

Suriname: an Economic Overview

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Introduction & Background

- Why you are here today?
- **Objective:**
 - Investigate (innovative) economic opportunities to enhance/diversify the Surinamese economy
- **Context: REDD+**
 - Reduced emissions from deforestation and forest degradation
 - Conserving and enhancing carbon stocks
 - Sustainable forest management
- REDD+ is seen as a way of sustainable planning, as part of climate compatible development strategy that Suriname is committed to follow in the years to come. The climate compatible development strategy aims to minimize the impacts of climate change while maximizing opportunities for human development towards a more resilient future
- One of the four levers of success:
 - REDD+ needs a credible national strategy, economically effective, socially inspiring and environmentally sound
 - Innovative opportunities study will feed into this strategy and provide a step towards a sustainable growth path.

Structure

- Presentation:
 - Economic overview
 - Causes for concern
 - Reasons for hope
- Feedback on ideas presented
 - Fact checking and glaring omissions
- Break to discuss ideas
- Proposal of focus areas for detailed analysis
 - Ideas for aspects to explore
 - Counter of more interesting opportunities

Economic Overview

- Suriname **63rd richest country** in the world
 - **GDP per capita between US\$9,033-9,306**
 - **Does it feel like it?**
 - Especially for communities living in the interior
 - **20% of the population** and more than half of Suriname's land largely **excluded from the economy**
 - **Land rights** issue set to have **large ramifications** for economic growth, wider development and empowerment of marginalized groups
 - Resolution needs to be conducted carefully to not exacerbate existing power imbalances and thus hurt the vulnerable groups in society like women and children

Economy quick facts

- Extractives focused: oil, gold, (bauxite) (80% exports)
- Decade of strong, stable growth (1.8-5.8%/yr)
- Balance of payments deficit since 2012
 - Commodity price volatility (bauxite closure)
- Fiscal deficit: fall in government income, rigid expenses
 - End of development funds
 - Hikes in utility fees = inflation (peak 37% March 2016)
 - FX hoarding (fixed rate untenable)
- Stand-by Agreement with IMF (US\$ 478m)
 - Austerity required – Taxes and VAT

Risks and Challenges

- **Infrastructure (transport)**
 - Poor - nearly non existent south of lowland rainforest zone
 - Lack of crucial enabling sector inhibits growth in most other sectors; port, timber and tourism major examples
- **Lax Laws, Monitoring and Enforcement**
 - Land rights
 - Out-dated laws – e.g. mining act of 1986, neglect of small scale miners
 - Poor enforcement of laws – e.g. mangrove pole use
 - Self monitoring of mandated plans
- **Education and Skills Mismatch**
 - High dropout rate
 - Shortage of skilled labour for technical positions
- **Lack of Coordination**
 - Siloed ministries – inefficiency and conflicts; overlapping mining and timber concessions

Risks and challenges cont.

- **Austerity (rushed implementation)**
 - Ability to produce negative outcome
 - Inciting unrest
 - Vulnerable groups
- **Overreliance on Mining Exports (30% GDP, 80% exports)**
 - Continued reliance on commodities
 - Concentration increasing commodity price exposure
- **Poor Access to Credit (15th percentile)**
 - Conservative banks – high, limited collateral; FX risk
 - Land issue
 - Promotion of inequality
- **Bloated Public Sector (60% of workforce)**
 - Ultra-secure jobs
 - Crowding out job and wider markets – broad parastatal interests

Positive ‘Structural’ Factors

- **Openness to Change**
- **Prudent Fiscal and Monetary Authorities**
- **Proven Potential to be a net exporter**
- **Energy**
- **Natural Resources**
 - Mineral Products
 - Timber
 - NTFP & Tourism
 - Fish
 - Fresh Water
- **Location and Large Port**
- **Underutilised Arable Land**
- **Multilingual population**

