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Country Program Evaluation (CPE): Guyana (1989 – 2001)

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ACRONYMS

AC Power	Americas and Caribbean Power Limited
ASHL	Agriculture Sector Hybrid Loan
ASL	Agriculture Sector Loan
BOP	Balance of Payments
CAS	Country Assistance Strategy (World Bank)
CARICOM	Caribbean Community
CDB	Caribbean Development Bank
CGCED	Caribbean Group for Cooperation in Economic Development
CP	Country Paper
CPE	Country Program Evaluation
CPP	Country Programming Paper
ERP	Economic Recovery Program
ERMP	Emergency Response Mechanism Project (SIMAP)
ESAF	Enhanced Structural Adjustment Facility (IMF)
ESRA	Electricity Sector Reform Act
EU	European Union
FSL	Financial Sector Loan
FSO	Fund for Special Operations
GEC	Guyana Electricity Corporation
GNCB	Guyana National Cooperative Bank
GPL	Guyana Power & Light Incorporated
GS&WC	Georgetown Sewerage and Water Company
GUYSUCO	Guyana Sugar Cane Corporation
GUYWA	Guyana Water Authority
HIPC	Heavily Indebted Poor Countries
IDA	International Development Agency
IDB	Inter-American Development Bank
IIC	Inter-American Investment Corporation
IFF	Intermediate Financing Facility
IFI	International Financial Institution
IMF	International Monetary Fund
KM	kilometer
KW	Kilowatt
MIF	Multilateral Investment Fund
MW	Megawatt
NDS	National Development Strategy
NPV	Net Present Value
OC	Ordinary Capital
PAIS	Project Alert Information System
PCR	Project Completion Report
PEU	Project Execution Unit
PPMR	Project Portfolio Monitoring Report
PRGF	Poverty Reduction and Growth Facility (IMF)
PRSP	Poverty Reduction Strategy Paper
RAD	Roads Administration Division of Ministry of Public Works and Communications
SIF	Social Investment Fund
SIMAP	Social Impact Amelioration Program
TC	Technical Cooperation
T&D	Transmission and distribution (electricity)

EXECUTIVE SUMMARY

The "cooperative socialism" policies adopted by the Government of Guyana from the mid 1970s to 1988 included the nationalization of private companies in mining, agriculture and banking and the indirect control of economic activities through the introduction of price, credit and foreign exchange controls. As a result, during the 1980s, GDP fell by about 3 % per year and per capita income plummeted from US$600 to U$350. In addition, Guyana increasingly relied on suppliers' credit to finance its external trade. As economic difficulties mounted and external and internal balances deteriorated, the country was unable to meet debt service obligations thereby leading to the cessation of support from the IFIs (except the IDB which continued with some small loans in the late 1980s). This deepened the economic crisis, depressing investments, employment and growth. By 1988, the government controlled over 80 percent of the total value of recorded imports and exports and 85 percent of total investment. The most dramatic reaction to the deterioration in living standards and the increase in poverty was the massive emigration of the more highly trained Guyanese.

In 1988 Guyana found itself facing enormous development challenges of the economy, debt overhang, a large shortage of trained human resources, the deterioration of infrastructure and the social sector and a potentially divisive political system. After the introduction of the Economic Reform Program (ERP) in 1988, economic performance began to improve after 1991. There has been a considerable amount of external assistance under successive annual IMF programs, IDA and IDB investment and adjustment credits, bilateral aid, three Paris Club rescheduling arrangements during 1991-95, a stock of debt operation on Naples terms in May 1996, the original HIPC debt relief and in 2002 the anticipated enhanced HIPC debt relief. There was considerable progress in restoring macroeconomic stability, liberalizing the exchange rate and the economy, as well as strengthening the financial sector, improving the environment for the private sector (over 60% of previous government owned assets including banks, electricity, the telephone company and other industries have been privatized), improving the performance of the agriculture sector and rehabilitating infrastructure. The size of the civil service was reduced by one third since 1993. Real GDP growth averaged over 6% per year during 1991-97 before suffering a setback in 1998 and inflation has been kept low. Political disturbances, El Niño drought and La Niña flooding conditions and lower export prices for lumber, rice, sugar and gold in 1998 slowed economic performance, causing Government revenues to decline sharply and a depreciation in the nominal exchange rate. Since 1998, growth has been volatile, alternating between positive and negative.

The IDB played a major role in Guyana for much of the period emerging as the largest institutional lender. From 1989 to 2001, the Bank approved over $528 million in loans, $37 million in non-reimbursable TC operations, prepared one Country Programming Paper and two Country Papers, two Socioeconomic reports, a major independent study, *Building Consensus for Social and Economic Reconstruction: Report of the IDB Pilot Mission on Socio-economic Reform in the Cooperative Republic of Guyana* and a number of economic and sector studies. It approved five sector adjustment operations totaling $167.2 million and a balance of payments support loan of $26.8 million. Two operations were approved from IIC for $3.3 million but one was written off and the other cancelled. There was no direct lending to the private sector. The Bank disbursed over $390 million during the period and provided $150 million in net flows, considerably more than the World Bank or IMF. The Bank also participated in the original HIPC initiative providing almost $52 million in debt relief and is scheduled to provide an additional $64 million in the enhanced HIPC. Bank gross disbursements averaged over 5% of GDP and 12% of public sector expenditures and disbursements on investment loans accounted for about 25% of the public sector investment program.

The Bank's strategic engagement with the country can be separated into two stages – the first from 1989 to 1994 when the World Bank and IMF took the lead in providing balance of payments and structural

adjustment support. The IDB's strategy during this phase was to support the adjustment process through its work on a sector basis as defined in a 1990 *Socioeconomic Report* and the 1991 *Country Programming Paper*. During this period the Bank approved $191 million in loans, slightly more than each of the other two institutions, in the agriculture, roads, water, electricity, education and social investment sectors and $15 million in technical cooperation (TC) operations.

During the second stage from 1995 to 2001, the Bank clearly took the lead in Guyana, approving $338 million in loans and $22 million in non-reimbursable TCs, considerably more resources than the World Bank and IMF at about $55 million each. The Bank's strategy, based on the *1995 Country Paper* focused on addressing broad priority themes of alleviating the debt burden, increasing public sector efficiency, improving the delivery of social services and improving infrastructure and natural resources. The *1998 Country Paper* reinforced these priorities and added macroeconomic growth and stability and private sector development as additional priorities. It also identified some 35 performance indicators, one of the first country papers to include them. However, these indicators ranged from implementation of policy measures, programs and diagnostic studies, to passing of legislation, undertaking dialogue, adhering to macroeconomic targets and resolving negotiation problems. The indicators were in fact more milestones or project targets and did little to reflect progress in meeting the broader objectives of the country or the Bank's strategy. Major operations were funded in many of the same sectors – agriculture, electricity, roads, water and social investment as well as in new sectors of finance, urban development and air transport. The Bank approved $137 million in sector adjustment loans for agriculture, finance, electricity and air transport during this phase, providing much needed BOP and debt service support.

The Bank's strategy during both of the stages can be considered **relevant** to the needs of the country and to the Bank's own priorities. Although Guyana did not have a strategy of its own until the late 1990s when it completed a first draft of a development strategy in 1996 and then a final version in 2000, entitled *National Development Strategy (2001-2010)*, the Bank's objectives and programs were in line with those of the country. There was **coherence** to the Bank's strategy during the two stages as the program focused mainly on five sectors for 75% of the lending and attempted to address problems and issues in sectors where there was a significant need. A second and sometimes a third loan were approved to continue or reinforce the development efforts in the sector. Much of the TC activity in the first stage was directed at these same sectors and during the second stage the Bank began to explore other areas of activities such as modernization of the state, microenterprise and health.

Implementation of the Bank's portfolio proved difficult, as could be expected given the large debt burden the country faced and the huge emigration levels of the more highly educated work force. Almost all of the projects have experienced delays in execution ranging from 20 months to 87 months. However, on closer examination, execution performance was no worse than the Bank average. Of the 19 major loan operations only one loan was cancelled, seven have been fully disbursed and five are close to completion. The performance of the country office and the responsible division in the Bank accounts for the relative success in execution.

Effectiveness, impact and sustainability of the program, as in other CPEs, has been difficult to assess given the lack of evaluability parameters. The Project Portfolio Monitoring Reports (PPMRs) report that all of the projects were considered probable or highly probable in achieving their development objectives, but often with little or no explanation for the assessment. A closer examination of five Project Completion Reports (PCRs) reveals that the Bank was more intent on reporting on outputs of projects and not on the broader outcomes or developmental objectives.

A more thorough assessment of the Bank's program by sector and priority themes reveals a mixed record. The Bank has concentrated its efforts in the agriculture, electricity, roads, water, education and social investment areas, accounting for $410 million or 78% of total lending.

Three IDB projects in agriculture, amounting to $97 million, played an important role in assisting the turnaround in the sector. The value added of agriculture to GDP after reaching a low of 26% in 1990 climbed quickly and has maintained levels of 35% to 40% in the late 1990s. Sugar production has increased two and one-half times the 1990 level and rice is about four times as high. The IDB has the lead in the rice sector and the World Bank in the sugar sector. While production, exports and yields in both sectors have shown significant improvement there still remain problems in both sectors. Climatic conditions and a significant decline in global rice prices have reduced the value of exports and profits in this privately controlled sector and raised concern about the high level of debt incurred by farmers. The sugar sector continues to be run by GUYSUCO a state- controlled but privately managed monopoly despite pressure from the World Bank to privatize. Loss of preferential treatment for Guyana's sugar exports, particularly with the European Union could significantly affect the sector's profitability. Bank support directed at infrastructure (sea wall defense and access roads) has proven more successful that of the World Bank and CDB but much more support is still required in these areas as well as in irrigation and drainage.

Support in the electricity sector has been significant with a number of TC operations and three loans amounting to almost $77 million. The first two loans for $31.6 million helped to rehabilitate production but fell short by about 20% of its target of restoring capacity. Transmission and distribution, losses and outages all showed improvement but much remains to be done. The Bank's sector adjustment loan of $45 million to privatize Guyana Electricity Corporation (GEC) succeeded in creating a partnership with the private sector and bringing in private managers, but it has not yet brought in local investors into the company and has not brought it up to international standards. A MIF grant for legal/regulatory and institutional support helped to strengthen the Public Utilities Commission but it has not yet been made totally functional or autonomous. The electricity sector is clearly in much better condition now but considerable more investment is required and consumer satisfaction remains low.

The Bank financed two loans for Georgetown Sewage and Water (GS&WC) for over $40 million as well as a master plan. The first project is nearing completion and the second has not started to yet disburse. Progress has been achieved in improving the Georgetown system, much more so than in the World Bank project servicing the area outside Georgetown, but much remains to be done. Both the reliability and quality of water have improved but the project was overly ambitious in setting its targets.

