Chapter fortchcoming in: Michael Roll (ed.), *State Performance and Reform in Developing Countries: Pockets of Effectiveness* (Abingdon: Routledge, 2013)

'Confidence in our own Abilities': Suriname's State Oil Company as a Pocket of Effectiveness[1]

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Abstract

This chapter analyses the conditions under which the Surinamese State Oil Company (Staatsolie) has been consolidated, not only as a firm oriented at the production of oil, but also as a development agent. *Staatsolie's* chances to success seemed rather slim at its creation in the beginning of the 1980s, mainly because of the non-developmental, patrimonial character of Surinamese politics and the nature of Suriname's state, which has traditionally been oriented toward patronage and clientelism.

The chapter documents the origins of *Staatsolie* and focuses on its commitment to the acquisition and further development of technological and managerial expertise. It is argued that *Staatsolie* has become a true pocket of effectiveness: it ranks among the most successful companies in Suriname and its contributions to the economy of this small middle-income country are considerable.

The success of *Staatsolie's* attempt to become a development agent is attributed, in particular, to the company's double strategy. The internal part of this strategy, derived from the management vision and ideological commitment of the company's leadership, was aimed at developing technological and management skills. The external part of the strategy was aimed at steering away from political influences on the company and playing out politically the formal-legal position of the firm in the petroleum sector. After more than 30 years of *Staatsolie*, it is argued that the factors that were responsible for the company's success may turn out to be the main challenges for the years ahead.

1. Introduction

At the end of 2010, the State Oil Company of Suriname (or *Staatsolie*, as it is usually referred to) celebrated its thirtieth anniversary. This event was organised by the much-heralded oil company under circumstances that seemed to signal a change of attitude vis-à-vis the firm among the Surinamese political elite. President Desiré Delano Bouterse, who had been elected into office in July 2010, as well as all members of his government allegedly refused to attend the anniversary because they were not given a prominent role during the festivities (De Ware Tijd, 15 December 2010). Bouterse, founder and leader of the National Democratic Party (NDP) and previously leader of the military regime that ruled the country between 1980 and 1987 (Chin & Buddingh' 1987: 36-67), was reported to have been irritated by the company's decision, which was taken as a sign of neglect of the role that the military had played in the establishment of *Staatsolie* in 1980.

The apparent disagreement between the President and *Staatsolie's* leadership seemed be more than an isolated incident. The tensions showed up against the background of the earlier decision of the government, which is the company's single shareholder, to replace three of the five members of *Staatsolie's* Board of Supervisors by government supporters and amid uncertainties about the succession of the firm's long-serving Financial and Managing Directors (Staatsolie Nieuws, December 2010: 3; De Ware Tijd, 12 March 2011; Starnieuws, 21 March 2011). Further, various members of the NDP-led coalition, among whom Minister of Natural Resources Jim Hok, had been calling repeatedly for an increase of *Staatsolie's* oil production (De Ware Tijd, 24 July 2010; Starnieuws, 16 and 22 March 2011).

The tensions between the government and *Staatsolie's* management around the firm's thirtieth anniversary led observers to draw a parallel with the previous NDP-led government under President Jules Wijdenbosch (1996-2000), which had dismissed *Staatsolie's* Board of Supervisors in March 1998 and had attempted to discharge then Managing Director Eddy Jharap (De Ware Tijd, 31 December 2010; De West, 26 March, 28 March, 17 June and 23 September 1998). In the light of increasing budget deficits, the Wijdenbosch government had made various attempts to extract more money from *Staatsolie* to cover its expenditures. Among other things, the government tried to force the company to increase its oil production from 9,500 to 20,000 barrels per day, sell off its major oil field in Tambaredjo and initiate a joint venture between Staatsolie and foreign oil companies (De Ware Tijd, 6 June and 12 September 1997 and 18 March 1998).

Despite pressures from the political environment, *Staatsolie* has managed to flourish and develop into a major pocket of effectiveness in Suriname's public sector. The oil company was set up as a state-owned enterprise with the legal status of a public limited company in which the role of the government was restricted to the nomination of members of the Board of Directors. At various moments in its existence, the company's board of directors has managed to play out its independent role vis-à-vis the state.

Well-informed observers of the Surinamese economy agree that *Staatsolie* is one of the best-run state-owned enterprises in the country and, in important respects, a model for the management of commercial firms (interviews, March/April 2004).[2] With over 800 employees, annual production of approximately 6 million barrels of crude oil, annual turnover around US$800 million and a contribution to gross domestic product around 10 per cent, the company has become one of the engines of the Surinamese economy (State Oil Company of Suriname 2012a: 15-16; 2012b). In recognition of its achievements, *Staatsolie* was selected as 2008 International Company of the Year by the International Management Development Association (IMDA) at the Seventeenth Annual World Business Congress in Paramaribo, Suriname (De Ware Tijd, 28 June 2008).

Contrary to the predictions of the theses of the rentier state and political underdevelopment (Ross 1999; Moore 2001) and contrary to the experience of other state-owned enterprises in the country, the revenues earned by *Staatsolie's* oil sales have not been siphoned off and used as rents by the political elites. Threats that could have led to such misuse of funds were countered successfully. The company's financial transfers to the state have taken place on the basis of generally accepted norms. The company has been paying a normal dividend to its shareholder, set at 50 per cent of net profit in the past several years. The rest of the company's net profit was typically added to the general reserve, and used for investment purposes.

In addition to its achievements in the public domain, *Staatsolie* has been very active in upgrading its corporate performance. An important sign of this was the obtainment and implementation of externally assessed quality control certificates for its operations. In 2001, the Marketing and Sales Division and the *Staatsolie* laboratory received ISO certification status (State Oil Company of Suriname 2006).

This first step was followed by the ISO9001:2000 certification of the refinery operations at Tout Lui Faut in March 2004 and of the whole of *Staatsolie's* operations in March 2006 (Staatsolie Nieuws, March 2004: 12-13; State Oil Company of Suriname 2006). Finally, the company obtained ISO 9001:2008 certification for its quality management system (State Oil Company of Suriname 2009: 8).

The success of *Staatsolie* is paradoxical in several important respects. First, *Staatsolie's* achievements are remarkable because Suriname's political system has traditionally had important characteristics of a patrimonial state. Secondly, the company's success is noteworthy because Suriname, as one of the world's best-endowed reservoirs of natural resources (most notably, but not limited to, bauxite, gold, oil and timber), has been a prime example of a primary commodity producing and exporting country. Against the background of these characteristics of the country's political system and economic structure, the argument of this chapter is that *Staatsolie's* accomplishments need to be understood in relation to a set of internal and external factors. The internal characteristics relate, in particular, to its effective leadership and management, coupled with a clear vision on the strengthening of home-grown technological and managerial skills, while the most notable external variables are the company's strategy to steer clear of political influences and play out the formal-legal position of the firm in the petroleum sector. In addition to these two main sets of factors, which were the core of the first two hypotheses on pockets of effectiveness developed in the introduction to this volume, function- and task-related elements have also contributed to *Staatsolie's* success, as the company has consciously invested in its workforce and provided staff with material and immaterial incentives to give their best to their work.

This case study has been prompted by several explicitly theoretical considerations. The literature on patrimonial and rentier states tends to focus on the macro, or state, level, and on the impact of rent-seeking, patronage and clientelism on social processes and economic performance (cf. Schneider 1987: 217-8). As a result of this focus, actors at the meso and micro level have received far less exposure; studies that included such actors generally used them to illustrate general patrimonialist or rent-seeking hypotheses. The present study zeroes in on *Staatsolie* because the analysis of the company's attempt to be a development agent provides good insights into the scope and limits of the patrimonial state. In light of this, the analysis of Staatsolie as a pocket of effectiveness emphasises 'agency' and leadership as explanatory factors of development strategies. As noted by Leftwich (2010: 93), structural and institutional explanations of development problems often fail to see ‘the important success stories which run against the general patterns of institutional failure or corruption’.

Connected to these considerations, the focus of this study on *Staatsolie* as a state-owned oil company adds to the literature on the impact of economic sectors on the role of the state in development and, in particular, to the analysis of the so-called mining state and the petro-state (Shafer 1994; Karl 1997). The Surinamese experience is, on the one hand, in accordance with the findings of previous studies that the presence and export of minerals, in this case bauxite, have an important influence on policy-making and governance of developing countries and lead to a focus on the rents resulting from mineral exports. On the other hand, however, the case of *Staatsolie* demonstrates that state-owned firms may be capable to escape from the prevailing rent-oriented behaviour and actually follow a relatively independent course, aimed at developing technological and management skills. The conditions under which these independent activities proved possible are the subject of this chapter, and the analysis of these conditions aims to contribute to the more general theorising about pockets of effectiveness that all contributions to this book focus on.