Reasons for Hope

- **Openness to Change**
 - Crisis increased cooperation and urgency
- **Prudent Fiscal and Monetary Authorities**
 - Stopped increasing expenditures
 - Implementation of painful measures
 - Avoidance of seigniorage
- **Proven Potential to be a net exporter**
 - Favourable resource to population ratio
 - History of trade surpluses despite avoidance of crucial reforms
- **Energy**
 - High potential in renewables
 - 4000Mw Hydro capacity 8/9 times more than necessary
 - 2100Mw easy to develop
 - Sun boilers + biofuels

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Traditional Mineral Products

General: Contentious

Seen as integral to the economy by most of the business community

Seen as incompatible with sustainable growth by many conservationists

Pros:

- ✓ Large revenues (US\$1.75b/yr)
- ✓ Export orientation
- ✓ Employment (20K direct, 30K indirect)
- ✓ Infrastructure
- ✓ SWF

Cons:

- ✗ Exploitative culture (country and vulnerable groups)
- ✗ Lack of regulation (safety and planning)
- ✗ Environmental and social impact (Cyanide and mercury)

Possible Solutions:

- Updating of mining laws from 1986 Act (inc. mining procedures)
- Regulation of small/medium-scale miners (60% of industry)
- Increasing transparency
 - Reduce the negative public perception of the side-effects of mining activities

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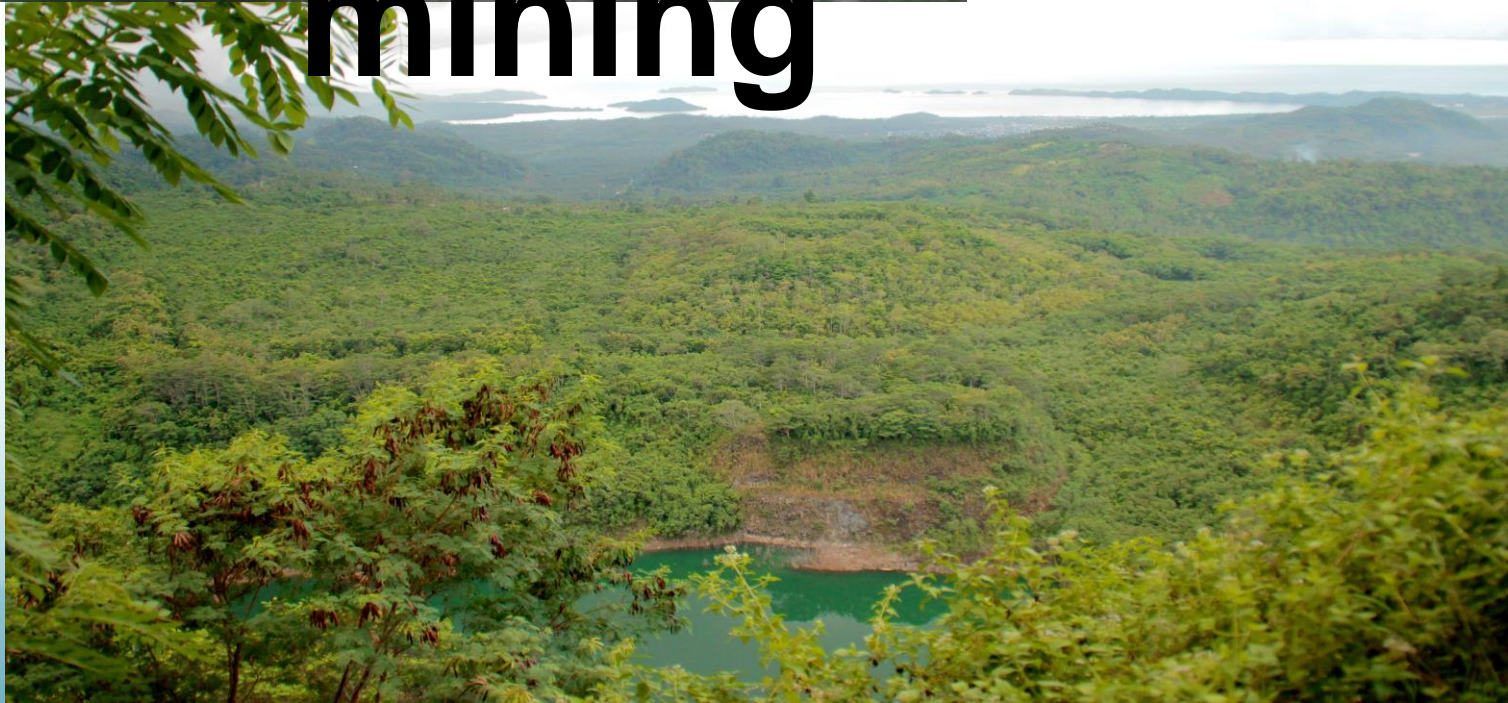
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Before

