

**INTER-AMERICAN DEVELOPMENT BANK**



**SURINAME**

**C. KERSTEN & CO. N. V.**

**(SU-L1005)**

**ENVIRONMENTAL AND SOCIAL MANAGEMENT REPORT  
(ESMR)**

December 2006

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## I. INTRODUCTION

- 1.1 The Project consists of the provision by the Bank of long-term senior secured loans to C. Kersten & Co. N.V., (“CKC”) Suriname. The financing package will total approximately US\$25 million, consisting of new and existing facilities, including a US\$7 million IDB loan (the “IDB Facility”) and a US\$4 million loan to be provided by IIC (the “IIC Facility”). The IDB and IIC facilities will be complemented by revolving credit facilities from Surinamese banks and long-term facilities from Trinidadian investors. The transaction will include an element of refinancing of existing short term debt (US\$9.4 million) as well as providing new funds for CKC’s capital investment expansion projects (US\$14.20 million) and its core working capital requirements.
- 1.2 CKC is a holding company representing one of the largest private sector groups in Suriname and is the oldest trading company in the Western hemisphere, founded in 1768 by missionaries of the Moravian Church. CKC represents a diversified conglomerate of 12 operating companies (one holding company and 11 subsidiaries) active in key areas of the Surinamese economy, with 650 employees. The main CKC subsidiaries are key players with significant market share in their respective markets and important participants in growth sectors of the Suriname economy, namely mining, infrastructure and tourism. CKC is undergoing a significant restructuring and expansion program under a new management team and its financial requirements can no longer be provided exclusively by the local banking sector.
- 1.3 The Bank’s participation in this operation will result in additionality in terms of improving the management of environmental, social, health and safety and labor aspects, and the mitigation of its associated risks through the development and implementation of an EHSMS. This is especially significant due to the limited in-country environmental related framework and CKC’s current limited capacity to fully mitigate environmental, social and health and safety impacts and risks.

## II. PROJECT DESCRIPTION

- 2.1 The Project will fund CKC’s capital investment expansion projects and its core working capital requirements. CKC is a holding company representing one of the largest private sector groups in Suriname. It is a diversified conglomerate with twelve different operating subsidiaries. Each subsidiaries is listed in the table below. Annex I provides a brief description on each of the subsidiaries.

**Table 1 – CKC operating subsidiaries activities**

<b>Subsidiary</b>	<b>Activity</b>	<b>Staff</b>
Surmac	Heavy equipment servicing, rental & sales	123
Vensur	Cement production	46
Motors	Car sales and rentals	70
Krasnapolsky	Hotel operation	129
Incom/Surlab	Trade and distribution of pharmaceuticals	35
BEM	Concrete products and building materials	80
Alginco	Sale of electrical equipment incl. Aircon	46
Spanbeton	Pre-stressed concrete slabs	5
Warenhuis	Lease of commercial real estate	24
Medicare	Provision of health care services	9
TWS	Ready-made clothing	47
Holding	Holding Company	32
<b>Total</b>		<b>650</b>

