GlobalMarkets

SPONSORED REPORT

SURINAME

2017

Reforms for stability

Finance minister Gillmore Hoefdraad had a front row seat as Suriname's open economy was battered on three fronts — lower gold and oil prices, and the end of bauxite mining — leading to a recession in 2016. However, as Hoefdraad points out, the recovery is well underway and explains how, through several measures that the government is taking, it is becoming better prepared for external shocks.

Minister of Finance Gillmore Hoefdraad

GlobalMarkets: How is Suriname's economic recovery progressing?
Gillmore Hoefdraad, Minister of Finance, Suriname: The stabilisation effort was extensive and swift, but necessary. The government reduced expenditure by 10% of GDP in 2016 and increased taxes, with palpable results. Economic growth is returning, inflation will reach single digits by end-2017, the deficit is continuously shrinking, the exchange rate has stabilised and we now have a current account surplus.

Mining and oil sectors, which are growing rapidly post-crisis, remain a visible strength. But Suriname's true strength lies in the government's ability to act courageously to address macroeconomic imbalances and restore confidence.

GlobalMarkets: With the end of the IMF programme (see macroeconomic overview), how will Suriname fulfil its financing needs?
Hoefdraad: The country maintains a constant dialogue with multilateral institutions that will provide the bulk of financing for projects in the country. Moderate access to domestic financing through the issuance of Treasury bills will complete the financing needs. There is no financing shortfall for 2017-18.

GlobalMarkets: After debuting in international markets in 2016, would you consider another bond issuance?
Hoefdraad: There is no need to issue another bond. The bond was not for budgetary support, but entirely to refinance existing debt, including debt of the state-owned oil company.

GlobalMarkets: What are your fiscal targets and how will you achieve them?
Hoefdraad: The fiscal adjustment is not complete. We aim to reduce the fiscal deficit to around 5% in 2017 and 3% in 2018. The return of economic growth is supporting fiscal adjustment thanks to a buoyant tax system, but the main support to achieve the fiscal targets is continued expenditure restraint and the introduction of a revenue-positive VAT in 2018.

GlobalMarkets: At what stage is the implementation of VAT?
Hoefdraad: A draft law and regulations have been prepared and the underlying computer system has been contracted out. VAT should be in place in 2018, replacing the sales tax and a few other minor indirect taxes. VAT brings multiple benefits as it tends to be a buoyant tax. Furthermore, VAT will help us to rely more on indirect taxes, which will stabilise fiscal revenue further and reduce the impact of future commodity price shocks. Finally, VAT systems tend to be more easily audited and are useful instruments to integrate the tax system and better target measures to improve tax fairness or combat tax evasion.

GlobalMarkets: What other measures are you taking to ensure the economy becomes more resistant to external shocks?
Hoefdraad: Besides the shift toward consumption-based taxes as opposed to income-based taxes and the creation of a sovereign wealth fund, the government is putting in place several administrative reforms to increase the administration's agility and ability to quickly adjust revenue or expenditure. One prominent reform is the automation of the budget and expenditure control systems into an integrated financial management and information system (IFMIS) using software from Canadian company FreeBalance.

GlobalMarkets: What is your strategy to ensure the gold industry not only prospers but also benefits the Surinamese people?
Hoefdraad: Suriname has a 100 year history of cordial and constructive dialogue with international investors. The same applies with the gold industry, which is investing heavily in Suriname and will be present in the country for many decades to come. Direct benefits — such as employment and technical know-how — are accruing, and the government will receive substantive fiscal revenue from gold companies via royalties, income taxes and dividends. Additionally, the government has set up a sovereign wealth fund first and foremost to stabilise fiscal revenue, moderating future commodity-related revenue fluctuations and saving windfalls to benefit future generations and create a diversified income portfolio.

GlobalMarkets: Economists consider the sovereign wealth fund of particular importance; how advanced is its implementation?
Hoefdraad: It will begin operations on January 1, 2019 as instructed by the law. The team is being put together to plan and prepare the operations, including preparing the fund's investment and communications strategies.

