ove Office of Evaluation and Oversight

Country Program Evaluation

Guyana

2012-2016

IDB Inter-American Development Bank

IIC Inter-American Investment Corporation

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Office of Evaluation and Oversight
1350 New York Avenue, N.W.
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www.iadb.org/evaluation

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Acronyms and Abbreviations

AFHP	Amaila Falls Hydropower Project
CH&PA	Central Housing and Planning Authority
CS	Country Strategy
CSP	Citizen Security Programme
FSO	Fund for Special Operations
GDP	Gross domestic product
GoG	Government of Guyana
GPL	Guyana Power & Light, Incorporated
GRIF	Guyana Reduced Emissions from Deforestation and Degradation Investment Fund
IDB(G)	Inter-American Development Bank (Group)
IG	Investment grant
IMF	International Monetary Fund
JCN	Joint Concept Note
LAC	Latin America and the Caribbean
LCDS	Low Carbon Development Strategy
LIS II	Second Low Income Settlement Program
MNR	Ministry of Natural Resources
MRVS	Monitoring, reporting, and verification system ‘
MSEs	Micro and small enterprises
OC	Ordinary capital
ODA	Official development assistance
OII	IDB’s Office of Institutional Integrity
OVE	IDB’s Office of Evaluation and Oversight
PBP	Programmatic policy-based loan
PEU	Project executing unit
PNC/R	People’s National Congress/Reform Party
PPP	Public-Private Partnership
PPP/C	People’s Progressive Party/Civic
REDD+	Reducing Emissions from Deforestation and Forest Degradation
TC	Technical cooperation
UN	United Nations

Preface

This document presents an evaluation by the Office of Evaluation and Oversight (OVE) of the Country Program of the Inter-American Development Bank with Guyana over the period 2012-2016. This Country Program Evaluation (CPE) is the fourth independent evaluation of the Bank's program with Guyana. Past evaluations covered the periods 1989-2001 (RE-266), 2002-2006 (RE-331), and 2008-2012 (RE-423).

As the Bank's Protocol for CPEs (RE-348-3) states, the main function of a CPE is "to provide information on Bank performance at the country level that is credible and useful, and that enables the incorporation of lessons and recommendations that can be used to improve the development effectiveness of the Bank's overall strategy and program of country assistance." Like other CPEs, this evaluation seeks to examine the Bank's relationship with Guyana from an independent and comprehensive perspective, and serves the dual purpose of strengthening accountability and sharing lessons learned for future Bank support and, in particular, for the next Country Strategy.

The CPE looks in depth at the design, implementation, and results of operations approved or active between July 2012 and December 2016, taking into account the country context and the applicable strategic documents.

In preparing this document, OVE analyzed country data, reviewed project documents, and conducted interviews with Guyanese authorities, project implementation units, members of civil society and the private sector, representatives of multilateral agencies with presence in Guyana, Bank managers overseeing the Guyana program, and IDBG staff at the Bank's Country Office and at Headquarters. The team also visited the sites of IDBG-supported projects to assess implementation progress and challenges.

Acknowledgements

This evaluation was led by Jonathan Rose under the general direction of Cheryl W. Gray, OVE Director. The team included Ana Maria Linares, Michelle Fryer, Miguel Soldano, Nayda Avalos, Odette Maciel, Patricia Oliveira, Alejandro Palomino, and Patricia Sadeghi. OVE would like to thank the Guyanese authorities, Bank personnel in the Guyana Country Office and Headquarters, and representatives of the Guyanese private sector and civil society for their time and assistance in providing information.

The 2012-2016 Guyana Country Strategy proposed four priority areas: sustainable energy, natural resource management, private sector development, and public sector management. It also included three areas for continued strategic dialogue: water and sanitation, transport, and citizen security.

Executive Summary

Guyana is a small, lower-middle-income country with a population of around 750,000. On a per capita basis, it is the fifth-poorest country in Latin America and the Caribbean. About 90% of Guyana's population resides in a small, low-lying area along the Atlantic coast where most of the activity of the country's commodity-reliant economy has developed. Agriculture and other commodities account for the largest volume of the country's non-services output and of its exports and imports. Over 80% of Guyana is covered by forests, so it has one of the world's highest forest cover ratios and is an important source of carbon capture.

During the period covered by this Country Program Evaluation, national elections led to a change in Guyana's ruling party for the first time in 23 years. Although the elections created political uncertainty and global commodity prices fell, the economy experienced relatively strong growth while fiscal and monetary policy resulted in stable rates of public debt and inflation.

Despite the recent stable macroeconomic environment, Guyana still faces important development challenges. Private sector development is limited, and access to finance for small businesses is a challenge. The poor quality and need for expansion of energy and transport infrastructure hurt the country's competitiveness, as does the high rate of emigration of skilled workers. While Guyana has made progress on some social indicators, such as child mortality and malnutrition, it lags in others, including the quality and equity of healthcare services and education. Finally, international rankings highlight the challenges in Guyana related to poor governance, weak rule of law, and high rates of crime and violence.

The Inter-American Development Bank Group (IDBG) has been the largest development partner in Guyana, but project implementation has been a recurrent challenge. In the past two decades the Bank has focused much of its financing on infrastructure projects. Relatively few other partners provide significant resources, and they have tended to focus their support on social sectors, governance, and disaster risk management. Project implementation in Guyana is challenging. Previous evaluations have noted the weak institutional capacity of executing agencies, especially in procurement and monitoring and evaluation, as the main obstacle to implementing Bank operations. Also, lack of current and reliable data makes it difficult to effectively plan and implement priority investments and programs.

The 2012-2016 Guyana Country Strategy (CS) proposed four priority areas and a smaller lending envelope than the previous CS period. The four "priority areas" were sustainable energy, natural resource management, private sector development, and public sector management. The CS also included three "areas for continued strategic dialogue": water and sanitation, transport, and citizen security. The Amerindian communities' needs would be addressed as a "cross-cutting theme." The CS proposed a lending envelope between US$82 million and US$103 million, much less than the US$187 million approved in the previous CS period.

Although the CS objectives were aligned with Guyana's policy priorities and development challenges, the implemented program was relevant only in some sectors. The CS was consistent with the goals that the Government of Guyana articulated in its Low Carbon Development Strategy. An important part of the Government's development strategy was an agreement with the Government of Norway to finance a mechanism (known as the GRIF) for results-based payments for forest climate services of up to US$250 million by 2015. IDB's programs in natural resource management and sustainable energy included multiple operations whose objectives were clearly aligned to the CS objectives. However, IDB's programs in private sector development and public sector management were not closely aligned with the CS objectives and expected outcomes. Although not prioritized in the CS, the Bank has been engaged for decades in water and in sanitation and transport, and these programs were aligned with the country's development challenges. Also, the strategy did not identify the low institutional capacity of the public sector as a risk to the program.

The portfolio considered for this evaluation spanned nine sectors with a total approved amount of US$437.3 million. Eleven loan and investment grant operations for US$195.2 million were approved during the CS period, exceeding the range proposed in the CS. The Bank leveraged significant financing from other donors and approved US$40 million in the final two months of 2016. The Bank also approved 28 technical cooperation operations across eight sectors for a total of US$19.4 million. The portfolio considered for this evaluation also included 12 loans and investment grants and 11 technical cooperation operations approved in previous CS periods, with a total approval value of US$222.7 million. The portfolio did not include any loans to the private sector.

Disbursements during the CS period fell dramatically after 2013, as the Bank increased its scrutiny of procurement in investment loans and grants to mitigate urgent integrity risks. From 2006 to 2013, disbursements to Guyana averaged US$51.3 million dollars per year, but they dropped after 2013, reaching US$14.9 million in 2016. Net cash flows to Guyana during 2015 and 2016 were negative, and the CS period concluded with an undisbursed balance of US$236.1 million. During the CS period the Bank's Office of Institutional Integrity (OII) conducted investigations related to seven operations based on nine allegations of prohibited practices. The allegations of four of the eight cases that closed during the CS period were substantiated. Bank supervision directly contributed to the detection of integrity concerns in about half of the allegations investigated. Low capacity and staff turnover in executing units and lack of scale and capacity in the private sector (especially in infrastructure) also contributed to the slow pace of disbursements.

Limited progress was made toward achieving the program's proposed outcomes, as most active operations were implemented slowly. During the CS period, the program in sustainable energy was unable to significantly reduce electricity losses or improve the capabilities of the public energy company due to the slow start up of program implementation. The program in private sector development had very limited scale and scope, while the program in public sector management consisted mainly of narrowly-focused technical cooperation operations, which limited their capacity to contribute to CS outcomes. The operations in areas not defined in the CS as priorities suffered from poor implementation, and their results were less than expected.

The program made significant progress in two areas, natural resource management and housing. The Bank helped to enhance Guyana's policy and regulatory framework governing the environment sector and to develop a monitoring, reporting, and verification system to measure the level of deforestation and forest degradation. International experts have recognized Guyana's system as robust, which is important for participating in mechanisms that provide payments for environmental services, including the GRIF. The housing project made a significant contribution to reducing the gap in housing-related services, especially in the hinterland communities.

Based on the findings of this evaluation, the Office of Evaluation and Oversight (OVE) has five recommendations for the IDBG's continuing engagement in Guyana:

1. Prioritize the implementation of the active portfolio over new approvals. The Bank's current portfolio includes many projects with large undisbursed balances facing numerous implementation challenges. The new CS should minimize new approvals until these projects are more advanced and on track for completion.

The IDB's housing project made a significant contribution to reducing the gap in housing-related services, especially in the hinterland communities.

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2. Work with the government to develop and institutionalize a project management system that combines core procurement functions across programs. A well-staffed, professional procurement unit for all IDB-financed projects could improve the efficiency and integrity of procurement processes while lowering the supervision burden on the Bank's fiduciary specialists. To enhance the design of the centralized procurement unit, the Bank should draw on OII's findings from its investigative and preventive work.

3. Ensure an adequate level of IDBG staff support in each area of the program to enhance project implementation and achievement of results. IDBG staff support is currently spread too thin given the breadth and size of the program; either staff support needs to be increased (through in-country assignments or an increased number of missions by sector specialists) or the program needs to be narrowed.

4. Design projects that fit the institutional environment, build on one another, and incorporate OII's input as part of project risk assessment. Project design should consider the relatively low technical capacity of most Project Executing Units (PEUs) and the experience gained in previous projects. It should also

avoid too many simultaneous activities and over-dependence on materials or contractor skills that are scarce in the local market. Finally, OII's preventive and investigative work generates a wealth of information that specialists should use systematically in designing future operations.

5. Increase support for the generation and publication of data by continuing to work with the government to strengthen the national statistical system.

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The expansion of mining, conversion for agriculture, timber harvesting, and infrastructure development (especially roads) are substantial risks to the country's forest cover.
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1 Context

Guyana is a small, lower-middle-income country with a population of around 750,000. Its per capita gross domestic product (GDP) is the fifth-lowest in Latin America and the Caribbean (LAC) and the lowest in the English-speaking Caribbean.[1]

About 90% of Guyana's population resides in a small, low-lying area along the Atlantic coast where most of the activity of the country's commodity-reliant economy has developed. Agriculture and other commodities account for most of the country's non-services output and exports and imports. Agriculture, forestry, fishing, and mining account for almost 30% of GDP,[2] and manufacturing and services account for 7% and 64%, respectively (Annex I Figure A.1). As these data reflect, the Guyanese economy provides very little value-added to primary goods. Gold, bauxite, sugar, and rice account for around 80% of Guyana's total exports.[3] Over 80% of Guyana is covered by forests, so it has one of the world's highest forest cover ratios and is an important source of carbon capture.

