MIGRATION, DIASPORA BONDS AND SURINAME'S ECONOMIC DEVELOPMENT

Tapping into the Wealth of the Hindustani Diaspora

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ABSTRACT

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Suriname faces limited access to capital from traditional sources to help it get out of its current economic crisis, reduce poverty and meet other Sustainable Development Goals (SDGs). Inevitably, Suriname will need to adopt innovative financing solutions for its development. Suriname has the second largest Indian diaspora in Europe - the Dutch Hindustani - who live in the Netherlands and whose remittances are larger than aid flows and foreign direct investment. This study investigates how Suriname can tap into the wealth of its Hindustani diaspora in the Netherlands to obtain a more stable and less costly source of external finance.

The rest of the study is structured as follows. Section 2 provides a background on trends in external financial flows to Suriname. Section 3 discusses the rationale for origin countries to issue, and for diaspora communities to purchase, diaspora bonds, drawing mainly from the experiences of India and Israel. Section 4 presents estimates on the size of the Suriname diaspora market in the Netherlands. Section 5 discusses the feasibility of Suriname issuing a diaspora bond to the Hindustani living in the Netherlands. Finally, Section 6 concludes with a summary of findings and direction for future research.

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1. Introduction

Suriname has historically experienced large-scale migration, some voluntary and others forced. The mass movement of people stretches back to Dutch colonization, Africans forcibly brought to work as slaves on the plantations, and the arrival of indentured laborers from British India, the island of Java in Indonesia, and China in the 17^{th}-19^{th} centuries. Economic outmigration became a particular feature Suriname in the 1970s and the early 1980s when Surinamese, mostly Hindustanis, the descendants of 19^{th} century indentured workers from India, fled to the Netherlands, mainly for political reasons.

The three years following Suriname's independence from The Netherlands in 1975 were marked by political turmoil and a fear of race riots, which caused the first migration wave. Outmigration peaked in 1975 with around 40,000 Surinamese fleeing to Holland. Prolonged political instability and deteriorating economic conditions between 1979 and 1992 generated the second migration wave, with some 100,000 Surinamese leaving for the Netherlands. Since the mid-1990s, relative political stability in Suriname and more restrictive Dutch immigration policy have eased migration to the Netherlands.

Today, around 350,000 persons of Surinamese descent (first- and second-generation) live in the Netherlands. That is, for one Surinamese living in Suriname there is almost one person of

Surinamese ancestry living in the Netherlands. Suriname is also home to second largest Indian diaspora in Europe. An estimated 160,000 Hindustanis live in the Netherlands, mainly in The Hague. Many first-generation Surinamese migrants in the Netherlands still maintain strong economic, family and emotional ties with the home country, an important channel for remittances. Most of those who left Suriname were already among the relatively higher educated, and they further increased their level of education in the Netherlands. In effect, Suriname has created its very own large, highly educated diaspora pool that represents a potential alternative source of long-term funding.

This is particularly important because Suriname, which is heavily dependent on mineral resources (gold, oil and bauxite), is in an economic crisis. Since 2012, Suriname has been grappling with the loss of substantial Dutch bilateral aid, a sharp drop in commodity prices, and the closure of Suralco, the alumina refinery. These shocks have caused a substantial deterioration in Suriname's fiscal position, a rundown of international reserves to perilously low levels, and pushed the economy into deep recession (Table 1). The authorities launched an ambitious austerity program in late 2015 and in May 2016 entered into 24-month IMF Stand-By Arrangement. But with rising public protests opposed to the government's austerity measures, progress on a number of policy items either stalled or was reversed. IMF disbursements remain frozen.

Suriname faces limited access to capital from traditional sources to help it get out of its current economic crisis, reduce poverty and meet other Sustainable Development Goals (SDGs). Inevitably, Suriname will need to consider innovative financing solutions for its development. Suriname's special post-colonial history with the Netherlands makes the Dutch-Surinamese corridor a rather special one for diaspora bonds, which offer a more stable and less expensive source of external finance. Both Israel and India have successfully tapped their respective diaspora for funding, while Sri Lanka, Ethiopia and Nepal have been less successful.