GlobalMarkets: There is excitement about potential further windfalls in the oil sector. How important could the exploration agreements with the likes of Exxon, Hess and Statoil be?
Hoefdraad: Offshore oil exploration could be a game-changer for Suriname, although we do not include any projections in our balance of payments or fiscal revenue forecasts. It carries the potential of substantive revenue, but we will only begin considering the financial implications if we see a viable exploitation plan. Our role at present is to rely on state-owned oil company Staastolie to manage the process responsibly. The sovereign wealth fund would also absorb any windfall earnings from the offshore oil sector.

GlobalMarkets: Finally, what message would you send to foreign companies considering investing in Suriname?
Hoefdraad: Suriname has a long history of treating foreign investors fairly. The country and its legal system protect foreign property and investments, and its friendly, very diverse, well-integrated population is well-educated and eager to receive foreigners. Suriname is open for business.

Rich in potential

Suriname is South America's smallest nation, with an area of just 163,820km^2 and a population of just over 567,000. It is also its youngest: independence from the Netherlands was gained in November 1975.

Size can be deceiving. Suriname is an upper middle-income country with GDP-per-capita lower than only Chile, Uruguay, Brazil and Argentina in South America in 2016.

Unemployment has been lower than many Caribbean peers such as Barbados, Guyana and Jamaica for most of the past decade, although 2016's economic crisis pushed the figure up to 11.9% — still better than Jamaica, but higher than Barbados for the first time since 2008.

Natural resources

Moreover, the country boasts an enviable range and scale of natural resources that have made it an attractive destination for foreign direct investment.

Long before its independence, Suriname became one of the world's leading producers of bauxite — the ore that is the source of most aluminium.

US company Alcoa began operations in the country in 1916, while it was still a Dutch colony, and ceased operations there only in November 2015 as aluminium prices slumped. As recently as 2007, aluminium accounted for about half the country's exports.

Alcoa said in January 2017 that it would permanently close its mines in Suriname, but by then gold had long overtaken aluminium as the most important export — thanks largely to the Rosebel Gold Mine.

As part of the mineral-rich Guiana Shield — the craton of the South American Plate that also lies below French Guinea, Guyana and most of Venezuela — Suriname has further mining potential.

October 1, 2016 was a landmark as US gold producer Newmont began production at the Merian gold mine, which has 5.1m ounces of reserves. Another gold mine could be on the way as Iamgold has begun exploration at the Saramacca site.

In July 2017, Suriname signed production-sharing contracts with Exxon Mobil and Hess for one offshore oil block and with Statoil for another. These blocks are in the Guyana Basin, where — in Guyanese territory — Exxon has already found oil.

Joint ventures

These investments by foreign firms in the extractive sector show the confidence that international companies have in Suriname's operating environment. Key to these joint ventures is government-owned Staatsolie Maatschappij Suriname, the national oil company founded in 1980 as a limited liability company.

Staatsolie has a 25% equity stake in the Merian mine, for instance, and will take up to a 10% stake in the oil blocks during the development and production phases.

Adjusting to the triple shock

These growth drivers therefore mean Suriname has an exceedingly open economy — one which is very dependent on commodity exports and vulnerable to international price shocks. Beginning in 2014, Suriname suffered a triple shock that any country would have struggled to deal with: both oil and gold prices plummeted, while bauxite mining neared its end.

In 2016, the economic shock hit a nadir as GDP shrank by 10.4%. But the government took decisive action, embarking on an austerity programme to cut expenditure. Indeed, despite the economy shrinking alarmingly, the fiscal deficit slightly narrowed — from 10.7% in 2015 to 8% last year.

The free float of the currency, the Surinamese dollar, was a tricky but necessary measure. It helped to ease imbalances in the external accounts, with the current account deficit narrowing from 16.2% in 2015 to 4.3% in 2016.

Inevitably in such an open economy, the floating of the currency accelerated inflation, which began to rise in November 2015 and peaked at 79.2% in October the following year. But it has decreased sharply ever since, and fell to 16.2% in August.

External accounts are likely to show continued improvement in 2017, thanks Merian becoming operational, which should lead to higher gold exports.

