

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**REPUBLIC OF SURINAME**

**CONTINGENT LOAN FOR NATURAL DISASTER EMERGENCIES**

**(SU-00005)**

**PROJECT PROFILE**

This document was prepared by the project team consisting of: Juan Jose Durante, IFD/CMF, Team Leader; Fernando de Olloqui, Alternate Team Leader, IFD/CMF; Sergio Lacambra, CSD/RND; Guillermo Collich, Annabella Gaggero, Rafael Rosillo and Hongrui Zhang, IFD/CMF; Maricarmen Esquivel Gallegos, CSD/CCS; Anne-Marie Urban, SCL/GDI; Bettina Hennig, LEG/SGO; Steven Hofwijks, CCB/CSU; and Rinia Terborg-Tel, FMP/CSU.

Under the Access to Information Policy, this document is subject to Public Disclosure.

## PROJECT PROFILE

### SURINAME

#### I. BASIC DATA

<b>Project Name:</b>	Contingent Loan for Natural Disaster Emergencies		
<b>Project Number:</b>	SU-O0005		
<b>Project Team:</b>	Juan Jose Durante, IFD/CMF, Team Leader; Fernando de Olloqui, Alternate Team Leader, IFD/CMF; Sergio Lacambra, CSD/RND; Guillermo Collich, Annabella Gaggero, Rafael Rosillo and Hongrui Zhang, IFD/CMF; Maricarmen Esquivel Gallegos, CSD/CCS; Anne-Marie Urban, SCL/GDI; Bettina Hennig, LEG/SGO; Steven Hofwijks, CCB/CSU; and Rinia Terborg-Tel, FMP/CSU.		
<b>Borrower:</b>	Republic of Suriname		
<b>Executing Agency:</b>	Ministry of Finance		
<b>Financial Plan:</b>	IDB (OC):	US\$	30,000,000
	Total:	US\$	30,000,000
<b>Safeguards:</b>	Policies triggered:	B.01, B.07, B.13, B.17	
	Classification:	Not required	

#### II. GENERAL JUSTIFICATION AND OBJECTIVES

##### A. Background and Justification

- 2.1 **Exposure and vulnerability to natural disasters.** In Suriname, floods are the most prevalent hazard, both in the coastal zone and in the interior. Within the last decade the frequency and magnitude of floods in Suriname have increased. The country's exposure and vulnerability to these natural hazards became increasingly recognized after 2006 when heavy and sustained rainfall in a wide area, including the central, south and south-east mountain ranges of Suriname, caused water levels in the major rivers in central and east Suriname to rise extraordinarily to levels that had not been witnessed since 1949. The floods overall damages and losses are estimated at US\$50 million, equivalent to 1.1% of the country's GDP at the time, although it represented the total GDP of all economic activities in the Sipaliwini district.<sup>1</sup> Over half of these losses stemmed from housing, health, and education. The affected population was 6% of the total of the country (estimated at nearly 560,000).<sup>2</sup> A strong emergency relief effort by the Government of Suriname, with important support from abroad, was able to prevent widespread hunger and disease by delivering food aid and restoring basic services. The

<sup>1</sup> Suriname: the impact of the May 2006 floods on sustainable livelihoods, ECLAC, 2007. Damages and losses estimations adjusted to 2017 prices.

<sup>2</sup> "World Population Prospects: The 2017 Revision". United Nations Department of Economic and Social Affairs.

devastation that followed the floods indicated Suriname's vulnerability and lack of readiness for natural disaster response.