The Image of Gold mining

After



Non-gold and Non-oil Mineral Products



General:

Largely unexplored

Pros:

- ✓ Mining sector diversification
- ✓ Better use of mineral resources
- ✓ Experienced workforce (specialised fields)

Cons:

- ✗ Less lucrative than traditional sector
- ✗ Lots of infrastructure required for export

Possible Solutions:

- Need infrastructure development in ports
- Research and exploration activities to highlight potential

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Timber Forest Products

General:

Underutilisation – currently at 50% of sustainable production (1-1.5m)

Large waste – 50% standing tree, 25-40% sawmill efficiency

Pros:

- ✓ **Large capacity**
- ✓ **Proven regulatory mechanisms**
- ✓ **Possible efficiency gains**

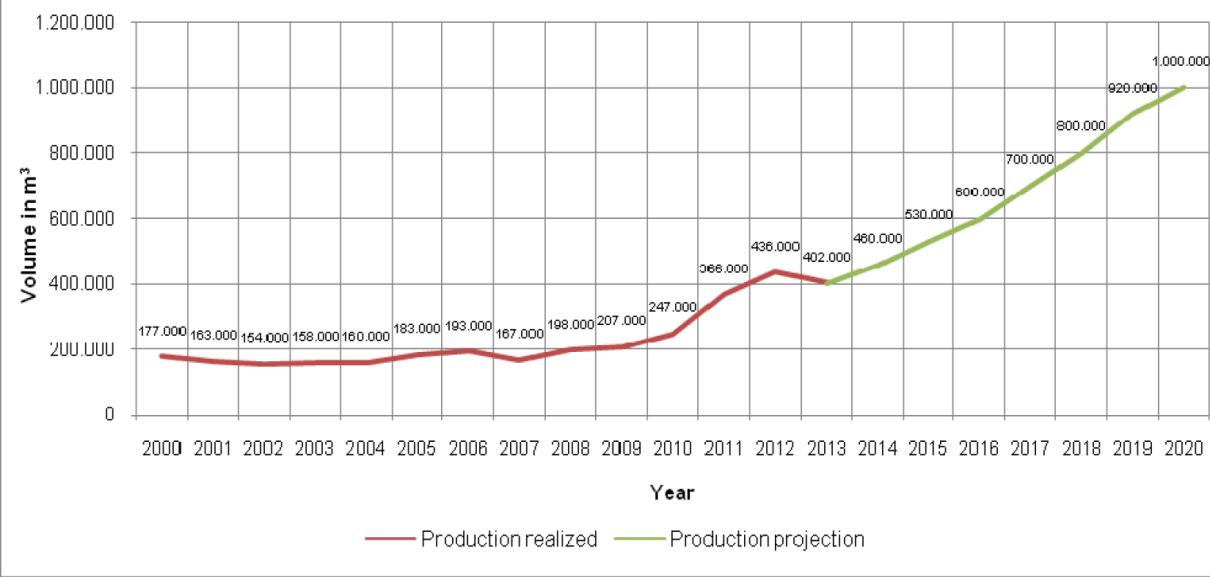
Cons:

- ✗ **Potential for abuse** (mobile operators)
- ✗ **Concession overlaps** with gold
- ✗ **Forestry belt concentration**
- ✗ **Timber species concentration**
- ✗ **No access roads** for steady supply

