

TECHNICAL COOPERATION PROFILE

FEBRUARY 5, 2008

I. BASIC PROJECT DATA

Country/Region:	Suriname
Project Name:	Competitiveness Enhancement Program
Project Number:	SU-T1031
Team Members:	Frank Nieder (ICF/CMF), Team Leader; Juan José Durante (ICF/CMF) and José Jorge Saavedra (ICF/CMF).
Date of Request:	November 30, 2007
Beneficiary:	Ministry of Trade and Industry (MTI)
Executing Agency:	Ministry of Trade and Industry
Financing plan:	IDB: (Fund for Special Operations) US\$ 250,000
	Local: US\$ <u>0</u>
	Total: US\$ 250,000
Technical and basic responsibility:	ICF/CMF
Included in TC Program:	Yes
Execution and Disbursement Dates:	12 months for execution and 18 months for disbursement.

II. BACKGROUND AND PROBLEM STATEMENT

- 2.1 The enabling environment in Suriname for private sector competitiveness is poor and the capacities of most local firms are quite weak. This poor competitiveness framework makes the economy highly dependent on a few extractive primary commodity exports (over 80% of exports), which weak links with the local economy and generate limited levels of employment. Partially, as a result of the private sector's lack of competitiveness and consequent limited capabilities to generate employment, governments have relied on the public sector as an employer of last resort. This has contributed to the maintenance of an inefficient statist economic policy.

- 2.2 Surinamese competitiveness is limited by several structural factors including its geographic and cultural isolation, the inherently small size of the local economy and the tendency towards an unstable and often overvalued exchange rate that does not reflect the productivity of the economy. To counteract the effects of these structural factors, it is even more important for Suriname to have a strong enabling environment. Apart from the macroeconomic framework there has been limited progress in other aspects of the enabling environment or in the improvement of the financial and technical capacities of local firms. Problems are widespread, including high transaction costs of redtape, lack of transparency, limited access to finance, policy instability, as well as insufficient judicial capacities for the rapid enforcement of property rights.
- 2.3 The government recognizes the need to address these impediments, and a public private sector institution, the Business Forum, has been officially established to provide a vehicle for more effective communication between the parties and to provide business support services.
- 2.4 This program is designed to support the initiation of an effective process to improve the enabling environment and the capacities of local firms by assisting in the preparation of action plan and the building of a consensus for its implementation. The IDB could support its implementation with subsequent operations.

III. PROGRAM OBJECTIVE AND DESCRIPTION

A. Objectives

- 3.1 The objective of the TC is to assist the Ministry of Trade and Industry lead the preparation of an action plan to improve the competitiveness of the Surinamese private sector. .

B. Description.

- 3.2 The program would provide technical assistance to the Ministry of Trade and Industry and other relevant institutions to prepare a competitiveness enhancement action plan. The plan would include measures to address priority areas of the enabling environment as well as the capacities of the local private sector. In addition, the program will assist responsible public sector entities implement measures to reduce the time, cost and complexity of the process to establish a business.
- 3.3 **Component 1. Preparation of and building the consensus for a Competitiveness Enhancement Action Plan.** Activities would include:
 - (i) A rapid diagnostic of the primary constraints to improved competitiveness. In This activity should take into account the numerous previous diagnostics so as not to duplicate efforts. After discussion with relevant authorities, this activity

should lead to the identification of priority areas, which an action plan should address.

- (ii) Preparation of a competitiveness action plan that would detail the specific measures, their costs, institutional responsibilities and the timing for their implementation. The preparation of the plan would include the active participation of the responsible institutions, both in the explanation of the problems and the definition of the measures to address them. In addition, the Business Forum, the State Council, Cabinet and the President would be briefed on a regular basis regarding the recommendations of the Action Plan and their input would be reflected in the Plan. This should help build consensus and widespread ownership for the implementation of the plan.

- 3.4 **Component 2. Reduce time, cost and complexity of process to establish a business.** This component would include a detailed definition of the measures needed to achieve this objective, and assistance to the responsible institutions in their implementation.

IV. COST AND FINANCING

A. Cost

- 4.1 The total estimated cost of the project would be US\$ 250,000 of which the Fund for Special Operations would finance US\$ 250,000.

Table 1: Budget (US\$)

Activities	Cost (FSO)
1. Development of a Competitiveness Action Plan	150,000
2. Identification and Implementation of Measures to reduce the time, cost and complexity of establishing a business.	85,000
Audit and Evaluation	2,500
Contingencies	12,500
TOTAL	250,000

V. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 5.1 The Executing Agency of the project would be the Ministry of Trade and Industry, which would establish a team, lead by the Permanent Secretary, to supervise the consulting firm that would carry out the primary activities of the Technical Cooperation, and coordinate the active participation of all relevant government entities and the Business Forum. The Ministry will be responsible for the contracting of the consultants, but to facilitate a more rapid

implementation of the program, the Bank would assist them with some aspects of the contracting and supervision of the consultancy.

VI. ISSUES

- 6.1 **Government commitment and consensus.** Strong government commitment to address competitiveness issues and the effective participation of public sector entities in the preparation of the plan is critical for the development of an action plan for which key actors have ownership and commitment to implement. In this regard, the request of this program and the establishment of the Business Forum demonstrates the importance the government places on improving the business enabling environment. Moreover, as noted above in paragraph 3.2(i), the program includes a series of measures to build consensus and ownership.
- 6.2 **Administrative Capacities of the Ministry of Trade and Industry.** The Ministry of Trade and Industry has demonstrated a weak administrative capacity with regard to other Bank programs under their purview. In order to address this issue, one consulting firm would be contracted to assist the Ministry in all of the program activities, and, as noted above, the IDB will assist in the contracting and supervision of the consultancy.

VII. ACTION PLAN

- 7.1 Once this TC brief is approved, the project team should be able to conduct an analysis mission in February and prepare a Plan of Operations to be submitted for approval by early April 2008.

VIII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 8.1 As the TC will prepare an action plan that details primarily government policy, legal, regulatory and institutional measures, the TC will not generate any significant environmental impact. In terms of social strategy, the definition of the action plan will take into account the constraints faced by indigenous and Maroon communities. For these reasons, the project was classified in C category, according to the Safeguard Screening Form.