accessed on 01 April 2024 <https://ilostat.ilo.org/data/country-profiles/>

¹⁶ VIDS (2020). Baseline Report of the Situation of Indigenous Peoples in Suriname 2020. Accessed on 02 April 2024 at: https://vids.sr/wp-content/uploads/2021/05/BaselineReport_ENG_final_May2021-compressed.pdf

¹⁷ ILO (2023). Value Chain Analysis of Suriname's Wood-Processing Sector

¹⁸ Timber Trade Portal. Overview of Timber Sector of Suriname. Accessed on 04 April 2024 at:

<https://www.timbertradeportal.com/en/suriname/109/timber-sector>

¹⁹ ILO (2023). Value Chain Analysis of Suriname's Wood-Processing Sector

²⁰ Republic of Suriname (2022). Multi-Annual Development Plan 2022-2026 of the Republic of Suriname. Accessed on 03 April 2024 at: <https://observatorioplanificacion.cepal.org/sites/default/files/plan/files/MOP-2022-2026-Volledig-FINAL-DNA-approved-Engels.pdf>

The tourism sector

With almost a third of the country being declared national reserves, Suriname offers a unique escape for nature enthusiasts and is well-positioned to become a leading eco-tourism destination. Already today, the tourism sector plays a noteworthy role in Suriname's economy. In 2021, it directly contributed 2.6 per cent to the GDP and provided employment for approximately 5,700 individuals.²¹ This sector is of particular importance for women, of whom 81.5 per cent work in the service sector, compared to two-thirds of the general population.²² Looking ahead, the Suriname Tourism Industry Outlook 2022-2026, predicts a slow but steady rise in tourist arrivals to 331,860 by 2026, translating to nearly US\$76 million in revenue.²³ This projected growth is expected to be further bolstered by the development of the oil and gas industry, which will attract a new wave of business travellers and potentially leisure tourists seeking to explore the country's unique offerings.

While the Netherlands currently dominates the inbound tourism market, accounting for 40 per cent of visitors, there lies significant potential to diversify the tourist base. A 2011 study by the University of California, Anderson School of Management, revealed that only 11 per cent of arrivals come for pleasure. This presents a strategic opportunity to convert a portion of the existing business and VFR (Visiting Friends and Relatives) traffic into long-term tourists.²⁴

The COVID-19 pandemic severely impacted Suriname's tourism sector. However, the government has taken proactive steps towards revitalization.²⁵ Recognizing the need for a streamlined visa process, the GoS enacted new tourism legislation in 2022. This initiative replaced the traditional visa system with a user-friendly online Tourist Card system, obtainable within 72 hours, making it easier for international visitors to explore Suriname. Furthermore, the MTCT is in the process of establishing the Suriname Tourism Authority to spearhead tourism development. This dedicated body, coupled with the launch of the digital platform Suriname.travel, positions the country for more effective international marketing. Additionally, the MTCT is currently taking steps to establish a regulatory framework for tourism standards and plans to create tourism clusters in Moengo and Nickerie to unlock the economic potential of these regions and create a more geographically balanced tourism industry. The planned implementation of a Tourism Satellite Account System will also be crucial in accurately tracking the sector's economic impact.

The success of these government initiatives hinges heavily on the active participation of the private sector. Supporting tourism enterprises in formalizing their businesses and in complying with the new standards is paramount to ensuring they can fully benefit from the ongoing reforms.

2.2 Key government policies and initiatives

The GoS is currently engaged in designing and implementing several policy reforms that will directly or indirectly affect enterprise formalization in Suriname in the wood and tourism sectors and beyond. The most noteworthy ones are summarized below.

²¹ Musyaffa (2023). Tourism in Suriname: an Overview. Accessed on 01 April 2024 at: <https://kangmusy.medium.com/tourism-in-suriname-an-overview-613455472197>

²² ILO, "Country Profiles: Suriname, 2016", ILOSTAT database. Accessed on 01 April 2024 at: <https://ilostat.ilo.org/data/country-profiles/>

²³ Report Linker. Suriname Tourism Industry Outlook 2022 – 2026. Accessed on 05 April 2024 at: <https://www.reportlinker.com/clp/country/6226/726273>

²⁴ Musyaffa (2023). Tourism in Suriname: an Overview. Accessed on 01 April 2024 at: <https://kangmusy.medium.com/tourism-in-suriname-an-overview-613455472197>

²⁵ Republic of Suriname (2022). Multi-Annual Development Plan 2022-2026 of the Republic of Suriname. Accessed on 03 April 2024 at: <https://observatorioplanificacion.cepal.org/sites/default/files/plan/files/MOP-2022-2026-Volledig-FINAL-DNA-approved-Engels.pdf>

The IMF's Extended Fund Facility

In December 2021, the GoS became part of the IMF's Extended Fund Facility (EFF). This 36-month programme aims to tackle several critical challenges: restoring fiscal stability, reducing the national debt burden, and bolstering both the financial sector and governance practices. Positive developments suggest the program is yielding results. As of March 2024, Suriname has successfully completed five program reviews, receiving approximately US\$326 million in IMF support. This progress is attributed to the country's commitment to fiscal discipline and tighter monetary policies, which are laying the groundwork for macroeconomic stability. Early signs of economic growth (projected 3 per cent in 2024) and a downward trend in inflation are encouraging signs.²⁶

The program extends beyond immediate economic goals, with a focus on creating a more conducive business environment. Initiatives to strengthen the financial sector and enhance transparency are critical steps towards attracting investment and fostering long-term economic prosperity. Looking ahead, a crucial component of the EFF to observe is the upcoming public sector reform.²⁷ This reform aims to improve efficiency and potentially reduce public sector employment. While this can streamline government spending, it also presents a challenge. Many public officials already rely on informal second or third jobs due to declining purchasing power and low salaries. A hasty public sector reform could push a significant number of these individuals towards informality full-time. As public sector opportunities diminish, the onus falls on the private sector to create new jobs that are both formal and decent.

Suriname's Multi-Annual Development Plan 2022-2026

Suriname's Multi-Annual Development Plan (MoP) 2022-2026 supports the advancement of enterprise formalization both explicitly and implicitly in several ways. The plan's monitoring framework targets formalization through goal 8.3, aiming to foster "policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation and encourage the formalization and growth of micro, small, and medium enterprises." The overall aim is to reduce informal employment to 5 per cent by the year 2050.²⁸

Enterprise formalization also manifests itself in specific sectoral plans. The MoP highlights entrepreneurship and value-addition as key priorities, particularly within the wood sector. The planned phase-out of round log exports signifies a major shift, necessitating an upgrade to formal and productive local wood processing businesses. Furthermore, the MoP promotes sustainable practices through forest operation certification, creating a framework for responsible wood processing. The tourism sector will also see significant changes driven by the MoP. Initiatives like the Tourism Authority Act, new tourism standards, tourism cluster establishment, and a tourism satellite account system all rely on well-established formal enterprises for successful implementation.²⁹

SME development policy

A significant outcome of the MoP is Suriname's first MSME Policy which aims to improve the sector's productivity, competitiveness, and efficiency. The framework encompasses four goals: (1) improving the enabling business environment, (2) broadening and increasing the supply and access to finance, (3) strengthening market access, competitiveness, and productivity, and (4) boosting entrepreneurial skills,

²⁶ IMF. Suriname. Accessed on 01 April 2024 at: <https://www.imf.org/en/Countries/SUR>

²⁷ IMF (2024). Suriname and the IMF Reach Staff-Level Agreement on the Fifth Review of the Extended Arrangement Under the Extended Fund Facility. Press Release No. 24/74. Accessed on 01 April 2024 at: <https://www.imf.org/en/News/Articles/2024/03/07/pr2474-suriname-imf-reach-sla-5th-rev-extended-arrangement-eff>

²⁸ Republic of Suriname (2022). Multi-Annual Development Plan 2022-2026 of the Republic of Suriname. Accessed on 03 April 2024 at: <https://observatorioplanificacion.cepal.org/sites/default/files/plan/files/MOP-2022-2026-Volledig-FINAL-DNA-approved-Engels.pdf>

²⁹ Republic of Suriname (2022). Multi-Annual Development Plan 2022-2026 of the Republic of Suriname. Accessed on 03 April 2024 at: <https://observatorioplanificacion.cepal.org/sites/default/files/plan/files/MOP-2022-2026-Volledig-FINAL-DNA-approved-Engels.pdf>

knowledge, and competencies. Importantly, the policy foresees the development of an MSME Act to establish the sector's operating parameters and the roles of the stakeholder support entities and formalize the definitions of MSMEs.³⁰

While the entire policy is integral to the ILO's commitment to fostering both a formal and green transition of the MSME sector, specifically policy element #5, which is dedicated to "formalizing the informal sector," proposes several strategies that align closely with the objectives of this study:³¹

- Conduct **baseline research** to gather comprehensive data on the informal sector to understand its various facets, such as business size, ownership type, employee numbers, product and service range, business longevity, gender composition, and more.
- Develop a unified **definition of formality** to establish a clear, universally accepted definition of formality across various Ministries, Departments, and Agencies. This definition would simplify, economize, and streamline business licensing, registration, and tax compliance, especially for micro-enterprises.
- Implement a **public education campaign** by KKF to highlight the benefits of formality and its positive impact on enterprise growth.
- Expand **business service** networks to strengthen the capacity of existing business service providers to support and facilitate business formalization.
- Create **incentive programs** for formalization including tax incentives, temporary exemptions from social contributions for newly registered businesses, access to financing, training, and education packages, simplified registration processes, and opportunities to enter new markets, such as government procurement or supply chain partnerships.
- Provide a **tax amnesty** period to introduce a fixed-period amnesty, allowing informal entities time to transition before beginning to file tax returns.