Roads is another area where the Bank's projects, three for $97 million, have shown slow progress but with considerable work remaining. The first road project for $23 million is nearing completion but was overly ambitious and had to be restructured. Only two segments of the three proposed were built but the project is reported to have fared much better than World Bank efforts.

Lending for social investment funds amounted to over $50 million with a third loan approved in 2001. The first two loans helped to finance over 300 infrastructure projects, 200 Amerindian projects, 164 emergency projects as well as food, nutrition and vocational training. A number of evaluations have examined outputs but have not adequately considered deeper social and economic impact and outcomes such as community participation, poverty targeting, and employment and income sustainability. While most physical targets have been met, it is not clear what the impact of the program is and it is not clear that the funds are reaching the poor to the extent that it should.

One project in education for $46 million has fared well in terms of construction, rehabilitation and maintenance of primary schools but it is unclear to what extent the broader goal of improving the quality of education has been achieved. As in other sectors, progress has been made in education as public expenditure has increased, enrollment rates are high and literacy rates are amongst the highest in the

region. However, given the high emigration rates, these educational achievements do not translate into economic growth.

In terms of the broader thematic priorities outlined in the two CPs of 1995 and 1998, there was partial success in addressing social, productive and environment objectives but less so in public sector modernization and private sector development. The Bank was more successful in working with other institutions to meet the macroeconomic stability and debt overhang objectives, but attribution is difficult to assign under these circumstances. It was only in the 1998 CP that performance indicators ranging from implementation of policy measures, programs and diagnostic studies to passing of legislation, undertaking dialogue, adhering to macroeconomic targets or resolving negotiation problems. More realistic medium-term targets and indicators need to be established under these broader priority themes, reflecting the capacity of the country and its agencies for achievement. As this is to be a long-term process milestones and benchmarks should be used to indicate progress.

There remain considerable developmental challenges that face Guyana, in macroeconomic stability, debt overhang, infrastructure, social issues, political harmony and improved governance. Political stability and improved governance are necessary conditions to increase private investment. Moreover, given the size, the poverty levels, and the economic structure of Guyana, the attraction of foreign investment seems particularly needed, especially since the investment has to be more efficient if it is to improve the state of infrastructure. This becomes an even more difficult task with political instability and the perception of weak institutions and governance.

External support is also needed to restore macroeconomic balances and, more importantly, to set the basis for sustainable and less volatile economic growth. The debt relief provided by the Paris Club and HIPC initiatives will help to reduce the debt burden, but debt service as a percentage of GDP at 15.5% in 1999, the second highest rate in the world according to latest Human Development Report will continue to pose a constraint on development. These are good arguments to support further debt reductions that, of course, must be backed up by sound macroeconomic policies. Restoring economic growth may halt the high rate of emigration of qualified workers and allow their abilities to be put to use in Guyana's development.

I. Country Context and Development Challenges

1.1 Guyana is a thinly populated, low-income country with a population of about 750 thousand in an area of about 215,000 square kilometers. It is well endowed with natural resources, fertile agricultural land, diversified mineral deposits, and large acreage of tropical forests. The economy is mainly natural resource-based, with agriculture (mainly sugar and rice), bauxite, gold and timber accounting for most of the output in the productive sectors. Most of the country's population and economic activities are concentrated along the narrow coastal strip which lies below sea level and is protected by a series of sea defenses. The interior is largely forested and uninhabited, except for small scattered communities of mostly Amerindians. The population level has remained basically unchanged over the past 30 years, although urban population has grown from 33% in 1990 to 38% in 2000.

Political context: a major obstacle to economic growth

1.2 Since independence from the British in 1966, two political parties, drawn from the two principal ethnic groups of the country have dominated political activities. In general the Indo-Guyanese, making up slightly less than one-half of the population have supported the People's Progressive Party (PPP). They have traditionally dominated agriculture and business of the economy. The Afro-Guyanese, who represent about 40% of the population, supported the People's National Congress (PNC). They have traditionally been concentrated in government and the military. The PNC party was in power from independence until 1992 when the PPP was first elected and subsequently re-elected in 1997 and 2001.

1.3 After independence Guyana pursued a policy of "cooperative socialism," with increasing state intervention in the economy and little regard for the need to build up a viable private sector. National and international support gradually became weaker since electoral fraud allegations undermined the legitimacy of the Burnham regime (1966-85) of the PNC. The economic results during this long period were dismal and social indicators deteriorated steadily. Real GDP grew only at 0.4% a year over 1966-88—less than the population growth. The sugar and bauxite industries, the two pillars of the economy, collapsed after they were nationalized. After the death of Burnham in 1985, the PNC was headed by Desmond Hoyte. In 1988, the Government fully reversed its economic course and embarked on an Economic Recovery Program (ERP) supported by the IMF and World Bank.

1.4 Democratic elections were held in October 1992. International observers declared it an open and fair election. The winner was Cheddi Jagan, founder of the PPP. The economic reforms begun in 1988 under Hoyte were continued under the Jagan regime. Despite international approval, elections in late 1997 were ultimately marred by demonstrations and violence as the PPP was returned with a majority under the leadership of Janet Jagan, wife of Cheddi Jagan who had died in 1996. After several months of negotiations there was an agreement for constitutional reform and early elections that allowed restoration of political stability. However, external shocks in the form of an El Niño drought in 1998, decline in export prices in 1998, a prolonged strike by civil servants in May 1999 and La Niña flooding in early 2000 all affected the economy serving as a catalyst for macroeconomic underperformance. The Opposition continued to question the validity of the Government and following the resignation of Janet Jagan, the Finance Minister, Bharrat Jagdeo, took over the Presidency. The PPP

was re-elected in March 2001, but again, the Opposition resisted the outcome and resulting in riots and road blockages. Subsequent meetings between party leaders have created a thin agreement and stability. The political scenario has proven to be a major disruptive force in the country.

Economic Trends, Policies and Performance

1.5 The economy started to deteriorate in the late 1970s resulting from economic mismanagement and an over-extended role of the state. Guyana squandered the bonanza in sugar prices in the early 1970s and failed to adjust to the two petroleum shocks. In the 1980s economic performance deteriorated further. Demand policies were expansionary, the real exchange rate appreciated, and the Government relied increasingly on price controls and quantitative restrictions on trade. These policies resulted in an average decline of GDP by 2.8% a year over 1980-88, a dramatic increase in debt and a large parallel economy. In the wake of this decline, the economic and social infrastructure fell into near complete disrepair, Guyana's education and health indicators fell from among the highest to the lowest in the Caribbean and poverty became pervasive. By the late 1980s the development challenges facing Guyana grew enormous in the midst of political uncertainty, high levels of poverty, and extremely high emigration levels, particularly of the more highly educated work force.

1.6 By 1988 the level of output was only 68% of that of 1976, investment had declined by over 10% per year on average during the 1980s, and inflation had averaged over 21%. Because of the decline in terms of trade and the rising share of foreign interest payments and reschedulings, the external sector was in a huge deficit. The public sector deficit continued to deepen and the Government increasingly relied on foreign borrowing to finance resource imbalances. External payment arrears reached well over $1.3 billion by 1988, although the country did not allow arrears to accumulate with the IDB in order to continue receiving new loans. According to the Human Development Report, the debt service ratio of Guyana in 1990 was, by far, the highest in the world at 74.5% of GDP and the outstanding debt to GDP ratio had reached an astounding 738%.

1.7 A support group of ten bilateral lenders, led by Canada, provided some $180 million in interim financing allowing Guyana to successfully clear its arrears to the IFIs by 1990 and resume borrowing. Guyana subsequently received about $170 million from the IMF through the ESAF, $78 million from IDA as a Structural Adjustment Credit, a $27 million Agricultural Rehabilitation Loan from the IDB and $42 million from the CDB as an Economic Recovery Loan. It also received rescheduling from the Paris Club on bilateral debt. These funds allowed Guyana to repay the donor community but ultimately had the effect of postponing payments rather than substantially reducing debt service.

Table 1.1 Selected Economic and Social Indicators
Average for 1985-1990

	Guyana	Bahamas	Barbados	Jamaica	Trin&Tob	Venezuela
Per Capita GDP Growth-%	-2.7	0.8	1.9	4.4	-3.3	0.0
Per Capita Real GDP- US$-1990	441	N/A	6,655	1,628	4,171	2,495
Growth of Food Production-%	-6.5	-1.6	2.3	3.3	2.0	1.6
Growth in Electricity Use-%	-4.4	2.2	3.7	1.5	3.5	4.4
Life Expectancy at Birth-years	62.2	72.1	74.6	72.5	72.0	70.5
Infant Mortality Rates-per 1000	65.0	20.0	13.0	27.0	20.0	26.9
Mortality Rates	8.2	5.7	8.7	6.5	6.8	5.0
Urban Population-% (1990)	33.2	83.6	44.8	51.5	69.1	83.9

Source: ECLAC

1.8 **Policies.** The ERP introduced in 1989 consisted of broad macroeconomic measures and structural reforms to realign relative prices, dismantle state controls, and establish a market-oriented economy. It called for a reduced role for the public sector, removal of controls that distorted factor and commodity prices and a greater role for the private sector. The key elements of the ERP were implemented and outcomes were as expected. The Government during the early 1990s restrained expenditures and applied a tax reform, abolished price controls and liberalized interest rates, established a market-determined exchange rate regime, and reduced tariffs and eliminated most import prohibitions. The privatization program initially divested 14 of the over 40 public enterprises and introduced private management in the sugar and bauxite industries.

1.9 **Performance.** The economic impact of the ERP was slow to take effect. Strikes and work stoppages in key sector, power outages and heavy rains and flooding slowed production growth in bauxite, sugar and rice. As a result, GDP declined in 1989 and 1990. By 1990, public sector expenditures accounted for almost 78% of reported GDP[1], the public deficit was estimated at 35% of GDP, and total public external debt reached almost $1.9 billion or 738% of GDP, mainly from bilateral (57%) and multilateral (36%) sources. In 1991 the reform program began to show an impact as weather and other conditions turned favorable. The exchange rate depreciation and decontrol of producer prices helped to increase production. In the sugar sector the privatization of management, a replanting program and resolution of labor problems led to a significant increase in production. Inflation continued to be a problem from 1989 to 1993, caused mainly by the removal of price controls and exchange rate devaluations. In October 1992 a new Government took office after the first truly democratic election in more than two decades. It continued implementation of economic reforms along the lines of its predecessor, albeit at its own pace.

