

INTER-AMERICAN DEVELOPMENT BANK
TECHNICAL COOPERATION PROGRAM (TRUST FUND FINANCING)

TC/FUNDS BRIEF

I. GENERAL INFORMATION

Country/Region:	Guyana and Suriname	
Program name/number:	Strategic Environmental Studies for Guyana and Suriname (RS-T1239).	
Team leader and Members:	Leader: Fernando Bretas (RE3/EN3); other members: Christiaan Gischler (RE3/EN3); Javier Grau (COF/CGY); William Grisley (COF/CSU); Carlos Tamayo (RE3/FI3); and Gisella Barreda (RE3/EN3).	
Date of Request:	Guyana (December 15, 2005) and Suriname (February 9, 2006)	
Name of Trust Fund:	IDB-Netherlands Partnership Program in Environment (NPPE).	
Beneficiary:	Co-operative Republic of Guyana (GOGY) and Republic of Suriname (GOSU).	
Executing Agency:	Environment & Natural Resources Management Division 3 (RE3/EN3).	
Technical & Basic Responsibility:	Environment & Natural Resources Management Division 3 (RE3/EN3).	
Financing plan:	IDB (NPPE):	US\$320,000
	Local (Suriname):	US\$ 20,000
	Local (Guyana):	<u>US\$ 20,000</u>
	Total:	US\$360,000
Tentative dates:	Loan Committee/EVP:	June 2006
	DIR/PRE:	July 2006
	Execution:	5 months
	Disbursement:	6 months

II. BACKGROUND

- 2.1 **Guyana** (215,000 sq. km; Population in 2004: 766,000) and **Suriname** (163,300 sq. km; Population in 2004: 433,000) are small Caribbean economies, located on the northeastern shore of the South American continent, that are driven primarily by agriculture and commodity exports. The two countries also share key geographic similarities. The majority of their populations and economic activities are located in the narrow coastal plain regions, which comprise about 5% of Guyana's land mass and 18% of Suriname's. These regions lie at or barely above sea level and are to some extent protected by sea walls. In contrast, the interior of both countries is mostly covered with tropical rainforest that is part of the Precambrian Guyana Shield, one of the world's most pristine and biodiverse ecosystems.

The interior regions are inhabited by several indigenous people's communities and, in the case of Suriname, Maroon communities, however these communities tend to lack land tenure rights to their claimed territories.

- 2.2 In Guyana, the economy is highly dependent on the export of primary commodities. Yet, the general trend of declining commodity prices since the early eighties, together with the lack of a strong manufacturing base, have contributed to an unstable socio-economic situation. With the aim of stabilizing Guyana's economic situation, several major expansionary investments are in process or have been proposed in the areas of off-shore oil exploration, bauxite, gold and diamond mining, electricity generation (hydroelectric and biomass), sugar and rice production, as well as the fishing and timber industries. A key infrastructure projects to support Guyana's economic development is the rehabilitation and expansion of the road linking Guyana to Brazil, a project included in the integration initiatives planned under IIRSA¹.
- 2.3 In Suriname, both the public and private sector are increasingly turning their attention to participating in regional integration initiatives and in international trade with Europe, Asia and North America. Suriname's economic development and participation in these markets is almost exclusively dependent on the development of natural resources – many of them non-renewable resources - and areas of considerable ecological importance, including significant areas within the highly biodiversity Guyana Shield. Major expansionary investments related to this economic development are in process or proposed in the areas of: off-shore and on-shore oil exploration, bauxite/aluminum and gold mining, hydroelectric power generation and electricity transmission, palm oil and rice production, fisheries and forestry. In addition, Suriname is planning the rehabilitation of several major roads, bridges and sluices as well as of the Zanderij Airport, the Paramaribo harbour and of roads.
- 2.4 The current economic strategies of Guyana and Suriname – while promising economic boosts in the medium-term – raise concerns about potential significant, negative environmental and social impacts. These concerns are particularly pressing because neither country has at present the institutional capacities and legal frameworks required to manage its natural resources in a manner that minimizes negative environmental impacts and provides commensurate benefits to the countries general populations. Implementation of the above projects will impose additional strains on existing resources, and hence increase the need to promote coherent policies, strategies and investments in institutional capacities. Therefore, a systematic evaluation – by means of a Strategic Environmental Assessment – of the environmental consequences of proposed initiatives in the two countries is both timely and valuable to assist in the development of policies, plans and programs that appropriately address environmental and social concerns on a par with social and economic considerations at an up-stream stage of decision-making.

III. PROGRAM PREPARATION STRATEGY

- 3.1 The Fourth Work-Plan of the Netherlands Partnership Program includes the following two operations: Strategic Environmental Assessment (SEA) applied to development programs in Guyana and Suriname for US\$250,000 and a Gap Analysis for the MDG environmental

¹ IIRSA stand for *Iniciativa para la Integración de la Infraestructura Regional Sudamericana* (Initiative for Regional Infrastructure Integration in South America).

indicators for these two countries, for US\$70,000. As part of the discussions with the governments and given the close relationships of these two operations, it was agreed that it would be more effective to combine into one and take advantage of economies of scale. The original objectives agreed under the Partnership's Work Plan would be achieved under this format.

- 3.2 The SEA involves a detailed assessment of the environmental and social conditions around specific plans or programs, community consultation on project objectives and impacts and the proposal of mitigation measures at the planning level. As part of the SEA a specific sub-component will be added to elaborate a country-level environmental analysis (CEA) for Guyana, which will support the broader strategic framework of the Bank's involvement in this country. This country-level analysis for Suriname already exists. Both the SEA and the CEAs are perfect complements in the context of addressing priority issues at the country level and at the sector level. The second component will focus on strengthening information and analysis of the gaps to meet the environmental goals and targets of the MDGs.

