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MULTILATERAL INVESTMENT FUND

SURINAME

SUSTAME

CATALYZING CHANGE FOR THE DEVELOPMENT OF A VALUE CHAIN FOR SUSTAINABLE TIMBER IN SURINAME

(SU-T1159, SU-T1168)

DONORS MEMORANDUM

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SUSTAME: CATALYZING CHANGE FOR THE DEVELOPMENT OF A VALUE CHAIN FOR SUSTAINABLE TIMBER IN SURINAME

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According to the FAO, "Suriname is the most forested country in the world with more than 15.2 million Has. of forest cover (93 percent of its total area); however, the country is not able to capture the full benefits from its forestry sector in a viable way. Suriname is not gaining the full economic benefits from this sector due to limited local value-added in the absence of an industry value-chain for sustainable timber and value-added products. Currently, about 90 percent of wood exported from Suriname is shipped in the form of raw logs with little local value added. Suriname's Indigenous and maroon communities, who are engaged in concessions or some form of livelihoods in the forestry sector, are not maximizing the income and benefits that could be derived from the forestry sector.

While several donors including the IDB in Suriname are working to implement sustainable forestry systems and practices at the level of public agencies, the IDB Lab in partnership with CSD/RND conceptualized the SUSTAME (**SUS**tainable **T**imber in Surin**AME**) project **to enhance the capacity of local private sector actors (including Indigenous and Maroon communities to enable them to address and have a positive impact on the environmental, economic and social sustainability of the forestry sector in Suriname**. The project will pilot a model to catalyze a market-based approach to sustainable timber extraction and processing that will generate the economic gains of transitioning from extraction and export of raw timber to sustainable harvesting and wood processing for more discriminating and higher value markets with the broad participation of stakeholders, including Indigenous and Maroon communities. The project is expected to be co-financed by the **Amazon Bioeconomy and Forest Management Fund (AMZ)**, and Stichting Conservation International Suriname (Stichting CI Suriname) will execute the project. The intervention is budgeted at US$ 1,500,000 funded by US$ 750,000 in non-reimbursable technical cooperation resources from IDB Lab and US$ 750,000 in non-reimbursable technical cooperation resources from the **AMZ.**

SUSTAME will be the first project in country to pilot and test key approaches in the sector such as: (i) a market-based approach through demonstrating the commercial benefits of sustainable approaches, connecting firms to market opportunities, providing technical and financial support for required certifications, process changes and re-skilling needed, as well as showcasing these firms to inspire and incentivize wider adoption in the sector; and (ii) a programmatic approach through leveraging and coordinating with other donor-led initiatives by breaking down the silo approach, working towards broader transition and to generate greater impact on the country's forestry sector together. The project targets at least 150 local firms in sensitization on market opportunities within the forestry sector; 35 local firms are targeted to receive technical/financial support to implement improved practices along wood value chain; and 2 Indigenous and Maroon communities: Bigi Poika and Matawai, spread over a forest area of approximately 120,000 hectares. will be supported in sustainable livelihoods.

At the country level, the project is synergistic with IDB's Country Strategy with Suriname 2021-2025, which identifies enhancing innovation in the private sector to increase private sector competitiveness as a priority; and there is a strong alignment with IDBG's Promoting Sustainable Forest Management (SU-T1130) Technical Cooperation and the AMZ operation SU-T1168. SUSTAME is also aligned with IDB Lab's agriculture and natural capital vertical and contributes to programming goals for poor and vulnerable populations, climate, diversity, and small and island countries.

ACRONYMS AND ABBREVIATIONS

AMZ	Amazon Bioeconomy and Forest Management Fund
CCB	Caribbean Countries Department
CI	Conservation International
Stitching CI Suriname/	Stichting Conservation International Suriname
COF	Country Office
CSD	Climate Change and Sustainable Development Sector
CSU	Country Office Suriname
DICI	Assessment of Integrity and Institutional Capacity (DICI)
DU	Demonstration Unit
E&S	Environmental and Social
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FFS	Forest Finance Strategy
Ha	Hectares
HFLD	High Forest cover, Low Deforestation rate
IDB	Inter-American Development Bank
IDB Lab	Formerly the Multilateral Investment Fund (MIF)
IDBG	Inter-American Development Bank Group
MOU	Memorandum of Understanding
NDC	Nationally Determined Contribution
NFMS	National Forest Monitoring System
ORP	Office of Outreach and Partnerships
PSR	Project Status Report
RND	Agriculture and Rural Development Sector
SBB	government agency for Forest Management and Production Control
SDG	Sustainable Development Goals
SFISS	Suriname Forestry Information System Suriname
SUSTAME	Sustainable Timber in Suriname
TC	Technical Cooperation
UIS	Update to the Institutional Strategy
UNFCC	United Nations Framework Convention on Climate Change

PROJECT INFORMATION

SURINAME

SUSTAME

(SU-T1159 AND SU-T1168)

Country and Geographic Location:	Suriname		
Executing Agency:	Stichting Conservation International Suriname		
Focus Area:	Natural Capital Asset management and Climate Crisis		
Coordination with Other Donors/Bank Operations:	The proposed project has synergies with and complements the IDBG's Technical Cooperation in Suriname Promoting Sustainable Forest Management (SU-T1130) as well as the AMZ operation SU-T1068		
Project Beneficiaries:	150 Indigenous and Maroon tribal community members spread over a forest area of approximately 120,000 hectares; 35 small and medium local firms operating in the wood and wood products value chain that will receive technical/financial support to implement improved practices; and approximately 150 firms who would be sensitized on market opportunities for sustainable wood products		
Financing:	Technical Cooperation SU-T1159:	US$ 750,000	
	TOTAL IDB Lab FUNDING:	US$ 750,000	45%
	Amazon Bioeconomy and Forest Management Fund Technical Co-operation SU-T1168	US$ 750,000	45%
	Counter Part Conservation International Suriname	US$ 162,000	10%
	TOTAL PROJECT BUDGET:	US$ 1,662,000	100%
Execution and Disbursement Period:	36 months of execution and 42 months of disbursement.		
Special Contractual Conditions:	Special conditions precedent to first disbursement will be: (i) formation of the Project Steering Committee to include representatives of Stichting CI Suriname, the IDB, SBB and at least one other donor working in the forestry sector in Suriname		
Environmental and Social Impact Review	This operation was screened and classified as required by the IDB's Environmental and Social Policy Framework (GN-2695-21) on June 16, 2022. Given the moderate impacts and risks, the proposed category for the project is B.		
Unit responsible for disbursements	IDBG Country Office Suriname CCB/CSU		

