

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

SURINAME

COMPETITIVENESS ENHANCEMENT PROGRAM

(SU-T1031)

PLAN OF OPERATIONS

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BASIC SOCIOECONOMIC DATA

For basic socioeconomic data, including public debt information, please refer to the following address:

<http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata>

ABBREVIATIONS

ESR	Environmental Safeguard Review
FSO	Special Operation Fund
GDP	Gross Domestic Product
IDB	Inter American Development Bank

PLAN OF OPERATIONS

(SU-T1031)

EXECUTIVE SUMMARY

Beneficiary:	Ministry of Finance		
Executing agency:	Ministry of Trade and Industry		
Target Beneficiaries:	Private Sector Firm		
Financing:	IDB: (FSO)	US\$	250,000
	Cofinancing:	US\$	0
	Local:	US\$	20,000
	Total:	US\$	270,000
Objectives:	The objectives of the program are: (i) to assist the Ministry of Trade and Industry in the preparation of, and in the building of consensus for, the implementation of, an action plan to improve the competitiveness of the private sector; and (ii) to assist the responsible institutions implement measures to simplify and reduce the time and cost to complete the legal and regulatory measures required to establish and operate a business.		
Execution timetable:	Execution Period 18 months		
	Disbursement Period 24 months		
Special contractual conditions:	None		
Exceptions to Bank Policies and Procedures:	None		
Environmental and social review:	Base on the Safeguard Toolkit criteria, this project was classified as Category “ C”		
Coordination with Other Donors:	The action plan would be coordinated with the planned activities of an European Union program to support the Suriname Business Forum, a joint private and public sector institution.		

I. BACKGROUND AND JUSTIFICATION

- 1.1 Suriname's economy has enjoyed rapid and accelerating growth over the decade. This growth has been accompanied by a narrowing of the fiscal balances and a deliberate reduction of inflation. These improved conditions have been due largely to increasing world commodity prices, increased production from extractive industries, as well as more prudent monetary and fiscal policies. The economy, however, is largely dependent on revenues from bauxite, gold and petroleum, which represent close to about 60% of GDP and 90% of export revenues and which provide about 30% of fiscal resources. However, these industries, apart from their contribution to fiscal revenues, have weak linkages with the local economy. They employ only about 10% of the formal sector workforce
- 1.2 Another key characteristic of the economy is the large role of the public sector state, which employs 60% of the formal work force, and its revenues are estimated to about 40% of GDP, state-owned enterprises are included. In this structure and in spite of the good economic conditions the local private sector is relatively small and largely competitive only in the production of non-tradable goods and services. Employment in the private sector is only about 20% of the formal workforce. Informal sector employment, however, represents a significant percentage of total employment.

Table 1. Macroeconomic Indicators

Indicator	2002-2004	2005	2006	2007
GDP Growth	4.6%	6.5%	5.8	7- 8%(e)
Inflation	16%	12.6	4.7	
Real Effective Exchange Rate (2000=100)	85 (2002)	120	142	150

- 1.3 For a host of factors, a rapidly growing primary commodity-based and state dominated economy is not sustainable, and continued strong and equitable growth requires a much more dynamic and competitive private sector. First, the deposits for the extractive industries are limited; dependence on commodities leaves the country vulnerable to strong macroeconomic shocks given the volatility of commodity prices. Second, without a strong private sector, efforts to increase the efficiency and effectiveness of the public sector are politically difficult, if the private sector is not able to absorb the redundant workers from the public sector. In this regard, it should be noted that the public sector modernization is a strategic pillar of the Bank strategy, and the Bank is assisting authorities prepare road map that is aimed at providing a politically feasible process for long-term reform.
- 1.4 The improved competitiveness of the Surinamese private sector, and the consequent diversification of the economy is limited by several structural factors including its geographic and cultural isolation, the inherently small size of the local economy and the aforementioned vulnerability of the economy to shifts in

the world prices of the primary commodity exports, and the consequent volatility of the exchange rate.