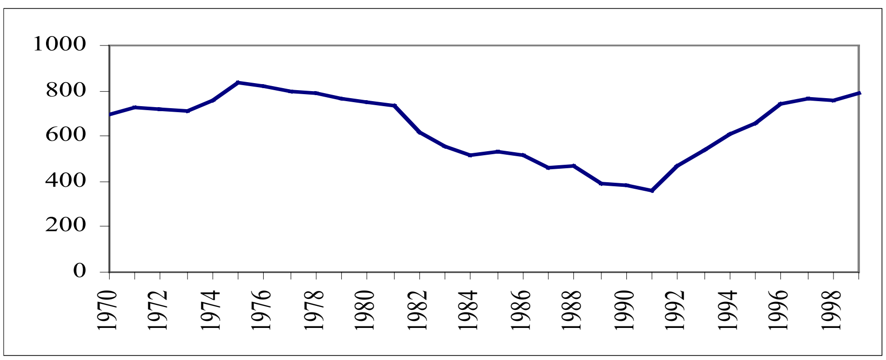
1.10 Since 1992 Guyana's policies have sought to maintain economic stability and reorient the economy to the market. In line with the IMF's Policy Framework Papers (PFPs) the country has eliminated almost all price controls, raised fees for public services, abolished import prohibitions, unified the exchange rate, simplified the tariff structure, established market interest rates and privatized all but a few public enterprises. The public service deficit has been brought down from 43% of GDP to about 2% and public sector employment reduced from 67,000 in 1993 to 41,000.

[1] It is estimated that the unreported informal sector accounted for 25% to 50% of GDP.

1.11 The economy over the period has remained mainly natural resource-based with agriculture (primarily sugar and rice), fishing, and mining (bauxite and gold) representing almost 60% of national value-added. Exports remained heavily concentrated in these commodities: external sales of bauxite, sugar, rice, and gold accounted for almost 80% of total exports during the nineties. Guyana is the most open economy in the region since both exports and imports amount to close to 100% of GDP.

1.12 The mix of the adjustment programs and political stability had a significant impact from 1991 to 1997. Real GDP grew by an average 7% over the period with strong growth in agriculture, forestry, mining, transport and construction. National savings increased and public finances improved as the public deficit fell from 14% of GDP in 1993 to under 4% by 1997. Cuts in government expenditure accounted for all of the improvement. The political difficulties of late 1997 followed by the El Niño drought and the decline in export prices in 1998 all contributed to a downturn of the economy in 1998 as well as delays in parliamentary approval of budgets, weakened public finances, and slower implementation of reforms. It undermined business confidence and diminished production. The economy did not significantly improve in the following years. There was a prolonged strike by civil servants in May 1999 and the effects of La Niña flooding in early 2000 again resulted in an economic downturn in 2000. Moreover, the arbitration award raised most civil service salaries by 19% in 1998, 31% in 1999 and 27% in 2000, putting additional pressure on public finances. The size of the public sector was still large compared to other economies in the region. Nevertheless, the overall public sector deficit continued to decline. GDP growth has been volatile since 1998, alternating between negative and positive rates to reach an accumulated 0.6% expansion over the 1998-2001 period.

Chart 1.1 Guyana GNP per capita (Constant 1995 US$)



Source: World Bank Development Indicators

1.13 **Infrastructure.** The quality and coverage of infrastructure which had deteriorated significantly in the 1970s and 80s severely affected prospects for growth. By the late 1980s sea defenses were often breached, roads were in terrible condition, the important agricultural sector lacked inputs and proper drainage and irrigation. The electricity, water and sanitation services showed unacceptable coverage and quality. While there has been substantial recovery in these areas many problems remain with the country today, even after significant amounts of investment were made. The total investment rate, according to the IMF, averaged 30.3% during the 1993-2001 period and was one of the highest in

the region[2]. Nonetheless, this rate was not been able to generate a lasting sustainable growth rate. The country remains highly susceptible to external shocks such as increases in the price of oil or climatic change.

1.14 **Debt.** Debt service continued to be problem for Guyana throughout the 1990s despite international aid. Medium and long-term external public debt declined from 432% of GDP in 1993 to 204% at the end of 1997, reflecting the huge stock of debt reduction from Paris Club creditors (including Trinidad and Tobago) following adoption of “Naples Terms”[3] in 1996. In 1998 a rescheduling agreement with the OPEC Fund to clear arrears was implemented. The opportunity to further reduce debt presented itself in the **Heavily Indebted Poor Countries (HIPC) Initiative**, introduced by the IMF and World Bank in 1996, intended to provide a comprehensive approach to reduce the external debt of the world's poorest, most heavily indebted countries. Guyana qualified for the HIPC Initiative in 1997 and in May 1999 it satisfied the conditions for reaching the completion point. Under the original HIPC Initiative, Guyana received debt reduction of US$256 million in net present value (NPV) terms. Multilateral institutions provided 64% or $165 million and bilateral donors provided the balance. The IDB provided over 30% of the multilateral portion, over $50 million through write-offs from the FSO and partial payment of interest on selected loans. This brought down the NPV of Guyana’s external public and publicly guaranteed debt from $1,085 million to $829 million for the end of 1998.

1.15 While the Initiative yielded significant early progress, multilateral organizations, bilateral creditors, HIPC governments, and civil society have engaged in an intensive dialogue since the inception of the Initiative about the strengths and weaknesses of the program. A major review in 1999 resulted in a significant enhancement of the original framework, and produced an enhanced HIPC Initiative which was considered to be "deeper, broader and faster". The enhanced HIPC will reduce Guyana’s external debt by an additional $329 million in NPV terms bringing total assistance to $585 million. This in effect would bring Guyana’s external debt to less than one-half of the NPV of debt outstanding before the original HIPC assistance. Several Paris Club creditors have indicated possible debt relief beyond their assistance under the original HIPC Initiative.

1.16 **Governance**. Through the 1980s there was a sharp deterioration of the public sector, particularly in finance and the quality of staff. The public sector deficit rose from 17% of GDP in 1980 to 57% by 1985 and then improved before reaching 47% in 1989 when the ERP was introduced. The size of the public sector remained very large over this period as the PNC was reluctant to downsize in view of the political support it received from the sector. The number of state-owned enterprises which controlled most of the economy by 1989 totaled about 40 with many losing money and with allegations of corruption. The investment and planning process which was highly centralized was weak due to lack of information systems and experienced planners. With little data being collected in areas such as prices, incomes or consumption, it was not possible to judge the appropriateness

[2] Data quality and consistency is a huge problem in Guyana. There are differences between IMF and Central Bank’s data. For example, the investment rate averaged 43% during that period according to the Central Bank of Guyana. In addition, GDP figures may be underestimated due to informal activities.

[3] In December 1994, Paris Club creditors agreed to implement a new treatment on the debt of the poorest countries. These new terms, called "Naples terms", granted two substantial enhancements on the level of reduction and the conditions of treatment of the debt, implemented on a case by case basis. Guyana received the debt reduction in May 1996.

of interest rate or wage policies. It was well recognized at the end of the 1980s for the need to introduce a public investment program and to improve public administration.

1.17 **Social indicators.** The social sector in the country had deteriorated badly through the 1980s. The country suffered from an acute housing shortage labeled as the most severe in the Caribbean. Low salary levels led to high emigration of many health care workers. The physician/population ratio was among the lowest in the hemisphere. Physical infrastructure was in extreme disrepair throughout the country. The deterioration of the health care system was reflected by significantly high levels of child malnutrition, infant mortality and communicable diseases. The situation facing the education sector showed similar deterioration as it moved from amongst the top to near the bottom in the Caribbean community. A survey of education infrastructure in 1991 showed only 10% of the schools to be in satisfactory condition, a severe shortage of instructional material and equipment, a decline in trained teachers and very low morale.

1.18 Estimates of poverty were as high as 65% of the population in 1988, climbing to 75% in 1989 due to inflation. A 1993 household survey calculated that about 43% of the population lived below the poverty line, with 29% living in extreme poverty. The most recent household survey of 1999 revealed that the levels had fallen with 35% living below the poverty line and 19% in extreme poverty. Poverty levels were much higher in the rural areas, particularly the interior where it was estimated at close to 90% in 1999. A Gini estimate of 40.2, based on the 1993 survey indicates a somewhat unequal, although not particularly serious, income distribution (the Gini coefficient in the US is 40.8). The latest Human Development Report "human poverty index" (based on longevity, knowledge and living standards) ranks Guyana in position 15 out of 90 under-developed economies (90 being the poorest).

Development Challenges

1.19 Since the implementation of the ERP at the end of the 1980s, Guyana has received substantial support from international creditors that allowed it to significantly improve its economic performance, but not totally solve its macroeconomic problems and imbalances. Social progress has been evident but huge needs remain. Political instability and, in general, weak governance continue to prevent additional economic and developmental gains. Two key factors were crucial to Guyana's progress during the early 1990s: 1) political stability allowing the country to carry out the implementation of major policies that translated into economic growth and a small improvement in social services and 2) the reemergence of international support (particularly debt reduction of Naples Terms and HIPC). These two factors remain necessary for resumed growth. They go together as political stability and, in general, improved governance, are necessary conditions for increased private investment. Moreover, given the size, poverty levels and the economic structure of Guyana, foreign investment is particularly needed to improve the state of infrastructure.

1.20 Political instability and the perception of weak institutions and governance remain as the major obstacles for sustained foreign investment and growth. External support is still needed to restore macroeconomic balances and to set the basis for sustainable and less volatile economic growth. In terms of balances, even when the economy was booming in the mid-nineties, the public sector showed a deficit. However, during the 1990s the public sector always showed a primary surplus, evidencing that interest payments were extremely high for this country. Debt service as a percentage of GDP reached 15.5% in

1999, the second highest rate in the world according to latest HDR. These are good arguments to support further debt reductions that, of course, must be backed up by sound macroeconomic policies. Another area of weakness is the external sector, since the reliance in external savings has always been too high. This last element brings out the issue of sustainability and volatility. Given the characteristic of a very open economy, steady and high domestic savings and investment rates are needed to reduce volatility.

1.21 Restoring economic growth may halt the high rate of emigration of qualified workers and put their abilities to Guyana's development. However, within the social sectors the most urgent issues are the health and nutritional challenges, which required immediate assistance due to the existing precarious conditions. This is a potential area for further and targeted international support.