- 2.2 Subsequently, in May of 2008, due to similar causes as the 2006 disaster, heavy rainfall flooded villages and crops in Suriname's eastern coastal and inland areas (adjacent to the Marowijne, Lawa, Tapanahony and upper Suriname Rivers). In the southern region, an estimated 30% of the livestock, 65% of crops, and 90% of the fishing industry were impacted.<sup>3</sup> It is estimated that 5,000 families were affected by the floods.<sup>4</sup>
- 2.3 Of late, Suriname has been subject to unpredictable high intensity seasonal rainfall. In 2017, flooding of the Tapanahony and Marowijne Rivers led to partly or fully submerging various villages in the east of the country, their agricultural plots and other surrounding lands.<sup>5</sup> Also, during the current year, flooding downstream of the banks of the Lawa River and Tapanahony river have increased the contamination and pollution of the Marowijne river upstream.
- 2.4 Since the historic floods of 2006 and 2008, the Surinamese have also become more conscious of the potential impact of climate change on the country. Almost 30% of the country is within a few meters above sea level, making it susceptible to coastal flooding.<sup>6</sup> Additionally, nearly 90% of Suriname's population and most of the country's fertile land and economic activity are located in the 384 kilometer-long coastal plain, therefore sea level rise represents a significant development challenge. According to some estimates, a one-meter rise would impact over 6.4% of Gross Domestic Product (GDP), 7% of the population, and 5.6% of agricultural land.<sup>7</sup> The impact to agriculture is of particular concern as the sector is critical to Suriname's economy. Greater rainfall variability due to climate change is also expected to lead to an increased occurrence of droughts, and to some extent, landslides.
- 2.5 **Natural disaster risk management.** The government has scaled up efforts to integrate Disaster Risk Management (DRM) into national policies and long-term sustainable development plans. In 2006, the Ministry of Defense, the main actor in national policies on disaster management, established the National Coordination Center for Disaster Relief (NCCR). The NCCR plans, coordinates and implements national DRM policies in collaboration with sector entities and subnational authorities. In 2017, it produced the Country Document on Disaster Risk Reduction (DRR), a national reference for policy design and decision making for interventions on DRR. Additionally, addressing climate change is a priority in Suriname's most recent National Development Plan, with proposed approaches including strengthening DRM and developing catastrophe risk insurance to lessen the impact of floods and climatic shocks.<sup>8</sup>

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<sup>3</sup> Global Facility for Disaster Reduction and Recovery (GFDRR).

<sup>4</sup> Suriname: floods. Final Report, Emergency Appeal Number MDRSR002, August 2009. International Federation of Red Cross.

<sup>5</sup> Flooding 2017 East Suriname, Situation Analysis, NCCR.

<sup>6</sup> The country can be divided into two main geographic regions. The northern, lowland coastal area has been cultivated, and most of the population lives here. The southern part consists of tropical rainforest and sparsely inhabited savanna along the border with Brazil, covering about 80% of Suriname's land surface.

<sup>7</sup> GFDRR.

<sup>8</sup> Ibid.

- 2.6 An important aspect to consider after the 2006 floods is that over half of the households affected by the flooding (in eastern and southern Suriname) were female headed (54%), although even more households were negatively impacted given that women predominate in the villages due to the absence of males who make their livelihoods outside the village compounds.<sup>9</sup> Women's narrow skill base in the country's interior, as well as their reproductive and productive roles and responsibilities within their villages make them less mobile and resilient in times of disaster. This underlines the importance of integrating gender considerations into any natural disaster risk management plan. Further, evidence suggests that the active involvement of women in local disaster preparedness contributes to resilience and can prevent loss of life.<sup>10</sup>
- 2.7 As for financial risk management, currently the country has no ex ante financial instruments set up to meet the extraordinary expenses of natural disaster emergencies, such as special budgetary allocations for disasters or insurance. Funding for emergency response and rehabilitation of past events has been done mostly through budgetary reallocations and foreign aid,<sup>11</sup> without the support of resources through more efficient instruments, such as contingent credit or insurance.
- 2.8 This is more relevant in the current context of financial vulnerability in public finances that has seen persistent fiscal deficits since 2009 and rising debt. According to the Indicators for Disaster Risk,<sup>12</sup> the potential loss due to rainfall flood hazard (with a 1/50 return period) is estimated at 3.1% of 2010 GDP or approximately US\$135 million. The country's vulnerability to natural disasters and its current macroeconomic environment highlight the importance of implementing measures that can help increase Suriname's economic and fiscal resilience to disaster risk.
- 2.9 **Strategic alignment of the operation.** The project is aligned with the IDB Group Country Strategy with The Republic of Suriname (2016-2020) (GN-2873), particularly to the cross-cutting theme of "Resilience to climate change" as the operation will contribute to improvements in the four areas of focus on resilience to climate change identified in the strategy<sup>13</sup> through the actions contemplated in the Comprehensive Natural Disaster Risk Management Program (CDRMP) (§3.4), specifically with respect to capacity building of the public sector through the financial protection provided by this loan. The operation is also consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) and is aligned with the cross-cutting theme of climate change and environmental sustainability, by increasing the ex ante financial coverage available to the country in the event of a severe or catastrophic natural disaster, as part of the climate change adaptation strategy. Additionally, the operation is aligned with the cross-cutting theme of gender equality and diversity in that it gives priority to strengthening the support