- 1.5 To counteract the effects of these structural factors, it is even more critical for Suriname, compared to many other countries, to have a strong enabling environment for the private sector. In this regard, apart from the macroeconomic framework, and more recently, efforts by the Ministry of Trade and Industry that have sharply reduced the time to receive a business license, progress in improving the enabling environment has been slow. Problems are widespread, for example, high transaction costs for the meeting of government regulation, including those related to establishing and operating a business, limited access of micro, small and medium scale businesses to finance, insufficient judicial capacities for the rapid enforcement of property rights, as well as relatively complicated and time consuming procedures for foreign trade.
- 1.6 The government increasingly recognizes the need to improve the enabling environment and to strengthen the capacities of private enterprises. Indications of this include the establishment by the National Assembly of the Suriname Business Forum, a public-private sector institution, which is a platform to improve communication between the different stakeholder to address competitiveness and private sector development issues, and a provider of business development services. Funding for the initial operation of the Suriname Business Forum is provided by a grant from the European Union. In addition, the Ministry of Trade and Industry has made significant progress in reducing the time required for receiving a business license. Since late May, 2008 over 80% of licenses were granted in less than one month.
- 1.7 In addition, the government's request for this proposed IDB program also reflects the priority the government places on enhancing the competitiveness of the private sector. In this regard, government institutions responsible for the different aspects of the enabling environment have communicated to the Ministry of Trade and Industry, their support for and willingness to participate in a competitiveness enhancement initiative. In addition, the Cabinet expressed their support for the program and has suggested the possibility for establishing a sub-committee for Private Sector Competitiveness Enhancement with the Board of Ministers. It should be also noted that the Bank has financed, at the government's request, the evaluation of the Suriname competitiveness environment by the World Economic Forum. Finally, there have been increased efforts to improve access to finance for small and microenterprises through the establishment of several specialized credit facilities.
- 1.8 The program is fully consistent with the Bank's Country Strategy that includes private sector development as one of its strategic pillars.
- 1.9 **Justification.** The proposed program would be an important step to accelerate the development and the implementation of an effective government initiative to enhance the competitiveness and the consequent growth and dynamism of the private sector. Finally, authorities have voiced their interest in seeking Bank support for the implementation of the Action Plan.

II. PROGRAM DESCRIPTION

A. Program goal and purpose

- 2.1 The goal of the program is to enhance the competitiveness and growth of the private sector. The purpose is to assist the Ministry of Trade and Industry lead the preparation of a Private Sector Competitiveness Action Plan and to assist the responsible institutions implement measures to simplify and reduce the costs and time to establish a business and obtain operating licenses.

B. Components

- 2.2 Preparation and Building Consensus for a Private Sector Competitiveness Enhancement Action Plan.

a. Preparation and Building Consensus for a Private Sector Competitiveness Enhancement Action Plan.

- 2.3 The program would provide external expert advice to the Ministry of Trade and Industry to lead an effort for the preparation of a detailed action plan. Government institutions responsible for different aspects of the enabling environment would participate in all phases of the preparation of the action plan, and the contracted experts would provide assistance to them as well. The Action Plan would include:

- i. The identification, explanation and impact of the problems that need to be addressed to improve competitiveness of the private sector. Where possible, comparisons of the situation of Suriname with other countries would be included.
- ii. A detailed description of the recommended measures, and where appropriate, the relative merits of different options.
- iii. The expected impact of the measures.
- iv. Program implementation benchmarks and performance indicators.
- v. Recommendations regarding the sequencing of the implementation of measures.
- vi. The time cost and other resources required to implement the measures, including where necessary technical assistance for the institutional strengthening of participating entities.
- vii. As part of the preparation of the action plan, an in-depth review will be conducted of the Decree on Licenses and Professions (Decree E-24), the bill that regulates the issuing of licenses for businesses and professions legislation will be prepared for the revision of some aspects of commercial law, in particular, Decree E- 24 SB, 145 and 147.

- 2.4 Measures to build consensus would include the aforementioned participation of responsible institutions in the preparation of the program, periodic briefings to the Cabinet of Ministries, and the Private Sector Competitiveness Enhancement sub-committee, if established, a presentation of the draft report to Cabinet, the

Business Forum and, if requested, the President, as well as a seminar to present the approved action plan to the public.

b. **Technical Assistance to responsible institutions for the implementation of measures to streamline and reduce the cost and time to complete measures to establish a business and receive operating licenses.**

- 2.5 Expert advice would be contracted to assist the responsible institutions implement the measures in the action plan regarding the establishment of businesses and the granting of licenses. In order to initiate this component as quickly as possible, particular focus and priority would be placed on these issues in the preparation of the action plan.

III. COST AND FINANCING

A. Summary cost table

- 3.1 Of the total program costs of US\$270,000, the Bank will finance US\$250,000 and the government will finance US\$20,000, all of which will be in-kind.