I. The Problem

A. Problem Description

1.1. According to the FAO, "Suriname is the most forested country in the world with more than 15.2 million Has. of forest cover (93 percent of its total area), however the country is not able to capture the full benefits from its forestry sector in a viable way. Suriname is not gaining the full economic benefits from this sector due to limited local value added in the absence of a defined industry value chain for sustainable timber and value-added products. Currently, about 90 percent of wood exported from Suriname is shipped in the form of raw logs with little local value added. Furthermore, wood is not always harvested in a sustainable way and there is a lot of waste. From the 10 percent of wood logs harvested that make it to local sawmills only 40 percent of each log is used. The rest of the log (60 percent) is discarded as waste[1]. Also, Suriname's indigenous and tribal communities, who are the most vulnerable because of their dependency on the forest ecosystem are not able to maximize income and benefits that could be derived from the sector

1.2. **Suriname's forest is an important natural capital asset in climate mitigation**. Suriname's forest is part of the Amazon basin and about 14 percent of the country's total land area is under a national protection system[2]. Suriname's tropical rainforests represent 1 percent of the global tropical forest area and contain 11 Gt of CO2 eq. Additionally Suriname's natural forests are a part of the wider Guiana Shield rainforest eco-region. This shield is home to no less than a quarter of the earth's remaining pristine rainforests.[3] Despite this vast forest coverage, the forestry sector's contribution to the country's economy is small when assessed in terms of GDP and employment generation.[4] The mineral extractive sectors (primarily gold and oil) are the main drivers of the local economy and generate approximately 86 percent of foreign exchange earnings and 25 percent of government revenues. Even though economic growth of Suriname is reliant on the monetization of its natural resources, the historical annual rates of deforestation are well below 0.1 percent, so the country is classified as a High Forest cover, Low Deforestation rate (HFLD) country. Because more than half of the Surinamese population live in and around Paramaribo, with the rest of the population highly dispersed in small communities throughout the country, trees cover a large area that has been undisturbed by human activity for centuries.

1.3 **Forestry extraction is focused on the extraction and export of raw material with little local value creation and content.** Currently Suriname's forests are at risk of degrading due to recent increases in unsustainable logging practices[5]. Timber production has experienced almost a 10-fold expansion in recent years, going from 150,000-250,000 m3 during 2000-2010 to a recorded 1,184,000 m3 in 2018. For the Nationally Determined Contribution (NDC) to UNFCCC, the emissions from

[1] Most of this wood waste is (illegally) dumped and burned in abandoned mining pits in and around the capital city of Paramaribo, although such practices are prohibited under local law.

[2] Note: The country aims to increase the percentage of forests and wetlands under protection to at least 17% of the terrestrial area by 2030

[3] Source: FOA Forest Finance Strategy (2020)

[4] Note: For example, according to Suriname's Second NDC, the forestry sector contributed only 2.5% to GDP in 2017 https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Suriname%20Second/Suriname%20Second%20NDC.pdf

[5] Source: FOA Forest Finance Strategy (2020)

deforestation were also estimated to increase 4-fold in the 2016-2020 period as compared with 2015. Much of the timber extracted is supplied to Asian markets with no/few sustainability demands and regulations.[6] In 2019 Suriname exported US$ 145 million in wood products (about 0.06 percent of the total national exports of US$ 2.6 billion),[7] of which 90 percent were raw wood logs with India and China as the top wood export destinations. This data shows that there are extremely few value-added products generated from timber extraction, meaning locals derive little opportunity, income, and value from these activities, so forests tend to be undervalued by the segments of local population, not being linked to viable local economic opportunities. The development of value chains for sustainable timber and value-added products can play a significant role in shifting this perception and in creating new and sustainable livelihood opportunities for the local population, particularly indigenous and maroon communities that hold community forest concessions.

1.4 **To date, livelihood benefits from the forestry sector have been extremely limited for the Indigenous and tribal communities.** The Surinamese rainforest is home to almost 90 percent of the country's natural resources, and Indigenous and Maroon communities who make up about 15 percent of the national population[8] and, despite its endowment of natural resources, this area stands as the most underdeveloped region in the country. The poverty rate for the district of Sipaliwini[9] for example is 51.7 percent, which is almost double the national poverty rate estimated at 26.2 percent. Since the publication of the Forest Law in September 1992, local communities can apply for community forest concessions, giving them the right to practice small-scale agriculture, collect non-timber forest products and harvest timber, both for subsistence and commercial purposes. The community forest model is strongly focused on timber extraction, while there is little attention to other options, such as commercial exploitation of non-timber forest products[10], carbon credit schemes and nature-based tourism. The livelihood benefits from the community forest concessions have been limited for the communities themselves because most revenues are captured by (mainly) large foreign logging companies. These companies pay communities a fee per cubic meter extracted from the forest area for which the communities hold concessions, but information and power asymmetries, as well as the lack of transparency in these transactions are problematic, and the communities holding concessions have limited negotiation power.[11] According to a 2020 study[12] , village leaders have a weak negotiation position when dealing with third parties, being either large (and international) logging companies or public servants who act as brokers for these companies. This is because village leaders tend to lack (commercial negotiation skills, detailed

[6] Note: Although this is changing now as the US and China agreed on a "Joint Glasgow Declaration on Enhancing Climate Action", where the two nations agreed not import products that contribute to deforestation https://www.state.gov/u-s-china-joint-glasgow-declaration-on-enhancing-climate-action-in-the-2020s/

[7] Source : https://oec.world/en/profile/country/sur

[8] Note: Indigenous peoples (4%) and Maroon tribes (11%)

[9] Note: Sipaliwini makes up for about 80% of the countries land surface and almost all of it is rainforest.

