

## SURINAME

### PROJECT PROFILE (PP)

#### I. BASIC DATA

<b>Project name:</b>	Modernization of Agricultural Public Services		
<b>Project number:</b>	SU-L1033		
<b>Project team:</b>	Pedro Martel (INE/RND) and Marisol Inurritegui (RND/CGY), co-Team Leaders; Cesar Falconi, Michele Lemay, M. Carmen Fernandez-Diez, Lisa Restrepo (INE/RND); Steven R. Hofwijks and Musheer Kamau (CCB/CSU); and Guillermo A. Eschoyez (LEG/SGO)		
<b>Borrower:</b>	Suriname		
<b>Executing agency:</b>	Ministry of Finance (MoF)		
<b>Financing plan:</b>	IDB/OC:	US\$	15,000,000
	Local:	US\$	0
	Total:	US\$	15,000,000
<b>Safeguards:</b>	Policies triggered: OP-703 Classification: N/A		

#### II. GENERAL JUSTIFICATION AND OBJECTIVES

##### A. Background and Justification of the Program

- 2.1 Suriname is a small and commodity-rich country with a GDP of US\$4.7 billion (current prices 2012). Recently, as commodities prices surged, the country's economy experienced strong growth due to robust performance in the mining sector, registering a GDP growth of 4.5% in 2012. Notwithstanding the performance of the mining sector, Suriname needs to generate sustained growth of non-extractive sectors. Of particular importance is the agricultural sector<sup>1</sup>, which accounts for 10% of total export earnings, second to mining; 17% of the labor force, and almost 10% of the GDP in 2011 (Suriname Central Bank, 2012). Most agricultural activities take place along the coastal plains, competing with residential land use and environmental services in about 0.6% of the country's total area. Despite its importance, the agricultural sector declined consistently between 1991 to 2002. A growth path was recovered from 2003 to 2010, although cultivated area shrank by 33% since 1990, and total agricultural output is still below levels reached in 1991. Additionally, as a whole the sector showed a 1% annual rate of growth in total factor productivity (TFP) between 2001 and 2007, half the average rate in the Latin American and Caribbean (LAC) countries.

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<sup>1</sup> Agricultural sector includes: agriculture, livestock, and fisheries.

- 2.2 Despite signs of recovery, and as EU preferences for Suriname's bananas and rice exports wane, Suriname must avoid distortionary incentive to agriculture.<sup>2</sup> A strategy to improve the sector's performance requires a set of well-defined policies geared towards promoting efficient factor and product markets, and address both productivity and sustainability concerns. In this setting, the main issues affecting agricultural productivity are the current sector incentive structure, and the quality of agricultural services. A preliminary identification of the incentive structure affecting the sector, is presented as follows:

Structure of agricultural supports. Despite significant progress in agricultural trade policy as a result of the implementation of the Agricultural Trade Policy Loan (ATPL – 1148/OC-SU), recent estimates of supports to Surinamese agricultural producers show that there remains some uneven treatment across subsectors; whereby importable products such as poultry, beef, and milk are subject to relatively higher levels of support than traditional exportable products like rice and bananas. Moreover, Suriname shows a bias towards the share of budget support provided to agriculture in the form of general services (e.g., infrastructure, research and extension, agricultural health services, education), with preliminary estimates at about 35% of total transfers to agriculture, higher than in most LAC countries and close to the levels in Chile and USA.

Government's role in production and trading activities. The government is involved in agricultural production and processing activities. However, many of the agricultural state enterprises and non-profit foundations have suffered from mismanagement and political interference, and are in financial difficulty. Some steps in the right direction have already been taken (e.g. the privatization of Rice complex -SLM), but this process needs to be accelerated and streamlined. A substantial number of state-owned enterprises and non-profit foundations (13) are still under the direct responsibility of LVV, with negative fiscal effects and distortionary market signals that affect efficient production and/or delivery of private goods.

Land Governance. Substantial land governance issues such as unused land; insecure access to land; unequal and gender biased access; and insufficiently managed environmental impacts are still present in Suriname's agricultural coastal plains. Additionally, as peri-urban development evolves, there is an increased sense of potential conflicts between residential and agricultural land use. The persistence of idle land and fiscal or legal constraints to the productive use of land on the coastal plain are crucial obstacles to improve agricultural productivity and growth. A land-use planning system, conceived as a bottom-up planning process may help solve and prevent land-use conflicts.

