

TC Document

I. Basic Information for TC

▪ Country/Region:	SURINAME
▪ TC Name:	Support to the Design of Active Labor Market Policies in Suriname
▪ TC Number:	SU-T1143
▪ Team Leader/Members:	Cruz Aguayo, Yyannu (SCL/LMK) Team Leader; Urquidi Zijderveld, Manuel Enrique (SCL/LMK) Alternate Team Leader; Alfonso, Mariana (CSD/CCS); Carolina Echeverri (SCL/SCL); Cecilia Siccha (SCL/LMK); Centeno Lappas, Monica Clara Angelica (LEG/SGO); Davis, Timyka Anishka (SCL/LMK); Flores Aguilar, Adrian (CSD/CCS); Gonzalez Herrera, Beatriz Maria (SCL/LMK); Hobbs, Cynthia Marie (SCL/EDU); Semmoh, Nadischia (CCB/CSU)
▪ Taxonomy:	Operational Support
▪ Operation Supported by the TC:	SU-L1061.
▪ Date of TC Abstract authorization:	14 May 2021.
▪ Beneficiary:	The Republic of Suriname
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Social Development(SOC)
▪ IDB Funding Requested:	US\$200,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	Disbursement period (36 months); execution period (24 months)
▪ Required start date:	December, 2021
▪ Types of consultants:	Individual and Firms
▪ Prepared by Unit:	SCL/LMK-Labor Markets
▪ Unit of Disbursement Responsibility:	SCL/LMK-Labor Markets
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Productivity and innovation; Environmental sustainability

II. Description of the Associated Loan

- 2.1 The objective of SU-L1061, Labor Market Alignment with New Industries, is to provide support to the Government of Suriname to increase the rate of formal employment in the country, with a special focus on employment of vulnerable populations in green jobs. Among the activities envisioned, the project will support the strengthening of those institutions responsible for planning and implementing upskilling and reskilling activities aligned with the above objective.

III. Objectives and Justification of the TC

- 3.1 This Technical Cooperation (TC) will provide necessary inputs for project design (of SU-L1061) related to the strengthening of the technical and vocational training system, with a demand-driven perspective.
- 3.2 Suriname has a population of 581,363 and an almost even gender distribution, with 292,255 (50.27 percent) males and 289,108 (49.72 percent) females. According to

Khadan (2020), 26.2 percent of Suriname's population is poor, 36.6 percent is vulnerable¹ and the poverty rate in the interior region is 47.9 percent. While women and men are equally likely to be poor, persons employed in services and sales (17.6 percent of whom are classified as poor) and elementary occupations (26.3 percent of whom are classified as poor) are most vulnerable to income and economic losses from the crisis ([Khadan, 2020](#)).

- 3.3 The total labor force is 207,733 (World Bank, 2020). Given the geographic dispersion of the island, the labor market in Suriname is complex. Approximately 75 percent of the data related to the economically active population is reflective of the labor market in the coastal regions of Paramaribo and Wanica. Little labor market information is available on the gold sector of the remote areas of the interior, or the agricultural sector and tribal populations of the interior.
- 3.4 Suriname had relatively low levels of unemployment, at 7.9 percent in 2016, in contrast with other countries in Latin America and The Caribbean such as Colombia (8.7 percent), and Brazil (11.6 percent) (ILO, 2021). Around 68 percent of the workers belong to the services sector, 25 percent to the industry sector, and 7 percent to the agriculture sector. 86 percent of workers report to be employees, while around 11 percent are self-employed (ILO, 2019). Women account for only 37.7 percent of the economically active population and are overrepresented among the unemployed (64.4 percent) and not economically active (66.7 percent).
- 3.5 The rate of labor participation among youth (15 – 24) in Suriname lags the rate of participation among adults. Young people are significantly more likely to be out of work than older people, representing only 9.41 percent of employed persons in 2016, 11.76 percent and 10.79 percent in 2017 and 2018, respectively. Among youth between 15-29 years old, one a half were economically inactive in 2016, and 14.7 percent were not in education, employment, or training. In addition, those who participated in the labor force faced unemployment rates of 18 percent (ILO, 2021).
- 3.6 Similarly, tribal populations and persons in the remote areas of the interior are less likely to be engaged in formal employment than people in the coastal areas because they are mainly employed in agriculture and mining, sectors with informality rates of 84 percent and 56 percent, respectively (ILO, 2021).
- 3.7 Similar to other countries in the region, the Government of Suriname is the largest employer with 22 percent of employed working in the public sector (Robles & Tapia, 2016). Around 18.8 of workers are classified as services and sales workers, 14.2 as craft and related trade workers, 9.8 as plant and machine operators and assemblers, and 5.5 as skilled agricultural, forestry and fishery workers (Khadan, 2020).
- 3.8 **Nevertheless, informality persists.** Despite challenges in defining the size of the informal economy in Suriname, a recent IDB publication estimates the informal sector at 11 percent of GDP in 2013, reflecting a downward trend compared with 14 percent in 2012 ([Peters, 2017](#)). In addition, according to the 2016/17 Suriname Survey on Living Conditions (SSLC), the share of informal employment with respect to total employment is 52 percent.
- 3.9 Suriname's economy is highly concentrated in the extractive industries (gold, oil, and bauxite), which play a dominant role in driving growth, employment, and government

