

TC Document

I. Basic Information for TC

▪ Country/Region:	SURINAME
▪ TC Name:	Country Analysis of the Effects of COVID-19 for the Identification of Support Areas
▪ TC Number:	SU-T1134
▪ Team Leader/Members:	Khadan, Jeetendra (CCB/CSU) Team Leader; Reyes-Tagle, Gerardo (IFD/FMM) Alternate Team Leader; Beuermann Mendoza, Diether Wolfgang (CCB/CCB); Bhagirath, Vikash (VPC/FMP); Centeno Lappas, Monica Clara Angelica (LEG/SGO); Hoepel, Lucas A (CCB/CSU); Park Kwon, Yery (IFD/FMM); Russell, Mariko (CCB/CSU); Saavedra, Jose Jorge (CCB/CCB); Tjon A Loi, Mariska Chuquita (VPC/FMP)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	29 Apr 2020.
▪ Beneficiary:	Suriname
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Countries(CTY)
▪ IDB Funding Requested:	US\$350,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	Execution period: 24 months; Disbursement period: 25 months
▪ Required start date:	August 15, 2020
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	CCB/CSU-Country Office Suriname
▪ Unit of Disbursement Responsibility:	CCB/CSU-Country Office Suriname
▪ TC included in Country Strategy (y/n):	y
▪ TC included in CPD (y/n):	n
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Productivity and innovation

II. Objective and Justification of the TC

2.1 The general objective of this technical cooperation (TC) is to support the Government of Suriname with an assessment of the impact of the 2019 Novel Coronavirus (COVID-19) pandemic on different economic and social sectors with the aim of identifying a targeted strategy for socioeconomic recovery for the post-pandemic period. The specific objectives of this TC are to: (i) to assess the socioeconomic impact of COVID-19 through the implementation of a Survey of Living Conditions; and (ii) to establish a set of priority actions to be implemented in the short to medium term to support the socioeconomic recovery of Suriname.

2.2 **Justification.** The highly contagious Coronavirus has reached every continent except Antarctica and is rapidly spreading across advanced and developing countries causing unprecedented declines in economic activity. As of July 19, 2020, more than 14.7 million cases were reported worldwide, resulting in 610,007 deaths. Most governments

have put in place social distancing measures and lockdowns which have reduced economic activity and increased unemployment. As a result of the ongoing COVID-19 shock, the International Monetary Fund (IMF) in its June 2020 World Economic Outlook update (IMF, 2020) has forecasted a global recession in 2020, with global growth estimated to contract by 4.9%.¹ With a contraction in global growth of 4.9%, the World Bank estimated that about 71 million people will fall into extreme poverty (below US\$1.90 per day).² There is considerable uncertainty about the duration and intensity of the shock, particularly as it relates to the pandemic and the associated socioeconomic fallout.

2.3 Suriname is along a path of exponential growth in COVID-19 cases. Suriname confirmed its first imported COVID-19 case on March 13, 2020. As of July 19 the authorities confirmed a total of 1,029 cases (or 1,706 cases per million population), active cases are currently at 381, with 21 COVID-19 related deaths, 627 recovered, and 350 persons in quarantine.³ The country is at risk due to challenges in the health system and its proximity to countries with a high number of COVID-19 cases (French Guiana and Brazil).⁴

2.4 In order to contain the COVID-19 spread, the authorities closed all borders (land, sea, and air) on March 14 and implemented a partial lockdown with a curfew on March 28. On April 8, the National Assembly approved the Exceptional Condition COVID-19 (State of Emergency) Law.⁵ The country had a two-week period of no reported cases in May, after which social distancing restrictions were relaxed in the lead up to the May 25 elections. However, after May, the number of new COVID-19 cases started to surge. On June 3, the government announced a total lockdown of the country from June 8 for a period of two weeks. The specific measures included: (i) restrictions on leaving home; (ii) restrictions on public gatherings; (iii) closure of all non-essential companies; (iv) closure of all borders (land, water, and air) and limitations of public and private transportation.⁶ The government has recently eased restrictions on some businesses while enforcing strict social distancing measures, however COVID-19 cases continue to rise. A recent IDB online survey showed that low and middle income households are the ones facing the most adverse effects of the lockdown and social distancing measures as it relates to job and income losses, business closures, difficulties in paying rent and mortgages, and increase in food prices.⁷

¹ IMF (International Monetary Fund). 2020. World Economic Outlook, June 2020: A Crisis Like No Other, An Uncertain Recovery. Washington, DC: IMF.