[10] Non-timber forest products (NTFPs) are any product or service other than timber that is produced in forests. They include fruits and nuts, vegetables, fish and game, medicinal plants, etc. The FAO Forest Finance Strategy for Suriname for example shows that the Acai berry has a lot of potential. The IDB also financed an Acai berry plantation project in 2012 through the GEF Small Grants Program.

[11] Source: file:///C:/Users/shreshtac/Downloads/Briefing-paper-Improving-outcomes-community-forests-Suriname.pdf

[12] Tropenbosch briefing note, September 2020 - https://communityrights.tropenbos.org/file.php/2362/briefing-paper-improving-outcomes-community-forests-suriname.pdf

knowledge about their rights and the value of their resources, and experience in commercial negotiations. At the same time, they are often not able to recognize the risks in the proposed agreements with third parties. In the same study several barriers were identified that hamper the conservation and livelihood outcomes of community forests including lack of capacity within communities to monitor the way logging companies execute the agreement and the communities have limited investment capital, knowledge, or skills to engage in commercial logging practices themselves.

1.5 **Beneficiaries:** The primary beneficiaries of the project are the indigenous and Maroon communities that own concessions for timber production and (local) private sector companies operating in the wood value chain defined as follows **(i) Indigenous and Maroon communities**: Indigenous peoples and Maroons who are descendants of Africans that formed settlements away from slavery, comprise the main tribal groups of Suriname. There are currently 162 communal cutting licenses awarded to Indigenous and Maroon peoples inhabiting Suriname's forested areas, with undetermined duration and an area of 826,000 hectares. that allows for timber production. As of 2021, there are 62 forestry terrains with an area of 444,000 hectares. that belong to 51 villages under community forest concessions. Furthermore, as granted under the previous Forest Management Act, there are 87 forestry terrains with an area of 382,000 hectares. that belong to 74 villages.[13] For the proposed project 2 beneficiary communities have been pre-identified, specifically the **Matawai and Bigi Poika communities**[14]. Bigi Poika is an Indigenous community and the Matawai are a Maroon tribal community both located in central Suriname consisting of approximately 20 villages. **(ii) Private sector companies:** the local firms operating in Suriname's wood value chain include the following categories: concession holders, logging contractors and operators, transport contractors, round wood traders, sawmill owners and traders, kiln operators, furniture makers and artisans. In 2019, the forestry administration registered timber production from 226 concessions and community forests[15]. According to TimberTradePortal[16], in 2017 a total of 220 logging companies were registered, while 65 (primary) sawmills, 1 triplex factory and 75 wood processing companies (primarily engaged in manufacture of furniture, flooring and decking) were in operation.

1.6 The Government of Suriname can also be considered as a secondary beneficiary. Forests play a key role in Suriname's National Development Plan which aims to diversify the economy and reduce dependence on extractive sectors by prioritizing value added wood and wood products, nature-based tourism, non-wood forest products and ecosystem services. The country also has a REDD+ strategy with a vision of Suriname's tropical forest continuing to contribute to the improvement of the welfare and wellbeing of current and future generations, while providing a substantial contribution to the sustainable development of the country and the global environment, enabling the conditions for an adequate compensation for this global

[13] Source: FOA Forest Finance Strategy (2020)

[14] These communities have been identified by Stichting CI Suriname, the Executing Agency as they have demonstrated interest in adopting greater ownership and rights to sustainable management of the concessions they hold

[15] Source: FOA Forest Finance Strategy (2020)

[16] Source: https://www.timbertradeportal.com/en/suriname/109/timber-sector

service[17]. In addition, Suriname has signed the Paris Agreement and committed to the Nationally Determined Contributions. Transitioning operators in the forestry sector to more sustainable practices will benefit the Government of Suriname on terms of their commitments to climate change mitigation and in economic terms via fiscal revenues from higher value captured by enterprises for sustainably produced lumber and wood products.

II. The Innovation Proposal

A. Project Description

2.1 The key objective of the project is to enhance the capacity of private sector actors in the local forestry sector (including Indigenous and Maroon communities) to enable them to address, and have a positive impact on, the environmental, economic, and social sustainability of the forestry sector in Suriname.

2.2 The proposed project is titled SUSTAME which stands For **Sus**tainable **T**imber in Surin**ame** and it will develop a model to catalyze a market-based approach to sustainable timber extraction and processing that will generate the economic gains of transitioning from extraction and export of raw timber to sustainable harvesting and wood processing for more discriminating and higher value markets, with the broad participation of local firms and stakeholders, including indigenous and tribal communities. While the IDB and other actors are working in Suriname on strengthening management and governance of concessions, building capacity of indigenous and tribal communities in the practice of sustainable forestry management, and measuring the climate impact of the country's forests, the project's approach focuses specifically on local private enterprises and communities that are active within the value chain of Suriname's forestry sector.

2.3 The model will address key barriers that limit transition to sustainable wood production and sale. Currently the forests are largely undervalued by many citizens of Suriname as they generate low value-added revenues from timber, some revenues from non-timber forest products, niche ecotourism and so far, marginal revenues from ecosystem services[18]. Supporting the development of a sustainable value-added production chain for wood products would provide important benefits to the country, including increased employment, more economic opportunities for Indigenous and Maroon community forest concession holders as well as local firms in the sector and increased government revenue. The sensitization of local actors on the opportunities and conditions for accessing higher value market opportunities for sustainable wood and wood products is therefore an important starting point followed by capacity building and technical support for the transition. A key aspect that limits the development of such a value chain is the lack of financing for

[17] https://redd.unfccc.int/files/national_redd__strategy_of_suriname_en_web.pdf

[18] Ecosystem services are the many and varied benefits to humans provided by the natural environment and from healthy ecosystems. In Suriname there have been several efforts to capitalize the ecosystem benefits with payments for ecosystem services (PES) with REDD+, Conservation International Climate Smart Forestry and other carbon and biodiversity offset models, but the material benefits are still pending.

investment in sustainable forest related activities[19] and as such the model includes design and implementation of an industry financing mechanism that can provide a range of financial products and services to fund investment by a broader range local actors in transitioning to production of higher value sustainable wood and wood products particularly for export markets.