### III. INSTITUTIONAL AND LEGAL FRAMEWORK

- 3.1 The regulatory environmental framework in Suriname is under development. Several ministries have within their mandate responsibilities with the preservation of the environment. In general, there is insufficient coordination among the different ministries. In addition, much of the existing legislation and regulations that dictate the roles of the various ministries is outdated.
- 3.2 **Ministry of Labor, Technology and Environment.** This ministry is in charge of providing care for the environment, the supervision of compliance with regulations regarding employment protection, health and safety inspection. The responsibilities on the environment includes supervision of companies and private business owners regarding compliance with environmental regulations. To enable these responsibilities, the ministry established the National Environmental Council (NMR). The council is supported by the National Institute for Environment and Development in Suriname (NIMOS), which is a policy and advice body and which also acts as a research institute. NIMOS was established on March 17, 1998 and is an autonomous government foundation and working arm of NMR. NIMOS and the NMR are both working in the Inter-Ministerial Advise Commission (IMAC) with the other several government departments involved in environment and development. NIMOS is mandated to draft the country's environmental framework, including national legal instruments. Upon ratification of the environmental law, NIMOS will become a supervising and enforcement authority.
- 3.3 **Ministry of Health** This ministry is in charge of the supervision of the public health sector, including health information and education. These tasks are executed by its directorate Public Health and the sub-directorates, the Bureau for Public Healthcare (BOG) and the Department of Dermatology. Other health related tasks of this ministry include the inspection of food and the supervision on the preparation and selling thereof, and environmental hygiene, including sanitary inspection and supervision of compliance with regulations regarding living environment and conditions.
- 3.4 **Ministry of Trade and Industry.** This ministry is in charge of domestic and foreign trade, including government policy regarding import and export, matters of trade political nature and import-, export- and foreign exchange licenses and permits.
- 3.5 **Ministry of Transport, Telecommunication and Tourism** This ministry is in charge of the transportation sector, including transportation by water, air and road, also public transportation and supervision thereof, facilitating traffic by water and air, especially the safe and efficient transportation of people and goods, the Pilot age service and the management of all ports and tourism.
- 3.6 **Ministry of Public Works.** This ministry is among other tasks in charge of the supervision of compliance with construction regulations
- 3.7 Suriname has no laws specific to environmental issues. An environmental law has existed in draft for several years, but has not yet received formal government approval. There are several regulations concerning different categories of the environment, namely soil, water, air, exploitation natural resources (mining, fishery, agriculture and forestry), nature protection, psychical planning, working conditions, health, culture, sound and

waste. The environmental regulations are disseminated over many different statutes, decrees and decisions.

- 3.8 Generally the legal framework consists of the following legal instruments: treaties (ratified by Suriname); Act of Parliament (a law in formal legal sense); the State Decree – Large (consisting of regulations of substantive law); State Decree – Small (not consisting of binding regulations for citizens); Resolution (can be considered a Presidential decision, a written decision by the President under responsibility of a minister); Ministerial Decision, also including other decrees of administrative organs e.g. licenses, permits, concessions and dispensations granted by the District-Commissioner or a department-director, for and on behalf of the Minister.
- 3.9 Given the type of CKC operations and the limited environmental regulatory framework in Suriname, none of the eleven subsidiaries are required by the Ministry of Labor, Technology and Environment to apply for an environmental permit or authorization per se for their operations. Most of the applicable regulatory framework is associated with health and safety regulations. The applicable permits are a health permit to manage food and beverages issued to the Krasnapolski Hotel by the Ministry of Health and inspections conducted on health and safety and labor aspects by the Ministry of Labor.

#### **IV. ENVIRONMENTAL AND SOCIAL CONDITIONS**

- 4.1 All of CKC's 11 subsidiaries are located in the capital city of Paramaribo. The capital city, Paramaribo, is located along the Suriname River close to the Atlantic coast. The population of Suriname is approximately 449,000, of which more than 90% live in the capital. Several distinct ethnic groups exist, including East Indians (known locally as Hindoestanen or Hindus), Creoles (mixed white and black), Javanese (from Indonesia), Maroons (African slave descendants), Amerindians (indigenous Native Americans), Chinese, Europeans and Brazilian immigrant workers. The official language is Dutch, although several other ethnic-based languages are spoken.

#### **V. ENVIRONMENTAL AND SOCIAL IMPACTS**

- 5.1 The Bank's financing for CKC's capital investment expansion projects involves mainly either the replacement of equipment or the installation of new equipment in existing operating facilities, all of them located in the capital city of Paramaribo. Major investments in equipment include the renovation of a mill and packing system at Vensur, the dry cement process plant, the refurbishment of BEM's facilities at BEM and some renovations at the Krasnapolski Hotel. The works to be conducted with the new funds in the holding company and the 11 subsidiaries are mainly associated with the installation of new equipment and minor construction works in existing buildings. These works will not result in expropriation or resettlement issues, or impact on indigenous population, or in environmental protected areas.
- 5.2 No significant negative environmental, social, health and safety impacts and risks are expected in association with the operation of the holding company and the 11 subsidiaries involved in the capital investment program. The subsidiaries do not generate significant impacts on the environment or surrounding communities. With the exception of the construction subsidiaries and the Hotel Krasnapolski, CKC subsidiaries generate minor

environmental and social impacts. While the nature of the operations of the construction subsidiaries and the Hotel Krasnapolski of the subsidiaries determines the type of impacts (e.g. generation of domestic versus industrial waste in the Krasnapolski Hotel when compared to the construction subsidiaries), in general the principal impacts are moderate in nature and are associated with inadequate handling of waste (domestic, industrial and hazardous), the discharge of untreated or poorly treated wastewater and the generation of air and noise emission from combustion processes. The rest of the subsidiaries have minor environmental and social related issues. These issues were identified during the due diligence and are being incorporated into an Environmental, Health and Safety Action Plan. Some specific impacts from the operation of the subsidiaries are presented below.

