

TECHNICAL MEMORANDUM

Author: Alexis Werestchack

Subjects: Reforming the AOV in Suriname

Executive Summary – Reforming the AOV in Suriname

The challenge

Suriname's **Algemene Ouderdomsvoorziening (AOV)** plays an important role in preventing old-age poverty. Yet, the **current benefit level is inadequate** (23% of the national poverty line). Despite near-universal coverage (87% of elderly in 2023), nearly **1 in 3 older persons lives in poverty or is consider as vulnerable**, especially in the interior and among marginalized groups. At the same time, **occupational pensions reach only 54% of workers**, and are often too low to ensure dignity in retirement.

The opportunity

Suriname's demographic profile and expected growth in oil revenues provide a **unique window to strengthen the AOV without compromising fiscal sustainability**. While expenditures will rise in nominal and constant SRD terms, the **cost of the suggested reformed AOV will remain stable at 1.2–1.4% of GDP** through 2034. Reform is thus feasible and needed.

The reform

We propose a recalibrated “**AOV+**” model starting in 2028, based on three pillars:

1. **Benefit adequacy:** Raise the AOV from 23% to **40% of the poverty line** by 2028, then introduce **automatic indexation** to inflation and partial GDP per capita growth.
2. **Universal coverage:** Maintain non-means-tested eligibility and improve delivery systems, especially in underserved areas.
3. **Hybrid financing:**
 - Retain the existing **4% payroll contribution**;
 - Allocate **45% of oil royalties** (more stable than profit-sharing revenues) to the AOV;
 - Channel surplus into a **reserve fund** projected to reach **2% of GDP by 2032**, enough to cover one year of AOV liabilities.

The impact.

A retrospective simulation using the 2022 Survey of Living Conditions shows the **reform could reduce elderly poverty by 45%**, from 15% to 8.3%. The policy ensures no older Surinamese retires into extreme poverty, while preserving incentives for formal participation in second (occupational scheme) and third-tier pensions (private voluntary scheme).

This reform is realistic, pro-poor, and fiscally feasible. With decisive leadership from MoSAH, it can become a cornerstone of Suriname's inclusive development strategy.

Methodology and Assumptions

All estimations and projections in this memo are mostly based on the **macroeconomic and fiscal simulation model** developed by **Arthur van de Meerendonk** for the ILO.

Macroeconomic assumptions (growth, inflation) were updated using the **IMF's April 2025 projections**, and the **fiscal variables** (general government revenues, oil royalties, and the overall fiscal balance) have been aligned with the **IMF Surinamese Ninth Review (April 2025)**.

In addition, we conducted a Stata **retrospective microsimulation** using the **2022 Survey of Living Conditions** from the IDB to assess the potential **impact of an AOV reform**.

Reference Periods

- **Up to 2024:** Reflects **official program parameters** (coverage, benefit levels, eligibility rules) and macroeconomic data from the **original model**.
- **2025 – 2030:** Model updated using **IMF macro-fiscal projections; demographic projection** (population, labor force participation) remains unchanged from the original model.
- **2030 – 2034:** Projection extended based on the following assumptions:
 - **Inflation:** Constant at **5%** (IMF medium-term forecast)
 - **Real GDP growth:** Gradually deceleration to **3% by 2034**
 - **Oil price and production:** Fixed at **US\$60/barrel**, assuming no new oil projects beyond **Grand Morgu (Block 58)**

Scenario Definitions

- **Initial Scenario:** Continuation of the **current social protection system**, with **no policy changes** (i.e. unchanged benefit levels (except inflation adjustment, eligibility rules).
- **Reform Scenario:** Builds on the Initial Scenario and introduces an **expanded AOV scheme** (i.e. **higher benefit levels**), with associated adjustments on **fiscal impact**.