2.4 The rationale behind the model is that the sustainable value chains could be scaled up in a sustainable way with improved business environment and capacities, catalyzing investments with appropriate finance from multiple sources. Business revenues could be increased with investments in value addition via sustainable practices[20] without expanding logging volumes if the actors become competitive and strengthen their market positions.

2.5 Furthermore, an essential element of the model is building of a coalition of support by key stakeholders, specifically the coordination of actors currently investing and working in to improve practices in Suriname's forestry sector to achieve greater impact and scaling. This will also support catalyzing further investments and efforts to transition the forestry sector by bringing together actors working at government, civil society, and private sector levels around a shared agenda. The FAO for example has worked on a forest financing strategy, FFS Suriname. The rationale behind this strategy is that the value chains generating products and eco system services could be scaled up in a sustainable way with improvements in business facilitation and access to appropriate financing for actors. In this context FAO has already conducted stakeholder consultations with private sector actors and organizations in the sector. The French Development Agency (AFD) is currently looking at an intervention that will also address sustainable forestry practices working with the key government agency the Foundation for Forest Management and Production Control (SBB) on strengthening forestry management systems in Suriname. The IDB Country Office is working on promoting sustainable forest management in collaboration with SBB, focusing on improved forest information management systems and reducing greenhouse gas emission by promoting sustainable extraction methods. Stichting Conservation International Suriname (Stichting CI Suriname), the Executing Agency for this project, has signed an MOU to collaborate with the Ministry of Land Policy and Forest Management (GBB) to develop a Climate Smart Forestry (CSF) program in Suriname which aims to reduce greenhouse gas emissions and promote the sustainable management of private and community forest concessions. The CSF program will use a carbon accounting methodology (Verified Carbon Standard VM00035 of Verra) with best practice guidelines for halving logging emissions, while maintaining sustainable timber yields (leakage free intervention). The CSF program will also use Reduced Impact Logging for Climate (RIL-C) practices. Collaboration between these agencies will enable the proposed project will help to marry efforts at the level of policy and government programs in the sector with transition of local enterprises and communities to sustainable production of wood and wood products. By facilitating greater exchange of knowledge and

[19] Based on evidence from in-dept diagnostics that FAO's (Food and Agriculture Organization of the United Nations) conducted to design a Forest Financing Strategy (FFS) for Suriname

[20] Value added covers a whole range of product from sawn and planed wood to prefab houses. Before the independence in 1975 Suriname had a flourishing wood/timber industry. Wood accounted for 12% of total exports and value-added products such as parquet floors and prefab housing packages were exported to the US, Venezuela, and the Caribbean. There is a lot of interest from policymakers to revive this industry.

enhanced collaboration on these discrete efforts the translon of Suriname's forestry sector to a sustainable model can be accelerated and impact significantly improved.

2.6 **Innovation.** The proposed solution is innovative in the context of Suriname as this project would support a new value chain for sustainable timber products. Furthermore, this project will be the first one in country to pilot and test key approaches in the sector such as: **(i) the market-based approach:** where a group of first mover and early adopter private companies will be supported in transitioning to sustainable extraction, processing, and export of wood products. The idea is to demonstrate the commercial benefits of sustainable approaches, connecting firms to market opportunities, providing technical and financial support for required certifications, process changes and re-skilling needed, as well as showcasing these firms to inspire and incentivize wider adoption in the sector; and **(ii) the programmatic approach:** the project will be part of a programmatic approach and will leverage and complement other donor-led initiatives. The idea is to break down a silo approach to development of the forestry sector and to encourage and support these stakeholders in working towards a broader transition in the forestry sector, and to generate greater impact together.

2.7 The project is structured to include the following key components

2.8 **Component I: Diagnostic Studies and Knowledge Exchange (US$ 135,000: IDB Lab US$ 0; AMZ US$ 135,000):** The objective of this component is to develop several diagnostic assessments that will inform the ways private actors (including Indigenous and Maroon communities) can contribute to the environmental, economic, and social sustainability of the forestry sector in Suriname. The key activities will include (i) Research and analysis that builds on the work already done by IDB and other multilaterals to help define the necessary enabling conditions and strategy to implement a sustainable timber industry in Suriname; (ii) Identification of market opportunities and channels for export of sustainably harvested and processed wood and wood products including analyses of current and potential national and international buyers and markets, and a strategy to promote value added transformation of harvested wood; and (iii) Definition of the requisite systemic changes within the country to strengthen and scale the industry over the short and medium term, including the actors that need to be engaged and the resources that would be needed to facilitate piloting and scaling of a transition to a sustainable timber value chain.

2.9 The expected outputs of this component will include: (i) a market assessment on opportunities and requirements for export of sustainable wood and wood products from Suriname; (ii) diagnostics on community readiness for adoption of sustainable practices in local wood harvesting and processing; (iii) diagnostics on the feasibility of setting up a central processing facility to facilitate localized sustainable processing and reduction of waste; and (iv) a diagnostic study and proposal for a financial mechanism to provide funding required to support key actors in transitioning to and scaling sustainable timber business practices in Suriname.

