



Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 13-Jul-2018 | Report No: PIDISDSC24335



BASIC INFORMATION

A. Basic Project Data

Country Suriname	Project ID P166187	Parent Project ID (if any)	Project Name Facilitating Private Investment and Sector Diversification (P166187)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date Jan 02, 2019	Estimated Board Date Mar 29, 2019	Practice Area (Lead) Finance, Competitiveness and Innovation
Financing Instrument Investment Project Financing	Borrower(s) Republic of Suriname	Implementing Agency Ministry of Trade, Industry & Tourism	

Proposed Development Objective(s)

The project development objective is to facilitate private investment and strengthen value chains in targeted industries in Suriname.

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	25.00
Total Financing	25.00
of which IBRD/IDA	25.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	25.00
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Environmental Assessment Category
B - Partial Assessment

Concept Review Decision
Track II-The review did authorize the preparation to



continue

B. Introduction and Context

Country Context

Suriname is an upper-middle-income country of 558,000 people with an economy dependent on extractive industries.

The extraction and processing of abundant gold, oil, and bauxite resources have historically accounted directly for around 30 percent of GDP and as much as 90 percent of exports. Economic activity in other sectors also tends to be linked to extractives – the services sector accounts for nearly 60 percent of the economy and is dominated by construction, retail, trade, and transport activities that are closely linked to income earned from extractives. Agriculture is a historically important sector that currently accounts for about 10 percent of GDP. Supported by rising commodity prices of its mineral and oil exports, Suriname’s economy grew an average of 3.4 percent per year from 2001 through 2016, well above the 2.1 percent average for Caribbean small states. Per capita income increased from \$1,390 to \$6,990 over this time (GNI, Atlas method) and poverty rates declined.¹

Dependence on commodities and limited diversification of the economy create macroeconomic and sustainability risks for Suriname. Underlying Suriname’s average economic growth rates are significant fluctuations that are driven by global commodity prices. After growing an average of 4.7 percent per year from 2001 through 2013, GDP began contracting and the economy entered a severe recession as prices of gold, oil, and alumina fell. Government revenue from mining fell from around 10 percent of GDP to just 3 percent in 2015, the currency devalued by half, and government debt as a percent of GDP tripled between 2012 and 2016. The economy is estimated to have stabilized in 2017 and 2018, driven partly by operations of a new gold mine. The reliance on commodity extraction also threatens depletion of Suriname’s natural assets, which include substantial pristine forest coverage and rich reserves of natural water. Suriname lacks a comprehensive legal framework to manage the environmental and social impacts of its main economic activities, and there are limited plans to mitigate the impact of climate change such as increased flooding on economic activities along the coastal plain, creating risks for sustainable growth.

The public sector in Suriname plays a large role in the economy but has limited capacity in economic management.

The Government of Suriname (GOS) redistributes revenue earned from extractives through significant public sector employment, accounting directly for 40 percent of total formal employment. Another 20 percent of formal employment is in more than 140 state-owned enterprises (SOEs), which engage in quasi-regulatory and service delivery functions as well as commercial activities across sectors of the economy. Public enterprises have weak accounting and reporting standards, public sector institutions have limited transparency and institutional capacity, and less than 6 percent of central government employees have a university degree. The large public sector wage bill creates fiscal risks for the government and the presence of SOEs decreases opportunities for private sector development and job creation.

The private sector is underdeveloped and concentrated in non-tradable services. There are around 200 large private companies in Suriname, which outside of mining focus on selling non-tradable services or importing goods not produced in Suriname. Most firms in the economy are small, family-owned, and informal. Less than 7 percent of registered firms engage in agribusiness or manufacturing. Tourism is a nascent industry, but coordination in the sector is very limited and

¹ GDP and GNI data are from World Development Indicators. Poverty trends are based on World Bank staff calculations using aggregate consumption data from the General Bureau of Statistics; household microdata are not available and there is no official national poverty line.



the largest travel operator and several hotels are state-owned. Measures of entrepreneurial activity across the economy are very low. Private firms have generally weak accounting and financial management practices, limiting their bankability. Commercial finance to the private sector is low at 37 percent of GDP (compared to 49 percent of GDP on average for LAC and 43 percent of GDP for other small Caribbean states according to WDI), and access to finance is cited as a major constraint by 36 percent of firms (according to the 2010 Enterprise Survey).