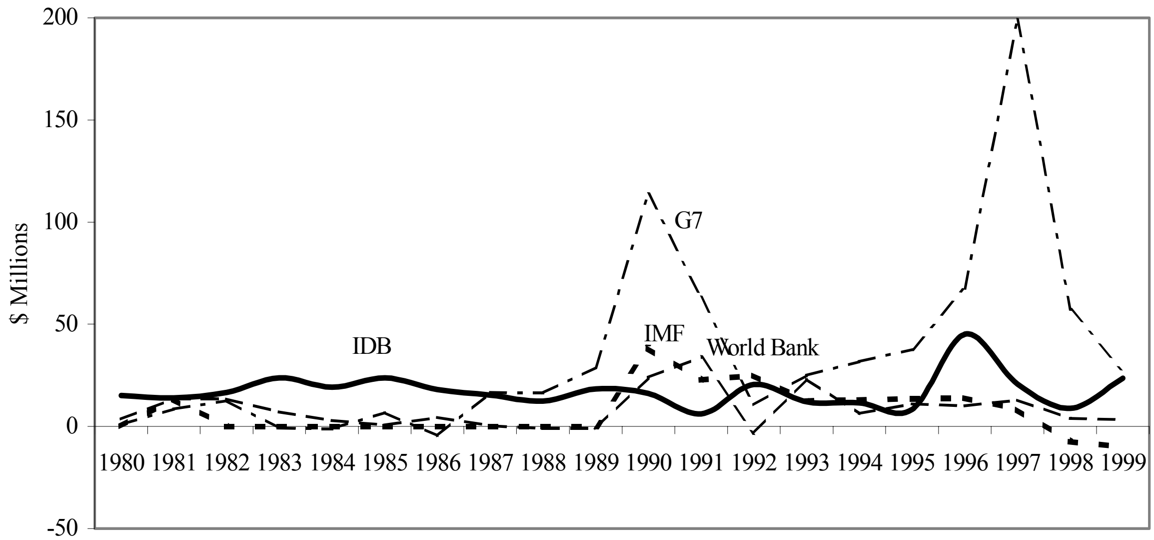
II. THE IDB'S STRATEGIC ENGAGEMENT WITH THE COUNTRY

External Development Assistance

2.1 Net flows of external assistance to Guyana were low for most of the 1980s and did not start to rise until 1990 after the introduction of the ERP. In 1990 external assistance, led by the G7 and IMF, jumped dramatically then fell back to levels under $100 million until 1996-97 when it again surged. Chart 2.1 below illustrates the pattern of net flows of assistance as reported to the Development Assistance Committee (DAC) of the OECD.

I

Chart 2.1
Guyana: DAC Net Flows 1980-1999



Source: OECD

2.2 The role of the IDB is readily apparent from the chart. It continued to play a major role in providing assistance during the 1980s at a time when the country was receiving very little in external assistance. Guyana continued to pay its obligations to the IDB at that time therefore remaining eligible for borrowing even though it was heavily in arrears to the World Bank, IMF and CDB. After 1989, the Bank played a smaller role relative to the G7, IMF and World Bank, but by 1996 was again the leading multilateral institution providing resources. Over the entire 1989-99 period the IDB was the largest institutional lender, providing about 15% of total net flows, second only to the UK.

2.3 The Bank has approved over $750 million in loans since Guyana joined the Bank in 1975 and over $57 million in non-reimbursable TCs. From 1980 to 1988, only nine loans for $165 million were approved with two each in industry, fisheries and irrigation and one in each of electricity, health and human resource development. About $14.5 million in TCs were approved in that period.

2.4 Over the period 1989-2001 the IDB was a major net contributor to the country, approving over $528 million in loans, providing disbursements of $390 million and close to $150 million in net financial flows, while IDA approved $233 million, disbursed $223 million but only accounted for about $1 million in net financial flows. The pattern of Bank

annual disbursements is provided in Chart 2.2 below which shows the increase in disbursements as the Bank moved into sector lending in 1995. Chart 2.3 shows approvals and net financial flows for both the IDB and World Bank. These data show the strong role that the World Bank took in the early years of the ERP while the IDB maintained a fairly even pace except for 1994 when no loans were approved and in 1999 when one small operation was approved.

Chart 2.2: IDB Disbursements 1990-2001

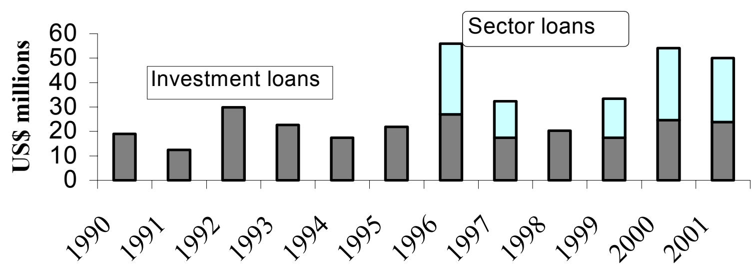
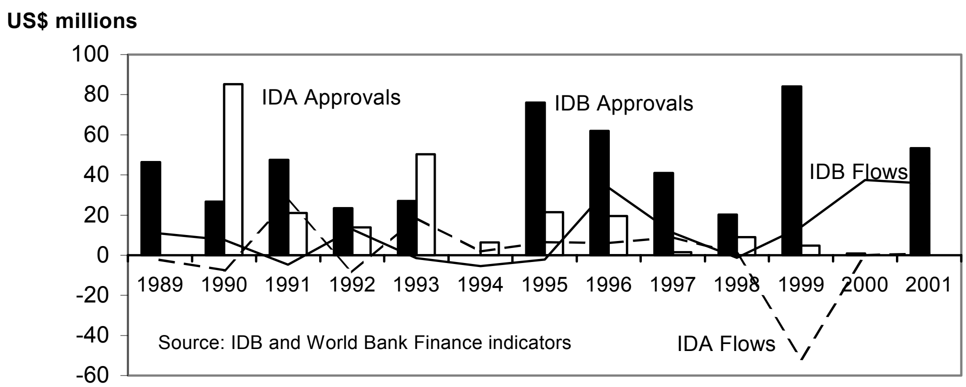


Chart 2.3: IDB and IDA Approvals and Net Flows 1989-2001

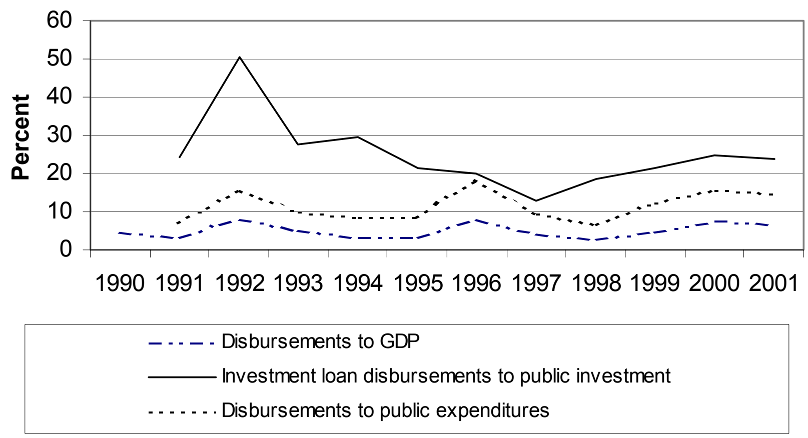


2.5 Chart 2.4 below provides ratios of IDB gross disbursements to GDP and public expenditures as well as investment loan disbursements to public investment spending. The Bank's disbursements over the period totaling $390 million averaged over 5% of GDP and about 12% of public sector expenditures. Disbursements peaked in 1996 reaching $56 million or 8% of GDP and 18.5% of expenditures. Bank disbursements on investment loans accounted for a significant portion of the public investment program, averaging about 25% over the period but as high as 50% in 1992. The ratio declined over the period as sector lending increased and the country found other sources for its investment program. The heavy debt burden of the Government over the period also resulted in a relatively small public investment program given the country's needs that was heavily sponsored by the IDB.

2.6 Since 1989 the Bank has approved 19 major loan operations and three small project preparation operations amounting to over $528 million. About $273 million has been disbursed on these loans as of the end of 2001. Loan operations were approved for the following sectors: transportation (4); agriculture (3); social investment (3); electricity (2); urban development (2); water (2); education (1); financial adjustment (1) and

environment (1). Six of these were considered policy-based or sector adjustment operations – three in agriculture and one in each of finance, electricity and air transport. A list of these operations is provided in Annex A. There have also been 83 non-reimbursable TC operations approved between 1989 – 2001 totaling over $37 million, six of which were approved under the MIF totaling $4.9 million. A list of TC operations is provided in Annex B. The Bank has prepared three country strategy documents since 1989 – a CPP on 1991, a CP in 1995 and a second CP in 1998. It has also prepared two Socioeconomic Reports – 1990 and 1994, as well as numerous Programming Mission Papers (PMPs) and Programming Mission Reports (PMRs) and economic and sector studies. More detail on the Bank's program is provided in Chapter III of the report.

Chart 2.4: Ratio of Disbursements to GDP, Public Expenditures and Public Investment



The Bank's Strategies

2.7 The Bank prepared a *Socioeconomic Report* in 1986, prior to the introduction of the ERP. In 1990, following implementation of most aspects of the ERP, the Bank prepared another *Socioeconomic Report*, reviewing and assessing developments in light of the ERP and attempting to identify issues and priority areas for support. The report highlighted the macroeconomic and sectoral policy adjustments already begun in the ERP, the weaknesses of the public sector and the physical infrastructure and sector needs. It had a strong influence on the *1991 Country Programming Paper* (CPP), which proposed that the IDB maintain the lead in several sectors – agriculture and sea defenses, electrical energy, road transport, financial sector and social areas of water, urban and social investment funds. It also proposed a direct attack on poverty predicated on creating an environment for increased productivity. Additional information is provided in Table 2.1 below.

2.8 A major IDB independent study, *Building Consensus for Social and Economic Reconstruction: Report of the IDB Pilot Mission on Socio-Economic Reform in the Cooperative Republic of Guyana* was completed in 1994. This series of Social Agenda Policy Group country studies attempted to provide an integrated approach to reform incorporating social considerations into the process. For Guyana, it provided detailed analyses and recommendations for the economy, infrastructure, productive and social sectors and crosscutting issues such as poverty, gender, governance and the environment.

The 373 page report went into considerable detail in many areas but did not prioritize its recommendations or indicate how the Bank should start addressing the many needs of the country.

2.9 Another *Socioeconomic Report* was prepared in 1994, after the improvements attributable to the ERP had taken effect. The report highlighted the developments in the country, identified principal development challenges and made major macroeconomic, social and institutional recommendations. It led to the first *Country Paper* (CP) in 1995 which identified three key development challenges: maintaining a sound macroeconomic environment while reducing external debt and improving efficiency of the public sector; improving the quality of health and education; and erosion of infrastructure and integrity of natural resources. This CP put forth four broad strategic objectives and identified the roles that the Bank would take in addressing different elements. These are provided below in Table 2.1. The CP identified some 11 projects in the three-year operational program and five economic and sector studies.

2.10 The third strategy document, the *1998 CP* provided details on Government actions, the Bank's strategy and program as well as that of other development agencies, a pipeline of 13 projects and 11 TCs, macroeconomic projections and performance indicators. It raised the issue of Guyana's debt overhang constraint and the Bank's role as the largest donor in the HIPC initiative with over 16% of external debt. The CP identified major developmental challenges of macroeconomic stability and debt and sectoral challenges in the public, private and social sectors, infrastructure and the environment as well as the Bank's strategy in each. Details of the CP are provided below in Table 2.1. For the first time, it also provided performance indicators as a way of measuring success. The Bank also prepared sector studies in education and enterprise development as well as an Enterprise Development Strategy which has not yet been finalized.