Staatsolie has been able to develop into a pocket of effectiveness largely because of the recognition of the company’s management that the features specific to the petroleum sector in Suriname would enable them to establish a relatively independent enterprise. The conditions present in Suriname were quite different from those in other developing countries where oil had been discovered, such as Venezuela, Iran, Nigeria and Algeria (Karl 1997: 197-208). One important factor in this was the perception, until the late 1990s, that oil production was quite marginal to Suriname’s economy. The dominance of other sources of rent (most notably, bauxite and aid flows from the Netherlands) no doubt contributed greatly to this outlook of the political elite. All of the mentioned factors contributed to *Staatsolie’s* relatively independent functioning and enabled the company to build a corporate culture and create public support that, eventually, sustained the company’s claim to autonomy. Importantly, the 1997-1998 clash with the government led to a victory for *Staatsolie* as a result of successful popular mobilisation supportive of home-grown economic activity and resistant to a corrupt and rent-seeking elite.

Staatsolie can usefully be seen as a pocket of effectiveness in an otherwise inefficient and rent-oriented public sector. The company is different from some other pockets of efficiency that were set up by politicians as a tool for modernising the state apparatus, such as the Brazilian National Development Bank founded in the 1960s (Evans 1989: 577; Willis, this volume). *Staatsolie* does, however, have certain features in common with the Brazilian petrochemical sector, where the development of industrial capacity in the 1970s resulted from the activities of a relatively independent state enterprise, *Petroquisa*. According to Evans (1989: 580), the 'ties … to private capital, both domestic and transnational' proved important conditions for the success of Brazil's petrochemical sector. As Schneider (1987: 228) has noted, the desire to consolidate the company's market position and to diversify production resulted in Petroquisa's pressure on the Brazilian government to loosen the ties with the company and move towards a different form of government intervention in the sector. The greater reliance on private capital seemed to stimulate a change of government policy as 'some investors prefer market uncertainty to the strategic uncertainty for political products' (Barzelay quoted by Schneider 1987: 229).

Staatsolie, which is part of the Surinamese public sector, has accomplished a high degree of managerial and technological excellence, to a large extent due to the skills of the company's management to deal with the political dynamics in the country. Largely as a result of their understanding of the political environment, the company proved able to carve out a relatively autonomous place in the public sphere, from where it could operate without being subjected directly to political considerations. The gradual diversification of *Staatsolie's* portfolio (among others, refinery activities and its evolving role in the national electricity sector) and its cooperation with foreign firms in the off-shore exploration of oil resources may induce the kind of changes in government policies that Evans and Schneider alluded to in relation to Brazil. Such policy changes may have positive effects on *Staatsolie's* autonomy.

This chapter is structured as follows. Section 2 contains a discussion of Suriname's political economy from the perspective of recent scholarship on the role of the state in development, thus providing an argument why *Staatsolie's* role as a development agent is paradoxical. Section 3 discusses the expansion of *Staatsolie's* operations since 1980 and briefly analyses the company's contribution to Suriname's economy and society. Section 4 analyses the double strategy that *Staatsolie* adopted to effectuate its developmental role. Section 5 contains some concluding observations.

2. Suriname's Political Economy

Staatsolie's paradoxical success needs to be understood against the background of Suriname's political economy. Placed in the context of theorising on the role of the state in development, this section illustrates that, with the exception of a short interlude of military rule, Suriname has been a democratic, non-developmental mining state, where the public sector has typically been a source of patronage and clientelism.

2.1 The State in Development

Recent scholarship shows various approaches to theorising the role of the state in development. Two sets of approaches, in particular, seem to be pertinent to the case of Suriname. The first relevant set of approaches relates variations in state structure and state-society relations to variations in developmental performance. The second group of approaches focuses on the impact of sectoral characteristics on state features and developmental outcomes.

Of the scholars taking the first approach, Peter Evans has had great influence. He juxtaposed several ideal types of states, notably the 'predatory' and the 'developmental' forms. Predatory states 'extract such large amounts of otherwise investable surplus while providing so little in the way of "collective goods" in return that they do indeed impede economic transformation', while developmental states 'foster long-term entrepreneurial perspectives among private elites by increasing incentives to engage in transformative investments and lowering the risks' (Evans 1996: 44). Evans has conceptualised the developmental state in terms of 'embedded autonomy', in an attempt to highlight the combination of an insulated bureaucracy, organised on the basis of Weberian rational-legal principles, and close relations between the state and social (market) institutions. Most developing countries should, according to Evans, be placed in an 'intermediate' category, with states ranking somewhere between these two ideal types and combining predatory and developmental features (Evans 1989: 563; Evans 1996: 60).

Evans' ideal types have been criticised, among others, by Hutchcroft (1998: 57), who argued that 'Evans has overlooked important elements of variation among patrimonial polities. In particular, by presenting Zaire as his archetypal example of a state that fails to promote development, he does not consider other cases that would also be patrimonial but be properly placed elsewhere according to the relative strength of state apparatuses and business interests'. Among the more patrimonial states, Hutchcroft (1998: 20, 45-55) differentiates between patrimonial administrative and patrimonial oligarchic states. The former type, also labelled 'bureaucratic capitalism', found in Thailand and Indonesia, is dominated by a bureaucratic elite that extracts rents from the business sector. The latter type, also referred to as 'booty capitalism', is characterised by the existence of a powerful business class that exploits an incoherent bureaucracy. This form has been dominant in the Philippines.

Leftwich has put forward a classification of democratic non-developmental states on the basis of the relative importance of class-oriented or patronage-oriented political parties. 'Class-compromise' non-developmental states, with Venezuela and South Africa as examples, are built on the awareness of major political forces that certain radical changes that could be beneficial from a developmental or social justice point of view, are not feasible because of the opposition, with possibly non-democratic means, of others (Leftwich 2002: 70). 'Party-alternation' non-developmental states, such as Jamaica and Costa Rica, are characterised by the existence of rival 'cross-class' parties, 'each (when in power) dispensing clientelist patronage to its followers and supporters, and each differentiated from the other mainly by a combination of historical association, personal loyalties, anticipation of patronage prospects, and – at times – ideological-policy orientations' (Leftwich 2002: 74).

The failure of many developing countries to transform into developmental states can usefully be understood within the framework of 'political underdevelopment' or the 'rentier state' (Ross 1999; Moore 2001, 2002). This framework implies 'that when governments gain most of their revenues from external sources, such as resource rents or foreign assistance, they are freed from the need to levy domestic taxes and become less accountable to the societies they govern' (Ross 1999: 312). Following the same logic, states that are based on rent-seeking are expected to be weaker and less effective, since they have less incentive 'to reduce the influence of patrimonial principles and personal linkages when recruiting and managing the public service' (Moore 2002: 106).

The second set of approaches to the state in development that was outlined above has related the dominance of certain economic sectors, such as mining, to development outcomes and features of the state in developing countries. According to several authors working in this tradition, certain types of economic sectors are particularly conducive to rent-seeking practices. Shafer (1994: 10, 23-24) has drawn attention to the prevalence of rent-seeking in so-called mining states. Because the mining sector is highly capital intensive and shows high economies of scale, and production and the employment of production factors are very inflexible, the sector is characterised by monopoly rents that are 'easily tapped by the state' (Shafer 1994: 35). The economic dependence on a single resource, produced by an enclave-like industrial sector that is dominated by foreign capital, generates extraordinary rents. These rents are almost unrelated to the productive processes of the domestic economy and are almost exclusively channelled to the state (Karl 1997: 47-48). Petro-states take in a special place among mining states because of the sheer magnitude and duration of the extraordinary rents that result from oil production and export (Karl 1997: 49).

2.2 Suriname's State and Economy

Based on the above, Suriname would most aptly be characterised as a party-alternating, democratic, non-developmental mining state.[3] In addition to this, its post-World War II history shows that the country has many features of a patrimonial administrative state, as described by Hutchcroft, in which the state apparatus has dominated the economy and has been a major source of rents for office holders and their clients (interview Schalkwijk, 2 April 2004).

Since its independence in November 1975, Suriname's per capita gross domestic product has not experienced substantial growth, despite the fact that, since World War II, Suriname has been one of the world's major bauxite exporters and the country ranks among the world's best-endowed countries in terms of natural resources. The Inter-American Development Bank (2001: 5) concluded that the '[e]xploitation of Suriname's large bauxite reserves has generated rents that are large in relation to the economy'. Van Dijck (2001: 57) has calculated that bauxite mining and processing generated between 30 and 33 per cent of Suriname's GDP in the 1945-1975 period and, despite a decline in relative importance, still accounted for an important 15 per cent of GDP at the end of the twentieth century.

In constant 2000 prices, Suriname's GDP per capita peaked at US$2,860 in 1978, fell to a low of US$1,808 in 1987 and had reached a level of US$2,737 by 2010 (World Bank 2012). The share of manufacturing in Suriname's gross domestic product fell from 18.6 to 9.0 per cent between 1980 and 2000, and increased to 22.7 per cent in 2010 (World Bank 2012). As Martin (2001: 52-76) has indicated, Suriname's economic situation was highly volatile during the 1990s, with clear boom-bust cycles mainly as a result of fluctuations in alumina prices.

