

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	SURINAME/CCB - Caribbean Group
▪ TC Name:	Support Investment Promotion and Trade Facilitation in Suriname
▪ TC Number:	SU-T1131
▪ Team Leader/Members:	UMANA, MARIO ALBERTO (INT/TIN) Team Leader; LUCENTI, KRISTA (INT/TIN); HOEPEL, LUCAS A (CCB/CSU); IMANA, ZAIDA VICTORIA (INT/TIN); ROSPIDE, MARIA DE LA PAZ (INT/TIN); ZAMORA MURILLO, EDGAR (INE/TSP); CAWLEY, SHANALEE VENESHA (INT/TIN); CENTENO LAPPAS, MONICA CLARA ANGELICA (LEG/SGO); BHAGIRATH, VIKASH (VPC/FMP); DELGADO OJEDA, QUEILA (INT/TIN); ESTEVES, YASMIN (INT/INT); BERLANDA CUSTODIO DA SILVA, CLEIDE (VPC/FMP); DORANTES GOMEZ, ANGELA CARMELIA (INT/INT); VASCO HENAO, OSCAR DARIO (INT/TIN); AMAT Y LEON SECADA, MARIANA (INT/INT)
▪ Taxonomy:	Operational Support
▪ Number and name of operation supported by the TC:	Foreign Investment and Export Promotion Program - SU-L1056
▪ Date of TC Abstract:	03 Apr 2020
▪ Beneficiary:	InvestSur and Ministry of Public Work, Transport and Communications of Suriname
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$250,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	INT/TIN - Trade & Investment
▪ Unit of Disbursement Responsibility:	INT - Integration and Trade Sector
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation ; Economic integration; Institutional capacity and rule of law; Gender equality

II. Objective and Justification

- 2.1 The objectives of this Technical Cooperation (TC) are: (1) to provide institutional support for trade and investment in Suriname in order to fulfill the mandatory special contractual clauses prior to the first disbursements of the Foreign Investment and Export Promotion Program (SU-L1056); (2) to provide support in the implementation of a Port Community System under Component 1 of the Improving Transport Logistics and Competitiveness Program in Suriname (SU-L1057); and, (3) to Support exporters and investors affected by the COVID-19 crisis.
- 2.2 Suriname is the smallest country in South America, with a population size of around 549,657. In recent years, Suriname's small open economy has experienced significant economic shocks and consequently, Suriname recorded the second-largest economic decline in real GDP growth -4.5% (in the period 2015-2016) (in Latin-America and the Caribbean (LAC). Between 2014 and 2016, exports fell by almost 50% and

government revenue from mining fell from GDP 4.9% to 3.1%, draining foreign reserves. In 2017, GDP-per-capita had been reduced to US\$5,900 from a historic peak of US\$9,500 in 2014. The country's highly concentrated exports reflect its high dependency on non-renewable natural resources and traditional commodities, and market and firm concentration in the mining sector creates low value-added Foreign Direct Investment (FDI). Net FDI attraction was negative from 2000 to 2016 reaching US\$163.3 million in 2017. Also, several logistic bottlenecks that affect trade have been identified. Specifically, in port operations, the following challenges have been highlighted: (i) lack of an integrated coordination system between customs brokers, transport companies, and the port authority; (ii) inefficient goods clearance and security processes as they rely on manual processing of information and physical documentation; (iii) absence of systems that automate processes, facilitate operational planning and improve documentary compliance; and (iv) weak institutional capacity and outdated processes in Customs and the Port Authority. Due to these bottlenecks, average dwell times for trucks can be a total of six hours, representing an additional burden on logistic costs for economic activities, and affecting the ease of trade. The Bank recognized these problems and approved in 2019 two loans proposing interventions to mitigate them. The loan SU-L1056 has the general objective to promote FDI inflows and exports through the operationalization of InvestSur and the loan SU-L1057 (which INT sector co-leads) the goal of which is to contribute to enhancing Suriname's logistic productivity by improving the performance and reducing logistics costs of the main port facility in Suriname. Both loan contracts have been signed as of February 2020 and due to the weak capacity of the beneficiary institutions, InvestSur (for SU-L1056) and Ministry of Public Works, Transport and Communications (for SU-L1057), operational support is needed from the IDB to achieve eligibility and commence execution of both projects.

