

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

SURINAME

**FINANCING PROGRAM FOR PRODUCTIVE AND SUSTAINABLE DEVELOPMENT
IN SURINAME**

(SU-L1069)

PROJECT PROFILE

This document was prepared by the project team consisting of: Diego Herrera (Team Leader) (IFD/CMF); Alexander Vasa, Daniel Fonseca, Claudia Márquez, Jaime Sarmiento, Áurea Fuentes, Laura Mondragon, Vanina Messere, Karina Azar, Gabriela Andrade, Michael Anthony Hall, Facundo Vargas, Tatiana Cneio Alves, and Sahara de la Torre (IFD/CMF); Steven Collins, Giselle Teixeira, Shreshta Chotelal, and Rajjant Gangadin (CCB/CSU); Daniel Hincapie Salazar and Veronica Tejerina Camacho (CSD/ACU); Maria Sofia Greco and Daniela Acevedo Calle (LEG/SGO); Hugo Us Álvarez (SCL/GDI); Robert Peter Langstroth and Patricia Henriquez Revoredo (VPS/ESG); Alejandra Guraieb and Francine Vaurof (CSD/CCS); Cleide Berlanda Custodio Da Silva (VPC/FMP); Nawien Avinash Vishal Ghisiawan (INO/SMC); Lucas De Beaufort (INO/FLI).

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PROJECT PROFILE

SURINAME

I. BASIC DATA

Project Name:	Financing Program for Productive and Sustainable Development in Suriname		
Project Number:	SU-L1069		
Project Team:	Diego Herrera (Team Leader) (IFD/CMF); Alexander Vasa, Daniel Fonseca, Claudia Márquez, Jaime Sarmiento, Aurea Fuentes, Laura Mondragon, Vanina Messere, Karina Azar, Gabriela Andrade, Michael Anthony Hall, Facundo Vargas, Tatiana Cneio Alves, and Sahara de la Torre (IFD/CMF); Steven Collins, Giselle Teixeira, Shreshta Chotelal, and Raijant Gangadin (CCB/CSU); Daniel Hincapie Salazar and Veronica Tejerina Camacho (CSD/ACU); Maria Sofia Greco and Daniela Acevedo Calle (LEG/SGO); Hugo Us Álvarez (SCL/GDI); Robert Peter Langstroth and Patricia Henriquez Revoredo (VPS/ESG); Alejandra Guraieb and Francine Vaurof (CSD/CCS); Cleide Berlanda Custodio Da Silva (VPC/FMP); Nawien Avinash Vishal Ghisiawan (INO/SMC); Lucas De Beaufort (INO/FLI).		
Borrower:	Republic of Suriname		
Loan Modality:	Global Credit Operation (GCR)		
Executing Agency:	National Development Bank of Suriname (NOB)		
Financial Plan:	IDB (Loan – Ordinary Capital):	US\$ 8 million	
	IDB GCF (Loan – GCF Funds):	US\$ 2 million	
	IDB GCF (Technical Cooperation GCF):	US\$ 1 million	
	Total:	US\$11 million	
Safeguards:	Risk Classification:	Substantial	
	Impact classification:	FI	
Processing track:	<input type="checkbox"/> Standard	<input checked="" type="checkbox"/> Special	
Country Strategic Alignment:	GN-3065		
Strategic Alignment:			
Challenges:	<input checked="" type="checkbox"/> Social Inclusion	<input checked="" type="checkbox"/> Productivity and Innovation	<input type="checkbox"/> Economic Integration
Crosscutting:	<input checked="" type="checkbox"/> Gender Equality	<input type="checkbox"/> Diversity	<input checked="" type="checkbox"/> Environmental sustainability
		<input checked="" type="checkbox"/> Climate Change	<input checked="" type="checkbox"/> Institutional Capacity and Rule of Law

II. GENERAL JUSTIFICATION AND PROGRAM STRATEGY

2.1 **Macroeconomic context.** Suriname is gradually recovering from a severe economic crisis. The administration that assumed office in July 2020 developed a recovery plan¹ to stabilize the economy, protect people with low incomes, restore

¹ The [recovery plan](#) aims to stabilize the economy and restore fiscal sustainability. The plan comprised a coherent package of policy objectives (monetary, fiscal, and real, among other sectors) and measures to move the economy toward sustainable real growth and development.

debt sustainability, rebuild international reserves, and create a strong foundation for inclusive growth and prosperity. The International Monetary Fund (IMF) Board approved a three-year program (US\$688 million) in December 2021 to support the authorities' plan.² The second review of the IMF Extended Funding Facility (EFF) arrangement was approved in June 2023.³ After declining by 15.9% and 3.5% in 2020 and 2021, the Gross Domestic Product (GDP) is estimated to have grown by 1.3% in 2022 and is expected to increase by 2% in 2023. Over the medium-term, GDP growth is expected to increase at a rate of 3%, conditioned on the success of Suriname's homegrown economic recovery plan.

- 2.2 **Financial system context.** The banking system in Suriname is mainly local and exhibits a high concentration, interconnectedness, and financial dollarization.⁴ According to the Financial Stability Report of October 2022, the Banking Stability Index declined slightly from 0.75 in December 2021 to 0.66 in June 2022, primarily driven by profitability (lower in June 2022) despite improved solvency, asset quality, and adequate liquidity. Suriname's financial sector consists of ten commercial banks: four are systemic, domestic banks, one development bank, six finance and investment companies, and twenty-five credit unions, among other non-credit institutions.⁵ Republic Bank Suriname is the only institution with foreign ownership, three banks have 100% state ownership, and the rest are local, with most private ownership. The system's total assets reached SRD53.9 billion (US\$2.5 billion). Credit is the most considerable portion of total assets, with currency loans comprising 56% of total loans. Similarly, on the liability side, currency deposits represent 74% of the total.
- 2.3 **Financial access.** The Surinamese Financial Sector (SFS) is full of opportunities, mainly from low penetration in the real sector, levels of financial inclusion, and structural issues to be resolved. First, if measured in terms of domestic credit to the private sector, the SFS lacks depth relative to the GDP. For 2020, this indicator yields a mere 26% for Suriname, far from the Caribbean⁶ regional average ratio of 50%, and from Barbados, which has the most significant ratio for the sub-region of 87%. The percentage has been relatively stable over the previous ten years for Suriname (27% on average), showing no structural change towards a more considerable depth.⁷
- 2.4 Regarding financial inclusion, Suriname has 11 Commercial Bank Branches per 100,000 adults, closer to the average of the Caribbean region (12.4), where The

² [IMF Country Report No. 2021/280](#). Request for an Extended Arrangement under the Extended Fund Facility. Press Release; Staff Report; Staff Statement; and Statement by the Executive Director for Suriname. IMF, 2021.

³ [IMF Country Report No. 2023/232](#). Second Review Under the Extended Arrangement Under the Extended Fund Facility, Requests for Rephrasing and Reduction of Access, Waivers of nonobservance of Performance Criteria and Financing Assurances Review-Press Release; Staff Report; Staff Supplement; Staff Statement; and Statement by the Executive Director for Suriname. IMF, 2023.