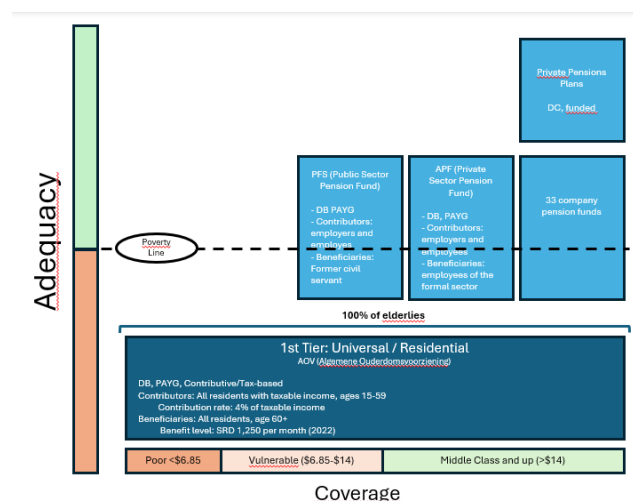
Current Landscape of Old-Age Social Protection in Suriname

Suriname's old-age social protection system consists of a **combination of universal, contributory**, and voluntary schemes, designed to address the diverse needs of older persons. The **MoSAH** plays a central role in providing **non-contributory support**, while contributory pensions are managed by the Ministry of Internal Affairs, and voluntary DC schemes are managed by private organizations. Together, these schemes form a multi-tiered approach to income security in old age.

Despite this architecture, many older people (especially those with a history of informal or interrupted employment) face **significant income insecurity**. According to the **2022 Survey of Living Conditions (SLC)**:

- **10,5% of elderly (aged 60 and above) live below the 6.85\$ poverty line,**
- **And 28 % are considered vulnerable** (between 6,85\$ and 14\$ per day)

The graph below illustrates the Surinamese pension structure:



Source: ILO forthcoming (Comprehensive review report)
Updated – Alexis Werestchack

MoSAH-Led Non-Contributory Programmes

General Old Age Provision (AOV)

The **Algemene Ouderdomsvoorziening (AOV)** is Suriname's main **universal pension** for older persons and the single most important income source for many elderly individuals who worked in the informal sector or had low lifetime earnings.

- **Eligibility:** Residents aged 60+ with at least 10 years of legal residency in Suriname.
- **Benefit level:** **SRD 1,750 (2023)** per month
- **Coverage:** **71 175 beneficiaries in 2022**, covering **around 87% of the elderly population** by 2023.
- **Cost:** Equivalent to **1.2% of GDP in 2022**, making it the **largest social assistance program in the country** in terms of budget.

Key strengths:

- Near-universal reach, especially important in a context of high informality.
- Predictable and regular cash transfers.

Main limitations:

- **Inadequate benefit adequacy:** AOV covers only around **23% of the national poverty line**, leaving many elderly below subsistence level.
- **Limited progressivity:** Higher-income quintiles are slightly more likely to receive AOV benefits.
- **Geographic disparities:** Accessibility issues in interior regions where delivery systems are weaker.

Complementary Non-Contributory Support

MoSAH also implements a range of **complementary programmes** that provide in-kind or cash support to elderly individuals:

- **Koopkracht Versterking (KKV):** A temporary cash supplement to help households cope with inflation. In March

2024, it was still covering **123 441 individuals**, including many elderly.

- **Basic Health Insurance (BAZO/BZV):** Provides free healthcare coverage (insurance fees waivers) for all residents aged 60+.
- **FBMMEB (Disability Grant):** Extended in 2023 to include older persons with disabilities.
- **Home Care Provision and Care Transportation:** Supports elderly individuals who are home-bound or face mobility issues.
- **Subsidies to Elder Care Institutions:** Provides daily subsidies to recognized residential homes for the elderly.

Together, these programmes form a **comprehensive but inadequate and fragmented safety net**. While the diversity of instruments reflects an effort to respond to different vulnerabilities and cover a certain variety of risks, the **lack of integration and long-term financing plans** threatens the sustainability and efficiency of the system.

Contributory Pension Schemes (Outside MoSAH)

In addition to non-contributory support, two main **contributory pension schemes** provide income to elderly workers who have contributed during their careers:

Pensioenfondsen Suriname (PFS)

- Covers civil servants and public sector workers.
- Offers **defined benefit pensions** based on final salary and years of service.
- Remains a **key source of income for retired public employees**, but has limited coverage of the general population.

Algemeen Pensioenfondsen (APF)

- Introduced in 2021 to **expand pension coverage to private formal sector workers**.

- Designed as a **partially funded, mandatory contributory system**, covering a broader share of the workforce.
- Still in its early implementation phase.