Responsible priorities

Suriname is now partly focused on broadening its revenue base; a new value-added tax remains a priority and should lift revenue as the economy recovers. The government is also taking steps to ensure it is in a position to make the most of a potential medium-term increase in exports, thanks to more gold mines or oil production.

In May, parliament approved the country's first sovereign wealth fund, known as the Savings and Stabilisation Fund, aimed at harbouring windfalls from the extractive industries.

DCM debut: Suriname beats expectations

International bond investors gave their backing to Suriname's economic recovery efforts when the sovereign raised $550m of October 2026 notes at a yield of 9.25% in October 2016.

From GlobalCapital's coverage of the bond:

"Suriname's claims to be turning around its public finances found traction with bond investors after the sovereign's debut international bond was priced tighter than many market participants expected.

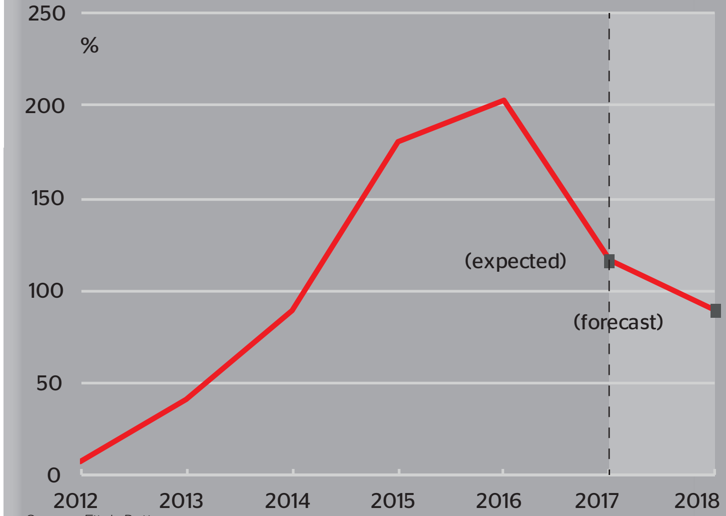
"According to some investors, Suriname is trying to take steps in the right direction. 'The policy making team is strong and has embarked on a reasonable fiscal reform,' said one EM sovereign bond portfolio manager."

Credit ratings

Moody's: B1 (stable)
Standard & Poor's: B (negative outlook)
Fitch: B- (negative outlook)

Government finance requirement

Gross external financing requirement as a percentage of international reserves

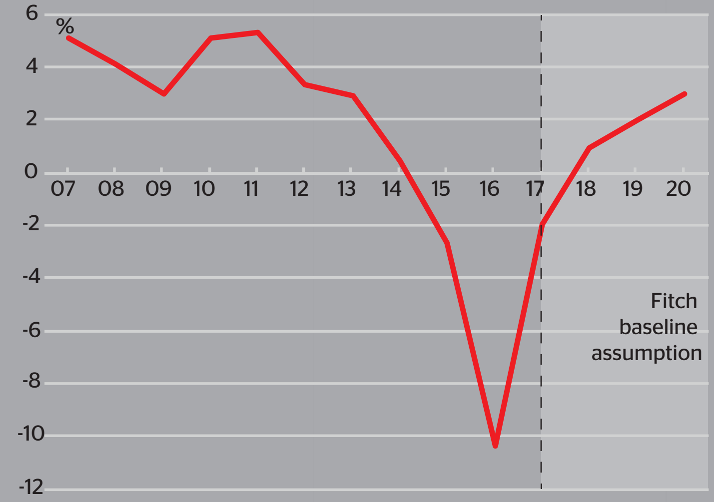


Source: Fitch Ratings

Suriname's debut international bond issue, a $550m 10 year, was well received by the markets in October 2016 and has performed well in secondary markets; it had traded up to about 108.5 by mid-September. The country also has access to official financing from the IADB, China and India. Although international reserves are increasing only gradually, Fitch expects the sovereign's financing requirement as a percentage of reserves to decrease in 2018.

