

## Vulnerable and volatile

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Suriname is largely dependent on her natural resources. The bulk of the Gross Domestic Product (GDP) is formed by bauxite (raw material for aluminium), followed by oil, gold and wood, and to a lesser extent agricultural products. The government's main sources of income are direct taxes such as income tax, indirect taxes such as customs duty and wood export tax, and non-tax revenues such as administrative fees and income from state-owned companies and public properties.

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### Expenditures on basic social services: far from 20/20

The harsh socio-economic situation had negative consequences for the social sectors. The recommended 20% of Total Government Expenditure (TGE) for social services was far from realised. Expenditures for basic social services (education and basic health) averaged only 7.5% of TGE over the period 1996-2000.<sup>1</sup> Health expenditures in particular were cut. In 1997 the share of TGE going to health care was seven per cent. In 1998, this share dropped to two per cent, and it stayed at three per cent in 1999 and 2000.<sup>2</sup>

### Health care: a luxury good

Although efforts have been made to reorganise the health sector and expand the system of public health insurance, reality has moved the other way. Health institutions such as hospitals, rural health services and the State Health Insurance Fund faced government defaults time and again. Consequently, patients were often confronted with the "no pay, no cure" treatment. Those who could afford it made a shift to private health insurance, thereby eroding the basis for general health insurance and widening the gap between those who have access to quality health care and those who do not.<sup>3</sup>

### Structural problems in education

The Ministry of Education (MOE) is the largest ministry within the government, both in terms of budget and number of employees. Allocations favour tertiary education. With a population of less than half a million people, Suriname

maintains a university that offers social, technical and medical studies. The university places a heavy burden on the education budget. In 1996-2000, the annual average allocation per university student was SRG 929,445 (USD 422), while for pre-primary and primary pupils it was SRG 264,227 (USD 120).

The output of the education system at all levels is low, both quantitatively and qualitatively speaking. Each year, 23% of all pupils at all levels have to repeat a class, while 23% - 40% do not pass their exams. The percentage of dropouts is alarming, seven per cent in primary school and 25% in secondary school.<sup>4</sup>

Since education is considered a key element in sustainable development, the malfunctioning of the educational system is seen as a severe developmental problem by most sectors.<sup>5</sup> It is therefore positive that the MOE acknowledged structural problems and in August 2001, started preparations for a National Education Congress, which has to lead to a National Education Plan. With assistance from the United Nations Children's Fund (UNICEF), a consultant was hired to coordinate this process, which is meant to give direction in education for the next 15-20 years.<sup>6</sup>

### The neglected potential of labour

The civil service, which employs more than one-third of the total labour force, is overloaded with employees, and the private sector is currently in no position to absorb surplus labour. Hence, stimulating entrepreneurship would be the most efficient way to combat poverty and boost sustainable development. However, the few institutions that were established to assist micro-entrepreneurs by the Ministry of Labour in the early 1990s receive only 0.1% of TGE. Although it is widely acknowledged that the civil service needs to be downsized, and that an economy based on raw materials cannot provide full employment, the political will to invest in micro-entrepreneurship is not there. Since political power is based mainly on patronage, no government up till now has felt it necessary to invest in making people independent and self-sufficient.

### Tax system loosing its redistributive function

The tax system is progressive and should therefore reduce inequality. However, reductions in withholding and income taxes to compensate stabilising measures taken in the last quarter of 2000 benefited the highest income brackets and

1 General Bureau of Statistics, Treasury Inspectorate, IMF, Budget Office.

2 Ministry of Finance, Budget Office.

3 Seminars on Health Sector Reform, Ministry of Public Health/Paho.

4 Policy Document 2000-2005, Ministry of Education, Paramaribo April 2001.

5 Stichting Ultimate Purpose. "Report of Workshop on Copenhagen Commitments and Inequality", 2001.

6 *de Ware Tijd*, daily newspaper, 20 December 2001.

large enterprises most. Suriname does not have a tax on real estate. In a society where a happy minority builds palaces and malls, this contributes to the sense of injustice and ignores a considerable potential for state income.

### Opening up to CARICOM

Suriname joined the Caribbean Community (CARICOM) in 1995, and has since been rudely confronted with the consequences of open competition without proper preparation. The market was bombarded with products from the Caribbean region that had better marketing, better quality and a better price than local products. The consequences were not all negative, however. Imports from the Caribbean competed with imports from Europe (especially Netherlands) and the USA. Local manufacturers, who had been in a monopolistic position before, suddenly had to compete. Those who were able to invest, bettered the quality and marketing of their product, and became competitive. Those who were not able to invest perished. It is not clear, however, whether this was a direct consequence of trade liberalisation or merely the final blow in an ongoing economic crisis.

Opening up to the CARICOM market at least created an acute awareness within the government and the private sector that there are threats and opportunities out there, and that work needs to be done to minimise the threats and maximise the opportunities. With assistance from the European Union, a Business Forum was created in which government and private sector worked together on a strategy to improve competitive potential. A Social Economic Commission was established in 2000 with representation from government, private sector and labour, and in 2001, an investment code was passed in Parliament. Although a lot of work is still needed, and involvement of NGOs and the wider society is still lacking, these can be considered positive steps in the right direction.