This study investigates how Suriname can tap into the wealth of its Hindustani diaspora in the Netherlands. The rest of the study is structured as follows. Section 2 provides a background on trends in external financial flows to Suriname. Section 3 discusses the rationale for origin countries to issue, and for diaspora communities to purchase, diaspora bonds, drawing mainly from the experiences of India and Israel. Section 4 presents estimates on the size of the Suriname diaspora market in the Netherlands. Section 5 discusses the feasibility of Suriname issuing a diaspora bond to the Hindustani living in the Netherlands. Finally, Section 6 concludes with a summary of findings and direction for future research.

2. Trends in External Financial Flows to Suriname

Over the past four decades, Suriname has grappled with several shocks of varying magnitudes. These shocks range from extreme political instability following Suriname’s independence from the Netherlands in 1975, to the suspension, reinstatement and eventual loss of substantial Dutch financial assistance, and to the “Dutch disease” effects associated with an excessive economic dependence on the mineral sector. Table 2 indicates that external financial inflows to Suriname have exhibited a high degree of volatility in response to these multiple shocks, with a dramatic shift in the composition of financing away from Dutch development aid and foreign direct investment towards remittances and debt.

Historically, Suriname had been dependent on bilateral support, mainly from the Netherlands. At its independence, Suriname signed an agreement with the Netherlands providing for about US$1.5 billion in development assistance grants and loans over a 10- to 15-year period, called the Treaty Funds. Initial disbursements amounted to about US$100 million per year, but were suspended during the 1980's period of military rule. After the return to a democratically elected government in 1991, Dutch aid resumed, but came to an end in 2012 when the Surinamese parliament passed a law granting amnesty to President Bouterse for his role in the "December murders". Official development assistance (ODA) to Suriname dropped from a considerable 15 percent of GDP in 1990 to around 4 percent of GDP by 2000, and fell even further to 2 of GDP in 2010. By 2015, inflows of ODA to Suriname were negligible.

Faced with the loss of substantial Dutch aid, the Suriname government resorted to other sources of financing, turning to China and India, which have become its main bilateral donors, and to the Inter-American Development Bank (IDB), which has become its principal multilateral lender. Suriname also turned to other international financial institutions for support. After a hiatus of nearly 30 years, the World Bank began a phased re-engagement with Suriname in 2012, while the Islamic Development Bank (IsDB) resumed lending in 2013 after a four-year interruption. In 2013, Suriname joined the Caribbean Development Bank (CDB). The European Commission continued to support Suriname through its 10th European Development Fund.

Foreign direct investment (FDI) has traditionally been an important and stable source of private capital for many developing countries. Net FDI, however, has not only been negative but also highly unstable for most of Suriname's post-independence history. This reflects a combination of political turmoil and higher repatriation of profits in the mining sector, which attracts most FDI inflows. Civil unrest in Suriname's interior and the withdrawal of BHP Billiton, a major mining company, contributed to significant FDI outflows in the bauxite industry between 1995 and 2010. Suriname's net FDI situation began to improve from 2011 with the expansion of two large-scale gold mining projects, the Rosebel and Merian gold mines, and its FDI performance turned positive by 2015 with the exploration by bilateral partners of new investment opportunities.

Remittances have been an important and growing source of external financing for Suriname. A 2006 study of the Dutch-Surinamese remittance corridor for the World Bank and the Dutch Ministry of Finance reveals remittances grew from €3.6 million in 1993 to €12.2 million in 2000. By 2006, the Surinamese population had received around €58 million in remittances (Unger and Siegel, 2006). About 85 percent of the remittances flowing into Suriname come from the Netherlands. Official remittance numbers are thought to be about half of what is actually being sent through money transfer companies, given the large size of Suriname's informal sector which is estimated at about 50 percent of the Surinamese economy. Unger and Siegel (2006), therefore, estimated that more than €100 million in remittances are sent to Suriname each year, far greater than ODA and FDI inflows.

