

# REDD+ FINANCIAL STRATEGY OF SURINAME

NOVEMBER 2017



*Zorg voor het Bos en het Bos zorgt voor ons*

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# **REDD+ FINANCIAL STRATEGY OF SURINAME**

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## Context

Suriname is a small upper middle-income country with a GDP per capita of SRD 39,249 (US\$ 6,358) at the end of 2016 . With a land area of about 163,820 km<sup>2</sup>, Suriname is a high forest cover (93%) and a low deforestation country (HFLD), with a relatively low deforestation rate of 0.05% making REDD+ a potential to contribute to its development.

Reliance on natural resources also exposes Suriname's economic performance to commodity price fluctuations. Suriname is facing an economic crisis, caused by the sharp decline in the international gold and oil prices and the cessation of alumina production. These have caused external and fiscal deficits, and a significant loss of international reserves and the onset of a deep recession in 2015 (-2.7%) and 2016 (-10.4%). The Surinamese authorities implemented strong measures to restore macroeconomic imbalances. By the end-2016, the government fiscal overall balance in percent of GDP was -8.1% and the consumer prices have increased, the end-of-period inflation rose to 52.4% .

Suriname's economy is highly concentrated in the extractive (gold, oil, and bauxite) and agriculture industries, which play an important role in driving growth, employment and government revenues.

The mining sector traditionally has been a leading contributor to Suriname's economy. Although historically it has contributed to around 30% of the government revenues (WB, 2017) , recent contributions have been 95% in 2011 and 40% in 2014 (World Bank Group, 2015). Its recent growth has been as high as 9.8% of GDP in 2009 and as low as 1.7% in 2015 (CBvS, 2017) . Of the 1.7% in 2015, the revenues were derived from main mining industries gold (58%), oil (33%) and bauxite (9%). Main exports values in 2016 were 72% gold, 10% oil and 17% non-mining (CBvS, 2017) .

In recent decades, agriculture's contribution to Suriname's GDP was 17% at its peak in 1987, and has remained mainly between 10 and 13% during the past 10 years. The agricultural sector is also a crucial source of employment in the country with 17% of the total labor force being employed in this sector (UNIQUE 2016). The main export products are Rice, Fish and Shrimp, Bananas and Fruits and Vegetables, which combined represent an export value of approximately 100 million US dollars per year. The first three are also considered the sectors with more comparative advantage for the future (World Bank 2017).

On the other hand, with 15 million hectares of forest covering more than 90% of its territory, Suriname is one of the most forested countries in the world. Due to this attribute, it is a carbon negative country, as stated in its two National Communications to the UNFCCC, of 2006 and 2013. Suriname is classified as a High Forest cover and Low Deforestation country (HFLD) and it is considered to be at an early stage of the forest transition curve, which implies that further increments in deforestation and emissions can be expected; this would be consistent with current economic developments and national development plans.

<sup>1</sup> <https://www.cbvs.sr/en/statistics/national-summary-data-page#1>

<sup>2</sup> <https://www.cbvs.sr/images/content/highlights/selected-macroeconomic-indicators-29-3-2017.pdf> and <http://www.imf.org/external/country/SUR/index.htm>

<sup>3</sup> World Bank. "Suriname Sector Competitiveness Analysis: Identifying Opportunities and Constraints to Investment and Diversification in the Agribusiness and Extractives Sectors." World Bank, Washington, DC. License: Creative Commons Attribution CC BY 3.0 IGO

<sup>4</sup> Central Bank of Suriname, Suriname Country Profile, May 2017, p.75

[https://www.cbvs.sr/images/content/statistieken/CP/Suriname\\_Country-Profile\\_12mei2017.pdf](https://www.cbvs.sr/images/content/statistieken/CP/Suriname_Country-Profile_12mei2017.pdf); p. 78

<sup>5</sup> Central Bank of Suriname, Suriname Country Profile, May 2017, p.7

[https://www.cbvs.sr/images/content/statistieken/CP/Suriname\\_Country-Profile\\_12mei2017.pdf](https://www.cbvs.sr/images/content/statistieken/CP/Suriname_Country-Profile_12mei2017.pdf)

Timber harvesting purposes logging concessions cover some 1.6 million hectares and other forms of permits for forest exploitation 168.363 ha. (SBB 2016, quoted by UNIQUE 2016). Of this, 363.090 ha are FSC certified (FSC 2017). The annual wood production, which ranged between 150.000m<sup>3</sup> and 200.000m<sup>3</sup> from 2000 to 2008, reached 486.000m<sup>3</sup> in 2014 and is currently in the order of 660.000m<sup>3</sup> and increasing. Most of the exported wood is round wood: 144.400m<sup>3</sup> in 2014, against 21.100m<sup>3</sup> of saw wood, the main processed wood product. Plywood is currently produced by two small companies. The contribution of the timber industry to the gross domestic product is 1.7% and employs 5,500 people.

The sustainability of Suriname's development progress is also highly vulnerable to climatic disasters, especially flooding because of rising sea levels, which have had high human costs and created financial pressures for households, private businesses and public finances.

To address these issues, the government is giving high priority to promoting economic diversification through private sector development, strengthening social services, and better managing of climate change. The National Development Plan lays out a detailed set of priorities and actions to address economic and climatic change. This financial strategy is aligned with the National Development Plan assertion that "the compensation for conserving Suriname's pristine tropical forest is part of the international climate change programme, under which REDD+ is inserted, and contributes to the growth and development through a programmatic approach for conserving and where necessary restoring Surinamese forest". It also aligns with the National Biodiversity Plan, which establishes the "Conservation of biodiversity and the crucial ecological functions by a responsible expansion and sustainable management of a network of protected areas, which is representative for the biological diversity of the forests in Suriname".