2.11 **Evaluation.** The Bank's strategic engagement with Guyana can be separated into two stages, the first from 1989 to 1994 when the World Bank and IMF took the lead in providing BOP and structural adjustment support to the country as well as policy advice. Over this stage the amount of resources provided by all three institutions was about the same – IDB $191 million; IMF $185 million and IDA $177 million. The IDB contributed to Guyana's adjustment process through its comprehensive analysis of sectors in the 1990 and 1994 *Socioeconomic Reports* and its concentration on sector objectives in its *1991 CPP*. Beginning in 1995 the Bank expanded its role through the *1995 CP* by increasing its sector adjustment lending, approving three in 1995/96 (agriculture, finance and electricity), expanding its involvement in the social sector through SIMAP and showing its willingness to explore funding in other sectors. The Bank's Social Agenda Policy Group 1994 report *Building Consensus for Social and Economic Reconstruction* provided major recommendations where the Bank could increase its involvement. Bank lending rose from $191 million to $338 million during the second stage, while both the IMF and IDA financing fell to about $55 million. There was close cooperation and a clear division of labor amongst the three institutions in both stages, but the IDB had clearly become the major multilateral supporter of the country over the period.

2.12 In both of these stages the IDB's strategies could be considered **relevant** to both the country's needs and the Bank's broad development objectives. At the start of the period in 1989 under the **first stage**, Guyana, having no strategy of its own, followed the Policy Framework Paper (PFP) of the IMF and World Bank. With these institutions taking the lead in the macroeconomic area, the IDB's 1990 and 1994 *Socioeconomic Reports* and

1991 CPP[4] provided extensive analysis of sector difficulties and issues facing the country and where the Bank could address its efforts. The reports did not attempt to provide a pipeline of projects or TC operations to be financed, context of how the IDB program was to fit in with other donors, expected results (in terms of disbursements or project completion) or impact on the sectors. The dismal situation that Guyana faced in every sector made it readily apparent that whatever area the Bank chose to participate would be highly relevant. It is not possible to say there was country ownership of the Bank's strategy given the situation facing the country in the late 1980s and the lack of any country-owned strategy. The areas made priorities by the Bank (agriculture, roads, water, electricity, primary education and social investment) were all sectors needing immediate attention. Table 2.1 below provides the sectors, sector objectives and anticipated and realized projects under the *1991 CPP*.

2.13 There was **coherence** to the Bank's strategy during this first stage as seven projects were limited to just the six sectors noted above totaling $191 million, including a hybrid agriculture operation. Agreement was reached with the other major lending institutions on sectors to be addressed and the Bank did not stray from this emphasis. Also amongst the 33 TC operations for $15 million approved in this first stage most were in the same sectors – agriculture (9), roads (3), water (4), social investment (4) and education (1) – but also for urban development (2), health (1), finance (3), environment (2), multisectoral (1), mining (1), sector lending administration (1) and strategy preparation (1). Most of the TC operations went for project preparation, with institutional strengthening in a much more minor role.

2.14 In terms of the broader Bank priorities as mandated in the Board of Governors General Increase in Resources (GRI) documents, the Bank's operational strategy for Guyana was not out of line with the thrust set by Governors. *The Proposal for the Seventh General Increase in Resources* AB-1378 (GRI7) came into effect in 1990, broadening the thrust of the institution by introducing fast-disbursing sector adjustment lending with attached conditionality with no restrictions of sectors covered, in concert with the IMF and World Bank at the start and at the same time focusing on areas of environmental management and conservation of natural resources, women in development and support for micro entrepreneurs. The Bank with its sector support for Guyana in agriculture provided much needed balance of payments (BOP) support in both 1990 and 1991. In order mitigate the impact on the poor during the period of structural adjustment, both TC and loan support were provided for the Social Impact Amelioration Program (SIMAP).

2.15 During the **second stage** of the Bank's program from 1995-2001 the strategy was very much shaped by the *1995 CP*, which introduced the four broader thematic objectives in the Bank's program. These are provided in Table 2.1 below. The *1998 CP* added three additional objectives to the Bank's agenda but brought in the other multilateral financial institutions as co-actors in meeting these objectives. The CP also provided some 35 performance indicators (see Table 2.1 above), seemingly to imply that these could measure whether the strategy objectives were being met, but little was provided as to baseline information, milestones or targets. To be fair, however, the *1998 CP* was one of the first in the Bank to provide indicators and as such should be recognized for this innovation.

[4] Prior to 1994 CPPs were not intended to be true strategy documents, rather they typically provided analysis of sectors in which the Bank could address its program.

Table 2.1: IDB Programming in Guyana – Strategic Objectives and Anticipation

Principal Objectives	Sector objectives	Ongoing or Anticipated Intervention	Project or TC Realized
1991 CPP	**1991-1995**		
Agriculture and sea defense	Investment, extension and research, diversification, sea defense investment	GY0049-1990 TC3450-1990 TC3506-1990 Agriculture sector loan	GY0043-1991 TC4416-1993 TC4595-1994 TC4712-1994 TC4762-1994
Energy	Rehabilitate electrical sector	GY0033-1985 Rehabilitate inoperative facilities	GY0046-1991
Social-SIMAP	Mitigate negative social impact of adjustment	TC3353-1989 TC3356-1989 New SIMAP loan	GY0047-1993 TC3363-1991 TC4387-1993
Water	Rehabilitate Georgetown water	TC3640-1991 TC3856-1991	GY0006-1993 TC4418-1993
Urban	Coordinated institutional delivery	TC3829-1991	GY0041-1998 GY0052-1999
Transport	Road transport rehabilitation	TC3776-1991	GY0005-1992 TC3933-1992
Financial	Sector diagnosis	TC support	TC4251-1993
1995 CP	**1995-1997**		
Alleviate Debt Burden	BOP support through sector loans	Financial adjustment Agriculture reform Energy sector hybrid	GY0032-1995 GY0016-1995 GY0048-1996
Increase Public Sector Efficiency	Project management Policy making Project preparation Procurement Tax and budget	Public sector management program Multi sectoral pre-investment program	No No
Improve Delivery of Social Services	Reform health sector/health delivery Education infra-structure Poverty alleviation Vocational training	Health care reform and modernization GY0010-1989 & Post primary education GY0047-1993 & SIMAP II	TC5834-1998 GY0063-2002 GY0025-1996 GY0061-2001 GY0064-2002
Improve Infra-structure and Natural Resources	Road rehabilitation Electrical rehabilitation Urban infrastructure Sea defenses & Irrigation/drainage Agriculture policies Environment regulation & policies Georgetown water	GY0005-1992 GY0046-1991 Electricity sector hybrid Urban rehabilitation Shore zone management Agriculture policy reform Environment management program Stage II	GY0026-1997 GY0048-1996 GY0041-1998 GY0052-1999 No TC5432-1996 GY0059-2000 GY0054-1999

Principal Objectives	Bank's Sector Objectives	Anticipated Intervention	Project or TC Realized	Performance Indicators
1998 CP	**1998-2001**			
Macro-economic Framework for Sustained Growth	Support macro-economic management, areas of budget, tax/customs and public sector investment	Public sector modernization program	TC6867-2000 No Project	Adherence to PFP and ESAF targets, Implement policy conditions
Overcoming Debt Ceiling	Support social sector & civil service reform components of HIPC	Monitor debt process Banks share of HIPC	Yes Yes	Policies implemented, Targets achieved
Public Sector Modernization	Civil service reform, improve effectiveness of delivery, policy making and public investment	Multi sectoral pre-investment program Public Sector Modern-ization Program	No TC No project	Inventory, Time reduced, Compensation reorganization completed
Private Sector Development	Promote regulatory & policy reform Support institutions	Enterprise Develop-ment Strategy System of property rights and procurement under MSPI	Yes No	TC programs implemented Deeds registry Land reform
Agriculture	Market and trade liberalization, increased reliance on private sector, insti-tutional development	Agriculture support services	No	Progress on ASL Policy reform
Financial	Increased competition and resource mobilization	TC for Mobilization in the financial system	No	Legislation Increased savings
Social Sector Development	Increase absorptive capacity, available budgetary resources and delivery in health and education, help to reduce poverty, improve conditions	Urban Rehabilitation Program Low Income Housing Georgetown Water II Secondary Education	GY0041-1998 GY0052-1999 GY0054-1999 GY0063-2002	Property revaluation Availability Reduce losses metering, cost recovery Investments
Productive Infrastructure	Rehabilitate and expand infrastructure, improve management and policies	Deep water harbor Airports project Berbice river crossing	No GY0050-1999 No	Feasibility studies and decisions
Environment	Reform legal framework and policies, land titling, coastal conservation, sanitary infrastructure, training	Shore zone management project TCs for environmental education and Study of Land Titling	TC6207-1998 No	Low cost sea defense Training in environment Land allocation

2.16 The performance indicators ranged from implementation of policy measures, programs and diagnostic studies, to passing of legislation, undertaking dialogue, adhering to macroeconomic targets and resolving negotiation problems. The indicators were in fact more milestones or project targets and did little to reflect progress in meeting the broader objectives of the country's or the Bank's strategy.

2.17 Nevertheless the Bank's strategy can be considered **relevant** to the needs and priorities of the country and to the Bank's own priorities. One area which was not emphasized in the strategy was political stability which surfaced in 1998 and remains an important factor in development of the country. Guyana's was preparing its own development strategy in the late 1990s, finally completed in 2000, entitled *National Development Strategy (2001-2010) A Policy Framework: Eradicating Poverty and Unifying Guyana.* The process, begun in 1993, when the President approached the Carter Center of the US for assistance in the formulation of a National Development Strategy (NDS) produced a first draft in 1996. This draft was never brought to Parliament, due to political reasons. Subsequently, the Carter Center approached Guyanese civil society to serve as participants in an attempt to make the strategy a broader consensual document. A National Development Strategy Committee was assembled in 1998, finally producing a huge 350 page report covering all sectors of life in Guyana. Hence, as the Bank was preparing its two CPs over this period, there was a parallel exercise going on amongst the Guyanese themselves. There is considerable similarity in terms of the overall objectives of the strategies although the NDS is much more far-reaching (to 2010) and sector extensive than the Bank's strategy. To this extent there was country ownership of the Bank's strategies.

2.18 There was **coherence** in the Bank's strategy as reflected by the loans and other operations selected. Over the second stage the Bank approved 12 loans (excluding the small project preparation loans) totaling $338 million over eight sectors, in five of the sectors covered in the first stage and in the new sectors of finance, urban development and environment. Over the period there were 50 TC operations approved totaling $22 million distributed widely across some 14 sectors, with environment (9), transportation (7), microenterprise (6), modernization of the state (6) and health (4) leading the way. The wider coverage of sectors in the TC program shows the broader role that the Bank was taking in providing development assistance to the country after 1995.

2.19 In 1994, Governors approved *The Proposal for the Eighth General Increase in Resources* AB-1704 (GRI8) leading to a slight shift in lending priorities. The emphasis on economic adjustment of GRI7 gave way to greater concern for poverty reduction and social equity, modernization and integration and the environment. This shift was reflected in the Bank's program for Guyana as the objectives of the program (provided in Table 2.1 above) were much more reflective of GRI8 priorities.