Local content policy

Spurred by recent progress in the oil and gas sector, the GoS has announced plans to implement a local content policy, designed to ensure that Surinamese businesses and citizens actively partake in and benefit from the economic activities generated by offshore discoveries. A Local Content Development Office is slated for establishment, alongside the provision of training and business support services. These measures aim to equip Surinamese enterprises with the necessary skills and capabilities to meet core requirements and competitively participate in open tenders. Initially, under the MoP, the local content policy was intended exclusively for the oil and gas sector. However, recent public discussions advocate for a more inclusive approach, suggesting the policy encompasses the broader extractive industry. Supporting this broader perspective, a coalition of private sector organizations, spearheaded by the VSB and the ASFA, proposed a Local Content Policy Framework.³² Central to this framework is the formation of the Suriname National Training Authority (SNTA) and the strengthening of the Suriname Business Forum (SBF), both envisioned as

³⁰ The proposed MSME (Micro, Small, and Medium-sized Enterprises) Act in Suriname aims to align the definition of MSMEs with international standards. Under this new classification, microenterprises will be defined as those with up to five employees, small enterprises as those with more than five but no more than 25 employees, and medium-sized enterprises as those with more than 25 but fewer than 100 employees. This redefinition marks a significant shift from the current categorization used by the Suriname Bureau of Statistics (ABS), which only distinguishes between small enterprises (employing up to 10 employees) and large enterprises (employing more than 10 employees). This change is expected to provide a more nuanced understanding of business sizes in Suriname, allowing for more targeted policy and support measures.

³¹ Julien (2023). Final MSME Policy and Implementation Plan: Support to the Government of Suriname to Develop a Micro, Small, and Medium-sized Enterprises Policy, Unpublished.

³² ASFA and VSB (2022). Local Content Policy Framework. Accessed on 04 April 2024 at: https://vsbstia.org/wp-content/uploads/2022/11/LC-Policy_Suriname-versie-19.-oct.-22-1.pdf

critical enablers for workforce development and the provision of effective business support services. Responding to the call for a broad local content policy, the GoS announced in mid-2023 the establishment of the Local Content Board which is tasked with coordinating the standards of goods and services until July 31, 2025.³³

At the time of writing this report, the local content policy is still under development. Nonetheless, it is evident that enterprise formalization is a foundational requirement for the successful implementation and rollout of any local content policy. Without formal business practices, local enterprises will not be able to participate in open tenders, nor to supply goods and services that meet the necessary quality and volume standards.

Value Added Tax Act 2022

In an effort to modernize its tax system and address informality, Suriname implemented a new Value Added Tax (VAT) law in January 2023. This law replaces the previous turnover tax system and introduces a standard VAT rate of 10 per cent on most goods and services. Businesses with a yearly taxable turnover exceeding SRD 1 million (approximately US\$58,823) are required to register for VAT and file monthly returns and payments by the 16th of the following month. Businesses below this threshold may register voluntarily. The system allows businesses to claim input VAT deductions for purchases related to taxable transactions, but with specific exceptions and apportionment rules to consider. Furthermore, the VAT law outlines exemptions and 0 per cent tax rates for certain goods and services, with details provided in the designated annexes of the VAT Act. Most of these exemptions apply to critical services such as health insurance, funeral services, childcare and the supply of water, electricity, and cooking gas. Other exemptions aim to support specific sectors of interest, notably public entertainment, gambling, and others. The implementation of the new VAT system aims specifically to curb informal business operations and is designed to integrate businesses into the formal economy, thereby enhancing compliance with regulatory norms and improving tax collection.³⁴

Government supported MSME financing

Recognizing the crucial role of MSMEs in Suriname's development, the GoS has installed several initiatives to support MSME financing initiatives in Suriname available to sole-proprietorships, limited liability and foundations

The National Development Bank (NOB) offers a variety of financial instruments to support MSME growth:³⁵

- **Investment and working capital credits:** Start-ups can borrow up to US\$/EUR 50,000, while existing companies are eligible for up to US\$/EUR 100,000 or the equivalent in Surinamese dollars. The minimum interest rates are 10 per cent for investment credits and 13 per cent for working capital credits in Surinamese dollars. For credits in US\$ and EUR, the rates are 5 per cent and 6 per cent, respectively. All loans may carry an additional risk surcharge of up to 3 per cent. The maximum term for investment credits is 15 years (excluding grace period) for existing companies and 10 years for start-ups, with possible grace periods for repayment (up to 1 year) and interest payment (up to 6 months). Working capital credits have a maximum duration of 5 years, with similar grace periods. All loans require a 10 per cent own contribution and 100 per cent coverage through assets like real estate, cessions, or guarantees.
- **Production Credit Fund:** This fund provides entrepreneurs with access to favourable lending for starting or expanding businesses, especially those contributing to import substitution, exports, or value addition, and those promoting tourism. The fund covers new, expansion, replacement investments, and working

³³ Republic of Suriname (2023). Local Content Board *ingesteld*. Accessed on 01 April 2024 at: <https://gov.sr/local-content-board-ingesteld/>

³⁴ Rellum and Partners (2023). Suriname VAT as of January 2023. Accessed on 05 April 2024 at: <https://hbnlawtax.com/tax-instant-news/suriname-value-added-tax-guide/>

³⁵ NOB (2024). Business credits. Accessed on 05 April 2024 at: <https://www.nob.sr/>

capital financing. Requests up to SRD 2 million are allowed, requiring a 10 per cent own contribution and at least 50 per cent Surinamese ownership. Credits have a 15-year duration with a 1-year interest grace period and a 2-year repayment grace period. The interest rate stands at 5 per cent per year.

- **Technical Assistance Fund:** Tailored for companies with specific needs beyond general business financing, NOB's Private Sector Technical Assistance Fund extends custom loans. These loans cater to various needs like attracting expertise, specialized training, business process certification, marketing, pilot projects, or sector studies benefiting multiple companies. Reactivated in 2022, offers loans up to US\$ 25,000 (or its SRD equivalent) at favourable rates, 4 per cent for SRD loans and 3 per cent for foreign currency loans, with a 10 per cent own contribution requirement. Applications are evaluated considering standard banking criteria plus the sustainability and innovation of the proposed activities.
- **Guarantee Fund:** Addressing the challenge many SMEs face in lacking collateral for loan qualification, the Foundation Guarantee Fund for Business Credits provides a solution by acting as a guarantor. This support enables entrepreneurs with feasible business plans to secure financing, covering up to 80 per cent of the credit amount. The fund charges 1 per cent per year of the guaranteed amount and can be requested by banks on behalf of potential customers.

Another SME financing instrument is the SME Fund which is provided by the EZOTI in collaboration with the Trustbank Amanah. The SME Fund provides financing options for MSMEs to stimulate entrepreneurship, innovation, production, and production support activities. The Fund offers a maximum financing amount of SRD 1,000,000, available over a term of up to 10 years. The interest rate is set at a 5 per cent per annum. SME applicants are required to contribute a minimum of 25 per cent of the financing amount. Repayment is structured to be monthly, with the flexibility of an initial grace period of up to one year if needed.³⁶

In addition, the EZOTI implements the Suriname's Enterprise Growth (SURGE) programme, financed by the World Bank. SURGE aims to support growth-oriented companies through a blend of business development services and co-investments. Among other services, SURGE provides individual SMEs with co-investments ranging from US\$5,000 to US\$100,000 and groups of SMEs within a value chain with funds ranging from US\$150,000 to US\$300,000. To ensure commitment and alignment, SMEs must contribute a matching co-investment of at least 20-30 per cent, combining cash and in-kind contributions.³⁷

Through the NOB, the SME Fund, and the SURGE programme, the GoS seeks to provide Surinamese entrepreneurs with a vital support system, offering a diverse range of financial instruments to navigate the growth journey – from startup to established business. A key element in accessing these resources is business formalization. Applicants must provide proof of business registration and compliance with business licensing and tax obligations in addition to other critical know-your-customer (KYC) requirements. The extent to which formalized business can de-facto access these funds is unclear. While many interviewed entrepreneurs highlighted difficulties in accessing finance due to stringent documentation requirements by financial service providers, interviewees from the financial sector cited poor business records and incomplete applications as the main obstacle to processing loan applications efficiently.³⁸

Formalization committee

To further the GoS efforts to promote the formalization of Surinamese enterprises and workers, and in line with the Output 1.3.2. "Improved policies, support services, and constituent capacity to facilitate the

³⁶ EZOTI (2024). SME Unit: Information Sheet SME Fund. Accessed on 05 April 2024 at: <https://gov.sr/ministeries/ministerie-van-economische-zaken-ondernemerschap-technologische-innovatie/kmo-unit/>

³⁷ VSB (2024). Unlocking Business Growth: An Introduction to the SURGE Program and Collaboration with VSB. Accessed on 05 April 2024 at: <https://vsbstia.org/?p=8484>

³⁸ Anonymous key informant 16, interviewed in March 2024 by J. Schweitzer and S. Girdhari; Anonymous key informant 40, interviewed in March 2024 by J. Schweitzer.

formalization of MSMEs and cooperative of ILO's Decent Work Country Programme for Suriname 2023 to 2026, the AWJ announced plans in late 2023 to form a formalization committee.³⁹ This committee is intended to foster cross-ministerial collaboration on formalization matters.⁴⁰

As of the time this report was compiled, the committee's terms of reference are still being formulated, leaving its precise composition and objectives yet to be determined.

³⁹ ILO (2023). Decent Work Country Programme, 2023-2026. Accessed on 04 April 2024 at: https://www.ilo.org/caribbean/information-resources/publications/WCMS_868061/lang--en/index.htm

⁴⁰ DWCP meeting in January 2024



► 3. The enterprise formalization process in Suriname

Starting a business in Suriname involves adhering to a range of registration, licensing, and approval requirements, which vary depending on the company's legal structure and the nature of its economic activities. This section details the legally mandated steps for formalizing a business, with a particular emphasis on the wood and tourism sectors. However, it is important to note that in practice, many businesses in Suriname do not fully comply with all or some of these regulations. The common non-compliance practices observed among businesses, particularly in the wood and tourism sectors, are summarized at the end of this section, providing insight into the reality of business operations in contrast to the formal requirements.