## Objective

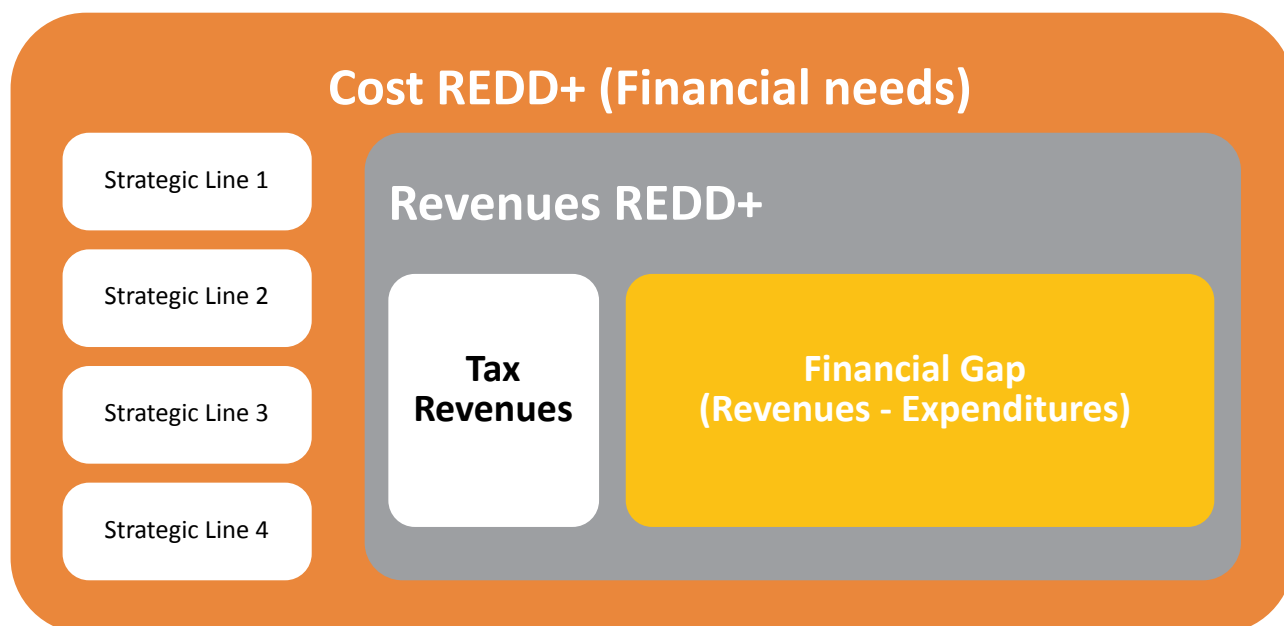
The overarching goal of the financial strategy is to support Suriname's efforts to continue being a High Forest cover and Low Deforestation country (HFLD) while receiving compensation for a more sustainable, inclusive, and diversified economy.

## Financing Plan

The REDD+ Financing Plan is estimated for the next 10 years (medium term) and includes:

- a. Estimation of costs for implementation of REDD+ PAMs (Financing needs).
- b. Identification of potential funding resources allowed for the National REDD+ Strategy of Suriname.
- c. Quantify the financial gap (The difference between potential incomes and expenditures).
- d. Financial mechanism.
- e. Investment plan and a concept note to be proposed to GCF.

Figure 1: Financial Gap



## Cost of implementing the National REDD+ Strategy and Investment Plan

The cost of implementing the National REDD+ Strategy of Suriname is estimated at US\$ 288,5 million over the next ten (10) years. The total cost per year for the different proposed Strategic Lines with their respective Policy Lines are shown in the following table.

**Table 1: Cost of implementing the National REDD+ Strategy of Suriname**

| Strategic/Policy lines  | 0                | 1                 | 2                 | 3                 | 4                 | 5                 | 6                 | 7                 | 8                 | 9                 | 10                | Total Cost         |
|---|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| SL 1. Continue being a HFLD country and receive compensation to invest in economic diversification                                    | 1.800.000        | 5.692.750         | 7.418.750         | 4.098.750         | 4.228.750         | 4.558.750         | 4.338.750         | 2.560.750         | 1.470.750         | 1.230.750         | 1.210.750         | 38.609.500         |
| PL 1.A: Multilateral and bilateral negotiations aiming at receiving financial support for the preservation of Suriname's forest cover | 1.800.000        | 5.358.750         | 4.748.750         | 1.148.750         | 1.148.750         | 1.198.750         | 1.098.750         | 1.098.750         | 1.098.750         | 1.148.750         | 1.148.750         | 20.997.500         |
| PL 1.B: Support existing, alternative and additional sustainable livelihoods and diversification of the economy                       |                  | 334.000           | 2.670.000         | 2.950.000         | 3.080.000         | 3.360.000         | 3.240.000         | 1.462.000         | 372.000           | 82.000            | 62.000            | 17.612.000         |
| SL 2. Forest governance   | 1.000.000        | 23.274.000        | 21.194.000        | 20.789.000        | 20.741.500        | 21.206.500        | 7.254.000         | 7.024.000         | 7.034.000         | 7.024.000         | 7.434.000         | 143.975.000        |
| PL 2.A: Advance participation of different stakeholders   |                  | 174.000           | 299.000           | 174.000           | 174.000           | 174.000           | 174.000           | 174.000           | 174.000           | 174.000           | 174.000           | 1.865.000          |
| PL 2.B: Enforcement, control and monitoring   |                  | 9.340.000         | 6.950.000         | 6.760.000         | 6.845.000         | 7.310.000         | 6.995.000         | 6.765.000         | 6.775.000         | 6.765.000         | 7.175.000         | 71.680.000         |
| PL 2.C: Forest and environmental laws and regulations   |                  | 75.000            | 125.000           | 50.000            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 250.000            |
| PL 2.D: Promotion of Sustainable Forest Management (SFM)  | 1.000.000        | 13.685.000        | 13.820.000        | 13.805.000        | 13.722.500        | 13.722.500        | 85.000            | 85.000            | 85.000            | 85.000            | 85.000            | 70.180.000         |
| SL 3. Land use planning   |                  | 2.401.000         | 2.226.000         | 2.086.000         | 2.061.000         | 1.736.000         | 26.000            | 1.000             | 26.000            | 1.000             | 26.000            | 10.590.000         |
| PL 3.A: Land tenure   |                  | 426.000           | 501.000           | 426.000           | 451.000           | 126.000           | 26.000            | 1.000             | 26.000            | 1.000             | 26.000            | 2.010.000          |
| PL 3.B: Land use planning   |                  | 200.000           | 125.000           | 50.000            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 375.000            |
| PL 3.C: Promotion of sustainable practices in other land use sectors  |                  | 1.675.000         | 1.600.000         | 1.610.000         | 1.610.000         | 1.610.000         | -                 | -                 | -                 | -                 | -                 | 8.105.000          |
| PL 3.D: Participatory community development   |                  | 100.000           | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 100.000            |
| SL 4. Conservation of forests and reforestation as well as research and education to support sustainable development                  |                  | 9.347.000         | 9.806.625         | 10.124.438        | 9.944.625         | 9.848.438         | 9.488.625         | 9.437.625         | 9.017.000         | 9.196.813         | 9.136.813         | 95.348.000         |
| PL 4.A: Protected areas   |                  | 1.277.000         | 2.056.625         | 2.274.438         | 2.194.625         | 1.998.438         | 1.738.625         | 1.587.625         | 1.267.000         | 1.346.813         | 1.386.813         | 17.128.002         |
| PL 4.B: Rehabilitation of degraded and deforested areas   |                  | 7.000.000         | 7.000.000         | 7.000.000         | 7.000.000         | 7.000.000         | 7.000.000         | 7.000.000         | 7.000.000         | 7.000.000         | 7.000.000         | 70.000.000         |
| PL 4.C: Scientific research and education on forest management  |                  | 1.070.000         | 750.000           | 850.000           | 750.000           | 850.000           | 750.000           | 850.000           | 750.000           | 850.000           | 750.000           | 8.220.000          |
| <b>TOTAL</b>  | <b>2.800.000</b> | <b>40.714.750</b> | <b>40.645.375</b> | <b>37.098.188</b> | <b>36.975.875</b> | <b>37.349.688</b> | <b>21.107.375</b> | <b>19.023.375</b> | <b>17.547.750</b> | <b>17.452.563</b> | <b>17.807.563</b> | <b>288.522.500</b> |

## Potential funding sources to implement the prioritized REDD+ PAMs of the National REDD+ Strategy

Given the current state of Suriname's public finances, the implementation of this Strategy requires the mobilization of multiple sources of funding, especially international grants. Suriname is facing budgetary restraints, which will be placing serious constraints on the Government's ability to finance environmental programs in general.