In summary, Suriname has adjusted to the loss of Dutch development aid and reduced FDI through a greater reliance on multilateral borrowing but this has contributed to a worrisome sharp build-up of public debt. Suriname's first ever sovereign borrowing of US$550 million on the international capital market in October 2016 further increased public debt. At the end of

2016, Suriname's total gross debt reached an estimated 65 percent of GDP, a tripling since 2012. Having run a predominantly fixed exchange rate regime, Suriname was forced to draw-down on already weak international reserves to support its weakening external position, but persistent pressures eventually forced a currency devaluation in November 2015, and subsequent float of the currency in March 2016.

In May 2016, the government of Suriname turned to the IMF for financial assistance through a two-year US$478 million Stand-By Arrangement. By mid-2016, however, progress on a number of policy items had stalled, and the first and second IMF program reviews had not taken place by mid-2017. Other multilateral funding from the IDB and World Bank also stalled since these disbursements were conditional on satisfactory IMF program performance. Suriname, therefore, needs to explore innovative sources of financing such as diaspora bonds to help fund its economic recovery.

3. Rationale for Diaspora Bonds

A diaspora bond is essentially a debt instrument issued by a country to raise financing from members of its diaspora (Ketkar and Ratha 2007). It is an alternative to borrowing from the international capital market, multilateral financial institutions, or taking bilateral loans from governments. The concept of the diaspora bond is not new. It has been tried and tested by Israel since the 1950s and by India in the 1990s. Since then a few countries with large first-generation diaspora populations in middle to high-income countries have either issued diaspora bonds (Sri Lanka, Ethiopia and Nepal) or announced plans to do so (Greece and Nigeria). But not all these efforts have been successful. Table 3 provides a comparison of the various diaspora bond offerings. Diaspora bonds appear to be an attractive vehicle for raising external development finance for many reasons.

First, demand for diaspora bonds is likely to prevail not only in good times but especially in difficult economic circumstances because patriotism is the most compelling reason to purchase these bonds. The Israeli government has raised nearly US$40 billion since 1951 when it first started tapping into its Jewish diaspora community for funding in the aftermath of the War of Independence which devastated the fledgling Israeli economy. India raised more than US$11 billion from its Non Resident Indian community, which helped it to recover from a balance of payments crisis in 1991, and again in 1998 and 2000 when India was cut off from the global capital markets following the imposition of international sanctions in the wake of its testing of nuclear weapons.

Second, a diaspora investor may be willing to buy diaspora bonds at a much lower interest rate than the rate demanded by foreign investors. This is called a "patriotic" discount. Up to the end of the 1980s, Israel received a significant patriotic discount of around 300 basis points (Rehavi and Asher 2004). In contrast, the Indian, Sri Lankan and Ethiopian diaspora seemed to offer little patriotic discount, while there was no patriotic discount on the Nepali diaspora bond. However, the fact that the Indian diaspora provided funding when India's typical sources of external finance had dried up suggests that the Indian diaspora did offer a large patriotic discount.

Third, development of a diaspora bond market may help improve a country's sovereign credit rating. Israel's ability to access the worldwide Jewish diaspora for funding has undoubtedly supported its sovereign credit rating. Despite India's access to funding from its diaspora, the rating agencies downgraded the country's sovereign credit rating when it was cut off from the international capital markets. Nevertheless, the excellent reception which India's diaspora bonds received in difficult circumstances does raise the relevance of diaspora funding in supporting India's creditworthiness. Standard and Poor's has rated Sri Lanka a "B+" speculative rating, four grades below investment grade. Both Ethiopia and Nepal do not have a formal credit rating but a "shadow rating" would suggest several notches below investment grade.