COMPONENT	IDB	GOVERNMENT	TOTAL
a. Action Plan	120,000	5,000	125,000
b. Simplify and reduce time and cost of establishing a business and receiving operating licenses.	120,000	15,000	135,000
Audit and Evaluation	3,000		3,000
Contingencies	7,000		7,000
TOTAL	250,000	20,000	270,000

B. Sustainability

- 3.2 The benefits of the project will be sustainable for several reasons. First, responsible institutions participation in the process will allow them to be better prepared and informed, and committed to the plan's implementation. The gains made in reducing the time and cost of establishing a business and receiving business licenses should be sustained, since the second component of the program will build their institutional capacities. Third, the expected gains in terms of establishing a business and granting of licenses should provide a demonstration effect for other areas and institutions, demonstrate government commitment to improving the enabling environment, and thereby build political support for continued progress.

IV. EXECUTING AGENCY AND MECHANISM

A. Executing Agency

- 4.1 The Ministry of Trade and Industry will be the Executing Agency. The Ministry has experience in working with the IDB, and is currently the executing agency for the Trade Sector Reform Program (SU-L1002), which after some delays is now being implemented in a satisfactory manner. The Ministry has established a Program Executing Unit, which would be lead by the Acting Deputy Director of Industry and would include the Head of the Licensing Department and a Policy Officer.

B. Executing mechanism

- 4.2 Experts in competitiveness policy and programs will be contracted to assist authorities conduct both components of the program. The Ministry of Trade and Industry, will supervise the consultants, ensure the active participation of the institutions responsible for the different aspects of the enabling environment, and assist these institutions, where appropriate. The Ministry of Trade and Industry, again assisted by the contracted experts, would also be responsible for the building of consensus for the action plan and proposing its approval by Cabinet.

C. Program implementation readiness

- 4.3 The program should be able to start soon after its approval. The Ministry of Trade and Industry has received commitments from several of the key institutions responsible for the establishment of competitiveness enhancement measures, and Cabinet has voiced its support. The project executing unit has been named, and the terms of reference prepared for the consultancy, and the procurement process has begun.

D. Execution period and disbursement schedule

- 4.4 The execution period for the program will be 18 months, and a disbursement period of 24 months.

E. Procurement

- 4.5 Procurement of services will be conducted in accordance with the provisions of documents GN-2350-7.

F. Audit

- 4.6 The Executing Unit will prepare and submit to the Bank, within 120 days after the closing date of each fiscal year and within 120 days after the date of the last disbursement of the financing, the financial statements of the project, audited by a firm of independent auditors acceptable to the Bank, based on the terms of reference previously approved by the Bank (Document AF-400). The private audit firm will be selected and contracted in accordance with the Bank's bidding procedures

V. MONITORING AND EVALUATION

A. Monitoring

- 5.1 The monitoring of the program will be based on the Annual Operating Plan, and in accordance with the performance indicators of the logical framework. (Annex I)

B. Technical and basic responsibility

- 5.2 The Capital Markets and Finance Division will have the technical and basic responsibility for the Program.

C. Progress and final reports

- 5.3 During the execution of the project and within 60 days of the close of each calendar semester, the Ministry of Trade and Industry will present *semi-annual progress reports* to the Bank. These reports will include progress in the following areas; (i) progress toward achievement of indicators established in the logical framework; and (ii) progress in completion of components and activities (outputs) of the project as outlined in the Plan of Operations.

D. Description of proposed evaluations

- 5.4 A *final evaluation* will be undertaken when 95% of the resources of the Technical Cooperation have been disbursed. It will measure the effects of the project on the beneficiaries, the results in achieving the project objectives, and will document lessons learned. An important part of the evaluation will be to look at the different impacts of the project on the different target groups, with emphasis on the impact on private sector businesses.

VI. PROGRAM BENEFITS AND RISKS

A. Program benefits and developmental impact

- 6.1 The first component of the project will assist authorities to develop an effective and comprehensive plan to improve the competitiveness of the private sector, and their participation will allow them to be better prepared and informed and more motivated for its implementation.
- 6.2 The second component will assist in simplifying and reducing the time and cost of establishing a business and the receipt of business licenses.

B. Target Beneficiaries

- 6.3 The Beneficiaries of the program will be the public sector institutions responsible for the improvement of the different elements of the enabling environment for private sector competitiveness.

C. Risks

- 6.4 **Government commitment and consensus.** The lack of a government commitment and broad-based consensus to address competitiveness issues would limit the success of the program in preparing the government for the implementation of a competitiveness enhancement initiative. To mitigate this

risk, as noted above, the Ministry of Trade and Industry has sought and received commitments of support from key ministries and agencies, and also agreement of the Cabinet to establish a sub-committee for competitiveness enhancement.