The potential financial resources which can be mobilized to help Suriname to mitigate and adapt to the impacts of climate change are (ODI & HBS, 2016):

- National Public Finance (earmarking tax, budget commitments, subsidies, etc.)
- Loans (short-term loans; concessional loans; finance leasing loans; direct investment loans; and other long-term loans)
- Grants (Reimbursable or not)
- Guarantees and equity (issued by private or public corporations)
- Financial Derivatives (including options, forwards, swaps and credit derivatives)

In general, these resources might flow through National Budget, Multilateral Organizations, Bilateral Organizations, Developing Finance Institutions and Private Sector. Depending of the sources and the financing entity, the finance architecture has differing structures of governance, modalities and objectives.

## Potential public incomes

The public resources of national government for REDD+ come through various direct and indirect incomes, funds or transfers such as: taxes, tax reliefs, budget commitments, etc.

To estimate the potential forest fee incomes related with REDD+ Strategy we use the following assumptions:

- In 2018 the total forest area issued in concession and exploration licenses will be 1.6 million ha. In 2020 this will increase to 2.5 million ha and will remain stable in this area.
- The round wood production in 2018 will be 860,000 m<sup>3</sup> and will stabilize on 1 million m<sup>3</sup> in 2020.
- With the foreseen development in the country and the forest sector the export of logs will be gradually banned. From 2022 there will be no export of logs, the total log production will be processed by the local processing industry and export of processed wood only will be allowed.
- The processing industry will be upgraded which will result in the increase of the recovery rate in the processing industry.
- In 2018 the local wood consumption will be 200,000 m<sup>3</sup> and in the coming years it will increase with 2% per year (the foreseen population growth).
- The surplus processed timber will be exported.

The total income from the forest sector, including area fee, retribution, grading fee and export tax on log will be US\$ 95,3 million in 10 years.

**Table 2: Types of fiscal incentives <sup>6</sup>**

| Type  | Example   |
|---|---|
| <b>Grants and other direct payments</b>               | Transfers to companies or producers to cover specific costs, payments or vouchers to consumers to cover a portion of costs (such as for cooking oils).  |
| <b>Tax concessions</b>                                | Allowing firms not to pay a tax that it would otherwise owe as an inducement to invest (income tax deduction or exemption, lower foreign taxes, accelerated depreciation and amortization, loss-carry forward provisions, Value-Added Tax exemptions depreciation and amortization credits or deferrals, etc.). |
| <b>In-kind subsidies</b>                              | Non-monetary benefits that confer a benefit on the recipient; e.g. privileged or streamlined land access and permitting, publicly-funded research providing private benefit.  |
| <b>Cross-subsidies</b>                                | Market transfer or price discrimination within the scope of one unit; e.g. electricity and irrigation use within a public utility.  |
| <b>Credit subsidies and government guarantees</b>     | Below-market interest loans, underwriting risk and loan guarantees, incentives promoting foreign investment (e.g. loss compensation, concessionary interest rates).   |
| <b>Hybrid subsidies</b>                               | Instruments utilizing the tax system to lower the costs of private investment; e.g. tax-free bonds, tax increment financing.  |
| <b>Derivative subsidies</b>                           | Subsidies to counter the distortions caused by other subsidies upstream, such as higher input prices for downstream manufacturers or consumers (e.g. compensatory or countervailing support, subsidy clusters).   |
| <b>Procurement</b>                                    | Preferential public purchasing, special financing arrangements.   |
| <b>Market price support (in the producer country)</b> | Deficiency payments or artificial price support to cover the gap between target price for a good and actual market price.   |

Source: (UN-REDD, 2016, pág. 4) Adapted by the author based on IISD: <http://www.iisd.org/gsi/subsidy-types>