Despite their importance, these contributory schemes face **coverage gaps** due to Suriname's **large informal economy**. Many workers do not contribute regularly and are therefore left without sufficient pension entitlements upon retirement. This makes the **AOV and other MoSAH programs as the main sources of incomes for the majority of elderly individuals**, particularly women and rural people.

Another key issue lies in Suriname's low wage levels: the median wage in the formal sector is close to the minimum wage. Consequently, even a full career of contributions results in relatively modest pension benefits, which are often insufficient to fully protect individuals from monetary poverty in old age.

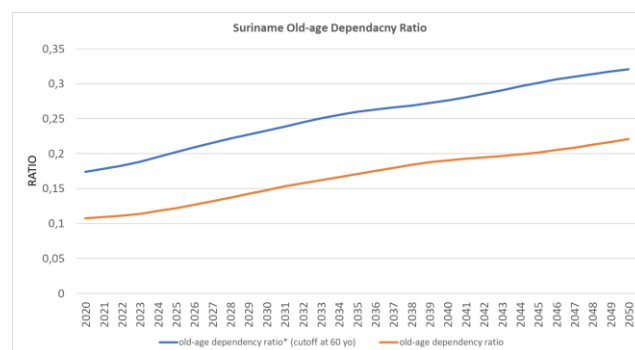
System Strengths and Outlook

Suriname's old-age social protection system has a number of strengths:

- **Wide coverage** through AOV and healthcare insurance.
- A **three-tiered structure** combining universal, contributory, and voluntary schemes.
- **Manageable demographic transition**, with relatively modest increases in the dependency ratio projected over the next two decades.

These features provide a **solid foundation for reform**, especially at a time when fiscal space is gradually improving due to economic recovery and forecast of future oil revenues. However, to ensure **fiscal sustainability and improved impact**, the system will need:

- **Better benefit adequacy**,
- **Stronger equity and progressivity**,
- A more **integrated policy framework** across contributory and non-contributory schemes.



AOV projection (Status Quo Scenario)

The number of AOV beneficiaries is expected to increase steadily over the projection period, rising from approximately **70,000 individuals in 2023** to over **100,000 by 2032**, reflecting the **gradual ageing of Suriname's population**. While total program expenditures in **current SRD** will also increase in line with beneficiary growth and inflation, the **relative cost of the AOV as a share of GDP is projected to decline** (from around **2% of GDP in 2023** to approximately **1% by 2034**). This is largely due to **real GDP growth accelerating after 2029**, driven by expected oil production revenues from **Block 28**.

Fig. AOV Projected Number of Beneficiaries, 2020–2034

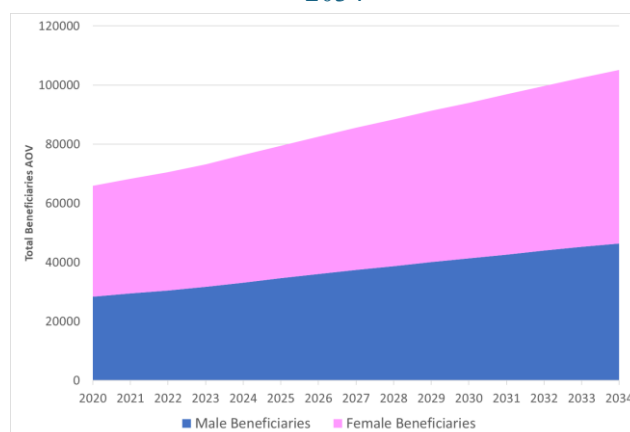
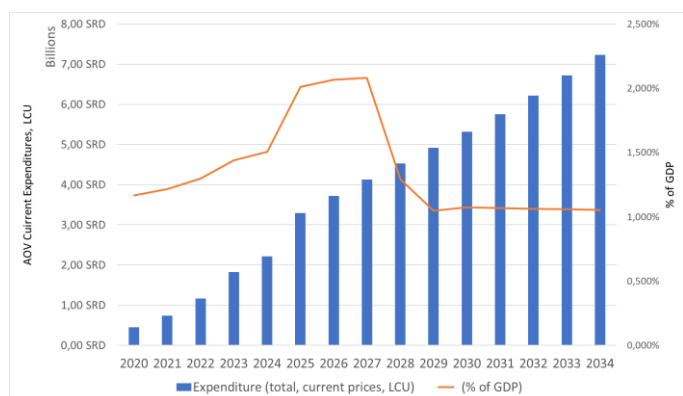
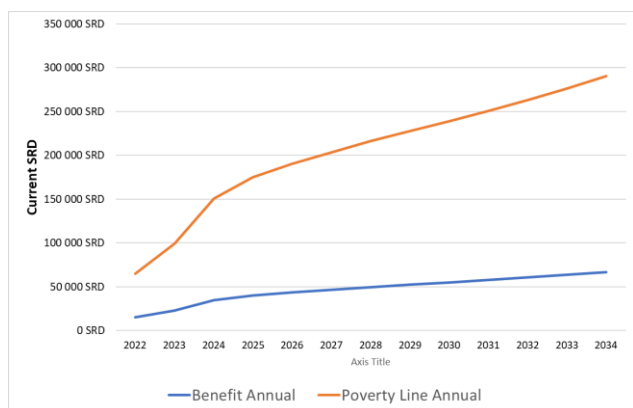