- 5.3 **Construction subsidiaries (Vensur, BEM and Spanbeton).** The capital investments at the construction subsidiaries included a US\$ 3.5 million investment program in Vensur, the dry cement process plant, to continue with its renovation program, which includes refurbishing the existing grinding plant, installing more packaging units, a closed conveyor belt system, and elevators. At BEM, the investment program calls for renovation of the entire site and facilities at a cost of US\$3 million. This includes the installation of a new brick machine, as well as brick drying units. The capital investments will not increased significantly the operations of these three subsidiaries and thus will not generate new impacts or risks.
- 5.4 As for the existing operations, the three medium size subsidiaries manage several products categorized as hazardous, including diesel, lubricant oils, and solvents. In all cases the facilities are lacking proper storage procedures, including adequate storage facilities, labeling, and related management measures. The on-site fueling station does not possess proper protection systems: aboveground storage tanks do not have secondary containment structures and no spill pans/drip trays are present. Also, the oil and lubricant storage areas do not have secondary containment structures. These subsidiaries generate some lubricant oil, oily rags, waste oil containers, sawdust soaked with oil, used filters, and batteries from maintenance of equipment (Vensur possesses 3 front loaders, 1 flat bed truck). There are oil stains throughout the maintenance workshop grounds. Hazardous wastes are disposed of in the local dump. This dump is an open pit dump not suitable for containment of hazardous materials. With regards to the port facility, there are no emergency abatement plans in place, including spill containment equipment or training, or fire fighting equipment. In addition, there is no regulation in place to control discharge of ballast or bilge water into the Suriname River.
- 5.5 *Non-Hazardous Waste Management.* For the most part, the waste generated is disposed in the local dump. The subsidiaries do not segregate their waste (domestic waste, wood, plastics, and paper), and the number of waste containers placed throughout the facilities is insufficient. Overall housekeeping is poor, particularly at the BEM site where an open dump (which included domestic wastes), large metal scrap piles, and a large pile of plastic bags were observed.
- 5.6 *Air and Noise Emissions.* Vensur operations generate considerable dust particles. The most critical dust generating point is at the unloading of clinker at the port, where there are no dust abatement systems in place. Other emitting points are in the conveyor belt system, in the grinding plant, and in the finished product silos. Each conveyor belt transfer point has a dust collector, capturing around 70% of generated dust according to Company. All of the dust from the grinding plant is piped to a bag filter station where

- mechanical vibration releases the collected dust from the bags, and it is introduced back into the process. Finish product silos have air vent filter systems which collect cement dust and re-introduces it into the silos. BEM and Spanbeton operations do not generate any significant concentration of dust. All of the construction subsidiaries receive their electric power from the national grid (very reliable) and have no emergency power generators.
- 5.7 *Liquid Effluents.* Production water for the three plants is sourced from the municipal water network. No quantifiable information was available on water consumption. The facility has inadequate storm water collection systems: drainage systems are limited, and as a result, water generally accumulates on-site. Storm water is affected by moderate quantities of clinker, gypsum and cement dust. Sanitary sewerage is treated in septic tanks, but their effectiveness is not known.
- 5.8 *Labor Conditions.* The three facilities employ a total of 133 (Vensur 45, BEM 80 and Spanbeton 8). Each company has their own HR department. After management integration there will be only one HR unit. Around 30 employees will be made redundant with the centralization process. These will consist mainly of temporary workers and a few full-time employees who are retiring. Retrenchment will be conducted according to Surinamese labor laws. Vensur has 3 working shifts involved in a 24 hour operation. The other two plants operate only 1 day-time shift. All employees receive all benefits required by Surinamese labor law, including medical insurance and paid vacations. They also have access to CKC's pension plan. The subsidiaries do not hire minors, nor do they employ forced labor. Collective agreements are in place for some of the staff (through unions).
- 5.9 *Employee Health and Safety.* The three subsidiaries have minimal safety signage in their facilities. Vensur is the only company out of the three that has developed a health and safety management plan. New employees are given brief induction training, they are provided by a safety booklet. Employees are obliged to wear protective equipment, including helmets, safety boots, and protective eye wear. Ear protection and dust caps are required for certain jobs. Overall, no accidents were reported in the last 3 years for the three sites. There are also no formal life and fires safety management plans in place. There are some fire extinguishers distributed throughout the sites, but there are no established fire brigades, no drills, and no formal record keeping of fire extinguisher refurbishment. The company's force includes several security guards, none of which carry firearms.
- 5.10 **Krasnapolsky Hotel Paramaribo (KHP).** KHP does not possess a systematic Environmental, Health and Safety management approach for its operations to comply with best industry practices nor a comprehensive monitoring program. KHP does not adhere to any international best practice certifications for the hotel industry.
- 5.11 *Hazardous Materials.* The only potentially hazardous material on the hotel site is propane, used by the kitchen stoves. The propane tank is located in a locked open air storage area adjacent to the hotel. The storage tank is reportedly inspected by the propane providers. The buildings do not contain any asbestos (there are no hollow walls or insulation materials), and the operations do not generally require use of hazardous materials.
- 5.12 *Waste Management* The hotel generates non-hazardous wastes from their kitchen operations (spent cooking oil, packaging materials, and organic wastes) and