¹ Households with monthly per capita consumption above the non-extreme poverty line but below 1.25 times such line.

revenues while also exposing economic performance to commodity price fluctuations (The World Bank, 2019). On the other hand, Suriname's Policy Development Plan 2017-2021 contemplates different strategies to support the growth and diversification of the economy (and to create more and better jobs). It includes promoting investment, growth, and participation in international trade in existing agrarian and agro-industry production clusters like rice, bananas, fishing and aquaculture, and in new sectors like oil-palm, biomass for energy and fibre industry, and cocoa processing; support the development of the knowledge sector by encouraging research and the use of information technology in the private sector, and producing, through the education institutes, certified individuals with the technical and social skills that respond to the demand for skilled technical and senior staff. The plan also calls for enhancing the sustainability of mining by improving the regulatory framework.

- 3.10 As such, sectors such as fisheries, specialized agricultural goods, and tourism can potentially contribute to increasing private sector participation, diversification, and expansion into external markets. But the private sector's ability to take advantage of these competitive opportunities is hindered by barriers in the enabling environment and at the firm level. One of these barriers has to do with a lack of a skill development system oriented to strengthening the specific skills required in those sectors. In fact, the World Bank's Enterprise Surveys from 2010 identified among the four largest problems facing businesses in Suriname inadequately educated workforce (IDB, 2014).
- 3.11 While the Decent Work Country Programme focuses on improving the effectiveness and quality of Technical and Vocational Education Training (TVET) (ILO, 2019), firms' perception of high and vocational education is poor. According to a recent survey carried out by the International Labour Organization, 29 percent of business owners and managers perceive that there is insufficient² vocational education in the country, especially in primary and tertiary sectors. Moreover, just 3 percent believe that higher and vocational education in Suriname meets the needs of the business community (ILO, 2020).
- 3.12 As a result, there is a high perception of skills shortages among business owners and managers. Almost 75 percent find it difficult to find and recruit employees with the right skills. Moreover, 50 percent agree that these shortages negatively impact their daily activities and, over 40 percent indicated that the skill shortage has a negative effect on their ability to develop new products. Furthermore, responders also pointed to high employee turnover as a reason for companies being hesitant to invest in employee training (ILO, 2020).
- 3.13 One of the main causes of the misalignment between the skills needed and those available is the heavy theoretical nature of the curriculum, particularly at the higher and vocational levels. In the whole country there are 54 vocational secondary schools, only three higher vocational schools and one university. Especially in vocational secondary student preparation is inadequate, and the curriculum and learning materials are outdated (IDB, 2011).
- 3.14 This TC will support advancements in project design by first characterizing the potential mismatch in the skills demand and supply. The project will have as a priority developing the quality and quantity of human resources in sustainable sectors with

² The question of the survey was: do you think that there is sufficient vocational education in Suriname?.

potential for the creation of green jobs. Skills development should increasingly be demand-driven and reflective of the needs and requirements of industries. A key element of successful skills development systems is the active role of employers in the design and delivery of skills development programs, specifically in identifying skills needs of industries, developing relevant curricula based on those needs, establishing the quality assurance mechanisms for assessment and verification of standards. The products of this TC will be direct inputs in the design of SU-L1061. The Bank will engage the Government of Suriname, through the Ministry of Labor as Executing Agency (EA) of SU-L1061, in assessments of the macroeconomy, skills development systems, and labor intermediation mechanisms.