New private investment is needed to catalyze economic activity and increase resilience to shocks in the future. As in other small Caribbean economies, Suriname's concentrated exports and vulnerability to shocks reflect the need for economic diversification, including within the country's two leading export-oriented sectors, extractives and agriculture. Suriname's large public sector wage bill compounds this need, highlighting the importance of growth in private sector jobs. The public sector also already plays a substantial role in the economy but lacks capacity to manage economic activities in a commercially oriented way. Facilitating new private investment is needed to create private sector job opportunities and strengthen economic resilience in Suriname.

Sectoral and Institutional Context

There is significant competitive potential for increased growth and diversification within the established extractives and agriculture sectors. A recent Sector Competitiveness Analysis² identified opportunities for private investment and diversification within these sectors, as well as constraints to such growth. Policy research on diversification in small economies like Suriname's indicates that diversification over time into new products and markets within established sectors such as extractives and agriculture is likely to be more feasible than targeting new sectors.³

With abundant land and water resources, Suriname has a comparative advantage in agricultural production in the Caribbean region. Agriculture already accounts for 10 percent of GDP, and Suriname has preferential market access to the Caribbean through CARICOM and historical export connections to Europe through the Netherlands. Rice, bananas, and fish and shrimp are important export products, accounting for around \$100 million of exports per year (6 percent of total exports). Current export markets for these products are very concentrated however, with most sales going to Jamaica (for rice) and France and the Netherlands (for bananas). Fish and shrimp export markets are more diversified, and there is potential for upgrading into higher-value products within these subsectors. There is also significant potential for increased production of new products for export markets. The current amount of land under production is only about 20 percent of the historic maximum. Sector analysis identified potential for increased production and export especially of high-value fruit and vegetable products, as well as competitive potential of high-value meat products. In addition to the existing commercial agribusiness operations, both private and publicly owned, there are around 10,000 smallholder farmers, with some examples of outgrower schemes around a nucleus farm that link small farmers into export-oriented value chains.

Suriname's mineral and oil potential is also underexploited. Suriname is located on the Guiana Shield geological formation that has similar high mineral potential as Guyana, French Guiana, and parts of West Africa. One main bauxite extraction operation has dominated the sector for the past 100 years, but the historic foreign investor ended operations in 2015 after accessible reserves were exhausted. Two new significant gold mine operations were established in the past decade. But previous geological studies have shown evidence of high potential for a range of minerals, including additional gold extraction, diamonds, and other minerals such as kaolin and rare earth elements. Suriname's state-owned oil company Staatsolie is the sole extractor of oil, all discoveries of which are onshore to date; but there are significant indications of offshore oil given recent findings in Guyana. In addition to existing large-scale commercial

² Suriname Sector Competitiveness Analysis, 2017, World Bank Group.

³ See for example Lederman and Lesniak, 2018, Open and Nimble: Finding Stable Growth in Small Economies, World Bank Group.



extractive operations, there are significant informal artisanal and small-scale mining operations in Suriname as well as domestic enterprises supplying goods and services to extractive operations. New exploration and extraction has the potential to generate jobs and additional local economic opportunities in the long term.

Despite the potential, investment climate constraints hinder new private investment in agribusiness. Outside of the established industries of rice, bananas, and fish and shrimp, there are few large firms integrated into global value chains that can act as lead firms for domestic industries. Although land is abundant, 90-95 percent is publicly owned and allocated, and complex land titling processes limit access and the use of land for collateral. Existing domestic investors have limited access to finance to expand their agribusiness operations, driven by factors including high collateral requirements and low private sector capacity to document cash flows and prepare bankable business plans. Given Suriname's relatively small existing agricultural sector, there is limited global awareness of the agribusiness investment potential, and the GOS has not had a functioning investment promotion agency to market opportunities and proactively address the interests or concerns of potential investors. There are 14 SOEs engaged in agricultural activities, including commercial ventures such as production estates and shrimp and other food processing. The GOS has policy interest in promoting private investment in these SOEs but lacks capacity to prepare projects in a commercially oriented way.