As a small coastal developing state, Guyana is inherently vulnerable to natural hazards, climate change, and its dependence on imported fuel. The inhabitants and economic activity in the coastal plains, especially agriculture, are vulnerable to sea-level rise and flooding. At the same time, drought conditions have been prevalent in the interior of the country and represent a constant threat to the economy and the environment. Finally, fuel and lubricants, on which Guyana relies for energy generation, make up over one-third of total imports.[4]

Guyanese society has traditionally been fragmented between the two main ethnic populations: Indo-Guyanese (39.8%) and Afro-Guyanese (29.3%).[5] These divisions have also been reflected in the country's two major political parties. The Indo-Guyanese, who have traditionally dominated agriculture and business, have supported the People's Progressive Party/Civic (PPP/C). The Afro-Guyanese, who have traditionally been concentrated in government and the military, have supported the People's National Congress (PNC). The PNC was in power from independence in 1966 until 1992, when the PPP/C was first elected; the PPP/C was subsequently reelected for 23 years.

In May 2015, a multiethnic coalition, A Partnership for National Unity, led by the PNC[6] and the Alliance for Change, won the Presidency. A Partnership for National Unity/Alliance for Change still has only a slight majority in the National Assembly.

A. Recent economic performance

In recent years, Guyana has experienced relatively strong growth and a stable macroeconomic framework. Despite political uncertainty and negative external shocks,[7] GDP growth, driven mainly by agriculture and extractive industries, has averaged 4.5% per year since 2011, and is projected to be 3.3% in 2016 (see Figure 1.1). The country has also maintained the stable fiscal position it achieved after debt relief measures.[8] In recent years, Guyana's fiscal deficit has remained below 5% of GDP, and the debt-to-GDP ratio has fallen from around 65% in 2010 to 48% in 2015 (see Figure 1.2). During the period under evaluation, external public debt also declined (see Annex I Figure A.2), primarily because of a reduction in bilateral debt. Multilateral institutions, particularly the Inter-American Development Bank (IDB), the Caribbean Development Bank, and the World Bank, are Guyana's main external creditors (around 60% of total external debt), followed by China and Venezuela. Guyana's steady monetary policy has kept the exchange rate stable against the US dollar, while inflation has gradually decreased and over the next 5 years is expected to remain in the 2-3% range (see Annex I Figure A.3).

Figure 1.1
Real GDP Growth (%)

Source: IMF World Economic Outlook (October 2016).

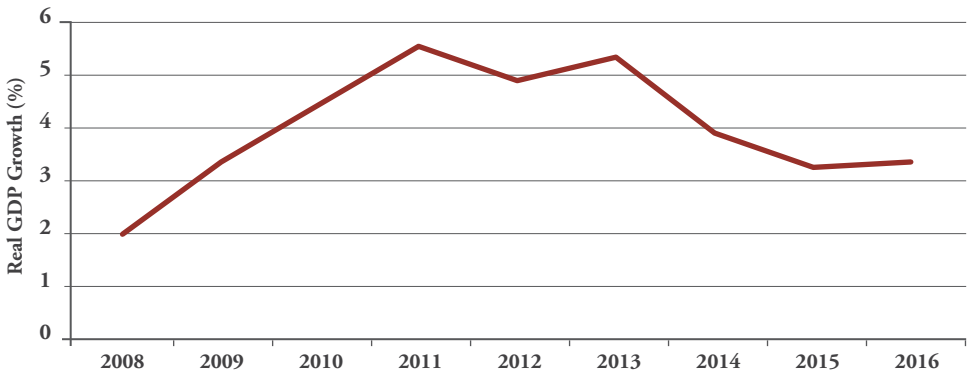
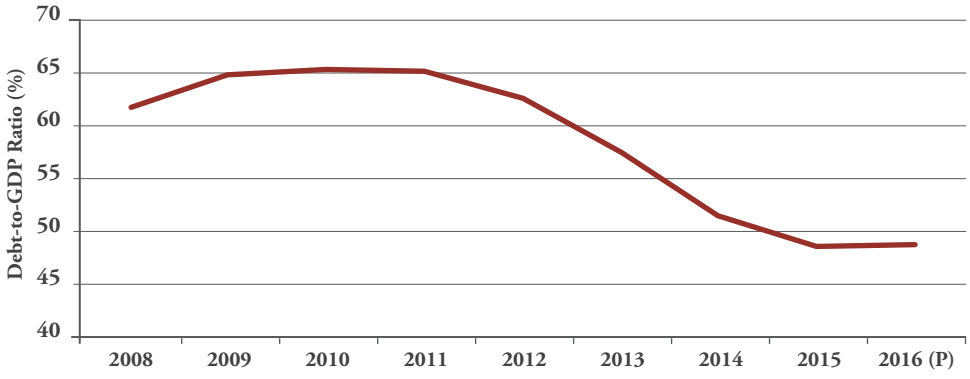


Figure 1.2
Debt-to-GDP Ratio (%)

Source: IMF World Economic Outlook (October 2016).



Despite high current account deficits, capital inflows have allowed international reserves in the Bank of Guyana to cover around four months of imports.[9] Mainly because of high fuel and consumer goods imports, the current account deficit in 2011-2015 averaged 10.9% of GDP.[10] About half of the deficit is financed by foreign direct investment, mostly large private mining investments, which have averaged around US$240 million annually since 2011.[11] The remainder is covered by official debt flows and grants. Remittances are larger than foreign direct investment and net official development assistance (ODA), averaging over US$350 million annually since 2010, more than 10% of the GDP.[12]

Guyana's fiscal position is expected to worsen in the coming years. Guyana's primary fiscal balance deteriorated from a surplus of 0.8% of GDP in 2015 to a deficit of 2.9% in 2016 because of increases in capital and current expenditures to finance Government priorities (see Annex I Figure A.4). While revenue collection increased 11.6% in 2015, revenue-to-GDP, currently around 25%, is expected to increase only marginally in the next years. Another factor affecting Guyana's fiscal position is that, despite significant support from development partners,[13] ODA has declined steadily in recent years, from US$180 million in 2009 to US$101 million (about 3.5% of GDP) in 2013. Although a large contribution from Norway to the Guyana Reduced Emissions from Deforestation and Degradation Investment Fund (GRIF)[14] reversed this trend in 2014 (see Figure 1.3), contributions to the GRIF are nearly completed. Finally, as ODA has declined, the share of concessional debt in total external debt has fallen from 72% to 42%.

Figure 1.3

Net ODA (constant 2013 US$ million)

Source: World Bank: World Development Indicators (2016)

Another challenge to Guyana's macroeconomic framework is the end of the PetroCaribe agreement with Venezuela. The agreement provided Guyana favorable terms to ship rice to Venezuela in exchange for oil. It also provided loans at generous terms, allowing Guyana to purchase oil in excess of the rice-oil exchange, helping the country control its oil import bill and effectively reducing its public debt. The scheme ended in 2015. Although oil prices remained relatively low in 2016, if oil prices rise Guyana's fiscal position and current account will likely worsen without this agreement.

B. Development challenges

As a commodities-driven economy, Guyana faces both challenge and opportunity in managing its vast natural resources. Guyana is a country with extensive forest cover. Since 2012 the rate of deforestation has ranged between 0.065% and 0.079%[15]—a much lower rate than the collective deforestation rates of tropical forest countries, estimated at 0.6%,[16] and the annual deforestation rate for South America of around 0.45%.[17] However, the expansion of mining, conversion for agriculture, timber harvesting, and infrastructure development (especially roads) are substantial risks to the country's forest cover. For example, in 2014 mining was responsible for 85% of total forest loss (a significant increase from 51% in the 1990s[18]), and, agriculture was responsible for about 54% of the rest.[19] While preventing deforestation in Guyana is a challenge, it also presents an opportunity to leverage financing from the provision of environmental services under international frameworks such as Reducing Emissions from Deforestation and Forest Degradation (REDD+).[20]

Private sector development is limited in Guyana. Guyana's private sector consists primarily of small, mostly informal, enterprises—generally retail and household-based. About 95% of registered businesses in Guyana employ fewer than 15 people.[21] Private sector investment has been low at around 8% of GDP, accounting for less than half of total investment in Guyana. The Private Sector Assessment Report (IDB 2014) reveals that mining and agriculture will continue to lead the country's private sector expansion. However, high costs for firms and diseconomies of scale prevent further investments that could help these sectors provide more value-added.

Access to finance is a challenge for the private sector. Regardless of firm size, access to long-term financing for capital investments is scarce. Lending almost always requires real estate collateral,[22] and Guyana does not have such modern financial services as leasing and factoring. Other structural barriers—such as the lack of registries of movable property, legal frameworks regulating the use of financial instruments, and limited property rights for miners and farmers—also restrict lending, create challenges to attracting private sector investment, and hinder the incorporation of new technology that can improve efficiency and increase the value-added of primary products, Guyana's most important exports.[23]

Structural constraints affect the country's competitiveness. The World Bank's Ease of Doing Business Index (2017) ranks Guyana 124 out of 190 economies, the sixth-lowest among IDBG borrowing countries. Likewise, the World Economic Forum's Global Competitiveness Index (2015) ranks Guyana 121 out of 140 countries, the third-lowest in Latin America and the Caribbean. These indexes highlight the challenges of infrastructure bottlenecks, especially in energy and transport, access to credit, and international trade. For instance, the high cost and unreliable supply of electricity increases the cost of industrial production, while inadequate roads and the lack of a deep port make it costly to get products to domestic and international markets.

Guyana's undiversified energy matrix and increasing demand for reliable energy are major challenges to the country's competitiveness and sustainable development. Despite the country's vast renewable energy potential, including 8.4 GW of hydro potential,[24] about 94% of the installed capacity of Guyana's largest supplier[25] comes from fossil fuel. Pre-tax energy subsidies represent 3% of GDP, the highest among oil-importing countries in LAC.[26] Yet commercial and industrial electricity prices in Guyana are the third-highest in LAC (see Annex I Table A.1). In addition to the high cost, deficiencies in the operation, expansion, and maintenance of the electricity system limit the main utility's capacity to increase quality and reliability in power supply, and this has in turn resulted in large self-generation capacity, comprising around 23% of Guyana's installed capacity. A recent offshore oil discovery in the country, which could be worth up to US$40 billion (12 times Guyana's GDP), could have a big impact on the sector if it is commercially viable.[27] Nevertheless, reaping the full potential benefits from the oil discovery will require improvements in the country's governance framework.

Most of Guyana's transport infrastructure is along the Atlantic coast, and its quality is deteriorating fast. The 8,000-km road network is divided into primary roads in the coastal area and along riverbanks, feeder roads that link agricultural areas with the primary road network, and interior roads and trails. Only 7% of the network is paved. According to the Global Competitive Report, the quality of the country's road infrastructure has significantly deteriorated in both absolute and relative terms.[28] Overcrowding, road safety, and a lack of public transportation systems are challenges to urban roads. Guyana has only one road that connects to a neighboring country (Brazil), and air transportation is the primary means of travel to the hinterland communities. The country also lacks a deep port. The World Economic Forum's Global Competitiveness Index ranks Guyana 95 out of 140 for transport infrastructure.

Guyana has one of the world's highest rates of migration of skilled workers, which also affects competitiveness. Since the country's independence in 1966, a high share of the population has been emigrating, led by the most educated. Currently around 55% of Guyanese citizens live abroad, and more than 80% of university-educated nationals have emigrated.[29] Although the country benefits from remittances,[30] migration constitutes a significant challenge for human capital and socioeconomic development. The share of firms identifying an inadequately educated workforce as a major constraint to their businesses is higher in Guyana (50.5%) than the averages in LAC countries (32%) and the world (22.2%).[31]

Guyana faces significant challenges of governance and institutional capacity in the public sector. Transparency International's Corruption Perceptions Index (2016) ranks Guyana 108 out of 176 countries, the sixth-lowest of IDBG member countries, with a score of 29 out of 100. Guyana falls in the 36th percentile for rule of law in the World Bank's World Governance Indicators (2016). A 2013 IDB

study noted significant weaknesses in the country's procurement and monitoring and evaluation systems,[32] the Office of Evaluation and Oversight's (OVE) two previous Country Program Evaluations (CPEs) highlighted the weak institutional capacity of executing agencies as the main obstacle to implementing Bank operations (see Annex II for recommendations from the last CPE). The government still operates on a mostly paper-based system that hinders the free flow of information.[33] Finally, lack of current and reliable data hinders the Government's ability to effectively plan and implement priority investments and programs.[34]

Crime and violence in Guyana are also major issues. Guyana has the fourth-highest murder rate in South America.[35] According to the World Bank's Enterprise Survey (2010), 87% of firms in Guyana pay for private security (compared to 61% in LAC), and 43% of firms experience losses due to theft and vandalism. Guyana is also a source and destination for human trafficking and a transit country for drugs from South America to the United States and Europe.