GDP

Growth rate set to recover from commodity shock

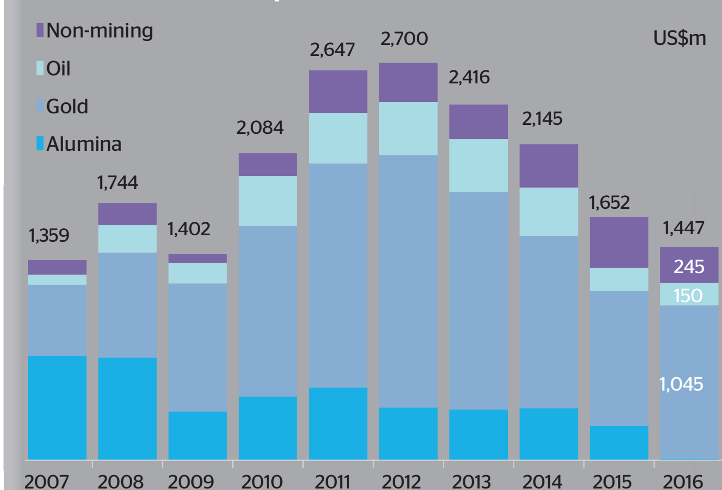


Source: Central Bank of Suriname, Fitch Ratings

Until the shock that hit commodities producers in 2014, Suriname was one of the best-performing economies in the Caribbean, with average growth of 4.3% between 2004 and 2014. The huge drop in income produced by lower gold and oil prices made 2016 a difficult year, but the economy is gradually recovering after authorities took actions including floating the exchange rate and cutting expenditure. FDI into oil exploration and development and gold mines may bring further upside.

Composition of exports

Metals dominate exports... for now

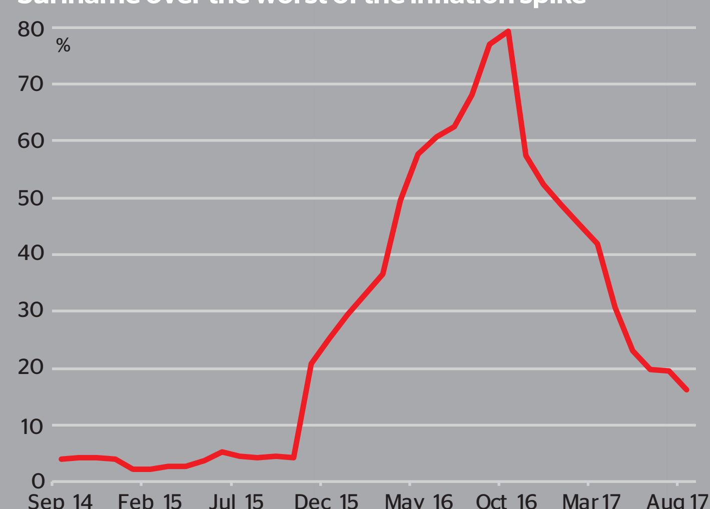


Source: Central Bank of Suriname, and mining companies

Suriname's export sector is evolving, with the previous dominance of alumina at an end and gold taking over. Although the drop in commodity prices has hurt overall volumes, positive changes await. Newmont's Merian Gold project came online in October 2016, and Iamgold is reporting positive findings at its Saramacca project. Moreover, Exxon and Statoil are exploring offshore blocks off the coast in the hope that oil could become a major export for Suriname.

Annual inflation

Suriname over the worst of the inflation spike



Source: General Bureau of Statistics, Suriname

Inflation accelerated in 2016 as the inevitable result of the difficult but necessary measure taken to float the Surinamese dollar. However, external accounts have shown a marked improvement in 2017, and the currency has been stable throughout the year. Inflation has duly fallen sharply, and month-to-month price rises from July to August were just 0.6%.

Suriname making strides to fix macro weaknesses

After suffering from the end of the commodity boom more than most, Suriname's recovery is impressing many investors. Although questions linger around the fiscal consolidation plan, the government's reform agenda looks to be putting the economy on the right track.

An employee of SPCS (Staatsolie thermal plant) at work with the refinery as background

Amid a deep recession, with inflation having just peaked at 79% and a ballooning debt to GDP ratio, Suriname surprised many observers when it approached the market looking for its inaugural cross-border bond in October 2016.