Weak value chains limit the competitiveness of agribusiness production and exports. Existing local farmers generally have limited ability to meet the quality or quantity demands of export markets or the processing industry, and the quality of extension services and the development of market standards are relatively low. Weak food safety standards and inspection facilities have historically constrained exports of high-value products such as horticulture and meat, but recent legal reforms and public investments seek to address these issues. Firms engaged in the export of fresh products such as horticulture identify cumbersome export inspection processes and limited cold storage and packaging facilities as constraints in their export logistics chain. There is also very limited value chain financing or non-banking financial services such as factoring and leasing that have proved effective in serving small and medium-sized enterprises (SMEs) and that could enable further value chain integration. There are legal reform efforts underway to establish a secured transactions framework and improve credit reporting, which can facilitate access to finance along agribusiness and other value chains especially by enabling the use of moveable collateral, if there are coordinated public-private efforts to facilitate usage of these products once legal frameworks are established.

Lack of public knowledge of specific geological potential limits exploration and extraction. Although there is general evidence of high potential for a range of minerals and oil, vast portions of Suriname's territory are known only through sparse and outdated surveys, and the most recent geological map dates from 1977. International investors do not see Suriname as an attractive destination for its mineral potential: the Investment Attractiveness Index of the Fraser Institute ranked Suriname 91 out of 122 countries in 2014, well behind Guyana (54) despite having similar geology. As a result there is almost no exploration, as private investment in exploration without geodata available as a public good is too risky. Limited geological data also decreases government bargaining power in negotiations with any investors that privately obtain data on extractive potential.

Limited institutional capacity to regulate hinders development of the extractives sector, including constraining new private sector investments. Weak governance of extractives activities is seen in the historically poor management of mining titles and lack of fiscal transparency around revenues and royalties generated by extractives. These create property rights risks and a potentially unlevel playing field for investors. The GOS has made significant recent efforts to improve governance of the sector, including applying for the global Extractive Industries Transparency Initiative (EITI) and publishing mining title maps to increase transparency. But capacity to implement governance reforms is weak; the Geological Mining Department responsible for monitoring mining title holders has almost no masters-trained geologists. Institutional capacity and systems to manage and promote new geological information is also lacking. In the oil industry,



Staatsolie acts as both the only producer and the sector regulator. This concentration of regulatory and commercial functions creates a conflict of interest that decreases equal and fair treatment for potential future investors in onshore or offshore oil. These constraints limit investment opportunities not only for large foreign extractives firms; only a handful of local Surinamese firms are formally established in the sector despite its dominance for nearly a century, reflecting the extractive industries' limited impact to date through economic spillovers and linkages with the domestic economy.

Inadequate management of environmental and social impacts creates risks for sustainable development and for new private investors, in extractives as well as agribusiness. There are many gaps in the legal and institutional frameworks to manage environmental and social impacts of economic activities. Within extractives, this results in widespread usage of the contaminative process of mercury for gold extraction by artisanal and small-scale miners. There are indigenous populations living in areas with mineral potential, which often have land rights conflicts with informal extractive operations. Lack of transparency and consistency in the application of environmental and social regulations can encourage a race to the bottom, to the detriment of formally established firms seeking to comply. The framework for managing environmental and social impacts also affects the agribusiness sector, given the need to manage land clearing and potential uncertainty over land titles in rural areas where indigenous populations reside. The GOS has made efforts to address these issues, including recent legislative ratification of the Minamata Convention on Mercury and preparing a draft comprehensive Environmental Law, but significant progress is still needed.

In addition to sector-specific constraints, cross-cutting investment climate issues also hinder private sector investment and growth. Most laws establishing the legal framework for business date from Dutch colonial times, which has led to informal workarounds that create room for different interpretation and discretion. Suriname ranks 165 out of 190 economies for its overall ease of Doing Business, and it takes for example 84 days and 98 percent of income per capita to start a new business (compared to 32 days and 38 percent of income per capita on average in Latin America and the Caribbean). The GOS has made significant progress passing recent legal reforms to ease the processes of business registration and licensing and conducting electronic transactions, but improved implementation is needed.⁴ The legal framework for investment includes outdated investment policy practices: the Investment Law of 2001 authorizes the granting of fiscal and non-fiscal incentives on a case-by-case basis and does not provide standard international investor protection rights. There has not been a clear mandate for investment promotion within GOS, and line ministries have historically responded individually to specific investor interests, negotiating investment deals on a case-by-case basis with guarantees that often require Parliamentary approval.