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<sup>9</sup> ECLAC, op cit.

<sup>10</sup> Buvinic, M., et.al. "Hurricane Mitch, Women's Needs and Contributions," Inter-American Development Bank, 1999.

<sup>11</sup> Indicators for Disaster Risk and Risk Management for Suriname, IDB, July 2017.

<sup>12</sup> Ibid.

<sup>13</sup> Increased availability of climate-relevant information; capacity building in both the public and private sector; improved information dissemination and education; and analysis of potential impacts and identification of actions to increase resilience.

for women, particularly those from indigenous and Maroon communities, during an emergency and involving women in disaster preparedness and response. As well, the operation is aligned to the Corporate Results Framework (CRF) 2016-2019 (GN-2727-6), as it specifically contributes to the auxiliary indicator “Countries that have improved disaster risk management”. Furthermore, the operation is consistent with the Bank’s Disaster Risk Management Policy (GN-2354-5) and with the Climate Change Sector Framework (GN-2835-3) by supporting the public sector’s use of financial instruments, through the identification of practices that spread out the risk associated with the management of uncertainty within the public sector. This operation is not included in the 2018 Operational Program Report (OPR) (GN-2915).

## **B. Objectives and Expected Results**

- 2.10 The objective of the operation is to alleviate the impact that a severe or catastrophic natural disaster could have on the country’s finances, by increasing the availability, stability, and efficiency of contingent financing to address emergencies. Additionally, the operation seeks to enhance the comprehensive disaster risk management of the country by fostering improvements in five main areas to be monitored through the CDRMP: (i) disaster risk management governance; (ii) risk identification; (iii) risk reduction; (iv) preparation for emergency and response; and (v) financial protection and risk transfer.<sup>14</sup>
- 2.11 In line with the operation’s objective, the expected outcomes are: (i) an improved country’s financial risk management of natural disasters by increasing stable and efficient contingent financing to cover extraordinary public expenditures during emergencies caused by severe or catastrophic natural disasters; and (ii) an effective national policy for comprehensive natural disaster risk management that incorporates gender considerations.

## **III. TECHNICAL ISSUES AND SECTOR KNOWLEDGE**

- 3.1 The proposed operation will be structured as a Bank investment loan, which will be granted through the Contingent Credit Facility for Natural Disaster Emergencies (CCF) (GN-2502-2 and GN-2667-2), for a total amount of US\$30 million. To determine the country’s financing needs to address emergencies caused by natural disasters, the Bank analyzed the exposure, vulnerability and historical impact of natural disasters in the country. This loan will be available for disbursement for a period of five years, starting from the loan effectiveness date. The disbursement period may be extended for up to five additional years, upon the borrower’s request and at the Bank’s discretion. The executing agency will be the Ministry of Finance.
- 3.2 The contingent loan will be designed to: (i) ensure a fast provision of liquid resources to finance extraordinary public expenditures during emergencies caused by severe or catastrophic natural disasters; and (ii) have an adequate

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<sup>14</sup> Special attention will be given to addressing gender equality as a cross cutting issue in the CDRMP, particularly in the areas of DRM governance and emergency preparedness and response.

amount of resources, within the limits established by the CCF, that can meet the foreseeable financing needs of Suriname when such disasters take place.