- miscellaneous wastes from general operations (e.g., spent light bulbs, paper, etc). Limited waste recycling takes place (cardboard is segregated and sold). The waste is collected by city workers twice a day and disposed of in Paramaribo's dumping site. Approximately 1 ton of waste is generated on a daily basis. The current waste storage at KHP was considered inadequate. Waste is stored in and around open bins, but in areas accessible to the public.
- 5.13 *Air and Noise Emissions.* KHP common areas are cooled by cooling tower refrigeration system. Rooms are cooled by individual air conditioning units. The room air conditioning units use Freon 22 (R22) and the kitchen refrigerators use Freon 134a (R134a). R22 is an ozone depleting substance which has to be phased out according to the Montreal Protocol mandate, to which Suriname is a signatory. Although R134a (HFC-134) is ozone friendly it has a very high global warming potential (citation). Kitchen fumes are evacuated via a stove hood and emitted to the atmosphere from the hotel's roof top (7<sup>th</sup> floor). The hotel operations do not generate significant noise with the exception of some air extraction pumps that generate a constant, low pitched noise. The hotel has one 75 KW emergency generator which runs on diesel and is used less than 100 hours per year.
- 5.14 *Energy.* An energy management report (Phase 1, general pre-investigation) was produced for the hotel in June 2004 in order to identify the main energy uses (through an energy inventory) and possible measures (direct, middle and long term) for reducing energy consumption in general and from an equipment perspective. In 2003, the hotel used 2,379 kWh of electricity. Direct energy saving recommendations made include establishing an energy action team and installing 'in- between' meters for various departments. Middle term measures include the use of energy saving lamp bulbs, boilers with timers, better control and use of extraction fans and lifts which have soft starters for electric motors as well as the compressor for the central air conditioning system. Long term measures include replacing TL fittings in offices with HT fittings, utilizing warm air generated by the air conditioners for heating water and installing a building management system. These recommendations have not yet been implemented.
- 5.15 *Potable Water.* KHP is connected to the Paramaribo's potable water system. Water is filtered on site before being consumed by the hotel. In general, water is fed into four aboveground polyethylene (PE) tanks, and then pumped to two roof mounted PE tanks before being distributed to the rooms (a gravity feed system). The rooms are sourced with hot water from electric, storage-type water heaters installed throughout the buildings. Hot water is reliable as is water pressure. No water conservation initiatives exist as water is plentiful. No water quality tests are undertaken on-site.
- 5.16 *Liquid Effluents.* Effluents from KHP consist of sanitary and kitchen/laundry (grey waters) effluents. Sanitary effluents are collected in septic tanks. These tanks are emptied by a specialized contractor every two years. Grey waters are discharged into the city's sewerage. As Paramaribo has no wastewater treatment, sewerage is discharged into the Suriname River. Used oils from the hotel restaurant and from Popeye's are collected and sold to a recycler. Used oils are used in rice ovens in the western region of Suriname.
- 5.17 *Labor Conditions.* KHP currently employs 170 personnel, 130 of whom are on company payroll and receive all the required National labor benefits, including paid vacations, salary and bonuses, as well as private medical insurance and CKC pension. All KHP employees belong to a union. KHP does not hire minors and does not use forced labor.