While most people have access to improved drinking water, few have access to sewerage systems. Although the country's water utility company serves about 90% of the coastal population and 40% of the hinterland populations with potable water, its quality does not meet World Health Organization standards, partly because of high iron concentrations. Only 48,000 people in Guyana have access to the sewerage system; most housing units use septic tanks and pit latrines for wastewater disposal. Deterioration in the sewerage system in Georgetown and poor drainage in septic tanks have created health hazards. Meanwhile, in 2008, the Government estimated that among low-income families there was a housing deficit of close to 20,000 units and an additional 52,000 houses over 30 years old that required improvement. More recently (2014), the UN has estimated a total housing deficit of 60,000 units.

Although there are no recent estimates of the population living in poverty, Guyana lags most LAC countries in human development. Over the past 30 years, Guyana's Human Development Index (UN 2015) has increased from 0.545 to 0.636[36] but is still the fifth lowest in LAC, below the regional average (0.748). Guyana ranks 124 out of 188 countries and territories. The most recent poverty data (UN 2006), from the early 2000s, indicated that 35% of the population lived in conditions of moderate poverty and 19% in extreme poverty.

Guyana has made progress on some social indicators but still lags in others. For example, Guyana has reduced the under-five mortality rate by two-thirds and the prevalence of undernourishment and malnutrition among children under five years by over one-half since 1990. The high rate of emigration of nurses and medical staff means that keeping skilled health professionals in the country is an important challenge. Other challenges include improving the quality and equity of healthcare services and outcomes across regions. Although the country halved the proportion

of people who suffer from hunger, the prevalence of stunting in children under five increased from 14% to 20% between 1997 and 2009, rising to 32% among the poorest quintile.[37]

Guyana has made significant progress in access to education, but only limited progress in quality and equity. The country has achieved high rates of enrollment in primary school (close to 100%) and secondary education (near 90% in 2011).[38] However, quality and equity remain a concern at all levels of education. Guyana's education system shows regional disparities, high repetition and dropout rates, and quality indicators below expectations (see Annex I Table A.2). While there is gender parity in enrollment in primary school, female completion rates are higher. Similarly, rates of enrollment at secondary and tertiary levels are higher for females than for males. However, the labor force participation rate of women is around 43%, as opposed to 80% for men, with 14% of female unemployment compared to 9.6% for males.[39]

C. The role of the Bank and other international agencies

The Bank has long been the dominant development partner in Guyana. Since 2000, the IDBG has provided more development assistance to Guyana than any other partner, averaging US$45 million in annual approvals. Though infrastructure has been the primary focus of the Bank's assistance over the period, the Bank provided significant support in the social sectors in the early 2000s and, more recently, for natural resource management. The European Union, the United States, and Norway have also been important partners, though at a lower level than the IDBG, and the World Bank Group and the Caribbean Development Bank have provided significantly less assistance[40] and have focused their support on health, education, governance, and disaster risk management.

Under the 2012-2016 Guyana Country Strategy, one of the five priorities set out by the Government was to "expand access to services and new economic opportunity for Amerindian communities through improved social services".

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2 The Bank's Program – Strategic Approach and Implementation

A. Relevance of the Country Strategy

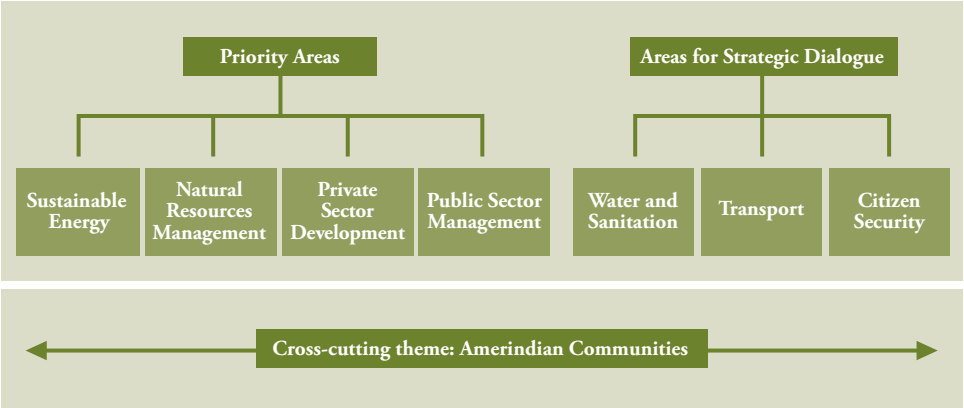
The 2012-2016 Guyana Country Strategy (CS) was relevant in that its priority areas were aligned with the country's key development challenges and the government's development strategy. The CS was aligned with the goals that the Government of Guyana (GoG) articulated in its Low Carbon Development Strategy (LCDS). Proposed in 2009 and approved in 2010, the LCDS sought to pursue payments for forest climate services through a REDD+ mechanism to finance investments that would allow the economy to continue to grow. Under the strategy, the Government set out five priorities[41] and proposed to invest in adaptation and climate resilience. Also, in 2009, the Governments of Guyana and Norway signed a Memorandum of Understanding agreeing that Norway would finance the REDD+ mechanism (known as the GRIF) through results-based payments for forest climate services of up to US$250 million by 2015.[42] The new Government, elected in May 2015, continues to prioritize environmentally sustainable economic development as part of its strategy of promoting a "green economy."

The CS presented four "priority areas" for IDBG support, one "cross-cutting theme," and three "areas for continued strategic dialogue" (see Figure 2.1). The strategy included a results matrix for the strategic objectives[43] related to the four priority areas. Although many of the specific targets were overly ambitious and may not be directly attributable to the Bank's projects, OVE used the objectives listed in the CS document to guide its overall analysis of program effectiveness

Figure 2.1

Country Strategy Areas

Source: Guyana 2012-2016 Country Strategy.



The proposed 2012-2016 CS lending envelope was lower than the total volume of approvals during the 2008-2012 CS period. As a small and vulnerable country, Guyana has access to the Bank's concessional window, the Fund for Special Operations (FSO). The CS projected that the base-case scenario for the Bank's total approvals during the CS period[44] would be US$82.4 million—50% from ordinary capital (OC) and 50% from the FSO. The CS also included a high scenario of US$103.2 million based on a 60%/40% OC/FSO blend that would apply if Guyana's per capita income increased significantly. These projected scenarios were well below the US$187.4 million approved during the previous CS period and would result in negative net cash flows by 2016. Neither scenario considered the potential of the Bank to leverage resources from other sources such as the GRIF.

The CS identified important risks to the program but did not fully mitigate them. The CS highlighted three risks: (i) inadequate public capital investment in the context of lower access to concessional resources, (ii) budget approval and execution in a challenging political context, and (iii) environmental risk. The strategy proposed mitigating risks (i) and (ii) by including public sector management as a priority area. However, in the realized program for 2012-2016, the Bank supported this area only through a few technical cooperation (TC) operations that disbursed very little. The CS also proposed to mitigate environmental risk through programmatic support for natural resource management, using TCs, policy-based programmatic operations (PBPs), and investment grants (IGs).

Although, the CS did not identify weaknesses in project execution as a risk to the program, the Bank sought to address the issue through training and capacity building in project management and procurement. Yet the impact of this training was limited by frequent staff turnover in many executing units. Moreover, the presence of sector specialists was relatively limited during the CS period, except for the Energy Division, which had a specialist based in the country office for three of the four years of the CS period. Although the program spanned nine sectors, no more than two sector specialists worked in the country office in any given year, and most sector units conducted few supervision missions.[45]

B. Program implementation

Bank lending approvals exceeded the high scenario in the CS, including funds leveraged from other donors and four operations totaling US$40 million at the end of 2016. From July 1, 2012, to December 31, 2016, the Bank approved 11 new operations financed through nine sovereign-guaranteed loans and leveraged four IGs[46] from other donors,[47] for a total of US$195.2 million. Four of the loans, totaling US$40 million, were approved in the last two months of the CS period. During the CS period the Bank maintained a 50%/50% OC/FSO blend while matching IGs from the European Union with OC funds. Thus, the Bank exceeded the high scenario of the CS lending framework and maintained its position as Guyana's largest development partner.

The portfolio included in the CPE spanned nine sectors, with a total approval value of US$437.3 million for loans and IGs and US$23.1 million for TCs. The active portfolio also included inherited operations: 12 loans and IGs, and 11 TCs approved in previous CS periods.[48] Five of the inherited loans and all 11 inherited TCs closed during the CS period. The total undisbursed balance of all remaining active operations was US$236.1 million as of December 31, 2016. The Bank had no loans to the private sector during the evaluation period.[49]

Loan and IG approvals spanned seven sectors, with over 60% supporting sustainable energy and natural resource management. The following were approved in these areas: two operations in sustainable energy financed by one loan and two IGs (US$69.5 million), two PBPs for natural resource management, and one loan supporting sustainable agriculture (US$49.1 million). The remaining six operations were one loan and IG supporting water and sanitation (US$31.6 million), one IG and one investment loan supporting private sector development (US$14 million), one loan supporting citizen security (US$15 million), one loan supporting health (US$8 million), and one loan supporting the criminal justice system (US$8 million) (see Figure 2.2).

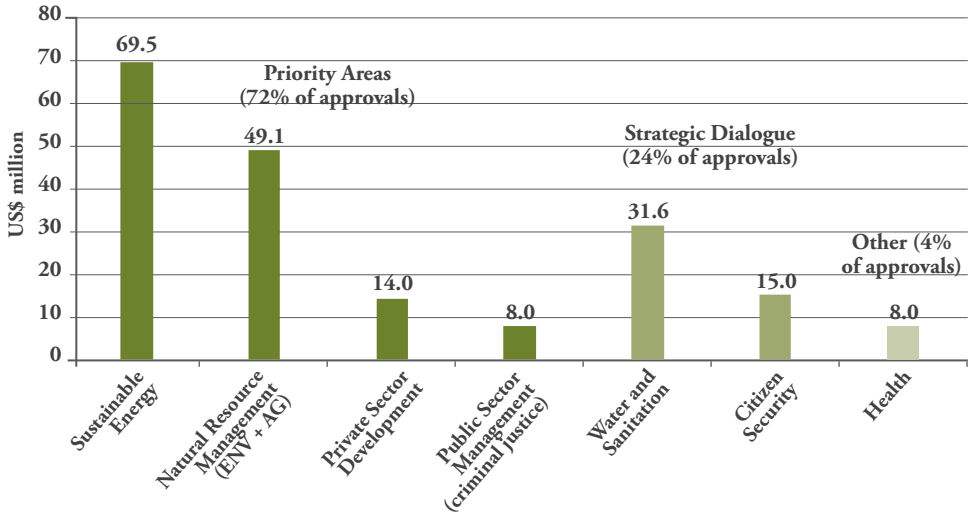


Figure 2.2

Policy-based loans, investment loans, and IGs approved July 2012-December 2016

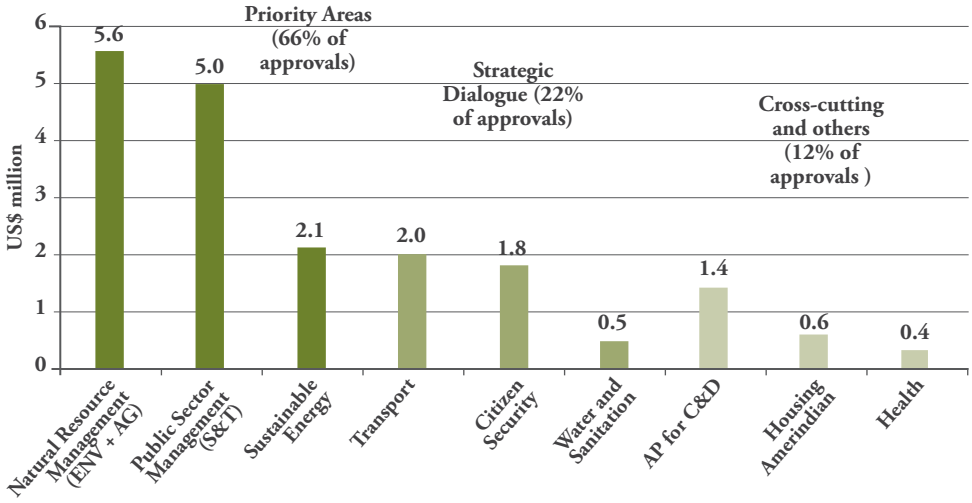
Source: OVEDA.

