

## SUMMARY OF THE PROJECT IN DESIGN \* (\*)

### SUSTAME

<b>PITCH ELIGIBILITY DATE</b>		<b>COUNTRY(IES)</b>
05/26/2022		Suriname
<b>ALIGNED WITH COUNTRY STRATEGY?</b>		
Yes		
<b>PARTNER(S)</b>		
Conservation International		
<b>PRELIMINARY CLASSIFICATION ENVIRONMENTAL AND SOCIAL IMPACT</b>		
B (**)		
<b>TOTAL BUDGET</b>	<b>IDB Lab</b>	<b>LOCAL COUNTERPART AND COFINANCING</b>
US 1,500,000	US 750,000	US 750,000
<b>DESCRIPTION</b>		

**The problem:** The problem that is being addressed is the acceleration of unsustainable practices in Suriname's forestry sector, the proposal seeks to catalyze a change in sector's value chain, facilitating a transition from unsustainable to sustainable practices. Currently lumber extracted is exported as raw logs and there is a limited local activity in sustainable timber production and value-added products. As a result (i) the full potential of improved, wood harvesting methods that can reduce greenhouse gases is not realized, (ii) the country is not capturing the full economic benefits from this sector due to limited local value added and (iii) particularly relating to the previous point, Suriname's indigenous and maroon communities, who are engaged in concessions or some form of livelihoods in the forestry sector, are not maximizing income and benefits that could be derived.

Why is it important to focus on this?

- A. Suriname's forest is an important natural capital asset in climate mitigation.
- B. Forestry extraction is focused on the extraction and export of raw material with little local value creation and content.
- C. The livelihood benefits from the forestry sector have been extremely limited for the indigenous and tribal communities.

**The solution:** The goal of the proposed solution is to catalyze a market-based approach to sustainable timber extraction and processing that will generate the economic gains of transitioning from extraction and export of raw timber to sustainable harvesting and wood processing for more discriminating and higher value markets with the broad participation of stakeholders, including indigenous and tribal communities.

In this regard, the proposed solution includes the following key elements:

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\*\*The IDB categorizes all projects into one of six E/S impact categories. Category A projects are those with the most significant and mostly permanent E/S impacts, category B those that cause mostly local and short-term impacts, and category C those with minimal or no negative impacts. A fourth category, FI-1 (high risk) Financial Intermediary (FI)'s portfolio includes exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, mostly irreversible or unprecedented, FI-2 (medium risk) FI's portfolio consists of business activities that have potential limited adverse environmental or social risks or impacts, FI-3 (low risk) FI's portfolio consists of financial exposure to business activities that predominantly have minimal or no adverse environmental and social impacts.

A. Diagnostic Assessments.

B. Building a coalition of support of key stakeholders, specifically the coordination of actors currently investing and working in the forestry sector in order to achieve greater impact and scaling.

C. Implementation of a pilot program to demonstrate viability of transitioning to sustainable practices through demonstration units along the sector value chain.

D. Support livelihood benefits for vulnerable population, with a focus on indigenous and maroon tribes.

E. Design and structuring of a funding mechanism to provide financing for investment in sustainable forestry practices to support key actors in transitioning to and scaling sustainable timber business in Suriname.

**The beneficiaries:** The main beneficiaries of this intervention include the following:

I. The indigenous and tribal communities that are living in the country's densely forested areas that will benefit from engagement in sustainable timber production for higher value markets be: There are currently 162 communal cutting licenses awarded to indigenous and tribal peoples inhabiting Suriname's forested areas, with undetermined duration and an area of 826,000 ha that allow for timber production. As of 2021, there are 62 forestry terrains with an area of 444,000 hectares that belong to 51 villages under community forest licenses. Furthermore, granted by the previous capitalize this forestry management act, there are 87 forestry terrains with an area of 382,000 hectares that belong to 74 villages.

II. Private sector companies in the wood value chain: In 2019, the forestry administration registered timber production from 226 concessions and community forests. According to Timber Trade Portal, in 2017 a total of 220 logging companies were registered, while 65 (primary) sawmills, 1 triplex factory and 75 wood processing companies (mainly for furniture, flooring and decking) were in operation. The overall installed capacity of sawmills is estimated to be about 750,000 m<sup>3</sup> round wood input per year. In 2019, the forestry administration recorded 77 round wood exporting entities with a round wood export volume of 315,000 m<sup>3</sup>. The export of round wood per trading company varied between 20 to 64,000 m<sup>3</sup>. The top ten trading companies combined, traded around 72% of all the round wood exports in 2019.

III. The Government of Suriname: Forests have a key role in Suriname's National Development Plan which aims to diversify economy and reduce dependence on extractive sectors considering value adding from wood, nature-based tourism, non-wood forest products and ecosystem services. The country has also a REDD+ strategy which includes a forest cover monitoring system and aspires to pursue result-based payments of carbon-offsets. In addition, Suriname has signed the Paris Agreement and committed to the Nationally Determined Contributions. Transitioning operators to more sustainable practices will benefit the Government of Suriname to advance on terms of their commitments to climate change and in terms of higher value captured by enterprises for sustainably produced lumber and wood products.

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**The partner:** The project will be executed by Conservation International (CI) in collaboration with the IDB Country Office in Suriname. In Suriname, CI is creating partnerships between the government, private sector, local communities, and non-state actors to concentrate on climate smart management and production of community forest concessions in Suriname. Furthermore, they have recently worked with Gabon to restructure their timber industry. Gabon banned the export of round wood and is already seeing massive profits and tremendous job creation. CI recently led a delegation from Suriname in a knowledge exchange visit to Gabon to demonstrate the approach used and results achieved to date.

**The IDB Lab's contribution** IDB Lab's contribution requested is a non-reimbursable Technical Cooperation of US\$ 750,000 (an Ecosystem operation) to be matched by counterpart resources.

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