Relationship to CPF

In an effort to further harness its natural capital to generate economic opportunities, the GOS plans to diversify economic activity through an increase in private investment. The government's 2012-16 and 2017-21 National Development Plans as well as the 2016-18 Stabilization and Recovery Plan following the economic crisis all highlighted the need to diversify economic activity including through an increase in private investment. The GOS has taken important steps to improve its ability to facilitate private sector growth and investment, such as the establishment of a Competitiveness Unit Suriname (CUS) in 2014 that is now a central department of the Ministry of Trade, Industry & Tourism (MTIT) and the recent establishment of InvestSur as the national investment promotion agency. Additional National Development Plan steps specifically include promoting investments, privatizing SOEs, and developing mining, oil, and agroindustry as priority sectors.

⁴ Recent reforms include amending the Code of Commerce in 2016, passing the Business and Professions licensing law in 2017, and passing the Electronic Transactions Law in 2017, all of which were part of a reform package being considered for possible Development Policy Lending support from the WBG.



Building on these GOS plans, creating a conducive environment for private sector development is a key results area of the Country Partnership Strategy (CPS) for FY15-19 established between the WBG and the GOS. The current CPS represents the first WBG strategy and engagement with Suriname for nearly 30 years, and it took a selective approach that included a focus on enabling private sector development. Specific activities planned under this results area include sector interventions to facilitate investments and support inclusion in the extractive industries and agriculture, and cross-cutting interventions to enhance the business environment. This results area built directly on the goal of promoting private sector-led economic diversification included in the 2012-16 National Development Plan.

Initial World Bank and IFC analytical and advisory support under the CPS provided the foundation for the proposed project. The in-depth Sector Competitiveness Analysis overseen jointly by the World Bank and IFC identified opportunities and constraints to investment and diversification in the agribusiness and extractives sectors. The grant-funded Investment Climate and Sector Competitiveness ASA built on the Sector Competitiveness Analysis, providing support for a multi-ministerial Agribusiness Investment Task Force and streamlining of business licensing requirements. IFC resources conducted a customs and trade facilitation diagnostic to identify export logistics constraints.

The CPS highlights the importance of coordinating support between WBG and activities initiated by other development partners, an approach also followed in the design of this project. The Inter-American Development Bank, European Union, and Islamic Development Bank have existing portfolios in Suriname including supporting in the agriculture and financial sectors. The proposed project will finance selective interventions that are well coordinated with existing development partner support, as detailed in the proposed concept below.

C. Proposed Development Objective(s)

The project development objective is to facilitate private investment and strengthen value chains in targeted industries in Suriname.

Key Results

The results to be achieved by the proposed project will be measured by the following PDO indicators:

- Number of new private investment leads generated
- Number of SMEs benefitting from value chain interventions
- Volume of new private investment in value chains supported under the Project
- Accessibility of geo-information to inform extractive exploration efforts

Targeted project beneficiaries include SMEs and workers that take advantage of new employment opportunities in Suriname's private sector. Including the informal sector, mining and agriculture together already account for an estimated 40 percent of total employment in Suriname, and new private investment in these sectors will create new private sector jobs. New investment and strengthened value chains will also create opportunities for linkages to small-scale agricultural producers and miners and other SMEs that operate in these value chains. SMEs in these and other sectors will also benefit from increased access to finance, facilitating enterprise growth and job creation.

Through the impact on these beneficiaries, the proposed project is expected to contribute to the twin goals of reducing poverty and increasing shared prosperity in Suriname. Quantitatively measuring household income impact is difficult in Suriname given the lack of availability of household microdata. But the opportunities offered by new investments and strengthened value chains in extractives and agribusiness for job creation and linkages to small-scale



producers and other SMEs will contribute to inclusive growth. In the long run, private sector-led diversification of economic opportunity will reduce vulnerability to shocks, mitigating future increases in poverty due to decreased purchasing power across households such as the impact understood to have resulted from the recent commodity price fall.

The proposed project is also designed to generate results for Suriname by maximizing finance for development. The PDO focuses on leveraging private sector investment to stimulate growth in Suriname. Key results indicators will measure volumes of private investment that are crowded in. Results will also include new private investment opportunities that are generated by strengthening public sector capacity to attract and negotiate with the private sector, prepare investment opportunities in public assets, and remove binding constraints to catalyze markets.