⁴ In June 2021, Suriname shifted to a flexible exchange rate regime. The Suriname Dollar (SDR) has experienced a sharp depreciation from SRD\$14 per US dollar (US\$) since the regime changed to \$37 SRD/USD in June 2023.

⁵ Central Bank of Suriname (CBvS). [Financial Stability Report 2022](#).

⁶ The Caribbean regional average comprises Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago. The Bahamas has not reported data since 2017 when the indicator amounted to 52%.

⁷ There is a significant gap in data for Suriname. Global Findex from the World Bank, which is the primary source of information for financial inclusion, does not include Suriname.

Bahamas reports the highest number of branches (24.6). It is crucial to pinpoint that the measure is biased by the concentration of bank branches in Paramaribo, the country's capital.⁸ The interior of Suriname lacks basic infrastructure, not to mention the presence of the financial sector and hence, financial inclusion. In March 2022, the IDB published a study on financial inclusion and FinTech in Suriname, highlighting the need to improve the financial infrastructure to make it resilient to disruptions, increasing trust in the financial sector.⁹ Financial inclusion in Suriname requires tackling issues in the financial industry and the digital economy, including consumer protection, data ownership, privacy, protection, and concentration risk. In January 2023, the CBvS published a report highlighting the lower financial inclusion rate among Small and Medium Enterprises (SME).¹⁰ Most of these do not hold a business bank account, which can be linked to the hurdles they face in accessing credit.

- 2.5 **Micro, Small, and Medium Enterprises (MSME) financing in Suriname.** From the demand perspective, according to the SME Finance Forum,¹¹ utilizing a sample of 1,598 MSME, of which 1,000 (62.6%) are micro-enterprises, their aggregated potential demand for credit is US\$1.23 billion, with a supply from the financial sector of US\$257 million.¹² In this order, MSME have a financing gap of around US\$969 million (20% of GDP). Surinamese Commercial Banks (SCB) identify the lack of information on cash flows at the project level, fundamental to credit assessment, as the leading cause for restricting access to credit and other financial products. The lack of financial information and doubt of the ability to repay the loans have twofold consequences: First, because of this asymmetry, interest rates are usually high for MSME loans, making financing even more restrictive. According to a survey conducted to the main SCB, these rates may be up to 300 basis points over the rates for loans to large enterprises, as of January 2023, rates for large enterprises are around 14%, while rates to MSME in the traditional banks might oscillate between 18% to 20%, according to conversations with local private banks.¹³
- 2.6 The tourism sector is charged a higher rate as it is fragmented and made up of small operators, and the agricultural sector is charged a premium of 300 to 400 basis points due to its high uncertainty. As for the latter, the Suriname Business Forum (SBF) assessed MSME in the agriculture sector in 2018.¹⁴ The survey carried out to 163 MSME, covering agriculture, poultry, animal farming, apiculture, and fisheries sectors in four districts, pointed to the lack of access to finance as the major constraint to meeting their daily cash needs and achieving long-term investment projects. The agriculture sector requires access to credit with lower rates and other credit facilities, accounting and business plan construction,

⁸ Commercial branches are used somewhat as a measure of banking levels, not necessarily financial inclusion, but give an idea of supply capacity. World Bank (2022).

⁹ IDB (2022). [Financial Inclusion and FinTech in Suriname](#).

¹⁰ [CBvS \(2023\)](#).

¹¹ [SME Finance Gap \(2017\)](#).

¹² Defined as enterprises with less than ten employees.

¹³ The team gathered with the management teams of Hakrinbank and Finabank in January 2023.

¹⁴ Suriname Business Forum: "An assessment of the MSME in the agriculture sector of Suriname: a study for five sectors in four districts". The study does not present a definition of MSME in Suriname but suggests its potential inputs: structure of the organization, type of industry, employment, and turnover.

and presentation training. Access to markets, larger-scale production, and lower logistics costs to export are also constraints.

- 2.7 **Access to Credit for Women Micro, Small & Medium Enterprises (WMSME).** WMSME face constraints in accessing credits in the financial system, which can be explained due to supply (financial institutions) and demand (characteristics of the WMSME) factors.¹⁵ In the case of Suriname, estimations show that enterprises with women as top managers face more obstacles to financing, they are 3.9% points more likely than their male counterparts to be financially constrained.¹⁶ In this regard, MSME Finance Gap¹⁷ suggests that 14% of the MSME in the country are owned or led by women, and almost a third of them are financially constrained. Similarly, figures from Enterprise Survey¹⁸ show that 19.4% of WMSME use banks to finance investments (compared to 54.7% of their male counterparts) and that they opt to finance their investments internally at higher rates, compared to men MSMEs (69.7% vs. 51.9%).
- 2.8 **Productivity.** Using data of Total Productivity of Factors (TFP) in the agriculture sector as a proxy for TFP in Suriname,¹⁹ the annual average growth for the period 1994-2020 was -1.5%, compared to 1.7% for Latin America and the Caribbean and 0.2% for the Caribbean countries. This figure shows a significant productivity gap for Suriname *vis-à-vis* the region and subregion. During the selected period, Suriname had very sharp declines in the measurement in 1998 (-14.9%), 2000 (-10.8%), and 2002 (-14.4%), and a sharper impact coming from the financial crisis in 2009 (-8.6% vs. -3.2% for the Caribbean). The measurement is not only lower than the ones for the region and sub-region but far more volatile: almost 6.5% vs. 2.3% for LAC and 3.2% for the Caribbean during the period. In addressing the productivity issue, access to finance is vital to improve productivity dynamics.
- 2.9 **Justification.** The relevance of access to finance and the development of financial systems as a key determinant of the productivity dynamic has been widely documented.²⁰ The link takes place through: (i) promoting the efficient allocation of savings to the most productive investments, improving the allocation of factors in the economy; (ii) enabling the financing of companies to allow them to invest in technology, develop research projects, and innovation, and access new markets; and (iii) raising the incentives for companies to invest over the long term, grow, formalize, and adopt corporate governance best practices. Indeed, a properly working financial system selects the potentially most productive projects and firms

¹⁵ IDB (2020). [Género y el acceso a financiamiento empresarial en Argentina](#).

¹⁶ Orié (2020). [Obstacles to Financing Facing Micro, Small, and Medium-Sized Firms in Suriname](#).

¹⁷ MSME Finance Gap (2018).

¹⁸ [Enterprise Survey \(2018\)](#).

¹⁹ United States Department of Agriculture (USDA) Economic Research Service (ERS): [International Agricultural Productivity](#). According to USDA: "The most informative measure of agricultural productivity is TFP. TFP considers all of the land, labor, capital, and material resources employed in farm production and compares them with the total amount of crop and livestock output."

