

TC Document

I. Basic Information for TC

▪ Country/Region:	SURINAME
▪ TC Name:	Support Investment Promotion and Trade Facilitation in Suriname
▪ TC Number:	SU-T1131
▪ Team Leader/Members:	Arias Urones, Ana (INT/TIN) Team Leader; Umana, Mario Alberto (INT/TIN) Alternate Team Leader; Bhagirath, Vikash (VPC/FMP); Cawley, Shanalee Venesha (INT/TIN); Centeno Lappas, Monica Clara Angelica (LEG/SGO); Esteves, Yasmin (INT/INT); Gomez Gonzalez, Maria Margarita (INT/TIN); Hoepel, Lucas A (CCB/CSU); Imana, Zaida Victoria (INT/TIN); Lucenti, Krista (INT/TIN); Rospide, Maria De La Paz (INT/TIN); Zamora Murillo, Edgar (INE/TSP) Shanalee Venesha (INT/TIN); Centeno Lappas, Monica Clara Angelica (LEG/SGO); Esteves, Yasmin (INT/INT); Gomez Gonzalez, Maria Margarita (INT/TIN); Hoepel, Lucas A (CCB/CSU); Imana, Zaida Victoria (INT/TIN); Lucenti, Krista (INT/TIN); Rospide, Maria De La Paz (INT/TIN); Zamora Murillo, Edgar (INE/TSP) Urones, Ana (INT/TIN) Team Leader; Umana, Mario Alberto (INT/TIN) Alternate Team Leader; Bhagirath, Vikash (VPC/FMP); Cawley, Shanalee Venesha (INT/TIN); Centeno Lappas, Monica Clara Angelica (LEG/SGO); Esteves, Yasmin (INT/INT); Gomez Gonzalez, Maria Margarita (INT/TIN); Hoepel, Lucas A (CCB/CSU); Imana, Zaida Victoria (INT/TIN); Lucenti, Krista (INT/TIN); Rospide, Maria De La Paz (INT/TIN); Zamora Murillo, Edgar (INE/TSP)
▪ Taxonomy:	Operational Support
▪ Operation Supported by the TC:	SU-L1056, SU-L1057
▪ Date of TC Abstract authorization:	03 Apr 2020
▪ Beneficiary:	Ministry of Finance and Planning and Ministry of Public Works, Transport and Communications
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Integration(RIN)
▪ IDB Funding Requested:	US\$250,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	30 months (execution and disbursement)
▪ Required start date:	November 30, 2020
▪ Types of consultants:	Consulting firms; individual consultants
▪ Prepared by Unit:	INT/TIN-Trade & Investment
▪ Unit of Disbursement Responsibility:	INT-Integration and Trade Sector
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Economic integration; Gender equality; Institutional capacity and rule of law; Productivity and innovation

II. Description of the Associated Loan/Guarantee

- 2.1 The associated loans to this Technical Cooperation (TC) are: (i) 4801/OC-SU: “Foreign Investment and Export Promotion Program” (SU-L1056) (US\$10 Million); and (ii) Component 1 (Port interventions) of 4828/OC-SU: “Improving Transport Logistics and Competitiveness Program in Suriname” (SU-L1057).
- 2.2 The loan 4801/OC-SU has the general objective to promoting Foreign Direct Investment (FDI) inflows and exports through the operationalization of the National

Investment Promotion Agency (IPA). The specific objectives include: (i) the attraction of FDI greenfield¹ and expansion² projects to Suriname; (ii) strengthening the capacity of both current exporters to expand their export volumes, particularly those operating in non-extractive industries and services, and potential exporters; and (iii) promoting linkages between local and foreign companies.