Yet those buyers who had faith in the government's plans have been rewarded handsomely: Suriname's $550m of 9.25% 2026s had rallied to a dollar price of 108.5 by September.

In the words of one bond investor: "Suriname saw the abyss, but didn't fall."

In 2015 and 2016 Suriname underwent an adjustment the likes of which few countries see. The so-called triple commodity shock — a collapse in oil prices and gold prices combined with the end of the bauxite mining that had underpinned the economy for a century — shrunk the economy by 2.7% in 2015 and then a further 10.4% the year after.

The fiscal deficit widened sharply to 9.6% of GDP, and was still 8.1% in 2016. The external current account, which until 2012 had spent several years in surplus, posted a deficit of 16.2% in 2015. It also recovered to a deficit of 4.3% in 2016.

Suriname had done little to protect itself during the boom years. The IADB's latest quarterly bulletin says that the commodity price shock revealed several longstanding weaknesses: the lack of fiscal buffers, ineffective expenditure policy, and weaknesses in tax policy among others.

Managing the adjustment

But for a country in such a squeeze to access the bond market it must be doing something right, and the government's affirmative response to the shock has earned praise.

"The authorities launched an adjustment plan in late 2015, initially supported by the IMF, which included cuts to government expenditure and flotation of the exchange rate," says Jeetendra Khadan, economics consultant at the Inter-American Development Bank in Washington, DC. "Since then we have seen something of a turnaround in key macroeconomic fundamentals: the fiscal deficit has fallen, the current account has moved into surplus, inflation has decelerated and reserves have marginally increased."

Indeed, 2016's eye-watering inflation was the inevitable, if painful, result of the authorities making the right move. Floating the Surinamese dollar led the currency to lose more than half its value versus the US dollar from November 2015 to September 2016.

"Letting go of the currency was the right thing to do — although the government did it a little later than would have been ideal, and foreign currency reserves were drained," says Nathalie Marshik, managing director, head of sovereign research at Oppenheimer & Co in New York.

Better late than never: the currency float laid the foundations of the adjustment, and the country has swallowed the spike in inflation. By August, inflation had dropped to 16.2%, its lowest level since October 2015.

Suriname's adjustment received another helping hand as, just a few weeks before the bond issue, the Merian gold mine — a joint venture between state-owned oil company Staatsolie and international mining giant Newmont — began operations.

"As soon as the Merian gold project came online the current account came into surplus, relieving some external pressures," says Marshik.

At the same time, the current account balance was lifted by a sharp decrease in imports as the country stopped building gold and oil refineries, Marshik adds.

Still vulnerable

Suriname is not out of the woods yet. Despite the current account surplus, Suriname's FX reserves are not recovering quickly — partly because the central bank is choosing to leave US dollars in the system to create an interbank market for FX, says Marshik.

"This is creating some appreciation pressures on the Surinamese dollar," she says. "This may help inflation, but it means the country is not accumulating FX buffers.

"If there were another external shock (a drop in gold prices for instance), the country would be very vulnerable."

Kelli Bissett-Tom, associate director in Latin American sovereigns at Fitch Ratings, says that net FX sales to support exchange rate stability "have constrained international reserve accumulation to less than the net inflows generated by the current account surpluses".

"From a ratings perspective, external liquidity looks weak," says Bissett-Tom.

No need for IMF?

Another move that some see as a vulnerability is the end of the IMF stand-by arrangement earlier this year. Moody's says that the cancellation of the programme "increases the risk of fiscal slippage", while Marshik describes it as a "setback".

For his part, finance minister Gillmore Hoefdraad says that it was "clear that the [IMF] financing would be a short-term nature", given that the current account — which had been undermining the balance of payments stability — entered a surplus in the fourth quarter of 2016.

Hoefdraad adds that "exchange rate stability and a lower fiscal deficit also lessened the need to secure foreign financing to restore confidence in the currency or finance budgetary operations".