²⁰ In the case of Latin America, Beck et al. (2000) showed that if the region's average financial depth (31%) were to increase to the levels of East Asia (70%), annual productivity growth in the region would increase by one percentage point, reducing the differences in productivity growth between the two regions by 60%. Greenwood et al. (2013) estimated that if the countries of Latin America were to reach Luxembourg's level of financial development, their Total Factor Productivity (TFP) would increase by 17% and their GDP by 85%. Arizala et al. (2013) found that, depending on industries' financing requirements, annual TFP growth could accelerate by 0.6% if the development of the financial system increased by one standard deviation.

and redirects the economy's resources toward them, thereby fostering the efficient allocation of these resources.²¹ As explained later, the current project dynamically extends the efforts from the Government of Suriname (GOS) to enhance its financial sector by structurally improving the capacity of its National Development Bank (*Nationale Ontwikkelingsbank van Suriname NV* or NOB) and providing it with instruments to provide credit to the productive enterprises in the economy, including those related to Bioeconomy.²²

- 2.10 **National Development Bank of Suriname (NOB).** NOB was established in 1963 as a government entity financing development. In fact, NOB is a Limited Liability Company, the GOS owns 100% of the shares. NOB is currently renewing its activities to (i) provide lending to MSME; (ii) provide technical assistance; (iii) cover guarantee for credits via the other commercial banks and NOB; and (iv) provide human capital credits; student loans to individuals and (v) technical assistance for capacity building of companies. NOB has had experience in delivering first-tier credit to MSME and has overseen a student loan fund (US\$15 million), a small guarantee fund (US\$1 million), and a production credit fund (US\$2.5 million), among other instruments. The total assets increased from SRD 237 million in October 2021 to SRD 315 million (US\$10 million) in October 2022.
- 2.11 **Additionality.** IDB has supported NOB's institutional reorganization with through Technical Cooperation (TC) [ATN/OC-17670-SU](#), which has disbursed 77.5% of its total resources (US\$100,000). Currently, the TC focuses on financially reorganizing the institution, continuing with the reforms and necessary decisions to put a functioning developing bank in place, and exhorting the appointment of technical personnel at the C-level functions. The TC has helped NOB in reorganizing front, middle, and back offices to make them functional through handbooks, procedures, and corporate governance. Therefore, NOB will have the instruments to provide financing to MSME in different economic sectors, emphasizing firms related to bioeconomy. Furthermore, IDB is financing two consultancies to identify suitable loans for future financing by NOB in the agriculture and tourism sectors and a consultancy for implementing an Environmental and Social Management System.
- 2.12 Structurally changing the downward trend and comparative performance of productivity in Suriname remains one of the main challenges for the country. Creating access to finance for MSME seeks to increase productivity, as access to finance is one of the main barriers to achieving it. First, the country needs to account for a Development Finance Institution (FDI) with the institutional capacity to provide funding to firms, mainly MSME, and cover asymmetric information from

²¹ Access to finance during systemic financial crises can be a fundamental factor in firms' survival (Aghion et al., 2005). In less developed financial systems, the lack of information about project quality can cause an inefficient allocation of credit and lead to more productive firms being eliminated to save less productive ones with better connections to credit markets. Volatility can affect productivity in other ways. For example, offering incentives to investors to adopt "more malleable technologies" that allow them to adapt more readily to frequent and abrupt changes in relative prices, but at the expense of preventing discovery or use of more efficient production methods. This investment allocation effect is stronger in economies with less developed financial markets, as firms have fewer opportunities to diversify risks (Cavallo et al., 2013).

²² For the purposes of this proposal, the definition of bioeconomy of the regional BFA of the GCF is used.

borrowers through first and second-tier lending, with additionalities like technical assistance to solve issues such as lack of capacity for producing business plans and financial statements. Secondly, the lack of financial information, even for the short term, prevents SCB from granting loans for long maturities. The maturities of MSME loans in SCB are below 12 months on average. These market failures justify the intervention of a public development bank to mitigate their effects.

- 2.13 **Bioeconomy.** With the world's highest forest area per capita, Suriname can promote the biodiversity of the Amazon while enacting a sustainable use of its resources. The country is in place to encourage practices that reduce emissions, increase carbon stocks, net gains in natural capital, and climate resilience of ecosystems. Bioeconomy is an economic activity based on using renewable natural resources derived from land and water to obtain food, materials, and energy without compromising availability in the future. The value chain is strengthened as the primary sector, manufacturing, and services activities are segments of the same process. In this sense, the sustainable businesses that can take advantage of the biodiversity across economic sectors are called bio-businesses in this document. Bio-businesses implement sustainable practices, models, and technologies using forest and natural capital in subsectors such as perennial agriculture, agroforestry, aquaculture, natural tourism, Non-Timber Natural Forest Products (NFTP), restoration and regulation ecosystem services, and sustainable forestry plantations, excluding non-native-and-invasive monocultures. Bioeconomy entails a unique opportunity for Suriname, which has several of the most well-preserved areas of the Amazon rainforest and is at the center of the long-term transnational initiative of the Amazon Conservation Team (ACT) to establish a biocultural corridor across the eastern Guyana shield (southern Guyana, Suriname, French Guyana, and northern Brazil) that amounts to 30 million hectares. One of the components of the ACT initiative envisages the production and sale of sustainable NFTP by the indigenous communities that otherwise would participate in extractive industries in the interior of Suriname.²³ In fact, the 'region's bio-businesses are usually managed by family farmers and MSME. As a result of the dialogues with the SBF, two ripe sectors for bioeconomy finance should be agriculture and tourism. With resources from TC [ATN/SX-19054-RG](#), the project's team is running a demand analysis to understand the opportunities from these sectors in detail.
- 2.14 **Project structure.** The first component of this operation mixes first and second-tier lending to grant credit to MSME directly and through the SCB, respectively. The component allows for a mix of terms, extending the one-year tenor to three years to enable the possibility of fixed-asset investments for MSME. The combination of these instruments is expected to impact, via demonstration -effect, interest rates by reducing uncertainty for SCB. Through the second component, NOB could allow MSME in different economic sectors to access financing, emphasizing firms related to bioeconomy, utilizing a combination of OC and Green Climate Fund (GCF) resources. Finally, it is expected to finance women-led businesses for Component 1, adding up to 20% of the total amount for this component. The

²³ This is part of the second component of the [ACT strategy](#) in Suriname to improve livelihoods through economic security to improve community wellbeing.

program aims to increase productivity for Surinamese MSME by eliminating financing constraints.