In addition to natural resources, aid has been another major source of rents. Aid is estimated to have accounted for more than three-quarters of the Surinamese government budget in the period between 1956 and 1975, and to have amounted to more than 1 billion Dutch guilders (equivalent to over € 450 million) in this twenty-year period (Oostindie and Klinkers 2001: 133-134). At the eve of independence in 1975, the Dutch government provided Suriname with a development fund of approximately € 1.95 billion. In per capita terms, Suriname received roughly four to five times the median aid amount transferred to other lower-middle income countries during the 1990s (Van Dijck 2004: 43-45). There is widespread agreement that the development fund has been spent largely on prestige projects that have produced relatively little value added in terms of the development of the country; as one critical observer of Surinamese politics put it: 'foreign aid to Suriname has not proven to be an economic lever. In Suriname, the money has disappeared into a black hole' (Silos 2002: 4). Foreign aid has also enabled Suriname to maintain its oversized public sector, referred to as the 'principal vehicle for sharing the rents' (Inter-American Development Bank 2001: 41). Data reported by the Inter-American Development Bank (2001: 39) show that, in 1998, the government provided employment for 43.7 per cent of the total labour force.

With a brief interval of military rule between 1980 and 1987, Suriname's political system has been relatively democratic ever since the Statute of the Kingdom of the Netherlands (1954) gave the Surinamese *Staten* (Parliament) more powers. With the exception of the military era, Freedom House has rated the Surinamese political system as free or partly free during its post-independence period (Freedom House 2012).

The post-war political system of Suriname has been characterised by the existence of multiple political parties. Analysts agree that these parties are an expression of the ethnic diversity of the country and that they have played an important role in the emancipation of various ethnic groups, notably the Creole (black) working class, the Hindustanis (East Indians) and Javanese (e.g., Ramsoedh 2001: 95-96).[4]

One of the most persistent elements of the Surinamese political system has been the attempt by political forces to exercise power in order to serve the interests of a particular ethnic group rather than to achieve ideologically defined objectives (interview Schalkwijk, 2 April 2004). Class relations have been of marginal importance only in post-World War II Surinamese politics. As Menke (1991: 63) has put it, 'the state was an instrument of class formation through political patronage by giving facilities and resources (e.g. land) to members of the own political party or ethnic group'.

Patrimonial features of Surinamese politics and the state find expression, *inter alia*, in the attempt of political parties to assure their hold of particular ministries. To an important degree, government employment has served as an instrument of clientelism, where support for political parties was built on their ability to create jobs (referred to as *regelen*, 'arrange') in the ministries (Sedney 1997: 27-28; Menke 1991: 63; Derveld 1999: 5, 15). The continuing dominance of Suriname's public sector employment in the total labour force (see above) is an important sign of the persistence of the 'pervasiveness of patron-client networks' (Inter-American Development Bank 2001: 40) in the country's political system.

The creation of state-owned enterprises (or 'parastatals') has been an equally important tool of patronage, witness the formation of 76 such enterprises in the 1948-1987 period, more than 60 per cent of which were in the tertiary sector (Menke 1991: 60). Despite the numerical importance of state-owned enterprises in the Surinamese economy, the assessment of their performance by the Inter-American Development Bank (2001: 76) has been very negative: 'They have generally been inefficient and have produced inferior quality goods and services. … As a result, subsidies to state enterprises have represented a considerable drain on the treasury'.

The defeat of the electoral alliance, *Front for Democracy and Development* which brought together the 'old' ethnic parties of Creoles, Hindustanis and Javanese, in the 1996 parliamentary elections and the subsequent election of Jules Wijdenbosch to the Presidency were the beginning of a period in which the patrimonial features of Surinamese politics came to the fore with renewed vigour. Wijdenbosch was the representative of the NDP, the political party that was founded by the former military leaders. The NDP was built on a class of *nouveaux riches*, that had benefited from corruption, drugs trafficking, gold mining and other illegal activities in the military period (Buddingh' 2000: 364). The 1996-2000 period is widely regarded as a time of intensifying corruption in politics and society and of a fast growing informal sector. The appointment of political allies to 'strategic positions' in the public sector and in state-owned enterprises, as well as economic favouritism of companies that supported the NDP government and the misuse of public funds became the order of the day (Buddingh' 2000: 372-380; Derveld 1999: 15). The government's economic policies led to a massive increase of public spending, resulted in a rapid depreciation of the Surinamese guilder and plunged Suriname into crisis (Buddingh' 2000: 402-408). According to Buddingh' (2000: 375), the Wijdenbosch regime showed much resemblance to the 'military-civilian oligarchy' of Suharto's Indonesia.

The return to power of the NDP, as part of the so-called Megacombinatie (Mega Combination) that was the main winner in the 2010 elections, can be seen as an expression of the dissatisfaction with the New Front among large parts of the electorate, which had gradually built up during their latest period in office. The current government, headed by NDP Chairman Bouterse, is supported by the Megacombinatie (a coalition of NDP with the Javanese KTPI and the Progressive Workers' and Farmers' Union, PALU) and two other electoral coalitions: the A Combination, led by Maroon leader and former Bouterse opponent Ronnie Brunswijk, and the Volksalliantie (People's Alliance), dominated by Javanese Pertjajah Lahur, which broke away from the New Front before the 2010 elections.

The Bouterse government is a coalition that brings together three main ethnic groups: the mainly urban-based Creoles, the jungle-based Maroons and the Javanese. The largest and wealthiest ethnic group, that of the Hindustanis, is represented only marginally in the coalition.[5] Since the formation of the Bouterse government in August 2010, the most senior civil servants at eight of the 17 Ministries have been replaced by allies of the ruling coalition (De Ware Tijd and Starnieuws, various editions). Moreover, the Directors of a host of state-owned enterprises and other parastatal organisations have been dismissed.[6]

The Bouterse coalition government seems subject to various political-economic cross-pressures that may have serious impacts on the public sector of Suriname, including companies such as *Staatsolie* (see further in section 4 below).

The policy statement delivered by the new President on 1 October 2010 placed much emphasis on curbing the government deficit that had resulted from the increase of government expenditure, coupled with the fallout from the 2007-8 worldwide financial crisis (President of the Republic of Suriname 2010: 22-5). The policy statement made clear that the Bouterse government is intent on reducing the expenditure level – e.g., by delaying the introduction of a new payment scheme for employees in the public sector – while also attempting to find new sources of income. In line with this, Vice-President Robert Ameerali emphasised that he is committed to making a break with the past and reducing the size of the state apparatus. In light of this, the Vice-President indicated that he is not willing to give in to pressures from Ministers to appoint their supporters in the bureaucracy (De Ware Tijd, 28 March 2011).

The conclusion is that Suriname's society and economy has been dominated by the state apparatus, which has been serving as a prime instrument of patronage and clientelism. This has resulted in the amassing and redistribution of rents derived from the country's rich natural resources and substantial inflows of aid. The country has thus been a prime example of a non-developmental or *rentier* state.

3. *Staatsolie* as a Pocket of Effectiveness

Staatsolie has developed, in the context of post-independence Suriname, into a pocket of effectiveness, the performance of which stands in sharp contrast to other state-owned enterprises. *Staatsolie* has gradually come to occupy an important economic role in Suriname and is generally acknowledged as a well-managed and meritocratic organisation. Before moving to an interpretation of *Staatsolie's* role as a development agent (in section 4), this section provides some data on the company's main achievements.

Staatsolie was founded on 13 December 1980 on the advice of the Oil Commission of Suriname. Its original assignment was to enter into a production-sharing service contract[7] with the former U.S. oil company Gulf Oil for the exploration of petroleum in the Tambaredjo field in the central coastal area of Suriname, where oil reserves had been anticipated ever since the 1920s. The Head of the Surinamese Mining Office, Eddy Jharap, was appointed as the first director of the State Oil Company of Suriname by the military authorities that had taken over power in a *coup d'état* in February 1980 (Jharap 1998: 15-17). As a reflection of its specific mandate, *Staatsolie* was created as a public limited company.

Next to its role as oil company, *Staatsolie* also has been acting as 'agent of the state' in matters of oil exploration and exploitation. Decree E-8B of 1981 had granted *Staatsolie* the concession on oil exploration and exploitation in Surinamese soil, as well as the exclusive right to negotiate with foreign investors (Staatsolie Nieuws, June 1998: 16). In addition to this, the Petroleum Act 1990 specified certain conditions regarding the exploration and exploitation of hydrocarbons. In particular, the new act ruled that the state's share of oil revenues (the 'take') should be maximised, and that operations should lead to technology transfer and the training of Surinamese employees (Staatsolie Nieuws, June 1998: 15-16).

The government, initially represented by the Minister for Natural Resources and the President of the Surinamese Planning Agency and currently by the Vice-President, possesses all of *Staatsolie's* shares, but does not have direct influence on the company's day-to-day management. The Board of Directors is the company's main management body, in charge of all internal management decisions. The Board of Directors is accountable to the annual shareholders' meeting, which is also responsible for the appointment, and dismissal, of members to *Staatsolie's* management team. *Staatsolie* has had two Managing Directors during its existence. Eddy Jharap served as Managing Director until the company's twenty-fifth anniversary in 2005, when he was succeeded by erstwhile Refining and Marketing Director, Marc Waaldijk.