During this same period, the Bank approved a total of US$19.4 million in 28 TC operations across eight sectors. Most of the TCs approved during the CS period (22) were for client support, financing studies and capacity building, especially for natural resource management and public sector management. The six remaining TCs were used as operational support for projects in sustainable energy, water and sanitation, natural resource management (agriculture), public sector management (science and technology), and health (see Figure 2.3).

FIGURE 2.3

TCs approved July 2012- December 2016

Source: OVEDA.



Although the CS was relevant, the overall program was well-aligned with CS objectives in only two of the four priority areas. The programs in sustainable energy and natural resource management were closely aligned with LCDS priorities and addressed important challenges in the energy, natural resources, and environmental areas. Both programs included a mix of traditional investment loans, TCs, and IGs to finance technical assistance and policy dialogue. In contrast, the programs in private sector development and public sector management lacked the appropriate scope and scale to be fully aligned with CS objectives and expected outcomes. Although not included as priority areas in the CS, the undisbursed value of inherited programs in water and sanitation and transport was almost US$135 million, and their approval value comprised almost 40% of the portfolio included in the CPE. For decades, the Bank has supported these two areas through lending operations and strategic dialogue, and these operations were closely aligned with the country's development challenges. It is unclear why they were not included as priority areas given their size and historical importance.

Disbursements during the CS period fell dramatically after 2013, resulting in negative net cash flows to Guyana in 2015-2016. From 2006 to 2013 disbursements to Guyana averaged US$51.3 million dollars per year, but they dropped to just under US$30 million in 2014 (see Figure 2.4). Disbursements continued to decline in successive years, falling to US$14.9 million in 2016. Only 7% of the amounts of investment

loan and grant operations approved during the CS period have been disbursed. The CS lending framework projected that disbursements during 2013-2016 would reach US$188.7 million, yet they totaled only US$122.1 million. Thus, net cash flows to Guyana became negative one year earlier than projected. The undisbursed value of the portfolio increased from US$185 million at the beginning of the CS period to US$236.1 million at the end.

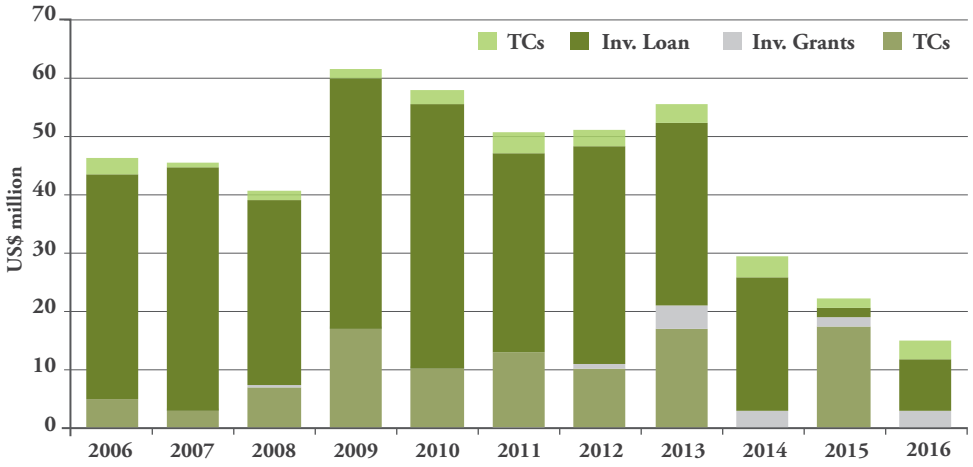


Figure 2.4
Disbursements by type

Source: OVEDA.

Investment loans and IGs continued to face implementation delays. Twelve of the 21 investment loans and IGs active during the CS period were given extensions of an average of 25 months. Of the 10 investment loans and grants currently under execution, six are classified under the Bank's Performance Index as "Satisfactory", two are on "Alert", and two are classified as "Problem". Despite the continued implementation delays during the CS period, the average age of the portfolio fell slightly from 4.56 years to 4.2 years.

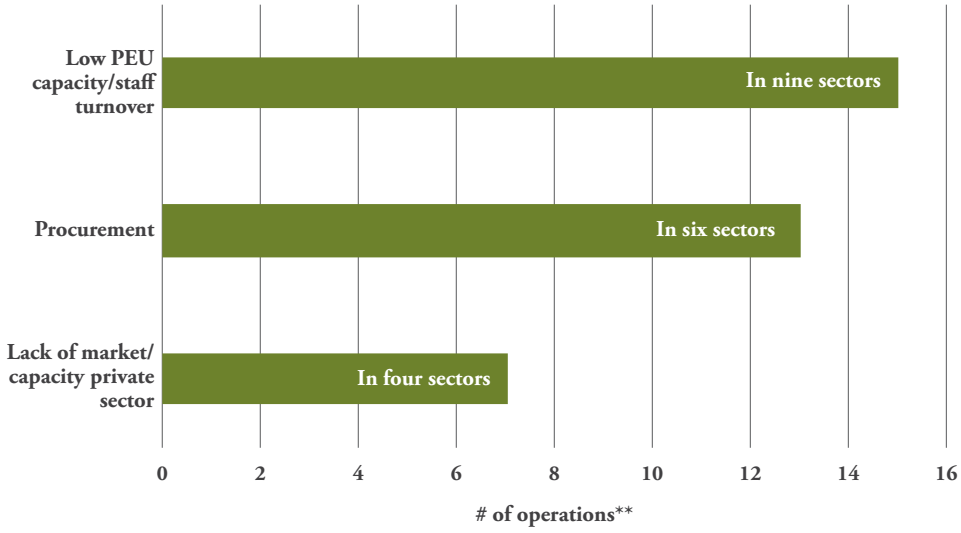
The primary reason for the decline in disbursements was the Bank's increased scrutiny of procurement in investment loans and grants, which was considered urgent to mitigate integrity risks. During the CS period the Bank's Office of Institutional Integrity (OII) conducted investigations related to seven operations based on nine allegations of prohibited practices[50]—five in the procurement process, two in project execution, and two in both. OII concluded that the allegations were substantiated in four of the eight cases that closed during the CS period. One investigation is ongoing. Through a combination of procurement controls and temporary suspension, contracts in the amount of US$57.5 million were not awarded to parties found to have engaged in collusion, corruption, and/or fraud. OII concluded that the incidents of prohibited practices were facilitated by such factors as the misconduct of project executing unit (PEU) staff and participation by private entities in procurement processes or contract execution. OII determined that Bank supervision directly contributed to the detection of integrity concerns in four investigations spanning three operations, while inadequate Bank supervision

contributed to the delayed detection of prohibited practices or poor execution in two operations. The remaining three investigations were reported by external parties and the responses by Bank supervision were deemed to be adequate.

Three structural factors also contributed to slow project implementation in a significant number of investment loans and grants (see Figure 2.5): low PEU capacity and staff turnover; challenges in procurement; and lack of scale and capacity of the private sector (especially in infrastructure). Guyana has difficulty attracting and maintaining qualified staff for the PEUs that implement Bank projects. The pool of qualified candidates is limited because of the high emigration rate of university-educated citizens and because the salaries offered in most PEUs are not always competitive. Procurement challenges in the program included difficulties in the tendering of contracts, shortcomings in bidding documents, lack of interest from international contractors, inadequate procurement planning, and difficulties in managing large contracts. IDB-financed operations in Guyana are also subject to a dual procurement system that adds extra steps and increases the time to complete most procurement processes.[51] Although the Bank does not collect data on the number of bidders competing for each contract, the local pool of firms qualified to handle large infrastructure works is likely very small, given the size of the economy. For example, operations in the transport sector faced implementation challenges due to the limited number and capacity of local contractors; and in the housing sector, the shortage of contractors/developers interested in building low-income housing in scattered locations required the Bank to forgo competitive bidding in favor of direct procurement of high-performing contractors.

Figure 2.5

Main factors affecting implementation*



Note: * Other factors, in order of occurrence, included political transition, construction materials, low inter-agency coordination, lack of complete technical designs, lack of ownership, low performance by contractors, low level of project supervision, cultural factors, flaws in design of civil works, lack of strategic planning, complexity of program, lack of data, and geography.
** Based on 17 investment loan and grant operations that reached eligibility during the CPE period.

Source: OVE analysis.

C. Country systems

The Bank continued to use Guyana's budget system for all loans during the CS period and increased its use of the country's other financial management systems. For example, the use of national systems for accounting and reporting increased from 29% at the beginning of the period to 75%. Similarly, the use of national systems for external control increased from 35% to 75%. Two Bank-financed TCs to strengthen Guyana's Audit Office contributed to increasing the use of national systems for external control. The national procurement system is not fully implemented and was not validated by the Bank for use for any operation during the CS period, despite significant training for PEU staff and a TC to strengthen Guyana's procurement system. As noted above, lack of current, publicly-available data highlights the importance of strengthening the national statistical system.

3

The Bank's approach to sustainable energy, a priority area, focused on increasing reliability and reducing losses in the energy sector to minimize the financial risk of a proposed large hydropower plant.

3 Program Results by Area

The implementation of most of the operations approved during the CS period has been slow, and progress in achieving the program's proposed outcomes has thus been limited. Nonetheless, the program has made significant progress in two areas, natural resource management and housing.

A. Sustainable energy

Expected outcomes of the CS:	1. Reduced overall electricity losses and improved quality of service. 2. Increased generation capacity of a more sustainable and greener energy matrix 3. Improved electricity coverage. 4. Enhanced institutional, legal, and regulatory measures and strengthened capabilities of GPL.

Operation name	Type	Approval year	Amount (US$)	Percent disbursed
Sustainable Operation of the Electricity Sector and Improved Quality of Service	IL	2011	5 M	43.5%
Power Utility Upgrade Program	IL IG	2014	37.6 M 26.9 M	5.0% 7.9%
Sustainable Energy Program for Guyana	IG	2013	5 M	1.3%
Expanding Bioenergy Opportunities in Guyana	TC	2008	250,000	100%
Support to the preparation of Loan GY-L1038[52]	TC	2012	952,980	100%
Strengthening Capacity in Energy Planning and Supervision	TC	2012	740,000	100%

The Bank's approach to this priority area focused on increasing reliability and reducing losses in the energy sector to minimize the financial risk of a proposed large hydropower plant. The private sector window of the Bank, through a due-diligence process, assessed its potential participation in the financing of the Amaila Falls Hydropower Project (AFHP), an LCDS priority, which would have met most of Guyana's energy needs through low-carbon generation (see Box 3.1). However, the proposed investment posed financial risks since the public energy company, Guyana Power & Light,

Incorporated (GPL), which had a history of high overall losses, would have been the energy off-taker. To mitigate the risk, the Bank's program focused mainly on improving the energy infrastructure and GPL's management of the power utility system, while also participating in sector policy dialogue. The pragmatic approach to the sector remained relevant even though the Bank's participation in the AFHP never materialized.

Box 3.1. Amaila Falls Hydropower Project

The largest initiative to seek private participation in Guyana was the Amaila Falls Hydropower Project (AFHP), with an initial investment value of US$675 million (that increased to approximately US$860 million). The project, which turned into the core initiative of the LCDS, consisted of a 20-year license to design, construct, operate, and maintain a hydropower plant with a generation capacity of 154MW that would meet around 90% of the country's domestic power needs. To connect to the grid, the project also included constructing a 280-km transmission line and two substations. Additionally, to gain access to the plant, the project included the construction of new roads (85 km) and the rehabilitation of existing roads (122 km).

