Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 09-Aug-2017 | Report No: PIDC112954
## BASIC INFORMATION

### A. Basic Project Data

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
<th>Environmental Assessment Category</th>
<th>Project Name</th>
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<tbody>
<tr>
<td>P163612</td>
<td></td>
<td>C - Not Required</td>
<td>Suriname Extractive Industries Technical Assistance RE (P163612)</td>
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<table>
<thead>
<tr>
<th>Region</th>
<th>Country</th>
<th>Date PID Prepared</th>
<th>Estimated Date of Approval</th>
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<tbody>
<tr>
<td>LATIN AMERICA AND CARIBBEAN</td>
<td>Suriname</td>
<td>09-Aug-2017</td>
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<table>
<thead>
<tr>
<th>Financing Instrument</th>
<th>Borrower(s)</th>
<th>Implementing Agency</th>
<th>Initiation Note Review Decision</th>
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</thead>
<tbody>
<tr>
<td>Investment Project Financing</td>
<td>Government of Suriname</td>
<td>Ministry of Natural Resources</td>
<td>The review did authorize the preparation to continue</td>
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## PROJECT FINANCING DATA

### FINANCING SOURCES

Select all that apply

- [ ] Counterpart Funding
- [✔] Trust Funds
- [ ] Parallel Financing

### SUMMARY (USD)

<table>
<thead>
<tr>
<th>Total Project cost</th>
<th>350,000</th>
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<tbody>
<tr>
<td>Total Financing</td>
<td>350,000</td>
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<tr>
<td>Trust Funds</td>
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<td>Financing Gap</td>
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### DETAILS

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<th>Source</th>
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<th>USD Equivalent</th>
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<tr>
<td>Extractives Global Programmatic</td>
<td>USD-US Dollars</td>
<td>350,000</td>
<td>350,000</td>
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B. Introduction and Context

Country Context

Suriname enjoyed one of the most rapidly growing economies in the Caribbean during the first decade of this century. But Suriname’s economy contracted with the collapse in world commodity prices and the exit of ALCOA (after a century of bauxite and alumina production). Real GDP contracted by 2.7 percent in 2015 and 10.5 percent in 2016. Government revenue from mining fell to 3 percent of GDP in 2015 and 2016 from 11 percent in 2011. The budget deficit grew to 10 percent of GDP. After many years of surpluses, the current account fell into a deficit that widened to 16 percent of GDP by 2015, draining foreign reserves. Tight spending controls reduced the budget deficit to 6 percent in 2016. Floating of the Surinamese dollar in May 2016 and the opening of a large new gold mine in October helped bring the current account deficit to less than 3 percent of GDP in 2016. The additional gold exports have enabled the economy to record current account surpluses in 2016Q4 and 2017Q1.

The administration that took office in August 2015 embarked on ambitious reforms to overhaul the basic legal and institutional framework for macroeconomic policy-making and the business environment. The National Assembly has passed a law establishing a sovereign wealth fund, as well laws streamlining business licensing, updating the commercial code, and creating legal status for electronic transactions. The government is drafting laws on public financial management, public procurement, and central banking, and is planning to introduce a value-added tax in 2018.

Suriname is one of the most vulnerable countries to shocks from changing climate, extreme weather, and flooding, and these pose additional risks to economic growth and poverty reduction. The country’s small population, major economic activities, and infrastructure are concentrated along the low-lying coast. Exposure to natural hazards creates risks for fiscal and macroeconomic stability, private investment in productive activities, and sustainable growth. The country has already experienced extensive coastal erosion, and has suffered damages from heavy rainfall, flooding, and high winds.

Sectoral and Institutional Context

The extractive industries play a central role in Suriname’s economy. Bauxite has been the dominant industry for most of the past century, although extraction and exports have come to a halt recently as accessible reserves were exhausted. Gold has emerged as the primary extractive industry, including private industrial gold mines and substantial artisanal and small-scale mining (ASM) operations that represent a significant source of jobs. The state oil company Staatsolie has been successfully extracting low-cost onshore oil for decades, with new prospects for offshore oil recently identified.

There is potential for even greater contribution of the sector to Suriname’s economy. There is evidence of potential for significant additional extraction, both in the existing industries and of new minerals. Exploiting this potential could increase export revenue, generate new investment and jobs, and decrease dependency on the existing core industries. There is also scope to better govern the extractive industries to benefit the entire population in the long term, such as through bringing existing informal activates into the formal economy and improving social and environmental
One of the avenues to improve overall management of both mining and oil has been the Extractive Industries Transparency Initiative (EITI). Suriname was officially received as an EITI candidate on May 24, 2017 after meeting all the necessary conditions. It is expected to improve transparency over revenues generated by the sector but also to provide a useful platform for sector dialog more broadly.

**Relationship to CPF**
The government is giving high priority to promoting economic diversification through private sector development, strengthening social services, and better managing disaster risks. The National Development Plan lays out a detailed set of priorities and actions to address economic and climatic vulnerabilities. The World Bank Country Partnership Strategy (CPS) for FY15-FY19, the first full strategy since the WBG and Suriname re-engaged in FY11, aims at supporting Suriname’s efforts to promote a more sustainable, inclusive, and diversified growth model through two areas of engagements: i) creating a conducive environment for private sector development, and ii) reducing vulnerability to climate change-related floods.

Given its importance for the country's economy, the extractive industries sector has been prominently identified as a priority in the first pillar: “Vertical support encompasses actions aimed at supporting a more inclusive development of priority sectors, in particular, extractive industries and agriculture, while promoting good practices for their sustainable development.

**C. Project Development Objective(s)**

**Proposed Development Objective(s)**
The development objective is to support Suriname’s participation in the Extractive Industries Transparency Initiative (EITI) towards more transparent and efficient management of its mining and oil sectors.

**Key Results**
The expected outcomes are:

- Improved transparency in extractive revenues in Suriname
- Better multi-stakeholder dialog on governance of oil and mining

The main outputs are:

- First EITI reconciliation report is produced and accessible to the public
- EITI stakeholders are informed of EITI experience in other countries
- Training and dissemination material
D. Preliminary Description
Activities/Components
The project will include the following activities:

1. EITI, Transparency and Accountability

The formal application of Suriname to the EITI was submitted in March 2017 and was accepted on May 24, 2017 at the EITI Board Meeting. The formal MSG has been active since Dec 1, 2016 and a Work Plan has been adopted. This Project will provide support to the implementation of this EITI Work Plan, including providing funding of an Independent Administrator for two EITI reconciliation exercises and providing funding outreach and communications on EITI (including brochures, reports, advisory activities as well as logistics for workshops/events).

2. Project Management

As Suriname was not a client of the World Bank for years, this Grant executed by Government will be a pioneer. Sufficient resources are allocated to mitigate procurement and financial management risks and strengthen fiduciary functions.

SAFEGUARDS

E. Safeguard Policies that Might Apply

<table>
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<tr>
<th>Safeguard Policies Triggered by the Project</th>
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CONTACT POINT

World Bank

Contact: Remi Pelon
Telephone No: 473-8313

Borrower/Client/Recipient

Borrower: Government of Suriname

Implementing Agencies

Implementing Agency: Ministry of Natural Resources
Contact: Dave Abeleven
Telephone No: 597477487

FOR MORE INFORMATION CONTACT

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