<sup>6</sup> Adapted from IISD: <http://www.iisd.org/gsi/subsidy-types>

**Table 3: Potential tax revenues**

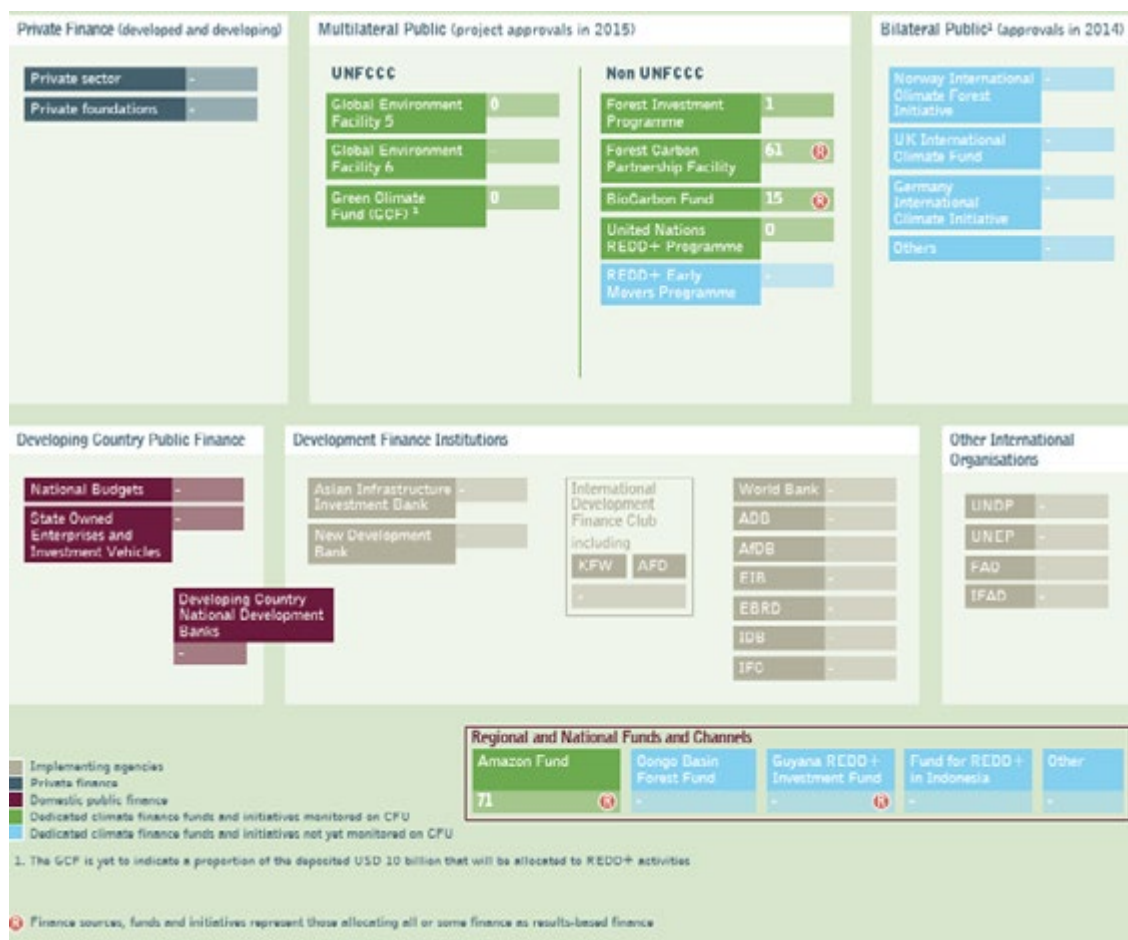
| Year   | 1         | 2          | 3          | 4          | 5         | 6         | 7         | 8         | 9         | 10        |
|--|-----------|------------|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Valid concession and exploration areas in ha | 1.600.000 | 1.900.000  | 2.500.000  | 2.500.000  | 2.500.000 | 2.500.000 | 2.500.000 | 2.500.000 | 2.500.000 | 2.500.000 |
| Roundwood prod                               | 860.000   | 990.000    | 1.000.000  | 1.000.000  | 1.000.000 | 1.000.000 | 1.000.000 | 1.000.000 | 1.000.000 | 1.000.000 |
| Roundwood Exp                                | 200.000   | 150.000    | 100.000    | 50.000     |           |           |           |           |           |           |
| Saw log                                      | 660.000   | 840.000    | 900.000    | 950.000    | 1.000.000 | 1.000.000 | 1.000.000 | 1.000.000 | 1.000.000 | 1.000.000 |
| Processed wood                               | 264.000   | 378.000    | 450.000    | 617.500    | 650.000   | 650.000   | 650.000   | 650.000   | 650.000   | 650.000   |
| Local consumption processed wood             | 200.000   | 204.000    | 208.080    | 212.242    | 216.486   | 220.816   | 225.232   | 229.737   | 234.332   | 239.019   |
| Export processed wood                        | 64.000    | 174.000    | 241.920    | 405.258    | 433.514   | 429.184   | 424.768   | 420.263   | 415.668   | 410.981   |
| Total timber export                          | 264.000   | 324.000    | 341.920    | 455.258    | 433.514   | 429.184   | 424.768   | 420.263   | 415.668   | 410.981   |
|  |           |            |            |            |           |           |           |           |           |           |
| Area fee/ha                                  | 0,66      | 1          | 1,5        | 1,5        | 1,5       | 1,5       | 1,5       | 1,5       | 1,5       | 1,5       |
| Retribution/m3                               | 4         | 4          | 4          | 4          | 4         | 4         | 4         | 4         | 4         | 4         |
| Grading fee/m3                               | 0,5       | 2,5        | 3          | 3          | 3         | 3         | 3         | 3         | 3         | 3         |
| Export tax on logs/m3                        | 24        | 24         | 24         | 24         |           |           |           |           |           |           |
|  |           |            |            |            |           |           |           |           |           |           |
| Area fee                                     | 1.056.000 | 1.900.000  | 3.750.000  | 3.750.000  | 3.750.000 | 3.750.000 | 3.750.000 | 3.750.000 | 3.750.000 | 3.750.000 |
| Retribution                                  | 3.440.000 | 3.960.000  | 4.000.000  | 4.000.000  | 4.000.000 | 4.000.000 | 4.000.000 | 4.000.000 | 4.000.000 | 4.000.000 |
| Grading fee                                  | 132.000   | 810.000    | 1.025.760  | 1.365.775  | 1.300.541 | 1.287.552 | 1.274.303 | 1.260.789 | 1.247.004 | 1.232.944 |
| Export tax                                   | 4.800.000 | 3.600.000  | 2.400.000  | 1.200.000  | -         | -         | -         | -         | -         | -         |
| Total income from forest fees                | 9.428.000 | 10.270.000 | 11.175.760 | 10.315.775 | 9.050.541 | 9.037.552 | 9.024.303 | 9.010.789 | 8.997.004 | 8.982.944 |

Source: SBB

## Other potential funding sources

Several different institutions provide REDD+ finance: The World Bank's Forest Carbon Partnership Facility Carbon and Readiness Funds (FCPF–CF/RF), the Forest Investment Program (FIP) of the Climate Investment Funds, and the UN-REDD Programme are multilateral funds for REDD+. Norway has contributed the largest amount of finance to multilateral funds for REDD+ activities. The UK, the US and Germany are major contributors of REDD+ finance, providing resources to multilateral funds as well as implementing bilaterally (ODI & HBS, 2016).

**Figure 2: International Forest and climate change architecture**



Source: REDD+ Finance (ODI & HBS, 2016)

Some of these finance sources include results-based finance, a stage that Suriname will move to in the near future after completing the requirements of the convention. The concept of results-based finance includes payments directly for verified results achieved, as opposed to traditional support modalities of financing inputs (investments) for expected future outcomes. In the case of REDD+, results are defined as mitigation outcomes, that is greenhouse gas emission reductions and/or enhancements in forest cover and carbon stocks (sinks) measured and verified against a benchmark (FREL/FRL) expressed in tons of carbon dioxide equivalent per year (Green Climate Fund, 2016, pág. 2).

These potential sources of funding may vary throughout the different REDD+ PAMs. Consequently, the financial strategy identifies potential sources of funding presented in the following table.

**Table 4: Potential sources of funding for PAMs**

| Strategic Line  | Policy Line  | Public funds       | Loans   |          | Donations   | Private equity | Equity/Bond issues |
|---|--|--------------------|---|----------|---|----------------|--------------------|
|   |  |                    | External  | Internal |   |                |                    |
| SL1. Continue being a HFLD county and receive compensation to invest in economic diversification. | PL 1.A: Multilateral and bilateral negotiations aiming at receiving financial support for the preservation of Suriname's forest cover. | Budget commitments |   |          | The Green Climate Fund (GCF) Readiness Programme<br>United Nation REDD+ Programme<br>IDB - NDC Invest   |                |                    |
|   | PL 1.B: Support existing, alternative and additional sustainable livelihoods and diversification of the economy.                       | Budget commitments | Green Climate Fund (GCF)<br>Global Environment Facility GEF<br>Green Climate Fund (GCF) |          | The United Nations Environment Programme (UNEP) - Climate Technology Centre and Network (CTCN)<br><br>Finance in Motion GmbH - eco.business Fund<br><br>The US Agency for International Development (USAID) - SilvaCarbon |                |                    |
| SL2. Forest governance  | PL 2.A: Advance participation of different stakeholders.   | Budget commitments | Forest Investment Program (FIP)   |          | Forest Carbon Partnership Facility  |                |                    |