- 3.3 Given the contingent nature of the operation, loan disbursements will only be made: (i) if an event of specific location, type and magnitude, previously agreed between the country and the Bank, takes place; and (ii) if at the time of disbursement, the Bank has sufficient resources from the sources mentioned in ¶3.5. The eligible events that can trigger potential disbursements will be outlined between the country and the Bank in the Operating Regulations (OR) of the program. The loan will provide coverage for floods.
- 3.4 **Comprehensive Natural Disaster Risk Management Program (CDRMP).** The CCF states that all borrowing member countries of the Bank are eligible to receive financing through the facility, provided that they have a current CDRMP in place to the Bank's satisfaction, with the objective of promoting the effective formulation of a national policy on the comprehensive management of disaster risks, thereby strengthening the general governance framework, improving the identification and reduction of such risks, and enhancing disaster management as well as the financial management of disaster risks.
- 3.5 **Disbursement mechanism.** According to the CCF, when an eligible event occurs, the country can decide if the funds to be disbursed under the loan will come from one of the following alternative sources of Bank resources: (i) funds from the regular lending program; (ii) funds from available undisbursed balances of investment loans in the country's active portfolio with the Bank (Automatic Redirection List); or (iii) a combination of these two options.
- 3.6 **Eligible expenditures.** Resources disbursed from the contingent loan may only be used by the borrower to finance extraordinary public expenditures incurred during emergencies caused by eligible events. The Bank will recognize the eligible expenditures incurred and paid by the borrower for 180 calendar days following the date on which the disaster occurred. The types of eligible expenditures are broad and will only be limited by a negative list that will be part of the loan contract and agreed upon by the country and the Bank. Some examples of eligible expenditures are: (i) emergency health equipment; (ii) vaccines and medications; (iii) facilities and equipment for temporary shelters; (iv) food for the affected population; and (iv) temporary rehabilitation of infrastructure and restoration of basic services; among others.
- 3.7 **Sector knowledge.** The Bank has approved seven loans from the CCF throughout the region, with two successful disbursements in the last two years for a total of US\$176 million (3670/OC-EC and 4331/OC-DR). During 2018, the Bank is set to further expand the use of the CCF throughout five more countries in the region. Furthermore, the Bank has supported the Government of Suriname in producing the Indicators for Disaster Risk and Risk Management and is currently financing an analysis of the legal, institutional and budgetary framework for DRM in Suriname through a well-tested methodology that has been applied in the rest of Latin America and the Caribbean region.<sup>15</sup> This study will supply a rigorous and

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<sup>15</sup> Technical cooperation ATN/MO-15712-RG, "iGOPP application in six countries of the Caribbean Region (Barbados, The Bahamas, Belize, Suriname, Guyana and Trinidad & Tobago).

up-to-date diagnosis of Suriname's current DRM governance level and identify major gaps that require policy reform, providing the basis for developing the CDRMP that is currently in preparation.

#### **IV. ENVIRONMENTAL SAFEGUARDS AND FIDUCIARY SCREENING**

- 4.1. In accordance with directive B.13 of the Environmental and Safeguards Compliance Policy (GN-2208-20), this operation does not require classification.
- 4.1 Regarding fiduciary aspects, the operation will be adjusted to the specific requirements and procedures for fiduciary control established for the CCF (GN-2502-2 and GN-2502-3).