- 2.3 With regards to sector specific services, the emphasis of government interventions should be placed on improving the quality in the provision of public goods. The

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<sup>2</sup> During the execution of the Agriculture Trade and Policy Loan (ATPL), government interventions in the sector, such as requirement to surrender foreign exchange, export taxes, and cumbersome processing of export permits have diminished.

following box summarizes issues affecting the efficiency in the provision of the most relevant agricultural services in Suriname.

Results-based agricultural innovation system. A recent analysis of Suriname's agricultural innovation system (Roseboom, 2013) highlights that while there is a history of a solid plant breeding program in rice, the system as a whole does not have a good record of collaborative research and extension activities, with limited linkages across national research entities and with international research centers. Moreover, apart from some past success in the rice breeding program, there are no records of recent publicly-funded widespread transfer of anyone technology. In addition, a significant proportion (40%) of Ministry of Agriculture's (LVV) research budget is allocated to ancillary laboratory services, albeit relevant for monitoring and control purposes, not destined to provide short term technological results. As a consequence, Suriname shows yield gaps, vis-à-vis the region's best performer, of 103% for rice, 108% for beef production, 88% for milk, and 128% for fresh vegetables (2011).

Animal and Plant Health and Food Safety. Suriname's agriculture and livestock are currently free of important economic pests and diseases like banana's black sigatoka, foot and mouth disease, and classical swine fever. However, the current status is extremely vulnerable due to an outdated set of norms and regulations needed to enforce a scientific risk-based surveillance and control system (for more details see OIE and IICA, 2012 reports). Moreover, food safety norms, and regulations currently in effect undermine efforts to implement an integrated sector-wide approach "from the farm to the table," putting at risk the health of Surinamese consumers as well as that of consumers of trading partners. In recent years, problems associated with pesticide residues and pests have affected market access for Surinamese agricultural exports. For instance, in 2011, there were 11 rejections for presence of salmonella in fish shipment to the USA.

Agricultural Statistics. The Division of Agricultural Statistics (DAS) of LVV is the official data source for agricultural data in Suriname. With technical assistance from FAO, LVV has identified areas that need reinforcement to improve the quality of statistical information. In brief, those areas are: (i) data collection processes; (ii) improved analytical skills; and (iii) timely dissemination of information. Given current methods of data collection, production statistics reported every year by LVV are not statistically representative of national production. Moreover, the lack of publication of the latest Agricultural Census (2008/09) has impeded the update of the sampling framework, and the provision of more accurate information of the sector's structure.

Drainage and Irrigation (D&I). In the context of Suriname, agricultural productivity is very much related to an efficient management of the D&I systems. Due to poorly leveled plots, peak flow demands exceed standard levels by 20%. According to official budget figures, the Government of Suriname (GOS) assigns approximately 80% of total agricultural budget to D&I systems. To improve the efficiency of D&I systems, both bottom-up and top-down approaches are needed. The following aspects have been identified as being especially relevant: (i) suboptimal coordination at the Ministerial level, both in running the systems, and planning and executing investments; (ii) low capacity in users' institutions (Water Boards (WBs)); (iii) inadequate financial contributions by water users, and as a consequence heavy reliance on Governments' budget for operation, maintenance and investments; (iv) within water perimeters, inefficient coordination in running the irrigation (water supply) and drainage operations, resulting in insufficient supply during periods of peak demand and wasted resources; and (v) insufficient training and commitment of WBs representatives and farmers.

**Sustainable Fisheries Management.** Fisheries account for 60% of agricultural exports, however trends in catch per unit of effort data suggest that some of the commercial fish stocks are being harvested beyond sustainable levels. Some of the pressing issues affecting the sub-sector's sustainability include: (i) illegal, unregulated and un-reported fishing; (ii) lack of recent stock assessment of main Suriname fisheries including trans-boundary fish resources; (iii) absence of a Fisheries Information System (FIS); and (iv) piracy in fishing areas within Suriname Exclusive Economic Zone. To start dealing with these issues, the country's fisheries management plan needs to be updated and implemented with an ecosystems approach.