| Strategic Line | Policy Line  | Public funds       | Loans   |          | Donations  | Private equity | Equity/Bond issues |
|----------------|--|--------------------|---|----------|--|----------------|--------------------|
|                |  |                    | External  | Internal |  |                |                    |
|                |  |                    |   |          | Green Climate Fund (GCF)<br>Forest Investment Program (FIP)  |                |                    |
|                | PL 2.B: Enforcement, control and monitoring.           | Budget commitments | Green Climate Fund (GCF)<br>Forest Investment Program (FIP)<br>Japan's Fast Start Finance |          | Forest Carbon Partnership Facility<br>Global Environment Facility GEF<br>Green Climate Fund (GCF)<br>Forest Investment Program (FIP)<br>Norway's International Climate and Forest Initiative (NICFI)<br>Japan's Fast Start Finance |                |                    |
|                | PL 2.C: Forest and environmental laws and regulations. | Budget commitments | Forest Investment Program (FIP)   |          | Forest Carbon Partnership Facility<br>Global Environment Facility GEF<br>Green Climate Fund (GCF)  |                |                    |

| Strategic Line         | Policy Line   | Public funds                                       | Loans   |          | Donations   | Private equity                  | Equity/Bond issues                      |
|------------------------|---|--|---|----------|---|---------------------------------|---|
|                        |   |  | External  | Internal |   |                                 |   |
|                        |   |  |   |          | Forest Investment Program (FIP)   |                                 |   |
|                        | PL 2.D: Promotion of Sustainable Forest Management (SFM). | Budget commitments<br>Subsidies<br>Direct payments | Green Climate Fund (GCF)<br>Forest Investment Program (FIP)<br>Japan's Fast Start Finance |          | BioCFplus<br>Forest Carbon Partnership Facility<br>Global Climate Change Alliance<br>Green Climate Fund (GCF)<br>Forest Investment Program (FIP)<br>Norway's International Climate and Forest Initiative (NICFI)<br>UK's International Climate Fund<br>Japan's Fast Start Finance | Forest Investment Program (FIP) | Emissions Reductions Purchase Agreement |
|                        | PL 3.A: Land tenure                                       | Budget commitments<br>Subsidies                    |   |          | Forest Carbon Partnership Facility<br>Global Environment Facility GEF   |                                 |   |
| SL3. Land use planning |   |  |   |          |   |                                 |   |

| Strategic Line  | Policy Line  | Public funds   | Loans   |          | Donations   | Private equity | Equity/Bond issues                      |
|---|--|--|---|----------|---|----------------|---|
|   |  |  | External  | Internal |   |                |   |
|   |  |  |   |          | Green Climate Fund (GCF)  |                |   |
|   | PL 3.B: Land use planning  | Budget commitments   |   |          | Global Environment Facility GEF<br>Green Climate Fund (GCF)   |                |   |
|   | PL 3.C: Promotion of sustainable practices in other land use sectors | Budget commitments<br>Subsidies<br>Direct payments<br>In-kind subsidies<br>Tax concessions<br>Market price support | BioCarbon Fund<br>Green Climate Fund (GCF)<br>UK's International Climate Fund |          | BioCFplus<br>Global Environment Facility GEF<br>Green Climate Fund (GCF)<br>UK's International Climate Fund | Private equity | Emissions Reductions Purchase Agreement |
|   | PL 3.D: Participatory community development                          | Budget commitments<br>Subsidies<br>In-kind subsidies   |   |          | Forest Carbon Partnership Facility<br>Green Climate Fund (GCF)  |                |   |
| SL4. Conservation of forests and reforestation as well as research and education to support sustainable development | PL 4.A: Protected areas  | Budget commitments<br>Subsidies<br>Direct payments   | Green Climate Fund (GCF)<br>Forest Investment Program (FIP)                   |          | Forest Carbon Partnership Facility<br>Global Climate Change Alliance  |                | Emissions Reductions Purchase Agreement |

| Strategic Line | Policy Line  | Public funds                          | Loans   |          | Donations   | Private equity | Equity/Bond issues                         |
|----------------|--|---------------------------------------|---|----------|---|----------------|--|
|                |  |                                       | External  | Internal |   |                |  |
|                |  |                                       |   |          | Global Environment Facility GEF<br>Green Climate Fund (GCF)<br>Norway's International Climate and Forest Initiative (NICFI)<br>International Climate Initiative (ICI)<br>UK's International Climate Fund              |                |  |
|                | PL 4.B: Rehabilitation of degraded and deforested areas        | Budget commitments<br>Tax concessions | Green Climate Fund (GCF)<br>Forest Investment Program (FIP) |          | BioCFplus<br>Global Environment Facility GEF<br>Green Climate Fund (GCF)<br>Norway's International Climate and Forest Initiative (NICFI)<br>International Climate Initiative (ICI)<br>UK's International Climate Fund |                | Emissions Reductions<br>Purchase Agreement |
|                | PL 4.C: Scientific research and education on forest management | Budget commitments<br>Subsidies       |   |          | Forest Carbon Partnership Facility<br>Green Climate Fund (GCF)<br>UK's International Climate Fund   |                |  |

The principal identified sources of funds for the National REDD+ Strategy are:

## Multilateral Funds

| Fund  | Type  | Administered by                          | Area of focus   | Date operational             |
|---|-------|--|---|------------------------------|
| <u>Biocarbon Fund</u>                                   | Multi | The World Bank                           | Adaptation, Mitigation<br>- general, Mitigation -<br>REDD | 2004                         |
| <u>Forest Carbon Partner-<br/>ship Facility</u>         | Multi | The World Bank                           | Mitigation - REDD   | 2008                         |
| <u>Forest Investment<br/>Program</u>                    | Multi | The World Bank                           | Mitigation - REDD   | 2009                         |
| <u>GEF Trust Fund - Cli-<br/>mate Change focal area</u> | Multi | The Global Environment<br>Facility (GEF) | Adaptation, Mitigation<br>- general                       | 1991 (tracked<br>since 2010) |
| <u>Global Climate Change<br/>Alliance</u>               | Multi | The European Commis-<br>sion             | Adaptation, Mitigation<br>- general, Mitigation -<br>REDD | 2008                         |
| <u>Green Climate Fund</u>                               | Multi | GCF to be confirmed                      | Adaptation, Mitigation<br>- general, Mitigation -<br>REDD | 2015                         |
| <u>Strategic Climate Fund</u>                           | Multi | The World Bank                           | Adaptation, Mitigation<br>- general, Mitigation -<br>REDD | 2008                         |
| <u>UN-REDD Programme</u>                                | Multi | UNDP                                     | Mitigation - REDD   | 2008                         |