IDBG entered the project in 2010 and began due diligence for a US$100 million loan. However, IDBG had little room to significantly affect the project's design and had no ability to address key risks such as the environmental consequences of illegal mining associated with the road access to the plant, which was the responsibility of the GoG. Another important project risk was its financial sustainability, given the high rate of technical and commercial losses of the proposed energy off-taker (GPL). Prior to entering the project, the IDBG did not conduct a value for money analysis, which would have considered these risks and determined how the proposed public-private partnership (PPP) compared to alternatives, such as financing the plant through government procurement.

The proposed project experienced many challenges. Guyana initiated this project with very limited experience in PPPs. Previous attempts were unsuccessful due to the fragile environment and lack of interest from private investors. The original license was granted to Synergy Holdings in 1996. After the acquisition of the license by Sithe Global Power Group in 2009, the project structure allocated significant financial risks to the public sector, given that GPL is a public company and would be responsible for purchasing all the power generated by the plant. Also, the substantial potential environmental risks associated with the project generated disagreement at the political level that eventually led Sithe to abandon the project in 2013.

With the withdrawal of Sithe in 2013, IDBG ceased its due diligence process. The project, as structured, was always deemed extremely risky by the IDBG and eventually became inactive after the withdrawal of Sithe in August 2013. The current Government had opposed the project when it was in the opposition but is now revisiting it and other potential hydropower investments while the Government of Norway finances an independent assessment of the AFHP.

The program made progress in improving the quality of service and electricity coverage but did not have much impact in reducing electricity losses and improving GPL's capabilities. The *Sustainable Operation of the Electricity Sector and Improved Quality of Service* loan is the only investment operation to have disbursed significantly. It has contributed to reductions in the frequency and duration of customer interruptions and increased legal connections. However, GPL's cash recovery index and overall electricity losses have improved only marginally and remain short of their targets.[53] The *Strengthening Capacity in Energy Planning and Supervision* TC has facilitated policy dialogue between the Bank and the GoG and positioned the Bank as an important partner for developing the future direction of Guyana's energy sector.[54] These efforts led the GoG to invite the Bank to participate in the Steering Committee for Energy Policy and the Guyana Energy Program Implementation Working Group, which are developing the new energy policy and monitoring Guyana's energy projects, respectively.

Investment operations were delayed because of the limited number of qualified companies bidding on works,[55] the lack of necessary materials in the local market to better secure the network from commercial losses,[56] and PEU staff turnover.[57] Challenges in selecting the communities to implement renewable energy pilot projects financed by the *Sustainable Energy Program for Guyana* and the PEU's limited experience with wind and small hydro have also prevented the operation from advancing. GPL and GoG ownership of and capacity to implement sector reform will be critical to maintain the few results achieved in the program. Finally, the sustainability of the impact of the Bank's support for the new energy policy will hinge on the policy's effective implementation.

B. Natural resource management

Expected outcomes of the CS:	**1.** Improved growth of natural-resource-based productive activities with sustainability. **2.** Increased environmental governance and capacity for sustainable management of natural resources. **3.** Improved capacity for disaster risk management and climate change adaptation.			
Operation name	**Type**	**Approval year**	**Amount (US$)**	**Percent disbursed**
Agricultural Export Diversification Program	IL	2007	20.1 M	100%
Institutional Strengthening in support of Guyana LCDS	IG	2012	5.9 M	98.5%
Environment Sector Strengthening I	PBP	2013	16.9 M	100%
Environment Sector Strengthening II	PBP	2015	17.2 M	100%
Sustainable Agricultural Development Program	IL	2016	15 M	0%
Developing Capacities in Implementing REDD+	TC	2010	850,000	100%
Sustainable Livelihoods and Community Economic Growth through Hydroponic and Organic Vegetable Production and Marketing	TC	2012	1.4 M	100%
Forest Carbon Partnership Facility Project in Guyana	TC	2013	3.8 M	0.6%
Supporting Technical Training in Extractive Industries in Guyana	TC	2013	435,000	100%
Supplemental Endemic Fish Surveys for the Amaila Falls Hydroelectric Project	TC	2014	440,000	100%
Technical and economic analysis for the preparation of loan GY-L1060	TC	2016	200,000	99.8%

The Bank's program in this priority area was focused primarily on supporting the LCDS and "green economy." To address the CS strategic objective "Support the development of productive use of the country's natural resources, while addressing the challenge of sustainable management of the natural resources at stake," the Bank focused on strengthening Guyana's policy framework, institutional arrangements, and technical capacity for managing natural resources. During the CS period the IDB was the main partner providing technical and operational support in the sector, managing 11 operations with a total approval value of US$83 million. Seven of the operations, anchored by two PBPs, supported implementation of the LCDS and a REDD+ framework.[58] These efforts benefitted from detailed sector diagnostics that were conducted and coordinated with the Governments of Guyana and Norway as part of the implementation of the LCDS and the GRIF. The remaining operations sought to increase production of nontraditional agricultural products.

The *Environment Sector Strengthening* PBPs formed the core of the program and were designed to help Guyana enhance and maintain its progress in implementing the LCDS and a REDD+ framework. The conditions for PBP I and PBP II were consistent with the conceptual framework included in the Joint Concept Note[59] (JCN) of the GRIF and were divided into four components: (i) macroeconomic stability (a condition for all IDB policy-based loans); (ii) regulatory framework to support the application of the LCDS and to reform forest-based economic sectors; (iii) institutional strengthening of the Ministry of Natural Resources (MNR) and its agencies; and (iv) support for the monitoring, reporting, and verification system (MRVS). Many conditions supported by the TCs and IG were implemented during the CS period. For example, they financed activities such as the review and update of the policy framework for managing natural resources,[60] the development of an MRVS that complies with the standards set by the Intergovernmental Panel on Climate Change, and the development of the curriculum of Guyana's Mining Training School.

Although the overall depth of the reform program, represented by the PBP conditions, was relatively low, it was relevant to Guyana's participation in the GRIF. OVE assessed the extent to which the conditions of the two PBPs had sufficient depth to trigger long-lasting policy or institutional changes.[61] PBP I had 26 conditions: 19 of low depth (73.1%), six of medium depth (23.1%), and one of high depth (3.8%). Demonstrating relatively higher depth, PBP II had 21 conditions: nine of low depth (43.9%), 10 of medium depth (47.6%), and two of high depth (9.5%).[62] Although relatively few of the reforms were of high and medium depth, their consistency with the GRIF's JCN was important for accessing the funds from the Government of Norway.

The PBPs achieved most of their proposed results for strengthening the policy framework, institutional arrangements, and technical capacity for managing natural resources. The policy and regulatory framework was enhanced through the development and implementation of many policies and regulations governing the environment sector.[63] MNR implemented its strategic plan, which strengthened

its ability to regulate the mining and forestry sectors by increasing the capacity and budgets of its regulatory agencies.[64] Finally, the MRVS was strengthened; in fact, experts have recognized that Guyana has developed a robust MRVS and a technical staff with the capacity to operate it.[65] Also, the reports that the MRVS generates are validated by external experts. However, the PBPs failed to meet all the proposed targets related to outreach and consultations with stakeholders, including indigenous communities, small-scale miners, and stakeholders related to extractive industries.[66]

Nevertheless, the program failed to meet its primary goal of keeping the rate of deforestation at or below 0.056%. Despite the Government's strong commitment and support from the IDB to implement the PBP conditions, Guyana's annual deforestation rate calculated for 2010-2014 by the MRVS was 0.065%. External factors likely affected the rate of deforestation and limited the gains from the policy and institutional reforms Guyana implemented. Most notably, high international prices for gold increased the incentives for small- and medium-scale miners, the primary driver of deforestation, to increase their activity.[67]

The operations seeking to increase the production of nontraditional agricultural crops made a limited contribution to the CS result "Improved growth of natural resource-based productive activities with sustainability."[68] The *Agricultural Export Diversification Program* sought to increase nontraditional agricultural exports by supporting the creation of clusters in aquaculture and fruits and vegetables, public services (research and development in agricultural technology and agricultural health and food safety), and irrigation and drainage. It only fully achieved one-third of its proposed results: it was more successful in achieving or partially achieving results related to the provision of public services to the sector than creating clusters or rehabilitating irrigation and drainage systems. However, the Sustainable Livelihoods and Economic Growth through Hydroponic and Organic Vegetable Production and Marketing TC, designed to support small-scale producers engaged in hydroponic and natural/organic cultivation of vegetables for domestic and export markets, met or exceeded all results targets.[69]

The Bank's experience in the sector and the alignment of these operations to important Government priorities created strong incentives for successful program implementation and increased the likelihood that the results achieved will be sustained.[70] The Bank has worked in the natural resources management sector in Guyana since the 1990s. This experience, coupled with lessons learned from the Bank's forestry projects in Brazil, enhanced program design and implementation. Also, the presence of sector specialists in the country office during the previous CS period and the first half of this CS period created a strong channel for transmitting this knowledge, further enhancing program implementation. Despite a political transition, the sector remains a priority for the Government as it promotes a "green economy." The extension of the GRIF agreement with Norway and the

participation in other international agreements, such as European Union Forest Law Governance and Trade[71] and the Minimata Convention on Mercury,[72] are strong signals of the likely sustainability of the policy reforms supported by the program.

C. Private sector development

Expected outcomes of the CS:	1. Improved business climate via strong incentives for formalization of businesses, access to credit, secured transactions reform, and retention of skilled labor. 2. Enhanced institutional and regulatory capacity to promote and enforce standards of quality. 3. Strengthened capabilities of local firms to facilitate the adoption of new production technologies, as well as product and export diversification.

Operation name	Type	Approval year	Amount (US$)	Percent disbursed
MSE Development and Building Alternative Livelihood	IG	2013	5 M	65.7%
Enhancing the National Quality Infrastructure for Diversification and Trade Promotion	IL	2016	9 M	0%

The CS strategic objective "Increase competitiveness and innovation levels in Guyana" was overly ambitious, given the limited scale and scope of the Bank's program. Although private sector development is aligned with Guyana's development needs and priorities, the program included only two operations, and they were unable to significantly contribute to the CS's expected outcomes.[73] The Bank Group's private sector window, the Inter-American Investment Corporation, did not finance any loans to private sector entities.[74] A non-sovereign-guaranteed loan to support the AFHP was in an exploratory phase during the CS period, but the project was never financed (see Box 3.1). The Multilateral Investment Fund approved four grants to nongovernment entities supporting rural electrification, financial inclusion, and agricultural diversification for about US$3.5 million.[75]

Micro and Small Enterprise Development and Building Alternative Livelihood is not on track to meet its originally proposed results. The operation seeks to increase employment for micro and small enterprises (MSEs) in low-carbon sectors[76] by providing business development training and promoting access to finance with a credit guarantee fund, an interest payment support facility, and a low-carbon grant scheme. Although the program provides tax incentives for financial institutions to participate, few have participated as they still see the MSE sector as risky. Thus, results for increasing access to finance and jobs created have been less than expected, and targets were adjusted downward. To date the operation has created 557 jobs in low-carbon sectors compared to the original target of 2,200. Implementation has been hampered by staff turnover in the PEU, high levels of informal and unregistered MSEs, MSEs' lack of the documentation required by the financial institutions, and the private sector's lack of enthusiasm for moving toward low-carbon sectors.

D. Public sector management

Expected outcomes of the CS:	**1.** Maximize the use of new technologies to improve government operations and service delivery. **2.** Monitoring and evaluation institutional architecture developed and used by decision-makers. **3.** Increased capacity of the Government in multiyear planning. **4.** Improved tax administration. **5.** Office of Auditor General increases capacity to audit the Bank's sovereign guarantee portfolio by implementing a risk-based audit methodology.