² Mahler, Daniel; Laknerr, Christoph; Aguilar, Andres; and Wu, Haoyu (June 2020). Updated estimates of the impact of COVID-19 on global poverty. Washington, DC: World Bank.

³ See Suriname's official COVID-19 database: <https://covid-19.sr/>

⁴ As of July 16 2020, Suriname was ranked 80 out of 215 countries, territories, and conveyances for total reported cases of COVID-19 cases per million population. Using the same metric, French Guiana was ranked second, and Brazil was in position 15. See <https://www.worldometers.info/coronavirus/>

⁵ The Government of Suriname established a National COVID-19 Management Team to coordinate the health response and effectively manage the spread of the COVID-19. In addition, the authorities established a SRD400 million Emergency Fund to finance social support measures including housing related expenses. A separate SRD300 million Production Fund was established to support small and medium-sized enterprises. The Emergency Funds will manage both national and international resources obtained for tackling the pandemic.

⁶ See Suriname's official COVID-19 database: <https://covid-19.sr/>

⁷ <https://www.iadb.org/en/research-and-data/idb-coronavirus-survey>

2.5 Suriname's economy is expected to contract by 5 percent in 2020 due to the ongoing COVID-19 shock (IMF, 2020).⁸ The ongoing COVID-19 shock would mostly impact economic growth through commodity prices and the partial lockdown of the domestic economy. The country's fiscal deficit, which has had an average of 8.3 percent of GDP over the last 5 years, is expected to remain high and debt, which increased to 76 percent of GDP in 2019, is expected to further increase in the coming years (IMF, 2020). Suriname's sovereign credit rating was downgraded to selective default (SD), restricted default (RD) and Caa3 by Standard and Poors, Fitch and Moodys respectively in July 2020.⁹ The IMF's 2019 Article IV report for Suriname also noted that there are vulnerabilities to the banking system with low profitability and high non-performing loans,¹⁰ large current account deficits, a large parallel exchange rate premium and low and declining international reserves.¹¹

2.6 The slowdown of economic activities due to the lockdown is hurting the income and consumption of most people and could have long lasting socioeconomic consequences. Social distancing measures are having adverse socioeconomic impacts on human contact industries and their dependents, with possible long-term scarring on small and medium enterprises.¹² The last Survey of Living Conditions for Suriname was undertaken in 2017. It found an overall poverty rate of 26.2 percent, with an additional 13.1 percent of the population classified as vulnerable.¹³ The incidence of poverty in the interior region was much higher, at 47 percent. Income inequality was high, with a Gini coefficient of 0.48. Based on statistics from the 2019 World Bank Enterprise Survey, firms in four vulnerable economic sectors (i.e. hotel and restaurants, retail, transportation, and construction) account for more than 72 percent of permanent full-time private sector employees. Most businesses in the human contact industries and households that depend on them would face losses in jobs and incomes. A recent IDB study showed that about 17.6 and 26.3 percent of workers in sectors (i.e. services and sales and elementary occupations) that are being adversely affected by the COVID-19 restrictions are classified as poor while another 19 percent are classified as being vulnerable to poverty.¹⁴ Those vulnerable groups will be further affected by high inflation as the country's inflation rate increased to 31.6 percent in May 2020 from 4.2 percent since the end of 2019 (year on year).

2.7 The socioeconomic impact of COVID-19 is expected to be large implying the need for an adequate and targeted policy response. However, adequate publicly available

⁸ IMF (International Monetary Fund). 2020. World Economic Outlook, April 2020: The Great Lockdown. April. Washington, DC: IMF.