Source: <http://www.climatefundsupdate.org/data/the-funds-v2>

Notes: Multi = Multilateral Funding Bi= Bilateral Funding

## Bilateral Funds

| Fund  | Type | Administered by                  | Area of focus                                       | Date operational |
|---|------|----------------------------------|---|------------------|
| <u>Germany's International Climate Initiative</u>           | Bi   | Government of Germany            | Adaptation, Mitigation - general,                   | 2008             |
|   |      |                                  | Mitigation - REDD                                   |                  |
| <u>Japan's Fast Start Finance - private sources</u>         | Bi   | Government of Japan              | Adaptation, Mitigation - general, Mitigation - REDD | 2008             |
| <u>Japan's Fast Start Finance - public sources</u>          | Bi   | Government of Japan              | Adaptation, Mitigation - general, Mitigation - REDD | 2008             |
| <u>Norway's International Climate and Forest Initiative</u> | Bi   | Government of Norway             | Mitigation - REDD                                   | 2008             |
| <u>UK's International Climate Fund</u>                      | Bi   | Government of the United Kingdom | Adaptation, Mitigation - general, Mitigation - REDD | 2011             |

Source: <http://www.climatefundsupdate.org/data/the-funds-v2>  
[http://ndcpartnership.org/initiatives-navigator?field\\_initiative\\_country\\_tid%5B%5D=472&field\\_support\\_type\\_tid%5B%5D=1191&field\\_eligible\\_countries\\_tid%5B%5D=472](http://ndcpartnership.org/initiatives-navigator?field_initiative_country_tid%5B%5D=472&field_support_type_tid%5B%5D=1191&field_eligible_countries_tid%5B%5D=472)

Notes: Multi = Multilateral Funding Bi= Bilateral Funding

## Estimation of the financial gap

In order to estimate the financial gap, this strategy identifies two scenarios for the National REDD+ Strategy:

- Optimist scenario: all forest fee revenues estimated are allocated for REDD+ PAMs.
- Pessimist scenario: all forest fee revenues estimated go to National Treasury and due to budget constraints the Finance Ministry only allocates the budget for NIMOS and SBB.

**Table 5: Optimistic scenario - US\$**

|  | 1                   | 2                  | 3                  | 4                  | 5                  | 6                  | 7                 | 8                 | 9                 | 10                |
|--|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
| <b>INCOMES</b>   | <b>9.428.000</b>    | <b>10.270.000</b>  | <b>11.175.760</b>  | <b>10.315.775</b>  | <b>9.050.541</b>   | <b>9.037.552</b>   | <b>9.024.303</b>  | <b>9.010.789</b>  | <b>8.997.004</b>  | <b>8.982.944</b>  |
| Forest fees  | 9.428.000           | 10.270.000         | 11.175.760         | 10.315.775         | 9.050.541          | 9.037.552          | 9.024.303         | 9.010.789         | 8.997.004         | 8.982.944         |
|  |                     |                    |                    |                    |                    |                    |                   |                   |                   |                   |
| <b>EXPENDITURES</b>  | <b>40.714.750</b>   | <b>40.645.375</b>  | <b>37.098.188</b>  | <b>36.975.875</b>  | <b>37.349.688</b>  | <b>21.107.375</b>  | <b>19.023.375</b> | <b>17.547.750</b> | <b>17.452.563</b> | <b>17.807.563</b> |
| SL 1. Continue being a HFLD country and receive compensation to invest in economic diversification                   | 5.692.750           | 7.418.750          | 4.098.750          | 4.228.750          | 4.558.750          | 4.338.750          | 2.560.750         | 1.470.750         | 1.230.750         | 1.210.750         |
| SL 2. Forest governance  | 23.274.000          | 21.194.000         | 20.789.000         | 20.741.500         | 21.206.500         | 7.254.000          | 7.024.000         | 7.034.000         | 7.024.000         | 7.434.000         |
| SL 3. Land use planning  | 2.401.000           | 2.226.000          | 2.086.000          | 2.061.000          | 1.736.000          | 26.000             | 1.000             | 26.000            | 1.000             | 26.000            |
| SL 4. Conservation of forests and reforestation as well as research and education to support sustainable development | 9.347.000           | 9.806.625          | 10.124.438         | 9.944.625          | 9.848.438          | 9.488.625          | 9.437.625         | 9.017.000         | 9.196.813         | 9.136.813         |
|  |                     |                    |                    |                    |                    |                    |                   |                   |                   |                   |
| <b>SURPLUS/DEFICIT</b>   | <b>-31.286.750</b>  | <b>-30.375.375</b> | <b>-25.922.428</b> | <b>-26.660.100</b> | <b>-28.299.147</b> | <b>-12.069.823</b> | <b>-9.999.072</b> | <b>-8.536.961</b> | <b>-8.455.559</b> | <b>-8.824.619</b> |
|  |                     |                    |                    |                    |                    |                    |                   |                   |                   |                   |
| <b>NET PRESENT VALUE FINANCIAL GAP</b>   | <b>-160.087.735</b> |                    |                    |                    |                    |                    |                   |                   |                   |                   |

**Table 6: Pessimistic scenario - US\$**

|  | 1                  | 2                  | 3                  | 4                  | 5                  | 6                  | 7                  | 8                  | 9                  | 10                 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>INCOMES</b>   | <b>4.800.000</b>   | <b>4.896.000</b>   | <b>4.993.920</b>   | <b>5.093.798</b>   | <b>5.195.674</b>   | <b>5.299.588</b>   | <b>5.405.580</b>   | <b>5.513.691</b>   | <b>5.623.965</b>   | <b>5.736.444</b>   |
| Forest fees  | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  |
| NIMOS and SBB budget   | 4.800.000          | 4.896.000          | 4.993.920          | 5.093.798          | 5.195.674          | 5.299.588          | 5.405.580          | 5.513.691          | 5.623.965          | 5.736.444          |
| Budget SBB   | 3.800.000          | 3.876.000          | 3.953.520          | 4.032.590          | 4.113.242          | 4.195.507          | 4.279.417          | 4.365.006          | 4.452.306          | 4.541.352          |
| Budget NIMOS   | 1.000.000          | 1.020.000          | 1.040.400          | 1.061.208          | 1.082.432          | 1.104.081          | 1.126.162          | 1.148.686          | 1.171.659          | 1.195.093          |
|  |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| <b>EXPENDITURES</b>  | <b>40.714.750</b>  | <b>40.645.375</b>  | <b>37.098.188</b>  | <b>36.975.875</b>  | <b>37.349.688</b>  | <b>21.107.375</b>  | <b>19.023.375</b>  | <b>17.547.750</b>  | <b>17.452.563</b>  | <b>17.807.563</b>  |
| SL 1. Continue being a HFLD country and receive compensation to invest in economic diversification                   | 5.692.750          | 7.418.750          | 7.418.750          | 4.228.750          | 4.558.750          | 4.338.750          | 2.560.750          | 1.470.750          | 1.230.750          | 1.210.750          |
| SL 2. Forest governance  | 23.274.000         | 21.194.000         | 20.789.000         | 20.741.500         | 21.206.500         | 7.254.000          | 7.024.000          | 7.034.000          | 7.024.000          | 7.434.000          |
| SL 3. Land use planning  | 2.401.000          | 2.226.000          | 2.086.000          | 2.061.000          | 1.736.000          | 26.000             | 1.000              | 26.000             | 1.000              | 26.000             |
| SL 4. Conservation of forests and reforestation as well as research and education to support sustainable development | 9.347.000          | 9.806.625          | 10.124.438         | 9.944.625          | 9.848.438          | 9.488.625          | 9.437.625          | 9.017.000          | 9.196.813          | 9.136.813          |
|  |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| <b>SURPLUS/DEFICIT</b>   | <b>-35.914.750</b> | <b>-35.749.375</b> | <b>-32.104.268</b> | <b>-31.882.077</b> | <b>-32.154.014</b> | <b>-15.807.787</b> | <b>-13.617.795</b> | <b>-12.034.059</b> | <b>-11.828.598</b> | <b>-12.071.119</b> |
| <b>NET PRESENT VALUE FINANCIAL GAP</b>   | -194.433.185       |                    |                    |                    |                    |                    |                    |                    |                    |                    |