- 2.4 *National Agricultural Strategy.* GOS has prioritized interventions geared towards: (i) improving the provision of public services such as agricultural research and extension, plant and animal health and food safety, and market information; (ii) modernizing drainage and irrigation management systems; (iii) developing a sustainable fisheries sub-sector; (iv) modernizing the country's land management system; and (v) minimizing government's role in productive activities. As a result a more productive and diversified agricultural sector will contribute to improve food security, and provide opportunities for employment and income generation that will help to alleviate poverty in rural areas.
- 2.5 *Consistency with the Country Strategy and GCI-9.* The operation is aligned with the 2011-2015 country strategy GN-2637-3, contributing to increase food security by increasing productivity among agricultural producers; and is included in the 2013 Country Program Document. The operation is also aligned with the Bank's institutional priority "Protect the environment, respond to climate change and enhance food security" as outlined in the Report on the Bank's Ninth General Increase in Resources (AB-2764) and its Results Framework.

**B. Program Objectives and Expected Results**

- 2.6 The program is structured as a Policy Based Programmatic Loan (PBP) consisting of three individual operations in support of a series of institutional and policy reforms in the agriculture sector. The flexibility of the PBP instrument makes it best suited to implement the sequential measures required to reach the targets set forth in the Program. The specific targets for each of the components of the Program will be defined in the Policy Matrix, supported by GOS's Policy Letter. The PBP will support sector policy reforms aimed at increasing long term agricultural growth in Suriname. The general objective of the PBP will be to increase the productivity of the agricultural sector. The specific objectives will be to develop institutional and policy reforms to enhance farmers' access to improved public agricultural services.
- 2.7 The proposed first programmatic loan will contain components corresponding to each area of policy and/or institutional reform to be implemented through the PBP, in addition to a Macroeconomic Stability component. Each component will carry out a progressive set of policy/institutional reforms, which in the first sole tranche loan would consist of an implementation strategy (e.g., Agricultural Innovation Strategy), and/or the initial set-up of a governing structure (e.g., National Innovation Board). The subsequent sole tranche loan reforms would include establishing or implementing regulatory and/or legislative reforms. The

key outputs expected for the first programmatic loan include: (i) an agricultural innovation strategy; (ii) coordination mechanism among ministries for agricultural health and food safety; (iii) agricultural census published; (iv) coordinating inter-ministerial mechanism of D&I systems; (v) establishment of executive committees for 12 Water Boards ; and (vi) an updated fisheries management plan.

### **III. TECHNICAL ISSUES AND SECTOR KNOWLEDGE**

- 3.1 Definition of reforms. During project preparation, attention will be placed in defining a viable pathway of reforms for each component. Data availability and political ownership will be critical in selecting the proposed reforms to be implemented throughout the program.
- 3.2 Technical Capacity. Given the nature of envisioned reforms, the MoF and LVV will need to play a critical technical leadership in the compliance of policy and/or institutional reforms. During loan preparation, international technical experts will collaborate with local technical team to contribute to the definition and compliance of the conditions.
- 3.3 Inter-Ministerial Coordination. Some of the key institutional reforms will require the participation of more than one Ministry, this is the case of D&I and Agricultural Health and Food Safety. During the formulation of the operation, diverse institutional mechanisms will be studied with the participation of the relevant stakeholders.

### **IV. SAFEGUARDS AND FIDUCIARY SCREENING**

- 4.1 As per Directive B.13 of the Environment and Safeguards Compliance Policy (OP-703), this Policy-based Loan does not have an environmental category. During preparation, it will be further analyzed whether specific country policies and/or institutional changes supported by the operation may have significant effects on the country's environmental and natural resources. The appropriate sequence of actions and conditions to ensure environmental sustainability will be reflected in the corresponding Policy Matrix and Results Matrix.

### **V. RESOURCES AND TIMETABLE**

- 5.1 It is expected that POD distribution will take place on August 16, 2013; Draft Loan Proposal approval by OPC on September 20, 2013; and Loan Proposal approval by the Board of Executive Directors on October 23, 2013. The resources needed for project preparation are estimated at US\$330,000 from OI funds (ATN/OC-13578-SU) and US\$49,590 from administrative funds (see Annex V).