2.20 There has not been a great deal of Bank-sponsored economic and sector studies carried out on Guyana. Part of the reason is the large number of studies on the country carried out in other organizations and agencies. For example studies on the adjustment in Guyana have been made by the IMF, World Bank, CIDA and European Union. Where the Bank concentrated its efforts in the late 1990s was the enterprise sector, producing a sector diagnostic, a review of microenterprise and a draft Enterprise Development Strategy.

2.21 To sum up, the IDB played an important role in meeting Guyana's financial needs, especially since 1995. The instruments chosen were mainly project and sector loans, technical assistance and debt relief. Non-financial products were scarce as the need for financial support increased. The programming exercise has been closely coordinated with other multilateral organizations. Country needs were enormous and they have been correctly identified in IDB reports, although priorities have been difficult to assess given the broad range of needs. Despite all, programming has been relevant and coherent, and its instruments helped to diminish macroeconomic imbalances. Nonetheless, the political challenges have not been adequately addressed as they proved to be a disruptive force that jeopardized economic improvements.

2.22 The larger issue is whether the fulfillment of financial requirements has been accompanied by progress in Guyana's ability to regain the path to economic development. Hence, the following chapters explore that issue in analyzing the implementation and effectiveness of the Bank's program.

III. PROGRAM IMPLEMENTATION AND DELIVERY

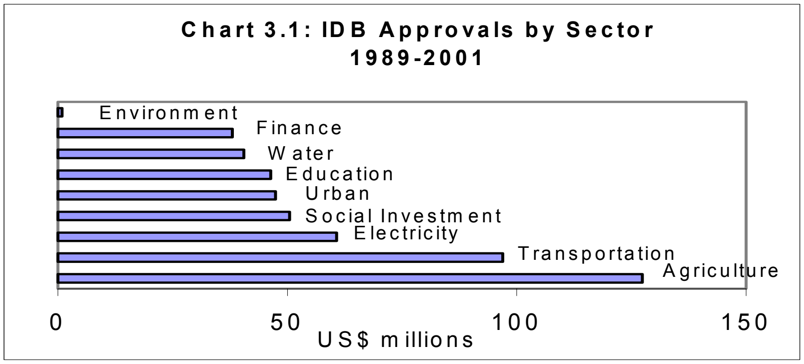
3.1 Between 1989 and 2001, the IDB approved 19 major loan operations and three small project preparation operations for over $528 million. One loan cancellation of slightly less than $20 million was recorded thus far bringing the total down to $509 million. Two operations were hybrid loans and one combined sector adjustment with a non-reimbursable TC. Seven major loans have been fully disbursed and an additional five loans are very close to completion in early 2002 and should be fully disbursed this year. Table 3.1 below provides details of the loans.

Table 3.1: Loan Operations Since 1989

Project	Sector	Amount $ millions	Year Approved	Scheduled completion	Months extended	Disbursed (%)
GY0005	Transport/roads	$ 23.40	1992	1997	60	99.1
GY0006	Water	$ 13.50	1993	1998	43	96.5
GY0010	Education	$ 46.40	1989	1995	87	92.0
GY0016[1]	Agriculture sector loan	$ 34.00	1995	1998	40	100.0
GY0016	Agriculture RTC	$ 4.10	1995	1999	36	40.2
GY0025	Social/SIMAP*	$ 17.00	1996	2000	24	91.6
GY0026	Transport/bridges	$ 41.00	1997	2003	0	6.4
GY0032	Finance sector loan	$ 38.00	1995	1999	35	100.0
GY0041	Urban Dev/infrast	$ 20.00	1998	2004	0	21.5
GY0043[2]	Agriculture sector loan*	$ 30.00	1991	1995	0	100.0
GY0043	Agriculture/infrast	$ 22.00	1991	1995	84	83.4
GY0046	Electricity*	$ 15.47	1991	1992	51	100.0
GY0047	Social/SIMAP*	$ 13.50	1993	1998	20	100.0
GY0048	Electricity sector loan*	$ 45.00	1996	1999	24	100.0
GY0049	Agriculture BOP*	$ 26.78	1990	1992	38	100.0
GY0050[3]	Transport/sector loan	$ 20.20	1999	2004	0	0
GY0050	Transport/Air	$ 9.80	1999	2004	0	11.9
GY0051	PPF for GY0041	$ 0.21	1998	2000	15	100.0
GY0052	Urban Dev/social	$ 27.00	1999	2005	0	5.3
GY0054	Water	$ 27.00	1999	2005	0	0
GY0056	Transport/roads	$ 33.00	2001	2006	0	0
GY0057	PPF for GY0052	$ 0.19	1999	2000	11	100.0
GY0059	Environment	$ 0.90	2000	2002	0	5.0
GY0061	Social/SIMAP	$ 20.00	2001	2002	0	0
GY0067	PEF/Electricity	$ 0.25	2001	2002	0	22.80
Total		$ 528.70				$273.40
Canceled		$ 19.90				
Total		$ 508.80				

[1] Sector loan component of $34 million has been completed.
[2] Sector loan of $30 million of this hybrid was cancelled after first tranche of $10.1 million was disbursed.
[3] Air transport hybrid loan includes a $20.2 million sector loan.
* PCR or evaluation undertaken.

3.2 The sector composition of IDB approvals is provided below in Chart 3.1. It shows the strong concentration in productive and infrastructure sectors. In terms of approvals by instruments, sector adjustment lending amounted to $167.2 million in agriculture, finance, electricity and transport, about 32% of the portfolio. However about $20 million of one sector operation as noted in the table above has been cancelled.



3.3 There has been no direct lending to the private sector. Only two loans were approved from the IIC totaling $3.3 million, in 1991 and 1992. One was written off and the other was cancelled. There were six MIF operations approved totaling $4.9 million, two for training, two associated with projects in electricity and telecommunications, and one for institutional strengthening of the Institute for Private Enterprise Development and one for strengthening of the system of property rights.

FSO Allocations for Guyana

3.4 Guyana as one of the five FSO-eligible countries was allocated a portion of FSO resources under the Eighth Replenishment starting in 1994. Table 3.2 below shows allocations, reallocations and utilization over the period. It was only during the initial two years that Guyana failed to use its full allocation of FSO resources, resulting in its loss of over $50 million in possible loans over the 1994-95 period. Under the subsequent two-year intervals Guyana was able to fully utilize its FSO allocations. During the 2000-01 period, Guyana used only $53.9 million of its $112.5 million allocation, leaving about $59 million that it can use in the first six months of 2002 before it loses the resources. With a number of loans in the pipeline it is expected that Guyana will fully use its allocation for 2000-01.

Table 3.2: Allocations and Utilization of FSO Resources for Guyana

	1994-95	1996-97	1998-99	2000-01
Allocation	126.7	103.2	105.4	90.2
Reallocation	-50.6	0	0	22.3
Total available	76.1	103.2	105.4	112.5
Utilization	76.1	103.0	104.0	53.9*
% Utilized	100.0	99.8	98.7	47.9

Source: Strategic Planning and Budget Department

* Two projects that were scheduled to be approved in 2001 were approved by June 2002, thus fully utilizing Guyana's allocation for 2000-01.

Execution Performance

3.5 Execution performance in the Bank is now measured through the twice-annual Project Portfolio Management Report (PPMR) prepared for each project, the annual PPMR summaries and through the Project Alert Information System (PAIS) which places a project on an "at risk" and now "alert" status if it is encountering on-going execution difficulties. Table 3.3 below presents a recent rating of not-fully disbursed projects from the PPMRs. According to this information only three projects of the 14 ongoing projects were experiencing implementation difficulties, all projects were considered probable or highly probable to achieve their development objectives and only one project was considered low in probability for assumptions to hold.

Table 3.3: Current Project Portfolio Ratings

Project	Project Name	Development Objectives[5]	Project Implementation[6]	Assumptions Holding[7]
GY0005	Main Road Rehabilitation	P	S	H
GY0006	Georgetown Water/Sewerage	P	S	H
GY0010	Primary Education Improvement	P	S	H
GY0016	Agriculture Policy	P	S	L
GY0025	SIMAP Stage II	P	S	H
GY0026	Bridge Rehabilitation	P	U	H
GY0041	Urban Development	HP	S	H
GY0043	Agriculture Sector Hybrid	P	S	H
GY0050	Air Transportation Reform	HP	S	H
GY0052	Low Income Housing	HP	S	H
GY0054	Georgetown Water/Sewerage II	P	U	H
GY0056	Mahaica Rosignol Road	HP	S	H
GY0059	Georgetown Disposal Site	P	U	H
GY0061	SIMAP Stage III	P	S	H

3.6 The PAIS presents a more informative view of project implementation difficulties in Guyana. Projects that are not rated satisfactory in implementation, or are low in probability of assumptions holding or considered to be on track to achieve their development objectives but are experiencing two or more types of disbursement problems may be placed under "alert status." Table 3.4 provides information of "Alert Status" projects in early 2002.

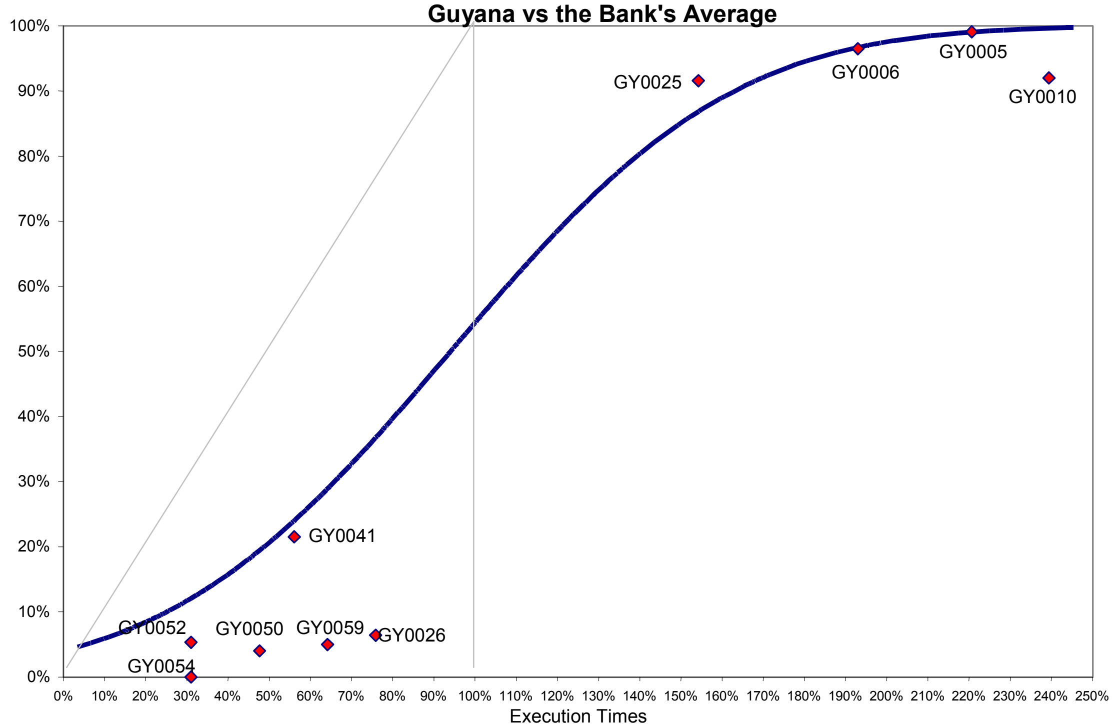
3.7 Implementation of projects has proven to be difficult in Guyana. Table 3.1 above listed months extended for each of the projects financed over the period showing that in all cases with the exception of the cancelled sector adjustment portion of the hybrid GY0043 the project has been extended well beyond the scheduled completion date. These extensions have ranged from 20 months for the 1993 SIMAP I to 87 months for the 1989 Primary Education project, with the average about 45 months.