Fig AOV: Expenditures Status Quo Scenario, 2020–2034



The **Algemene Ouderdomsvoorziening (AOV)** remains a cornerstone of Suriname’s social protection system, but its **benefit level is currently insufficient to ensure income security in old age**. As of mid-2023, the AOV provides an income equivalent to only **23% of the national poverty line**, meaning that recipients who rely solely on this transfer **remain below the poverty threshold**.

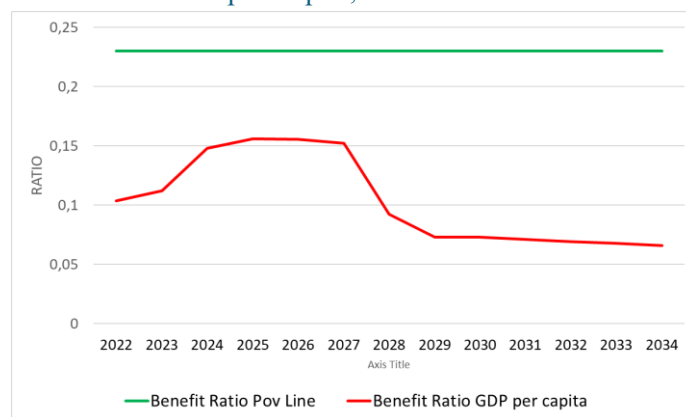
AOV – Projected Annual Benefit versus Annual Poverty Line, 2020–2034



Looking ahead, **projections suggest that relative adequacy may further decline** if the AOV is not regularly adjusted for economic growth. In a scenario of **commodity-driven growth** (notably from increased oil revenues after 2029) **average formal sector wages and GDP per capita** are expected to rise faster than the AOV, **widening the gap** between pensioners and the working-age population. This dynamic could lead to a form of **“relative decoupling”**, where the elderly become increasingly marginalized in economic terms despite overall improvements in national income.

Without adequate **indexation or periodic adjustments**, the purchasing power of the AOV will relatively erode over time, raising concerns about the **future inclusiveness, equity, and social legitimacy** of the old-age protection system.

AOV: Projected Benefit Ratio to Poverty Line and GDP per Capita, 2020–2034



The Need for a More Ambitious AOV in Suriname

Poverty and Coverage Gaps Among the Elderly

While older persons represent **11.1% of the total population**, they account for **6.6% of the poor**, with **15% of individuals aged 60+ living in poverty**. Poverty among the elderly is particularly high in interior regions and among Maroons and Indigenous populations, who face both **lower AOV coverage** and **lower average transfer levels**. Many lack alternative income sources due to limited formal employment and must rely on family support or continue working despite old age or poor health.

Limitations of the Contributory Pension System

Suriname’s **occupational pension schemes** (PFS for public employees and APF for private sector workers) cover only **about 54% of the labor force**, leaving the majority dependent on the AOV. Even among contributors, **low contribution density** and **low formal sector wages** result in inadequate pensions. Although the defined-benefit PAYG model is generous in theory,

replacement rates often fall below the poverty line, rendering the system ineffective for many.

In the short term, this highlights the **centrality of the AOV** in preventing poverty. In the longer term, **economic growth from offshore oil** could improve formal employment and make the contributory system more effective. However, until that transition materializes, a **stronger and more adequate AOV** remains essential to protect the ageing population.