- 5.18 *Employee Health and Safety.* The current occupational, health and safety (OHS) conditions of KHP properties are generally adequate. The hotel has a security manager, in charge of life and fire safety. There are fire hydrants, fire hoses, and fire alarm triggers placed throughout the hotel, although signage is lacking in some cases. Surinamese law does not require sprinklers, but the hotel rooms are fitted with smoke detectors and public areas possess emergency lighting. All rooms have an evacuation map on the door. The last evacuation drill was carried out in August 2005. An emergency response and evacuation plan was developed for KHP in 2005. KHP hired a consultant who implemented all the existing fire systems. There are still some inadequacies; the existing buildings have some faulty electrical connections (e.g., exposed live wires), and there is limited emergency signage. Other recommendations of the assessment include: Building-related changes, open stairs to an adjacent street; place magnetic sensors at various locations; stairs used in the case of fire from the third to the second level should lead to the parking garage on the second level; emergency door from Popeyes for personnel should always be opened from the inside; technical fire prevention changes; extra extinguishers etc. These recommendations were ranked, according to their perceived priority, but have not yet been implemented. The company is working on hiring a fire safety maintenance company. In some cases fire safety equipment has not been tested for over one year. These inadequacies pose a risk to the hotel employees and guests.
- 5.19 CKC is considering investing in a stand-alone greenfield eco-tourist resort known as Berg en Dal. The project would consist of building 60 bungalows and an administrative building, whose facilities will include a gym, restaurants, swimming pool, spa, marina, maintenance area and lobby. CKC's goal is a 4 star rating for the operation. The concept is that this project together with the Krasnapolsky Hotel in Paramaribo will work synergistically to capture a portion of the tourist market. The Project would be developed on a plot of 400 hectares of land owned by CKC (CKC owns 2,400 hectares of land in this area) adjacent to the Suriname River and 75 km from Paramaribo. The plot of land for the hotel was originally used for agriculture activities and is now covered by secondary vegetation. The plot is easily accessible by an existing road and electric energy is readily available. The development of this project could require the relocation of approximately five families. Currently there is an Environmental Impact Assessment Report for this proposed project. Should CKC proceed with this investment, it will be executed in compliance with the IDB and IIC environmental and social requirements and policies.

## **VI ENVIRONMENTAL, SOCIAL, HEALTH AND SAFETY MANAGEMENT**

- 6.1 The individual CKC operations are compliant with the few local regulations, although they fall short of international best practices in several areas, such as solid waste, waste water management, storage of hazardous materials and fire safety. With the exception of health and safety aspects, CKC and its subsidiaries have very few provisions to adequately manage environmental related aspects. To a different degree within the subsidiaries, there is little awareness and management of the environmental and health and safety aspects, which can create potential accidents due to poor housekeeping in working areas, insufficient maintenance and the lack of the use of personal protective equipment.
- 6.2 In relation to the Project, some of the capital investments will help mitigate environmental impacts. In Vensur, the investments for the closed conveyor belt system



include a new dust collector system. In addition, Vensur is allocating an estimated US\$240,000 in the first year for developing an environmental and health and program (i.e. development of procedures, training, etc). Surmac is proposing to allocate funds to environmental, health and safety management to better comply with the requirements from Caterpillar for its concessionaires. In BEM the capital investment will replace old and poorly maintained equipment, which will reduce working related hazards to employees. The renovations of the kitchen of the Krasnapolski Hotel include a better fire fighting system. It should be noted that Suriname is signatory to the Montreal Protocol, which requires, among other things, the phase out of Chlorofluorocarbons (CFCs), which are ozone depleting substances. As such, Alginco, the subsidiary commercializing air conditioning equipment from Carrier is working with the Suriname's environmental agency to phase out Freon 12 by 2008.