D. Concept Description

The proposed project seeks to facilitate new private investment in targeted industries through an improved investment climate, strengthened value chains, and increased access to finance to enable private sector growth and diversification in Suriname. A range of investment climate constraints inhibit new private investment in the economy. The extractives sector has significant untapped potential to generate exports and jobs, but requires public goods including data and regulatory capacity to enable new private investment. High-potential industries within agribusiness require support to unlock private investment opportunities and strengthen value chains and access to finance to be able to grow. The following proposed components and activities address specific GOS financing needs to facilitate private investment and growth in these areas:

Component 1: Foundations for private investment in extractive industries. This proposed component will foster a more conducive environment for future private investment in this sector. Increased public data and promotion of mineral potential will unlock future private exploration and extraction. A stronger mining cadaster will improve transparency and security of tenure, and separate regulatory and production functions in oil will level the playing field for future investors. Improving the social and environmental management framework and improving inspection capacity will enable attraction of private investment with a more sustainable development impact going forward. Growth in the sector will create jobs and opportunities for local firms, either to formally engage in extractive activities or to supply goods and services to lead firms. Specific activities planned include:

- Geological data program. This activity will finance an airborne geophysical data collection campaign covering a section of Suriname's territory. It will also finance a geodata management system that can be used to manage and promote the data and the associated implications for new mining potential. The new data will replace the outdated and low-quality existing data that is predominantly stored on paper and not linked to any geographic information system. The initial territorial coverage will focus on areas of Suriname understood to have relatively high geological potential, and will provide a demonstration effect to encourage additional geodata collection in the rest of the country. The data obtained and promoted as a public good will reduce the costs and risks of private exploration and inform both public and private investment decision-making going forward. The geodata management system will include geospatial information on indigenous people's areas and natural habitats and other protected areas to enhance management of future social and environmental impact.
- Improving the regulatory framework for new investments in extractives. GOS plans are underway to establish a Minerals Institute that will integrate and strengthen mining cadaster, geological data management, and mining inspectorate functions. GOS also has plans to establish an independent oil regulator to separate production and regulatory functions. The project will support the establishment and operationalization of these institutions.



The project will also support the development of regulatory frameworks to be implemented by these institutions that provide appropriate incentives for future private investments including clear mining titles, a level playing field, and compliance with transparent social and environmental regulations.

- Strengthening institutional capacity to manage social and environmental impacts of future private investments. The proposed project will finance a Strategic Social and Environmental Assessment (SESA) covering mining and oil as well as the agriculture sector. The SESA will entail a comprehensive sector-wide examination of potential impacts, both positive and negative, of future potential investments in these sectors and identify gaps in regulations, institutional capacity, and public consultation mechanisms that can be strengthened. This will help address the weaknesses in the current legal and regulatory framework and enable the GOS to integrate principles of sustainable development both upstream in sector planning efforts and downstream when specific projects are being prepared or evaluated. The SESA will also contribute to a more transparent understanding of environmental and social regulations, creating a more level playing field for future private investors. This activity will also finance technical assistance for implementation of some of the recommendations of the SESA. This is expected to include training, advisory support, and other technical assistance to strengthen the capacity of environmental and indigenous people's representative institutions to more effectively engage in managing social and environmental impacts of future investment activities.

Component 2: Supporting private investment in targeted value chains. There is significant potential for growth and diversification within agribusiness and other existing sectors in Suriname. High-potential industries identified include fruits, vegetables, fish and shrimp, and meat. But constraints along value chains hinder competitiveness and limit private investment opportunities. This proposed component will address constraints and strengthen targeted value chains through the following activities:

- Promoting investments in anchor firms. There are relatively few large private firms established in targeted industries that are linked into global chains and can serve as an anchor firm for the domestic value chain. This activity will address information gaps about investment potential in Suriname and support the GOS in preparing private investment opportunities to facilitate specific investment deals, informed by the findings of the SESA in terms of managing the environmental and social impacts of future investments that are facilitated. Activities will include industry studies and investment promotion for targeted value chains. The newly established investment promotion agency InvestSur seeks to increase awareness among global investors of the opportunities in Suriname, and will build on horticulture promotion efforts initiated by the Suriname Agribusiness Investment Task Force. This activity will build InvestSur's capacity for industry-focused promotion work such as through studies that identify specific investment opportunities in targeted value chains and the design of investor targeting and communication campaigns, in close coordination with IDB support for InvestSur.
- Investments in value chain public goods. The Sector Competitiveness Analysis and follow-up work with the Suriname Agribusiness Investment Task Force has identified constraints in several high-potential agribusiness value chains. These include limited cold storage and packing facilities and services in the logistics chain; one illustrative example is under-capacity for cold storage and cumbersome inspection procedures for fresh product exports near the international airport. This activity will provide financing for public investments in underlying public infrastructure to support the competitiveness of export value chains, as well as seeking to identify public-private mechanisms to address constraints to utilize private sector financing and capacity to the extent possible.
- Access to finance for SMEs. Access to finance constraints significantly limit SME growth in Suriname, including in high-potential export-oriented industries. Heavy collateral requirements limit access for firms without significant



real estate assets and there is little use of movable collateral or leasing instruments. Value chain finance is also very limited, with few instruments such as warehouse receipts or receivables-based financing that can facilitate credit for functioning value chains. Considering the specific needs of SMEs in targeted value chains, this activity will stimulate access to finance through innovative mechanisms including:

- Improving financial infrastructure. The forthcoming secured transactions law will strengthen the legal framework for use of moveable collateral. A moveable collateral registry has been designed and will be launched once the secured transactions law is passed, but support will be needed to ensure its usage by SMEs and commercial banks. The proposed project will finance promotion of the registry and capacity building of participating financial institutions once the registry is active, including possible temporary incentives to stimulate initial usage of movable collateral and the registry.
 - Pilot value chain finance. In addition to the moveable collateral registry, receivables-based financing or warehouse receipts can stimulate access to finance for SMEs working in value chains, especially in agriculture, but such instruments are not currently utilized in Suriname. The project will finance pilot efforts to stimulate provision of value chain finance, providing funds to coordinate members of high-potential value chains such as horticulture and shrimp with commercial banks and test financial products both between firms and from banks. Targeted seed capital funds combined with business development services for SMEs operating in value chains with growth potential will also be explored to address constraints in access to finance for younger firms.
- Legal and regulatory reforms to improve the investment framework and business environment. This activity will improve cross-cutting legal and regulatory issues to facilitate private investment in targeted value chains as well as across sectors of the economy. A revised Investment Law is being prepared to improve investor protections, and this activity will support the Ministry of Finance (MOF) and InvestSur to prepare implementing regulations and investment application systems under the new law. A recently passed Business and Professions licensing law streamlines business licensing requirements, and this activity will support MTIT to develop and implement business zoning and standards systems under the new legal framework.

The selection of specific value chains and investment opportunities for proposed project interventions under Component 2 will be informed by further diagnostic work to be conducted with the GOS during preparation. The Investment Climate and Sector Competitiveness ASA funded by the Competitive Industries and Innovation Program trust fund will finance value chain mapping and access to finance analysis to identify specific needs for two high-potential value chains to be identified. It is expected that targeted value chains will be in agribusiness or other export-oriented industries that emerge as having potential. Refined project design based on this analytical work will be completed prior to appraisal.

Component 3: Project management and evaluation. This component will fund all project management, operational, monitoring and evaluation, and communication costs. This will include support to strengthen GOS capacity in the implementation and environmental and social safeguards policies under the proposed project.

These proposed components and activities will leverage and be coordinated with ongoing WBG activities in Suriname. In addition to the value chain diagnostic work mentioned above, the Investment Climate and Sector Competitiveness ASA is conducting an Enterprise Survey update; access to land for agribusiness investment diagnostic; and investment policy and institutional framework diagnostic and reform support. The IFC has signed a MOU with the GOS to identify opportunities and provide capacity support for public-private partnerships. Institutional capacity support for the extractives sector will build on GOS efforts to implement the EITI, including with recipient-executed grant support for Extractive Industries Technical Assistance that has recently become effective. Project implementation capacity support



will leverage similar support provided to GOS counterparts as part of the Saramacca Canal Rehabilitation IPF that is being concurrently prepared.