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## SAFEGUARD POLICY FILTER REPORT

<b>PROJECT DETAILS</b>	<b>IDB Sector</b>	AGRICULTURE AND RURAL DEVELOPMENT-AGRICULTURAL POLICY
	<b>Type of Operation</b>	Policy Based Loan (PBL)
	<b>Additional Operation Details</b>	
	<b>Investment Checklist</b>	Aquaculture
	<b>Team Leader</b>	Martel, Pedro V. (PEDROMA@iadb.org)
	<b>Project Title</b>	Modernization of Agricultural Public Services - I
	<b>Project Number</b>	SU-L1033
	<b>Safeguard Screening Assessor(s)</b>	Martel, Pedro V. (PEDROMA@iadb.org)
	<b>Assessment Date</b>	2013-05-30
	<b>Additional Comments</b>	

<b>SAFEGUARD POLICY FILTER RESULTS</b>	<b>Type of Operation</b>	Loan Operation	
	<b>Safeguard Policy Items Identified (Yes)</b>	The operation is in compliance with environmental, specific women's rights, gender, and indigenous laws and regulations of the country where the operation is being implemented (including national obligations established under ratified Multilateral Environmental Agreements).	(B.02)
		An Environmental Assessment is required.	(B.05)
		The Bank will monitor the executing agency/borrower's compliance with all safeguard requirements stipulated in the loan agreement and project operating or credit regulations.	(B.07)
		Operation for which ex-ante impact classification may not be feasible. These loans are: Policy-based loans, Financial Intermediaries (FIs) or loans that are based on performance criteria, sector-based approaches, or conditional credit lines for investment projects.	(B.13)

	<b>Potential Safeguard Policy Items(?)</b>	No potential issues identified	
	<b>Recommended Action:</b>	Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s), including B13, for guidance. No project classification required. Submit Report and PP (or equivalent) to ESR.	
	<b>Additional Comments:</b>		

<b>ASSESSOR DETAILS</b>	<b>Name of person who completed screening:</b>	Martel, Pedro V. (PEDROMA@iadb.org)
	<b>Title:</b>	
	<b>Date:</b>	2013-05-30



## ENVIRONMENTAL AND SOCIAL STRATEGY (ESS)

1. The specific objectives of the Program are to develop institutional and policy reforms to enhance farmers' access to improved public agricultural and natural resources management services. The program activities will play an important role in developing new plans and legislative reforms, as well as increasing the institutional capacity to deliver key public agricultural services. Anticipated policy reforms include: provision of agricultural public services; drainage and irrigation management system management; and sustainable fisheries management.
  2. Given the nature of the Program,, there are no associated direct environmental or social risks, and based on the results of the “Safeguards Policy Filter Report and Screening Form” (see Annex II) in accordance with policy directive **B.13, no project classification is required.**
  3. It is expected that the policy and institutional reforms to be implemented during Program execution will have positive social and environmental impacts. Nonetheless, in accordance with Bank Directives B.13 and B.05, and Bank guidance (IDB-TN-227), potential environmental and social impacts and issues related to agricultural sector policies to be financed by the Program will be evaluated as part of project preparation. The Environmental and Social Strategy of the Program consists in preparing a Strategic Environmental Assessment (SEA) that will identify possible environmental and social risks of new policies and identify opportunities for minimizing those risks and for including systematic environmental and social considerations in the development of the institutional and policy reforms. For development of the SEA, government agencies and potentially affected parties will be contacted to obtain input in the identification and analysis of strategic environmental and social issues, actions, and development alternatives. The SEA will also identify any needs for crucial environmental information that would inform the decision making process and will identify the measures and strategies needed to promote environmental sustainability considerations in new policies and plans. The corresponding key strategies and policy initiatives will be included in the policy matrix (to be annexed to the POD).
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### INDEX FOR COMPLETED AND PROPOSED SECTOR WORK