⁹ Subsequently, Standard and Poors raised Suriname's sovereign credit rating to CCC from SD and Fitch also upgraded the rating to CC from RD. The main reason for the adjustment was the consent from bondholders to restructure the amortization schedule of the sovereign's US\$125 million December 2023 bond.

¹⁰ The capital adequacy ratio for the banking system stood at 10.5% (above the 10% minimum requirement) as of July 2019 (latest data). The ratio of non-performing loans to gross loans stood at 12.5% in July 2019, similar to Guyana's (12.2%) but much higher than 3% for Trinidad and Tobago. Profitability improved in July 2019 but remains low at 0.7% return on assets. Liquid assets to total assets amounted to 43.2% of total assets and 86.6% of short-term liabilities in July 2019 (IMF, 2019).

¹¹ Central Bank of Suriname.

¹² Human contact industries (such as arts, entertainment and recreation, wholesale and retail, construction transportation, hotels and restaurants) accounts for an estimated 25% of the country's GDP.

¹³ The poverty thresholds used are calculated using consumption data from the 2017 Survey of Living Conditions (see [Beuermann and Flores Cruz, 2018](#) for further details).

¹⁴ Khadan, Jeetendra. 2020. COVID-19: Socioeconomic Implications on Suriname. Inter-American Development Bank, Technical Note. IDB-TN- 1920, 2020.

household level data is lacking to assess the impact of COVID-19 on Suriname. As such, this TC will conduct a Survey of Living Conditions that will generate the data and information needed to assess the economic and social impact of the COVID-19 pandemic in Suriname. The information will form a critical input to identify viable policy priorities to support socioeconomic recovery in a targeted and efficient manner. This is important given the country's ongoing fiscal and macroeconomic challenges. In that regard, this TC can provide critical inputs for future Bank operations on Suriname's socioeconomic recovery.

2.8 Strategic alignment. This TC is consistent with the Second Update of the Institutional Strategy 2020-2024 (AB-3190-2) and is strategically aligned to the cross-sectional area of enhancing institutional capacity and the rule of law and promoting technology and innovation by enhancing social protection policies and delivery mechanisms and convening actors for open government and transparency. The operation also contributes to the Corporate Results Framework (CRF) 2020-2023 (GN-2727-12) through the indicator Social Inclusion and Equality and Productivity and Innovation, by improving the efficiency of social safety nets and reduce socioeconomic inequalities and strengthen the public sector institutions to achieve macroeconomic sustainability. Likewise, it is aligned with the priorities of the Sector Strategy on Institutions for the Promotion of Growth and Social Welfare (GN-2587-2) and is consistent with the Sectorial Framework for Fiscal Policy and Management (GN-2831-8) which underscores the importance of institutional capacity-building in the public sector to design and implement fiscal policies that improve efficient mobilization and allocation of resources that improve equity and social inclusion, and improving the efficiency and quality of spending and service provision. The TC also aligns with the [Country Strategy Alignment of Suriname 2016-2020](#) contributing to attain fiscal sustainability in the medium term. Finally, it is aligned to the Ordinary Capital Strategic Development Program for Countries – Economic Growth Priority (CTY, GN-2819-1) to support the institutional strategy and generate knowledge, dissemination and innovation to strengthen the Bank response efforts to support countries during this pandemic as it focuses on socioeconomic impacts of COVID-19 on vulnerable populations with potential benefits to fiscal and macroeconomic sustainability.