Despite Moody's assessment, few doubt the government's willingness to reduce the fiscal deficit. As Marshik says, the ministry was hitting the IMF's fiscal targets, just not in the way agreed with the IMF.

If the IMF likes to see a combination of revenue and expenditure measures, such as raising taxes and cutting subsidies, the Surinamese government "slashed expenditures heavily, which exacerbated the recession", says Marshik.

"The Ministry of Finance is committed to keeping its finances tight, but there are political realities to meet," says Marshik. "As such the removal of electricity subsidies will have to be pared down and very much staggered over time."

Not being able to push through the removal of electricity subsidies, as the IMF would have liked, "puts greater pressure on the luck of the natural resources sector," says Bissett-Tom.

For his part, Khadan at the IADB agrees that the government maintains its intention to implement a reform agenda even without the IMF. But would like to see more specifics.

"The elements of its stabilisation or recovery plan and timeline could be made more explicit," says Khadan. "Such information is important to provide confidence to different actors involved in the economy."

Hoefdraad is aiming to cut the fiscal deficit to 5% in 2017, saying that "continued expenditure restraint" would be the main support for this. However, Bissett-Tom says that Fitch is expecting a central government deficit of 6% or more, using its GDP and inflation forecasts.

Though it may be difficult to swallow, there is surely room for further spending cuts. Almost a third of government spending goes on wages and salaries, while another third of expenditure is subsidies and transfers.

"Such an expenditure profile can potentially stymie the effectiveness of fiscal policy and would require the attention of policymakers over the medium term," says Khadan.

Structural changes

If analysts are positive but uncertain regarding the speed of fiscal consolidation, they are upbeat regarding the government's reform agenda.

Tax is top of the list here, with Marshik describing the replacement of a sales tax with a value-added tax as a particularly important step. VAT would provide important uplift to revenue, says Bissett-Tom.

"We are not expecting VAT to be hugely revenue positive, but even if it's revenue neutral it would help to broaden the tax base as the economy recovers," says the Fitch analyst. "This would help to close the fiscal gap."

Hoefdraad, who does believe VAT will be revenue positive, says that the tax should be implemented in 2018.

Yet tax reform is not only about new taxes. According to Khadan, tax compliance when it comes to direct taxes is low — at around 40% of potential revenue — due to administrative deficiencies and resource constraints. Therefore, the IADB approved a loan in June to help strengthen fiscal institutions and address weaknesses in tax administration.

"This should enable the government to collect more non mineral-related revenues in the future," says Khadan.

Another measure that has earned universal praise is the establishment, in 2017, of Suriname's first ever sovereign wealth fund, known as the Savings and Stability Fund (SSF).

Staatsolie employees in wetlands

"It is very important that authorities transfer windfall mining revenue starting in 2018 as they have indicated, as the SSF can help to smooth adjustments in the event of future unexpected commodity shocks," says Khadan.

Of course, if these reforms are to have a real impact, Suriname's economy must return to growth. Here, estimates vary, though Fitch has put its forecast for 2017 at 0% plus or minus a percentage point, and at just 1% for 2018.

However, excitement in the natural resource sector mean there are several potential reasons to believe there is upside in those growth forecasts. Iamgold has confirmed better than expected gold discoveries at its Saramacca deposit, while state-owned Staatsolie is working with 10 international oil companies looking for off-shore oil. Given the exciting oil discoveries made in the waters of neighbouring Guyana earlier this year, hopes are high.

"Foreign direct investment into oil exploration and development and Iamgold's mine are potential upside risks to growth forecasts," says Bissett-Tom.

If these projects materialise, the benefits of the reforms could become very visible.

"If Suriname does implement the reforms that this recession has triggered [...] it will be in a positive position to make the most of these discoveries in a sustainable way," says Khadan. "To some extent, at least, the government appears to be learning from this experience."

If they have indeed learned, and if the oil discoveries meet the expectations of the companies exploring there, then those who bought Suriname's 10 year paper at 9.25% a year ago will have made one of the buys of the last few years.