Individual firms and consultancies managed to profit from the opening up of the Caribbean market. The need for support of micro- and small enterprises in general, however, has become both more visible and more urgent.

To comply with rules and regulations of CARICOM, a reduction of import tax has been announced. To compensate for the loss of income, the percentages of Value Added Tax (VAT) will be raised to ten per cent on commodity goods and over 50% on luxury goods. The government has assured society that prices will not be affected, but there is no clarity yet on which goods and services will be designated “commodities” and which will be “luxuries”. It is expected that, as when the VAT was first introduced three years ago, more providers of goods and services will go “underground”, joining the informal sector.

### Debt service: a new problem

Foreign debt rose from USD 174.3 million in 1996 to USD 295.6 million in 2000. The debt service rate climbed from 16.1% in 1996 to 27.1% in 2000. Because of serious inflation during this period, the debt-to-GDP ratio climbed from 26.3% in 1996 to 97% in 2000. Recently, a debt-restructuring scheme was implemented, whereby loans with unfavourable interest rates and pay back terms could be paid off with new loans on the international capital market at triple A conditions. The Dutch agency for development cooperation made this possible with its guarantee fund as collateral. As a result, Suriname currently has a B-credit rating.<sup>7</sup>

Net private capital flows boomed from USD -11.4 million in 1995 to USD 42.8 million in 1996. After 1996, they decreased again to USD 25.9 (1997), USD 6.9 (1998), USD -37.9 (1999) and USD -112.5 million (2000).<sup>8</sup> The boom in private capital flow may be closely related to the build-up in foreign debt over the same period.

### Vulnerability to external influences and poor internal governance

The economy depends largely on raw materials and agricultural products, which leaves it highly vulnerable to external influences. In the last two decades, fluctuating prices on the world market for aluminium (bauxite), gold and oil have seriously affected the economy. New WTO regulations and conditions have hampered the export of shrimp and other agricultural products. The lost battle over preferential treatment for bananas from ACP countries<sup>9</sup> dealt a massive blow to the state-owned banana company.

It is generally felt that the government lacks capacity to deal effectively with these issues, and that representation on international decision-making fora is too little, too late.<sup>10</sup> As a relative newcomer to CARICOM, Suriname has not yet taken a clear position in the globalisation debate. The concept of active competitiveness, where the focus is placed on investing in human capital,<sup>11</sup> is gaining ground with civil society, but has as not yet been picked up by policy-makers.

Suriname also faces some serious internal obstacles, of which the lack of good governance is the most important. The prevalence of patron-client networks, a strongly centralised but ineffective civil service apparatus, and a weak legal and judicial system that lacks proper checks and balances, make sustainable development difficult. Ironically, in this context, Suriname's rich endowment of natural resources is seen as a cause of corruption.

On top of this, Suriname has become vulnerable to drug trafficking. Weak government organisations, poorly paid civil servants, and a lack of income opportunities in the legitimate economy combined with its location, make Suriname an ideal transit point for drugs.<sup>12</sup>

### “Each man thinks his burden is the heaviest”<sup>13</sup>

With assistance from UNIFEM, a plan of action for mainstreaming gender has been prepared. In December 2001, the Ministry of Home Affairs presented a national gender plan for government, and in the same month, the Convention Belem do Para was passed in Parliament.<sup>14</sup>

The daily reality for most women in Suriname still looks bleak, however. With most of their labour unpaid, underestimated and undervalued, women suffer most from negative swings of the economy. In 1996 and 1997, the unemployment rate for women was twice that of men. Although there was a general increase of six per cent in employment from 1995 to 1997, job losses occurred in sectors that employ the most women. Women still work mainly in the traditional “caring” sectors, which pay the least. The government is the main employer of women, the majority in the lowest echelons (71% of low-level civil servants is female). With globalisation and the economic crisis, female entrepreneurs have disappeared from the formal sector.<sup>15</sup> In the private sector, the rights of women workers are not well regulated and credit is hardly accessible. For half of Suriname's population, the burden has become almost too heavy to bear. ■

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7 Special Debt Commission, Ministry of Finance, International Monetary Fund (IMF) report.

8 Central Bank of Suriname.

9 Countries of the European Union (EU) allowed preferential treatment for bananas from former colonies, African, Caribbean and Pacific (ACP) countries. This was considered a violation of WTO regulations for equal treatment, and in the end the EU complied with the WTO verdict.

10 Stichting Ultimate Purpose. *Op. cit.*

11 CARICOM. Working Paper for the Fourth Meeting of the Council for Human and Social Development, Georgetown, Guyana, 4-6 October 2000.

12 Inter-American Development Bank. Economic and Sector Study Series, *Governance in Suriname*, Washington, April 2001.

13 Lyrics by the late Bob Marley, Jamaica.

14 Belem do Para Convention is the Convention on Eradicating all Forms of Violence against Women.

15 UNIFEM. Fact sheet, *Situation Analysis of Women*, Paramaribo, 2000.