3.1 Registering a business at the KKF

In Suriname, by law, all businesses are required to register with the KKF and select an appropriate legal structure. The choice of this structure determines the level of liability and the extent of administrative processes involved. The most common legal forms include:

- **Sole trader:** As the simplest form, a sole trader (*eenmanszaak*) has no legal distinction between the individual and the business. It involves registration at the Trade Registry of the KKF, personal liability for business debts, and limited accounting responsibilities.
- **Public limited company:** In this structure, business and personal finances are separate, but increased reporting and management responsibilities are required. Setting up a Public Limited Company (NV) requires presenting a notarial deed of incorporation to the Trade Registry and paying 2 per cent of the nominal capital, with a minimum capital requirement of SRD 1000. A NV requires at a minimum one shareholder.
- **Partnership:** A general partnership (*vennootschap*) allows two or more individuals to establish a business together. It is formed based on a notarial or private deed, with partners sharing responsibility for business debts and accounting responsibilities.
- **Cooperative:** A cooperative is an association formed by members who can join or leave at will, with the primary objective of enhancing the tangible interests of its members. This goal is achieved through collaborative efforts in their respective crafts, collective acquisition of necessities, advance payments, or the provision of credit to its members. Since the simplification of the Act on Cooperative Associations in 2017, registration with the KKF and a notarial deed (unless using the standard model established by the EZOTI) are required.

To register a new business with the KKF, one must schedule an appointment by email or phone. Registration can be done at any regional branch of the KKF. The registration process typically takes between 45 minutes to 1 hour, with a fee of SRD 300 and an annual contribution for renewal of SRD 100, as stipulated by law. Additional administrative costs are set by the KKF. In the event of company changes (for example, new director, address change), the business must inform the KKF and pay SRD 300 for administrative fees. The

entire registration process, from preparing documents to receiving the Certificate of Incorporation, takes between four and eight weeks,⁴¹ a step which many entrepreneurs consider fairly simple.⁴²

3.2 Obtaining tax and VAT numbers

After having registered the business with the KKF, business owners can open a bank account and must register for taxes with the Suriname Tax Department, which can be done in person at the local Tax Office. Business owners need to submit information about their business, such as its structure, location, and expected revenue. The corporate tax is set at 36 per cent and must be paid quarterly, with a final review and opportunity for adjustment at the end of the fiscal year. The quarterly payments are based on a self-assessment system and registered companies will be fined if they fail to self-report.

Since January 2023, enterprises that operate in Suriname are subject to value-added tax (VAT). Businesses exceeding an annual turnover of SRD 1 million (approximately US\$58,800) must register for VAT, with monthly returns and payments due by the 16th of the following month. Businesses with a lower annual turnover can voluntarily register for VAT. Businesses can claim input VAT deductions, but exceptions and apportionment rules apply. Notably, some goods and services are exempt or subject to a 0 per cent VAT rate. Apart from “Public passenger transport services by road, water and air, and school bus services”, none of these exemptions are relevant for the wood or tourism sectors.

3.3 Applying for business licenses and permits

In Suriname, the process for businesses to obtain necessary licenses and permits varies depending on their specific economic activities. Generally, for businesses in Suriname to acquire a license, they must submit several documents to the relevant licensing authority, including the most recent tax declaration, an extract from the KKF, and proof of professional competence. In the wood and tourism sectors, most licenses and permits are issued by the EZOTI, the MTCT, the SBB and the District Commissioner. In remote interior locations, the office of the District Commissioner may also function as a satellite office, issuing licenses and permits typically under the jurisdiction of the EZOTI and MTCT.

The District Commissioner also plays a critical role in issuing the nuisance permit to enterprise that could potentially cause danger, damage, or nuisance. The process involves rigorous assessments by various authorities, including the Police, Fire Department, and Labor Inspectorate. The Labor Inspectorate ensures that businesses adhere to strict safety and health standards, including adequate ventilation, proper electrical grounding, appropriate lighting, regular maintenance of machinery, effective waste disposal systems, and stringent fire prevention measures. Facilities must also provide adequate worker amenities like clean drinking water, sanitary facilities, and personal protective equipment. Additionally, operations must not disturb local residents, and businesses are required to keep comprehensive records related to labour and safety regulations.

⁴¹ International Trade Council (2023). How to Register a Company in Suriname. Accessed on 4 April 2024 at: <https://thetradecouncil.com/how-to-register-a-company-in-suriname/>

⁴² Anonymous key informant 9, interviewed in February 2024 by A. Skof; anonymous key informant 26, interviewed in March 2024 by S. Gidhari

► **Box 1: License and permit – what is the difference?**

A business license is a government-issued document that allows an individual or company to operate a business in a certain area, ensuring compliance with local business laws and regulations.

A permit on the other hand is a specific authorization from a government authority, allowing a business to carry out certain regulated activities, typically related to health, safety, or environmental standards.

The KKF offers a One-Stop Window service for a fee of SRD 250, which includes preparing and submitting the required documentation for licenses or permits on behalf of the entrepreneur. For some licenses and permits, for instance when opening a restaurant, additional site visits may be required. While the intended timeline for obtaining a license or permit ranges between two to six weeks, the KKF reports that it currently takes four to six months to secure the necessary licenses from respective authorities. Licenses in Suriname are usually renewable annually, although some may have a longer validity period, necessitating a keen understanding of the specific requirements for each license type.

In Suriname, businesses are subject to annual inspections. The specific authority conducting these inspections depends on the type of license held by the business. The EZOTI is for example responsible for inspecting shopkeepers, while the Ministry of Health is responsible for inspecting restaurants, focusing on food safety. During these inspections, public officials check for valid licenses /permits and verify whether the staff possesses the necessary sanitary qualifications to work in a kitchen. Enterprises found to be non-compliant with these regulations may face penalties, such as fines or the revocation of their licenses/permits.

3.3.1 The tourism sector

The tourism sector in particular covers a range of services requiring business licenses which are issued by different authorities.⁴³

► **Table 1: Overview of licenses and permits relevant for the tourism sector**

License / permit	Description	Legal authority
Food and beverage establishment	Permits the operation of restaurants, cafes, or any establishment serving food and drinks to the public.	District Commissioner
Spirits in factory packaging	Allows the sale of factory-sealed alcoholic beverages.	District Commissioner
Nuisance Act	License required for businesses whose operations may be disruptive or cause nuisance to their surroundings.	District Commissioner in consultation with Police, Fire Department, NIMOS, and Labour Inspectorate
Public entertainment	Permits the hosting of public entertainment events like concerts, festivals, or shows.	District Commissioner

⁴³ Chamber of Commerce and Industry (2023). Companies and Professions Registered with the Chamber of Commerce and Industry. Accessed on 31 March 2024 at: <https://surinamechamber.com/wp-content/uploads/2020/07/Vergunningplichtige-bedrijven.pdf>; excluding activities unlikely to be executed by informal MSMEs such as aviation

Exhibitor only on the public road	Allows vendors to set up stalls or exhibits for selling or displaying goods on public roads.	District Commissioner
Foreign exchange banker	Authorization to operate as a banker dealing in foreign exchange transactions.	Central Bank
Money transfer company	Permits the operation of businesses that handle money transfers, both domestic and international.	Central Bank
Motor bus service	Licenses the operation of bus services for public transportation.	MTCT
Travel agency	Permits the operation of a business that offers travel and tourism-related services to the public on behalf of suppliers like airlines, car rentals, cruise lines, hotels, railways, and package tours.	MTCT
Hotel	Authorizes the operation of an establishment offering lodging services on a short-term basis as well as related customer services, including room service, food and beverage services, and recreational facilities.	MTCT
Aviation company (economic license)	Allows the operation of an airline, including commercial passenger and cargo services.	MTCT
Internet café	Permits the operation of a venue offering public access to the internet, typically through multiple computer terminals.	Telecommunications Authority Suriname
Call house	Allows the operation of a business offering public telephone services, often used for international calls.	Telecommunications Authority Suriname

Source: KKF (year unknown). Although extensive licensing requirements exist, there are still numerous activities within Suriname's tourism sector that remain unregulated. This situation was highlighted by a key informant, who pointed out the lack of specific regulations and standards for tour operators and tour guides: *"At the moment, there is a lot of confusion because there is no regulation of many activities, for example what it takes to be called a tour operator or tour guide. Random people put up websites and advertise themselves as tour operators. This is worrisome because of the liability aspect to it. There are no such rules apart from general liability rules in Suriname."*⁴⁴

Despite the development of standards for accommodation, their adoption remains low in the broader tourism sector. Definitions of hospitality services like bed and breakfasts, guesthouses, or hotels are often not adhered to, adding to the sector's regulatory challenges. To address this, the Bureau of Standards (*Surinaams Standaarden Bureau* - SSB) has formed a National Standards Committee, involving a wide range of public and private stakeholders. While currently voluntary, three specific standards have been proposed to the MTCT to become mandatory technical regulations: Technical regulations for *"Tourgidsen in Suriname"* (Tour guides in Suriname), Technical regulations for *"Boekingsagenten, Touroperators en Reisbureaus in Suriname"* (Bookings agents, tour operators and travel agencies in Suriname) and *"Technical regulation for Accommodation part 1 General requirements."*⁴⁵

Overall, there is a growing trend toward certification in the tourism sector, with businesses increasingly aiming to demonstrate compliance with various norms. However, the certification program under SSB is still under development, leading companies to seek certification through bodies in the Netherlands, often at high costs. Despite this, the SSB initiated a registry of compliant companies in 2023, and many have already adopted international standards like ISO 9001 and ISO 22000 on food safety. Other notable certifications in the tourism sector include those from the Global Sustainable Tourism Council, the

⁴⁴ Anonymous key informant 14, interviewed in January 2024 by A. Dausendschön;

⁴⁵ Anonymous key informant 15, interviewed in January 2024 by J. Schweitzer and A. Dausendschön

Certification of Tourism Sustainability, and the Sustainable Tourism Certification, all contributing to a gradual move towards greater formalization and sustainability in the industry.