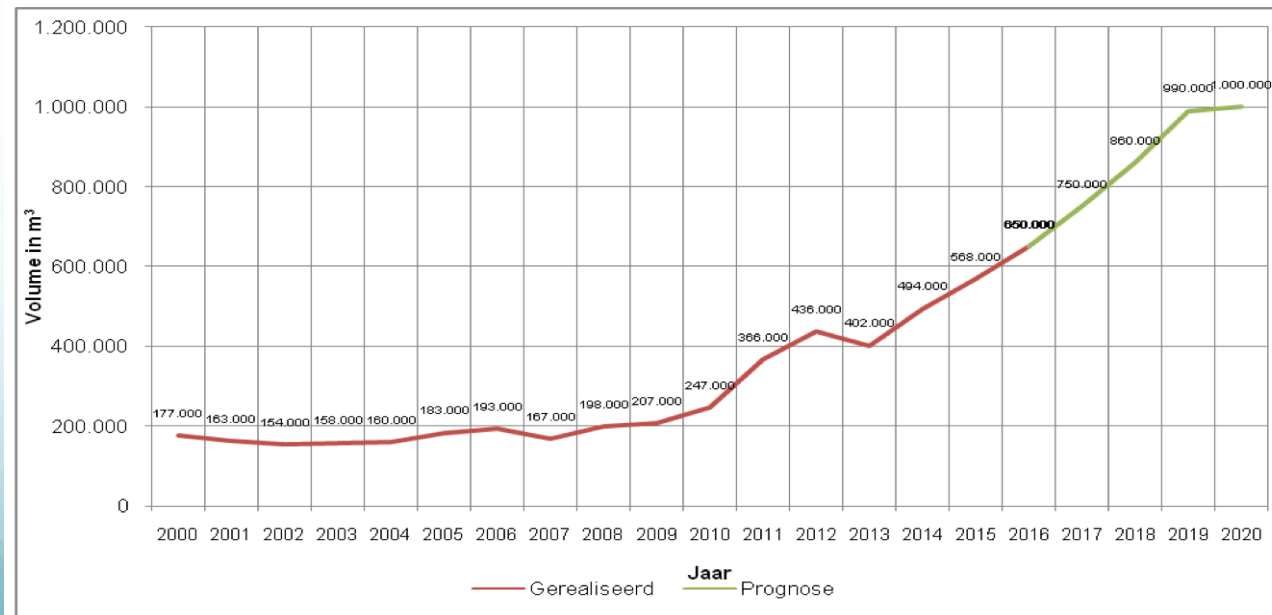
Possible Solutions:

- Access to credit
- Improving saw milling technology
 - 10% increase worth between US\$7.7-13.2m
- Biofuel
 - Current 'waste' from timber and sawmills can produce 37Mw, (88.5Mw if sustainable quota used)
- Forest management plans for commercial practices of interior communities

Figure 8. Round wood production, realized and projection 2000 - 2020



Figuur 10. Rondhout productie, gerealiseerd en prognose 2000-2020



Non-Timber Forest Products – Inc. Tourism

General:

Overlooked

Potentially US\$ 12.1- 35/ha forest

Tourism – appeals to a small segment with minimal comfort needs (510m SRD compared to Costa Rica's US\$ 2.6B Eco-tourism industry)

Carbon – 14.8million ha of forest, 2583 Mt of Carbon

International price of \$3.30/t of C; potentially US\$ 578/ha

Pros:

- ✓ **Rich biodiversity:** 24th most in the world
- ✓ **Community involvement and follow on benefits**

Cons:

- ✗ **Imposition** on interior communities
- ✗ **Potential abuse** of forest resources

Possible Solutions:

- Resolution of land rights
- Improve accessibility to the interior, and general infrastructure