- 2.3 To achieve the above objectives, the project 4801/OC-SU will implement the following components: (i) Component 1: Institutional operationalization of the IPA to become a modern agency with a clear role, mandate and capacity to attract new FDI, generate reinvestment and promote exports; (ii) Component 2: Investment promotion, facilitation and country branding to contribute to the positioning of Suriname as an attractive destination for new foreign investment and reinvestment; and (iii) Component 3: Local linkages and export promotion to support national exporters to export for the first time, current exporters to access new markets or export new products/services and connect local providers to foreign investors.
- 2.4 Loan 4828/OC-SU³ aims to increase Suriname's competitiveness and productivity by improving its logistics performance, which is key to the country's diversification of export products, particularly agricultural exports, and other important economic sectors. Specifically, the program will improve the quality and efficiency of the infrastructure and operations of the Port through: (i) the provision of efficient port infrastructure, the acquisition and implementation of equipment and technological platforms to facilitate trade logistics and goods clearance processes; (ii) improvements in the level of service, capacity, and resilience of adjacent roads and access to the port; and (iii) strengthening of institutional capacity to ensure efficient execution of civil works, sustainable asset management, and adequate operation of new systems.
- 2.5 To achieve its objectives, 4828/OC-SU is broken down into three (3) components: (i) Component 1 - Port Interventions, which includes the development of infrastructure to improve the capacity of the port and a Port Community System; (ii) Component 2 - Interventions on port's adjacent road network; and (iii) Component 3 - Institutional Strengthening and Administration which involves, among other things, establishing a Project Execution Unit and capacity development.
- 2.6 Loan 4828/OC-SU was signed in December 2019 and 4801/OC-SU in February 2020. Due to the weak capacity of the beneficiary institutions, the IPA⁴ (for 4801/OC-SU) and Ministry of Public Works, Transport and Communications (MoPW) (for 4828/OC-SU), operational support is needed from the IDB to achieve eligibility and commence execution of both projects.

III. Objectives and Justification of the TC

- 3.1 The main objectives of the TC are: (i) to provide institutional support for trade and investment in Suriname, advancing the progression in execution of SU-L1056 and SU-L1057 loans; and (ii) to support exporters and investors affected by the COVID-19 crisis.

¹ A type of FDI where a parent company builds its operations in a foreign country from the ground up.

² Foreign companies with current presence in the country and plan to expand their location.

³ Which INT/INT sector co-leads.

⁴ "InvestSur" was created as the IPA under the former government under the dependence of the Minister of Finance and Planning (MOFP), but it never became operational.

- 3.2 **Exports and FDI are critical to creating economic growth.**⁵ Openness to trade can foster growth by making it easier to import goods that support new technology, by reaping economies of scale and facilitate “learning by doing” through exporting, among other channels.⁶ Export diversification, in turn, reduces sensitivity to sector-specific shocks. Foreign sales are more likely to lead to economic growth if they mainly involve manufactured or skill-intensive goods or if the composition of their exports is closer to that of higher-income countries.⁷ There is also a strong interaction between FDI and trade in achieving economic growth.⁸ Empirical evidence has shown that a US\$1.00 increase in FDI leads to an additional US\$1.00 in domestic investment, while one job created through FDI leads to US\$1.00-2.00 generated domestically.⁹ In addition, each US\$1.00 of outward foreign direct investment is associated with US\$2.00 of additional exports, and a trade surplus of US\$1.70.¹⁰ Moreover, FDI enhances the workforce and helps generate value-added services, supports businesses to become more competitive, and helps diversification into global markets.¹¹
- 3.3 **Nearshoring.** These disruptions have highlighted the drawbacks of long-distance global supply and value chains. For example, traditional apparel businesses sourced fabrics from Asia, converted them into garments in their own or a third country and then shipped them to the U.S. or Europe. These long supply chains can slow the firm’s ability to respond rapidly to economic shocks and lead to costly inventory. Thus, the pandemic has provided new impetus to developing a more flexible and agile production network, accelerating ongoing trends of reorganizing Global Value Chains (GVCs) with rising protectionism. GVCs are built on long-term relationships between leading Multinationals (MNEs) and their key suppliers, and the former has a keen interest in keeping these core suppliers in business. The pandemic may catalyze supply-chain changes that were already underway –by promoting nearshoring and regionalizing supply and production networks, more extensive digitalization, and more sustainable production networks and practices.
- 3.4 However, to take advantage of these new opportunities, Suriname must address its information asymmetries and complex business processes to attract trade and investment. Country image, brand awareness, and perceptions are major factors influencing the location of FDI.¹² Companies make investment location decisions based on their information pool and an understanding of an area’s location “offer.” When deciding where to locate, foreign companies’ information base is often imperfect, and the decision-making process can be subjective and biased.¹³ The implication is that “most companies consider only a small range of potential investment locations; many other countries are not even on their map”¹⁴. In the case of Suriname, there is a low perception of the country as an investment destination. It has been called

⁵ Brainard and Cooper, 1968; Frankel and Romer, 1999.

