



# Social Entrepreneurship Program

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**To:** The Board of Executive Directors  
**From:** The Secretary  
**Subject:** Suriname. Executive summary of a proposal for financing and technical-cooperation funding to support the pilot project for entrepreneurship promotion

**Inquiries to:** Mr. Dieter Wittkowski (extension 2410)

**Remarks:** This operation is presented in accordance with Resolution DE-183/98 authorizing the "Reform of the Small Projects Program and creation of a Social Entrepreneurship Program," and meets the criteria established in document GP-75-9.

On **17 November 2003**, the date on which the five-day circulation period required for this document expires, the President, or such officer as he may designate, will approve this operation.

**Reference:** GP-75-9(11/98)

**Other  
distribution:** Representative in Suriname

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## **SURINAME**

### **SOCIAL ENTREPRENEURSHIP PROGRAM (SEP)**

#### **PILOT PROJECT FOR ENTREPRENEURSHIP PROMOTION**

**(SP/TC-0208013-SU)**

#### **FINANCING PROPOSAL AND PLAN OF OPERATIONS**

<p>This document was prepared by the project team consisting of: Dieter Wittkowski (SDS/MSM), Project Team Leader; Pablo Angelleli (SDS/MSM); Angela Bailey (COF/CSU); Juan Carlos Perez-Segnini (LEG/OPR); Leyda Fajardo (LEG/OPR); and Margarita Reyes (SDS/MSM).</p>
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## SURINAME

### Pilot Program for Entrepreneurship Development

#### EXECUTIVE SUMMARY

**Executing agency:** Suriname Chamber of Commerce and Industry  
(Kamer van Koophandel en Fabrieken - (KKF))

<b>Amount and source:</b>	<u>IDB (US\$)</u>	<u>Local (US\$)</u>	<u>Total (US\$)</u>
Non-Reimbursable Financing:	US\$ 50,000	US\$ 25,000	US\$ 75,000
Non-Reimbursable Technical Coop.:	<u>US\$246,000</u>	<u>US\$187,000</u>	<u>US\$433,000</u>
Total:	US\$296,000	US\$212,000	US\$508,000

The resources are provided by the net income from the Fund for Special Operations (FSO).

**Problem to be addressed:** Suriname is a country with many resources that has seen an alarming increase in poverty over the past decade. The bulk of the population is concentrated in the capital, Paramaribo. Experience has demonstrated that entrepreneurship can be an effective tool in contributing to alleviate poverty and in empowering marginalized groups, such as youth, women and low-income families.

However, there are many barriers to entrepreneurship in Suriname. The key obstacles are the lack of an entrepreneurial culture and the absence of entrepreneurial promotion in education, weak support for new business creation and fledgling businesses for the general population, and the bureaucratic and regulatory framework. In general, all of these barriers are particularly exacerbated for disadvantaged groups such as youth, low-income people, and women, because their position in society makes them more susceptible to feeling powerless to overcoming the barriers, as well as perceiving the barriers as larger than they are. The consequence of these barriers is that the disadvantaged and marginalized are caught in a cycle of unemployment, underemployment and low incomes. The majority does not see entrepreneurship as an option for breaking this cycle and taking control of their economic future.

This *pilot project* to address these issues fits well within the Bank's country strategy and will help to strengthen the entrepreneurship support network in Suriname.

**Objectives:**

The **general objective** of this pilot project is to contribute to the expansion of the country's entrepreneurial base and generation of new and sustainable jobs for the people of Suriname.

The **specific objectives** are: (i) to enhance the population's entrepreneurial skills to generate new business ideas and to start and develop new small businesses; (ii) to promote a culture that is more conducive to the creation of new businesses; (iii) strengthen the business support community; and (iv) to identify the existing gaps in activities underway to remove or reduce barriers to business creation in Suriname, and recommend a Bank response to help to create a more conducive environment for business start-ups.

**Description:**

This *pilot* project proposes to *design and test* an integrated model for promoting the creation and development of new businesses in Suriname. As such it intends to apply the best practices learned from successful experiences in other countries, adapt them to the specific context of Suriname, and create the local capacity to sustain these activities into the future. It is the first entrepreneurship promotion project of this type that will be funded under the Bank's Social Entrepreneurship Program. As such, will be the first step in testing the methodology and will provide valuable lessons learned for the design and execution of future projects of this type.