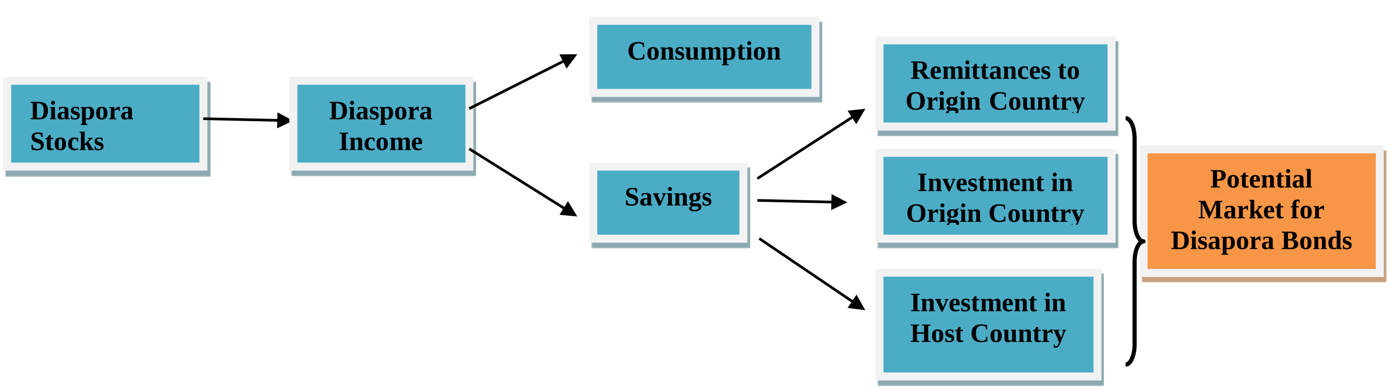
Fourth, diaspora bonds provide the opportunity for both the country and investor to better manage risk. A significant risk associated with diaspora bonds is that the issuing country may be unable to service its debt payments in hard currency. But its ability to pay interest and principal in local currency terms is much stronger. This is an attractive feature of such bonds for diaspora investors, who typically have superior knowledge of evolving economic conditions in their countries of origin. Consequently, they are less likely than other foreign investors to be concerned about the risk of currency devaluation and about receiving debt service payments in local currency.

Finally, diaspora investors gain satisfaction from contributing to the economic development of their country of origin. Diaspora bonds offer these investors a vehicle to express their desire to do "good" in their country of origin through investment, especially if the funds are targeted to specific projects in which the diaspora community may have particular interests such as infrastructure, education, health and social services. Diaspora members may be motivated to purchase diaspora bonds as long as they believe that they have some influence on policies in their home country, whether such influence is real or imaginary. While patriotism will motivate the diaspora to provide cheaper funding, governments must also be prepared to give its diaspora a greater say in how any funds raised will be used in order to alleviate any potential concerns about corruption and mismanagement.

4. Preliminary Estimates of the Size of the Surinamese Diaspora Bond Market

Ratha and Mohapatra (2011) suggest that there are three broad elements to estimating savings of the diaspora from developing countries: (i) size of the diaspora stocks in different host countries, (ii) average income of diaspora members, and (iii) their propensity to save. Diaspora savings are usually allocated between sending remittances to their family and friends, investments in the origin country, and saving/investment in the host country. Chart 1 shows that these three items together broadly form the potential market for diaspora bonds.

Chart 1: Diaspora Savings and Potential Market for Diaspora Bonds



A simple equation for diaspora savings of origin country *i* can be expressed as:

$$\text{Diaspora Saving}_i = \sum_j \text{Diaspora Stock}_{ij} * s_{ij} * (\omega^D_{ij} * \check{y}^D_{ij}) \quad (1)$$

where Diaspora Stock_{ij} is the number of diaspora members from country *i* residing in destination country *j*, $\check{y}^D_{ij}$ is the average earnings of the diaspora members in the working age, ω^D_{ij} is the share of diaspora in the working age group (inverse of the dependency ratio), and s_{ij} is their average propensity to save. These savings are summed over all destination countries *j* to arrive at the estimate of diaspora savings for origin country *i*. Estimation of these variables faces conceptual and practical difficulties. These difficulties range from lack of comparable data on migration and migrants' income across host countries to the undocumented status of many migrants, and to differences in the concepts used for income and savings across countries.

(a) Diaspora stocks adjusted for working age members

A diaspora can be defined as people who have migrated and their descendents who maintain a connection to their homeland. The U.S. Department of State (2010) defines a diaspora as a migrant group that shares the following features:

- Dispersion, whether voluntary or involuntary, across socio-cultural boundaries and at least one political border
- A collective memory and myth about the homeland
- A commitment to keeping the homeland alive through symbolic and direct action
- The presence of the issue of return, although not necessarily a commitment to do so
- A consciousness and associated identity, expressed in diaspora community media, the creation of diaspora associations or organizations, and online participation.