- 2.15 **Strategic alignment.** The program is consistent with the Second Update of the Institutional Strategy (UIS) (AB-3190-2) and aligns with the challenges of: (i) Social Inclusion and Equality by targeting a vulnerable region and population; and (ii) Productivity and Innovation by supporting innovation in business practices and models. It also aligns with the crosscutting themes of: (i) Gender equality by reducing the gender gap in access to productive finance for women; (ii) Climate Change by promoting low-carbon and climate-resilient practices in the land-use sector; and (iii) Environmental Sustainability, as the activities of the program contribute to the achievement of ambitious targets and sustainable business practices in biodiversity by businesses; and (iv) Institutional Capacity and Rule of Law, by strengthening the institutional capacity for NOB. The loan is also consistent with the Country Development Result Indicator of "Micro/Small/Medium enterprises financed" at the Corporate Results Framework 2020-2023 ([GN-2727-12](#)). On the other hand, the program is coherent with the "Sector Framework Document for SME Support and Financial Access and Supervision" ([GN-2768-7](#)) and the challenge of improving the efficiency and reach of banking credit to the productive sector. Furthermore, within the Framework of the Country Strategy with Suriname 2021-2025 ([GN-3065](#)), this operation is consistent with the strategic area of improving financial inclusion as part of Promoting Private Sector Competitiveness through the generation of financing for MSME and the mobilization of resources through the financial sector. The proposal is aligned with the GCF Amazon Bioeconomy Fund's objective to make bio-businesses financially viable and allow them to expand, providing a new model for low-emissions resilient business development. The operation will specifically implement GCF Programme's Component 1, which aims to support private bio-businesses and their supply chains through dedicated financing solutions designed to reduce the cost of finance and increase its tenor to make the amortization profile more suitable to bio-business investments. Besides, it adopts a holistic approach comprising activities in both the supply and demand sides of the financing, using a set of tailored instruments to finance projects in various stages of development. Finally, the operation is included in the 2023 Operational Program Report ([GN-3154-1](#)).
- 2.16 **IDB Group Coordination.** This program is expected to account for coordination with IDB Invest given its connection with private sector development and the mobilization of resources through private financial institutions (§2.20). It will also account for coordination with IDB Lab given the innovative nature of the bioeconomy sector.
- 2.17 **Objective.** The general objective is to contribute to the increase of productivity of Surinamese Micro, Small, and Medium Enterprises through access to finance for productive and sustainable investments in Suriname. The specific objective is to enhance the institutional capacity of the National Development Bank of Suriname, to extend credit to eligible MSMEs for working capital (up to one year tenor) and investment (up to three years) in productive projects. It is expected that the program creates increases in productivity for MSME.

- 2.18 **Component 1: (US\$6 million – OC): Strengthening the lending capacity of NOB.** This component aims to develop two credit facilities for MSME financing for eligible productive projects in any economic sector through two sub-components:
- 2.19 **Sub-Component 1.1: First-tier lending (US\$2.4 million of Component 1).** First-tier lending allows NOB to directly place loans to MSME to finance eligible productive projects for working capital (up to one year tenor) and investment loans (up to three years).
- 2.20 **Sub-Component 1.2: Second-tier lending (US\$3.6 million of Component 1).** The program supports a credit facility to deliver second-tier financing through financial institutions to MSME to finance eligible productive projects for working capital and investment loans.
- 2.21 **Component 2: (US\$4 million – OC (US\$2 million) and GCF (US\$2 million)): Bioeconomy financing.** For bioeconomy-related businesses, with an emphasis on agriculture and businesses such as tourism in the Amazon, to finance eligible productive projects for working capital (up to one year tenor) and investment loans (up to three years). This component intends to allocate resources and support managing the risks of firms focused on bioeconomy, including social and environmental risks.
- 2.22 **Component 3: (US\$1 million – GCF): Non-Reimbursable TC on Bioeconomy.** This component aims to develop institutional capacity for NOB for resource mobilization, risk management, including social and environmental risks, develop technical assistance capacities, and improve processes and fiduciary duties. This component is an additionality to the loan, aiming to increase the operation's impact and create an enabling environment for bioeconomy.
- 2.23 **Eligible Beneficiaries and expected results.** The project creates access to finance for at least 500 MSME -depending on demand, this number can change-generating effects on credit penetration from the financial sector, aiming for productivity increases derived from access to credit. Also, at least 20% of the program's total amount should be destined to women or women-owned businesses. Given the size of the economy and the nature of Surinamese enterprises, sub-loans granted with this program will have a maximum amount of US\$500,000, assuming an average size of US\$20,000.

III. TECHNICAL ISSUES AND SECTOR KNOWLEDGE

- 3.1 **Loan instrument.** The program is proposed as a Global Credit Operation (GCR) financed with US\$8 million from IDB's OC plus US\$2 million from the GCF Bioeconomy Program, and US\$1 million from a non-reimbursable TC from the GCF Bioeconomy Program (¶2.21). The execution period is expected to be of 60 months. The selected investment lending instrument is justified on the final eligible beneficiaries, namely MSME, including bioeconomy-related businesses, the indirect funding through a public intermediary institution, and the fact that the loan seeks to promote economic development in Suriname.

- 3.2 **Borrower and Executing Agency (EA).** The Borrower is the Republic of Suriname, and the EA is NOB, which will implement the program through a specific Project Executing Unit (PEU) within its structure. The organizational transformation process for NOB, financed by TC [ATN/OC-17670-SU](#), will allow for complying with its role as EA for the program.
- 3.3 **Procurement.** All program-related procurement activities will be performed following Policies for the procurement of goods and works, financed by the IDB ([GN-2349-15](#)) and Policies for the selection and contracting of consultants financed by the IDB ([GN-2350-15](#)).
- 3.4 **Macroeconomic risks.** It is considered that the macroeconomic risks are medium. Suriname's economic outlook has been characterized by macroeconomic imbalances: low growth, external and financial sector vulnerabilities, and high inflation and debt levels, which worsened during the COVID-19 pandemic. The demand for credit for the MSME segment expected for the program can be repressed by a further macroeconomic deterioration or any external shock that affects the country, for instance, a global economic recession, a drop in prices of raw materials, and additional hikes in interest rates in the United States. To guide the NOB in this project, the execution risks will be mitigated by implementing the roadmap recommended during the TC consultancy [ATN/OC-17670 SU](#), including systemic risk management.
- 3.5 **Recognition of expenditures and retroactive financing.** The IDB may recognize eligible costs incurred by the borrower up to 20% before the loan approval date for activities and eligible beneficiaries for the execution of components 1 and 2. Under no circumstances shall expenditures incurred more than 18 months before the loan approval date be included.

IV. TECHNICAL ASPECTS, ENVIRONMENTAL RISKS AND EXECUTION AND FIDUCIARY ASPECTS

- 4.1 **Fiduciary and execution risks.** This risk is considered medium. The IDB will carry out an institutional capacity assessment analysis (PACI) to determine the fiduciary and execution capacity of NOB. As stated above (¶2.21), Component 3 will be dedicated to the institutional and organizational transformation process of NOB, and one of its byproducts will be the improvement of processes and fiduciary duties. On the other hand, a Program Operating Manual (POM) will contain detailed investment policies, the specific uses of the financial resources of the loan, and operational rules for the disbursements.
- 4.2 **Environmental and Social Risks.** Pursuant to the Environmental and Social Policy Framework (GN-2965-23), the operation is classified as Financial Intermediation. The environmental and social risk rating is substantial, and the disaster and climate change risk is moderate, to be confirmed during the environmental and social due diligence. The program will finance MSME with a multisectoral approach and agriculture and tourism activities in the bioeconomy sector. The operation will not finance activities on the IDB's Exclusion List, activities that directly contribute to them, or subprojects of Category A, substantial or high risk. Exclusions will include activities that: (i) involve involuntary

resettlement due to physical or economic displacement; (ii) involve negative impact for indigenous communities; (iii) may harm critical cultural sites; (iv) involve negative impact on natural or critical habitats; or (v) involve the introduction or expansion of invasive species. The results of the due diligence will be synthesized in the Environmental and Social Review Summary that will define the environmental and social requirements of the program and will be integrated into the program's Operating Regulations (OR).