The range of variation of the financial gap is between US\$ 160,09 million (optimistic scenario) and US\$ 194,43 million (pessimistic scenario).

Additionally, the Investment Plan sets out the implementation priorities of the National REDD+ Strategy over the next 10 years. The Investment Plan aims at attracting and guiding the allocation of international and national funding sources for the implementation of Suriname's REDD+ Strategy, as well as guiding the allocation of other necessary investments that will play a role in steering the country towards a green development pathway. The Investment Plan is composed by the following 5 main program/projects related with the PAMs:

## Project 1: Support existing, alternative and additional sustainable livelihoods and diversification of the economy

Duration: 10 years  
Estimated Cost: US\$ 17.612.000

| Actions and Measures  | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | TOTAL COST |
|---|---|---|---|---|---|---|---|---|---|----|------------|
| M 1.B.1: Promotion of non-timber forest products (NTFP) with a view to providing alternative livelihoods to forest dependent communities.                                 | X | X | X | X | X | X | X | X | X | X  | 6.372.000  |
| M 1.B.2: Promotion of nature and ecotourism with a view to provide alternative livelihoods to forest dependent communities and aid in the diversification of the economy. | X | X | X | X | X | X |   |   |   |    | 5.630.000  |
| M 1.B.3: Provide alternative livelihoods to forest dependent communities through the promotion of medicinal plants.   |   | X | X | X | X | X |   |   |   |    | 3.100.000  |
| M 1.B.4: Provide alternative livelihoods to forest dependent communities through the promotion of agroforestry practices.   | X | X | X | X | X | X |   |   |   |    | 2.510.000  |

## Project 2: Enforcement, control and monitoring forest

Duration: 10 years  
Estimated Cost: US\$ 71.680.000

| Actions and measures   | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | TOTAL COST |
|--|---|---|---|---|---|---|---|---|---|----|------------|
| M 2.B.1: Capacity building of institutions in forest monitoring, control and protection. | X | X | X | X | X | X | X | X | X | X  | 19.730.000 |
| M 2.B.2: Capacity building of forest-based communities in forest monitoring.             | - | X | X | X | X | X | X | X | X | X  | 3.950.000  |
| M 2.B.3: Ensuring adequate forest monitoring and enforcement capacities in the interior. | X | X | X | X | X | X | X | X | X | X  | 41.000.000 |
| M 2.B.4: Implementation of the National Forest Monitoring System Roadmap.                | X | X | X | X | X | X | X | X | X | X  | 7.000.000  |

## Project 3: Promotion of Sustainable Forest Management (SFM)

Duration: 10 years  
Estimated Cost: US\$ 70.180.000

| Actions and measures  | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | TOTAL COST |
|---|---|---|---|---|---|---|---|---|---|----|------------|
| M 2.D.2: Improve and confer legal mandatory status to requirements contained in the Code of Practice guidelines for sustainable timber harvesting in Suriname and to other voluntary measures on environmental and forest protection.   | X | X | X | X | X | X | X | X | X | X  | 345.000    |
| M 2.D.1: Increasing the proportion and size of areas under controlled forest management by extending logging requirements of areas under controlled management (sustainable forest management –SFM, and reduced impact logging –RIL) to areas currently under conventional logging and new areas. | X | X | X | X | X | X | X | X | X | X  | 700.000    |
| M 2.D.4: Increasing added value of wood production, reducing the proportion of round wood exports in favor of processed products.   | X | X | X | X | X | X |   |   |   |    | 69.000.000 |
| M 2.D.3: Review the timber charges system with a view to make them more reflective of timber and resource values to increase efficiency of the forest sector through appropriate taxation.  |   |   | X | X | X |   |   |   |   |    | 135.000    |

## Project 4: Promotion of sustainable practices in land use sectors other than forest

Duration: 5 years  
Estimated Cost: US\$ 8.105.000

| Actions and measures   | 1 | 2 | 3 | 4 | 5 | TOTAL COST |
|--|---|---|---|---|---|------------|
| M 3.C.2: Support Review and Update the Mining Decree from 1986 and improve mining regulation by incorporating considerations of environmental nature (particularly on land degradation and deforestation) and social considerations in concession and permit requirements. | X |   |   |   |   | 25.000     |
| M 3.C.3: Further support Suriname's decision to participate in the Extractive Industries Transparency Initiatives (EITI).  | X |   |   |   |   | 50.000     |
| M 3.C.4: Strengthen relevant government institutions in coordinated monitoring of field practices on forest areas and socially and environmentally sensitive sites.  |   |   | X | X | X | 30.000     |
| M 3.C.5: Promote implementation of sustainable practices in other land use sectors.  | X | X | X | X | X | 8.000.000  |

## Project 5: Increase the coverage of protected areas

Duration: 10 years  
Estimated Cost: US\$ 17.128.000

| Actions and measures   | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | TOTAL COST |
|--|---|---|---|---|---|---|---|---|---|----|------------|
| M 4.A.1: Increase the coverage of protected areas and provide for their protection through measures including the involvement and participation of ITPs. | X | X | X | X | X | X | X | X | X | X  | 14.128.000 |
| M 4.A.2: Protection of mangrove areas.   | X | X | X | X | X | X | X | X | X | X  | 3.000.000  |

## Financial mechanism

### Potential financial mechanisms that would support financing REDD+ Strategy.

Generally, REDD+ activities can be financed through three main financial mechanisms (The Forests Dialogue, 2010, p. 51):

- A voluntary fiduciary fund could operate at the national scale for raising funds from Donors, public and private sources; and allocate these resources to the different PAMs.
- A direct market mechanism for REDD credits could be traded alongside existing verified emissions reductions, and could be used by companies in countries to meet emissions targets in their national cap-and-trade systems.
- A hybrid mechanism might also be created that generates finance through auction processes or by establishing a dual market in which REDD+ credits are linked but are not fully fungible with existing certified emission reductions.