Proposal: Reforming the AOV for Greater Adequacy, Sustainability, and Complementarity

Suriname's old-age protection system does not require a full redesign, but a **targeted reform of the Algemene Ouderdomsvoorziening (AOV)**. To reduce poverty among older persons in the short term (and progressively eliminate it) the AOV must be **strengthened**, while remaining **fiscally responsible** and **complementary to contributory schemes**.

The reform should also align with Suriname's expected economic transition, particularly from future **oil revenues**, which could enable increased formal employment and wage growth. A reformed AOV should anticipate this shift and offer **greater income security** without crowding out participation in **occupational and voluntary pension schemes**.

Key Design Principles for a Recalibrated "AOV+"

- 1. Universal Coverage Maintained**
Maintain a **non-means-tested AOV** to ensure broad inclusion, with simplified registration and delivery (especially in interior regions)
- 2. Improved Benefit Adequacy**
 - **2028 reform:** Raise the AOV benefit from **23% to 40% of the national poverty line**.
 - **Post-2028:** Introduce **automatic indexation**, combining **inflation** and **partial GDP per capita growth**:

$$\text{Benefit}_{(t+1)} = \text{Benefit}_{(t)} \times (1 + \text{inflation}_{(t)}) \times (1 + 0.25 \times \text{GDP growth per capita}_{(t)})$$

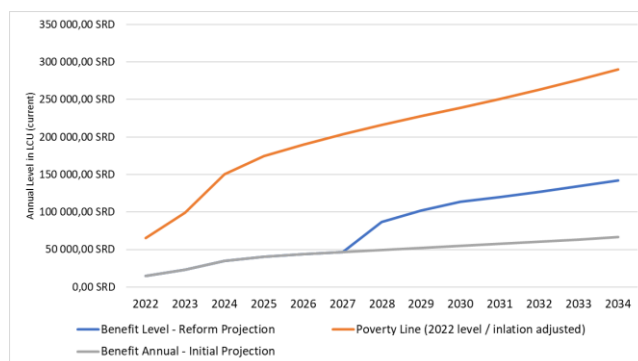
3. Hybrid Financing Model

Combine three funding sources:

- **General taxation** (same level: 4%) to maintain intergenerational solidarity.
- **Transfers from the special oil fund**, to ensure fiscal sustainability and oil profit redistribution.

This approach would ensure that the AOV continues to provide a **guaranteed income floor**, while preserving the **incentive to join the occupational DB schemes**. It would also anchor old-age protection in **national wealth redistribution**, making it more **resilient, equitable, and future-proof**.

AOV – Projected Annual Benefit versus Annual Poverty Line with REFORM, 2020–2034



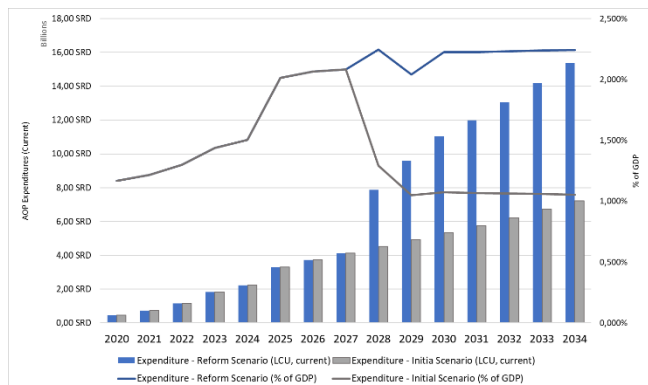
The proposed reform significantly improves the **adequacy** of the AOV. By 2028, the benefit level rises from **23% to 40% of the national poverty line**, and automatic **indexation mechanisms** ensure that the AOV remains **closely aligned with both inflation and GDP per capita growth**. This prevents further decoupling from living standards and secures a more dignified minimum income for older persons over time.

Costing the Reform and finding fiscal space:

As expected, the reform scenario implies **higher total expenditures in nominal and constant terms**, with **AOV costs more than doubling in**

SRD compared to the initial projection. However, the increase remains **modest relative to GDP**, with expenditures stabilizing around **2.2% of GDP** over the period.