The production of oil in Suriname started officially at independence day (25 November) in 1982 in the Catharina Sophia area in Tambaredjo. Since 1982, *Staatsolie* has ascertained petroleum reserves of 152 million barrels in the oil fields of Tambaredjo, Calcutta and Tambaredjo North-West (the latter two in exploration since, respectively, 2004 and 2010) and produced approximately 73 million barrels of crude oil until the end of 2010. Annual production was close to 6 million barrels in between 2008 and 2010 (interview Moensi-Sokowikromo, 8 February 2011).

Next to petroleum exploitation, *Staatsolie* has gradually diversified its activities. After the completion of a pipeline between the Catharina Sophia area and Tout Lui Faut on the Suriname River in 1992, a refinery was built, financed with a loan from ABN AMRO Bank and ABB-EFAG (De West, 1 March 1994). As of 2010, annual refining capacity has been approximately 2.8 million barrels (State Oil Company of Suriname 2010b: 12). In addition to this, a pipeline was built in 2000 to cover all energy needs of the Suralco alumina plant in Paranam. Since 2006, the

Staatsolie Power Company Suriname (SPCS) has been producing electricity. Its capacity was increased to 28 megawatt in June 2010. SPCS has had a power purchase agreement with the Suriname Energy Company, EBS, for the supply of at least 14 megawatt of electricity (interview Murli, 8 February 2011). As part of its ‘Vision 2020’, *Staatsolie* has made plans for diversifying into the production of other sources of energy, most notably hydropower and biofuels from sugarcane. The TapaJai project aims at generating hydroelectricity by constructing dams in the Tapanahony River and Jai Creek. The production of biofuels has started with a pilot project, which aims at ultimately producing 1 million tonnes of sugarcane and 70 million litres of ethanol annually. Ethanol would be used for electricity generation and as a replacement for the imported octane booster that is used in the oil refinery process (interview Murli, 8 February 2011).

Over the years, *Staatsolie* has been expanding its range of products. In 2001, it was reported that *Staatsolie’s* production of crude oil was sufficient to cover the energy needs of Suriname, expressed in barrels (Staatsolie Nieuws, March 2001: 11-12). Over time, *Staatsolie* has developed into an important supplier of fuel oil and gasoil to the region: in 2011, the company exported 45 per cent of its total sales (or 3.2 million barrels), mainly to neighbouring countries as Guyana, Curaçao, Barbados and Trinidad (State Oil Company of Suriname 2012a: 20). Moreover, the company was an important exporter of bitumen to French Guyana, Guyana, Montserrat, St. Vincent and St. Lucia, with total export reaching 5,200 barrels in 2009 (State Oil Company of Suriname 2010a: 11). Since the company is not yet able to produce all required end-products (such as diesel oil, petrol and kerosene), Suriname still has to import part of its energy products. As part of its Vision 2020, *Staatsolie* aims to increase its refinery capacity from 8,000 to 15,000 barrels per day by 2013 and further diversify its production, eventually also producing high-quality diesel and gasoline for the local market (State Oil Company of Suriname 2010b).

In May 2010, the company announced an investment of approximately US$1 billion, 60 per cent of which was meant for of the refinery, with the remainder to finance exploration activities, expansion of onshore oil production, increased power generation and renewable energy projects. Around 70 per cent of the investments were covered from the company’s internal cash flow, while the rest was financed with US$235 million in loans from Credit Suisse and ING Bank and US$55 from a major bond issue for the local market in Suriname. This way of financing the largest investment during *Staatsolie's* existence was generally perceived as a major expression of confidence by the international financial sector in the company's operations (De Ware Tijd, 24 May 2010; interview Moensi-Sokowikromo, 8 February 2011).

The expectation that the mainland coastal area as well as the continental shelf off the Suriname coast contain significant petroleum reserves has resulted, over the years, in major exploration activities. Staatsolie organised various 'international bidding rounds' for foreign exploration firms, most recently between January and July 2013 (State Oil Company of Suriname 2012d). In the past decade, *Staatsolie* signed production-sharing agreements aimed at offshore oil exploration with companies such as Spanish-Argentinean Repsol-YPF, Danish Maersk Oil and U.S. Occidental Petroleum Corporation (interview Brunings, 5 April 2004). At the end of 2012, offshore exploration activities were being undertaken by Chevron Global Energy, Inpex Group, Kosmos Oil, Murphy Oil and Tullow Oil (State Oil Company of Suriname 2012c and 2012d).

The macro-economic importance of *Staatsolie's* activities for Suriname in the last two decades (1990-2010) can be illustrated with the data presented in figure 1 and table 1.

<Figure 1 approximately here>

Figure 1 shows that Staatsolie's revenues from oil sales quadrupled in the 1990-2000 period, and increased almost sixfold between 2000 and 2010. By 2010, profits had risen to US$182 million, after having reached an all-time high of US$230 million in 2008. Average investment, despite fluctuations, increased to an annual US$98 million in the five most recent years. Shareholder's equity – representing the 'value' of *Staatsolie* to Suriname's government and the Surinamese Planning Agency – has steadily increased to peak at more than US$611 million at the end of 2011 (State Oil Company of Suriname 2012a: 43).

Further, table 1 presents data related to two indicators that shed light on *Staatsolie's* contribution to the Surinamese economy.

<Table 1 approximately here>

Figures in the second column indicate, for the 1990-2010 period for which data are available, that oil revenues have constituted an important source of Suriname's gross domestic product. Since the turn of the century, the oil sector has contributed annually on average almost 10 per cent to the country's GDP. Stockholders' equity has represented more than 10 per cent of GDP since 2000 and reached a peak of 12.1 per cent in 2010. Data on corporate and income taxes and dividends paid by *Staatsolie* to the state show that the company's payments represented a significant, and increasing, share of total government consumption expenditure. Over the years for which data are available the percentage increased from 10.7 (2000) to 13.1 (2003) and 19.1 (2005). Staatsolie is known as one of the few Surinamese firms that brought foreign exchange into the country (interview Tuur, 1 April 2004); the company's foreign earnings amounted to approximately US$250 million in 2010.[8]

Staatsolie's performance can be illustrated also on the basis of a commonly used financial indicator. In figure 2, data are given on the company's return on investment (the ratio of a company's net income and its total investment) from 1990 to 2010.

<Figure 2 approximately here>

The figures presented in figure 2 indicate that *Staatsolie* has achieved a noteworthy level of efficiency in its use of resources. Despite some fluctuation over time, due to variations in the price of crude oil, *Staatsolie* has been able to secure a rate of return on investment of over 36 per cent over the 2000-2010 period (and even 51.3 per cent over the last five years), which compares favourably with the performance of other oil companies.[9]

The data presented in this section have demonstrated that *Staatsolie*, over the past three decades, has become a true pocket of effectiveness in patrimonial Suriname. Figures show that the activities of *Staatsolie* have expanded considerably, leading to a notable diversification of the company's activities. Moreover, the company has been contributing significantly to the overall economic wealth of the country. The next section will attempt to contribute towards the explanation of the company's role.

4. 'Confidence in Our Own Abilities': *Staatsolie's* Double Strategy

State-owned enterprises are a common phenomenon across the developing world, where they have often been set up to 'rapidly lift the entire economy to a level of self-sustaining industrial growth' (Waterbury, cited in Evans 1996: 79). Typical explanations of the generally weak performance of state-owned enterprises in non-developmental or *rentier* states tend to focus on the fact that such enterprises have little autonomy from the state, and thus are easy instruments to pursue political objectives. The emphasis of such explanations is often on the rent-seeking attitude of the management, who have themselves been appointed as part of clientelist schemes, and on the political instrumentalisation of the enterprises' activities (cf. Schneider 1999).

This section serves to analyse which were the conditions to develop and maintain *Staatsolie's* role as pocket of effectiveness. The discussion focuses, in particular, on the double strategy that was developed by *Staatsolie* to become a successful medium-size oil company. The internal part of this strategy, derived from the management vision and ideological commitment of the company's leadership, was aimed at developing technological and management skills. The external part of the strategy was aimed at steering away from political influences on the company and playing out politically the formal-legal position of the firm in Suriname's petroleum sector.

It was noted above that *Staatsolie* was established at the beginning of the period of military rule in Suriname. In the immediate aftermath of the *coup d'état*, the military's role in Surinamese politics was generally regarded as legitimate, as its intervention reflected a general discontent with the 'old order' based on pernicious practices of patronage and clientelism on the basis of ethnicity (interview Menke, 2 April 2004).

Staatsolie's start in the military era was important, because the military rulers originally embraced a nationalist economic agenda and saw the possible expansion of the oil sector as a step towards self-reliant development. Oil was being regarded as a strategic mineral resource, the exploration and production of which would best be done under control of the state. In order to enhance the effectiveness of the state's presence in the oil sector, the state would need to have a specialised instrument, in the form of a state oil company (De Ware Tijd, Kompas, 9 December 2000; interviews Sedney, 1 April 2004, and Jharap, 5 April 2004; Jharap 2006: 6).