Also, due to the current COVID-19 crisis, given the limited capacity of the financial system and a weak business environment, the country has special needs in the short term to (1) support local companies and exporters affected by the crisis through the provision of single contact point for business information and assistance to shift/re-purpose some production to goods that are in short supply; (2) implement a Home Doctor's role understanding how the largest foreign investors in their country are being affected by the crisis and how to mitigate the situation preventing downsizing and disinvestment, and; 3) prepare an action plan post-crisis to mitigate the impact of the virus and be ready to attract FDI once the crisis has concluded.

III. Description of Activities and Outputs

- 3.1 **Component I: Institutional support for trade and investment in Suriname.** The component will finance a consultant located in Suriname to support the Ministry of Finance (MF), the Execution Unit (EU), InvestSur team and the Team Leader of the project to fulfill the mandatory special contractual clauses prior to the first disbursements of loan SU-L1056, to support the Steering Committee (SC) of InvestSur and MF to become operative and execute actions in favor of investors and exporters within the first operative steps of InvestSur.
- 3.2 **Component II: Support exporters and investors affected by the Covid-19 crisis.** . It will finance: (i) an international FDI expert providing remote support to InvestSur, elaborating an action plan to support investors&exporters and post-crisis actions, and (ii) a ConnectAmericas White-label (WL): a tailored solution for Surinamese companies to publish/apply to purchasing announcements by searching a database of companies; register for events and strengthen their skills through online courses/webinars and serve as the preliminary webpage of InvestSur.

- 3.3 **Component III: Support for the implementation of a Port Community System in Suriname.** This component will support the implementation of a Port Community System (PCS) through hiring of a consultant located overseas in the Caribbean to provide technical guidance with PCS and support the PEU to help draft the RFP of Component 1 under the project SU-L1057.
- 3.4 **Component IV: Administration, monitoring and incidental expenses.** The SC members will be financed with reasonable, result-based fees (\$100 per session is considered accurate based on the standard costs in Suriname) in order to compensate for the expenses incurred to support InvestSur activities.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Institutional support for trade and investment in Suriname	US\$75,000.00	US\$0.00	US\$75,000.00
Support exporters and investors affected by the Covid-19 crisis.	US\$130,000.00	US\$0.00	US\$130,000.00
Support for the implementation of a Port Community System in Suriname.	US\$30,000.00	US\$0.00	US\$30,000.00
Administration, monitoring and incidental expenses	US\$15,000.00	US\$0.00	US\$15,000.00
Total	US\$250,000.00	US\$0.00	US\$250,000.00

V. Executing Agency and Execution Structure

- 5.1 This TC will be executed by the Trade and Investment Division of the Integration and Trade Sector (INT/TIN) of the Bank.
- 5.2 This technical cooperation will be executed by the Bank due to the following reasons: (i) previous experience and knowledge on the part of the IDB in implementing project(s) similar to this proposed operation, (ii) weak institutional capacity of the beneficiary institutions in Suriname and (iii) this TC will support the execution of two existing loans that the Integration and Trade Sector designed with Suriname: (1) SU-L1056: Foreign Investment and Export Promotion Program (\$10M) and, (2) Component 1 (Port interventions) of SU-L1057: Improving Transport Logistics and Competitiveness in Suriname (\$10M) .

VI. Project Risks and Issues

- 6.1 The following risks could delay or affect the execution of this TC: (i) Risk level for Suriname is assessed as High due to the large spread of cases across borders and human-to-human transmission in LAC region; (ii) National elections in May 2020; (iii) lack of commitment of the Government and the absence of a formalized CEO of InvestSur; (iii) if InvestSur transparency is questioned, investors could be reluctant to contact the institution; (iv) limited executing capacity of the Ministry of Public Works, Transport and Communications. It is expected that these risks will be mitigated by having the IDB as the executing agency, especially considering that the Trade and Investment Division has the expertise and experience in the execution of these types of projects and a local consultant will be hired to maintain strong stakeholder engagement.

VII. Environmental and Social Classification

7.1 The ESG classification for this operation is "undefined".