⁶ Harrison and Rodríguez-Clare, 2010.

⁷ Hausmann, Hwang, and Rodrik, 2007.

⁸ Makki and Somwaru, 2004.

⁹ [Driffield and Hughes, 2003.](#)

¹⁰ Fontagné, 1999.

¹¹ Rob Maciel, 2015.

¹² Loewendahl, 2001.

¹³ World Investment Report. United Nations Conference on Trade and Development, 1999.

¹⁴ [FDI, lessons of Experience](#), International Finance Corporation, 1997.

one of the “forgotten countries of South America” and together with Guyana, an “anonymous one.”¹⁵

- 3.5 Operationally, various logistics challenges have resulted in excessive dwell-times and high logistics costs for economic value chains that directly affect the ease of doing business in Suriname. These costs include: (i) inefficient internal cargo flows which do not optimize port facilities; (ii) inefficient internal goods clearance and security processes which require long dwell-times (e.g., lack of risk management principles to reduce current manual inspections of 100% of cargo); and (iii) absence of systems which automate processes, facilitate operational planning, increase revenue collection and improve documentary compliance. Under Component I of 4828/OC-SU, Suriname will benefit from implementing a Port Community System (PCS)¹⁶ to enhance the operational efficiency of port management activities. The PCS will automate operational processes and improve documentary compliance for Suriname’s imports and exports.
- 3.6 **Private Sector in times of COVID-19.** An unfavorable business climate already challenged Suriname’s private sector before COVID-19. The country’s Doing Business ranking was 162 out of 190 countries in 2020. Suriname improved in the “registering property” pillar, while the country regressed to get electricity and deal with construction permits. The improvement in registering property reflected the implementation of a unique identification number for properties, which improved the quality of the country’s land administration system.¹⁷ The country is facing severe macroeconomic disequilibrium coupled with the ongoing COVID-19 pandemic, which negatively affects the livelihoods and lives of its citizens, especially low-income households and those that were already in a vulnerable position. Despite this situation, Suriname still offers potential opportunities over the medium term. For instance, the recent oil discoveries present an opportunity to further engage local Micro-, Small-, and Medium-Sized Enterprises (MSMEs) in areas such as housing, tourism, agroindustry, manufacturing, and business services. Due to the absence of domestic capital for credit and trade financing, growing via foreign markets (exports and FDI) is key. This would entail a more comprehensive initiative and support, including: (i) providing access to more advanced business support services by increasing the number of firms that can meet the pre-qualification requirements of the incoming companies and improving the competitiveness of existing MSMEs that can provide support/indirect services to the international companies; and (ii) improving access to training and capacity building for private and public institutions involved in trade and investment.¹⁸
- 3.7 For 4801/OC-SU, beneficiaries include potential IPA clients, including foreign and local companies¹⁹. These local companies that have no prior exporting experience,²⁰ local companies that are already exporting,²¹ local companies that could become

¹⁵ The top Google search for Suriname is “Where is Suriname?” See Country brand Suriname, Futurebrand, 2018.

¹⁶ A PCS are neutral and open electronic platforms that optimize, manage, and automate port and logistics processes through a single submission of data, enabling intelligent and secure exchange of information between public and private stakeholders. See www.ipcsa.org.

¹⁷ World Bank, 2019.

¹⁸ Suriname in Times of COVID-19: Navigating the Labyrinth. Jeetendra Khadan, IDB. 2020.

¹⁹ 12,475 is the total. National Bureau of Statistics-Suriname (NBoS), 2015.

²⁰ Estimated as the difference between the number of firms in the country (NBoS, 2015) and the number of exporting firms: 11,667 (Customs, 2017).