Operation name	Type	Approval year	Amount (US$)	Percent disbursed
Support for the Criminal Justice System	IL	2016	8 M	0%
Support for Management for Development Results	TC	2013	1.1 M	61.1%
Institutional Strengthening of the Audit Office of Guyana Phase 4	TC	2014	488,073	73.8%
Public Procurement Modernization & Financial Management Strengthening	TC	2014	740,000	37.2%
Enhancing Statistical Capacities of Guyana	TC	2015	442,092	3.6%
Design and Execution of a Household Survey of Living Conditions	TC	2015	750,000	14.8%
Design and Execution of a Labor Force Survey	TC	2015	400,000	42.5%
Execution of a Crime Victimization Survey	TC	2015	150,000	0%
Fiscal Management Modernization in Guyana	TC	2016	745,000	0%

The Bank's support for public sector management was limited almost entirely to a scattered set of narrowly-focused TCs that have yielded few results and were inadequate to significantly contribute to the expected CS outcomes.[77] The CS strategic objective for this area was "Improve public sector management, including the efficiency of the tax administration, quality and transparency of public spending and monitoring and evaluation capacity." Although this objective was relevant to Guyana's development challenges and Government priorities, it was too ambitious, given the limited depth of the portfolio. Of the eight TCs, only two have disbursed more than 50%, and therefore few results have been achieved. One exception is the TC to strengthen the Audit Office of Guyana, the fourth in a series, which has been an important factor leading to the use of national systems for external audit for 75% of IDB-financed operations.

Most of the active portfolio for the CS period included components for strengthening public institutions but yielded few results. In general, these components had weak diagnostics of the institutional challenges facing public sector agencies, and thus had limited ability to address the root causes. Also, the activities related to institutional strengthening were often poorly captured in results matrices, making it difficult to track progress. Some of them also had only partial vertical logic (see Box 3.2).

Box 3.2. IDB institutional strengthening activities

Weak institutional capacity has long affected Guyana's ability to make the best use of external financing. For this reason, institutional strengthening (IS) has been a focus of the Bank's program in Guyana for the past 15 years. It was included in one of the four priority areas of the 2012-2016 CS under the umbrella of public sector management. During the CS period, most investment loans and grants (85%) and TC operations (67%) included activities to support IS, totaling US$57.4 million. OVE assessed the design, implementation, and effectiveness of the IS activities financed by these operations.

Because the design of most IS activities suffered from diagnostics that did not adequately highlight the root causes of institutional weaknesses, the Bank's impact was limited. For example, most diagnostics cited low technical and operational capacity as the main institutional weakness, but failed to thoroughly consider the underlying factors associated with this issue, such as the limited pool of qualified human resources in Guyana and the high levels of staff turnover in the public sector. Consequently, the Bank's IS interventions overemphasized staff training, which was only a temporary solution as the root causes of the problem were left unattended. Also, many operations reported only partial vertical logic and lacked an adequate results framework to measure the impact of IS activities.

Mirroring the overall portfolio, implementation of IS activities was slow during the CS period. For instance, IS-related activities in investment operations approved during the CS period disbursed only 7.6% of projected funds. The implementation of these activities was hampered by one of the challenges they sought to address, low institutional capacity. Unsurprisingly, high attrition rates among staff—an unattended root cause of institutional weaknesses—was one of the most common issues affecting the implementation of these activities.

Overall, the portfolio of IS activities yielded few measurable results. Most investment operations failed to produce their proposed outcomes or lacked adequate indicators to measure results. Although some investment operations produced their expected outputs, they did not achieve their intended outcomes. Problems achieving positive results can be traced back to poor diagnostics of institutional issues and lack of vertical logic of proposed interventions. Institutional Strengthening in Support of Guyana LCDS was the only investment operation that successfully achieved its proposed outcomes (implementation of an MRVS that complies with the standards set by the Intergovernmental Panel on Climate Change).

E. Water and sanitation

Although not prioritized in the CS, the Bank's interventions in water and sanitation were relevant and in line with Guyana's development needs, considering the poor quality of water supply, sewerage services, and solid waste management in the

country. The IDB has been involved in the water and sanitation sector in Guyana for several decades and managed a significant portfolio during the CS period. The Bank approved one investment operation and one TC during the CS period while managing an active portfolio of four investment operations and two TCs, totaling US$57.4 million. The three most recently approved investment operations were expected to expand and rehabilitate water and sanitation services in Guyana, particularly by rehabilitating Georgetown's sewerage system and constructing water treatment plants, reservoirs, and storage tanks in Linden and Georgetown's surrounding areas. The oldest investment loan, *Georgetown Solid Waste Management Program*, sought to create a sustainable solid waste management system, including the construction of the Haags Bosch Sanitary Landfill. TCs supported project preparation and the institutional strengthening of Guyana Water Incorporated. Except for the *Georgetown Solid Waste Management Program*, project design was adequate for these projects to reach their intended goals. Project risks, including mitigation measures, were well identified during project design and constituted an adequate reflection of potential problems, some of which materialized. All but one of the operations in the portfolio closed during the CS period.

Objectives for continued strategic dialogue:	To discuss alternatives for: **1.** Further improvements in efficiency, quality, sustainability, and coverage of the potable water supply and sanitation services. **2.** Decrease the uncontrolled disposal of solid waste in the environment and improve disposal practices.			
Operation name	**Type**	**Approval year**	**Amount (US$)**	**Percent disbursed**
Georgetown Solid Waste Management Program	IL[a]	2006	18.1 M	100%
Georgetown Sanitation Improvement Program	IL	2010	9.5 M	100%
Linden Water Supply Rehabilitation Program	IL	2011	12 M	100%
Water Supply and Sanitation Infrastructure Improvement Program	IL IG	2014	16.8 M 14.8 M	5.9% 7.1%
Support Prep. Water Supply & Sanitation Infra. Improvement	TC	2013	500,000	100%
Financial and Institutional Strengthening of Guyana Water Inc.	TC	2009	500,000	100%

[a] This operation also included a guarantee.

Although three projects were completed during the CS period, the Bank's program failed to meet some important expected outcomes. Of the three investment projects that disbursed 100%, the *Linden Water Supply Rehabilitation Program* and the *Georgetown Sanitation Improvement Program* produced most of their expected outputs, including the completion of sewerage works and construction of water treatment plants. However, in both programs some important results were not achieved, lessening the effectiveness and sustainability of the progress attained. For instance, although more households have direct access to an upgraded water supply, the Linden program failed to ensure that water pressure in all households met national regulations. Similarly, the target of ensuring 24-hour continuity in water availability has yet to be achieved

because the capacity of the country's water treatment plants is insufficient to meet demand. In the Georgetown program, after chronic delays, the construction of the sanitary landfill was not fully completed, and the facility is inadequately operated. It does not comply with environmental standards for the disposal of hazardous waste and lacks a landfill gas management system, both of which increase the occurrence of fires. The TC operations, all of which experienced extensions, ultimately achieved their expected results and contributed to project preparation and to the improvement of the institutional capacities of Guyana Water Incorporated. The long-term sustainability of all the results achieved, however, is threatened by financial, operational, and institutional factors.

The most common shortcomings during program implementation related to (i) a lack of complete technical designs for civil works;[78] (ii) insufficient human resources (PEUs were understaffed and their members overcommitted); and (iii) procurement challenges. In both the Linden and Georgetown programs, there were shortcomings in the project's bidding documents during construction of civil works. In the Georgetown program, the review committee did not sufficiently consider the experience of the lowest bidders and thus selected an unqualified firm for the construction and operation of the sanitary landfill.[79] Project implementation also faced specific challenges, such as contractor noncompliance (particularly for the solid waste management project), weak inter-agency coordination, and lack of ownership.

F. Transport

Objectives for continued strategic dialogue:	**1.** Support the shift from rehabilitating the road system to expanding its capacity. **2.** Improve urban transportation in a sustainable manner. **3.** Align legislative regulation, operational aspects, and the restructuring of the sector to improve its efficiency.			
Operation name	**Type**	**Approval year**	**Amount (US$)**	**Percent disbursed**
Transport Infrastructure Rehabilitation Program	IL	2006	24.3 M	100%
Road Improvement and Rehabilitation Program	IL	2009	24.8 M	83.7%
East Bank Demerara Four Lane Extension	IL	2010	20 M	100%
Road Network Upgrade and Expansion Program	IL	2012	66.2 M	2.1%
Support to the Road Improvement and Rehabilitation Program	TC	2009	600,000	100%
Support to the Road Improvement and Rehabilitation Program	TC	2009	400,000	100%
Support for Road Network Upgrade and Expansion Project	TC	2011	1 M	100%
Expansion of Preinvestment Program for Georgetown-Lethem Hwy	TC	2011	360,000	100%
Guyana - Brazil Land Transport Link and Deep Water Port	TC	2013	1.5 M	18.4%
Support for a National Aviation Master Plan for Guyana	TC	2016	500,000	0%

Despite addressing key development challenges, the Bank's objectives for continued strategic dialogue in the transport sector were overly ambitious. For more than 25 years, the Bank has supported the rehabilitation of Guyana's 240-km primary road network. Though no new lending was approved during the CS period, by the time the CS was approved at the end of 2012, the inherited transport portfolio included four loans with a total approval value of US$135.3 million, aligned with the first pillar of the CS 2008-2012, "Strategic Infrastructure Investments." The first objective —"to support the shift from rehabilitating the road system to expanding its capacity"— sought to address the ever-present challenge of lack of proper maintenance that has accelerated the degradation of the paved network and necessitated continuous rehabilitation and construction. The second and third objectives —"to improve urban transport in a sustainable manner" and "to align legislative regulation, operational aspects and the restructuring of the sector to improve its efficiency"—also addressed important problems of the sector: a growing number of vehicles, congestion, and accidents in urban areas, and lack of efficiency both at the operational and at the ministry level. However, they also represented new areas of intervention, particularly urban development, so that bringing about change would require a set of sequenced and concerted interventions. It is unclear how the Bank intended to achieve such ambitious objectives through dialogue and implementation of the inherited portfolio.

The Bank's approach, originally based on a clear long-term vision of how to modernize the transport sector, collapsed during the evaluation period. The Bank's vision was based on a three-pronged approach: (i) address the lack of routine maintenance by using the Bank-financed Routine Maintenance and Management System—a computerized data-collection system created in 2002—to plan and prioritize maintenance activities, and by financing multiyear routine maintenance contracts for the entire paved network with local counterpart resources to IDB financing; (ii) strengthen the capacity of the Ministry of Public Works & Communications through the professionalization of the Works Services Group;[80] and (iii) make road safety investments an integral part of all road transport projects. After a successful launch, the Routine Maintenance and Management System stopped working in 2008. The Ministry no longer paid for supervision trips to gather data, and the Bank refused to finance what it considered recurrent costs. Counterpart funding for the multiyear routine maintenance contracts dried up when the Bank no longer required counterpart funding for investment loans. The Work Services Group was reabsorbed by the Ministry, losing its standing, incentives, and professionalization. Finally, the Bank's strategy on road safety investments has gradually been adopted by the GoG after an initial low uptake. However, comprehensive data collection and analysis are still needed.

Failure to implement the proposed routine maintenance scheme limited progress towards achieving the strategic objective "Support the shift from rehabilitating the road system to expanding its capacity." The *Transport Infrastructure Rehabilitation Program*

closed during the CS period, having delivered less than half of the works originally planned.[81] *The East Bank Demerara Four Lane Extension* project has disbursed 97.5% of its financing, extending the road to four lanes in 3 of the 5 km originally planned, and making road safety interventions. Both projects included funding for the operation of the routine maintenance system and for routine maintenance contracts, but these components were not implemented. Today the Ministry undertakes some periodic maintenance and rehabilitation activities, though no routine maintenance is done on the primary network. In addition, since the Routine Maintenance and Management System ceased operation, work decisions are not based on a clear understanding of priority needs. Lack of routine maintenance will likely accelerate the degradation of the paved network, limiting the country's ability to focus on anything besides continuous rehabilitation.

