Suriname today
and
its small and medium enterprises

February 2013
Growth and inflation

- Solid growth despite global financial turmoil and limited global demand.
- Growth supported by buoyant mining sector.
- Inflation pressures contained to below 5% annually since May 2011.
Low inflation for almost 2 years

- Inflation has fallen to annualized levels of less than 5% since May 2011.
- Food prices create inflation volatility due to changing domestic supply.
Fiscal performance and debt

- Continued fiscal improvement since early-2011.
- Debt profile among the best in the region.
- Debt projection does not include new debt to pay for equity in gold companies.
Buoyant export receipts

- Gold exports continue to perform well with high prices and increasing export volumes.
- Staatsolie’s exports and payments to the government grew only marginally in 2012.
Outside assessments: IMF

- Economy growing at a steady pace, buoyed by strong activity in gold and oil sectors.
- Impressive stabilization of the economy in 2011 due to authorities’ policies.
- Key achievements: a unified foreign exchange market, price stability, and significant fiscal gains.
- A positive example for the Caribbean as a meaningful and comprehensive adjustment, well designed, properly sequenced, and implemented with commitment and resolve.
- Sound policies are expected to continue.
- Crucial structural reforms will allow Suriname to grow in a sustainable way.
Outside assessments: credit ratings

- Credit rating upgrades due to:
  - Stable macroeconomic environment.
  - Elimination of arrears.
  - Relative low debt levels.
  - Structural improvement of BOP.
  - Robust medium term growth prospects.
  - Ongoing investments.

- Conditions for further rating upgrades:
  - Fiscal strengthening through economic reforms.
  - Large investments that boost GDP growth and government revenue.
Reforms are key to limit risks

- Central Bank shift towards use of indirect market-based instruments.
- Development of the local money and capital markets.
- Gradual de-dollarization of the economy.
- Establishment of the Sovereign Wealth Fund to reduce the impact of oil and gold price volatility and stabilize and diversify income streams.
- Modern and transparent budget preparation and execution procedures.
- New legal framework and modernization of the tax regime.
- Deregulation, privatization, and modernization of administrative processes to allow more private sector investment and competition.
- Measures to increase SMEs access to financing.
Structure economy and government policy

- Dual production and export structure:
  - Large mining companies dominate production and exports
  - SME’s: small contribution to exports, but important for employment and sustainable development.

- Two-pronged Government development strategy:
  - Further development of the mining sector: a participatory approach.
  - Special focus on SME
    - Access to finance is identified as a major obstacle for growth SME.
Factors inhibiting SME access to financing

- Direct monetary policy instruments reduce credit and increase lending costs.
- Lack of financial information and creditworthiness of SMEs limits banks’ ability to lend.
- Limited accounting information and accounting expertise in Suriname.
- Lack of financial literacy and lack of experience in preparing bankable business proposals.
- Limited securities market or other non-bank lending sources.
SME access to financing: CBvS actions

- **Indirect monetary policy instruments**
  - Deposit and lending facilities and T-bill auctions.
  - Will facilitate lending, increase competition among banks, reduce lending rates.

- **Credit bureau**
  - CBvS circulated a draft law to help establish an independent credit bureau.
  - Should record all positive and negative credit reports from all lending institutions.
  - Will allow SMEs to build up a credit track record.

- **Accounting and reporting**
  - Strengthening the CBvS Banking Supervision.
  - Supporting accounting expertise through training.
SME access to financing: CBvS actions (cont’d)

- Focused lending to SMEs through dedicated facilities
  - In discussion with the Inter-American Investment Corporation (IIC) to provide technical support in the area of medium term lending to SME’s.

- Collaboration
  - promote economic development in Suriname and support private sector development;
  - establish financial mechanism and customized financial instruments in support of innovative and competitive small and medium-size private sector companies in Suriname;
  - Suriname: To provide a Designated Executing Agent with independent advice in order to validate the creditworthiness of Surinamese SME’s. The Agent will be designated by the Ministry of Finance.
  - The IIC will train several officers of the Agent, furnish standard loan documents and validate decisions based on a standardized credit file that incorporates IIC’s credit criteria.
SME access to financing: Other measures

- Privatization and deregulation
  - Sale of public enterprises, deregulation, and elimination of monopolies will provide more space for private sector activities and competition.
  - Reduction of red-tape (improve standing in the World Bank Index of Doing Business).

- Public-private partnerships (PPPs)
  - Private sector builds, owns, and operates companies in areas traditionally reserved for the government.
  - Can include agriculture, infrastructure, transportation, energy, water, etc.