Fig. AOV – Projected Expenditures, Reform versus Status quo scenario, 2020–2034



To finance this increase, **new funding sources are needed**, as there is **no fiscal space to raise the existing 4% payroll contribution**. We propose mobilizing a **portion of oil royalties**, which are more **stable and predictable than profit-sharing revenues**. Specifically, allocating **45% of royalties** to the AOV would cover projected needs under conservative assumptions (based on a **US\$60/barrel price**). If oil prices exceed this baseline, **surpluses could be directed to a reserve fund** to absorb future shocks and ensure the programme's **long-term sustainability without burdening general government revenues**.

Tab. General Government Revenues, introducing AOV the oil funding component

REFORM OPTION, % GDP		2021		2022		2023				
Revenues				26.4		26.8	27.3			
Taxes				19.5		18.6	17.3			
Direct taxes				13.4		12.4	9.6			
of which: mineral taxes				7.4		7.9	5.6			
Indirect taxes				6.1		6.2	7.7			
Grants				0.2		0.1	0.3			
Non-tax revenues				6.7		8.1	9.8			
of which: Mineral resource revenues				4.7		6.4	6.7			
o/w Royalties from block 58 oil				0		0	0			
Barrel Price (\$)										
o/w Royalties from block 58 oil (special social fund AOV)				0		0	0			
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
26.7	28.1	28	27.6	24.5	22.8	22.6	22.6	22.6	22.6	22.6
18.9	20.2	19.9	19.7	16.3	15.2	15.2	15.2	15.2	15.2	15.2
9.7	9	9.3	8.8	9.1	9.1	8.8	8.8	8.8	8.8	8.8
5.4	4.6	4.7	4.1	6.1	6.6	6.1	6.1	6.1	6.1	6.1
9.3	11.2	10.6	10.9	7.2	6	6.4	6.4	6.4	6.4	6.4
0.1	0.1	0	0	0	0	0	0	0	0	0
7.8	7.8	8	8	8.2	7.7	7.3	7.3	7.3	7.3	7.3
5.5	5.5	5.7	5.7	6.7	6.4	6	6	6	6	6
0	0	0	0	2.2	2.8	2.6	2.6	2.6	2.6	2.6
0	0	0	0	60	60	60	60	60	60	60
0	0	0	0	0.99	1.26	1.17	1.17	1.17	1.17	1.17

Source: Suriname: 9th Review Table 3b, Suriname: Central Government Operations, (Millions of SRD) & Reform projection

Fig. AOV – Projected Revenues and Surplus/Deficit, (REFORM Scenario), 2020–2034

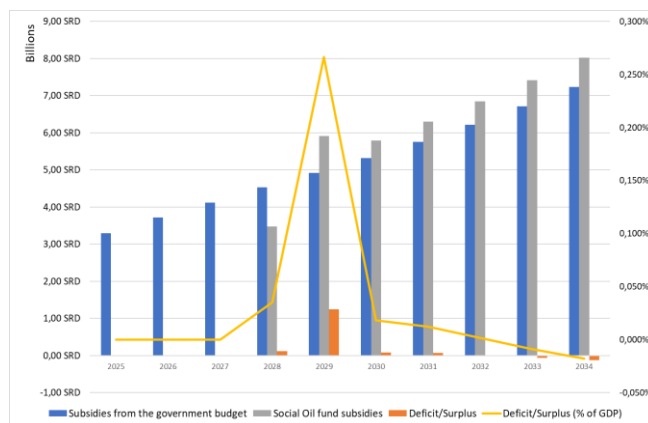
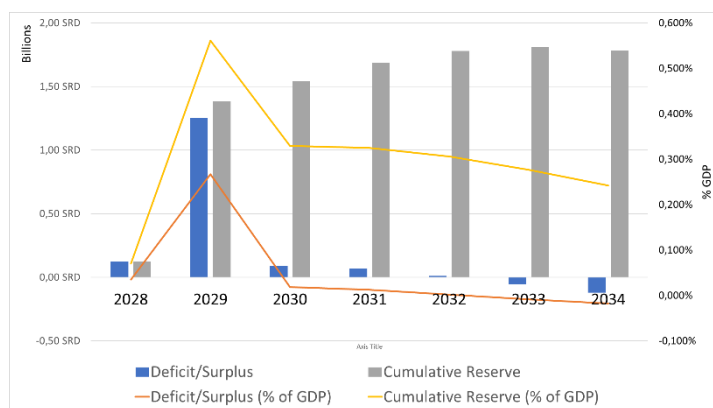