Each option has weaknesses and strengths and the decision depends of the phase of REDD+ developed. Suriname can intend to follow a hybrid approach, but it is essential that better options are explored after examining more intensively the strengths and weaknesses of each option.

### Environmental Fund

Developing an internal effective and equitable financial mechanism is one of the most important and challenging aspects of the REDD+. The Environmental Fund, which will be established in accordance with the Environmental Framework Act, will be responsible for the financial management of the REDD+ funds.

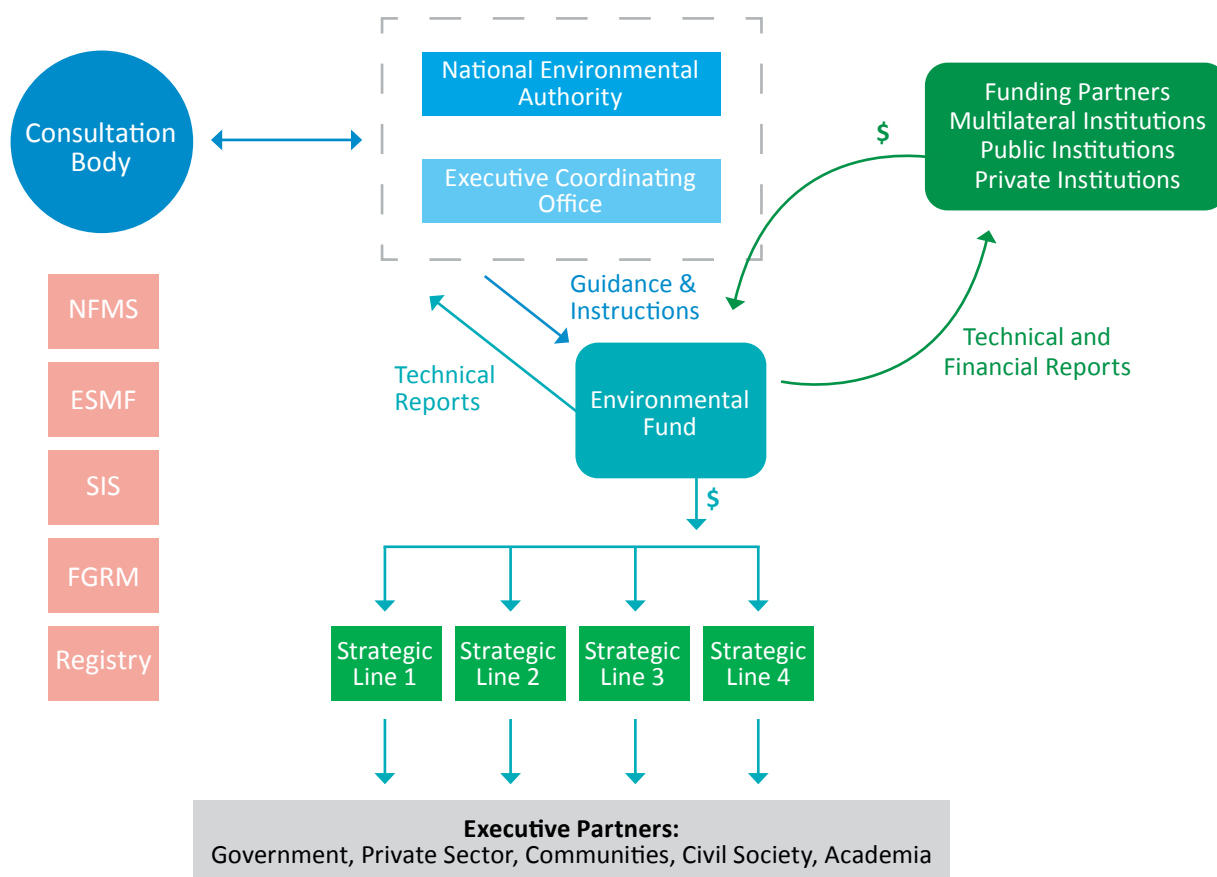
The fund is expected to receive resources from different sources, including international and national investment and potentially results-based payments in the future. This financial mechanism will include a review of sinking fund arrangements as a mechanism to distribute resources from a variety of sources to cover the costs of implementing the National REDD+ Strategy and prioritized policies and measures (PAMs).

Additionally, a direct market mechanism where REDD+ credits can be traded alongside existing certified emissions reductions (CERs) can exist.

This mechanism will fund initial operationalization and pilot the distribution of funds to different entities involved in the implementation of REDD+, such as NIMOS; SBB; different Ministries; Indigenous and Tribal Peoples representatives and organizations; and NGOs and advocacy groups.

The Executive Coordinating Office will manage the program administratively. It should be responsible for:

- Day to day management of the REDD+ Program in line with guidance from the National Environmental Authority and advice from the Consultation Body;
- Managing the flow of information among different entities and stakeholders including information on changes in forest carbon stocks;
- Responsible for coordination between the Registry, SIS, ESMF and MRV;
- Coordinate the communication of REDD+ results to the UNFCCC, to be submitted via the UNFCCC National Focal Point after approval by the National Environmental Authority;
- Lead the search for further support and funding under the guidance of the National Environmental Authority;
- Management and allocation of benefits under the guidance of the National Environmental Authority;
- Ensure that information from monitoring and reporting on emissions resulting from REDD+ activities is readily available at all levels and to all actors;
- Implementing safeguards;
- Disseminate information to all stakeholders including indigenous and tribal communities;
- Implementing the feedback, grievance and redress mechanism;
- Awareness raising, information sharing and consultation;
- International forest carbon market analyses;
- Reporting regularly to the National Environmental Authority, via the NIMOS Director.



**Figure 3: REDD+ Implementation Framework**

In accordance with the Environmental Framework Act, the National Environmental Authority is the consultative body charged with compiling and coordinating environmental policy in Suriname, as well as monitoring its implementation.

The National Environmental Authority will have the responsibility for decision making and to guide the Executive Coordinating Office. This body will be responsible for:

- Setting policy direction for the REDD+ programs with advice from the Consultation Body;
- Providing guidance and instructions to the Environmental Fund;
- Financial management systems and incentives related to climate change;
- Liaise with international bodies relevant for REDD+ implementation, in particular the UNFCCC Secretariat;
- Oversee benefit sharing criteria and guide the Executive Coordinating Office in this regard.

The Consultation Body will serve as an independent oversight and advisory body. The Consultation Body forms an important link between the Executive Coordinating Office and the different stakeholders/beneficiaries (Government, Indigenous and Tribal Peoples (10 tribes), Civil Society, Major Groups Collective).

The Consultation Body is responsible for:

- Overseeing the implementation of the REDD+ program, the National REDD+ Strategy and its Strategic Lines;
- Advising the National Environmental Authority on setting policy direction for the REDD+ programs;
- Clarifying and disseminating information to their constituents;
- Advising on different topics like the Registry, MRV and SIS.

Subgroups can be created if considered necessary by the Consultation Body in order to follow up or discuss specific issues in smaller and more dynamic groups.



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