Extracting growth: oil and gold generate excitement

The opening of Suriname's second large gold mine has played a crucial role in the country's economic recovery, and offshore oil discoveries in neighbouring Guyana have raised hopes for similar finds in Suriname. With the government apparently conscious of the need to be wise with the windfall, natural resources have the potential to transform the country.

The head of Suriname's state-owned oil company is excited.

"We are on the eve of a massive oil find," says Rudolf Elias, CEO of Staatsolie. "Suriname has just 500,000 people; this will change the landscape of the economy completely."

Elias lists with enthusiasm the 10 international oil companies that are partners of Staatsolie through production-sharing contracts. ExxonMobil, Statoil and Hess in July became the latest to join a list that, with one or two absentees, reads like a Who's Who of global oil giants.

"The best in the industry are with us," says Elias.

Offshore game changer?

It is easy to understand his enthusiasm. The US Geological Survey estimates that the Suriname-Guyana basin has 13.6bn barrels of oil, which make it the second most prospective unexplored oil basin in the world.

This means little until discoveries are made and proven to be commercially viable. However ExxonMobil's discoveries at the Liza well in 2015 and 2016, which confirmed a world-class find of over 1bn barrels, have served to "de-risk" the entire area, say experts.

Oil market observers agree that prospects are exceedingly good for Suriname, while emphasising that nothing is certain until discoveries are made.

"Suriname is right to be excited," says Alejandro Demichelis, director of oil and gas at Hannam Partners. "However there is a big 'but', and it's that people have been excited before only to be disappointed."

In April, Apache made what Demichelis calls a "high profile failure", failing to find commercial quantities of oil at its Kolibrie well.

"That cooled things off a little bit on the Suriname side because it pushed operators to do some soul searching," he says. "Why is it not working on one side of the border?"

Julie Wilson, research director of global exploration at Wood Mackenzie, echoes the sentiment.

"We don't know yet whether the Liza complex in Guyana is a one-off or whether it can be replicated," says Wilson.

Suriname's finance ministry is not including any offshore oil projections in its balance of payments or fiscal revenue forecasts. But despite analysts trying not to get ahead of themselves, evidence suggests that Suriname could be on the verge of potentially transformative discoveries.

"In exploration there is always risk," says Wilson. "But then again there could be hidden fields of billions of barrels.

"Given what Exxon has achieved next door in Guyana with its string of discoveries that have exceeded expectations, there could be similar sized fields and discoveries in Suriname."

Following Liza, Exxon also made a discovery estimated at 500m of barrels at the nearby Payara well.

"What we've discovered from Liza is that the basin has an extremely good reservoir quality that will deliver high EUR (expected ultimate recovery)," adds Wilson.

Demichelis, despite his words of restraint, admits that the Guyana discoveries — which he calls "some of the largest we've seen worldwide in the past decade" — are extremely encouraging.

"It is very difficult in my mind to have something as big as the ExxonMobil discoveries and then have nothing else happen," he says.

Rudolf Elias, CEO of Staatsolie

The deals with Exxon and Statoil were seen as particularly important to get the market interested in Suriname again, and London-based Tullow is gearing up to start drilling its Araku prospect in October. This raises the possibility that a first offshore discovery could be imminent.

"What we have seen in that area over the past couple of years has put Guyana and Suriname on the world oil map," says Demichelis. "If you're a major oil company and you're not there, you may miss a very good chance."

IPO in preparation

In any case, Staatsolie is busy ensuring that, if oil is struck, it will need no time to get ready.

"Our message as Staatsolie is: Suriname should not think about if we will find oil, but should know that we will," says a bullish Elias. "This is why I say that Staatsolie must already be preparing itself for that day."

Staatsolie can take participations of up to 20% in offshore blocks if oil is found, so one of the first things it will need is money. To finance

Newmont Mining processing facilities at Merian

its participation in such big finds, the company is preparing for an initial public offering of up to 20% of its shares. A cross-border bond offering would also be likely.

"We want to be ready to push the button to attract international financing," says Elias.

The CEO says a shift in mind-set was also required, from being a production-driven company to a more value-driven one.