The economic agenda of the military ran parallel with the ideas propounded by the Surinamese *Volkspartij* (People's Party), a Marxist party that was very much in favour of achieving self-reliance for Suriname (interview Jharap, 5 April 2004; Lotens 2004: 73-75; Hira 2007: 111-9). During the 1970s, Eddy Jharap had been a very active member of the *Volkspartij*, which was dismantled, as were all existing political parties, after the military coup.[10] Jharap's background in the *Volkspartij* seems to have played a role in his appointment to the chair of the Oil Commission and, later, to the directorship of *Staatsolie*. According to Jharap (2006: 6; Hira 2007: 134), then Minister for Reconstruction, Herman Adhin,[11] selected him with a view to his left-wing orientation, as this would make him 'useful counterweight' in negotiations with foreign oil companies. Adhin argued that Jharap would not give in to the demands of multinational corporations, in contrast with negotiators in the bauxite sector, who had agreed too easily to profitable concessions given out to foreign firms.

The creation of *Staatsolie*, made necessary because there was a need for a legal entity to enter into a production-sharing service contract with Gulf Oil, was in line with the political commitment of Jharap, who left the *Volkspartij* after the coup. In his role as managing director of *Staatsolie*, Jharap saw himself as expert *and* ideologue. Looking back, he argued that the challenges for the oil company were to use Suriname's wealth for the benefit of the country's population and to undertake resource exploration and exploitation with the company's own, not foreign-dominated, means (Lotens 2004: 77).

In its official publications, *Staatsolie* has been using two slogans to underline its vision that the creation and further development of Suriname's oil sector have been important not only to contribute to the country's level of wealth, but also to signal the endogenous capacity of the Surinamese to build a modern enterprise (Jharap 1998: 19). The slogans 'Confidence in our own Abilities' and 'Building on our own Abilities' – the latter adopted in 2001 to reflect the company's offensive nature in a more prominent way, but dropped again in the post-Jharap period (interview Waaldijk, 17 February 2011) – are attempts to express *Staatsolie's* corporate 'ideology' in words. On the basis of his analysis of the operations of major oil companies, Jharap came to see the challenges of the oil industry less in terms of technical than management skills. Trained as a geologist in The Netherlands, Jharap used the Norwegian experience to argue that the Surinamese state oil company should operate as much as possible as a commercial firm aiming at the development of expertise that is required to manage the inputs of consultants, subcontractors and in-house experts. Apart from this, the company would need to develop the infrastructure that would enable it to do business with foreign oil firms as an equal partner (Jharap 2006: 8).

During the first few years of its existence, *Staatsolie* acquired its technological and managerial know-how by working closely with foreign consultants, most notably from Gulf Oil's division Geoman[12] (Hira 2007: 145-52). According to Jharap, the establishment of master-apprentice relationships was very important in this respect, as the main problem of the transfer of technology and management skills appeared to lie in the absorptive capacity at the receiving end. In Jharap's view, a master would, in general, be willing to transfer knowledge and expertise, provided that the apprentice would display an appropriate attitude. In the relationship between the master and apprentice, a certain degree of submission would be required, as the master would only then stop seeing the apprentice as a possible threat, but rather as somebody who can be trusted with the knowledge and expertise (interview Jharap, 5 April 2004). Jharap applied this philosophy both within *Staatsolie* and in relation to its international partners. In the early years of the company, Jharap organised weekly motivation and mobilisation meetings with staff in order to discuss the company's objectives, implementation and results. Moreover, Jharap was known to work in the field with his staff in order to share experiences and enhance motivation (Jharap 2010a: 9-10). Externally, *Staatsolie* made extensive use of Gulf Oil's training facilities, and staff were encouraged to 'learn the tricks' from foreign consultant when these were visiting Suriname (Jharap 2010b: 18-19).

In addition to the acquisition of technological and managerial expertise by *Staatsolie* staff, the spreading of know-how about aspects of the oil industry throughout the Surinamese economy was considered to be important. The construction of the first oil plant in Catharina Sophia, in 1982, was undertaken with local contractors and constructors. *Staatsolie's* first oil drill was purchased second-hand in Canada and overhauled by local staff. Drilling staff was trained by Geoman consultants (Jharap 1998: 37).

In later years, *Staatsolie* has placed much emphasis on the need to maintain well-defined standards for its operations (Hira 2007: 324, 329-30). Apart from the company's adoption of external quality control mechanisms (in particular, the ISO certifications that were mentioned above), *Staatsolie* has instituted an internal safety award and certificate for divisions and staff members that contribute to enhancing company safety and completing operations without accidents (Staatsolie Nieuws, March 2004: 20-1).

In contrast to prevalent practices of patronage and clientelism, *Staatsolie* adopted meritocratic principles in its human resource policy. From the outset, background and ethnicity are considered irrelevant as criteria for appointment and promotion within the company (interview Essed, 6 April 2004; Jharap 2010a: 13-14). In order to upgrade the quality of its staff, *Staatsolie* has instituted a sizeable training programme, the budget of which is currently in the order of US$1 million annually, as well as a management development programme. Much attention is paid to enhance the attractiveness of *Staatsolie* to well-qualified applicants. Secondary labour conditions, such as a holiday allowance, a profit-sharing scheme, a company car for senior staff and health care and pension facilities, serve to make the company competitive *vis-à-vis* the foreign-dominated bauxite sector (interviews Essed, 6 April 2004, and Waaldijk, 17 February 2011).

Staatsolie's history demonstrates that the company's management has consistently kept an eye on developments in the Surinamese political system. A lack of trust in Suriname's political leaders – and particularly the fear that *Staatsolie* could become an instrument of patronage, should the company become too dependent on political decision-making – resulted in the desire of the company's leadership to keep politics at a distance (Jharap 2010a: 17-18). The inclination on the part of Jharap, later shared by other *Staatsolie* staff, was related to his political engagement with the *Volkspartij* and its ideology. The *Volkspartij* rejected traditional Surinamese political practices and profiled itself as a national party, unaffected by ethnic biases. In order to build a successful company that would contribute to the wealth and capacities of the Surinamese people, Jharap felt he should not depend on political favours.

Jharap was engaged in a balancing act with the military regime. On the one hand, he knew that he could count on the support from the National Military Council, which had been set up by the leaders of the coup, because they shared Jharap's vision regarding the setting up of a national oil industry. On the other hand, Jharap tried to distance himself and the company – literally as well as figuratively – from the military regime, because he realised how harmful their interference with *Staatsolie* could turn out to be. Jharap purposefully made *Staatsolie* into an 'island' during its early years. As the company's operations were centred on the oil fields, at quite a distance from the capital, Paramaribo, they were out of sight for most people (interview Jharap, 5 April 2004).

The military rulers, who were mainly sergeants in their early thirties and inexperienced in governing, were preoccupied with running the country, and did not have much attention for *Staatsolie*. Nevertheless, Jharap made sure to provide information about the company and organise company visits for the government and the National Military Council in order 'to keep channels open'. In an attempt to strengthen *Staatsolie's* reputation, Jharap continued to emphasise that 'the own oil production would greatly benefit the image of the "revolution"' (Jharap 2010a: 9, translated from Dutch).[13]

Attempts by military from the lower ranks to use *Staatsoli*e as a source of jobs for relatives and friends were averted by pointing out that such requests would be discussed with the military leadership. As the latter's credo, according to Jharap (2006: 21-22; Hira 2007: 180), was that *Staatsolie* should be autonomous, no interventions of the military took place in the company's employment policies. Occasional pressures on the company from within the military government were also warded off after intervention by the National Military Council. One of those incidents was Deputy Prime Minister Haakmat's unsuccessful attempt to intervene in the agreement between Suriname and Gulf Oil in late 1980, based on his assessment that the benefits for the country were too meagre (Jharap 2006: 21).

Staatsolie's resolve to stay clear of politics was also reflected in its search for capital. Except for a relatively small advance that was received from the Ministry of Finance, most of the risk capital needed in *Staatsolie's* early days was received from Gulf Oil (Jharap 1998: 25; Hira 2007: 146, 259-60). Other amounts, required for the financing of exploration activities and the purchase of oil production facilities respectively, were obtained from the Surinaamsche Bank, with a bank guarantee from the Central Bank of Suriname (interview Sedney, 1 April 2004), and from a consortium of six banks in Suriname (Jharap 1998: 33).

Staatsolie preferred not to draw on the aid funds provided by The Netherlands, partly because of the bureaucratic procedures involved and partly because of the company's desire to maintain a business-like, non-political relationship with its financiers (Jharap 1998: 35; interview Sedney, 1 April 2004). The only exception to the rule was the guarantee from Dutch Treaty funds sought – and received – by

Staatsolie as collateral for its major investments in the refinery, which itself were financed with private bank credit (De Ware Tijd, 19 March 1993; Hira 2007: 188-9).