VII. ENVIRONMENTAL AND SOCIAL REVIEW

A. Date of ESR review

- 7.1 Based on the Safeguard Toolkit criteria, this project was classified as Category C and was cleared by ESR on May 5, 2008.

B. Measures taken to avoid negative social and environmental impacts

- 7.2 As part of the preparation of the competitiveness enhancement action plan, the contracted experts will analyze, whether any particular aspects of the enabling environment limit the competitiveness of businesses of Maroon and indigenous communities, and if necessary include specific measures in the Action Plan to address these constraints.

VIII. CERTIFICATION

- 8.1 The Grants and Cofinancing Management Unit (VPC/CGM) certifies that the amount of US\$ 250,000 from the Fund for Special Operations (FSO) are available for the financing of the proposed program budget of the current Plan of Operations.

Original Signed

Marguerite S. Berger, Chief VPC/CGM

Dec/5/2008

Date

IX. APPROVAL

Original Signed

Kurt Focke, Chief ICF/CMF

Dec/09/2008

Date

Original Signed

Ancile E. Brewster, Representative CCB/CSU

Dec/10/2008

Date

ANNEX I - LOGICAL FRAMEWORK
COMPETITIVENESS ENHANCEMENT PROGRAM
(SU-T1031)

OBJECTIVES	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL Implementations of Competitiveness Enhancement Action Plan.,	Completed over half of the action plan benchmarks and performance indicators of the Action Plan.	Ministry of Trade and Industry and the Business Forum documentation regarding the implementation of the Action Plan	Consensus maintained to implement far reaching measures to improve private sector competitiveness.
OBJECTIVE Government approval of a Competitiveness Enhancement Action Plan, Reduce the time needed to establish a business. Reduce the time to \ receive an operating license from the Ministry of Trade and Industry, and District Commissioners.	Cabinet of Minister approval of Competitiveness Enhancement Action Plan. Average time between initial application and approval of the establishment of a business reduced by 50%. Average time for between application and granting of operating license from the District Commissioner in Paramaribo reduced by 50%.	Letter of approval. Monitoring documentation of the Ministry of Trade and Industry, and Chamber of Commerce database. Ministry of Justice and Police documentation. Monitoring documentation of the Ministry of Trade and Industry and Chamber of Commerce database.	Political support for a competitiveness enhancement initiative. Responsible institutions willing and able to implement recommended measures.
COMPONENTS/RESULTS			
1. Preparation of Action Plan (i) Diagnostic. (ii) Plan of Action for reducing the time and cost of establishing a business and receiving an operating license/. (iii) Comprehensive Action Plan (iv) Approval of Action Plan by Cabinet and formal support received from the Suriname Business Forum. 2. Implementation of Measures to reduce the time and cost for establishing a business	Final Diagnostic Report Plan of Action approved by the Ministry of Trade and Industry, with formal communication of support from the key responsible institutions. Final Action Plan prepared by Consultants accepted by the Ministry of Trade and Industry. Cabinet of Minister decision. Letter of Agreement from the Suriname Business Forum Meeting of plan benchmarks for first 6 months of Plan in these areas.		Contracted external experts fulfill the Terms of Reference in an effective manner. Responsible institutions fully participate in the preparation of the Action Plans. Responsible institutions willing to devote resources to implement plan in their areas.

ANNEX I - LOGICAL FRAMEWORK
COMPETITIVENESS ENHANCEMENT PROGRAM
(SU-T1031)

and the granting of business licenses.			
INPUTS/ACTIVITIES			
<p>(Month 1, after eligibility.) Ministry of Trade and Industry contracts qualified experts/.consultants/</p> <p>(Month 6) Consultants conduct diagnostics, and prepare action plan (both parts.) and work closely with responsible institutions in its preparation.</p> <p>(Month 7-9) Ministry of Trade and Industry seeks support for action and its implementation.</p> <p>(Month 6-18) Technical assistance is provided to responsible institutions for the implementation of recommended measures.</p> <p>(Month 6-18) Responsible institutions begin implementation of measures regarding the establishment of a business and receipt of operating licenses.</p> <p>Supervision of consultants by Ministry of Trade and Industry</p> <p>Preparation and review of evaluation of Program.</p>	<p>Signed contract.</p> <p>Approved diagnostic report and action plan,</p> <p>Meetings with responsible government institutions and other stakeholder and presentation to Cabinet and the Suriname Business Forum.</p> <p>Time spent of qualified consultants with officials of responsible officials.</p> <p>Meeting with consultants, staff accompanying of consultants, consultation with other participating institutions and review of outputs.</p> <p>Contract signed with evaluation consultant and evaluation report. Comments on evaluation. Final evaluation report.</p>	<p>Project Documents including Progress reports, consultant reports and evaluation report.</p>	