2.10 **Component II: Stakeholder Coordination and Management (US$ 65,000: IDB Lab US$ 0; AMZ US$ 65,000):** The objective of this component is to build a coalition of support amongst key stakeholders, specifically the coordination of actors currently investing and working in the forestry sector in order to achieve greater

impact and scaling of sustainable practices; this element of the solution involves convening and coordination with national and international actors and civil society that are actively working or have an interest in development of a sustainable forestry sector in Suriname. The IDB country office will support this component by convening key donors and stakeholders that are actively working in various dimensions of change, at the level of public agencies, as well as organizations involved in education, advocacy, and research. The purpose of this element of the solution is to break down the silo approach to sustainable forestry development and to encourage and support these stakeholders in working towards a broader and accelerated transition to sustainable forestry, and to generate greater collective impact. This means that the project will build a wider base of citizen and organizational advocacy and monitoring where donor agencies and key stakeholder organizations in Suriname such as business associations, universities, public agencies will be working together on a shared agenda for transition of the sector to improve governance, provide policy recommendations, generate sustainable jobs and livelihoods, reduce waste and conserve Suriname's precious natural capital – its forest cover and attendant carbon capture value.

2.11 The expected outputs of this component will include: (i) stakeholder mapping and engagement plan for the value chain in the forestry sector in Suriname (ii) 5 workshops for technical exchanges with stakeholders on the value and approach in transitioning to sustainable practices (iii) 12 consultations with the 2 selected indigenous/tribal communities on proposed transitioning to sustainable forestry practices and (iv) 12 donor and key stakeholder coordination events on sustainable forestry.

2.12 **Component III: Support Livelihood Benefits for Indigenous and Maroon Communities (US$ 344,000: IDB Lab US$ 175,000; AMZ US$ 169,000).** The objective of this component is to raise awareness within indigenous and tribal communities of the financial benefits of markets seeking sustainable wood and wood products, provide capacity building for negotiation and management of their concessions, as well as connecting them with tangible livelihood benefits of sustainable wood harvesting and processing. To pilot this approach, 2 beneficiary communities have been pre-identified by the Executing Agency, specifically the Matawai and Bigi Poika communities. Bigi Poika is an Indigenous community and the Matawai are a Maroon tribal community both located in central Suriname consisting of approximately 20 villages. These communities have been pre-identified as the Executing Agency is already engaged with these communities on Sustainable Forestry Management methods, and they have gained some insights and demonstrated interest in moving to a more sustainable system for management of resources. The key activities within this component will include: (i) Building community-level access to information and skills to engage in negotiations with third parties (e.g., in terms of benefit-sharing, quota for local employment opportunities, and corporate social responsibility benefits) and control of logging activities; (ii) Increasing community-level access to information, tools, facilities, and financing, so that communities can develop sustainable forest management businesses themselves, including timber harvesting and practice greater sustainability in managing waste.. Other livelihood options will also be explored including , non-timber forest product trade which includes products such as acai berry, Brazilian nut and essential oils for cosmetic and medicinal purposes; and nature-based tourism, (iii) Support communities with Community Development Plans to determine the

priorities that will be funded with revenues coming from exploitation of the community forest and (iv) Work with forest enterprises to help them in developing and adhering to standards for dealing with communities and developing fairer benefit-sharing mechanisms.

2.13 The expected outputs of this component will include: (i) community development plans defined for 2 pilot Indigenous and Maroon communities (ii) 6 technical and business training programs implemented in the 2 pilot communities to support transition of households to sustainable livelihoods and (iii) waste processing pilots implemented in 2 pilot communities.

2.14 **Component IV: Enable Private Sector Transition (US$ 615,000: IDB Lab US$ 324,000; AMZ US$ 291,000):** the objective of this component is to support local private sector actors in transitioning to sustainable extraction, processing, and export of wood and wood products. The idea is to demonstrate the commercial benefits of sustainable approaches, connecting firms to market opportunities, providing technical and financial support for required certifications, process changes and re-skilling needed, as well as showcasing these firms to inspire and incentivize wider adoption in the sector. Based on the diagnostic studies under Component I, first movers within the local private sector will be targeted for support to implement improved practices along the timber value chain. This support can include technical capacity building and/or pilot project financing to achieve improvements in selected activities. These first movers will serve as demonstration units (DU), meaning live, local examples of the viability of moving the timber value chain to a more productive and sustainable economic activity. For participation as demonstration units (DU), various stakeholders across the value chain will be targeted. For example, a mix of concession holders (private and community) will be engaged to test or improve local productive arrangements. Furthermore, other actors such as logging contractors and operators, transport contractors, round wood traders, kiln operators, sawmill owners, traders and furniture makers will be engaged as well. The DUs will be designed based on specific principles and technical factors that define sustainable timber and including some level of digitalization and mechanization. These organizations will be analyzed to understand the technical and financial adjustments that need to be implemented for scaling up locally and regionally over time. Another key activity under this component will be the design and implementation of a financial mechanism to provide funding to support key actors in transitioning to and scaling sustainable timber business in Suriname. The Funding Mechanism to be designed under Component IV will be aligned with IDB's Environmental and Social Policy Framework. Additionally, the Executing Agency in collaboration with IDB Lab will select the local financial institution to manage the funding mechanism. As part of the selection process, IDB Lab will verify that the proposed financial institution has policies, procedures, and organizational capacity to appropriately identify, mitigate, manage, and monitor the environmental and social risks as required by IDB's Environmental and Social Policy Framework.

2.15 The expected outputs of this component will include: (i) 150 firms engaged in sensitization on market opportunities within the forestry sector; (ii) 35 firms receiving technical/financial support to implement improved practices along wood value chain; and (iii) development of financing mechanism for access by private firms and

communities engaged in the forestry sector to be managed by a local financial institution.

B. Project Results, Measurement, Monitoring and Evaluation

2.16 At the impact level, the project targets the following key outcomes that will demonstrate the value of the SUSTAME model to improve the contribution of private sector actors (including Indigenous and Maroon communities) to the environmental, economic and social sustainability of the forestry sector in Suriname: (i) at least 20 actors in the private sector have adopted sustainable practices or technologies through the project (ii) at least 75 percent of persons from selected Indigenous and Maroon communities of Bigi Poika and Matawai, are engaged in pilot activities, (iii) 60,000 ha new suitable harvest areas of forest within the 2 pilot communities are placed under sustainable management and (iv) a financial mechanism dedicated to transitioning to sustainable wood extraction and processing is implemented and capitalized by the private sector with at least US$ 350,000 accessible to firms and communities for investment in equipment, processes, human capital and working capital needed for transition and growth of sustainable wood production and processing.