III. Description of activities/components and budget

To achieve the objectives and strategies, this TC will finance the support of the following activities:

3.1 Component I: Assessment of the socioeconomic impact of the COVID-19 pandemic in Suriname (US\$ 325,000). Through this component, the TC will generate knowledge that will inform the development of methodologies and tools with a view to reestablish sustainable and equitable growth for the period during and after the pandemic in key areas affected by COVID-19. This component will finance the following activities: (i) conduction of a Survey of Living Conditions for Suriname with an enhanced labour market module to assess the socioeconomic impact of the COVID-19 pandemic on vulnerable groups, social safety nets and the labour market; (ii) the provision of trainings for fieldwork to conduct the survey; (iii) technical works to support the drafting and piloting of questionnaires and collection of data and (iv) studies assessing the socioeconomic impact of COVID-19 on households and vulnerable groups in Suriname based on survey results. Particularly, the Survey of Living Conditions will provide the Government of Suriname with a comprehensive

database and assessments of the COVID-19 pandemic on poverty, inequality and other socioeconomic impacts. The survey will include a set of modules to measure the effect of COVID-19 on poverty, inequality, gender issues, education, health, social programs and labour market covering an estimated 7,020 individuals in 2,033 households. The results of the survey will be analyzed and consolidated into a targeted strategy for socioeconomic recovery focusing on the following policy objectives: (i) to improve the effectiveness and efficiency of the country's social protection program; (ii) to improve education and labour market alignment policies to reflect the post COVID-19 business and work environments; and (iii) to support the health policy response in the context of the country's existing health challenges amidst the COVID-19 pandemic. The knowledge product will provide a detailed assessment of the socioeconomic impact of the COVID-19 pandemic in Suriname including an evidence-based strategy for socioeconomic recovery. Given the social distancing measures in place, in case in-person method of data collection is not feasible, alternative digital communication tools (such as mobile survey or digital survey) will be adopted in order to collect and weight the data.

3.2 Component II: Dissemination of knowledge product and policy dialogue (US\$ 25,000). This component aims to manage the knowledge and tools developed in Component 1 in order to enhance the lessons learned from the pandemic caused by COVID-19 and assess the adaptability and scalability of the measures implemented during the pandemic that lead to resume economic growth with equity in Suriname. This component will finance knowledge dissemination events carried out virtually and through the channels currently used by the Bank for dissemination of knowledge and coordination of policy dialogues with the Suriname government and relevant policy makers to socialize survey and research results.

3.3 The estimated budget for the operation amounts to US\$ 350,000 which will come from the Ordinary Capital Strategic Development Program for Countries – Economic Growth Priority (CTY). The execution period of this TC will be 24 months (24 months of execution and 25 months for disbursement). The products and results of this TC will also be shared with the Secretariat of the Program.

Indicative Budget (US\$)

Activity/Component	Description	IDB / CTY Funding	Total Funding
Component 1. Assessment of the socioeconomic impact of the COVID-19 pandemic in Suriname	Through this component, the TC will generate knowledge that will inform the development of methodologies and tools with a view to reestablish sustainable and equitable growth for the period during and after the pandemic in key areas affected by COVID-19.	US\$325,000	US\$325,000
Component 2. Dissemination of knowledge product and policy dialogue	This component aims to manage the knowledge and tools developed in Component 1 in order to enhance the lessons learned from the pandemic caused by COVID-19 and assess the adaptability and scalability of the measures implemented during the pandemic that lead to resume economic growth with equity in Suriname.	US\$25,000	US\$25,000

Total	US\$350,000	US\$350,000
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3.4 The designated focal point with responsibility for the execution and supervision of this TC will be the Operations Senior Associate Lucas Hoepel (CCB/CSU) and Economics, Senior Specialist Jeetendra Khadan (CCB/CSU).

IV. Executing agency and execution structure

4.1 At the request of the Government of Suriname, this TC will be executed by the IDB. The IDB's Country Office in Suriname (CCB/CSU) in close collaboration with the Fiscal Management Division (IFD/FMM) will have technical responsibility for the execution of the TC. The IDB team will lead implementation, oversight of TC activities and coordination of results with authorities in Suriname. CCB/CSU and IFD/FMM will be responsible for procurement of required services.