V. RESOURCES AND TIMETABLE

- 5.1 The distribution of the Operation Development Proposal to the Quality and Risk Review Committee is expected on August 25, 2023, the approval of the Draft Loan Proposal by the Operating Policies Committee on September 18, 2023, and the consideration of the Loan Proposal by the Board of Executive Directors on October 25, 2023. A budget of US\$72,100 will be required for the operation's design and preparation activities, including the institutional analysis, the cost-benefit analysis, and an FTE estimate of 0.97.

Annexes

- I. Summary of the Environmental and Social Review
- II. Timetable and Preparation Resources
- III. Filters for determining the processing track

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SURINAME
FINANCING PROGRAM FOR PRODUCTIVE AND SUSTAINABLE DEVELOPMENT IN SURINAME
SU-L1069

INITIAL ENVIRONMENTAL AND SOCIAL REVIEW SUMMARY (ESRS)

JULY 2023

This document was prepared by:
Robert Langstroth and Patricia Henríquez (VPS/ESG)
With the support of the Project team:
Diego Herrera and Aurea Fuentes (IFD/CMF)

Initial Environmental and Social Review Summary	
Operation Data	
Operation Number	SU-L1069
IDB Sector/Subsector	Financial Markets / Banking Market Development
Type of Operation & Modality	LON / GCR
Initial E&S Impact Classification (ESIC)	FI
Initial E&S Risk Rating (ESRR)	Substantial
Initial Disaster and Climate Change Risk Classification (DCCRC)	Moderate
Borrower	Republic Of Suriname
Executing Agency	National Development Bank of Suriname (NOB)
IDB Loan Amount (and total project cost)	\$10,000,000.00 (\$11,000,000.00)
Applicable ESPs's with requirements	ESPS 1; ESPS 2; ESPS 10
Executive Summary	
<p>Pursuant to the Environmental and Social Policy Framework (GN-2965-23), the operation is classified as Financial Intermediation. The environmental and social risk rating is substantial due to performance risks associated with the Executing Agency and to contextual risks of financing activities in the Amazon region. The disaster and climate change risk is moderate due to low levels of criticality of the risks of the subprojects and the moderate to high levels of risk relating to drought, riverine flooding, and sea level rise under future climate change scenarios. These ratings will be confirmed during the environmental and social due diligence. The program will finance MSME with a multisectoral approach and agriculture and tourism activities in the bioeconomy sector. The operation will not finance activities on the IDB's Exclusion List, activities that directly contribute to them, or subprojects of moderate, substantial or high risk. Exclusions will include activities that: (i) involve involuntary resettlement due to physical or economic displacement; (ii) involve negative impact on Indigenous communities; (iii) may harm cultural or critical cultural sites; (iv) involve negative impact on natural or critical habitats; (v) involve risks or negative impacts based on gender; and or (vi) involve the introduction or expansion of invasive species. The results of the due diligence will be synthesized in the Environmental and Social Review Summary that will define the environmental and social requirements of the program and will be integrated into the program's OR.</p>	
Operation Description	
<p>The operation's objective is to contribute to the increase of productivity of Surinamese Micro, Small, and Medium Enterprises -MSMEs- through access to finance for productive and sustainable investments in Suriname. To comply with such an objective, this project aims at providing financing to MSMEs in different economic sectors, emphasizing firms related to the bioeconomy. Component 1 (US \$6.0</p>	

million) will strengthen the lending capacity of the NOB by providing resources for both first-tier (40%) and second-tier (60%) lending. Component 2 (US \$4.0 million) will provide medium and long-term financing for bioeconomy-related businesses with a focus on agriculture and businesses such as tourism in the Amazon. This component intends to strengthen NOB capacity to allocate resources and manage risks of firms focused on bioeconomy, including social and environmental risks. Component 3 (US \$1.0 million) will provide non-reimbursable technical assistance on bioeconomy as an additionality to the loan to increase the impact of the operation and create an enabling environment for bioeconomy. The project will create access to finance for at least 500 MSMEs, generating effects on credit penetration from the financial sector. Also, at least 30% of the program's total amount should be placed in women-led businesses. The average size of the loans in Component 2 is estimated to be approximately \$8,000. Furthermore, IDB is financing two consultancies to identify suitable loans for future financing by NOB in the agriculture and tourism sectors and a consultancy for implementing an Environmental and Social Management System (ESMS).

With the world's highest forest area per capita, Suriname can promote the biodiversity of the Amazon while enacting a sustainable use of its resources. The country is in place to encourage practices that reduce emissions, increase carbon stocks, net gains in natural capital, and climate resilience of ecosystems. The PP defines bioeconomy is an economic activity based on using renewable natural resources derived from land and water to obtain food, materials, and energy without compromising availability in the future. In this sense, the sustainable businesses that can take advantage of the biodiversity across economic sectors are called bio-businesses in the PP. Bio-businesses implement sustainable practices, models, and technologies using forest and natural capital in subsectors such as perennial agriculture, agroforestry, aquaculture, natural tourism, non-timber natural forest products (NFTP), restoration and regulation ecosystem services, and sustainable forestry plantations, excluding non-native-and-invasive monocultures.

Rationale for Classifications/Rating	
<i>E&S Impact Classification</i>	The operation has a financing structure that involves the provision of funds through FIs or through delivery mechanisms involving intermediation whereby the FI undertakes the task of subproject appraisal and monitoring.
<i>E&S Risk Rating</i>	The Environmental and Social risks are rated as Substantial due to the performance risks associated with the Executing Agency which has little experience in the application of multilateral development bank E&S standards; and due to context as the program will finance activities in the Amazon that has particular and sensitive environmental and social considerations
<i>DCC Risk Classification</i>	The Disasters and Climate Change Risk is classified as Moderate due to the low levels of criticality of the potential risks of the subprojects to be financed and the moderate to high levels of risk relating to drought, riverine flooding, and sea level rise under future climate change scenarios.
Use of Borrower E&S Framework	<i>No</i>