After 1985, the main sources of finance were a revolving credit and long-term loans obtained from international banks, with ABN AMRO taking in an important position among these (interview Kortram, 6 April 2004). The revolving credit arrangement with ABN AMRO was only partly inspired by financial considerations: it also served to enhance *Staatsolie's* financial independence. In response to the deterioration of the country's financial situation since 1983 – primarily because Dutch development assistance had been cut off in response to the military-led '8 December killings' of 15 opponents – the government had decided that all exporting firms in Suriname should deposit their hard currency in the Central Bank in exchange for steadily depreciating Surinamese guilders. *Staatsolie* had been able to free itself from this requirement as part of the revolving credit arrangement. The company had agreed with ABN AMRO was that its earnings on exports, which ultimately served as collateral, had to be deposited at the bank's Houston branch. As a result of the deal, *Staatsolie* managed to retain control over its foreign earnings, which it needed for reinvestment purposes, and could influence the amount of foreign currency that was handed over to the Central Bank of Suriname (Jharap 2006: 18).

Staatsolie's legal position as 'agent of the state' has been used consistently by the company as a powerful tool to pursue the objectives of building an independent oil company and upgrading the technological and management expertise present in Suriname. As a result of its legal position, *Staatsolie* has been the 'spider in the web' when it comes to bidding rounds for exploration projects in the offshore blocks of the Suriname-Guyana basin, where significant oil and gas reserves are expected to be uncovered.

Staatsolie has consistently tried to live up to the requirements set by the Petroleum Act 1990 relating to the maximisation of the government 'take'. Notwithstanding occasional complaints by politicians that the company has not been contributing sufficiently to the government budget, *Staatsolie's* timely transfer of all profits, apart from a share needed for investment, to the state, has produced great confidence among many politicians in the reliability of management. This, in turn, produced support for the policies adopted by the company's Board of Directors. This assessment was the basis of Managing Director Waaldijk's observation that the Bouterse government, since it assumed office in July 2010, has paid much attention to the company. Waaldijk felt that the importance of *Staatsolie's* contribution to government revenue demands prudent decision making on the part of the Board of Directors, for which government support needs to be ensured. (interview Waaldijk, 17 February 2011).

Staatsolie's attempt to stay clear of political interference was successful, ultimately, because of the quality of the company's internal operations and its resulting ability to act as a role model. The absence of patronage and ethnically-based appointments within the company underline *Staatsolie's* commitment to maintain quality standards (interview Menke, 2 April 2004). The confrontation with the Wijdenbosch government in 1997 and 1998 was the clearest demonstration to date of *Staatsolie's* standing as a role model and an example for other firms. During this period, Jharap and the staff at Staatsolie were able to ward off the pressure from leading politicians to appropriate *Staatsolie's* resources for political means.

The main conflict between the Wijdenbosch government and *Staatsolie* derived from various attempts by the government to extract more money from the company to finance its increasing deficits. Among other things, the government tried to force *Staatsolie* to increase its oil production from 9,500 to 20,000 barrels per day, sell off the Tambaredjo oil field and initiate a joint venture between Staatsolie and foreign oil companies (De Ware Tijd, 6 June 1997, 12 September 1997 and 18 March 1998). The ensuing dismissal of the Board of Supervisors in March 1998 (De West, 26 and 28 March 1998) and the double attempt to dismiss Jharap should be seen as efforts to bring *Staatsolie* under direct government control. *Staatsolie's* management mobilised legal advisors who emphasised that the role of the state was limited to the appointment and dismissal of the Board of Supervisors. Jharap successfully challenged the decision of the General Meeting of Shareholders to fire members of the Board of Directors on the basis of non-compliance with government policy (De West, 17 June 1998 and 23 September 1998).

Jharap's successful recourse to the available legal means and the massive protests, first of the *Staatsolie* trade union (the *Staatsolie Werknemers Organisatie Suriname* or SWOS) and later of the joint political opposition and labour unions, warded off the government's bid for power in the oil sector. An important factor spurring popular resistance against the government on the issue of *Staatsolie* was the widespread feeling that the oil company, as one of the most successful firms in the country, should be protected against political machinations. The resistance became particularly fierce because of the involvement of politicians, such as NDP President Wijdenbosch and Central Bank President Goedschalk, who were suspected of placing their personal interest in the sale of oil rights above the national interest, and whose financial-economic policies were felt to lead the country to disaster (De Ware Tijd, 4 June 1998; interview Read, 6 April 2004).

The 1997-1998 protest movement fed into broader popular protest against the Wijdenbosch government, which ultimately led to earlier elections. During the two governments led by President Ronald Venetiaan between 2000 and 2010, *Staatsolie's* position beyond the reach of politicians was secured. The smooth transition of the company's leadership to the long-serving Director of Refining and Marketing, Marc Waaldijk, after Jharap's retirement in December 2005, as well as the reorganisation of the company's leadership structure in March 2007 (Staatsolie Nieuws, June 2007: 3) underlined *Staatsolie's* autonomy from politics. Both the leadership transition and the reorganisation were induced and implemented according to *Staatsolie's* own management priorities.

During recent years, *Staatsolie* has been faced with changes in its external environment. The political uncertainty emanating from the election of NDP leader Bouterse to the Presidency is an important factor for *Staatsolie*. The company appears to have demonstrated its continued capacity to limit political interference in the conflict over the appointment of a new Finance Director in early 2011. With the retirement of long-serving Director Iwan Kortram, it was assumed widely that the second person in the Finance Directorate, Deputy Director Agnes Moensi-Sokowikromo, would be the successor. Mrs Moensi had been groomed in the company for a long time and was seen as the most desired internal candidate. Deliberations within the Board of Supervisors led to the proposal to nominate economist Iwan Poerschke, an active member of the Progressive Workers' and Farmers' Union (PALU) and member of the Board of Supervisors since October 2010, to the post of Financial Director. Commentators argued that the Board of Supervisors had given in to political pressure to reward the PALU, the party of Natural Resources Minister Jim Hok and a much-needed supporter of the Bouterse government (De Ware Tijd, 17 March 2011). After a period of confrontation between the Board of Supervisors and labour union SWOS, Poerschke's tenure as Financial Director was limited to three years. According to Starnieuws (17 and 21 March 2011), *Staatsolie's* management had compromised on Poerschke's appointment in exchange for the appointment of home-grown Deputy Director Moensi upon the retirement of the new Director in 2014.

The announcement, in December 2012, of the appointment of John Sew A Tjon as Director Productions and Development and successor to Managing Director Waaldijk upon his retirement in October 2013, is the latest challenge to *Staatsolie*. The professional background of Sew A Tjon, who was trained as a mining engineer and was the last Managing Director of BHP Billiton's bauxite operations in Suriname (Starnieuws, 19 December 2012), seems to indicate that the company has succeeded in placing expertise above political allegiance, but the long-term outcome of this change of guard remains to be seen.

Another element in the external environment concerns the changing political economy of Suriname, which was alluded to already in section 2.2 above. The steady (and growing) stream of income from *Staatsolie's* operations, coupled with the impact of the financial crisis and the increasing government deficit, has led to an increased awareness of the company's importance for Suriname's economic well-being. According to Managing Director, Marc Waaldijk, it is 'only normal' that the government's interest in *Staatsolie* has increased over the years, as the company has transformed from a 'US$100 million into a US$500 million firm' and thus has become a strategic economic player, particularly since the company's income transfer to the state is amounting to approximately 25 per cent of total government income (interview Waaldijk, 17 February 2010). The company has been feeling the pressure from the government – exemplified, for instance, by statements made by the Minister of Natural Resources (see section 1 above) – to increase its oil production in order to generate more income for the state. *Staatsolie's* management have so far been hesitant about such suggestions because they feel that Suriname does not possess the 'proper institutions' to manage the wealth that would derive from sharply rising income flows (De Ware Tijd, 1 October 2010; interview Waaldijk, 17 February 2011).

In general, company management seem to prefer an initial public offering of *Staatsolie* shares in international stock exchanges as an alternative to the current situation in which the Surinamese state is the sole shareholder. They feel that the growth of the firm may be hampered in due course by its legal status, as uncertainties persist about the exact influence of the government on company policies. It is argued that the company's market value would greatly exceed its current book value, and that public trading of *Staatsolie* shares would expand the company's business opportunities. The experience of Petrobras, which is a publicly traded corporation with the government of Brazil as majority shareholder, is seen as an example of the way in which the Surinamese government could safeguard the interests of the state as well as guarantee the corporate performance of *Staatsolie* (interview Waaldijk, 17 February 2011).

5. Conclusions

The literature about patrimonialism and rentier states has focused traditionally on macro-level institutions (primarily, the state) and on the influence that rent-seeking, patronage and clientelism exert in society and the economy. The theoretical argument that this chapter has made is that it is necessary to look beyond such macro-level institutions, and include actors at the meso and micro level, to 'unpack' the argument about the patrimonial or rentier state. Only if attention is focused on meso- and micro-level actors, is it possible to gauge the political and social dynamics in particular sectors of the economy. The study of sectoral dynamics may help analysts to avoid all too crude generalisations about the impact of patrimonialism, in particular, in the form of rent-seeking, patronage and clientelism.