4.2 The IDB is best-placed to coordinate information and activities with relevant public and private sector stakeholders during the COVID-19 pandemic, which is drawing heavily on public sector personnel and financial resources. Furthermore, the IDB will be able to leverage its extensive network of internal and external subject-matter experts and well-established relationships with stakeholders in order to facilitate timely execution. Furthermore, in accordance with Annex 10 of GN-2629, the Government of Suriname and the IDB agree that contracting by the IDB would guarantee that the products meet the appropriate quality standards and enhance the independence of the studies.

4.3 Procurement and Contracts. The activities to be carried out under this operation have been included in the Procurement Plan (Annex IV) and will be executed in accordance with the Bank's established procurement policies namely: (a) hiring of individual consultants as established in the regulations AM-650; (b) hiring of consulting firms for services of an intellectual nature according to GN-2765-4 and its associated operating guides (OP-1155-4) and; (c) hiring of logistics services and other services than consulting according to the policy GN-2303-28. The Bank will use a Single-Source Selection hiring process for the consulting firm Sistemas Integrales Consulting (SI) as this task represents a natural continuation of previous work carried out by the firm, that is the Survey of Living Conditions 2016/2017. Only this firm is qualified or has the experience of exceptional worth for this assignment and it presents a clear advantage over competition. Single-Source Selection is justified given that the firm successfully designed and executed the Survey of Living Conditions 2016/2017 and, therefore, possess the household level contact information of the targeted sample. Clearly, access to the household level contact information is central for the execution of this TC and the firm is the only private firm in possession of such information. In addition, the preceding work of SI in terms of having personally interviewed the targeted households, provides direct familiarity of the targeted individuals with the firm and, therefore, a reduced likelihood of the incidence of non-response rates.

4.4 Fiduciary regulations. The financial management of the operation will be governed by the provisions of the Financial Management Guide for Projects financed by the IDB (OP-273-12).

4.5 Audited reports and financial statements. Considering that the Bank will be the executing agency, in accordance with the provision of the Financial Management

Guide for Projects Finance by the IDB (OP-273-12), the presentation of financial audit reports is not required.

V. Major issues and risks

5.1 Risks for this project are low due to the direct request by the Government of Suriname for this client support Technical Cooperation. The main risk relates to the implementation of the survey in Component 1 in a timely manner due to ongoing social distancing measures related to the COVID-19 pandemic in Suriname. The team will utilize digital communication technologies to mitigate this risk if it materializes. IDB had conducted a similar Survey of Living Conditions in 2017 and the same sample is planned to be used. Out of the 2,033 households interviewed in the 2017 Survey of Living Conditions, 92% (1,868) provided valid mobile phone numbers. Therefore, it is a very high coverage with minimal risk of biasing results. Moreover, IDB will use available socioeconomic and living standards information (including on consumption and poverty), to appropriately reweight the data to be collected via telephone so that representativeness will be maintained.

5.2 Another risk is the political will to carry out the recommendations. To mitigate this risk, the project team will ensure an inclusive and technical approach on a wide range of stakeholders during TC execution, which would not be dependent on the political cycle. A final risk relates to the planning to conduct face to face seminars to discuss the policy implications and findings of the Survey of Living Conditions and related studies. This could be affected if social distancing measures remain in effect at the time implementing Component 2. To mitigate this risk, it would use a wide range of digital platforms to disseminate the information through interactive webinars with stakeholders in the government, private sector, academia, and the civil society.

VI. Exceptions to Bank policy

6.1 This TC does not involve exceptions related to Bank's policies.

VII. Environmental and Social Strategy

7.1 Given the nature of the TC, no negative environmental impacts are foreseen. The TC will support the strengthening of processes and capacities of the Ministries of Finance and similar agencies, for which reason public works or infrastructure will not be financed. In accordance with the Bank's Environmental and Safeguards Compliance Policy (OP703), this operation has been classified in category "C". See [Safeguards Policy Filter Report \(SPF\)](#) and the [Safeguard Screening Form \(SSF\)](#).

Required Annexes:

[Results Matrix - SU-T1134](#)

[Procurement Plan - SU-T1134](#)