The project has two components: (i) a **non-reimbursable Financing** component; and (ii) a **non-reimbursable Technical Cooperation** component.

The **non-reimbursable Financing component (IDB: US\$50,000; Local US\$25,000)** will be used to provide small loans for up to 40 business start-ups selected from winners of the business plan competitions that are part of the project. Bank resources will be deposited in a local financial institution that will manage the delivery and recover of the loans under conditions established by the project. These resources will complement the Technical Cooperation component, which will elevate the appreciation and respect for entrepreneurship in the country. Thus, the competition and the award of loans from this component can be a way of recognizing the best of the emerging entrepreneurs.

The **Technical Cooperation component (IDB: US\$246,000; Local US\$187,000)** will seek to support the creation of a new generation of entrepreneurs in Suriname, and will include four general components: (i) **entrepreneurial training** for post secondary students; (ii) the creation of a walk-in **entrepreneurship support center** with specialized staff to help with the practical information and "next steps" for anyone who wants to start, improve or expand a business; (iii) **promotion of an entrepreneurial culture** through public information

campaigns and the dissemination of case studies of successful entrepreneurs; and (iv) an **assessment of potential gaps in addressing the existing barriers to new venture creation** and recommended actions for the Bank to fill these gaps.

**Environmental/  
social review:**

The Committee for Environmental and Social Impact (CESI) reviewed this operation in its meeting TRG 09-03, on March 14, 2003, and made recommendations regarding indicators for women's participation and information on environmental and occupational safety and health risks. Social impacts will be promoted through the active inclusion and measurement of the participation of women, youth, the low-income population, and people from the diverse ethnic groups in all project activities, and the identification of outstanding entrepreneurs from these groups as part of the case studies planned in the Technical Cooperation component. Activities included in the Entrepreneurial Support Center will assist new businesses in identifying and addressing environmental and occupational safety and health risks that these may face in the start-up and development stages.

**Beneficiaries:**

The project is expected to have a direct impact on the following groups: (i) post secondary students who presently do not see entrepreneurship as a career option; (ii) other new and fledgling business people that will benefit from the services provided by the entrepreneur support center; and (iii) the general public and decision makers, whose view of entrepreneurship will be improved through this project. Other beneficiaries of this project will be those individuals who benefit from the increased employment, increased services, and increased economic stability that are an outcome of a stronger entrepreneurial class.

**Risks:**

The three main risks associated with the project are: (i) that the national economy may take another serious downturn that would negatively affect the creation of new ventures and the viability of fledgling businesses; (ii) that initial participants in the project will not succeed, thus discouraging others to enter, resulting in lower than anticipated participation rates; and (iii) that the KKF becomes over-extended, resulting in inadequate project management.

The most fundamental risk is that the national economy may take another serious downturn. The project cannot directly mitigate this risk. Obviously, a situation of continued stability and economic growth would be the optimum scenario for the success of the project. However, experience has shown that entrepreneurs are still able to identify and act upon opportunities during crisis periods. Additionally, the capacities and skills that the project seeks to promote among the new entrepreneurs will help them to learn to survive in these difficult situations.

The risk that initial participants in the project will not succeed, thus discouraging others to enter is mitigated by the integrated approach this project takes, and the support network that the KKF will have in place to help to create an environment that will promote success. Furthermore, the program will also work toward trying to change the public's perception of "failure", to demonstrate that this is a natural part of the entrepreneurial learning process, and that many successful business people experienced early failures before becoming successful.

The risk that the KKF becomes over-extended in staffing is mitigated by the active participation of a qualified and diverse board of members, the hiring of additional local and international technical assistance to carry out a large part of the activities, and the close supervision to be provided by COF/CSU during project implementation.

**Bank's country  
and sector  
strategy:**

The principal areas of strategic focus in the Bank's strategy in Suriname are: (i) private sector development; (ii) improved governance and modernization of the state through support for public sector reform; and (iii) support for the social sector. This three-pronged approach is integrated with each supporting the other. The private sector development involves both the privatization of state owned enterprises and the development of a thriving private sector. The public sector reform involves the revision of the bureaucratic structures and policy-making apparatus to ensure efficient, stable and clear guidelines for citizens. The support for the social sector involves the development of human resources and those of organizations that work with citizens in community. This pilot project fits well within this country strategy. The project's activities will contribute to developing a more entrepreneurial culture, demonstrating the feasibility of starting and running a successful business, as well as providing more opportunities for those leaving public employment who may seek to start their own businesses.