More specifically, the current analysis has demonstrated how and under which conditions concrete development activities can take place in a seemingly hostile environment. This chapter has focused on a typical 'hard case' – the oil sector in a country that has traditionally been characterised by patronage and clientelist politics – where the patrimonial/rentier state argument would predict rent-seeking to prevail. The case of the Surinamese State Oil Company indicates that sectoral development under committed leadership is possible against all odds.

The analysis of *Staatsolie* contributes to the argument about so-called pockets of effectiveness sketched in the introduction to this volume. The current analysis shows that the creation of a pocket of effectiveness within the public sector need not signal an overall improvement in the functioning of the state bureaucracy. More in particular, the Surinamese case supports Evans' (1989: 578) observation that a successful state-owned enterprise can coexist alongside inefficient parastatals and a government bureaucracy infested with practices of patronage and clientelism. At the same time, however, the case of *Staatsolie* illustrates how the dynamics within a pocket of effectiveness – in particular, the need to consolidate the market position and diversify production – lead to changing preferences about the relations with the state. Current discussions about the public offering of *Staatsolie* in international markets may produce a legal *volte-face* in the relationship between *Staatsolie* and the Surinamese government as that would lead to de facto privatisation (interview Gemerts, 7 April 2004, and Waaldijk, 17 February 2011).

The theoretical significance of *Staatsolie's* case is that it brings out clearly how a company could be set up that is committed to the acquisition and further development of technological and managerial expertise, despite its insertion into a patrimonial environment. The discussion of the conditions for *Staatsolie's* role as a development agent (section 4) attributed the company's success to its double strategy, built on the management vision and ideological commitment of the company's leadership, and the ability on the part of management to steer away from political influences and to play out politically the formal-legal position of the firm in the petroleum sector. It is important to realise that these were, at most, necessary, and clearly not sufficient conditions for *Staatsolie's* success. In particular, the fact that the company started as a marginal enterprise in 1980 and remained in the shadow of major rent-producing activities – such as, in particular, the bauxite sector and Dutch development assistance – until the mid-1990s produced the conditions under which *Staatsolie's* skills could be developed without much interference from those who, as shareholder, could have pulled the strings.

Despite the fact that most people in Suriname now seem to respect *Staatsolie* and its leadership for what has been achieved over the past 30 years, it has to be realised that the immediate external environment for the oil company is not without threats. The major challenges for the company and for its desire to maintain its role as a development agent in the years ahead seem to be related to the same factors that contributed to *Staatsolie's* achievements. Since the smooth succession of Jharap by someone with a comparable vision and commitment, *Staatsolie's* resolve to continue building on its own abilities seems to be guaranteed. The most important threat to the future success of the oil company is, therefore, to be found in the interaction between *Staatsolie* and the Surinamese government and, particularly in the willingness of the shareholder to grant *Staatsolie* a substantial degree of autonomy. Such autonomy will be required in the light of major decisions on off-shore exploration and exploitation and the further diversification of its activities, for all of which the company will undoubtedly need to attract more private capital than was secured in the US$1 billion investment programme for the 2008-12 period.

Fundamentally, the discussion about *Staatsolie's* future touches upon the nature of Suriname's politics and, broader, its governance structure. As demonstrated by, among others, the Inter-American Development Bank (2001: 4-5), the creation of wealth and other public goods in Suriname is seriously hampered by the pervasive nature of patronage and clientelism, which support rent-seeking rather than productive initiatives. The flowering of initiatives such as *Staatsolie*, aimed at the acquisition of technology and management expertise, is heavily dependent on the capacity and will of the political leadership to curtail patrimonial practices. In this perspective, a major step forward in the securement of *Staatsolie's* legacy would lie in the establishment of more reliable governance structures and the ensuing institutionalisation of mechanisms of effective self-restraint among those working in the Surinamese public sector.

Notes

[1] Research for this chapter was done in two phases. Initial research, including interviews and data collection in *Staatsolie's* documentation centre, was done with financial support from WOTRO Science for Global Development in April 2004. The results of this first phase were published in Hout (2007). Follow-up research was done in February 2011.

[2] See the list of interviewees in the appendix to this chapter.

[3] Suriname does not have all characteristics of a 'petro-state' as described by Karl (1997). Although its reserves per capita (roughly 0.3 billion barrels per million persons) and the share of oil production in GDP (over 11 per cent between 2000 and 2002) would place the country in Karl's category of capital-deficient oil producers, the share of oil in total exports (approximately 2 per cent in 2003) falls far short of the 40 per cent threshold used by the World Bank (Karl 1997: 17). In addition to this, Suriname's oil reserves and the country's share of world oil production render the country insignificant by international standards.

[4] In 1998, the population of Suriname counted roughly 431,000 people, and consisted of 27 per cent Creoles, 40 per cent Hindustanis, 16 per cent Javanese, 12 per cent Maroons (former slaves who escaped to the interior of Suriname), 3 per cent Amerindian and 2 per cent others (St-Hilaire 2001: 1002).

[5] The Bouterse government that took office in 2010 contained only two office-holders of Hindustani background. Both were 'technocrats' with little or no previous political experience: Vice-President Robert Ameerali, former Chairman of the Surinamese Chamber of Commerce, and Minister of Finance Wonnie Boedhoe, former Director of the Surinamese National Development Bank and President of the Association of Economists. Among the other 16 Ministers were five Creoles, five Javanese and six Maroons.

[6] These include at least the Central Office of Population Affairs (Centraal Bureau Burgerzaken), the Internal Revenue Service (Belastingdienst), the Telecommunications Authority, the Surinamese Energy Company (Energiebedrijven Suriname, EBS), the National Transport Company (Nationaal Vervoersbedrijf), Airport Management Ltd. (NV Luchthavenbeheer), the Civil Aviation Safety Authority Suriname (CASAS) and Surinam Airways (De Ware Tijd and Starnieuws, various editions).

[7] A production-sharing service contract is a contract between a state and a foreign oil company, under which the state retains the property rights of all oil that is produced as well as the jurisdiction over the exploitation. Payment of the foreign company for an agreed set of activities (such as a minimum level

of exploration and production) takes place through the granting by the state of a fixed share of the annual oil production to the company (Jharap 1998: 15).

[8] Data on *Staatsolie's* payments to the government were provided by Staatsolie's Financial Department; data on general government final consumption expenditure were taken from World Bank (2010). Overall, it has appeared to be difficult to gather reliable data on the Suriname economy. As documented by a former President of the Surinamese Audit Office, there is systematic underreporting of data related to government spending (Prade 1999).

[9] Differences in the size and nature of operations of oil companies as well as in the financial data provided by these companies make comparisons difficult. A comparison of the financial results reported by *Staatsolie* and by David Wood, President and Chief Executive Officer at Murphy Oil, a firm that is active in exploration off the Suriname coast, shows that the Murphy Oil's average rate of return on investments (24 per cent in the 2005-2009 period) was significantly lower than *Staatsolie's* (Wood 2010: 34).

[10] The *Volkspartij* split over the issue of cooperation with the military. A fraction of the party allied with the military regime under the name *Revolutionaire Volkspartij* (Revolutionary People's Party).

[11] Adhin was a Minister in the government headed by Henk Chin A Sen, which was appointed by civilian president Ferrier after the military coup of February 1980. Chin A Sen and most of his Ministers were recruited from the non-traditional parties, in order to signal a break with the past. Some of the Ministers, including Adhin had a clearly leftist profile, but most of them can be considered to have been 'technocrats' (Buddingh' 2000: 324).

[12] Gulf Geoman was an affiliate of Gulf that was set up to provide technical assistance to oil countries. It had concluded a Technical Assistance Agreement with *Staatsolie* for offshore exploration and drilling in 1981 (Jharap 2010b: 15).

[13] Jharap used the term 'revolution' in accordance with the way in which the military coup of 1980 was (and still is) generally addressed.