2.17 The project contributes to IDBG Corporate Results especially with regards to the Productivity and Innovation challenge and the Climate Change and Environmental Sustainability challenge. With regards to the Productivity and Innovation challenge the project will be contributing to the following indicators of the IDBG Corporate Results: (i) Number of beneficiaries of employment support initiatives (indicator 2.7); (ii) Number of jobs supported (indicator 2.8); (iii) Number of Micro, small, medium enterprises financed (indicator 2.9); (iv) Number of Enterprises provided with technical assistance (indicator 2.10). And with regards to the Climate Change and Environmental Sustainability challenge the project will be contributing to the hectares of habitat that is sustainably managed using ecosystem-based approached (indicator 2.21). In addition, the project contributes to fulfillment of IDBG and IDB Lab commitments of support to small and island countries in the region.

2.18 In accordance with IDB Lab requirements, the Executing Agency will track and collate data on progress against the specific results as outlined in the project's results matrix and will report on project results every six months via the IDB Lab's Project Status Reporting (PSR) system. The results matrix has intermediate targets established and under the supervision of the Executing Agency, the project will be monitored to determine areas of early success as well as areas where intervention is needed to ensure development objectives are met. The Executing Agency will also complete a final Project Status Report on conclusion of the project.

2.19 The project will be subject to a final evaluation financed by IDB Lab which will be conducted by an independent consultant, upon completion of the project execution period. The objectives of this evaluation will be to (i) assess the results of the intervention, (ii) identify areas for strengthening, and (iii) provide value added input for the plan to strengthen, sustain and scale this model in Suriname. The evaluation will contribute to IDB Lab's knowledge on Forestry and Natural Capital and Diversity (specifically inclusion of minority Indigenous peoples and Afro-descendants in

development interventions). The evaluation will be facilitated by the monitoring mechanisms established in the previous paragraph. Any additional information along with their sources not captured by these mechanisms will be identified ex-ante.

III. Alignment with IDB Group, Scalability, and Risks

A. Alignment with IDB Group

3.1 The project is aligned with the IDBG Vision 2025 Reinvest in the Americas: A Decade of Opportunity as it supports three key priorities of the vision, specifically (i) Support for SMEs in accessing finance, promoting innovation and strengthening value chains; (ii) Gender and Diversity by supporting innovative projects that improve economic empowerment of marginalized groups, in this case Indigenous and Maroon (Afro descendent) peoples and (iii) Climate Change Action by improving sustainability of timber production and supporting Suriname's REDD+ strategy and Paris Agreement commitments.

3.2 The proposed IDB Lab intervention is consistent with the Second Update to the Institutional Strategy (UIS) (AB-3190-2) and is strategically aligned with the development challenge of Productivity and Innovation by (i) connecting firms to market opportunities, providing technical and financial support for required certifications, process changes and re-skilling needed, as well as showcasing these firms to inspire and incentivize wider adoption in the sector; and (ii) by empowering indigenous and tribal communities, through activities such as increasing community-level access to information, tools, facilities, and financing, so that communities can develop sustainable forest management practices and businesses themselves; and (iii) by designing a financial mechanism accessible to private sector organizations and community concession holders in Suriname, for investment in transitioning to sustainable wood processing.

3.3 At the country level, the project is synergistic with IDB's Country Strategy with Suriname 2021-2025, especially in the context of the strategic objective of: enhancing innovation in the private sector to increase private sector competitiveness. Innovation in Suriname is low, as reflected in the country's ranking at 127th out of 154 countries in the innovation pillar of the 2016 World Economic Forum dataset. The lack of innovation does not bode well for the private sector's ability to capitalize on potential opportunities from industries with high-growth potential. According to the diagnostics of the Country Strategy there is ample room to further engage local micro, small, and medium-sized enterprises (MSMEs) in areas such as forestry, agroindustry, and manufacturing amongst others. The proposed project also contributes to the cross-cutting themes of diversity and inclusion, climate change resilience, and data production and access.

3.4 The proposed project also has synergies with and complements IDBG's Promoting Sustainable Forest Management (SU-T1130) Technical Cooperation. The objective of the project is to improve sustainable forest management in Suriname, by promoting greenhouse gas reducing wood extraction methods among forest

concession holders and improved forest management information systems. This project is being executed by (or in coordination with) the government agency for Forest Management and Production Control (SBB). To strengthen sustainable forest management, SBB has developed step by step guidelines, starting by monitoring logging, timber transport, timber export and finally enforcing harvest planning activities. During 2018 and 2019, IDB/CATIE supported SBB on the development of the Suriname Forestry Information System Suriname (SFISS). SFISS is a forest monitoring virtual platform that aims to track logging activities in Suriname with the objectives to improve sustainable forest management, increase forestry practices of logging private companies and local communities and reduce illegal logging. SFISS is also integrated under the national forest monitoring system (NFMS) for REDD+ activities. The project also has synergies with and directly complements the AMZ Technical Cooperation SU-T1168.

3.5 In Suriname, the IDB will continue to support the process of improving and modernizing its forestry sector. Initial support was on the establishment of the SFISS and the current IDB TC will build upon the SFISS and develop the rules for improved forest management. Later steps, as may be requested by the government, could include further sustainable forestry governance support, incentives for improved timber harvesting, certification mechanisms, and mechanism to support the industrial transformation of wood processing.

3.6 The proposed solution is aligned with IDB Lab's agriculture and natural capital vertical. There is also a focus on the poor and vulnerable as extreme poverty is linked to livelihoods of Indigenous and Maroon tribes - the most underdeveloped region in the country (the poverty rate for this area is almost double the national poverty rate). In addition, the project will contribute to IDB Lab's programming targets for climate, diversity, and small and island economies.