This definition of the diaspora includes first- and higher-generation migrants as well as people who have historical links with the country of origin and can potentially contribute to its welfare. Data availability, however, forces us to adopt a narrow but useful definition of the diaspora as those born in the country but presently living outside the country. The conclusions should hold, irrespective of the definition of the diaspora.

According to the Dutch Central Bureau of Statistics (CBS), at present 349,022 persons of Surinamese descent are registered as living in the Netherlands, almost evenly split between first-generation migrants born in Suriname and second-generation migrants. Among them, just over half are women. About 15 percent are young persons in the age bracket of 0–15; more than three-quarters are adults in the working 15–64 age bracket who generate most of the income and savings; and the remaining 9 per cent are elderly in the 65 and older age bracket.

Some complications arise with respect to availability of statistical data on the Hindustani community in the Netherlands (Bal, 2012). The CBS does not register ethnicity in its population statistics but only takes into account previous nationality/country of birth. So data for each of the different ethnic communities from Suriname in the Netherlands (Hindustanis, Afro-Surinames/Creole, Chinese, Javanese, Marron etc.) is unavailable.

An attempt by the CBS and the VU University Amsterdam to determine the size of the Hindustani diaspora conclude that about 160,000 Hindustanis live in the Netherlands. This figure is significantly smaller than the one frequently mentioned by the High Level Committee on the

Indian Diaspora which estimated in 2001 that there were as many as 200,000 Persons of Indian Origin (nearly all Hindustanis) in the Netherlands.

(b) Incomes of diaspora adjusted for skill level

The earnings of migrants in the working age group depend heavily on the average per capita income in the host country, their education level, age, gender, occupation, sector of work and employment status.

Surinamese in the Netherlands have the largest labor market participation of all immigrant groups, which comes close to that of the native Dutch (68 percent). This is approximately one-third higher than the labor market participation of other immigrant groups such as Turks and Moroccans. There are also fewer non-working persons than in the other major immigrant groups. Furthermore, a large number of young Surinamese are studying in the Netherlands.

The majority of persons of Surinamese descent in the Netherlands have completed or are/were enrolled in middle-level applied education (IOM, 2015). Some 14 percent have completed or are enrolled in preparatory middle-level education and 25 percent have completed or are enrolled in middle-level education. These persons are or have been educated in a huge variety of middle-level professions such as mechanic, electrician, plumbing, gardening, caretaking, hairdressing or beautician, or administrative work. In addition, 5 percent of persons of Surinamese descent in the Netherlands have acquired bachelor’s, master’s and PhD degrees.

Clemens and Pritchett (2008) conclude that a simple assumption of average migrant income being 35 percent of host country income provides a reasonable lower bound estimate of migrants' incomes obtained using detailed information on the characteristics of migrants. In order to account for the variation in migrants' income by skills, we assume that the Surinamese diaspora with tertiary education earn the average income of the Netherlands, and that migrants without tertiary education earn a third of the average host country income.

There is a general notion that, in socio-economic terms, Hindustanis have been more successful than other Surinamese groups in the Netherlands. Data from the CBS reveal that second-generation Hindustanis (35 years and older) have been doing better than the previous generation and slightly better than the Afro-Surinamese. At present, 60 percent of Hindustani men and 57 percent of women in the age group 15 to 64 are in employment. The level of their employment depends on their educational background. In 1988, approximately one quarter of working Hindustanis were in the public sector, 11 percent worked in the non-profit sector, and 63 percent in the private sector (Choenni, 2003). The participation of second-generation Surinamese women in higher education is even larger than among Dutch "autochthonous" women.

(c) Propensity to save

Various factors such as overall earnings, level of education, and migration status affect the propensity to save of the Surinamese diaspora. In the absence of comparable information on the savings of migrants, we assume that the savings propensity of the first-generation Surinamese migrants in the Netherlands is similar to the average savings rate in their country of origin, Suriname, while persons of second-generation Surinamese descent save at the average rate of their home country, the Netherlands. This assumption can be justified on the ground that migrants bring their savings norms to their countries of destination. Similar savings assumptions apply to the Hindustanis in the Netherlands.