Fig. AOV – Projected Surplus/Deficit and Reserve, (REFORM Scenario), 2020–2034



Under a more optimistic scenario, with an **oil price of US\$80 per barrel**, **royalty revenues would increase by approximately 33%**. This would enable the **Social Oil Fund transfers** not only to fully cover the additional **AOV reform expenditures**, but also to generate a **fiscal surplus**. As a result, a **dedicated reserve** could be established and is projected to reach **2% of GDP by 2032**. This reserve would be sufficient to cover **one full year of AOV liabilities**, providing a critical **shock-absorption buffer** and reinforcing the long-term **resilience and sustainability** of the system.

Fig. AOV – Projected Revenues and Surplus/Deficit (REFORM Scenario), 2020–2034, (Oil 80\$ barrel)

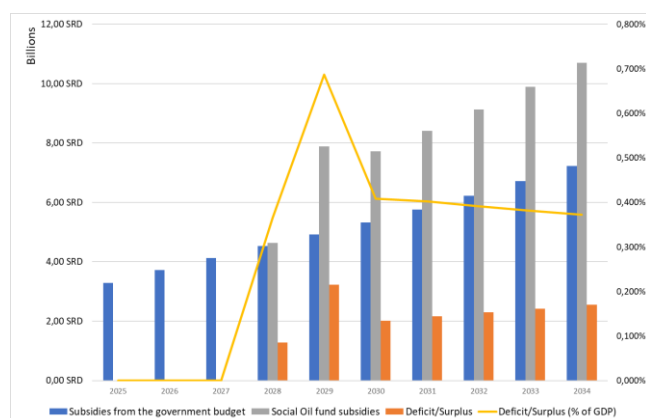
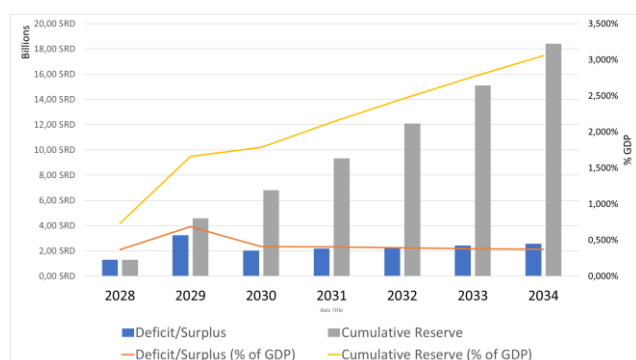


Fig. AOV – Projected Surplus/Deficit and Reserve, (REFORM Scenario), 2020–2034, (Oil 80\$ barrel)



Retrospective Simulation: Poverty Reduction Impact of the AOV Reform in 2022

To assess the potential poverty impact of the proposed AOV reform, we conducted a **retrospective microsimulation** using the **2022 Survey of Living Conditions (SLC)**. The simulation replicates a scenario in which the reformed AOV (raising the benefit from **SRD 1,248 to SRD 2,605 per month** -> 48% of the 2022 poverty line) had been implemented in June 2022. The additional transfer of **SRD 1,357.4 per month per eligible elderly person** was assigned to households with at least one person aged 60 or older.

Assuming **equal sharing of resources within households**, we recalculated per capita household consumption levels before and after

the simulated transfer. The results show a **notable improvement in elderly income adequacy** and a significant reduction in poverty:

- In the baseline scenario, **14.99% of older persons (60+)** lived below the national poverty line.
- Under the reform simulation, this figure drops to **8.3%**, indicating a **relative reduction in poverty of 45%** among the elderly.

These results confirm that **targeted increases in the AOV** can have an immediate and measurable effect on **poverty reduction among older persons**, even in the absence of other structural changes. They also support the case for **maintaining the AOV as a universal income floor**, with improved adequacy and delivery mechanisms.

Tab. Simulated Impact of AOV Reform on Elderly Poverty (2022)

Indicator	Baseline Scenario	Reform Scenario	Change
Monthly AOV benefit per person (SRD)	1,248	2,605	+1,357
AOV benefit as % of poverty line	23%	48%	+25 percentage points
Elderly poverty rate (age 60+, national line)	14.99%	8.30%	-6.69 percentage points

Source: Author's calculations using SLC 2022 and simulated AOV reform parameters. Note: Results based on equal income sharing assumption in Household, Marginal Propension to consume of 100%.