IV. PROJECT OBJECTIVE AND DESCRIPTION

A. Objectives

- 4.1 The objective of this TC is to support the execution of strategic environmental studies for Guyana and Surinam that contribute to the sustainability of the infrastructure programs in preparation for both countries and to the establishment of a framework for the Bank's action in these countries. The specific objectives include: (i) the preparation of a strategic environmental impact assessment for the planned infrastructure projects specially those associated with the IIRSA initiative; (ii) the development of a country environmental assessment for Guyana to be mainstreamed into the IDB's Guyana Country Strategy (the country environmental assessment for Suriname has already been prepared; and (iii) the completion of a gap analysis for the environmental indicators included in the MDG. These objectives will be attained through supporting the execution of two components.

B. Description

1. Component I: Strategic Environmental Studies

a) Subcomponent A: SEA for Development programs for Guyana and Suriname

- 4.2 This subcomponent will support the preparation of a Strategic Environmental Assessment focused on planned infrastructure projects for Guyana and Suriname. To attain the objectives of the subcomponent and support the execution of components 1 and 2, a detailed environmental and social assessment will be undertaken including: (i) identification of the major development initiatives being devised for both countries focusing primarily on the infrastructure projects; (ii) assessment of the state of the socio-cultural and biophysical environment in Guyana and Suriname related to these development initiatives; (iii) conduct a screening, scoping and impact analysis at the strategic level (identification of the potential environmental and social impacts (impacts on biodiversity, indigenous populations and fragile ecosystems) and institutional bottlenecks and integration into planning and decision making (iv) conduct a screening, scoping and impact analysis at the strategic level);

(iv) conduct a thorough public consultation of the potentially affected populations; and
(v) recommend specific actions including policy design and measures necessary to mitigate the identified social and environmental impacts including a monitoring program.

b) Subcomponent B: CEA for Guyana

- 4.3 This subcomponent will support studies and investigations necessary to produce a CEA, generating thus information that will be incorporated into the Bank's strategy for the country. The consultants will analyze the environmental situation in the country, establish priorities, and assess the state of enabling conditions for environmental management in relation to priority areas of intervention that will later be discussed and agreed with the country as part of the Country Strategy preparation process.
- 4.4 The analytical work will consider relevant aspects such as: (i) the identification and analysis of environmental priority issues and opportunities across sectors, including their links to social and economic drivers, and poverty reduction objectives, as well as their regional and global implications; (ii) the state of environmental governance (e.g., level of institutional development, civil society participation, access to information, adequacy of the legal, policy, and regulatory framework, the level of enforcement and compliance with environmental standards, and public sector capacity for environmental management); (iii) past and on-going actions of the Bank and other multilateral financial institutions (MFIs) and donor agencies; (iv) the identification of strategic priorities for Bank action, including opportunities and challenges for public and private sector financing; and (v) relevant environmental performance and trend indicators. In setting priorities and selecting focal areas for the CEA the Consultant will focus on to the strategic objectives of the Bank's Environment and Safeguard Policy – ESP

2. Component II: GAP analysis for the MDG environmental indicators

- 4.5 This component will support: (i) the analysis of the trends in the conservation of Suriname and Guyana's environmental resources and services, including biodiversity, marine ecosystems, forest ecosystems, protected species and depletion of natural resources; (ii) the identification and estimative of the rural sources of pollution (air, water, terrestrial) and main rural polluted sites of Guyana and Suriname; and (iii) the identification of the key links between environmental deterioration and impact on human health. Critical information gaps will be identified and included as an element to be addressed in the Environmental Action Strategy developed as part of the CEA.

V. COST AND FINANCING

- 5.1 The estimated cost of the project is US\$360,000. Funds in the amount of US\$320,000 have been solicited from the IDB-Netherlands Partnership Program in Environment (NPPE). The Governments of Guyana (GOGY) and Suriname (GOSU) will provide the remaining US\$40,000 in equal parts.

VI. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 6.1 The executing agency for the project will be Environmental and Natural resources Administration Division (RE3/EN3) of the Bank. This arrangement is justified in the current context, given the fact that the project will provide an important input for Bank action in the two countries. Moreover, the project is regional in nature; hence execution by the Bank will facilitate the ease of coordinating activities and making maximum use of synergies in the assessments for the two countries.

VII. MAJOR ISSUES

- 7.1 The project team foresees two minor issues: (i) finding a well-qualified team of consultants to conduct the assessment for both Guyana and Suriname; and (ii) coordination between headquarters, the two country offices and the two counterpart. These are minimized since the Bank's team from headquarters will execute the TC.

VIII. ACTION PLAN

- 8.1 Timetable: (i) TC profile approved by April 2006; (ii) Plan of Operations approved by June 2006; and (iii) Plan of Operations executed and funds disbursed by December 2006.

IX. ENVIRONMENTAL AND SOCIAL STRATEGY

- 9.1 This is a preventive environmental initiative and is not expected to have any direct environmental or social impacts. The fundamental intent of the TC is geared towards environmental conservation, the protection of indigenous and non indigenous populations rights, the identification of the environmental and social impacts of programs, policies and projects, and finally the development an instruments for environmental planning as described in section 4.

X. RECOMMENDATION

- 10.1 Fernando Bretas (RE3/EN3), designated team leader for the project of the reference, recommends the approval of this operation and the use of resources from the NPPE fund totaling up to US\$320,000 in order to finance the corresponding project.