- 6.3 As for the operation of the subsidiaries, the existing environmental related are minor in nature and most of them can be easily corrected by the implementation of standard practices and/or some minor investments.
- 6.4 The Bank has identified a series of specific issues by subsidiary, which are being included into an Environmental, Health and Safety Action Plan (Action Plan). In addition to correcting the identified issues, the Action Plan will require CKC to develop a corporate Environmental, Health and Safety Management System (EHSMS). The corporate EHSMS will consider the specifics needs of each of the 11 subsidiaries. Among the principal objectives of the EHSMS will be to strengthen the management of environmental and health and safety aspects, systematize actions to implement and monitor environmental, social and health and safety practices at the subsidiaries, including contingency and fire fighting provisions and train employees on environmental and health and safety related matters.

## **VII. INFORMATION DISCLOSURE AND PUBLIC PARTICIPATION**

- 7.1 An Environmental, Health and Safety Report prepared by CKC was made available to the public in Suriname on December 4, 2006. The Environmental, Health and Safety Report presents the level of compliance and performance of relevant CKC subsidiaries. This report was also made available at the IDB headquarters in Washington DC and in the representation office in Suriname.
- 7.2 CKC has positive interactions with neighbors and Governments. There is a strong working relationship between CKC, the Moravian Church, the Moravian Foundation and a number of local NGOs (in particular, the NGO 'Foundation Projects Protestant-Christian Education Suriname). However, CKC does not possess a formal Community Engagement Program and due to the principles of the Moravian Church, they do not publicize actions supporting the community. The Moravian Foundation (established in 1968) works independently, overseeing projects sponsored by capital received from the CKC Holding Company. The projects are far ranging in scope and geographical location, and include schools, boarding schools and universities, senior citizen homes, education centers and medical units and hospitals.
- 7.3 In addition to supporting the Moravian Foundation, CKC's individual operating subsidiaries are also involved in other community related programs. For example,

Alginco supplies those considered “most in need” with cooling installations. They also maintain these free of charge. Surmac has sponsored the establishment of an orphanage, and Incom the free distribution of medical products to communities in need.

### **VIII. RECOMMENDATIONS**

- 8.1 The IDB will require CKC to develop and implement an Environmental, Health and Safety Management System (EHSMS) for the management of CKC and its 11 subsidiaries and an Environmental, Health and Safety Action Plan (EHSAP) to address the deficiencies identified during the Bank’s due diligence.
- 8.2 The EHSMS will include: a policy; procedures for the proper identification and management of impacts and risks; hiring of technically qualified persons to be responsible for management of environmental, health and safety aspects; provision of the necessary budgetary resources; training CKC persons related to environmental, health and safety aspects; periodic audits/inspections; and reporting.
- 8.3 The EHSAP will include actions to address the lack of secondary containment in existing fuel storage tanks, replace or refurbish liquid effluent management systems, improve waste management practices, and upgrade faulty electrical connections.. The EHSAP will also require CKC to contract for a life and fire safety review of the Krasnapolsky Hotel building by a suitably qualified professional acceptable to IDB. The findings and recommendations of the review will be used as the basis to establish the scope of work of a specific plan to upgrade fire fighting provisions, systems and/or procedures. The plan will also include actions related to the development and implementation of the EHSMS.
- 8.4 The EHSAP, in form and substance acceptable to the IDB, will be required prior to financial closure. The IDB will require CKC to submit routine Environmental and Social Compliance Reports, which will be used to assess performance and compliance related to environmental, and health and safety aspects. The Bank will contract an external independent environmental consultant to assist the Bank in supervision the Project during the life of the Bank’s loan.

## ANNEX I

CKC is a holding company representing one of the largest private sector groups in Suriname. It is a diversified conglomerate with eleven different operating subsidiaries. The CKC Group employs 650 staff and consists of 11 limited liability operating subsidiaries active in various sectors as described in the table below. Each subsidiary is described below.

**Surmac (Suriname Machinery Company Ltd).** Surmac was established in Paramaribo in 1957 and is the sole distributor of Caterpillar machines and equipment within Suriname, supplying equipment for construction and mining, for the agricultural and forestry sector, and for industrial and material handling. Surmac also provides major overhaul/maintenance services at the company location in Paramaribo. They also subcontract employees to other operations for short and long term spans of time, but are not in charge/responsible of maintenance workshops at these sites. Day-to-day maintenance is addressed by the clients themselves. In addition, Surmac also sells small quantities of agrichemicals and agro industrial related equipment.