[5] Development objectives will be achieved: high probability (HP); probable (P); improbable (I).
[6] Implementation: highly satisfactory (HS); satisfactory (S); unsatisfactory (U); very unsatisfactory (VU).
[7] Final assumptions holding: high probability (H); probable (P); low probability (L)

Table 3.4: Current Projects in PAIS "Alert Status"

Project	Project Name	Months on Alert Status	Reasons for Alert Status
GY0006	Georgetown Water/Sewerage	11	Disbursement extensions/12 month eligibility delay
GY0016	Agriculture Policy	11	Low probability assumptions holding
GY0026	Bridge Rehabilitation	11	Low disbursements/eligibility delay less than 10% disbursed over 12 mos
GY0050	Air Transportation Reform	11	Eligibility delay/less than 10% disbursed over 12 mos
GY0054	Georgetown Water/Sewerage II	7	Unsatisfactory implementation
GY0059	Georgetown Disposal Site	11	Unsatisfactory implementation

Figure 3.1: Disbursement and Execution Times of Investment Projects: Guyana vs the Bank's Average



3.8 Figure 3.1 above provides a comparison of the pattern of disbursements for the currently active investment portfolio (excluding sector adjustment lending) versus the Bank average of investment projects. The Bank's average was derived from over 500 projects currently in execution. The data shows that the earlier investment projects (four in number) took a considerable amount of time to execute, but were close to the norm in the Bank. The more recent investment projects approved after 1996 (six in number) were all executing more poorly than the Bank norm, however it is premature to predict major implementation difficulties unless considerably more analysis of the causes for delays is undertaken. Implementation performance of sector lending (not shown above) has also been problematic. One agriculture loan was cancelled after the first tranche, the second agriculture loan completed with a 40 month delay, the electricity sector loan completed

after a 24 month delay, the finance sector loan completed after a 35 month delay and the air transport sector loan is not yet disbursing.

3.9 The *1995 CP* reports on the causes for poor project execution. "Project execution in the country has been generally poor due fundamentally to the weakness of the public sector." More particularly, factors included: a) limited capacity for program management due to the public sector weakness; b) years of neglect and lack of maintenance; c) absence of clear policy guidelines of role of public and private sectors and d) inadequacies in project design. The "extreme weakness of the project executing units (PEU) in almost all projects … is the result of the lack of competent professionals in the Public Service caused by the very low level of public sector wages and salaries which are on average about one fourth that of private sector compensation. As a result, there are few engineers, financial specialists or program managers available even where the Government has agreed to pay higher salaries with external funding as provided in most Bank financed projects."

3.10 The *1997 Annual Country Portfolio Summary* reported disappointing portfolio performance due to "extremely weak institutional capacity in the Public Sector…caused principally by the lack of qualified human resources due to the general lack of trained professionals in Guyana and an unattractive employment environment in the Public Sector mainly caused by low salaries." It goes on to say that "The PEUs tend to be passive and poorly staffed and require constant supervision by Ministers if progress is to be made but many ministers do not undertake this task even when not dedicated to electoral activity." Difficulties with the procurement system in Guyana were also discussed as a major constraint to project execution.

3.11 The *1998* and *1999 Annual Country Portfolio Summaries* both report continuing poor portfolio performance based on many of the reasons cited above. Additional blame was placed on poor performance of local contractors and suppliers. The issue of the small size of contracts that do not attract international firms or joint ventures was also raised as performance issue.

3.12 The issue of PEUs is a complex one in Guyana. Because of the poor quality of the civil service many projects are managed by PEUs whose staff receive better salaries and are better qualified to carry out projects. There are now about 15 PEUs operating in Guyana. While they succeed in improving implementation, problems are created including inequities of salaries, brain drain of better staff from the civil service, the lack of sustainability and detracting from institution building in the executing ministries.

3.13 Yet given the institutional situation the country and the Bank faced, implementation has fared relatively well. There are seven loan operations completed from the 1989-2001 period and an additional five that will be competed in 2002. That leaves nine loans that are in process for about $200 million, including two which were approved in 2001 for $53 million. This performance is due in large part to the work of the country office and responsible division in the Bank who went to extra lengths in attempting to overcome the difficulties of implementation. The constant communication between the Bank and the country office, Bank staff becoming directly involved in solving problems and monthly portfolio review meetings with the Government were some of the ways that active participation was achieved. Specific cases where the effort was made were the roads project GY0005 in reformulating the components and in agriculture infrastructure GY0043 in the construction of sea wall defense and access roads.

IV. EVALUATING THE EFFECTIVENESS, IMPACT AND SUSTAINABILITY OF THE PROGRAM

4.1 In evaluating the effectiveness, impact and sustainability of the Bank's program it is necessary to examine in detail the sectors that received major support from the Bank over the period. In the case of Guyana, these include agriculture, electricity, roads, water, finance and social investment (education and SIMAP), all sectors where many of the projects have been completed or are close to completion and accounting for over $393 million in lending. Table 4.1 below provides an indication of results based on the Bank's traditional first-line analysis of projects as described in the most recent PPMRs and PCRs.

Table 4.1: Project Results Reported by Bank in Key Sectors

Project	Amount	Type of Loan	Implementation	Development objectives
Agriculture	$97.0			
GY0049-1990* completed 1995	$26.8	BOP support	38 month delay satisfactory	Very successful meeting stated objectives (PCR)
GY0043-1991* 83% disbursed	$32.1	Hybrid – Adjust. portion cancelled	84 month delay satisfactory	Probable (PPMR) outputs near completion
GY0016-1995 completed 2001	$38.1	Sector adjustment TC ongoing	40 month delay satisfactory	Probable (PPMR) no explanation
Electricity	$76.6			
GY0033/46* 1991 completed	$31.6	Investment	51 month delay	Fell short of achieving the exact targets (PCR)
GY0048-1996* completed	$45.0	Sector adjustment	24 month delay high satisfactory	Highly probable (PPMR) No explanation
Roads	$64.4			
GY0005-1992 99% disbursed	$23.4	Investment	60 month delay satisfactory	Probable (PPMR) outputs near completion
GY0026-1997 6% disbursed	$41.0	Investment	Unsatisfactory major delays	Probable (PPMR) no explanation
Water	$40.5			
GY0006-1993 97% disbursed	$13.5	Investment	43 month delay satisfactory	Probable (PPMR) "observable improvement"
GY0054-1999 0% disbursed	$27.0	Investment	Unsatisfactory merger attempt	Probable (PPMR) no explanation
Social	$76.9			
GY0010-1989 92% disbursed	$46.4	Education Investment	87 month delay satisfactory	Probable (PPMR) outputs successful
GY0047-1993* completed 2000	$13.5	Social investment	20 month delay satisfactory	Probable (PPMR) "evident that has impact"
GY0025-1996* 92% disbursed	$17.0	Social investment	24 month delay satisfactory	Probable (PPMR) "evident that has impact"
Finance				
GY0032-1995 completed 2001	$38.0	Sector adjustment	35 month delay satisfactory	Probable (PPMR) No explanation

* PCR or evaluation undertaken

Table 4.2: Looking for Results in Project Completion Reports

Projects Development Objective Rating	GY0049 – 1990 Agriculture Rehabilitation Very Successful	GY0046 – 1990 Rehabilitation of Electrical Facilities Fell short	GY0043 – 1991 Agricultural Sector Hybrid Adjustment Partial	GY0047 – 1993 Social Impact Amelioration Probable	GY0048 – 1996 Electricity Sector Loan Probable
Designed Outcomes	Provide foreign exchange resources for import of agricultural inputs for sugar and rice subsectors to <u>rehabilitate productive capacity and reverse decline in production and exports</u>.	i) Complete re-habilitation of GEC initiated under earlier loan to increase amount and reliability of electricity and ii) Strengthen GECs institu-tional capacity by filling key positions with qualified staff.	Reactivate agricultural production, strengthen support services and eliminate constraints to production and export	Limit negative impact of adjustment, serve priority needs of a) population and b) most vulnerable population	Improve effic-iency of sector to provide more reliable service at affordable cost through sector reform by i.) Enhancing participation by private investors, and ii.) Modern-izing legal, regulatory and institutional framework for private sector participation.
Outcomes discussed in PCR?	Yes, sugar production increased by 92% over period 1990 to 1995, and rice production by 237% largely as a result of access to inputs provided by program	Fell short of achieving targets of 56 MW although some improvement from only 2 functioning units to 8 with 45 MW. All plants have realized an increase in efficiency, operational life has also increased	Some objectives achieved in laying ground-work for future attainment. First tranche focused on policy reform producing diag-nostic studies and action plans as useful back-ground for policy makers.	Yes, but a) "had no method of assessing how representative sponsor groups were of vulner-able population or whether priority needs of communities was served. No idea of average income of beneficiaries below poverty line"	Provided entry of private investors and reforms of legal, regulatory, institutional framework. No attempt to judge if efficiency has been improved.
Outcomes related to beneficiaries	Not directly to sugar workers and rice farmers	No	No, but possible future outcomes from other loans	Yes, but did not provide results	No
Ex-ante ERR	No	No	No	No	No
ERR recalculated	No	No	No	No	No
Projection of benefits	No	No	No	No	No
Ex-post evaluation Completed Finding?	Yes, required no later than six months after completion. ex-post evaluation completed	Three years from last disbursement	Yes, 6-12 months after last tranche, loan cancelled so ex-post evaluation not undertaken	Ex-post evalu-ations of 10 sub-projects each year. Mid-term evaluation required and undertaken	No
Additional stories	Yes, in interview with PEU head	No	No	Yes, in nutrition	No

4.2 Both the PPMRs and PCRs require evaluative judgements, rating projects on implementation and achieving development objectives. Table 4.1 above provides reported results under these two ratings. Almost all of the projects experienced delays in implementation, yet only two were rated as unsatisfactory and all were rated as probable or highly probable for development objectives to be achieved. The first-line assessment tends to rate projects with a fairly positive assessment. However, in reviewing the qualitative and textual information contained in the reports a more nuanced view of projects emerges. Table 4.2 above examines the completed PCRs for five projects. One project was considered very successful in achieving development objectives, two were reported as probable and two were considered partially successful or falling short. However in discussing project outcomes the PCRs did little to report on the actual outcomes. In some cases the PCR indicated it was too early to identify outcome results or that there was no data or method of assessing outcome results. One project considered future outcomes to be possible with new loans.