The proposed project will also leverage and be coordinated with other development partner support in Suriname. In the agribusiness sector, IDB policy lending has supported reforms to modernize food safety laws and regulations, and investment lending will finance public laboratory facilities for food safety inspections. The EU is funding a forthcoming project to be implemented by the FAO to improve production quality and linkages between small farmers and agro-processors in high-value horticulture. The focus of the proposed WBG lending project on facilitating private investment and access to finance will complement the IDB focus on the public sector and EU-FAO focus on on-farm production and linkages. The IDB is also providing policy lending and technical assistance for business environment reforms, and is preparing a forthcoming investment project supporting the operationalization and institutional strengthening of InvestSur. Activities proposed under this project will focus on unmet needs, such as the Investment Law and support for agribusiness industry-focused promotion work by InvestSur. The IDB is also financing a pilot business plan competition and grant fund and planning to finance a partial credit guarantee, but support for the moveable collateral registry and promoting value chain and other innovative SME finance is needed.

SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The locations of specific project investment activities are not known in advance. Regarding Component 1, the proposed airborne geological data collection campaign is expected to cover most of the national territory of Suriname, but this activity only entails airborne data collection and any development activities that may be informed by the data would not result for years and are not known in advance. Regarding Component 2, support for agribusiness investments and SMEs that are operating in value chains will occur in the northern areas of the country where most agribusiness such as horticulture production, processing, and seafood takes place. The locations of any specific project investments in agribusiness value chains such as in cold storage facilities will be defined during preparation and implementation and are not known in advance.

B. Borrower's Institutional Capacity for Safeguard Policies

The borrower has limited capacity to implement safeguard policies. Regulations regarding environment, occupational health, and safety that exist are dispersed across different pieces of legislation, and there is no comprehensive environmental law. There is not a comprehensive formal land tenure system providing land rights for indigenous populations, resulting in disputes over land and resource usage. Suriname's environmental institute, the National Institute for Environment and Development (NIMOS), has limited capacity due to limited legal backing and limited financial and institutional support.

As a new Bank borrower, the borrower has no experience with Bank safeguard policies or their implementation. They do have experience with other IFI activities and their safeguards, but additional capacity support for Bank IPF safeguard policies will be needed. This will be provided by the Bank during project preparation, and capacity will also be strengthened during project implementation through Component 3, project management.

C. Environmental and Social Safeguards Specialists on the Team



Paula Dias Pini, Social Safeguards Specialist

Francisco Xavier Geraldtes Siragusa, Environmental Safeguards Specialist

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>The proposed project is classified as category B - Partial Assessment. The project seeks to strengthen the enabling environment and promote future private investment opportunities in agribusiness and extractives, which could imply potential medium to high level risks and impacts to environment and social settings in the future. The proposed project will not finance these future private investments, but will finance targeted public investments in agribusiness value chains. The environmental and social legal framework in Suriname is weak, including an absence of a comprehensive environmental law. This limits the obligation for compliance with environmental and social frameworks by the beneficiaries of this project, which classifies this project with a substantial environmental risk level.</p> <p>Component 1 of the proposed project will focus on extractive industries, seeking to increase public awareness of geological information and strengthen public sector capacity to regulate future private investments. To support public sector capacity to manage environmental and social impacts of future investments in this sector, the main safeguards instrument will be a Strategic Environmental and Social Assessment (SESA). The SESA will conduct a sector-wide examination of potential impacts, both positive and negative, of future potential investments, both those informed by TA financed by this IPF and others. It will focus on the mining and oil industries, with consideration of other growth sectors including agribusiness and tourism. The process of preparing for the SESA will include a social assessment including consultations with indigenous peoples representatives at least at the national and regional levels, during project preparation. The SESA will ultimately inform guidelines, policies, institutional strengthening, and capacity building to manage environmental and social risks for each sector. One specific output will be a</p>



cumulative impact assessment to estimate or model the total potential impact to the ecosystems from expansion in all the targeted sectors identified over a defined period of time.

Component 2 of the proposed project will focus on supporting private investment in targeted agribusiness value chains. This will be done through studies and promotion to attract new private agribusinesses, direct support to agribusiness value chains such as targeted investments in small-scale infrastructure such as refrigerated warehouses, and piloting efforts to increase access to finance along value chains. No direct financial intermediary financing will be provided, but any interventions related to access to finance will consider needs of managing environmental and social aspects. To inform activities under this component, an Environmental and Social Management Framework (ESMF) will be prepared. This will include an Indigenous People Planning Framework (IPPF), as there are indigeous communities in the vicinity of many sites that may be supported by value chain interventions such as related to horticulture. The development of the IPPF will also be directly informed by the social assessment that will be conducted. Longer-term environmental and social considerations related to agribusiness growth will be included under the SESA.