► **Box 2: Requirements for obtaining a hotel license**

Entrepreneurs who would like to open a hotel are required to provide the MTCT with the following documents:

- Application in 2 copies to the director of the MTCT
- Certificate of citizenship and an extract from the population register
- Mortgage extract or declaration of no objection if the plot is not in the applicant's name
- Passport pictures
- Permit fee receipt
- Construction drawing

Source: Anonymous key informant 39, interviewed in February 2024 by A. Skof

3.3.2 The wood sector

In Suriname, the wood sector, being heavily regulated and characterized by lengthy supply chains, has complex permit and licensing requirements which are mostly overseen by the SBB. The SBB mandates a range of permits for wood harvesting, trade, and processing.

► **Table 2: Overview of licenses and permits relevant for the wood sector**

License / permit	Description	Legal authority
Wood sawmills	Permits the operation of a facility where logs are cut into lumber and encompasses the approval to operate machinery and equipment necessary for sawing, planning, and processing wood.	MTCT
Shopkeepers for the sale of sawn and planed wood	Authorizes the operation of a retail outlet or shop for trading in processed wood products.	MTCT
Nuisance Act	License required for businesses whose operations may be disruptive or cause nuisance to their surroundings.	District Commissioner in consultation with Police, Fire Department, NIMOS, and Labour Inspectorate
Exploration licence	Gives the licence holder the unique right to explore a given area, based on a 1% inventory of harvestable species. Meant to do a pre-scoping of the area before the company applies for a concession.	SBB

Harvesting licences, including concessions, community forests and communal wood cutting permits, incidental cutting licences (ICL)	► Concession rights, according to size and duration for short, medium, and long term. ► Harvesting licences for forest communities' own use. ► ICL's are restricted to salvage logging areas and conversion forests.	SBB
Annual cutting plan (<i>Jaar kapplan</i>)	Annual cutting plan or harvest plan, based on Forest management plan (including inventories of harvestable trees, and detailed layout of skidding roads, taking into account the maximum allowable cut, selection of trees to be felled, and maps). The concessionaire sends this plan to SBB for approval. An approved cutting plan forms the basis of production control by SBB.	Made by company, approved by SBB
Cutting register (<i>Kapregister</i>)	A cutting register is a format that shall be filled out by the concessionaire or timber exploiting company, for each tree or log.	SBB
Retribution receipt	Proof of payment of retribution tax, to be paid on extracted timber.	SBB – tax directorate
Way bill (<i>Vervoerbiljet</i>)	The way bill is a document for the timber harvesting company to declare the extraction of timber from the concession. Its purpose is to register the origin of products. The timber extracting company (transporter) has to report to each SBB sign post they pass. SBB officials check whether the transported logs correspond with the way bill.	Signed by concessionaire and transporter. To be approved by SBB
Examination report (<i>Keuring</i>)	Exporting company has to apply for a check and examination of the timber to be exported. During the examination the minimum FOB-value (Free On Board), the quality, species, volume, and dimension is registered. Examination fees apply.	SBB – dept. of production Control
Export license (<i>Exportvergunning</i>)	Export license per shipment for the export of roundwood, unprocessed and raw processed wood, implying tax payment for export (5% - 20% depending on the degree of processing).	Customs

Source: KKF (year unknown). *Vergunningplichtige Bedrijven* and TimberTradePortal (2024). Key documents required for timber legality and trade of Suriname.

The system for harvesting licenses utilizes a tiered structure based on size and duration. Short-term concessions (1-5 years) cover areas less than 5,000 hectares. Medium-term (5-10 years) and long-term (10-20 years) concessions encompass progressively larger areas (5,000-50,000 hectares and 50,000-150,000 hectares respectively) and require a business plan including a forestry management plan. Following the

awarding of a concession, the concessionaire has six months to submit an exploitation plan to the Forest Management and Supervision Service (SBB). This plan details the annual cutting area and planned infrastructure investments. For each designated cutting area, a tree inventory is conducted alongside plans for tree selection, skidding road layout, and individual tree marking. A key challenge for Micro, Small, and Medium Enterprises (MSMEs) lies in the limited availability of concessions. Many companies, despite demonstrably successful business practices and investments over decades, reportedly struggle to secure concessions due to a perceived lack of capital and/or government connections.⁴⁶

Although all forest land is owned by the state, ITP communities, have communal use rights under the Forestry Act to harvest timber or non-timber forest products for subsistence without annual fees. These rights are granted for 10-20 years and are indefinitely renewable. To receive a communal wood-cutting permit the community must follow the same requirements as for ordinary harvesting licenses. While the communities are in theory allowed to commercially exploit their community forests under certain conditions, this is not the norm. There are estimates that 10 per cent – 15 per cent of the wood harvested in Suriname is logged illegally, much of which comes from the 140 villages with community forests.

*"There are a lot of mobile sawmills shifting very fast, it is difficult to know where they are currently located. Each of them is doing small volumes but they add up due to the large number of mobile sawmills."*⁴⁷

While communities have the right to manage these activities themselves, many opt to sell use rights to companies with the necessary equipment and capital. In exchange, communities receive what one interviewee described as "a miniscule income." This choice often stems from the communities' inability to secure loans due to a lack of collateral.⁴⁸ Renting forest land is legal, with the key requirement being approval from the Ministry of Regional Development and Sports, responsible for community development. Revenue from these agreements goes into a community treasury designated for community improvement projects.⁴⁹ However, informants raised concerns about potential embezzlement, suggesting the traditional leader might benefit more than the community itself.

► Box 3: Land rights

Indigenous communities residing near and dependent on the forest face a significant challenge: the lack of formalized land rights. Suriname has not ratified ILO Convention 169, which protects these rights. Although community forest titles grant them use and benefit from their traditional lands, some communities report limitations on their decision-making power and freedom. There have even been instances where the government sold mining rights on the same land to companies.⁵⁰

However, there have been encouraging advancements in the integration of the FPIC principle into local and national procedures. These changes make it increasingly challenging for the government to exercise control over forest areas without obtaining the consent of the communities involved and ensuring a fair sharing of benefits. This positive shift can be attributed to the persistent advocacy efforts of VIDS and KAMPOS and is reinforced by the demands of international markets, which increasingly insists on assurances of legal compliance and sustainable practices in forestry and other resource-based sectors

Following timber harvesting, the SBB conducts inspections and charges a retribution stampage fee, which rose from US\$ 6 to US\$ 8 per cubic meter in 2023. Once approved, the timber can be transported to the

⁴⁶ ILO (2023). Value Chain Analysis of Suriname's Wood-Processing Sector

⁴⁷ Anonymous key informant 38, interviewed in February 2024 by A. Dausendschön

⁴⁸ Anonymous key informant 18, interviewed in January 2024 by J. Schweitzer and A. Dausendschön

⁴⁹ Anonymous key informant 38, interviewed in February 2024 by A. Dausendschön

⁵⁰ ILO (2023). Value Chain Analysis of Suriname's Wood-Processing Sector

sawmill. Export regulations under the Forest Management Act are strict, including upfront payment for export rights. This system typically favours larger (formalized) enterprises.⁵¹

Some enterprises opt for voluntary certifications like the Forest Stewardship Council (FSC) to demonstrate commitment to sustainable forestry practices, biodiversity conservation, and ITP rights. An interim national standard aligned with Suriname's forest management system has been developed.⁵² Since the first FSC certification in 2008,⁵³ over 400,000 hectares of forest were FSC-certified by 2015, highlighting the wood industry's growing interest in sustainable practices.⁵⁴

3.4 Social security

For businesses with employees, registration with the social security funds is mandatory. This process involves submitting business and employee information, including names and social security numbers, and is essential for accessing health and social security benefits. Additionally, all employees must have a formal work contract outlining their rights and responsibilities.⁵⁵

Suriname's social security system is undergoing reform, with three key laws passed in 2014: the National Basic Care Act, the General Pension Act, and the Minimum Wage Act. The system now includes a basic pension for retirees (AOV) independent of contributions, alongside other non-contributory benefits for families, people with disabilities, children, and low-income households. There are also contributory elements, such as mandatory pension contributions (APF) and a second layer for industrial accidents, occupational diseases, and maternity benefits. Healthcare is mandatory but poorly enforced, with limited coverage and outdated benefits. Consequently, individuals often bear the brunt of medical expenses. Unemployment insurance is not available. The Central Bank nominally oversees the social security system, but its effectiveness is limited in practice.⁵⁶

3.5 Working conditions

The Labour Inspectorate under the AWJ is tasked with enforcing a range of regulations that ensure workplace safety and hygiene, rooted in the Security Act of 1947. These regulations encompass a variety of areas including accident prevention, fire safety, and exposure to noxious gases. Additionally, the inspectorate is responsible for ensuring compliance with nine detailed Safety Regulations established by the Safety Act, which cover everything from accident mitigation to the handling of hazardous materials.

Key areas of focus within these regulations include:

- Accident Prevention and Mitigation: Ensuring effective shelter, clear warning signs, proper maintenance of equipment, and secure physical structures.
- Hygiene and Environmental Controls: Maintaining dust-free buildings, proper sanitation facilities, and controlling the spread of noxious gases.
- Worker Safety and Health: Checking for adequate lighting, noise, and vibration controls, and providing first aid facilities and training.