²¹ There is a total of 811 exporting companies. 808 of them do not include gold and bauxite. Ibid.

providers/suppliers of services to foreign companies, and women-owned local companies.²² Additionally, other private and public sector actors participating in trade and investment activities²³ will benefit from webinars and training. For Component 1 of 4828/OC-SU, beneficiaries include the Ministry of Transport, Communication and Tourism; Port Management Company (Havenbeheer); Customs and Excise Division; Ministry of Economic Affairs, Entrepreneurship and Technological Innovation; as well as users of the port facilities such as private terminal operators, transportation companies, customs brokers, freight forwarders, importers and exporters. The objectives of this TC are: (i) to provide institutional support for trade and investment in Suriname to cooperate with Suriname and help Suriname fulfill the special contractual clauses prior to the first disbursement of the Program 4801/OC-SU; (ii) to provide support for creating the port community to ensure the successful implementation of a PCS under Component 1 of the Program 4828/OC-SU; and (iii) to support exporters and investors affected by the COVID-19 crisis.

- 3.8 This TC supports Private Sector Development in line with the IDB Group's Country Strategy with Suriname 2016-2020 (GN-2873), by providing institutional support for trade and investment and capacity development to facilitate export readiness and enhance Suriname's competitiveness. The intervention is consistent with IDB's Updated Institutional Strategy (AB-3190-2), aligned with the challenge of: (i) Productivity and Innovation by facilitating knowledge exchange as well as assist with the implementation of technology that will streamline the flow of imports and exports, thereby strengthening connectivity to regional and global markets and increasing competitiveness; and (ii) Economic Integration, by supporting capacity development for SMEs in critical areas which will enhance business development and export readiness. It is also aligned with: (i) Rule of Law by ensuring enhanced port management systems there will be greater transparency in port management operations; and (ii) Gender Equality and Diversity, as it will support the capacity of women-owned businesses and executives.
- 3.9 This TC is also aligned with the IDB's Infrastructure Strategy Sustainable Infrastructure for Competitiveness and Inclusive Growth (GN-2710-5), and the Transportation Sector Framework Document (GN-2740-12), specifically with the principle of efficiency and competitiveness, as it will support 4801/OC-SU and 4828/OC-SU, which are aimed at enhancing Suriname's logistics performance and port infrastructure. Lastly, the TC is aligned with the Integration and Trade Sector Framework Document (GN-2715-11) through its objective of supporting trade, investment, and logistics. Finally, this TC is aligned with the objectives of the Strategic Development Program for Integration (RIN) (GN-2819-1): (5.1(ii)) seeking to strengthen the Bank's borrowing member countries' capacities to engage in regional initiatives; and (5.1(v)) deepen knowledge in global and regional integration.

IV. Description of activities/components and budget

- 4.1 **Component 1. Institutional support for trade and investment in Suriname (US\$110,000).** This component will finance: (i) technical support to the Minister of Finance and Planning (MOFP), the Minister of Foreign Affairs(MOFA) and the IPA

²² Estimated to be 14.

²³ i.e., MOFA, MOFP (including Customs and Tax Office), Ministry of Trade and Industry, Central Bank, General Bureau of Statistics, Chamber of Commerce, University, and private organizations, as Suriname Manufactures Association, and the Surinamese Business Association.

team to fulfill the mandatory special contractual clauses prior to the first disbursements of loan 4801/OC-SU,²⁴ support the constitution of the IPA Board of Directors (BD)/Steering Committee (SC), and the IPA to become operative. The component will also support to the Government of Suriname (GoS) in the establishment of the Project Execution Unit (PEU) and the execution of the project 4801/OC-SU itself; and (ii) support the GoS in conceptualizing of the IPA and updating Terms Of Reference (ToRs) of the IPA team following international best practices customized to Suriname. Outputs in this component include contributing to fulfilling conditions of the loan (4801/OC-SU) eligibility, assessments/roadmaps for the new IPA, DB/SC, and ToRs of the new IPA team.