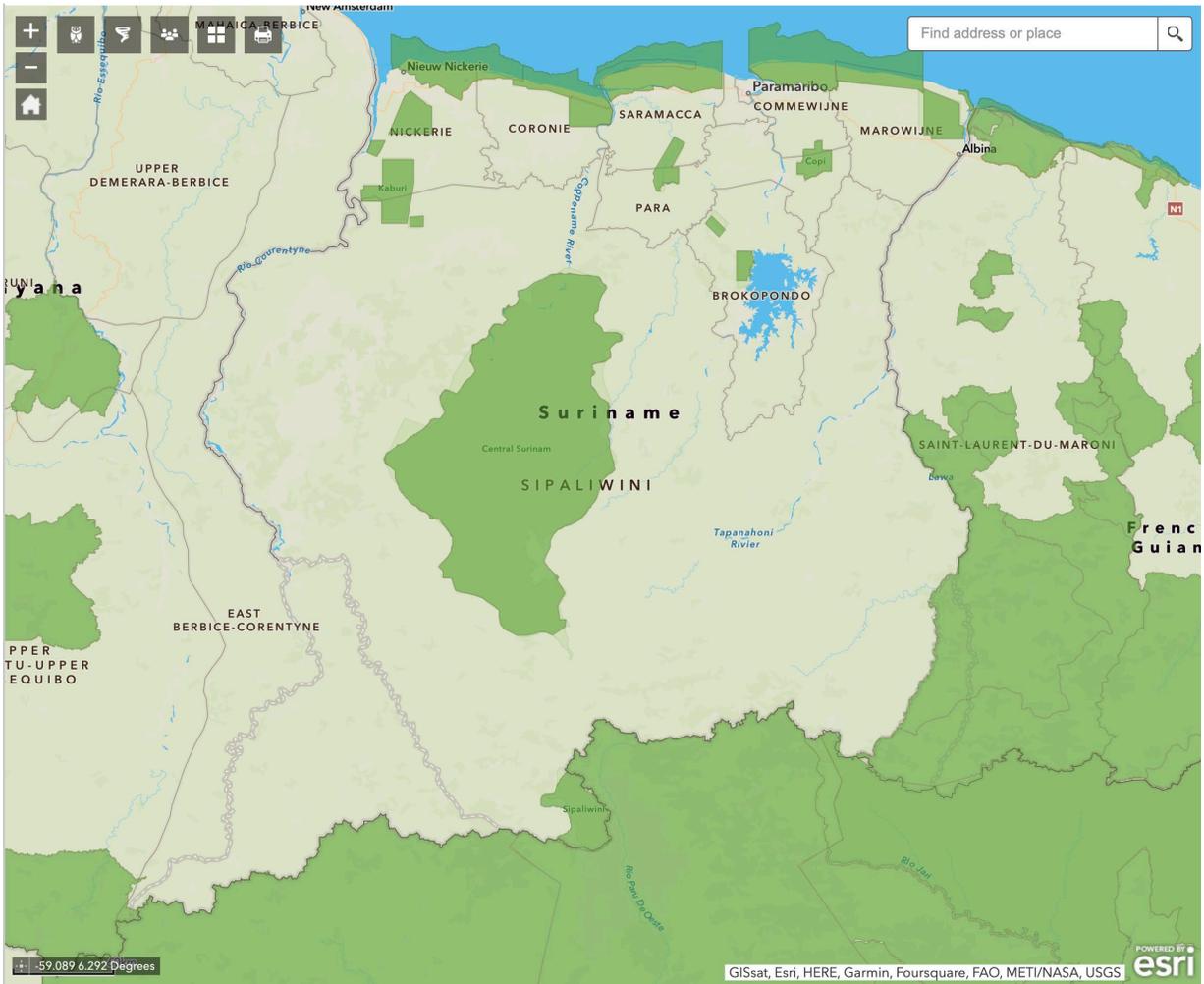
The operation will be conducted in accordance with the ESPF.	
Will the operation be co-financed or is there a possibility of being co-financed?	No
This Operation is not expected to involve any co-financing.	
Environmental and Social Performance Standards (ESPSs) that apply to the proposed project	
ESPS-1. Assessment and Management of E&S Risks and Impacts	Yes
<p>The Executing Agency is the National Development Bank of Suriname (NOB), which will implement the program through a specific Project Executing Unit (PEU) within its structure. The organizational transformation process for NOB, financed by a TC, will allow for complying with its role as EA for the program.</p> <p>The program will finance MSME with a multisectoral approach and agriculture and tourism activities in the bioeconomy sector. The operation will not finance activities on the IDB's Exclusion List, activities that directly contribute to them, or subprojects of moderate, substantial or high environmental and social risk. Exclusions will include activities that: (i) involve involuntary resettlement due to physical or economic displacement; (ii) involve negative impact for Indigenous communities; (iii) may harm cultural or critical cultural sites; (iv) involve negative impact on natural or critical habitats; or (v) involve the introduction or expansion of invasive species. The program's ESMS will define comprehensive exclusion and eligibility criteria to avoid any significant E&S impacts and risks in subprojects.</p> <p>Subprojects will be required to demonstrate compliance with national laws given that only low E&S risk activities will be financed.</p> <p>The ESMS will establish a stakeholder grievance mechanism and will also set out respective selection and oversight procedures for second-tier lending institutions.</p> <p>During the due diligence, an E&S assessment will be undertaken to analyse the FI's portfolio and subprojects and determine the needs for improving the NOB's ESMS and capabilities. The results of the due diligence will be synthesized in the Environmental and Social Review Summary that will define the environmental and social requirements of the program and will be integrated into the program's OR.</p>	
ESPS-2. Labor and Working Conditions	Yes
<p>As part of the Bank due diligence (DD) it will be assessed compliance of the FI with relevant aspects ESPS 2 regarding its employment relationships. All FI operations must demonstrate compliance with labor and working conditions national laws and regulations. As part of ESDD, the Bank will obtain and review the NDB's human resource policy and processes (if applicable) and assess:</p> <ul style="list-style-type: none"> • Relevant business licenses, registrations, permits, and approvals; • Information in public records, for example, corporate registers and public documents relating to violations of applicable labor laws, including reports from labor inspectorates and other enforcement bodies; • Any past or current legal cases against the FI regarding labor issues • Any reports by civil society or news organizations regarding labor issues. 	

<p>Where gaps are identified, specific measures should be identified and reflected in the operation's Environmental and Social Action Plan (ESAP) and will be monitored and updated during project implementation. Such measures may for example be developing a code of conduct for FI workers including a zero-tolerance statement against sexual and gender-based violence (SGBV) or developing an OHS protocol for site visits. Note that ESPS 2 requirements apply to the FI as an organization as such and measures are generally applied to the institutions. Therefore, they are generally not included in an FI's ESMS that sets out procedures on how E&S impacts and risks (including labor risk) of the portfolio to be financed will be managed.</p> <p>The NOB's current labor policies, such as non-discrimination policies or Codes of Conduct, and the respective compliance with national laws and regulations, including licenses, track record, and any sanctions of labor inspectorates and their like, will be assessed during the Bank's due diligence.</p> <p>The risks and impacts associated with labor and working conditions relevant to subprojects, including those related to the health of workers, child and forced labor (including the potential for purchasing solar panels), non-discrimination, and freedom of association and collective bargaining will be assessed during the due diligence.</p>	
ESPS-3. Resource Efficiency and Pollution Prevention	<i>No</i>
<p>As the operation will finance only low E&S risk activities, ESPS 3 does not apply. However, financed activities will be required to comply with applicable national legal requirements.</p>	
ESPS-4. Community Health, Safety, and Security	<i>No</i>
<p>As the operation will finance only low E&S risk activities, ESPS 4 does not apply. However, financed activities will be required to comply with applicable national legal requirements.</p>	
ESPS-5. Land Acquisition and Involuntary Resettlement	<i>No</i>
<p>As the operation will finance only low E&S risk activities, ESPS 5 does not apply. However, in order to maintain the low risk level, the Program's ESMS and ROP will exclude the financing of any activities that require or indirectly result in involuntary resettlement due to physical or economic displacement.</p>	
ESPS-6. Biodiversity Conservation and Sustainable Management of Living Natural Resources	<i>No</i>
<p>As the operation will finance only low E&S risk activities, ESPS 6 does not apply. However, in order to maintain the low risk level, the Program's ESMS and ROP will exclude the financing of any activities that require or indirectly result in the conversion or degradation of natural habitats or any negative impacts to critical habitats or that involve the introduction or expansion of invasive species.</p>	
ESPS-7. Indigenous Peoples	<i>No</i>
<p>As the operation will finance only low E&S risk activities, ESPS 7 does not apply. However, in order to maintain the low risk level, the Program's ESMS and ROP will exclude the financing of any activities that will result in any negative impacts to Indigenous Peoples. Also, the operation will seek to develop actions the benefit indigenous peoples.</p>	