⁵¹ Anonymous key informant 26, interviewed in March 2024 by S. Girdhari, Anonymous key informant 14, interviewed in January 2024 by A. Dausendschön

⁵² FSC (2020). Interim National Standard of Suriname. Accessed on 15 March 2024 at: <https://connect.fsc.org/document-centre/documents/resource/467>

⁵³ WWF (2008). Certification in Surinam. First Timber Company in Suriname Certified. Accessed on 15 March 2024 at: https://www.wwf.org.uk/news/publications/biodiversity_publications_2/sumalumber2/sumalumber_english/

⁵⁴ Probos (2015). Plenty of FSC timber in Suriname; but the market must adapt to the forest. Bosberichten 6.

⁵⁵ Generis Global (2023). How to Register a Business in Suriname. Accessed on 15 March 2023 at: <https://generisonline.com/how-to-register-a-business-in-suriname/>

⁵⁶ ILO (2023). Value Chain Analysis of Suriname's Wood-Processing Sector, Anonymous key informant 42, interviewed in January 2024 by J. Schweitzer and A. Dausendschön

- **Specific Industrial Safety Measures:** Regulating the transportation of heavy objects, preventing diseases caused by dust, and protecting against ionizing radiation.

Each regulation has specific checks, such as verifying that lifting equipment displays visible maximum capacities, ensuring all physical shelters are properly used, and confirming that all safety and fire measures are in place and operational. The inspectorate also examines compliance with standards on harmful noise and lighting to ensure that workplaces are safe and conducive to health. Overall, however, legislation that regulates working conditions is outdated and poorly enforced, often depending on worker preference. MSMEs with Occupational Safety and Health (OSH) training programs are typically those with certifications like the FSC label.⁵⁷

3.6 Informal practices

Suriname's business regulations appear comprehensive on paper, but the reality paints a different picture. Informality in Surinamese businesses is multifaceted and deeply ingrained. Although regulations exist, they are often bypassed due to a mix of weak enforcement, limited entrepreneurial knowledge, and a culture prone to corruption. As illustrated by the following examples, many businesses operate partially or entirely outside the formal system:

Close informal-formal business relations

The field research for this study revealed an unexpected degree of interaction between formal and informal businesses. For instance, a Paramaribo sawmill owner confessed to regularly purchasing lumber from unregistered loggers. These loggers evade inspections through nighttime transportation or bribes to officials. Cash transactions prevail due to the loggers' lack of formal bank accounts.⁵⁸ Similar practices occur in tourism, where hotels might source catering services from unregistered suppliers, bypassing tax obligations through receipts devoid of tax information. The small size of Suriname's economy incentivizes these informal partnerships, ensuring timely access to needed resources at desired prices.

Tax evasion tactics

Informality often translates to reduced or eliminated tax burdens. Some businesses halt the formalization process after registering with the KKF and do not register with the tax office, leveraging the lack of automatic information sharing between these entities. Others maintain dual accounting systems: a more inflated one for loan applications and a less inflated one for tax declarations.⁵⁹ More brazen approaches involve bribery of tax officials to minimize or eliminate tax liabilities altogether.

The semi-formal public servant

Declining purchasing power and low wages often push public servants towards informal income generation. This might involve working as taxi drivers or tour guides. One informant, a schoolteacher by day, admitted to working as an unregistered tour guide without paying taxes on this additional income. Yet she was in possession of a sea turtle guide certification that granted her access to Braamspunt beach with tourist groups.⁶⁰

⁵⁷ ILO (2023). Value Chain Analysis of Suriname's Wood-Processing Sector

⁵⁸ Anonymous key informant 47, interviewed in March 2024 by J. Schweitzer and S. Girdhari

⁵⁹ Anonymous key informant 44, interviewed in March 2024 by J. Schweitzer and S. Girdhari

⁶⁰ Anonymous key informant 48, interviewed in March 2024 by J. Schweitzer and S. Girdhari

Bypassing garbage tax

In the Para district, the familiar sight of yellow garbage bags symbolizes the official waste disposal system, with the bags incorporating a garbage tax. Nevertheless, many businesses reportedly circumvent this system by resorting to traditional black bags. Waste collection services often pick up these black bags anyway or in exchange for small bribes. These creatives unfair competition for businesses that do adhere and pay the garbage tax.⁶¹

Starting up without licenses

Partial registration is a common practice among MSMEs, in particular business start-ups. New enterprises often register with the KKF and the Tax Department, yet bypass obtaining essential licenses from government entities or the district commissioner's office. This trend stems primarily from the protracted waiting periods for these licenses, which many entrepreneurs find discouraging and counterproductive to their business operations. For instance, one entrepreneur shared their experience, highlighting the inefficiency of the licensing process. After completing registration with the KKF and the Tax Department, they faced a lengthy delay in acquiring the necessary governmental licenses. By the time the license was finally issued, the entrepreneur was already in the position to apply for an extension, underlining the slow-paced and often cyclical nature of the bureaucratic process. This scenario is not unique and is reflective of a broader pattern where the delay in licensing leads many business owners to commence their operations without all the required formal approvals, perpetuating a cycle of partial formalization.⁶²

These aforementioned examples highlight the complex nature of informality in Surinamese businesses, where regulatory loopholes, weak enforcement, and limited formalization incentives lead many entrepreneurs to operate partially or entirely outside the formal system. This environment makes it challenging to enforce regulations and encourages a culture where informality is often the more convenient or financially beneficial path.

⁶¹ Anonymous key informant 49, interviewed in March 2024 by S. Girdhari

⁶² Anonymous key informant 50, interviewed in March 2024 by S. Girdhari

► **Box 4: The constraints of informality**

Operating partially or entirely informally is prevalent among businesses in Suriname, often adopted more for convenience than strategic intent. While this approach may offer administrative ease and financial benefits in the short term, it presents significant long-term constraints, especially for potentially growth-oriented enterprises.

Key constraints of operating informally include:

- **Limited Financial Transactions:** Businesses not registered with the KKF cannot open bank accounts, constraining them to cash transactions only. This limitation is particularly problematic in sectors like wood processing, where for example, loggers may need to transport logs through third parties and are thus unable to receive secure payments from wood processors, or in tourism, where resorts and tour guides cannot accept booking deposits.
- **Inaccessibility to Financial Services:** Lack of formal registration and tax records prevents businesses from accessing government-led SME financing initiatives through the NOB, which offer more favourable conditions than commercial banks. Instead, informal entrepreneurs may turn to informal financial service providers that charge high interest rates or are simply unable to make critical investments.
- **Missed Market Opportunities:** Informal businesses are ineligible for inclusion on major global accommodation platforms like booking.com, which require detailed business information and VAT compliance, crucial for reaching international tourists. Similarly, informal businesses are also restricted from participating in public procurement, where open tenders require a valid business license and KKF registration. The anticipated surge in local procurement through the oil and gas industry and through the upcoming local content policy will create new businesses opportunities in Suriname that informal enterprise will not be able to realize.
- **Recruitment and Retention Challenges:** Without the ability to offer social security, informal enterprises are less likely to attract and retain qualified staff, compounding the effects of existing labour shortages in Suriname.
- **Increased Personal Liability:** Informally operated businesses do not distinguish legally between the owner and the entity, meaning owners are personally liable for all business risks. This is especially perilous in the tourism sector, where personal liability extends to customer safety. In the wood sector, substantial capital investments required for machinery and equipment must also be personally financed by business owners, increasing financial exposure.



► 4. Findings: Barriers and opportunities for enterprise formalization

Entrepreneurs in Suriname often view formalization as a hurdle rather than a stepping stone. Numerous interviews with business leaders revealed a consistent narrative: formal businesses face taxes and increased scrutiny from authorities. In contrast, the informal sector thrives under a perceived cloak of freedom, operating for years without regulations or inspections. While the lack of access to credit and banking is a downside of informality, many entrepreneurs prioritize this perceived freedom over potential financial benefits. This perception gap, where informality seems more advantageous than formalization, presents the biggest obstacle to transitioning Surinamese MSMEs towards a more formal and sustainable economy. To address this challenge, a more nuanced understanding of the current drivers of formality, along with potential opportunities to bridge this gap, is required. This section will explore the key factors identified during the study that contribute to this negative sentiment towards formalization.

4.1 Corruption

Entrepreneurs and public officials alike identify widespread corruption as the primary source of frustration in the current business climate. Corrupt practices appear to be widespread, overt, and deeply ingrained, starting from the very outset of the business formalization process.

As one stakeholder remarked, obtaining permits can take months or even a year, exceeding the official timeframe by a wide margin. However, a "greased palm" can expedite the process significantly. Similar tactics plague the wood sector, where informal loggers and sawmills bypass regulations through bribes instead of following SBB regulations. The wood-processing industry suffers from unfair competition due to cheap Asian furniture that finds its way in through customs bribery. The irony is that formalization can make businesses more vulnerable to corruption. Once formally established, entrepreneurs face a higher risk of arbitrary inspections, often used as veiled extortion attempts. A tourism stakeholder operating a formalized recreation resort described how a public official demanded free accommodation for family members in exchange for a license renewal.

This pervasive corruption undermines the foundations of Suriname's private sector and, consequently, its entire economy. It discourages formalization, pushing businesses into the shadows while allowing illegal operations to flourish. Eradicating corruption is a long-term battle. It requires a cultural shift, stricter regulations for officials, and robust mechanisms for anonymous reporting. Although recent anti-corruption initiatives by the Santokhi administration are steps in the right direction, they have yet to impact the daily challenges faced by Surinamese entrepreneurs significantly.