- 4.2 **Component 2. Support exporters and investors affected by the Covid-19 crisis. (US\$100,000).** This component will finance: (i) export readiness and digitalization assessments of five (5) firms²⁵ to exploit opportunities as potential suppliers for foreign companies or to access new markets; (ii) assessment of sectors/subsectors with potential for attracting foreign investment; (iii) one-on-one business matchmaking two-day meetings²⁶ through the [ConnectAmericas platform](#) for Surinamese firms belonging to strategic sectors,²⁷ an introductory webinar to support their business readiness for virtual matchmaking meetings,²⁸ marketing campaigns to disseminate the business matchmaking event within ConnectAmericas network, and the digitization of the export readiness assessment in the ConnectAmericas self-assessment tool for micro and small sized firms. ConnectAmericas is the first social network for businesses in the Americas, dedicated to promoting foreign trade and international investment. It seeks to help SMEs strengthen their businesses, by providing them access to communities of clients, suppliers, and investors in the region and worldwide, segmented by industry. It also provides useful and simple information about procedures and regulations for international commerce, and the financing opportunities available in IDB member countries. Outputs for this component are: (i) five (5) detailed and customized export readiness roadmaps; (ii) one assessment of sectors/subsectors with potential for attracting foreign investment; (iii) one one-on-one business matchmaking; (iv) one introductory webinar; and (iv) one self-assessment tool for micro and small-sized firms.
- 4.3 **Component 3. Support for the implementation of a Port Community System (PCS) in Suriname (US\$40,000).** This component will finance technical support to

²⁴ Special Contractual Clauses prior to the first disbursement are: (i) approval of the Program Operating Manual (POM) to the satisfaction of the Bank; (ii) the establishment of the Project Execution Unit (PEU) with the Program Manager appointed in accordance with the specifications set forth in the POM; and (iii) evidence that: the Council of Ministers has approved a proposal stating that (i) the IPA is the one single port of entry for investors in Suriname; and (ii) the institutions involved in the trade and investment area will collaborate with the IPA. Number 1 is already fulfilled and number 2 and 3 are currently pending.

²⁵ These firms will be selected on a first-come first-served basis; however, the base criteria are that they must be firms with less than 500 employees, are currently exporting services or products, or are seeking to internationalize their operations. The latter will be confirmed through discussions with the MOFA, IPA and BD/SC with the presence of Chamber of Commerce to confirm eligibility.

²⁶ Matchmaking participant profile include Small and medium enterprises (SMEs) and startups that are carefully selected by the IDB and the Government of Suriname based on their export potential, innovation of their digital products and services, and certifications.

²⁷ The sector/s will be decided based on discussions with public and private sector.

²⁸ Firms participating in the one-on-one business meetings can: offer products/services, seek products/services, seek strategic partners, seek investment opportunities, and seek potential investors. The business meetings are booked online directly by participants, and they are matched based on the commercial interest on both ends, based on a compatibility percentage calculated by the matchmaking software used by the IDB.

develop and strengthen Suriname's port community by bringing together public and private sector actors involved in goods clearance. Creating of the port community and creating buy-in and ownership is one of the most significant challenges to implementing a PCS and requires dedicated support from the Bank. In addition, this technical support will include accompanying PCS's the procurement process under Component 1 of 4828-OC-SU. Outputs for this component are the deliverables under the Consultant Contract (detailed Work Plan, Technical Notes, draft Request for Proposal (RFP), Monthly and Quarterly Progress Reports).

- 4.4 The total estimated cost of this TC is US\$250,000, which will be fully financed by the Strategic Development Program for Integration (RIN).

Indicative Budget (in US\$)

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1: Institutional support for trade and investment in Suriname.	Technical support in trade and investment	80,000	0	80,000
	Technical support in the conceptualization of IPA and its team	30,000	0	30,000
	Subtotal	110,000	0	110,000
Component 2: Support exporters and investors affected by the Covid-19 crisis.	Export readiness and digitalization assessments of five (5) firm	30,000	0	30,000
	Consulting firm analyzing sectors and companies interested in nearshoring opportunities	35,000	0	35,000
	Preparatory webinar (1) and one-one on-one business matchmaking meeting (1) for Surinamese firms	35,000	0	35,000
	Subtotal	100,000	0	100,000
Component 3: Support for the implementation of a PCS in Suriname.	Technical support to develop and strengthen the port community in Suriname	40,000	0	40,000
	Subtotal	40,000	0	40,000
Total funding		250,000	0	250,000

- 4.5 This TC will be supervised by the Trade and Investment Division (INT/TIN). The team will be led by Ana Arias Urones, Trade and Investment Senior Specialist and co-led by Mario Umana, Trade and Investment Lead Specialist supported by consultants from TIN/TIN.
- 4.6 **Monitoring and evaluation.** The implementation of the Components of this TC will be monitored by the Team Leader based in headquarters and the INT/TIN's consultant based in Paramaribo.