The company is located in an area formally classified as a industrial area but which better reflects the activities of a mixed residential/business area. The total number of full-time employees at Surmac is 100.

Surmac is now negotiating the renewal of its dealership contract with Caterpillar, from which activity it earns approximately 90% of its revenues. Surmac has a three star rating (2006), based on Caterpillar dealer standards. The three stars represent good housekeeping, particularly cleanliness. Plans are reportedly in place to achieve four stars by mid-2007. Caterpillar carries out evaluations at Surmac twice a year (on-site inspections as well as remote checks).

The projected Capital Expenditures (Cap/ex) at Surmac are reportedly for tools, equipment, inventory management and automation and investments required by Caterpillar to meet its dealer standards.

### *Construction & Building Division*

The three subsidiaries involved in the construction sector – Vensur N.V. Cement Plant, BEM, and Spanbeton – were managed separately in the past. A new division, “Construction and Building” has recently been created as part of the reorganization.

**Vensur N.V. Cement Plant.** The Vensur produces cement through the processes of mixing, grinding, and packaging. The company produces high quality Portland type-1 cement, according to ASTM standards. It is only provider of “fresh” cement in Suriname. The plant has been in operation for 40 years and is located in an industrial area, the physical address of which is Vensurlaan 8, Dijkveld (Wanica), Suriname.

The plant is a dry cement process plant. The current milling capacity of the plant is 11 tons/hour or 6,600 standard bags of cement per day. This implies an annual average production of between 40 - 50,000 tons of cement. According to site management, operations have undergone a complete reengineering in the past 5 years.

Intermediate raw materials used include cement clinker and gypsum, which are delivered by vessel to a offloading dock facility on-site. Vensur owns and operates this offload dock facility. Only one vessel is allowed to unload material at any given time, and the company is certified by

the government for the use of only this one dock facility on the Suriname River.<sup>(1)</sup> Vessels unload material once or twice per month, and up to 15,000 tons of material can be unloaded per day, with the average number of unloading days being three. Approximately 60,000 tons of cement clinker (imported mainly from Colombia) and 3,800 tons of gypsum (imported from Jamaica or Dominican Republic) are delivered to the site on a yearly basis. The raw materials are unloaded by ship cranes into hoppers, and conveyors then transport the raw materials to closed, on-site warehouses. After the cement manufacturing process, cement is stored in silos, each with a capacity of 1,250 tons.

Vensur rents out the port facilities a few days per month, mostly to unload steel rods for the Spanbeton Plant and to transport packaged cement. There is also a small barge mooring area adjacent to Vensur's mole, within BEM's property. Third party contractors unload sand dredged from the Suriname River. The sand is taken from CKC's sand mining concessions along the river.

The cement production process at Vensur incorporates the following steps:

- Importation of raw materials;
- Filling of raw material hoppers at the mill;
- Metered feeding inputs into the mill (separate clinker and gypsum feeds);
- Mixing and grinding of input materials (95% clinker and 5% gypsum);
- Separating the mixed, ground cement from the mill into fine and coarse elements via a separator;
- Transfer of finished product into bulk storage silos (via a screw conveyor and system of filling pipes);
- Conveying of cement from bulk silos into hopper of packaging machine; and
- Packaging of finished product into 40kg bags (most common) or 1.5 ton bags. Cement in bulk is also delivered to BEM via truck. Finished products are transported to distribution points by third party contractors.

**BEM (“*Bouwmaterialen en Exploitatie Maatschappij*”).** BEM is located in the property adjacent to Vensur (Vensurlaan 3). The company is involved in the manufacturing of a variety of cement-related products, such as bricks, pipes, tiles, blocks, etc. BEM has been in operation for 40 years and has been ISO 9001:2000 certified since 2003.

The brick production plant consists of two production lines, with a total capacity of 12,000 bricks per day. All concrete products are manufactured by first mixing cement, a variety of sand, and water in batch tanks and then pressing the mixture into different products, either mechanically or manually. All products are dried in the open. The operation can be described as rudimentary, which involves substantial labor input. This site has not undergone any renovation since operations began; the result of which is a generally decrepit state of the facilities. Housekeeping did not appear to be of a high standard.