4.2 Coordination

The issue of corruption in Suriname is intertwined with the inefficiencies and lack of transparency in its bloated public sector, creating complex administrative processes within the government. A key problem identified by a public official is the absence of effective inter-ministerial coordination, which significantly impedes the formalization process. *"Ministries in Suriname are not connected with each other; they operate in a siloed approach. You register at the Chamber, but everything in the background is in different ministries."*⁶³ *"[...] the knowledge is scattered; all institutions have scattered capacities. Our challenge is to unite."*⁶⁴

⁶³ Anonymous key informant 34, interviewed in February 2024 by J. Schweitzer and A. Dausendschön

⁶⁴ Anonymous key informant 16, interviewed in March 2024 by J. Schweitzer and S. Girdhari

This disjointedness is reflected in fact that Suriname lacks an official definition of what constitutes a formal business. The ABS's economic census offers a broad spectrum of registration options, but this variety only adds to the confusion and complexity. This lack of clarity and standardization has tangible consequences for businesses operating in the country: For example, an entrepreneur in the logging and wood processing industry who was interviewed for this study, considered his business formalized because it was registered with SBB, unaware of the requirement to register with the KKF.⁶⁵

The underlying issue is that there are no regulations requiring coordination or verification between ministries. For example, there is no information exchange between the KKF and the tax authorities, or the social security funds with either of the former two. Even with the KKF's One-Stop Shop, companies reportedly still must go to each relevant authority to ensure adequate registration or issuing of permits and licenses.⁶⁶ This myriad of involved authorities is what creates a long and complicated formalization process. While information on the formalization process is available online, key informants pointed out that frequent changes to the formalization processes are often not communicated effectively. As a result, MSMEs are uncertain about the steps and direction for formalization.

The establishment of the Formalization Committee, led by the AWJ, offers a possible avenue for enhancing inter-ministerial coordination. This initiative is complemented by the SME policy, drafted by the EZOTI which aims to establish a national definition of a formalized business. As of the time this report was written, both initiatives are still in the development phase. The specific details and implementation plans of these initiatives remain under formulation, and as such, their exact nature and potential impact on enterprise formalization in Suriname are yet to be fully determined.

4.3 Paramaribo-interior divide

The strong urban-rural divide in Suriname, a legacy of colonialism, presents a significant obstacle to enterprise formalization efforts. Roughly two-thirds of the population reside in urban and coastal areas, while the remaining third live in the interior, primarily in small ITP settlements. This geographic disparity shapes both the country's economy and society and critically, it has profound implications for attempts to formalize businesses. These challenges stem from differing perceptions towards formalization, unequal access to essential services, and disparities in knowledge and education.

ITP communities in the interior view initiatives from the capital, Paramaribo, with suspicion, considering them externally imposed and irrelevant to their traditional governance structures. This scepticism extends to formalization, which is seen as a disciplinary measure by the state, an entity many distrust due to perceived neglect: *"Formalization is regarded as imposed from the state, something urban that does not meet local realities."*⁶⁷

Further hampering formalization are the vast distances and sparse populations within the interior. MSMEs there lack easy access to critical services like the KKF and banks, often located in distant Paramaribo or district capitals. One informant explained that *"some areas of the interior areas are very far, like the Indigenous village Apoera. To register a business, people have to take a twelve-hour boat to Nickerie."*⁶⁸ The high cost and time investment required to travel for registration are prohibitive for many. Several NGOs tackle this by flying cooperative members into the next bigger city and organizing all necessary meetings for them, but this resource-intensive approach is forcibly limited to small numbers of MSMEs. The remoteness of the interior also means ITP communities rarely benefit from the state services funded by taxes, reinforcing their perception of formalization's futility.

⁶⁵ Anonymous key informant 25, interviewed in March 2024 by S. Girdhari

⁶⁶ Anonymous key informant 9, interviewed in March 2024 by A. Skof

⁶⁷ Anonymous key informant 46, interviewed in January 2024 by J. Schweitzer, A. Dausendschön, S. Girdhari

⁶⁸ Anonymous key informant 12, interviewed in March 2024 by A. Dausendschön

Even if these hurdles were overcome, knowledge gaps remain a substantial barrier. Although ITP communities have a host of traditional knowledge, their access to schools is often restricted to primary schools, and schoolchildren need to travel to urban areas to obtain a secondary education. As a result, low literacy rates and limited Dutch language proficiency make it difficult for many to navigate the formalization process. One informant highlighted: *“People in the interior with low educational level, who might be travelling between locations, don’t have a way to register, they don’t know how to do it, how to write annual reports and file them. It needs to be made easier for them.”*⁶⁹ Basic business management skills are also lacking; as one representative of an NGO explained, *“it is difficult to find people capable of running a cooperative, including setting up meetings, learning cooperative principles, obtaining access to networks, monitoring productivity, calculating prices and doing the basic financial administration”*.⁷⁰ This knowledge deficit hinders not only formalization but also the overall development of the MSME sector in the interior.

The MSME policy drafted by the EZOTI contains a set of pertinent ideas that could bring business development services and public awareness campaigns on the benefits of formalization to the interior. Additional support might be mobilized through NGO initiatives that accompany ITP communities in the wood and tourism sectors with forming cooperatives and village enterprises to achieve formalization and thus better access to national and international markets.

4.4 Productivity

The decision of many businesses in Suriname’s wood and tourism sectors to remain informal can be attributed to a combination of actual and perceived lack of opportunities to boost their operations’ productivity and grow their business. This situation is closely linked to several key factors:

- **Underdeveloped business development services system:** The lack of a robust business development services (BDS) system in Suriname hinders businesses from accessing vital support services that could enhance their efficiency, productivity, and overall competitiveness. While opportunities for accessing BDS do exist in Suriname, they predominantly emerge as ad-hoc, project-based initiatives, mainly focusing on business start-ups and primarily targeting entrepreneurs in Paramaribo and easily accessible areas along the coast. Key entities involved in providing BDS include the SBF, the EZOTI, the Foundation for Productive Work Units (SPWE) and the Foundation for Labor Mobilization (SAO) – both under the AWJ, and the Suriname Standards Bureau (SSB), which concentrates on educating entrepreneurs on relevant business standards.

However, according to the authors’ best knowledge, there is an absence of private BDS providers in Suriname capable of offering these services in a cost-effective, sustainable, and tailored manner. Consequently, many entrepreneurs in Suriname are hesitant to pursue business scaling and market expansion. This reluctance is compounded by the lack of comprehensive and continuous support, further diminishing their motivation to transition into formal business operations. This situation underscores the need for more structured, ongoing BDS initiatives that can effectively support entrepreneurs in Paramaribo and the interior through various stages of business growth and formalization.

- **Mystified access to finance:** Access to finance appears to be shrouded in complexity and uncertainty for many entrepreneurs. This ambiguity discourages them from pursuing formalization, as they perceive a formal status might not necessarily translate into better access to financial resources. In Suriname, commercial banks enjoy the reputation of being notoriously difficult when it comes to opening a bank account or applying for a loan. Many entrepreneurs lament stringent know-your-customer criteria and exhaustive documentation requirements. A compounding factor for ITP communities is the limited availability of banking branches in the interior and the fact that banks are unable to recognize community

⁶⁹ Anonymous key informant 7, interviewed in January 2024 by A. Dausendschön

⁷⁰ Anonymous key informant 18, interviewed in January 2024 by J. Schweitzer and A. Dausendschön

land as collateral (given that ITPs do not own the land they live on but are only granted usage rights). For micro and small enterprises operating in the wood sector, the lack of access to finance emerges as a substantial barrier to business expansion. This is particularly acute given the high cost associated with acquiring the necessary equipment and machinery for wood logging and processing.

During interviews with key informants from the banking sector, including representatives from the NOB, a more complex scenario regarding MSME financing in Suriname emerged. Despite the existence of various financing schemes tailored to SME needs, there seems to be a significant gap in awareness or understanding of these options among entrepreneurs. The NOB offers several initiatives, such as the Production Credit Fund, Technical Assistance Fund, and Guarantee Fund, all designed with favourable terms for SMEs. Additionally, commercial banks like Trustbank Amanah provide microfinance options catering to micro-enterprises, including those operating informally at the time of application. Notably, there is a special 0 per cent interest rate microfinance program specifically for women entrepreneurs.

Bank representatives highlighted that a major hurdle in extending finance to MSMEs is the poor quality of loan applications, often attributed to disorganized accounting systems and inadequate sales data. This points to a disconnect between entrepreneurs and financial institutions. Many entrepreneurs believe that formalization will not significantly enhance their access to finance, but in reality, well-prepared applications and formal business status can indeed open up more financing opportunities. This mismatch in perceptions suggests a need for better communication and support to bridge this gap, helping entrepreneurs to understand and meet the requirements for accessing finance effectively.

- **Chronic labour shortages:** Persistent labour shortages pose significant challenges to operational efficiency and business expansion, further dampening the motivation to formalize. A recurrent theme among interviewed business owners is the struggle to find qualified personnel. As one informant explained, this challenge has been intensified by the recent rise of call centres in the country, attracting a significant portion of the educated workforce.⁷¹ In addition, entrepreneurs express concern that the impending oil and gas industry operations might further escalate this trend by absorbing more local talent.

Businesses are adapting to labour shortages in various ways. One entrepreneur mentioned adopting on-the-job technical training for new staff to bridge skill gaps.⁷² Another disclosed halting external training that leads to certification, as employees often leave for higher-paying opportunities post-certification.⁷³ Additionally, a wood sector entrepreneur reported considering hiring migrant workers from India, although this solution poses its own set of financial and administrative complexities.⁷⁴

While there is no quick fix for Suriname's labour shortage, it is evident that this issue constrains the production potential of MSMEs. Efforts to promote enterprise formalization must find innovative ways to support MSME address these labour shortages. This could involve developing targeted training programs, facilitating easier access to migrant labour where appropriate, and implementing retention strategies to maintain a skilled workforce.

4.5 Enforcement and compliance system

The current enforcement system in Suriname is widely perceived as ineffective in discouraging informal business operations. A key informant summed it up: *"One of the things is there is no enforcement and compliance... if they know you are formalised, they know who you are, they target you. If you are informal, you are*

⁷¹ Anonymous key informant 30, interviewed in March 2024 by S. Schweitzer and S. Girdhari

⁷² Anonymous key informant 47, interviewed in March 2024 by S. Schweitzer and S. Girdhari

⁷³ Anonymous key informant 30, interviewed in March 2024 by S. Schweitzer and S. Girdhari

⁷⁴ Anonymous key informant 23, interviewed in March 2024 by S. Schweitzer and S. Girdhari

*invisible to the authorities.*⁷⁵ This situation is largely due to a fragmented inspection system that depends on various state entities at both local and national levels, which often lack the resources to provide effective oversight.