3.7 This project is also aligned with the United Nations Sustainable Development Goals (SDGs). Specifically, the project will contribute to SDG 9: Industry, Innovation, and Infrastructure through the adoption of new practices or technologies; SDG 11 Sustainable Cities and Communities through the creation of commercial linkages between rural communities and urban businesses and SDG 14: Life on Land through the sustainable management of forests.

B. Scalability

3.8 There are opportunities for the proposed intervention to be scaled through the design and implementation of the financial mechanism managed by a local financial institution and capitalized by private sector companies. This financial mechanism will provide a range of financial products that are accessible to local private sector organizations and community concession holders in Suriname, for investments in transitioning to sustainable wood processing, so that they too can reach and benefit from higher value market opportunities. To secure sustainability beyond IDB Lab financing, an appropriate (local) financial institute will be identified to execute the implementation and management of the financial mechanism beyond the timeframe of this project. This financial institute will be identified based on the requirements defined during the diagnostic assessments.

3.9 In addition, the strong focus of the project on building and coordinating a coalition of support with key donors and stakeholders that are actively working in various dimensions of change within Suriname's forestry sector, at the level of public agencies as well as organizations involved in education, advocacy, and research creates a strong platform for scaling. By convening, facilitating, and supporting these stakeholders in working towards a broader transition to sustainable forestry, and to generate greater impact together, the project will support sustainability and scalability of the intervention beyond IDB Lab financing.

3.10 Besides the scaling opportunities mentioned above, the project will create foundations for the benefit the future forest sustainability. The rationale behind the SUSTAME model is that the sustainable value chains could be scaled up in a sustainable way with improved business environment and capacities, catalyzing investments with appropriate finance from multiple sources. Business revenues could be increased with investments in value addition via sustainable practices[21] without expanding logging volumes if the actors become competitive and strengthen their market positions. Furthermore, Supporting the development of a sustainable value-added production chain for wood products would provide important benefits to the country, including increased employment, more economic opportunities for Indigenous and Maroon community forest concession holders as well as local firms in the sector and increased government revenue.

C. Project and Institutional Risks

3.11 Based on the risk analysis conducted the project risk level is assessed as medium. Key risks that have been analyzed and which contribute to this assessment include the following:

3.12 **Environmental and Social (E&S) Risks**: In accordance with the Bank's safeguard filters and drawing from the ESG analysis conducted for the technical co-operation, this project has been classified as Category B because it is expected to generate environmental and social risks and/or impacts of medium intensity which can be largely reversible and addressed through mitigation measures. The main E&S risks and impacts associated with the activities supported by the transaction include: (i) conversion and modification of natural habitats and potential loss of biodiversity; (ii) potential loss of ecosystem services and (iii) potential reluctance of Indigenous communities currently engaged with logging companies to change their unsustainable wood harvesting practices as it would mean giving up current income streams. To mitigate this risk the Executing Agency will identify and work in the first instance with 2 pilot communities that have concessions and are more interested in securing long term/sustainable benefits (first movers) to demonstrate the benefits of transitioning to sustainable practice. Furthermore, a grievance mechanism will

[21] Value added covers a whole range of product from sawn and planed wood to prefab houses. Before the independence in 1975 Suriname had a flourishing wood/timber industry. Wood accounted for 12% of total exports and value-added products such as parquet floors and prefab housing packages were exported to the US, Venezuela, and the Caribbean. There is a lot of interest from policymakers to revive this industry.

be established to monitor and manage feedback from the Indigenous and Maroon community stakeholders engaged through the project.

3.13 The Executing Agency will execute the transaction in a manner consistent with the principles of the relevant IDB Environmental and Performance Standards and will report annually to IDB Lab thereof. E&S information to be reported to IDB Lab will include: i) evolution of forest coverage area, forest density and growth in the project intervention areas; ii) reforestation versus extraction levels in the project intervention areas; iii) activities executed under wildlife rescue procedures.

3.14 **Additional risks identified are as follows: (i) Macro-economic risk:** Suriname is currently going through severe economic crises, and many private sector actors in the wood sector are now focused on surviving and may not have the attention span to put effort in piloting sustainable activities, especially given the fact that the harvesting and exporting of raw wood logs is a profitable business. To mitigate this risk the intervention will build on work that FAO already conducted with the Forest Finance Strategy in identifying and engaging businesses that are willing to transition and have investment plans ready as first movers. Furthermore, using these first movers as demonstration units to showcase the commercial benefits of sustainable approaches may inspire and incentivize wider adoption of practices that are needed to transition to production and sale of sustainable wood and wood products from Suriname; **(ii) Political Risk:** actors currently benefiting from current practices and the export of raw wood logs wield political power and influence and may resist transition to sustainable practices. For this risk there are several mitigation actions as follows: (a) IDB is supporting strengthening of the key government agency responsible for concession management, specifically the SBB (b) Conservation International is engaging the Surinamese government on the benefits of transitioning to sustainable wood extraction and processing which has included facilitation of a recent field visit to Gabon, another High Forest Low Deforestation country that has ended the extraction and sale of raw logs and is realizing economic and employment benefits in the sector as a result; and (c) Suriname is interested in monetizing carbon value of its forests and having recently proposed use of carbon credits in redeeming international lending, conservation and sustainable management of its forest assets is of importance to government and can generate high level political and technical support; **(iii) Lack of Participation by Key Stakeholders:** stakeholders in the sector are used to working in silos, not everyone may be open to collaboration and could be protective of their individual projects. To mitigate this risk the Executing agency will work closely with the leadership of IDB Country Office in Suriname to leverage IDB's convening capacity and influence as a key/primary, credible and trusted development agency to secure collaboration. The IDB is Suriname’s leading multilateral partner and contributes to almost 80% of total multilateral funding.

3.15 The Institutional Risk, according to the Assessment of Integrity and Institutional Capacity (DICI), is rated as low

IV. Instrument and Budget Proposal

4.1 The project has a total cost of US$ 1,662,000 of which US$ 750,000 (45%) will be provided by IDB Lab (Technical Cooperation SU-T1159), US$ 750,000 (45%) from the Amazon Bioeconomy and Forest Management Fund (AMZ) (Technical Cooperation SU-T1168), and US$ 162,000 (10%) in in kind counterpart financing.