**Spanbeton.** Spanbeton is a fairly new company adjacent to BEM, which manufactures pre-stressed concrete slabs for concrete floors (maximum span of 9 meters). As with BEM, the company receives cement from Vensur, which is then mixed together with sand, water and additional aggregate (e.g., gravel) to produce extra strength concrete. The plant casts 120 meter long slabs of concrete with internal rebar rods, which are dried in the open and then cut into specified dimensions according to client demand.

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(1) The Suriname River is relatively shallow (21 ft), limiting vessel size.

**Hotel Krasnapolsky.** The four star Hotel Krasnapolsky was established 30 years ago in the center of Paramaribo. The hotel has 84 rooms, as well as offering conference facilities; restaurant (1), fast food outlets (2), and bar (2) facilities; a swimming pool and covered parking. Some renovations commenced 7 years ago, which included the lobby/reception area, third floor (conference rooms and swimming pool/patio area). The total number of employees is 170, of which 40 are part-time employees.

**CKC Motors,** a subsidiary of CKC, was established in 1957. It is the parent company of four subsidiaries, which include Suroto N.V. (exclusive distributor and agent of Toyota and Daihatsu vehicles, parts and after sales service), City Garage N.V. (exclusive distributor and agent of Mitsubishi vehicles, parts and after sales service), Amcar N.V. (exclusive distributor and agent of Chevrolet vehicles, parts and after sales service) and Real Car N.V. (exclusive licensee of Hertz International System for vehicle rental and lease). The total number of (full-time) employees within CKC Motors is 74.

**Alginco.** Alginco is a commercial company involved in the sale and services of electro technical, electronic, cooling (e.g. air conditioning), gas, water and sanitary installations and equipment to both domestic and industrial markets. Alginco has been the representative for CARRIER for 35 years. The company has been in operation for 55 years. The company is located in a commercial area in the town of Paramaribo. The total number of (full-time) employees within Alginco is 56.

**Medicare.** Medicare offers all CKC employees and their families (approximately 2,000) with full medical and related services, which include first line care (physicians, laboratory services, medical examinations and radiology services), administrative services (e.g. claims analysis, payment and management, prescription management and software) and medical care management to the general public through agreements with insurers and major health care providers. The company does not have an ambulance; patients are required to make appointments for consultations and healthcare.

Activities of the company include:

- Providing general health checks when commencing work, particularly workplace related healthcare;
- Implementing vaccination programs as and when needed;
- Raising awareness about birth control, HIV/AIDS, diabetes, alcoholism, etc.
- Laboratory for taking blood samples (analyzed elsewhere); and
- Small pharmacy.

The company has recently moved to new premises. The plan to have a ratio of 1000 patients to 1 doctor; there are currently 2 administrative personnel, 3 doctors and 3 nurses.

**TWS.** TWS is involved in the design and customizing of work clothes (uniforms) for clients such as the government, police and army forces. Production activities begin with the delivery of material to the company, cutting and preparation, sewing, ironing, and fine stitching if necessary. The company was established in 1950. The location is in a residential area. The company employs 40 personnel of whom 5 are involved in financial activities, 1 in administrative activities and the remaining 34 in production. Of the 40 employees, 26 are full-time.

**CKC Incom.** The company is primarily involved in the import and sale of cosmetics (imported brands include Eva Flor, JeanneArthens and Ulric van Varens), pharmaceuticals and chemical products related to pharmaceuticals (e.g., barium for x-rays, x-ray film). The company also imports and distributes medical instruments, gauze, and bandages. Imported pharmaceutical

brands include Schering Las Americas, Boehringer Ingelheim, Bayer Pharmaceuticals and Pharmacia Inc. One item of food is also imported and distributed, although this line is being discontinued (canned sausages). CKC Incom provides nearly all of the hospital medical equipment and x-ray products. The company employs 27 personnel, which include medical reps and sales staff. The target markets are doctors, hospitals, pharmacies and government. Incom also has one drug store, which they are planning to close (the new drug store still has to be constructed).

**Surinamese Laboratories (SURLAB).** Surlab have a license from Curacao Laboratories (operations in Curacao and Barbados) to produce Alcolade & Limacol (alcohol-based skin refresher). Approximately 13,000 liters are produced for the domestic market on a yearly basis. The product consists of a mixture of water, alcohol (imported from Trinidad) and coloring and odor ingredients. The company employs 3 personnel to oversee the operation.