"We want our mind-set to be more like international oil companies so we can be equal partners in a joint venture," he says

In some ways, the offshore phenomenon is taking Staatsolie back to its roots, when in 1980 it was founded as an agent of the state to deal with international oil companies.

Back then, low oil prices meant low international interest, so the company therefore had to take the oil out of the ground itself. Suriname's onshore crude — low in sulphur and metals — was ideal for fuel oil for the alumina industry that drove the country's economy.

Thus was born Suriname's oil sector, which generated exports of just $150m in 2016 —10% of the country's total. But these apparently modest beginnings could prove important.

"It is not difficult to deal with Staatsolie as it is a functioning oil company," says Wilson at Wood Mackenzie. "Companies are not having to work with a ministry full of officials that don't know anything about industry."

Furthermore, according to Demichelis, having a working oil industry in Suriname means that new discoveries can be developed more quickly than somewhere like Guyana.

"You have everything in place," he says. "Oil services are there, and there's a national company that knows how to do things and a government with experience."

A golden example

But it is gold mining, not oil, that is more advanced in Suriname, dominates the country's exports and brings employment to the local population.

Furthermore, though in a different industry, US-based Newmont Mining's investment in Suriname is a useful example of how joint ventures can work with Staatsolie, which owns 25% of Newmont Suriname.

Albert Ramdin, senior director for external relations at Newmont Suriname, says that Newmont's investment — which led to its Merian mine coming on line in October 2016 — has been "very successful".

"We are on target to meet our year-end production target of 500,000 ounces; our target for the first full five years of production is around 400,000-500,00 ounces per annum," says Ramdin. "We have now begun the second phase of investment — building the crushers that will allow us to process the rocks once we get into deeper ground, and expanding the energy capacity to run those crushers."

Newmont's investment in Suriname has been nearly $1bn, and the company employs 1,250 people in the country, of which fewer than 10% are expats.

The company thinks it can be in the country for at least 13-14 years based on today's reserves alone, but Ramdin says it would like to have a longer presence in the country and has increased its exploration area.

Ramdin's view on the country's operating environment gives credence to Elias' claim that Suriname has a history of "treating multinationals with respect, and honouring contracts".

"As foreign investors, we have excellent relations with the government and everybody is playing by the rules of the mineral agreement that we signed in 2013," says Newmont's Ramdin. "We have a very open, transparent and constructive relationship with the government and our partner Staatsolie, including regular meetings with all government stakeholders."

Newmont's investment is, after all, quite a boon for the government. The project provides the government with income in three ways, according to Ramdin. Each month it takes a 6% royalty payment for gold produced, Staatsolie takes dividends as a 25% partner, and there is indirect income through the "multiplier effect of taxes paid by employees and contractors".

Indeed, while offshore oil discoveries could provide the government with cash, they tend not to create local employment. In this respect, the gold industry will have a much more significant impact.

Bearing in mind the importance of any mine's relationship with the locals, Newmont has a co-operation agreement with the local Pamaka community.

"In the agreement it is very clearly stated that we will for instance give preferential employment to the local communities," says Ramdin. Newmont's engagement with local communities also extends to a community development fund that receives $1 per ounce of gold sold.

"These efforts reaffirm our belief that a social licence to operate is not just a piece of paper but about being committed and respectful of the communities that live in the area," says Ramdin.

Newmont is now carrying out a social and economic impact assessment at its new discovery in Sabajo.

Savouring the boom

Suriname's gold prospects do not start and end with Newmont. Canadian Iamgold, which has been producing gold at the Rosebel mine since 2004, has been drilling at the nearby Saramacca site and in September confirmed a "significant gold discovery" that "exceeded initial estimates".

And irrespective of how the offshore oil explorations turn out, the prospects for the gold industry alone have driven it to approve Suriname's first sovereign wealth fund.

Appropriate management of that could be the key to ensuring that the excitement in natural resources has a lasting effect on Suriname, especially if offshore oil discoveries come off. This probably explains Elias's rather emotional excitement.

"I'm positive that if we have a good balanced sovereign wealth fund where we can put all the additional money that we may make, it will be able to benefit generations," he says. "It could be the fund for my children's children's children."