Estimates of diaspora savings

Equation 2 shows the modified equation for estimating diaspora savings, incorporating the above assumptions: $\text{Diaspora Saving}_i = \sum_j \text{Diaspora Stock}_{ij} * s_i * (\omega^D_j * \check{y}^D_{ij})$ (2)

Table 4 shows estimates of Suriname's diaspora savings (including the Hindustanis) in the Netherlands. It also provides comparative estimates for two other commodity exporters in the Caribbean with large East Indian populations, Guyana and Trinidad and Tobago. The annual savings of the Surinamese diaspora in 2016 are estimated at around US$510 million or about 14 percent of Suriname's GDP. Savings of the Hindustani diaspora are at around US$235 million a year, or 7 percent of GDP. Most of these savings of the Surinamese diaspora are invested in low-yielding bank accounts in the Netherlands. The Suriname government can potentially tap into these substantial resources by issuing diaspora bonds.

5. Feasibility of a Diaspora Bond for Suriname

Suriname's economic outlook over the next few years is challenging. While there has been some recovery in international gold and oil prices, and two large gold mining projects, from Iamgold and Newmont Gold, are expected to boost production, Suriname's economy is still set remain weak. At the same time, there are questions over the government's ability to keep to the

IMF program of raising prices for oil, water, and electricity in the face of strong public opposition. Suriname's economic crisis is a major test for the government of President Bouterse.

Internationally, President Bouterse's relations with the Netherlands and the United States will remain tense. The former military dictator is alleged to secretly support drug trafficking and money laundering. In 1999, a Dutch court tried him in absentia and sentenced him to 11 years in prison for smuggling 400kg of cocaine. However, he remains protected from arrest in Suriname due to the country's lack of an extradition treaty with the Netherlands and his current position as head of state. The political situation could also become more complicated if President Bouterse is convicted for the "December murders".

While Suriname is at moderate risk of debt distress, the government has to stabilize public debt and put it onto keep a firm downward path. The stalled IMF program makes it very difficult for the authorities finance the projected balance of payments gap without additional and more expensive borrowing. The uncertainty in global financial markets suggests that bilateral aid and FDI inflows are likely to be lower than anticipated over the next few years, emphasizing the need for Suriname to have access to more stable long-term financing at attractive interest rates to reverse the upward trend in public debt.

Tapping into the wealth of its diaspora provides one such source of external financing for Suriname. The size and annual savings of the Hindustani diaspora in The Netherlands is significant, relative to Suriname's economy, population and external financing requirements. An estimated 160 thousand persons of Surinamese descent live abroad, or the equivalent of close to one-third of the country's population. Estimates place the annual savings of the Hindustani diaspora in the Netherlands at around US$235 million in 2016, which could easily finance Suriname's external current account deficit.

Some important considerations the Suriname government must contemplate before issuing a diaspora bond are these: the size and wealth of its Hindustani diaspora in The Netherlands; the compactness or dispersion of that diaspora; level of patriotism; integrity and stability of legal systems in the home country; and the potential for full subscription of the bond itself. In Suriname's case, several of these requirements augur favourably for country to seriously explore issuing a diaspora bond.

Simply identifying and targeting the Hindustani diaspora in the Netherlands will not ensure the success of the bond issue. These bonds must be properly structured and distributed to make them attractive to the diaspora, even though they have a better understanding of the economics and politics of their country of origin than non-Surinamese investors. The risk premium that the diaspora would apply to Suriname would be lower than the market since the diaspora perceives the credit risk of Suriname to be lower.

Since the end of the commodity super cycle, Suriname's credit rating has been downgraded three notches below investment grade. This speculative grade credit rating raises the cost of its external borrowing. Concerns the Hindustani diaspora in the Netherlands may have about investing in Suriname can be mitigated by the World Bank working with the International Finance Corporation and the Multilateral Investment Guarantee Agency to support the diaspora bond through a partial risk guarantee. World Bank partial risk guarantees help alleviate political and other risks and could catalyse additional private financing for Suriname. Such a guarantee structure could also raise the rating on these diaspora bonds to investment grade.