This inefficiency, coupled with prevalent corruption, creates a system riddled with loopholes and opportunities for deviation, inadvertently promoting informal business practices. For instance, while the KKF undertakes random checks to verify the authenticity of business addresses, these are not comprehensive. Similarly, tax inspections by the tax office are limited mostly to the ten largest companies, where the potential tax revenue is significant. Consequently, many MSMEs opt out of registering with tax authorities, operating under the rationale of *"if I don't declare [my taxes], they don't know that I exist."*⁷⁶ The labour inspectorate conducts inspections too, but its focus is primarily on OSH compliance and working conditions, not on broader aspects of business formalization.⁷⁷ As a result of this piecemeal approach, enforcement in Suriname is uncoordinated, sporadic, and under-resourced.

To effectively promote enterprise formalization through enforcement, Suriname needs a more integrated, consistent, and resource-efficient enforcement system. This would involve better coordination among various regulatory bodies, regular and thorough inspections, and adequate allocation of resources to ensure compliance across all business sectors. Only then can the 'stick approach' of enforcement truly contribute to a decline in informal business practices and an increase in formalization.

⁷⁵ Anonymous key informant 1, interviewed in March 2024 by S. Schweitzer and S. Girdhari

⁷⁶ Anonymous key informant 33, interviewed in March 2024 by S. Schweitzer and S. Girdhari

⁷⁷ Anonymous key informant 39, interviewed in February 2024 by A. Skof



► 5. Recommendations to promote formalization

“It will only become interesting for informal enterprises to formalize if there is in any way a benefit for them because for now, they are totally fine as they are. They are a part of the economy. They don’t see any reason why they should change.”⁷⁸

Promoting enterprise formalization in Suriname’s wood and tourism sectors will require a long-term effort that combines both incentives ('carrots') and enforcement ('sticks') and must be based on collaboration among key stakeholders from both the public and private sectors. The recommendations outlined in this section are designed to address the barriers identified in section 4 and propose strategies to address them. These recommendations align with the ILO’s four-dimensional approach to the enterprise framework, which aims to: (1) make it easier to register and comply, (2) make it more attractive to formalize, (3) make it more feasible to formalize, and (4) to make it less attractive to be informal. These recommendations have been developed in consultation with the key stakeholders involved in this study and are in harmony with element #5 “formalizing the informal sector” of the EZOTI’s upcoming SME policy.

It is suggested that the multi-stakeholder group that was formed during the course of this study be transformed into a “Formalization Task Force” that would act as a guardian that initiate and oversee the implementation of the recommendations (see section 5.5 Complimentary recommendation).

5.1 Make it easier to register and comply

Starting and operating a business in Suriname involves adhering to a range of registration, licensing, and approval requirements, which vary depending on the company's legal structure and the nature of its economic activities. Particularly the license and permit application processes are lengthy and bureaucratic. In addition, ITP communities and entrepreneurs who operate in the interior face difficulties in physically accessing the necessary regulatory institutions to be compliant. To address these barriers, streamlining the formalization process is essential, enhanced by digital solutions that are accessible to people in their locations.

► **Recommendation 5.1a: Streamline the information exchange process among the relevant public authorities to expedite the enterprise formalization process.**

Suggested approach	Create a clear workflow and more integrated (digital) system among the concerned entities so that business data and documents can be seamlessly shared and accessed.
Key actors	KKF, MFP, AWJ, EZOTI, MTCT, SBF, District Commissioners’ offices through ROS, and social security funds
Time frame	Short (up to 12 months)

⁷⁸ Anonymous key informant 14, interviewed in January 2024 by A. Dausendschön

► **Recommendation 5.1b: Establish a one-stop business formalization online portal.**

Suggested approach	To simplify the business formalization process, the creation of a one-stop online portal is recommended. This portal would mirror the successful “ <i>Formalizate</i> ” initiative of the Dominican Republic ⁷⁹ and be available in Dutch and other relevant local languages. It would serve as a centralized platform where entrepreneurs can efficiently handle various formalization tasks. These tasks would include registering new businesses, applying for and renewing licenses, enrolling employees with social security funds, and processing payments. Such a portal would significantly reduce the administrative burden on entrepreneurs, making the formalization process more accessible and less time-consuming.
Key actors	KKF, MFP, AWJ, EZOTI, MTCT, SBF, District Commissioners’ offices through ROS, and social security funds
Time frame	Medium (up to 24 months)

► **Recommendation 5.1c: Create a network of mobile business registration agents**

Suggested approach	In tandem with recommendation 5.1b, and to ensure a successful uptake of the suggested online portal, establishing a network of mobile business registration agents is proposed to further facilitate enterprise formalization, especially in remote areas. These agents, proficient in local languages, would regularly visit entrepreneurs in Paramaribo as well as in the interior regions. Their primary role would be to provide on-the-ground assistance, guiding business owners through the formalization process using the suggested online portal. By offering this personalized, direct support, the initiative aims to bridge language and technology gaps, making formalization more accessible and less daunting for entrepreneurs across Suriname, regardless of their location. To ensure a gender-inclusive service offer, a set percentage of the agents should be women.
Key actors	KKF, ROS, EZOTI, SPWE
Time frame	Medium (up to 24 months)

5.2 Make it more attractive to formalize

In Suriname, many entrepreneurs view formalization more as an obstacle than an opportunity, as gleaned from numerous interviews with entrepreneurs. Common concerns include the perceived tax burden and increased scrutiny by authorities, which sometimes extend to fears of extortion. This perception acts as a significant deterrent to formalization. To shift this viewpoint and encourage formalization, a multifaceted approach is necessary that combines smart tax reforms that are favourable to micro and small enterprises with targeted public awareness campaigns and robust measures to protect businesses from corruption. Additionally, measures are needed to improve access to finance and market opportunities, thus providing tangible incentives for entrepreneurs to transition to formal business operations.

⁷⁹ To see the Formalizate online portal, go to: https://formalizate-gob-do.translate.google/?_x_tr_sl=es&_x_tr_tl=en&_x_tr_hl=en&_x_tr_pto=wapp

► **Recommendation 5.2a: Implement tax reforms to encourage formalization**

Suggested approach	► 12-Month tax amnesty: Introduce a tax amnesty for businesses that register with the tax office within a 12-months period. This measure is aimed at incentivizing established informal businesses to formalize, as they would be exempt from past tax liabilities. ► 24-Month tax break for new micro and small enterprises: Offer a two-year tax holiday for newly registered micro and small enterprises. This initiative is designed to support new businesses in their initial growth phases, easing financial pressures and fostering a conducive environment for their development. ► Flat tax system for micro and small enterprises: Implement a simplified, flat tax rate for micro and small enterprises. This approach is intended to make tax compliance more straightforward and less time-consuming, thereby reducing the administrative burden on smaller businesses. ► Tax credits for sustainable practices: Provide tax credits to businesses that contribute to environmental sustainability. This includes enterprises involved in projects related to renewable energy, acquiring sustainability certifications, and adopting circular economy practices. Such incentives aim to encourage businesses to adopt eco-friendly operations and contribute to broader environmental goals.
Key actors	MFP, National Parliament (DNA)
Time frame	Medium (up to 24 months)

► **Recommendation 5.2b: Launch public awareness campaigns**

Suggested approach	In tandem with recommendation 5.2a, launch a series of public awareness campaigns that explain the benefits of the proposed tax reform: ► Tax reform awareness campaign: Initiate a campaign to educate entrepreneurs about the advantages of the newly proposed tax reforms. This campaign would focus on dispelling misconceptions about excessive taxation and highlighting the benefits and opportunities that these tax reforms can bring to businesses. The aim is to change the current perception of taxation and encourage more businesses to formalize and comply with tax regulations. ► Formal business registration branding campaign: Launch a widespread public awareness campaign that promotes formal business registration as a valuable branding tool. This campaign would utilize various high-visibility platforms such as radio, television, social media, and even physical outreach materials like stickers. The goal is to position formal registration as a mark of credibility and reliability, appealing to both entrepreneurs and customers. ► Tax contribution visibility campaign: Implement a strategy to regularly showcase how tax payments by businesses contribute to public service provision and infrastructure development across Suriname. By transparently displaying the positive impacts of tax contributions, this initiative aims to encourage entrepreneurs to either start or continue paying
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	taxes, reinforcing the concept that their contributions have tangible benefits for the wider community.
Key actors	MFP, ROS, EZOTI, Association of Journalists (SVJ), SBF, media outlets including social media influencers
Time frame	Medium (up to 24 months)

► **Recommendation 5.2c: Create a public register of formalized tourism enterprises**

Suggested approach	Support the Tourism Authority in expanding the public register of formalized tourism enterprises (for example, on Suriname.info). This register would list businesses that have completed the formalization process, offering them increased visibility and recognition. Being included in this register can serve as a mark of credibility and reliability, potentially attracting more customers. Additionally, this initiative contributes to destination branding efforts, as it showcases a collection of verified, formalized businesses, enhancing the overall appeal and reputation of Suriname as a tourism destination.
Key actors	MTCT, Suriname Hospitality and Tourism Association (SHATA), SSB
Time frame	Short (up to 12 months)

► **Recommendation 5.2d: Facilitate access to finance**

Suggested approach	Optimize the flow of information between commercial banks and the NOB to ensure that entrepreneurs consistently receive current and relevant information about financial instruments specifically designed for formal businesses. This streamlined communication is intended to keep business owners well-informed about various financing options, such as loans, grants, and credit facilities, which can significantly contribute to their business growth and development. By facilitating better information sharing, entrepreneurs can more easily access financial resources suited to their needs, ultimately aiding in the expansion and sustainability of their formalized operations. This recommendation should be implemented in tandem with “Recommendation 5.3a: Establish a network of business development agents” to ensure that Surinamese entrepreneurs are not only informed but also sufficiently prepared to tap into existing financing schemes.
Key actors	NOB, Association of Banks (SBV), Commercial banks
Time frame	Short (up to 12 months)