#### **V. RESOURCES AND TIMETABLE**

- 5.1 It is estimated that a budget of US\$72,500 will be required for the preparation of this operation. The distribution of the Proposal for Operation Development (POD) for the Quality and Risk Review (QRR) is scheduled for August 31, 2018 and the consideration of the Loan Proposal by the Bank's Board of Executive Directors is scheduled for November 14, 2018.

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<sup>1</sup> The information contained in this Annex is confidential and will not be disclosed. This is in accordance with the "Deliberative Information" exception referred to in paragraph 4.1 (g) of the Access to Information Policy (GN-1831-28) at the Inter-American Development Bank.





# Safeguard Policy Filter Report

## Operation Information

Operation		
SU-O0005 Contingent Loan for Natural Disaster Emergencies		
Environmental and Social Impact Category	High Risk Rating	
B13		
Country	Executing Agency	
SURINAME	Ministry of Finance	
Organizational Unit	IDB Sector/Subsector	
Connectivity, Markets and Finance	RISK FINANCING	
Team Leader	ESG Primary Team Member	
JUAN JOSE DURANTE		
Type of Operation	Original IDB Amount	% Disbursed
Container	\$30,000,000	0.000 %
Assessment Date	Author	
29 May 2018	annabellag Operational Analyst	
Operation Cycle Stage	Completion Date	
ERM (Estimated)	12 Jun 2018	
QRR (Estimated)	24 Aug 2018	
Board Approval (Estimated)		
Safeguard Performance Rating		
Rationale		



# Safeguard Policy Filter Report

## Potential Safeguard Policy Items

[No potential issues identified]

## Safeguard Policy Items Identified

### B.1 Bank Policies (Access to Information Policy– OP-102)

The Bank will make the relevant project documents available to the public.

### B.1 Bank Policies (Disaster Risk Management Policy– OP-704)

The operation includes activities related to climate change adaptation, but these are not the primary objective of the operation.

### B.1 Bank Policies (Gender Equality Policy– OP-761)

The operation will offer opportunities to promote [gender equality](#) or [women's empowerment](#).

### B.1 Bank Policies (Indigenous People Policy– OP-765)

The operation will offer opportunities for indigenous people

### B.7 Supervision and Compliance

The Bank is expected to monitor the executing agency/borrower's compliance with all safeguard requirements stipulated in the loan agreement and project operating or credit regulations.

### B.13. Noninvestment Lending and Flexible Lending Instruments

Ex-ante impact classification may not be feasible for this type of operation. This includes: policy-based loans, Financial Intermediaries (FIs) or loans that are based on performance criteria, sector-based approaches, and conditional credit lines for investment operations.

### B.17. Procurement

Suitable safeguard provisions for the procurement of goods and services in Bank financed operations may be incorporated into project-specific loan agreements, operating regulations and bidding documents, as appropriate, to ensure environmentally responsible procurement.

## Recommended Actions

Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s). Complete Project Classification Tool. Submit Safeguard Policy Filter Report, PP (or equivalent) and Safeguard Screening Form to ESR.

## Additional Comments



## Safeguard Policy Filter Report

In accordance with directive B.13 of the Environmental and Safeguards Compliance Policy (GN-2208-20), this operation does not require classification.