A 5 percent tax-free euro interest rate, for example, could attract a large number of Hindustani investors who are getting close to zero interest rate on their deposits in Dutch banks. Suriname sold its first sovereign bond at an interest rate of 10 percent, so a 5 percent yield on a diaspora bond would translate into a substantial patriotic discount of around 500 basis points. Not only those of Surinamese descent, but also foreign individuals, interested in helping Suriname are likely to find these bonds attractive. That would further expand the pool of potential investors in Suriname's diaspora bonds. Marketing of such diaspora bonds in the Netherlands would, however, require a temporary exemption from the Netherlands Authority for the Financial Markets, the Dutch securities regulator.

Unlike borrowing from a financial institution with fixed terms and conditions, the disapora bond can be structured with greater flexibility. An example of this flexibility can be the option to pay the interest in Suriname dollars rather than in euros. This may relieve Hindustani investors from having to remit funds on a periodic basis to assist families and relatives in Suriname and from having to incur high money transfer fees which range from 3.5-14 percent of total funds. On the government side, this will relieve pressure to acquire foreign currency to service debt interest payments.

Finally, Suriname's diaspora bonds can offer Hindustanis investors the opportunity to help finance projects in specific, targeted economic areas in which the diaspora may have an interest in funding. One potential area for investment is the development and expansion of Suriname's agricultural sector. Ecotourism in Suriname presents another investment opportunity, as does greater access to finance. Promoting investment in these high potential growth sectors, however, requires enhancing Suriname's business climate – including cutting back on red tape, improving access to credit, simplifying property registration, improving infrastructure (including broadband connectivity), and strengthening investor protection and contract enforcement.

6. Conclusion

Suriname is encountering a scarcity of capital from traditional financial sources, which puts at risk its efforts to stabilize and grow the economy, reduce poverty and attain other Sustainable Development Goals (SDGs). Trends in external resource flows to Suriname reveal a dramatic shift away from less costly Dutch bilateral aid to more expensive multilateral and commercial debt. Diaspora bonds offer the Surinamese government an innovative financing mechanism that targets the Hindustani diaspora community in the Netherlands to obtain a more stable and less costly source of external finance. The 160,000 Hindustani diaspora in the Netherlands save about US$235 million a year. That is a substantial pool of savings that the Surinamese government can mobilize in pursuit of its economic development strategy.

Despite the large size of the potential market for Suriname's diaspora bonds, Suriname has not given any serious consideration to issuing a diaspora bond. A number of factors may explain this outcome. First, the government of Suriname is either completely unaware about diaspora bonds, or even if it has some awareness, it is discouraged by the perceived complexities of bond instruments. Not surprisingly, the Surinamese government took the seemingly easier alternative in November 2016 of depending upon international banks to raise financing on the international capital markets through the issue of a sovereign bond at far higher cost.

Second, like many other countries, Suriname does not have a complete picture of the resources of its diaspora (Plaza 2009). A high priority must be given to carrying out a diaspora mapping exercise to register the education levels, skills and working experiences of the Surinamese diaspora. Such an exercise can also provide insights into reasons why the Surinamese diaspora may not want to return to Suriname, and identify strategies to remove these barriers. Subsequent to mapping its diaspora, the Surinamese government will need to articulate policies to actively engage its diaspora. The Institute of Migration handbook “Developing a Road Map for Engaging Diasporas in Development” gives concrete examples of policies and programmes that Suriname can implement.

Finally, diaspora investors must have confidence in the government of their home country if they are to purchase bonds issued by their countries of origin. Suriname still has political insecurity and weak institutional capacity and may find it hard to sell diaspora bonds even if credit enhancements are provided by more creditworthy institutions. While patriotism motivates the diaspora to provide funding at discounted rates, it will also be paramount for the Surinamese government, with a long history of political turmoil, to establish appropriate frameworks for transparency, accountability, and governance that provides sufficient comfort to diaspora investors.