V. Executing agency and execution structure

- 5.1 The Bank will execute this TC through INT/TIN in coordination with the Caribbean Group - Suriname (CCB/CSU). Project output indicators will be monitored very closely with the MOFP, MOFA (components 1 and 2), and MoPW and INE/TSP specialist in

Suriname (component 3). The Team Leader for 4821/OC-SU is Edgar Zamora (INE/TSP). The monitoring of project implementation will be based on the annexed Results Matrix, which is considered indicative of expected results at the time of approval.

- 5.2 The Bank will execute this TC due to the following reasons: (i) previous experience and knowledge on the part of the IDB in implementing project(s) similar to this proposed operation; and (ii) weak institutional capacity of the beneficiary institutions in Suriname. These justifications are aligned with that foresight in Annex 10 of Operational Guidelines for Technical Cooperation Products GN-2629-1.
- 5.3 The execution and disbursement period will be 30 months and the UDR will be the Integration and Trade Sector (INT/INT). All activities to be executed under this TC have been included in the Procurement Plan (see Annex IV) and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-4 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and; (c) GN-2303-28 for logistics and other related services.

VI. Major issues

- 6.1 The risks to this project include: (i) national elections were held in Suriname on May 25, 2020, concurrently with an economic crisis in Suriname, and the COVID-19 crisis. The current government that took office on July 16, 2020, consists of political parties that have not been part of the administration for ten years. This has impacted the implementation of national projects and plans; (ii) delays in the formation and constitution of the BD/SC,²⁹ the BD/SC are not empowered and do not meet regularly and there is limited decision making; (ii) that the new IPA will not be formed/constituted³⁰ in a short period of time, absence of a CEO appointed and basic team³¹ in place and lack of empowerment; and (iii) beneficiary firms not being actively engaged in the TC providing data and information, as well as by demonstrating a willingness and openness to implementing the recommendations of the readiness assessment. We note, mostly after COVID-19 started and the former government was elected that, (i) the new government, and especially the MOFA³² is probusiness, is committed to providing support to firms and investors through the operationalization of the new IPA under its purview. Within this supportive ecosystem, we are confident that exporters and SMEs with export potential, will be responsive to the interventions proposed in this TC. We have also identified that (ii) Suriname firms have shown a willingness and dedication to access new markets and improve their capacity³³. It is expected that these risks will be reduced by having the IDB as the executing agency, especially considering that INT/TIN has the expertise and experience in executing these types of projects. A local consultant will also be hired to maintain strong stakeholder engagement with experience in trade and investment.

VII. Exceptions to Bank Policy

- 7.1 There are no exceptions to Bank Policy.

²⁹ Before November 2020.

³⁰ Ibidem.

³¹ A basic team to start with could be: (i) CEO; (ii) director of facilitation and aftercare; (iii) director of promotion and marketing; and (iv) an IT expert.

³² The new IPA depends on the MOFA.

³³ Interactions with Associations of Surinamese Manufacturers (ASFA).

VIII. Environmental and Social Strategy

- 8.1 In accordance with the guidelines of the Environment and Safeguards Compliance Policy (OP-703), This operation has been classified under category "C" in accordance with the Environment and Safeguards Compliance Policy (OP-703) (see [Safeguards Analysis Report](#) and [Safeguard Policy Filter Report](#)), as it is estimated to cause minimal or no environmental and associated social impacts. However, it is anticipated that there will be positive social impacts in the long term due to capacity development and knowledge exchange for SMEs, carried out under the TC. Adequate measures will be identified to maximize the positive impacts and monitor the project to ensure appropriate mechanisms are put in place to mitigate any potential adverse effects.

Required Annexes:

[Request from the Client - SU-T1131](#)

[Results Matrix - SU-T1131](#)

[Terms of Reference - SU-T1131](#)

[Procurement Plan - SU-T1131](#)