PROCUREMENT PLAN

I. GENERAL

1. Project Information

Country: Suriname
Borrower: Ministry of Finance
Project: Competitiveness Enhancement Program (SU-T1031)
Executing Agency: Ministry of Trade and Industry

2. Approval Date of Procurement Plan by Bank

Original Plan:

3. Date of General Procurement Notice

The General Procurement Notice will be published on the Bank's website and in UN Development Business online publication

4. Period Covered by this Procurement Plan

This Procurement Plan covers the period February, 2009 to August, 2010.

II. SELECTION OF CONSULTANTS

1. Bank review process: Unless otherwise stated by the Bank in writing every contract for goods and services will be reviewed.
2. Short List (National Competitive Bidding): The short list of consultants whose services are estimated to cost less than US \$100,000 equivalent per contract may be comprised entirely of national consultants.
3. Any other special selection arrangements: None
4. Prior Review Thresholds: Presented in the following Table

Procurement Method	Prior Review Threshold (US \$)	Comments
International Competitive Bidding (Firms)	< \$100,000	Use Bank standard RFP documents
National Competitive Bidding (Firms)	> \$100,000	
National Individual Consultants (Comparison of Consultant Qualifications)	>25,000	
International Individual Consultants (Comparison of Consultant Qualifications)	<100,000	

5. Consultancy Assignments with Selection Methods and Time Schedules

The following table presents procurement of consulting services expected to occur over the initial 18 months of the program (February 2009-July 2010).

Ref #	Contract	Estimate (US\$)	Selection Method	Review by Bank	Expected Start Date	Comments	% Bank Financing
1	Action Plan	120,000	ICB	February 2009	March, 2009		100%
2	Simplify and reduce time and cost of establishing a business and receiving operating licenses	120,000	ICB	October, 2009	November, 2009		100%



MINISTRY
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SURINAME

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Mr. Ancile Brewster
Representative
Inter-American Development Bank
Suriname

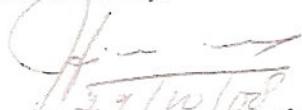
Paramaribo, 27 October 2008

Dear Mr. Brewster,

Subject: TC Competitive Enhancement Program

Please note that the Ministry of Finance is confirming its approval to complete processing of the Technical Cooperation, *Competitive Enhancement Program*. The discussions of aforementioned TC have been in process with the ministry of Trade and Industry.

Yours sincerely,


Drs. Humphrey S. Hildenberg
Minister of Finance

c.c.: Mr. C. Marica, Minister of Trade and Industry
Ms. M. van Embricqs, Ministry of Finance
Ms. A. Wijnerman, Ministry of Finance

ESR

From: ESRNet
Sent: Monday, January 14, 2008 4:02 PM
To: Hoffman Prada, Nathalie
Cc: Profeta, Laura; ESRNet
Subject: CLEARED/: SURINAME. Competitiveness Enhancement Program SU-T1031.

Project classification: C

As specified under the ESR procedures this operation has been cleared by ESR secretariat. No further action is required in the ESR process.

Thank you very much,

ESR team

-----Original Message-----

From: Hoffman Prada, Nathalie
Sent: Thursday, January 10, 2008 10:09 AM
To: ESRNet
Cc: Profeta, Laura
Subject: SURINAME. Competitiveness Enhancement Program SU-T1031.

Buenos Días;

Adjunto para revisión del ESR el Perfil de Cooperación Técnica de la operación indicada en la referencia con su correspondiente clasificación dentro del documento, haciendo referencia a la versión enviada el día de ayer 01/09/2008 a la cual le hacía falta este punto. Por favor cualquier comentario o duda al respecto comunicarse con Frank Nieder ext. 3446 o con Nathalie Hoffman ext. 1653.

Gracias.

Cordialmente,

Nathalie Hoffman

Inter-American Development Bank

ICF/CMF

(202) 623-1653

nathalieh@iadb.org

<< File: IDBDOCS-#1272463-v1-SURINAME__Competitiveness_Enhancement_Program__TC_Profile.DOC >>
<< File: IDBDOCS-#1273173-v1-SU-T1031_Safeguard_Screening_Form.HTML >> << File: IDBDOCS-#1273172-v1-SU-T1031_Safeguard_Policy_Filter_Report.HTML >>