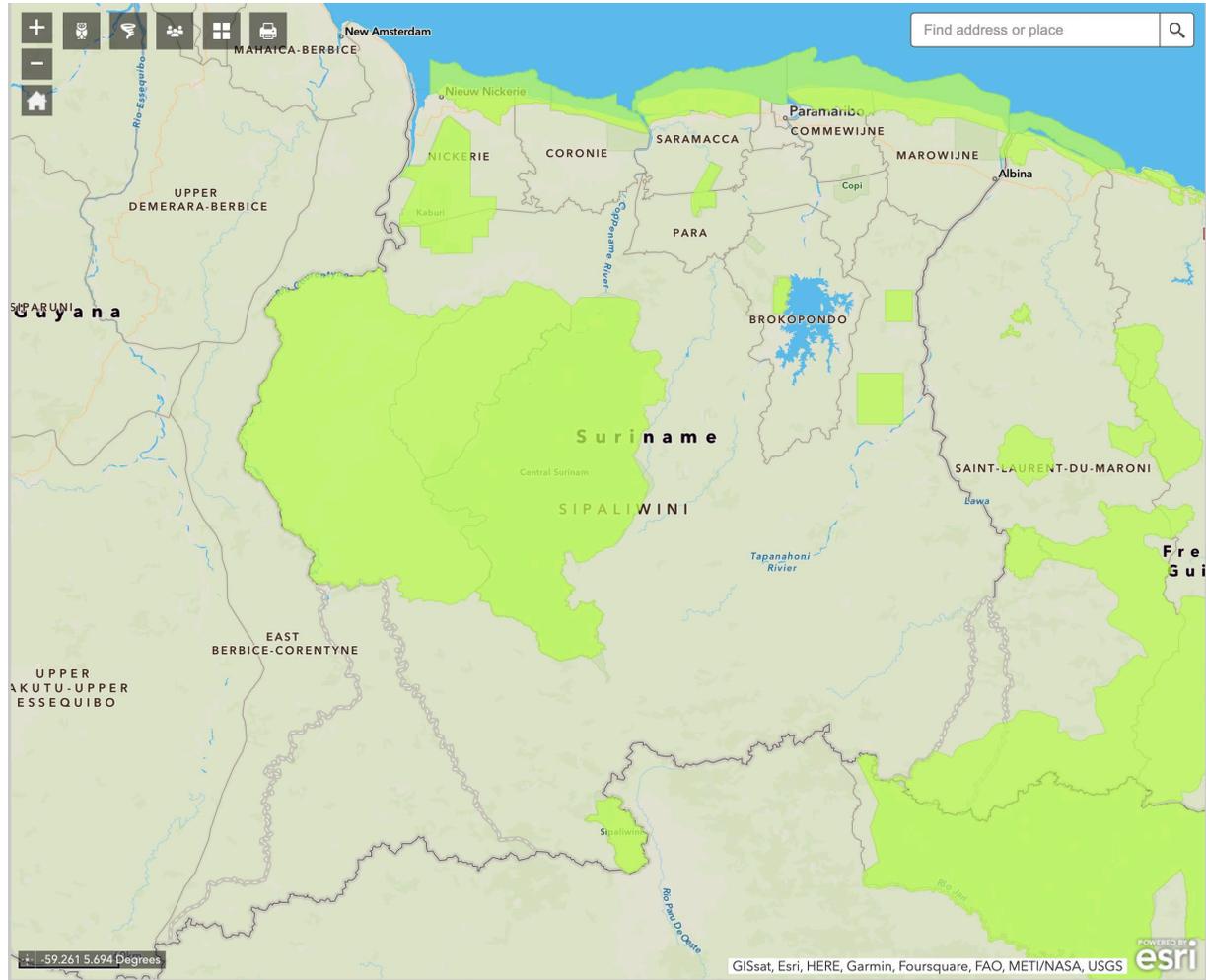
ESPS-8. Cultural Heritage		<i>No</i>	
As the operation will finance only low E&S risk activities, ESPS 8 does not apply. However, in order to maintain the low risk level, the Program's ESMS and ROP will exclude the financing of any activities that will result in any negative impacts to cultural and critical cultural heritage.			
ESPS-9. Gender Equality		<i>No</i>	
As the operation will finance only low E&S risk activities, ESPS 9 does not apply. However, in order to maintain the low risk level, the Program's ESMS and ROP will exclude the financing of any activities that will result in any risk and negative impacts based on gender.			
ESPS-10. Stakeholder Engagement and Information Disclosure		<i>Yes</i>	
The ESMS will include a Stakeholder Engagement Plan that indicates procedures for: disclosure of E&S information of subprojects during execution; and a grievance mechanism at FI level. A consultation is not required during program preparation for FIs. At a minimum, the FI's ESMS must include:			
<ul style="list-style-type: none"> • procedures for disclosure of E&S information of subprojects establishing access to information as per national law and/or industry practice. • an effective grievance redress mechanism for subproject beneficiaries/affected people at FI level. 			
IDB Environmental and Social Due Diligence			
Strategy for Due Diligence			
The table below summarizes the documents required during the preparation of the operation to complete gaps identified above, and/or completion before IDB Board Approval, as well as the timeline for the preparation of any studies in relation to the project preparation timeline.			
<i>E&S Assessment requirement</i>	<i>Status of development</i>	<i>Estimated resources to finalize (specify Bank or Borrower cost)</i>	<i>Estimated timeline to finalize (inc. consultation)</i>
Environmental and Social Management System (ESMS) tailored to the particular needs of the operation.	Not yet initiated.	To be prepared by consultants under TC (US\$15k).	Execution: 2-3 months. Intended start: Mid-July 2023. Consultation: October 2023.
Annexes			
Annex A.	E&S Maps		