**Coordination with  
other official  
Development  
Institutions:**

During the identification and analysis missions, the project team held several meetings with other international development organizations that are working in Suriname in programs that support the development of the private sector and efforts to promote small business. These organizations include the United Nations Development Program (UNDP), the European Union (EU), and the office of development cooperation of the Embassy of the Kingdom of Netherlands. Through these meetings, the project team was able to gather information about current and pending programs that these organizations are supporting to develop small business and the private sector in general in the country, and to share the strategy and work plan of this project. These meetings will help to coordinate activities between the various multilateral and bilateral organizations in Suriname with regard to the promotion of entrepreneurship. During project execution, the Bank and KKF will seek to coordinate the project activities with on-going

and new efforts promoted by these donors that may be complementary. Additionally, the Canadian International Development Agency (CIDA) has contracted with the KKF to implement another small project to promote services to small and medium enterprises, and the KKF will ensure that activities in that project are coordinate adequately with the work plan and strategy of this project, in order to reduce and possible duplication of effort.

**Justification:**

This project is justified because it will: (i) contribute to promoting a culture that is more conducive to the creation of new businesses in an economy with a weak private sector; (ii) actively support the creation and strengthening of services provided to 3,000 budding entrepreneurs and fledgling ventures; (iii) directly create an estimated 50 new ventures which will result in approximately 100 sustainable jobs; and (iv) assist the Bank to identify gaps and opportunities for continuing to promote business creation and services for small and microenterprise in Suriname.

**Special  
contractual  
conditions:**

As conditions prior to the first disbursement of resources from the Financing Component and the Technical Cooperation Component, KKF will present to the Bank's satisfaction: (i) the signed agreement between the KKF and the selected financial institution for the management of the loan program, which should include performance indicators, the responsibilities of each of the parties and the agreed costs for the administration of the funds; (ii) the final Credit Regulations for the operation of the loan fund, approved by the Bank.

Additionally, as a condition prior to the disbursement of the resources from the Financial Component, KKF will present to the Bank's satisfaction evidence of having launched the first business plan competition.

As additional conditions prior to the first disbursement of the resources from the Technical Cooperation component, KKF will present to the Bank's satisfaction: (i) evidence of having selected the Project Coordinator; (ii) the Terms of Reference for the package of consulting services that will be requested from a minimum of at least three potential providers of these services for the activities that will require international consulting expertise; (iii) the Terms of Reference for the gaps and opportunities analysis for business creation; and (iv) the agreement signed between the KKF and the University of Suriname for the management of the Post Secondary Education component of the Technical Cooperation, as described in the Plan of Operations.

In order to disburse more than 40% of the resources of the Technical Cooperation component, KKF must have fulfilled all of the prior conditions for the Financing Component.

Because the project requires sufficient liquidity in order to begin

operations, the Bank will establish a rotating fund of up to 20% of the amount of the Technical Cooperation. The resources from the Financing Component can be disbursed in their entirety once the conditions for their disbursement are fulfilled.

**Monitoring and  
Evaluation:**

**Monitoring:** During the execution of the project and within 60 days of the close of each calendar semester, the KKF will present *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; (ii) progress in completion of components and activities (outputs) of the project as outlined in the Plan of Operations; (iii) financial statements and financial reports, which outline use of the projects resources, including the Bank's contribution; and (iv) information on the level to which the project is reaching an ethnically diverse client population which is representative of the general population in the country. A final report will be presented within 90 days of the end of the disbursement period. This final report should contain a summary of the results (outcomes) obtained compared with the project's original objectives, including impact on new business and job creation through the project's activities.

**Evaluations:** In order to ensure adequate project execution, the Bank will use technical cooperation resources to directly contract the consulting resources necessary to carry out the two planned project evaluations. A *mid-term evaluation* will be undertaken 18 months after the first disbursement of the Technical Cooperation resources. This evaluation will measure the progress achieved in: (i) meeting the project indicators; (ii) the completion of the activities planned in each of the four sub-components of the Technical Cooperation, as outlined in the Plan of Operations; and (iii) the performance of the loan activities and portfolio in the non-reimbursable Financing Component. The *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 socio-economic target groups, with emphasis on the impact of disadvantaged and low-income participants.

**Exceptions to  
Bank policy:**

None