4.2 Launched in March 2021 with the participation of several countries of the Amazon region, the Secretary General of the Green Climate Fund, and the Secretary General of the Amazonian Cooperation Treaty Organization, the AMZ seeks to foster socio-environmentally sustainable and inclusive economic development models in the Amazon region that benefit its diverse communities.

4.3 The instrument to be used is a non-reimbursable technical cooperation. IDB Lab funding will primarily be utilized for the pilot program to demonstrate viability of sustainable practices with demonstration units, generating livelihood benefits for the tribal communities and the design of the financing mechanism for scale up of investment in the sector. It is proposed that resources from the AMZ, will be used for the diagnostic assessments, building a coalition of support, and the capitalization and implementation of the financing mechanism which will be managed by a local financial institution for scaling up the transition of actors in a more sustainable value chain. Counterpart resources will be focused on project administration and governance activities.

4.4 The summary budget is presented in the following table:

Project Components	IDB Lab SU-T1159	AMZ SU-T1168	Counterpart Financing Conservation International	Total
Component 1: Diagnostic Studies and Knowledge Exchange	-	US$ 135,000	-	US$ 135,000
Component 2: Stakeholder Engagement and Management	US$ 0	US$ 65,000	-	US$ 65,000
Component 3: Support Livelihood Benefits for Communities	US$ 175,000	US$ 169,000	-	US$ 344,000
Component 4: Enable Private Sector Transition	US$ 324,000	US$ 291,000	-	US$ 615,000
Project Administration	US$ 181,000	US$ 90,000	US$ 162,000	US$ 433,000,000
Evaluation	US$ 40,000	-	-	US$ 40,000
Contingencies	US$ 30,000	-	-	US$ 30,000
Grand Total	**US$ 750,000**	**US$ 750,000**	**US$ 162,000**	**US$ 1,662,000**
% of Financing	**45%**	**45%**	**10%**	**100%**

V. Executing Agency (EA) and Implementation Structure

A. Executing Agency(s) Description

5.1 **Stichting Conservation International Suriname (Stichting CI Suriname)**[22] will be the Executing Agency of this project and will sign the agreement with the Bank.

5.2 Conservation International is an environmental organization that has worked in Suriname for the last 25 years, and 30 years internationally in 40 countries to protect nature for the benefit of people. Stichting Conservation International Suriname was established as a foundation under Surinamese law on 29 December 1992 and officially registered on 18 January 1993. In the last 20 years Stichting CI Suriname has worked to advance green development in the country and in the region.

5.3 They have been creating partnerships between the government, private sector, local communities, and none-state actors to concentrate on climate smart management and production of community forest concessions in Suriname. They started a Climate Smart Management program in the country in 2017, piloting the program in the biggest community forest belonging to the Matawai tribal community. Since then, Stichting CI Suriname and the community agreed that 40 percent of the 97,000 hectares community forest functions as a community conservation area. Furthermore, internationally they have worked with Gabon to restructure their timber industry. Gabon has banned the export of round wood and is already seeing increased profits and significant job creation as a result. Stichting CI Suriname recently led a delegation from Suriname in a knowledge exchange visit to Gabon to demonstrate the approach used and results achieved to date.

B. Implementation Structure and Mechanism

5.4 **Stichting CI Suriname** will establish an executing unit and the necessary structure to execute project activities and manage project resources effectively and efficiently. **Stichting CI Suriname** will also be responsible for providing progress reports on project implementation. Details on the structure of the execution unit and reporting requirements are in Annex V in the project technical files.

5.5 A **Project Steering Committee** will be convened as a key element of the project implementation structure and mechanism. The Steering Committee will focus on monitoring of results and challenges arising, will engage in participative decision making on project implementation, risk management and will assist where needed to secure support required to facilitate achievement of project objectives. The Steering Committee will consist of key donors (including the IDB) and stakeholders that are actively working in various dimensions of change within Suriname's forestry sector, at the level of public agencies, as well as organizations involved in education, advocacy, and research.

[22] About Conservation International Suriname

VI. Compliance with Milestones and Special Fiduciary Arrangements

6.1 **Disbursement by Results, Fiduciary Arrangements.** The Executing Agency will adhere to the standard IDB Lab disbursement by results, IDB procurement policy[23] and financial management[24] arrangements as specified in Annex V and VI.

6.2 Results Based Disbursement: The project will be monitored by the IDB's Country Office in Suriname. Monitoring will be undertaken in accordance with the performance and risk management policies (fulfilment of milestones), as established by the IDB Lab. Project disbursements will be contingent upon verification of the achievement of milestones (pre-determined outputs critical to achievement of the development objectives). Achievement of milestones does not exempt the Executing Agency from the responsibility of reaching the results matrix indicators and project's objectives.

6.3 Financial Management and Supervision: The Executing Agency will establish and be responsible for maintaining adequate accounts of its finances, internal controls, and project files according to the financial management policy of the IDB Lab. For the procurement of goods and contracting of consulting services, the Executing Agency will adopt the principles of IDB Policies (GN-2349-15 and GN-2350-15).

VII. Information Disclosure and Intellectual Property

7.1 **Information Disclosure.** Project information is not considered confidential under the IDB Access to Information Policy. This document is therefore public in accordance with said policy[25].

7.2 **Intellectual Property.** The Executing Agency shall own the intellectual property rights to all works produced or results obtained under the project, and will grant the IDB Group an irrevocable, worldwide, perpetual, royalty-free, and non-exclusive license to use, copy, distribute, reproduce, publicly display, and perform any and all Executing Agency intellectual property derived from execution of the project, as well as to create derivative works.

[23] Link to the Policy: Procurement of Works and Goods Policy

[24] Link to the document Operational Guidelines for Management of Milestones and Financial Supervision for MIF and SEP Technical Cooperation Projects

[25] Link to the Access to Information Policy. and Link to IDB Lab Document Classification.