Annex A. E&S Maps

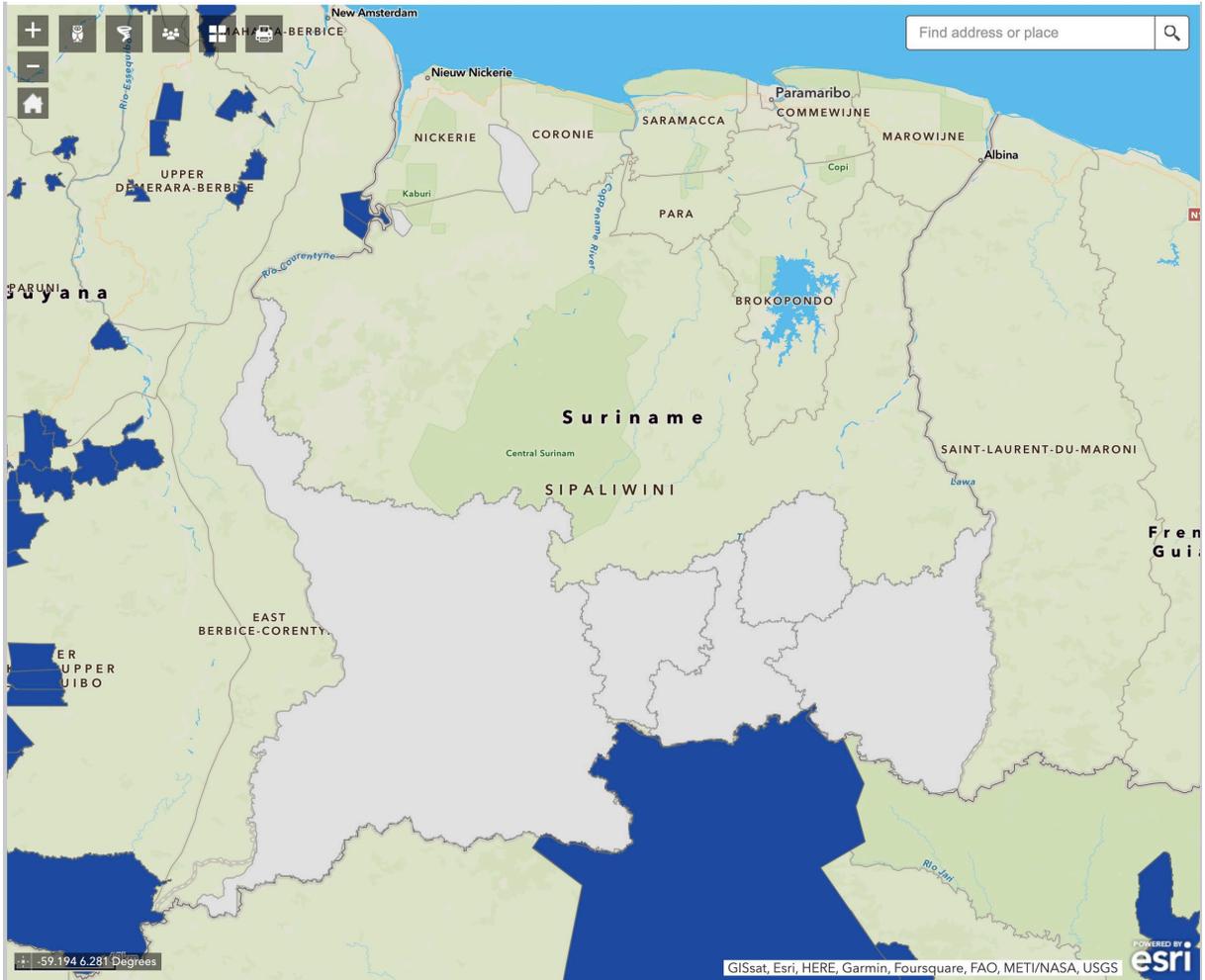
Map 1. Legally protected areas



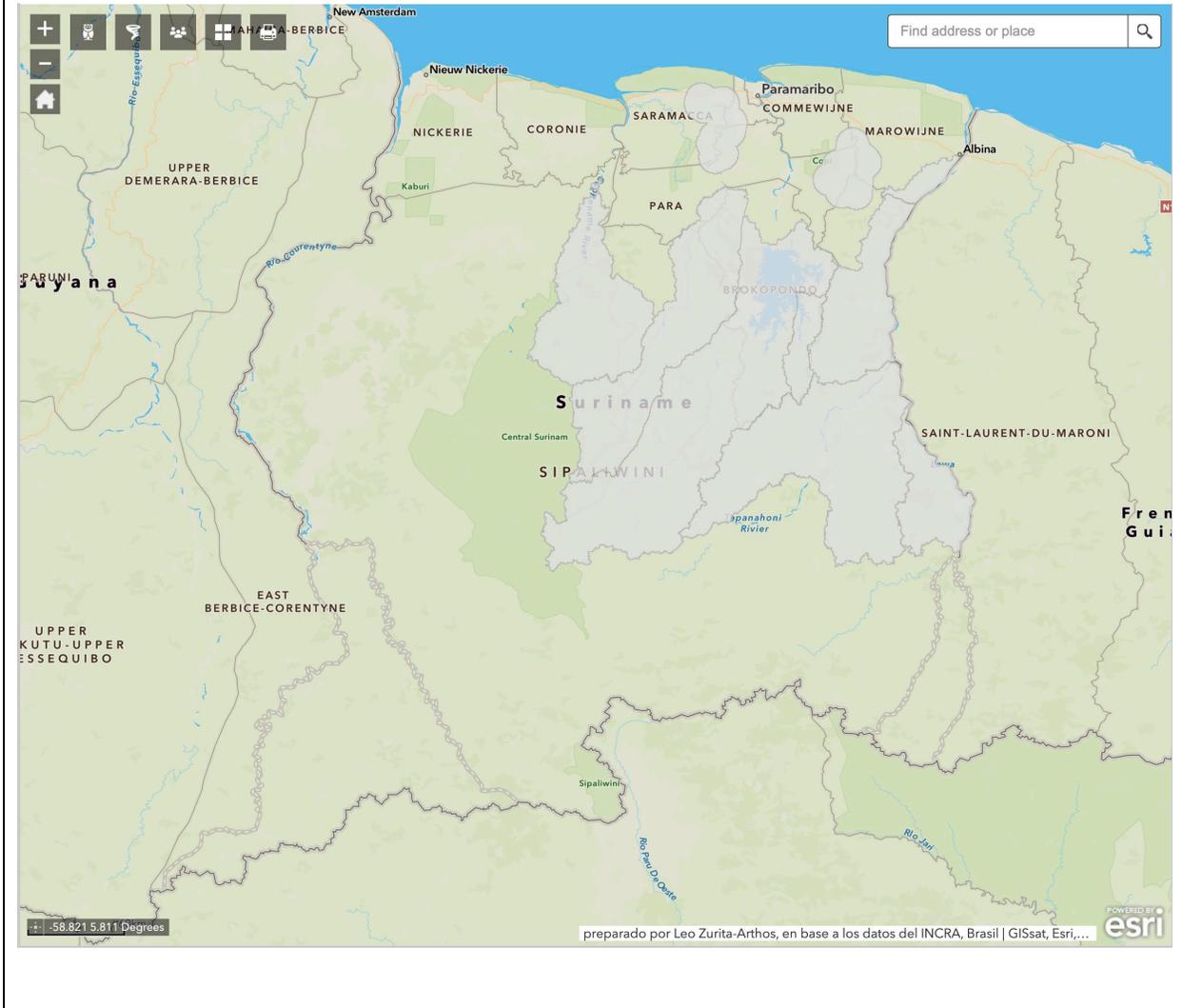
Map 2. Key Biodiversity Areas



Map 3. Untitled indigenous territories (grey polygons)



Map 4. Afrodescendant territories.



CONFIDENTIAL

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