Virtually no progress was made during the period with respect to restructuring the sector, particularly at the ministry level, or improving urban transportation in a sustainable manner. Despite strong support for institutional strengthening and reform in previous Bank projects, institutional strengthening was absent from the active portfolio except for a broadly defined component in the *Road Network Upgrade and Expansion Program* that was supported by limited financing (US$500,000). The component sought to finance five unspecified institutional strengthening activities intended to support the Work Services Group in the areas of planning, project management, and monitoring and evaluation. The only proposed support for urban transport in the Bank's program was a component in the *Road Network Upgrade and Expansion Program* to finance a diagnostic of urban mobility problems around Georgetown that would support the design and implementation of a public transport system.[82] However, no progress has been made as this loan has disbursed only 2% since approval because of procurement problems related to the contracts to expand the Sheriff Mandela Road.

G. Citizen security

Objectives for continued strategic dialogue:	To provide support to the capacity-building efforts of the Guyana Police Force to: **1.** Promote additional support to community empowerment. **2.** Address principal risk factors to community safety.			
Operation name	**Type**	**Approval year**	**Amount (US$)**	**Percent disbursed**
Citizen Security Strengthening Programme	IL	2014	15 M	6.7%
Support for the implementation of the Citizen Security Strategy	TC	2013	1.7 M	63.3%

Although addressing crime and violence is a priority in Guyana, the citizen security portfolio has been slow to implement and has yet to yield results. The *Citizen Security Strengthening Programme* (CSP) seeks to reduce crime and violence by focusing on conflict resolution in target communities, strengthening the Guyana Police Force's capacity to prevent and investigate crime, and improving the Guyana Prison Service's

rehabilitation and reintegration services. However, the loan took one year to become eligible for disbursements and has only disbursed funds to set up the PEU. The *Support for the Implementation of the Citizen Security Strategy* TC sought to support the former Ministry of Home Affairs, the Guyana Police Force, and the Guyana Prison Service in developing and implementing their 5-year strategic plan under the CSP. However, because of slow implementation these activities have been taken up by the GoG and other development partners. The Bank is now redesigning the TC's scope to focus on youth training.

Political transition, PEU capacity, and lack of relevant data have affected implementation of the two operations. The change in government and the transformation of the Ministry of Home Affairs into the Ministry of Public Security effectively delayed the launch of the operation's implementation until January 2016. The staffing of the PEU was also delayed because of the limited pool of candidates qualified to fill the technical staff positions. The implementation of the two operations also suffered from changes in the IDB team leader[83] and PEU personnel. Finally, it took the Bureau of Statistics four years to release the 2012 Census. Availability of the community-level data included in the Census is a requirement for the first disbursement of the CSP.

H. Housing

Operation name	Type	Approval year	Amount (US$)	Percent disbursed
Low Income Settlement Program II (LIS II)	IL	2008	27.9 M	100%
Strengthening Housing Delivery System for the Indigenous Amerindian Population	TC	2016	100,000	5.6%
Support for the Development of a Nat. Housing Strat	TC	2016	517,250	0%

Although not a CS priority area, the program in the housing sector was aligned with the cross-cutting theme of "Supporting the Amerindian Communities' Needs" and the third pillar of the 2008-2012 CS, "Social Development for Growth." The *Low-Income Settlement Program II* (LIS II), approved in 2008, sought to improve the affordability and accessibility of housing for low-income families by developing new housing sites with connections to basic services—water and sanitation and electricity—and providing physical upgrades and support for the titling of squatter areas. The operation conducted four pilots geared at developing a core house for the program and implementing subsidy and other assistance schemes. It also provided support for institutional strengthening of the PEU, the Central Housing and Planning Authority (CH&PA).[84]

LIS II fully developed 8,467 lots, of which 74% were occupied by the end of the program. The program also successfully built the core houses, used subsidies to increase the affordability of housing for a target population, and strengthened CH&PA's capacity to design housing policy. LIS II also yielded results beyond the scope of the program; a

pilot program that focused on professional groups such as nurses, teachers, and police officers successfully promoted access to housing loans through a partnership between CH&PA and two private banks.[85] The Hinterland pilot exceeded its target of delivering 120 new core houses. Many beneficiaries noted improved health outcomes because of the program's support for access to safe drinking water. The housing construction in these communities also took advantage of local materials and labor, providing a boost to their economies. Finally, the program has created interest from nonparticipating families, and CH&PA is providing building designs and plans of the core houses to interested families, expanding the impact of the program.

An experienced PEU, the use of country systems, and the participatory nature of the activities in the hinterland communities contributed to the success of LIS II. The CH&PA had previous experience as the PEU for LIS I and a clear mandate as the sole government agency for housing projects. The CH&PA also has an easier time than most other government agencies in maintaining its personnel, since they can offer top-up salaries. LIS II also served as pilot for the use of country systems for financial management, an area in which the PEU already had experience. Finally, in the hinterland the local communities and village councils participated in the selection of the housing designs and materials used, creating strong ownership of the program. The strong institutional capacity of CH&PA, the quality of building materials used in the construction of housing, CH&PA's preparation of do-it-yourself maintenance manuals for the core houses, and the commitment from the Bank and the GoG to expand the program's pilot in the hinterland increase the likelihood that the results will be sustained. One important risk is that the maintenance of the services provided to the households supported by the program is no longer the responsibility of the CH&PA but of local authorities, who may not have the fiscal or technical capacity to ensure adequate maintenance.

I. Health

Operation name	Type	Approval year	Amount (US$)	Percent disbursed
Expansion & Integration of Basic Nutrition Program	IL	2009	5 M	42.9%
Support to Improve Maternal and Child Health	IL	2016	8 M	0%
Support of Integrated National Nutrition Program	TC	2008	725,000	100%
Support for Maternal and Child Health Improvement	TC	2016	350,000	0%

Although health was not identified as a priority in the CS, improving child nutrition and maternal health are important development challenges in Guyana. The Bank has worked in the sector since 1978 and managed a portfolio of two loans and two TCs during the CS period.[86] The *Expansion and Integration of Basic Nutrition Program II* and the related TC aimed to strengthen the capacity of the Ministry of Health to design and implement priority areas of the National Nutrition Strategy, including improved child nutrition and anemia control.

Although both operations were designed to build on the success of the first *Basic Nutrition Program,*[87] key changes to the execution model following loan approval profoundly affected the performance of the loan, which fell short of achieving all its outcomes. Constraints to program implementation included, among other things, (i) the resignation in early 2014 of all PEU staff; (ii) the transfer of implementation responsibility from a dedicated project manager to the coordinator of the maternal and child health unit of the Ministry of Health, who was also responsible for 132 health centers in the country, and thus did not have the time or capacity to coordinate the program; and (iii) the elimination of the incentive scheme that had successfully contributed to reducing the prevalence of wasting and stunting under the first program. Noncompliance in the fulfillment of contractual conditions, namely the completion of Semi-Annual Progress Reports, also slowed the pace of program implementation. In 2014, with just US$1.9 million (38%) of loan resources disbursed, the Minister of Finance requested that the loan be reformulated and the undisbursed balance (US$3.1 million) reassigned to the housing sector, reflecting both the implementation challenges identified above and a shift in Government priorities toward housing.

The program was largely successful in two areas: natural resource management and housing.
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4 Summary and Recommendations

The IDBG is the largest development partner in Guyana. In the past two decades, the Bank has focused much of its financing on infrastructure, while other development partners have tended to focus on social sectors, governance, and disaster risk management.

Although the CS objectives were aligned with Guyana's policy priorities and development challenges, the program was relevant only in some sectors. The programs in natural resource management and sustainable energy included multiple operations focused on policy priorities that were clearly aligned to the CS objectives. However, the programs in private sector development and public sector management were not closely aligned with the CS objectives and expected outcomes. Also, the strategy did not identify the historic challenge of low institutional capacity of the public sector as a risk to the program, though it was highlighted in the previous two CPEs.

The Bank managed a relatively large program that was very broad but lacked sufficient depth in many sectors to lead to significant results. The active portfolio during the CS period spanned nine sectors with a total approved value of US$460.4 million. With funds leveraged from other donors, approvals exceeded the high scenario envisioned in the CS. Some sectors included a complementary mix of instruments that provided technical and financial support focused clearly on the CS objectives. Other sectors included programs with few operations or an inadequate mix of instruments to address the CS objectives. The Bank's technical support by sector specialists was spread very thin for the size of the program.

The program experienced significant implementation challenges, especially in the second half of the CS period, largely because of increased scrutiny of procurement by the country office to mitigate urgent integrity risks. Disbursements, which had averaged around US$50 million per year, fell dramatically after 2013, reaching only US$14.9 million in 2016. Thus, net cash flows to Guyana during 2015 and

2016 were negative, and the CS period concluded with an undisbursed balance of US$236.1 million. Aside from the Bank's increased scrutiny of procurement, structural factors such as low PEU capacity and staff turnover, challenges in procurement, and lack of scale and capacity of the private sector also contributed to slow project implementation. Consequently, overall progress towards the achievement of CS outcomes was limited.

The program was largely successful in two areas: natural resource management and housing. The Bank played an important role in supporting Guyana's capacity to manage natural resources, which helped the country gain access to funds from the GRIF and increased its capacity to access funds from other REDD+ mechanisms. LIS II made a significant contribution to reducing the gap in housing with services, especially in the hinterland communities.

Based on the findings of this evaluation, OVE has five recommendations for the IDBG's continuing engagement in Guyana:

1. Prioritize the implementation of the active portfolio over new approvals. The Bank's current portfolio includes many projects with large undisbursed balances facing numerous implementation challenges. The new CS should minimize new approvals until these projects are more advanced and on track for completion.

2. Work with the government to develop and institutionalize a project management system that combines core procurement functions across programs. A well-staffed, professional procurement unit for all IDB-financed projects could improve the efficiency and integrity of procurement processes while lowering the supervision burden on the Bank's fiduciary specialists. To enhance the design of the centralized procurement unit, the Bank should draw on OII's findings from its investigative and preventive work.

3. Ensure an adequate level of IDBG staff support in each area of the program to enhance project implementation and achievement of results. IDBG staff support is currently spread too thin given the breadth and size of the program; either staff support needs to be increased (through in-country assignments or an increased number of missions by sector specialists) or the program needs to be narrowed.

4. Design projects that fit the institutional environment, build on one another, and incorporate OII's input as part of project risk assessment. Project design should consider the relatively low technical capacity of most PEUs and the experience gained in previous projects. It should also avoid too many

simultaneous activities and over-dependence on materials or contractor skills that are scarce in the local market. Finally, OII's preventive and investigative work generates a wealth of information that specialists should use systematically in designing future operations.

5. Increase support for the generation and publication of data by continuing to work with the government to strengthen the national statistical system.

Notes

1 The World Bank Development Indicators database estimated Guyana's real GDP per capita PPP to be US$7,060 in 2015.

2 The main products are shrimp, timber, gold, bauxite, sugar, and rice.

3 Gold represents 44% of total exports, followed by rice (19%), bauxite (9%), and sugar (7%). Quarterly Report & Statistical Bulletin 2016 Q1, Bank of Guyana.

4 Bureau of Statistics (2015).

5 10.3% of the population is indigenous Amerindian and 19.9% is of mixed heritage, according to the 2012 census.

6 Around 2001 the PNC evolved into the PNC/Reform Party (PNC/R).

7 Including lower commodity export prices and general elections.

8 Between 1988 and 2005, Guyana's debt-to-GDP ratio fell from 500% to 140% after several rounds of debt relief under the Paris Club, the Heavily Indebted Poor Country (HIPC) Initiative, and Extended HIPC initiatives. In 2007, under the Multilateral Debt Relief Initiative, Guyana received an additional US$611 million in debt relief (US$467.1 million from the IDBG), which helped lower its debt-to-GDP ratio to 60%.

9 Quarterly Report & Statistical Bulletin 2016 Q1, Bank of Guyana.

10 IMF World Economic Outlook (October 2016).

11 World Development Indicators, World Bank.

12 World Bank Migration and Remittances Data.

13 The IDBG was the largest multilateral source of ODA, and Norway was the largest bilateral development partner through its financing of the GRIF (see Annex I Figure A.5).

14 Norway has contributed close to US$205 million of the US$250 million it proposed to the GRIF. The GRIF has been slow to implement, with only US$35 million committed to date, and has been extended to complete the obligations of the agreement. No new contributions to the fund have been proposed.