- 3.15 **Strategic Alignment.** TC is aligned with the Second Update to the Institutional Strategy (2020-2023) (AB-3190-2) and the Corporate Results Framework (2020-2023) (GN-2727-10). To the development challenge: (i) Social Inclusion and Equality through promoting properly prepare young and remote areas population to enter the labor market; (ii) productivity and innovation through reducing the skills shortage among firms; and (iii) Environmental sustainability, through promoting the creation of green jobs. The TC will contribute to the 2020-2023 Corporate Results Framework (CRF) through the beneficiaries of employment support initiatives indicator. The TC is also aligned with the priorities of the sector strategy, "Social Policy for Equity and Productivity" (GN-2588-4) as it contributes towards efforts to promote higher labor market productivity among vulnerable persons. The TC is in alignment with the objectives of the Strategic Development Program for Social Development (SOC) according to the GN-2819-1 to strengthen public institutions efforts to become more effective in social programming, group targeting, and social sector project execution. Finally, this TC is aligned with the Tier 1 approach of Vision 2025 - Reinvest in the Americas: A decade of Opportunity (GN-3025 5(2/21)), Working towards Sustainable and Inclusive Economic Growth. The TC is also consistent with CCB's sub-regional strategy initiative "Built Forward", through its social pillar of providing support to Caribbean countries to define sustainable development pathways for their transformation in a smart and resilient manner. The TC is consistent with the IDB Sector Framework Document for Labor (SFD) (GN-2741-12) contributing to the goal of the SFD to assist the region's young people, the unemployed, underemployed, hard to employ, make the transition to work faster, more effectively and with better earnings prospects (5.3.A). It is consistent with SFD's mandate to design interventions which are evidenced based and draw on existing knowledge and where no prior knowledge is available, the groundwork will be laid for knowledge generation to inform future operations. The execution of the TC will take into consideration Regional Strategies that might be relevant for the action plans and policy dialogues. The Bank is actively supporting the Government of Suriname with the design of SU-L1061 "Labor Market alignment with new Industries.
- 3.16 The Bank continues to offer advisory services through technical cooperation operations which identify training and skills needs (ATN/OC-12597-BH); (ii) design a roadmap and action plan for reform of its skills development system (ATN/KP-15014-RG); and (iii) support labor markets and skills development with a special emphasis on capacity and institution (ATN/OC-14040-BH). The proposed strategies are aligned with the Country Strategy of Suriname (GN-2873) under the area of safeguarding social outcomes intermediation mechanisms.

IV. Description of activities/components and budget

- 4.1 **Component 1: Predictions of future growth by productive sectors.** Considering Suriname's national plan and commitments of promoting growth in existing and new productive activities, this component will focus on projecting growth according to the current and future economic, environmental, social, international, and regulatory context of each productive sector. This component will include: (i) Characterization and analysis of the current productive sectors of Suriname based on relevant statistics and indicators such as employment, number and size of firms, demand, human capital, inputs availability, productivity, innovation and technology adoption, investment, international participation, potential risks, among others; and (ii) Based on the previous analysis, generate forecasting growth by productive sector using an accurate model that allows capturing the actual trends and patterns. With this component we will provide a complete outlook of economic growth by economic sector, so that future Bank activities better focused.
- 4.2 **Component 2: Assessment of the skills development systems.** The alignment of the skills development system to the needs of employers in strategic growth sectors is essential to supporting a sustainable economic recovery for Suriname. For this reason, this component will generate: (i) Description and analysis of the current skill development system in Suriname putting emphasis on technical and vocational education regard the structure of education institutes, both public and private, programs offered and curriculum, teachers training, institutional accreditation (quality), among others; (ii) Compressive analysis of the main skills and technical competencies that match with the requirements of productive sectors having an active role of employers in the private sector and the new productive clusters; and (iii) Based on the previous analysis, we will create a concrete action plan and road map for the skills development system in Suriname, by identifying core competencies reflective of the needs and requirements of industries. This action plan will contribute as a key input to support the country in the strengthening of their technical and vocational training, which is necessary for a better alignment of skills demand/supply.
- 4.3 **Component 3: Technical and operational consultant, with project management experience.** Looking for the successful development of every stage of the project, we will have a complete monitoring scheme from a project management perspective that will include operational and administrative support. Specifically, this component will generate two diagnostic reports of the institutional architecture of the country and, we expect it will contribute to determining what are the potential areas of partnership and cooperation with the private sector. In particular, this component will include: (i) Diagnostic of the institutional framework and its ability to potentiate formal employment through the cooperation with the private sector, and (ii) Diagnostic of the institutional framework associated with the technical and vocational education system and the participation of the private sector to its improvement.

Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Total Funding
Component 1: Predictions of future growth by productive sector.	Prediction and projection of future growth by productive sectors.	US\$60,000,00	US\$60,000,00
Component 2: Assessment of the skills development systems.	Assessment of the skills development systems currently in place, and concrete suggestions for improvement.	US\$110,00,00	US\$110,000,00
Component 3: Technical and operational consultant, with project management experience.	Technical and operational consultant, with project management experience.	US\$30,000,00	US\$30,000,00
Total		US\$200,000,00	US\$200,000,00

- 4.4 SCL/LMK will provide specialists as a focal point to monitor the activities planned in this TC. If there is a need to travel to Suriname, the staff will cover their travel expenses with the Bank's supervision budget for this TC.
- 4.5 SCL/LMK specialists will oversee the submission of annual progress reports, completion reports (4 months after the date of completion of the operation) and others regarding this TC, as required by the Grants and Co-Financing Management Unit (GCM).

V. Executing agency and execution structure

- 5.1 The Bank will execute the proposed technical cooperation. At the request of the Government of Suriname, the IDB, through the Labor Markets Division (SCL/LMK) will execute this TC given: (i) the Bank, through SCL/LMK has technical expertise in labor market programs, based on international best practices; (ii) administrative burdens can be reduced on the government, particularly in the identification and contracting of international experts; and (iii) the Bank is positioned to provide execution and oversight of the consultancies that will be carried out under this TC. The supervision of this TC will be carried out by the project team. The results of these activities are intended to bring key and timely design inputs to the loan (SU-L1061). SCL/LMK will be responsible for the direction, supervision, and coordination of this TC. The Bank will coordinate its work extensively with the Government of Suriname and other benefitting ministries/entities.
- 5.2 The team leader, Yyannú Cruz Aguayo (SCL/LMK) will be responsible for the execution and expenditure management.
- 5.3 The activities to be executed are included in the Procurement Plan (link below) and will be contracted in accordance with current Bank procurement policies and procedures as follows: (a) Section AM-650 of the Administrative Manual "Complementary Workforce" will be applied in the case of individual consultants; (b) the Policy for the Selection and Contracting of Consulting Firms for Bank-executed

Operational Work (GN-2765-4) and its Operational Guidelines (OP-1155-4) for hiring consulting service of intellectual nature, and (c) the Corporate Procurement Policy (GN-2303-28) for logistics and other related services.

VI. Major issues

- 6.1 The TC will support the Government of Suriname in assessing the skills demanded in strategic and growth sectors given the national priority of economic diversification in sustainable sectors. The success of the project will depend on significant levels of engagement and participation by private and public sector stakeholders, as well as civil society. Insufficient integration, coordination, communication among government agencies may lead to delays in project execution. To mitigate this risk, the TC will finance a technical, operational and administrative consultant with project management experience to support the EA with execution.

VII. Exceptions to Bank policy

- 7.1 None.

VIII. Environmental and Social Strategy

- 8.1 This TC is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Banks Environmental and Social Policy Framework (ESPF).

8.2 Required Annexes:

[Request from the Client - SU-T1143](#)

[Results Matrix - SU-T1143](#)

[Terms of Reference - SU-T1143](#)

[Procurement Plan - SU-T1143](#)