► **Recommendation 5.2e: Establish an independent watchdog**

Suggested approach	Create an independent watchdog organization with the authority to handle complaints, conduct investigations, publicly report outcomes, and suggest legal actions concerning corruption and fraudulent activities involving public officials. This body would focus especially on overseeing and scrutinizing the activities within key regulatory authorities relevant for enterprise formalization. Empowering such an entity would serve to enhance transparency,
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	accountability, and integrity in these critical areas, contributing to a more corruption-free business environment in Suriname.
Key actors	To be identified
Time frame	Medium (up to 24 months)

► **Recommendation 5.2f: Progress with reforms in Suriname's social security system**

Suggested approach	Advance reforms in Suriname's social security system to guarantee that affiliation with social security funds provides tangible benefits for both entrepreneurs and their employees. This approach should focus on enhancing the value and impact of social security contributions, ensuring that participants see clear advantages such as better healthcare, retirement benefits, and support during unemployment or disability. By demonstrating the direct benefits of social security participation, the aim is to incentivize formalization among businesses, as both employers and employees would recognize the practical rewards of being part of the formal economy.
Key actors	Central Bank and social security Funds
Time frame	Long (up to 48 months)

5.3 Make it more feasible to formalize

In Suriname's wood and tourism sectors, the tendency for businesses to remain informal is often a result of both actual and perceived constraints in enhancing operational productivity and growth. This issue is intrinsically linked to an underdeveloped BDS sector and a wide range of issues that constraint productivity. To ensure that formalization is and stays feasible, measures are needed to provide better access to BDS and to support enterprises in becoming more productive.

► **Recommendation 5.3a: Establish a network of business development agents**

Suggested approach	Set up a network of business development agents specifically tasked with providing comprehensive and efficient support to entrepreneurs across Suriname, both in urban centres and remote interior regions. These agents would offer guidance on various crucial aspects of running a business, including: ► Enterprise start-up and registration: Assisting with the initial steps of starting a business, including navigating the registration process. ► Bookkeeping and accounting: Offering expertise in financial management to ensure proper bookkeeping and accounting practices, crucial for maintaining business health and complying with regulatory requirements. ► Financial inclusion: Helping entrepreneurs gain access to financial services and products, thereby fostering inclusivity in the financial sector. ► Sustainability practices support: Guiding businesses on implementing sustainable practices. This includes assistance in obtaining certifications such as the Forest Stewardship Council (FSC) for wood sector businesses and sustainable tourism certifications, aligning operations with environmental and social sustainability standards. To ensure a gender-inclusive service offer, a set proportion of the business agents should be women. This approach is particularly vital in ITP villages, where women
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	often have a more consistent presence compared to men, who may have irregular attendance due to work engagements in gold mines, cities, or forest concessions. Having female business agents can foster a more comfortable and relatable environment for local women entrepreneurs, encouraging their active participation in business development and formalization processes.
Key actors	EZOTI, District Commissioners' offices through ROS, SBF, SPWE, other public and private organizations engaged in BDS provision, VIDS, KAMPOS
Time frame	Short (up to 12 months)

► **Recommendation 5.3b: Improve the productivity of formalized wood processing enterprises**

Suggested approach	Enhance the productivity of formalized wood processing enterprises in Suriname by implementing a comprehensive strategy that addresses several key areas: ► Supply chain formalization and upgrading: Work on formalizing and improving the efficiency of supply chains in the wood processing sector. This involves ensuring that each stage of the supply chain, from raw material sourcing to final product distribution, adheres to formal business practices and standards. An important segment of current suppliers includes small wood producers in the interior that operate informally. ► Access to international markets: Assist these enterprises in gaining access to international markets. This could involve providing guidance on export regulations, market trends, and establishing connections with potential buyers and trade networks globally. ► Enhancing production and OSH standards: Focus on improving production processes and adhering to rigorous OSH standards. This would not only ensure the well-being of employees but also improve the overall quality of the products. ► Promoting sustainability certification: Encourage and assist wood processing enterprises in obtaining sustainability certifications, such as the Forest Stewardship Council (FSC) certification. This can improve their marketability and demonstrate their commitment to environmentally responsible practices. ► Developing apprenticeship programs: Address skills shortages in the long term by establishing market-based apprenticeship programs. These programs would provide practical training and skill development, tailored to the specific needs of the wood processing industry. ► Establishing labour migration schemes: As a short-term strategy to alleviate labour shortages, set up efficient labour migration schemes. These schemes would facilitate the legal and temporary employment of foreign workers in areas where there is a lack of local skilled labour. By focusing on these areas, Suriname can significantly boost the productivity and competitiveness of its formalized wood processing enterprises, paving the way for sustainable growth and development in the sector.
Key actors	EZOTI, AWJ, VSB, ASFA, Ministry of Justice and Police (JusPol)
Time frame	Long (up to 48 months)

5.4 Make it less attractive to be informal

Suriname's current enforcement system is widely seen as ineffective in deterring informal business operations, often described as having no real enforcement or compliance. This perception is due in part to a fragmented and under-resourced inspection system across various state entities, leading to inefficient oversight. To shift this dynamic, Suriname needs a unified, consistent, and well-resourced enforcement system, with better coordination between regulatory bodies and regular, comprehensive inspections to ensure compliance, thus motivating a shift from informality to formal business practices.

► Recommendation 5.4a: Establish a unified and adequately resourced inspection system

Suggested approach	Initiate a unified and well-equipped inspection system to thoroughly and consistently oversee the enterprise formalization process across Suriname. This system would be designed to conduct comprehensive checks and enforce regulations annually, ensuring businesses adhere to formalization standards. By centralizing and properly resourcing the inspection process, the system aims to provide uniformity in enforcement, with the capacity to reach all regions of the country effectively. This approach would not only ensure compliance with formalization procedures but also contribute to creating a level playing field for all businesses, fostering a more organized and regulated business environment. Inspiration and lessons learnt can be drawn from the Netherlands' inspection system. This could encompass a study visit and a knowledge exchange program among relevant officials from Surinamese and Dutch regulatory authorities.
Key actors	KKF, MFP, EZOTI, MTCT, AWJ, District Commissioners' offices through ROS, and social security funds, Ministry of Justice and Police (JusPol), Dutch Ministry of Foreign Affairs
Time frame	Medium (up to 12 months)

► Recommendation 5.4b: Introduce a fair and transparent penalty system

Suggested approach	In tandem with recommendation 5.4a, introduce a fair and transparent penalty system for enterprises that is progressively scaled according to their annual income. This system would entail establishing a tiered structure of fines and penalties, calibrated to the size and earning capacity of the business. Smaller enterprises with lower annual incomes would face relatively lower penalties, while larger, higher-earning businesses would incur greater fines for non-compliance or violations. This progressive approach ensures that penalties are equitable and proportionate to the financial capabilities of each business, thereby maintaining fairness and promoting compliance across the entire business spectrum. In addition, a fair penalty system should provide entrepreneurs with a grace period such as 12 to 24 months, which allows them to gradually comply with regulations without being subject to penalization.
Key actors	KKF, MFP, EZOTI, MTCT, AWJ, District Commissioners' offices through ROS, and social security funds
Time frame	Medium (up to 12 months)

5.5 Complimentary recommendation

The enterprise formalization process in Suriname is above all constrained by a lack of coordination among relevant public and private stakeholders. As this study has revealed, several stakeholders follow compartmentalized initiatives that directly or indirectly promote enterprise formalization, but an overarching platform for regular information exchange and collaboration exchange is missing. To ensure that the aforementioned recommendations are translated into actions, a more effective and inclusive coordination mechanism is imperative alongside an effective plan that can be utilized to leverage existing, and mobilize new, resources.

► Recommendation 5.5a: Establish a formalization task force

Suggested approach	Transform the multi-stakeholder group formed during this study into a formalization task force that would oversee and guide future enterprise formalization pilot initiatives. Key functions of the task force would include: ► Facilitating collaboration and coordination: Act as a central platform where key public and private actors converge. This collaborative approach is essential for breaking down silos and fostering a unified effort in addressing the challenges and opportunities of formalization. ► Inclusivity of stakeholders: Including a diverse range of stakeholders – from government agencies and financial institutions to small business owners and community representatives – ensures that multiple perspectives are considered. This inclusivity is critical for developing holistic strategies that are practical and widely accepted. ► Brainstorming and strategy development: Act as a hub for generating innovative ideas and developing actionable strategies. This requires organizing regular meetings, workshops, and consultations to brainstorm and refine approaches for promoting formalization. ► Implementation of initiatives: Beyond ideation, the task force should play an active role in implementing initiatives. Leveraging the strength of its individual members, the task force could pilot new programs, overseeing the rollout of policies, and adjusting strategies based on feedback and outcomes. ► Monitoring and evaluation: The task force should also be responsible for monitoring the progress of formalization initiatives, evaluating their impact, and making necessary adjustments. This continuous improvement cycle is essential for achieving long-term success in formalization efforts. ► Advocacy and awareness: Lastly, the task force can serve as a powerful voice for advocating the importance of formalization, raising awareness among the business community and the wider public about the benefits of formal business practices.
Key actors	All public and private stakeholders involved during this study and other relevant actors
Time frame	Long (up to 48 months)

► **Recommendation 5.5b: Create a roadmap for enterprise formalization in Suriname**

Suggested approach	As a first output of the aforementioned enterprise formalization task force, develop a roadmap for enterprise formalization that prioritizes and guides future enterprise formalization activities in Suriname.
Key actors	All public and private stakeholders involved during this study and other relevant actors
Time frame	Short (up to 6 months)



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