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Table 1. Suriname: Selected Economic Indicators, 2013-2020								
Nominal GDP (2016): US$3,570 million Per capita GDP (2016): US$6,332 Population (2016): 564,000 Main products/exports: gold, oil, alumina								
	2010	2011	2012	2013	2014	2015	2016	2017
	percentage change							
Real GDP	5.1	5.8	2.7	2.9	0.4	-2.7	-10.5	-1.2
Inflation (end of period)	10.3	15.2	4.3	0.6	3.9	25.1	52.4	29.9
	percent of GDP							
Fiscal Balance	-2.3	0.1	-3.3	-7.1	-7.9	-9.2	-5.7	-4.8
Public Debt	18.9	20.1	21.7	31.6	29.0	45.7	64.6	66.3
External Current Account	13.0	9.8	3.2	-3.8	-7.9	-16.6	-4.4	2.8
Gross Official Reserves (months of imports)	3.7	3.8	4.4	3.4	2.8	2.1	2.6	2.9
Source: IMF World Economic Outlook Database								

Table 2: Suriname – Selected Indicators of External Financial Inflows, 1990-2015						
	1990	**1995**	**2000**	**2005**	**2010**	**2015**
	(in U.S. million dollars)					
Official Development Assistance (ODA)	61	77	34	44	104	13
Foreign Direct Investment (FDI)	-77	-21	-148	28	-248	197
Remittances	n/a	5	11	68	133	109
Public External Debt	138	212	358	383	336	1,061
Current Account Balance	67	73	32	-144	568	-809
	(in percent of GDP)					
Official Development Assistance (ODA)	15	11	4	3	2	0
Foreign Direct Investment (FDI)	-19	-3	-17	2	-6	4
Remittances	n/a	1	1	4	3	2
Public External Debt	35	31	40	22	8	21
Current Account Balance	17	11	4	-8	13	-16
Sources: World Bank World Development Indicators (WDI) Database; IMF Article IV Consultation Reports (various issues); Unger and Siegel (2006)						

Table 3: Comparison of Diaspora Bond Offerings					
Category	**Israel**	**India**	**Sri Lanka**	**Ethiopia**	**Nepal**
Date of Issuance	Annual since 1951	1991, 1998 & 2000	2001	2008	2010
Bond Type	Sovereign	Sovereign	Sovereign	Corporate	Sovereign
Amount Raised	US$ 40 BN	US$ 11.3 BN	US$0.6 BN	Not available	Not available
Purpose	Economic development	Balance of Payments support	Economic Development	Electric Power Generation	Infrastructure Development
Eligible Investors	Diaspora +	Non-Resident Indian (NRI) Diaspora	Diaspora +	Diaspora	Diaspora in Qatar, Saudi Arabia, UAE & Malaysia
Interest Rate	Fixed & floating rates	Fixed rate	Floating rate	Fixed rate	Fixed Rate
Patriotic Discount	Large but declining	Small, if any	Modest	Negligible	None
Maturity Period	1-20 yrs	5 yrs	2-3 yrs	5-10 yrs	5 yrs
Distribution	Development Corporation for Israel (DCI)	State Bank of India (SBI) with international banks	Central Bank of Sri Lanka	Commercial Bank of Ethiopia (CBE)	Nepal Rastra Bank
U.S. SEC Registration	Yes	No	No	No	No
Sources: Ketkar and Ratha (2010); Central Bank of Sri Lanka (2010); African Development Bank (2010); Negash (2009); and Ratha (2011)					

Table 4: Estimates of Suriname's Diaspora Savings in the Netherlands, 2016				
Country	**Diaspora Stock**		**Diaspora Savings**	
	(thousand)	**(% of population)**	**(US$ million)**	**(% of GDP)**
Suriname	349	65	509	14
of which: Hindustani	160	30	233	7
Memo:				
Guyana	*463*	*62*	*577*	*18*
Trinidad & Tobago	*375*	*31*	*620*	*3*
Source: Author calculations using World Bank's Migration and Remittances Factbook 2016 and World Development Indicators (WDI) Database				