6. Key Findings and Policy Recommendations

Key Findings

- **Old-age poverty remains high in Suriname, with 19% of the elderly living**

below the poverty line, especially in interior regions and among marginalized ethnic groups.

- The current AOV benefit is inadequate, covering only 23% of the national poverty line in 2022, and is projected to decline further in adequacy without reform.
- Despite high coverage, the AOV's fiscal weight is modest and is projected to decline as a share of GDP due to future economic growth, creating space for targeted expansion.
- The contributory pension system remains underdeveloped, covering only 54% of the labor force, and providing insufficient income to most retirees due to low wages and contribution density.
- A retrospective simulation shows that the proposed AOV reform could reduce elderly poverty by 45%, from 15% to 8.3%, confirming its strong potential for immediate impact.
- The reform is fiscally viable under conservative assumptions, and fully sustainable if supported by a dedicated allocation of 45% of oil royalties, with a reserve fund reaching 2% of GDP by 2032 under an \$80/barrel scenario.

Policy Recommendations

1. Adopt an "AOV+" reform strategy starting in 2028, increasing the benefit to 40% of the poverty line, with automatic indexation to inflation and partial GDP per capita growth.

Formula: $Benefit(t+1) = Benefit(t) \times (1 + inflation) \times (1 + 0.25 \times GDP \text{ per capita growth})$

2. Maintain universal eligibility to guarantee inclusion and prevent exclusion errors, especially in underserved regions.

3. Simplify registration and delivery systems, with particular attention to access barriers in interior areas and among vulnerable groups.

4. Introduce hybrid financing:

- Keep the 4% payroll contribution cap unchanged,
- Finance additional costs through a fixed allocation of oil royalties (45%)
- Channel any surplus into a shock-responsive reserve fund to ensure long-term sustainability.

5. Strengthen coordination with contributory pensions, ensuring that AOV expansion does not crowd out participation in occupational contributive schemes

6. Institutionalize regular impact evaluations, using household survey data (e.g. SLC) to monitor coverage, adequacy, and poverty effects across population groups.

Conclusion

The proposed AOV reform is timely, realistic, and pro-poor. It offers a concrete opportunity to improve income security for older persons, reduce poverty, and invest in social cohesion, while remaining fiscally sound and future-oriented. With careful design and stable financing, the AOV can become a pillar of inclusive growth and intergenerational solidarity in Suriname's evolving economy.

References

- Inter-American Development Bank. (2023). *2022 Suriname Survey of Living Conditions* [Data set]. IDB Open Data
- International Monetary Fund. Western Hemisphere Dept. "Suriname: Ninth Review

Under the Extended Arrangement Under the Extended Fund Facility, Request for a Waiver of Nonobservance of Performance Criterion, and Financing Assurances Review-Press Release; Staff Report; and Statement by the Executive Director for Suriname", *IMF Staff Country Reports* 2025, 097 (2025), accessed May 27, 2025,

- Sobhie, C. D. R. (2024). A deep dive into the social protection system in Suriname for children, adolescents, and adults over 2015-2023.
- Suriname: First Review under the Extended Arrangement under the Extended Fund Facility, and Financing Assurances Review-Press Release; Staff Report; Staff Statement; and Statement by the Executive Director for Suriname. (2022b). IMF Country Report, 2022(090),
- van de Meerendonk, A. (2024). Suriname: Comprehensive review of the social security system. International Labour Office.
- World Bank. Suriname - Poverty and Equity Assessment : Annex 1 - Assessment of Suriname's Social Protection System (English). Washington, D.C. : World Bank Group. <http://documents.worldbank.org/curated/en/099072924110541334>
- World Bank. Suriname - Poverty and Equity Assessment : Annex 2 - Assessment of Suriname's Social Protection System (English). Washington, D.C. : World Bank Group. <http://documents.worldbank.org/curated/en/099072924110541334>
- World Bank. Suriname - Poverty and Equity Assessment : Annex 3 - Assessment of Suriname's Social Protection System (English). Washington, D.C. : World Bank Group