15 Guyana REDD+ Monitoring Reporting & Verification System Year 5 Summary Report. Guyana Forestry Commission, 2015.

16 Guyana-Norway Joint Concept Note (2011).

17 Food and Agriculture Organization of the United Nations, 2011.

18 Guyana REDD+ Monitoring Reporting & Verification System Year 5 Summary Report. Guyana Forestry Commission, 2015.

19 Ibid.

20 REDD+ is a results-based mechanism developed by parties to the United Nations Framework Convention on Climate Change to create a financial value for the carbon stored in forests by offering incentives for developing countries to reduce emissions from forested lands and invest in low-carbon economic development.

21 Small Business Bureau (2013), in Guyana Private Sector Assessment Report (2014).

22 Commercial banks require up to 150% collateral, and have cumbersome loan application processes.

23 For instance, miners still use obsolete extractive technologies that cause significant environmental damage, including water pollution, which has a significant negative impact on the health of indigenous populations living downstream. Source: Private Sector Assessment Report for Guyana (2014).

24 Larrea, S., S. Binato, D. Provenzano, and C. Jeifetz (2016). Arco Norte Electrical Interconnection Study. Washington, DC: Inter-American Development Bank.

Notes

[25] Guyana Power & Light, Inc. (GPL) is the main electricity supplier in Guyana, with operations comprising generation, transmission, and distribution of electricity.

[26] IMF, 2015.

[27] http://www.bloomberg.com/news/articles/2015-07-21/exxon-s-guyana-oil-find-may-be-worth-12-times-the-nation-s-gdp

[28] In the last four years, Guyana dropped from the 50th to the 70th percentile in the global ranking of the quality of the road infrastructure; Global Competitiveness Report, 2016.

[29] CIA World Factbook 2016.

[30] 9.3% of GDP in 2015 (World Bank Migration and Remittances Data).

[31] World Bank Enterprise Survey (2010).

[32] Building Effective Governments, IDB (2013).

[33] The country is ranked 126 out of 193 in the UN's E-Government Development index (2016).

[34] Before the release of Guyana's 2012 Population & Housing Census in May 2016, the most recent census was from 2002.

[35] 17 per 100,000 people in 2012.

[36] The Human Development Index is a summary measure of long-term progress in three basic dimensions of human development: a long and healthy life, access to knowledge, and a decent standard of living. The index has a value between 0 and 1.

[37] Source: UNICEF/WHO/WB 2014.

[38] Institute of Statistics, UNESCO.

[39] World Bank/International Labour Organization (2014).

[40] An exception is the International Finance Corporation's equity investments in al large goldmine, Guyana, Goldfields Inc., which have totaled over US$75 million since 2006.

[41] 1) "Invest in strategic low carbon infrastructure"; (2) "Nurture investment in high-potential low-carbon sectors"; (3) "Reform existing forest-dependent sectors"; (4) "Expand access to services and new economic opportunity for Amerindian communities through improved social services"; and (5) Improve services to the broader Guyana citizenry."

[42] Norway has approved close to US$210 million from the GRIF. About US$70 million of these funds have been allocated to development projects implemented through three partner agencies: IDB, World Bank, and UNDP. Conservation International also participates as a collaborating entity.

[43] The strategic objectives for the priority areas: (i) implement a low-carbon energy framework to reduce the cost of electricity and increase coverage; (ii) support the development of productive use of the country's natural resources, while addressing the challenge of sustainable management of the natural resources at stake; (iii) increase competitiveness and innovation levels in Guyana; and (iv) improve public sector management, including the efficiency of the tax administration, the quality and transparency of public spending, and monitoring and evaluation capacity. The CS results matrix did not cover areas of strategic dialogue or cross-cutting themes.

[44] The CS period was October 2012 to December 2016. OVE's last CPE evaluated the Bank's program through June 2012 and thus, for the purposes of this evaluation OVE considered operations approved after June 2012 as falling under the 2012-2016 CS.

[45] According to the records managed by the Bank's country office in Guyana, during the period 2014-2016 each sector with active investment operations conducted two or fewer supervision missions per year, except for natural resources and environment (2014), water and sanitation (2014-2016), and transport (2015).

[46] Two of the operations blended a sovereign-guaranteed loan with an IG.

47 The total value was US$51.6 million from one IG financed by the GRIF, one IG financed by the Global Environment Facility, and two IGs cofinanced with the European Union's Caribbean Investment Facility.

48 These operations disbursed a minimum of 25% of their funds during the CS period, and their results were not reported in the previous CPE.

49 The Multilateral Investment Fund approved four grants to nongovernment organizations, but they were not within the scope of the evaluation.

50 The IDBG prohibits corrupt, fraudulent, coercive, collusive, and obstructive practice. More information is available at http://www.iadb.org/en/topics/transparency/integrity-at-the-idb-group/prohibited-practices-at-the-idb,2704.html

51 Guyana's national procurement rules have lower thresholds than the IDB's; therefore, most procurement in Bank-financed operations with a value greater than US$4,000 must follow both IDB and Guyanese rules. An analysis conducted by Bank staff in the Guyana country office demonstrated that the procurement of goods and services in Guyana involves 29 steps, 11 of which result from having two sets of rules. The analysis also found that the average time for procurement processes for a sample of procurements from 2010-2014 was greater than the expected timeframe, given the Bank's service level standards. The delays occurred most often in phases that include the added steps required under the dual procurement system: bid preparation, contract approval, and contract awarding. E. Chapuis and C. Liddell, "Doing Procurement Under IDB Financing in Guyana," November 2015.

52 Originally the TC supported the preparation of GY-L1038. After GY-L1038 was reformulated to accommodate the remaining infrastructure investments of the *Sustainable Operation of the Electricity Sector and Improved Quality of Service* loan, the project was renumbered GY-L1041: *Power Utility Upgrade Program,* and was supported by the TC.

53 The cash recovery index increased slightly to 68.5% in 2015 from 67.0% in 2010. Overall losses remain very high, falling slightly to 29.2% from 31.3% in 2010. Nevertheless, the PEU presented OVE with figures that show progress in loss reduction in a targeted area where it has piloted the use of smart meters. However, OVE notes that the source of the figures, GPL's Loss Reduction Division reports, presented data for only a six-month period and, therefore, provided only a limited picture of loss reduction.

54 The TC financed a comprehensive study on the expansion of electricity generation based on future demand, led by the Bank's Guyana-based energy specialist. The study is an input for the development of Guyana's new energy policy.

55 According to the PEU's bid evaluation report for phase I of the rehabilitation of networks in the *Sustainable Operation of the Electricity Sector and Improved Quality of Service* loan, four companies were prequalified for the bid, two bids were submitted, and one company was awarded the five lots.

56 The measures include protecting the transformer bushings and using concentric conductors for the intermediate connections to and from the transformers.

57 GPL has had difficulties managing many procurement processes. It also was without a project manager from August 2015 to February 2016 and had trouble finding a qualified specialist to fill the position.

58 The GRIF operates under a REDD+ framework, and the implementation of the conditions for receiving GRIF funds was an important focus of support for this priority area.

59 The JCN is the framework for the GRIF that determines how Guyana receives and invests payments.

60 For example, Guyana's National Forest Plan and National Forest Policy Statement.

61 See OVE Annual Report 2015 Part II for details on the methodology.

Notes

62 In terms of the three components related to the LCDS, excluding "Macroeconomic stability," component 2, "Regulatory framework," generally had conditions with higher depth relative to the other components, largely because many of the conditions were related to approval and implementation of policies and regulations. The conditions related to component 3, "Institutional strengthening," had relatively low depth in PBP I but more depth in PBP II. Finally, the conditions related to component 4, "MRVS," had relatively low depth; in fact, all but two conditions in both PBPs were classified as low depth.

63 For example, an update of the LCDS in 2013, regulations to curb illegal wildlife exports, creation of the National Land Use Plan, and becoming a voluntary member of the European Union Forest Law Governance and Trade.

64 This includes an increased budgetary allocation for the MNR, the creation of a Compliance Unit to help provide oversight for the new policies and regulations, and the development of the Mining Training School, which provides outreach mechanisms to inform stakeholders on the new policies and regulations.

65 Laing, "The Impacts of International REDD+ Finance," June 2015, pp. 12-13.

Goetz, Hansen, Houghton, Walker, Laporte, and Busch, CGD Working Paper 392: "Measurement and Monitoring for REDD+: The Needs, Current Technological Capabilities, and Future Potential," December 2014, p. 24.

66 For example, they did not meet targets related to EPA's regulatory framework for extractive industries and the review and application of the regulatory framework for the Extractive Industries Transparency Initiative.

67 Laing, loc. cit.

68 The *Sustainable Agricultural Development Program* was approved at the end of the CS period and has yet to begin implementation, and it is too early to assess the associated TC, *Technical and economic analysis for the preparation of loan GY-L1060*.

69 For example, the project sought to train 800 persons in hydroponic and organic/natural farming technologies and has already trained 4,000. Also, the project has already increased by 621% the sales of hydroponic and organic/natural produce of participating farmers, exceeding the target of a 200% increase.

70 All but one operation in the portfolio has closed or is on track to close on schedule. The Forest Carbon Partnership Facility Project in Guyana has disbursed only 0.6% in the two years it has been eligible for disbursements. Disagreement between the Bank and the PEU on the use of project funds, followed by the GoG's decision to move the PEU from the Guyana Forestry Commission to the MNR, has stalled its implementation.

71 http://www.euflegt.efi.int/home

72 http://www.mercuryconvention.org

73 *Enhancing the National Quality Infrastructure for Diversification and Trade Promotion* was approved at the end of the CS period and has yet to begin implementation.

74 During the evaluation period the Bank Group had four windows eligible to provide financing to the private sector: Structured and Corporate Finance Department, Opportunities for the Majority, the Inter-American Investment Corporation, and the Multilateral Investment Fund. In January 2016, the Structured and Corporate Finance Department and Opportunities for the Majority merged with the Inter-American Investment Corporation.

75 Multilateral Investment Fund operations are outside of the scope of the evaluation.

76 Examples include sustainable farming and forestry, business process outsourcing, low-carbon energy production, and sustainable mining.

77 One loan, *Support for the Criminal Justice System,* was approved at the end of the CS period and has yet to begin implementation.

78 Although the conceptual designs of the works were developed through TC operations, further design review between the designer and constructor rarely occurred, as the designer was no longer liable for the operation after TC completion.

79 According to the project's final evaluation, the experience of the winning bidder did not qualify it to effectively and efficiently handle the vastly increased volume anticipated at the landfill.

80 The Work Services Group is a unit created in 2002 with highly trained, well-paid staff. As the technical arm of the Ministry, the Group had a mandate to plan, design, and implement all contracts for investment and maintenance.

81 Although the road safety and the rehabilitation of the Black Bush Polder Road components were successfully completed, only 45 of 90 critical structures targeted by the project were rehabilitated.

82 Other components finance the expansion of the Sheriff Mandela Avenue Road, rehabilitate additional structures along the primary road, and prepare a road safety action plan.

83 Each operation has had two team leaders.

84 The *Strengthening the Housing Delivery System for the Indigenous Amerindian Population* TC will support the reformulation of the *Expansion and Integration of Basic Nutrition Program* into a sustainable Housing for the Hinterland Program that will expand one of the pilots executed under LIS II.

85 One of the participating banks noted that there was a high repayment rate from the housing loans it issued and that some beneficiaries of the core houses used them as collateral to access credit for improvements or expansion.

86 The Bank approved a loan for *Support to Improve Maternal and Child Health* and an associated TC *Support for Maternal and Child Health Improvement Program* at the end of 2016, but they have yet to begin implementation.

87 The *Basic Nutrition Program I* (GY0068), approved in 2002 and completed in 2009, addressed child malnutrition (wasting and stunting) by providing "Sprinkles," an individually packaged micronutrient powder, and a monthly food coupon. The impact evaluation confirmed that the use of Sprinkles reduced anemia in the intervention group by 40%, and the food coupons reduced the prevalence of wasting by 27%. Moreover, in 2012, the US Treasury recognized the program for its development impact.