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Staatsolie Nieuws, quarterly news bulleting published by the State Oil Company of Suriname

Appendix: Interviews

Leon Brunings: Treasurer, State Oil Company Suriname (5 April 2004)

Vincent Essed: Manager Human Resources, State Oil Company Suriname (6 April 2004)

Glenn Gemerts: Deputy-Director for Mining, Ministry of Natural Resources (7 April 2004)

Dr. Eddy Jharap: Managing Director, State Oil Company Suriname (5 April 2004)

Niermala Hindori-Badrising: Advisor in the Cabinet of the President of Suriname (31 March 2004)

Iwan Kortram: Financial Director, State Oil Company Suriname (6 April 2004)

Dr. Jack Menke: researcher, affiliated with the Anton de Kom University of Suriname (2 April 2004)

Agnes K. Moensi-Sokowikromo: Deputy Director Finance, State Oil Company Suriname (8 February 2011)

Sam Murli: Deputy Director Refining and Marketing, State Oil Company Suriname (8 February 2011)

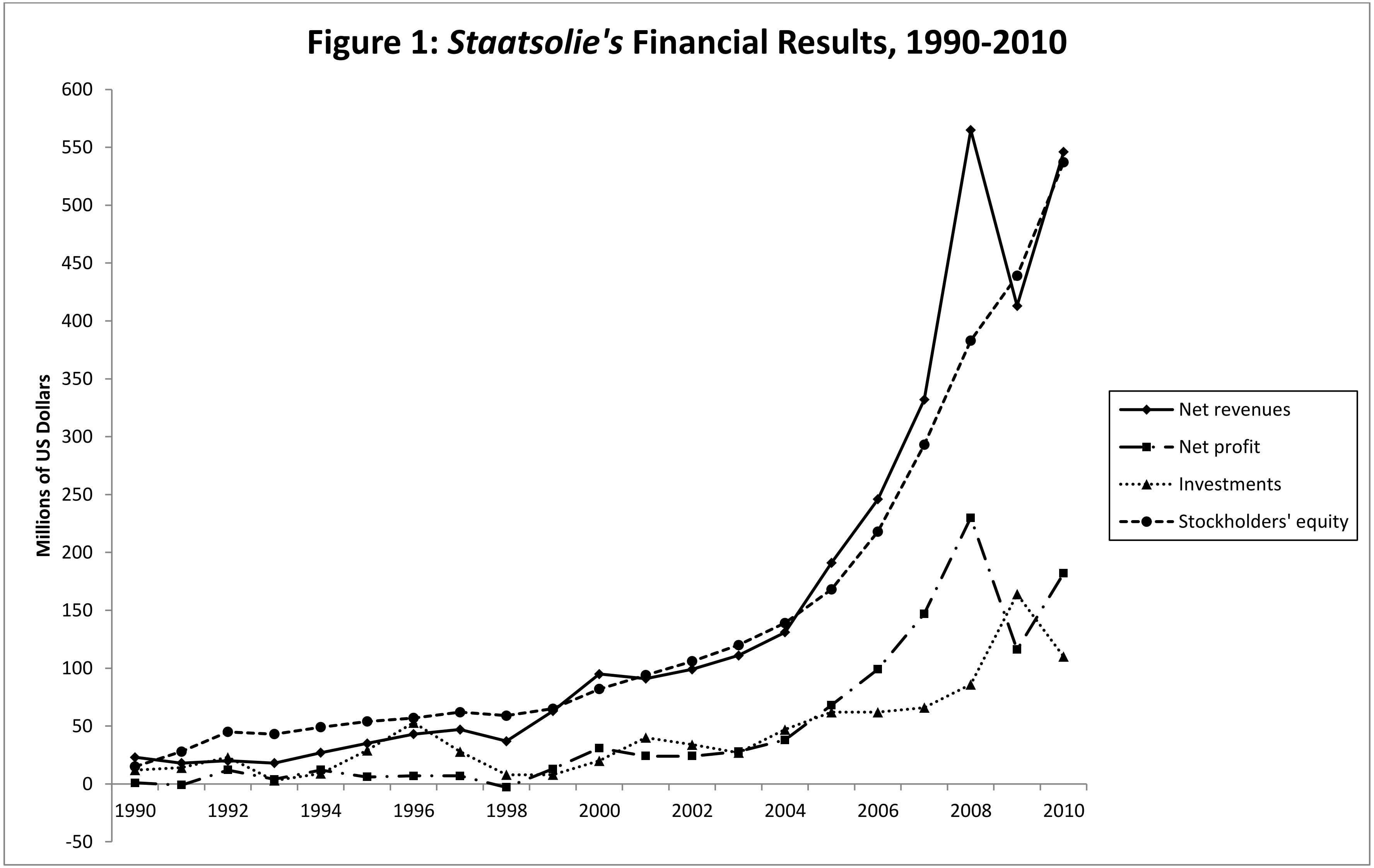
Lloyd Read: Chairman, State Oil Company Employees' Organisation Suriname (SWOS) (6 April 2004)

Dr. Marten Schalkwijk: Director, Nikos – NGO Institute for Training and Research (2 April 2004)

Dr. Jules Sedney: Advisor to the Minister of Trade and Industry and former Prime-Minister of Suriname (1 April 2004)

Mauro R.L. Tuur: Permanent Secretary of the Ministry of Trade and Industry (1 April 2004)

Marc Waaldijk: Managing Director, State Oil Company Suriname (17 February 2011)

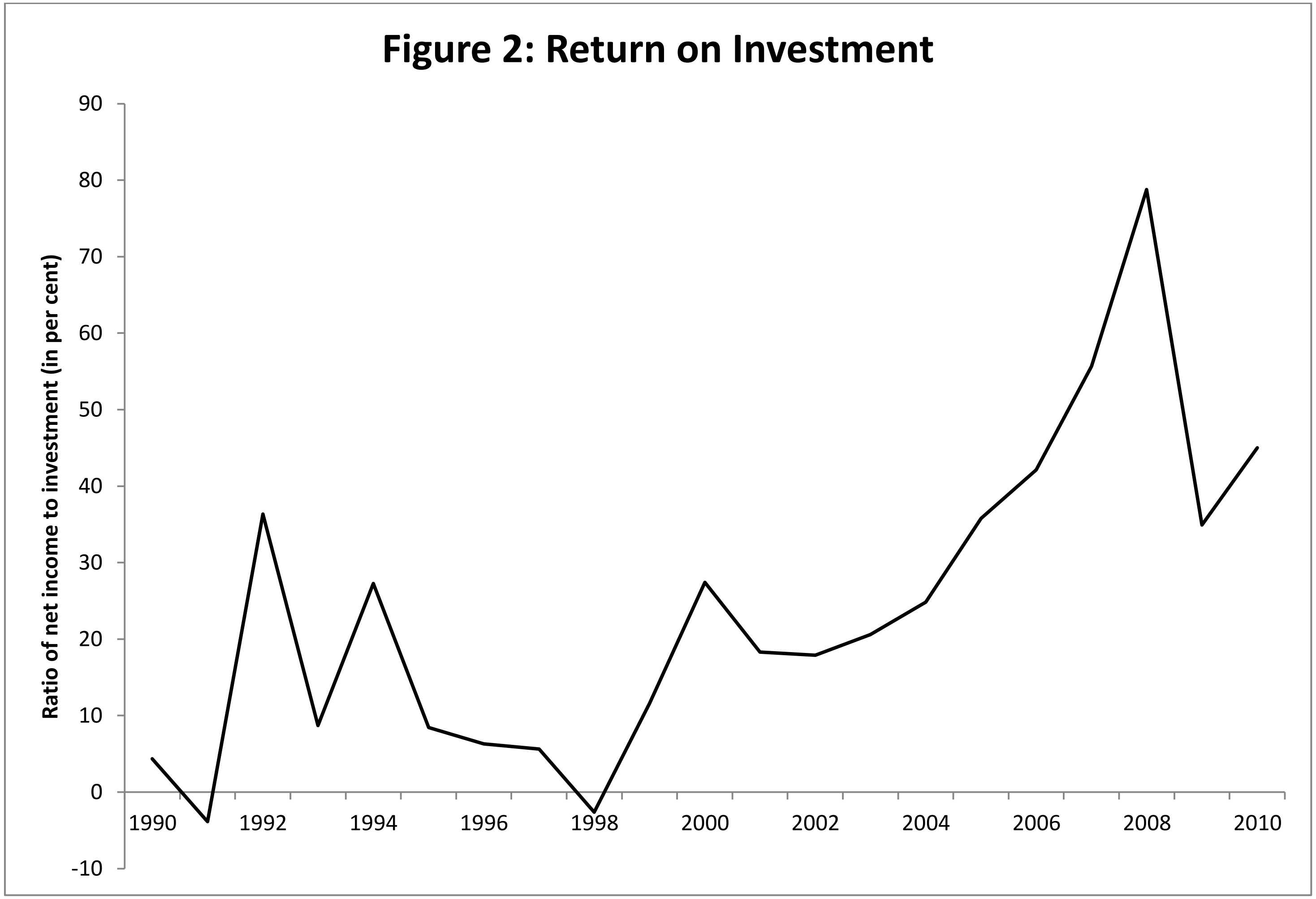


Source: State Oil Company of Suriname, Financial Department

Table 1: *Staatsolie's* Contribution to the Surinamese Economy, 1990-2010

Year	Oil revenues as percentage of Surinamese GDP	Shareholder's equity as percentage of Surinamese GDP
1990	5.8	3.8
1991	4.1	6.4
1992	4.9	11.1
1993	4.1	9.9
1994	4.5	8.2
1995	6.0	7.8
1996	5.7	6.7
1997	6.0	6.7
1998	4.7	6.3
1999	7.9	7.5
2000	11.2	9.1
2001	12.5	12.2
2002	9.7	9.8
2003	9.0	9.4
2004	7.9	9.4
2005	9.7	9.4
2006	9.2	8.3
2007	10.6	9.7
2008	12.3	10.8
2009	8.0	11.4
2010	9.8	12.1

Sources: State Oil Company of Suriname, Financial Department(1990-1994), Annual Reports (1994-2010); World Bank (2010)



Source: State Oil Company of Suriname, Financial Department