NTFP Continued

Medicinal Plants – Research required

Organic produce

- **Pepper exports** from Tepu & Apetina;
- **Stingless Bee Honey**
 - Sour and slightly sweet. Twice as nutritious as ordinary honey, due to more antimicrobial substances
 - Higher value: BR\$ 60.00 compared to BR\$ 5.00/g;
 - less productive, underdeveloped market
- **Brazil nuts**
 - US\$ 200m market
 - Alalapadu village potentially 6th largest producer - 31.5t at US36/liter, approx \$1,2m

Possible Solutions:

- Exploration of resources
- Creation of value chains (marketing and processing facilities)
- Branding (Made in Suriname)



Fish Industry

General: Neglected

Pros:

- ✓ Many marketable fish species
- ✓ Rare large shrimp species
- ✓ Numerous water bodies

Cons:

- ✗ High potential for over-exploitation
- ✗ High start up costs

Possible Solutions:

- Education around aquaculture
- Access to funding for fish farms

Fresh Water

General: Not fully understood

Pros:

- ✓ **Export market:** US\$2.50 – 8.80/m³ spent on water sanitation in Caribbean countries
- ✓ **Large resources:** 228,000 m³ per capita 3rd most in the world. 151 billion m³/yr flowing into ocean

Cons:

- X **Eco-system ramifications:** per capita numbers mask low population density
- X **Exporting expense**

Possible Solutions:

- Comprehensive environmental impact analysis
- Feasibility study (for export)

Location and Large Port

General:

Overlooked

Great location between Atlantic and biggest S.American economy

Largest port in the region (space for 4 vessels) but inaccessible by road

Pros:

- ✓ **Inimitable**
- ✓ **Trade flows**
- ✓ **Large market:** Brazil and Guyana openly interested; can slash US\$ 800/900 on shipping for Brazilian cargo

Cons:

- ✗ **Harder to police illegal mining** due to increased immigrant flows
- ✗ **Trade zones** limit benefits if badly negotiated

Possible Solutions:

- Improvement of road network
- Economic trade zones

Underutilised Arable Land

General:

Witnessing long term decline

Production of rice, oranges and vegetables down

Only half Suriname's 60,000 ha of rice paddies operational

Pros:

- ✓ **Empowering:** can provide source of livelihood for rural communities
- ✓ **Food security**
- ✓ **Climatic advantages,** multi-harvests
- ✓ **Growing sector:** population dynamics

Cons:

- X **Competition from Caribbean neighbours**
- X **Potential for deforestation**
- X **Poor reputation for quality**

Possible Solutions:

- Incentivise technical subjects – e.g. loan forgiveness for agricultural studies
- Improve access to finance
- Engage in processing – rice husks as possible biofuel pellets

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Empowered lives.
Resilient nations.

Services

General:

Underutilised Dutch and English Speaking population

Can provide services to the Netherlands at a fraction of the cost

Pros:

- ✓ **Neurologist services among best in region**
- ✓ **Hard to imitate language and skills**
- ✓ **Ready made market in Holland**

Cons:

- X **Netherlands small market**
- X **Stiff international competition in general services**
- X **Illegal medical services**

Possible Solutions:

- Improved technical training of population for IT etc. to improve competitiveness
- Incentives to retain student trainees – e.g. well funded medical research centres
- Simplification of immigration procedures

Business Views

- Inadequate workforce education
 - Especially technical sectors
- Customs and trade reg.
 - Disincentive to export
- Access to Finance
 - Poor
 - Exacerbates inequalities
- Corruption (particularly construction permits and tax)

Recap

- No single sector likely to be able to replace the extractives sector
- together mineral importance can be reduced and sustainable alternatives pursued
- As changes will take time, make mining more eco-friendly in interim

Thank You!

- Questions?

Proposed focus areas

- **Timber and Sawmills**
 - Existing infrastructure
 - Large impact
 - Reduction in current wasteful practices
- **NTFP – medicinal plants**
 - Biggest potential
- **Non-gold and Non-oil Mineral Products**
 - Inadequately explored
 - Potentially easier sell
 - Reduced chances of closed mine exploitation