## ENVIRONMENTAL AND SOCIAL SAFEGUARD STRATEGY

- 1.1 The objective of the Contingent Loan for Natural Disaster Emergencies SU-O0005 is to alleviate the impact that a severe or catastrophic natural disaster could have on the country's finances, by increasing the availability, stability, and efficiency of contingent financing to address emergencies. Additionally, the operation seeks to enhance the comprehensive disaster risk management of the country by fostering improvements in five main areas to be monitored through the Comprehensive Natural Disaster Risk Management Program (CDRMP) required to access this loan<sup>1</sup>: (i) disaster risk management governance; (ii) risk identification; (iii) risk reduction; (iv) preparation for emergency and response; and (v) financial protection and risk transfer.<sup>2</sup>
- 1.2 It is important to note that the type of eligible expenditures to finance with resources of the contingent loan is very broad and is only limited by a negative list to be agreed upon by the country and the Bank. Some examples of these eligible expenditures are: emergency health equipment; vaccines and medications; facilities and equipment for temporary shelters; food and fodder for displaced and distressed populations; cost of emergency personnel equipment; short-term rental of equipment and facilities for energy; transport and communications; storage spaces and temporary rehabilitation of housing and infrastructure.
- 1.3 Additionally, it should be noted that the granting and availability of the contingent loan is conditioned upon the execution, to the Bank's satisfaction, of the Comprehensive Disaster Risk Management Program (CDRMP) previously agreed upon between the country and the Bank. The CDRMP includes actions to prevent and mitigate risks associated with natural disasters.
- 1.4 Consequently, based on the foregoing, this operation is subject to the provisions established in Directive B.13 of the Environmental and Safeguards Compliance Policy (GN-2208-20) and, therefore, does not require classification or the preparation of an Environmental and Social Management Report.

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<sup>1</sup> See Project Profile, paragraph 3.4.

<sup>2</sup> Special attention will be given to addressing gender equality as a cross cutting issue in the CDRMP, particularly in the areas of DRM governance and emergency preparedness and response.

## SECTORAL WORK INDEX

Studies	Description	Dates	References and Links
IDB and other sources	Suriname: The Impact of the May 2006 Floods on Sustainable Livelihoods, Economic Commission for Latin America and the Caribbean	March 2007	<a href="https://www.cepal.org/en/publications/5039-suriname-impact-may-2006-floods-sustainable-livelihoods">https://www.cepal.org/en/publications/5039-suriname-impact-may-2006-floods-sustainable-livelihoods</a>
	Global Facility for Disaster Reduction and Recovery	May 2018	<a href="https://www.gfdr.org/en/suriname">https://www.gfdr.org/en/suriname</a>
	Suriname: Floods. Final Report, Emergency Appeal Number MDRSR002, International Federation of Red Cross	August 2009	<a href="https://reliefweb.int/sites/reliefweb.int/files/resources/24221A71D66E0FAD852576180069A609-Full_Report.pdf">https://reliefweb.int/sites/reliefweb.int/files/resources/24221A71D66E0FAD852576180069A609-Full_Report.pdf</a>
	Flooding 2017 East Suriname, National Coordination Center for Disaster Relief	February 2017	<a href="https://hellengillandfriends.files.wordpress.com/2017/03/max-sordam2017-flooding-suriname-situation-analysis-23-february-2017final-2.pdf">https://hellengillandfriends.files.wordpress.com/2017/03/max-sordam2017-flooding-suriname-situation-analysis-23-february-2017final-2.pdf</a>
	Hurricane Mitch: Women's Needs and Contributions, Buvinic	December 1999	<a href="https://publications.iadb.org/bitstream/handle/11319/5215/Hurricane%20Mitch%3A%20Women%27s%20Needs%20and%20Contributions.pdf?sequence=1">https://publications.iadb.org/bitstream/handle/11319/5215/Hurricane%20Mitch%3A%20Women%27s%20Needs%20and%20Contributions.pdf?sequence=1</a>
	Indicators for Disaster Risk and Risk Management for Suriname, IDB	July 2017	
	iGOPP application in Suriname (analysis of the legal, institutional and budgetary framework for disaster risk management)	In preparation July 2018	<a href="https://www.iadb.org/en/project/RG-T2787">https://www.iadb.org/en/project/RG-T2787</a>
Execution mechanism and fiduciary and control issues	Operating Regulations of the Contingent Loan (designed by the Project Team)	In preparation	
	Contingent Credit Facility for Emergencies caused by Natural Disasters. Operational Guidelines	September 2014	Document GN-2502-3
Risk analysis	Application of the Bank's methodology for risk analysis carried out by the team	May 2018	

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