Topics	Description	Estimated Date	Reference
Agricultural Sector Analysis	<ol style="list-style-type: none"> <li>1. Roseboom Han. 2012. "Modernization of Public Agricultural Services Program: A Policy Analysis". Study prepared for RND.</li> <li>2. Ramoutarsign, W. and Ford, D. 2010. "Suriname: Rural Agricultural Sector Review". FAO, TCI, Rome.</li> <li>3. Poerschle, I.J. 2010. "Agriculture Sector Note for Suriname". Study prepared for RND.</li> </ol>	Completed	
Producer Estimate Support analysis	<ol style="list-style-type: none"> <li>1. This study will analyze the current level of direct and indirect public support provided to agricultural producers, establishing a baseline of Producer Support Estimates (PSE) and related indicators, and the basis for tracking the evolution of PSEs during the execution of the policy based loan and beyond.</li> </ol>	August 2013	
Drainage and Irrigation Analysis	<ol style="list-style-type: none"> <li>1. The analysis is to: (i) generate an analytical outline of agricultural irrigation and drainage issues that affect the sector's competitiveness; (ii) identify policy and/or institutional reforms that could become part of future policy based operations (PBL). The study will define an action plan to deal with irrigation and drainage policy and/or institutional issues, and will suggest a stepwise approach to implement the agreed upon reforms.</li> </ol>	August 2013	
Land Administration study	<ol style="list-style-type: none"> <li>1. The study will generate an analytical outline of land management and administration issues that could become part of future policy based operations (PBL). The study will also help to define an action plan to deal with those land issues either policy and/or institutional, and will suggest a stepwise approach to implementing the reforms needed to help increase the sector's productivity and competitiveness.</li> </ol>	August 2013	
Agricultural state-owned study	<ol style="list-style-type: none"> <li>1. The study will review, analyze and recommend alternatives for the privatization of the agricultural state-owned enterprises and foundations. Specifically, the study will analyze the viability of privatizing agricultural state-owned enterprises and foundations, recommend alternatives for the implementation of the privatization process including long-term solutions, and design an action plan with the Government that includes the legal and institutional requirements, and a privatization schedule.</li> </ol>	August 2013	
Agricultural Health and Food Safety analysis	<ol style="list-style-type: none"> <li>1. The study will prepare a diagnostic of the agricultural health and food safety services (including identification of problems and causes, proposed solution to the problem, and justification for including in the PBL).</li> </ol>	August 2013	

Topics	Description	Estimated Date	Reference
Agricultural Research and Extension analysis	1. This study will include a diagnostic of the Agricultural research and extension services (including identification of problems and causes, proposed solution to the problem, and justification for including in the PBL). Present an action plan to implement the suggested reforms, including a detailed set of recommendations to incorporate in a policy matrix and its corresponding timeline; an identification of opportunities for future technical cooperation; and identification of investment needs to help improve the performance of agricultural research and extension services.	August 2013	
Agricultural Information study	1. The study on public information services for the agricultural sector will include a diagnostic of the agricultural information services (including identification of problems and causes, proposed solution to the problem, and justification for including in the PBL).	August 2013	
Fishery management analysis	1. This study will present a diagnostic of the fisheries sub-sector and an action plan to implement the suggested reforms, including a detailed set of recommendations to incorporate in a policy matrix and its corresponding timeline; an identification of opportunities for future technical cooperation; and identification of investment needs to help improve the performance of fishery sector.	August 2013	
Socio-Environmental Analysis	1. This study will identify the environmental and social impacts of the program, its mitigating measures and monitoring; will elaborate the program socio-environmental strategy.	August 2013	
Socio-Economic Analysis	1. ExAnte Economic and Financial Evaluation of the program. This analysis will provide the necessary elements to justify, in economic and financial terms, the investments proposed and provide information to define the indicators of the program results matrix.	August 2013	

<b>Topics</b>	<b>Description</b>	<b>Estimated Date</b>	<b>Reference</b>
Impact Evaluation and Monitoring Plan	<ol style="list-style-type: none"> <li>1. This study will present the design of the impact evaluation and monitoring, which will include the outcome and product indicators, the main hypothesis to be evaluated, the impact evaluation methodology, and the main responsible to implement the evaluation.</li> </ol>	August 2013	
Fiduciary Analysis and Risk Evaluation of the operation	<ol style="list-style-type: none"> <li>1. Analysis of the fiduciary aspects of procurement, control and auditing to guarantee an adequate fiduciary management of the operation. Formulation of the Fiduciary Agreement and Requirements Annex.</li> <li>2. Identification of risks and its mitigation measures, following the Bank's Manual of Risk Management for Guarantee Sovereign Operations.</li> </ol>	August 2013	
Institutional Analysis	<ol style="list-style-type: none"> <li>1. This study will perform an analysis of the institutional capacity of the Ministry of Agriculture (LVV) by using the Bank's SECI system.</li> </ol>	August 2013	

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