Component 3 of the proposed project includes support for project management. This will specifically include capacity support for implementation of Bank safeguards policies and instruments under the proposed project.

Performance Standards for Private Sector Activities OP/BP 4.03

No

The activities financed by this project will be predominantly implemented by the government, hence this is not a private sector activity and OP 4.03 is not triggered. However, preparation of future private sector investments can benefit from private sector performance standards, and environmental capacity in the project implementation unit can be used to develop a Performance Standards Framework during implementation depending on the findings and recommendations of the SESA.

Natural Habitats OP/BP 4.04

Yes

Considering the characteristics of the natural setting in Suriname,



		<p>OP 4.04 policy provisions will inform the development and analysis provided by the SESA, including recommendations for managing landscape-level and project-level impacts, regulatory and capacity issues, and long-term conservation planning, such as through a natural habitats plan. The ESMF for Component 2 will integrate natural habitats considerations specifically in the ESIA or ESMPs that may need to be prepared as well as in exclusion criteria as appropriate for the selection of specific sites for interventions.</p>
Forests OP/BP 4.36	Yes	<p>This policy is triggered given the potential to support establishment of investments that may impact forests negatively such as extractive industries and agribusiness. The SESA will consider the potential impacts of expansion in key sectors on forests and mangroves.</p>
Pest Management OP 4.09	Yes	<p>This policy is triggered given the focus on agribusiness value chains. Activities financed by the project will consider pest management policy provisions, which will be incorporated into the ESMF for project activities under Component 2.</p>
Physical Cultural Resources OP/BP 4.11	Yes	<p>Although the project is not expected to have direct negative impacts on cultural property, due to the territorial coverage of potential project sites, “chance finds” during implementation of activities could be possible. Chance finds procedures will be incorporated into the ESMF for the project, including procedures to identify PCRs and address potential impacts. Mapping efforts will seek to identify any areas of important cultural heritage, including those of importance to Indigenous Peoples.</p>
Indigenous Peoples OP/BP 4.10	Yes	<p>This policy is triggered given the presence of indigenous people (IP) near areas where agribusiness and extractives activities occur in Suriname. An initial Social Assessment process will be conducted, including consultation with IP representatives at least at national and regional levels, to inform the preparation of the SESA for both components and the IPPF as part of the ESMF for component 2. The SESA itself will also involve consultations with indigenous peoples. The outputs of the SESA will include an impact assessment to estimate and/or model the total potential impact to indigenous peoples and vulnerable groups in all the critical sectors identified over a defined period of time. The SESA will also include detailed analysis of potential benefits, impacts and risks concerning indigenous</p>



peoples of potential sector specific investments and policy reforms. Geospatial data on indigenous people’s areas will be included in the geodata management system financed under Component 1.

This policy is triggered as social issues related to involuntary resettlement will be covered by the SESA. Regrading project investments in value chains under Component 2, it is not expected that there will be any involuntary resettlement, and the ESMF to be prepared is expected to make ineligible activities that would require access to land subject to claims that could require involuntary resettlement. During preparation, if potential impacts such as small-scale land acquisition cannot be ruled out, including for the potential investments in cold storage facilities near the airport, a resettlement policy framework will also be prepared by appraisal.

Involuntary Resettlement OP/BP 4.12 Yes

Safety of Dams OP/BP 4.37 No

Projects on International Waterways OP/BP 7.50 No

Projects in Disputed Areas OP/BP 7.60 No

The policy is not triggered as no dams will be financed or included in the project.

The policy is not triggered as there are no international waterways under the project.

The policy is not triggered as there are no disputed territories under the project.

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Jan 15, 2019

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

A social assessment will be undertaken jointly with the client during project preparation to inform the development of specific instruments.

An initial technical study looking at access to land for agribusiness investment that will inform social safeguards analysis will be completed by September 2018.

An environmental and social management framework will be completed by the client during the preparation phase. This will be available for review prior to appraisal. This ESMF will include an Indigenous Peoples Planning Framework to address possible impacts of agribusiness activities occurring in areas near to indigenous communities.

The TOR for the SESA will also be completed by the client during the preparation phase and will be available for review prior to appraisal.



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APPROVAL

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