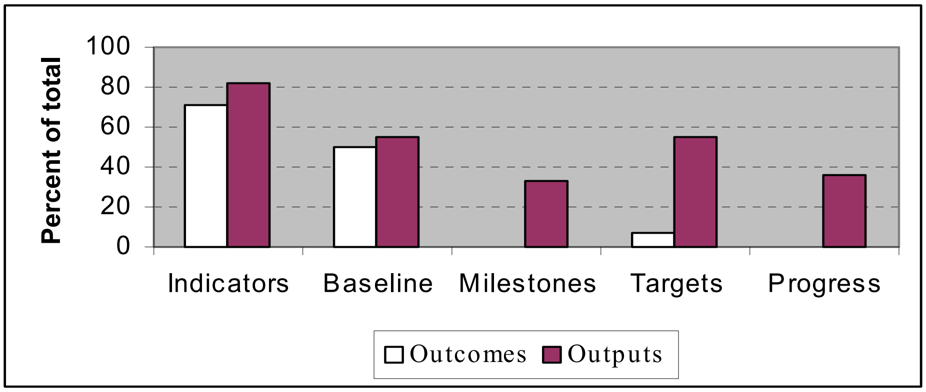
4.3 There was no attempt made in the five PCRs to directly relate outcomes to beneficiaries, although this was possible with the SIMAP I project. None of the projects provided ex-ante economic rates of return and no attempt was made to calculate these in the PCR nor were projections of benefits provided. Three of the projects required an ex post evaluation, only one was completed, one was not and the third not undertaken due to the cancellation of the adjustment component of GY0043. By way of comparison Annex C presents ratings of World Bank completed operations.

Evaluability Completeness

4.4 Evaluability completeness of project design examines projects in terms of specification of indicators, baseline information, milestones, targets and progress measures for each objective originally specified in the project document. Completeness of project design is derived from a project results framework matrix where the vertical dimension specifies the goals and specific objectives and where the horizontal dimension includes indicator, baseline, milestones, targets and progress measures. Annex D includes the result framework matrices used to calculate the completeness index for both output and outcome objectives. Completeness is defined as the ratio of the sum of the cells with an entry to the sum of total cells of the matrix. The completeness index varies from 0 to 100 (complete). The lower the index the less defined are the project's objectives and evaluability at the start, thus imposing greater limits on what can be produced in a later evaluation of the project.

4.5 Chart 4.1 below summarises the completeness index for about two-thirds of Guyana's projects. The exercise was conducted for both investment and sector adjustment loans. With regard to outcome objectives although 70% had defined an objective indicator, only about 50% provided baseline measures and 7% provided development targets. None of the outcome objectives provided milestones and progress measures. Output objectives were better defined in terms of evaluability as 82% had indicators, 55% had baseline measures, 33% had milestones, 55% had targets and 36% had progress measures.

Chart 4.1. Projects Evaluability Design Completeness Index



Agriculture

4.6 Agriculture has been one of the most important sectors of the Guyanese economy since independence, accounting for a significant portion of GDP, exports and employment. Sugar and rice at the end of the 1980's occupied over 75% of the cultivated land, accounting for over 40% of total exports. However, the situation in the agriculture sector had deteriorated significantly from the 1960s. The sugar subsector has been controlled by Government-owned Guyana Sugar Corporation (GUYSUCO) since it was nationalized in 1976. This followed after windfall earnings and profits were realized by the industry in 1974 due to the commodity price surge. At the time of nationalization sugar production was about 350,000 tons, but it decreased to about 250,000 tons in 1985 and to a low of 130,000 tons in 1990. Sugar cultivation declined with area under cultivation falling from 149,000 acres in 1980 to 119,00 in 1990. Both yields and efficiency decreased, largely due to the lack of foreign exchange for inputs and replacement of field equipment, labor problems, lack of skilled managers, diversification and diversion of resources. The situation in 1990 was particularly poor with sugar output declining by 21% from the year before. The World Bank estimates that the sugar industry's decline by itself accounted for almost 60% of the decline in GDP during the 1983-90 period. To redress the industry's decline, the Government contracted the British firm Booker Tate in 1990 to manage the operations of GUYSUCO.

4.7 The rice subsector showed a similar but slower decline over the 1980s even though the structural makeup was different. The growing of rice was mainly controlled by private landowners, but heavily regulated in the 1980s with the Ministry of Agriculture imposing price controls and the Guyana Rice Milling and Marketing Authority having a monophony on milling and a monopoly on sales and exports. The overall development of the sector suffered resulting in rice production falling an average of 3% per annum and rice exports by 5% per annum during the decade. The reduced profitability of rice due to Government policies of price intervention and overvaluation of the exchange rate had a large impact on welfare in the rural sector.

4.8 Much of Guyana's coastal agriculture lands lie a few feet below high tide and is subject to flooding. The coastline is protected by several types of sea defenses: earth embankments (165km), concrete or sheet sea wall (70 km) and slope embankments (80 km). These defenses were subject to continuous erosion and given the country's financial

difficulties the maintenance of the defenses suffered. The situation had become so bad that in one year in the late 1980s 50 breaches were recorded.

4.9 The Bank had considerable involvement in the agriculture sector in Guyana. Since Guyana joined the Bank in 1976, ten loans totaling $237 million have been approved. Since 1989, the Bank has approved three major loan operations for $113 million and nine TCs for more than $3.3 million. In 1990 the Bank approved a $27 million loan for agricultural rehabilitation (GY0049). An Agriculture Sector Hybrid Loan (ASHL) for $52 million was approved in late 1991 (GY0043). The operation was broken into a sector adjustment component for up to $30 million and an investment component of $22 million. Almost $20 million was eventually cancelled in the sector component. The third loan (GY0016) was approved in 1995 for an Agriculture Sector Loan (ASL) for $34 million accompanied by a parallel TC loan of $4.1 million to support the operation. An additional non-reimbursable TC (ATN/SF-5098) for $2.5 million was provided bringing total institutional support under the loan to $6.6 million. The TC operations were for project preparation, institutional support for the Ministry of Agriculture and support for strategic planning in the rice sector.

4.10 The objectives of these loans were to provide balance of payments support and to rehabilitate productive capacity and reverse the decline in production and exports. GY0049 provided funds for import of agriculture inputs, the hybrid operation GY0043 was intended to support the economic recovery through reactivation of agriculture production. The sector adjustment portion was to implement policy and institutional reforms in the sector through three tranches while the investment component was to support reforms by repairing sea defenses and upgrading and maintenance of access roads. The adjustment component was cancelled after only one tranche because "the policy agenda was overly ambitious, there was no financial and technical support for the Ministry for implementing policies and there were delays in policy execution."[8] The investment component was officially restructured and expanded in June 1998. The 1995 ASL (GY0016) was to continue the reform process by improving sector environmental, consolidating trade liberalization through focusing on rice and extending the economic adjustment process to land, drainage and irrigation.

4.11 **Outputs and outcomes.** Under GY0049 close to $31 million was expended on procuring machinery, equipment, agrochemicals and spares. The program was considered by the PCR as very successful at meeting its stated objectives, sugar production increased by 92% from 1990 to 1995 and rice production by 237% largely as a result of the access to inputs provided by the program. Sugar exports increased by 71% and rice by 293%. By the end of the program there was a greater variety of agrochemicals and equipment available throughout the coastal agricultural areas. Under GY0043, only the policy conditions attached to the first tranche of the sector adjustment were fully met. These concentrated on the drafting of action plans and terms of reference to introduce the policy and institutional reforms required for second and third tranche disbursements. Additionally, the rice market was liberalized through the removal of the rice price formula and the removal of restrictions on free movement of paddy and rice; action plans were prepared for streamlining of export procedures, restructuring of water control management, streamlining of the Mahaica-Mahaicony-Abary Agricultural Development Authority, establishment of a cash transfer program, divestment/leasing of GUYSUCO's non sugar activities and reform of the agricultural extension service. Although there was

[8] PCR of GY0043.

partial compliance with second tranche conditions, there were a number of policy issues which proved to be stumbling blocks to the execution of the policy program, including drainage and irrigation and land policies drafted by the previous Government. The change in Government in 1993 affected execution since the new Government had a different philosophical outlook and approach to policy issues.

4.12 The $22 million investment component for sea wall defense and access roads, although suffering from delays, is near completion and considered satisfactory in implementation and probable for achieving development objectives with a substantial amount of the sea wall defense rehabilitation and the farm access roads rehabilitation and upgrading completed. An ex-post evaluation is called for six to twelve months after completion of the project.

4.13 GY0016, the ASL was approved in December 1995 to be released in two equal tranches. First tranche conditions were fulfilled and disbursement made in December 1996 and the second tranche disbursed in October 2001. From the reimbursable TC of $4.1 million, $1.65 has been disbursed and from the non-reimbursable TC of $2.5 million, a little more than $1.2 million has been disbursed. GY0016 is rated satisfactory in implementation and probable for achieving its development objectives. According to the second tranche report delays were experienced during program preparation adversely affecting the timely achievement of objectives. The adverse effects caused by these delays were compounded by the influence of natural phenomena (El Niño and La Niña weather effects); a difficult political process, and a price/financial crisis that affected the rice sector. Despite the adverse elements the original ASL goals were exceeded on issues such as the reduction of taxes and commissions on rice exports, initiation of a plan to transform public land into private freeholds and the development of water-user associations. Compliance with most specific conditions was considered fully satisfactory, and only three conditions, which are related to the performance of agencies qualified as "partially satisfactory." The three cases of "partial satisfaction" acknowledged that improvements in public agencies were still needed even though progress was made and the original commitment made by the Government was fulfilled.

4.14 *Sea Wall Defense.* The Bank's project GY0043 provided a small portion for sea wall rehabilitation. About five km of rehabilitation is complete with about one and a half km left to be completed. The Bank's efforts were small in comparison to the need. The World Bank, CDB and EU all had projects for rehabilitation but the EU financed program was the only one completed. The World Bank and CDB projects failed to achieve their objectives due to tendering problems – local contractors having limited capacity to undertake large contracts and foreign contractors being unwilling to assume the risks associated with Guyana contracts without charging a high premium. The World Bank loan was withdrawn in order to make the funds available for a road project and the CDB program has been restarted. An IDB TC –financed study[9] advocated integrating sea defenses within a broader program to manage the coastal area. In addition to rehabilitating hard structures, the program called for management and extension of mangrove forests, monitoring and baseline studies. The strategy was not fully endorsed by the Government but many aspects are to be implemented under a new EU project. About one-third of the sea defense system is to be rehabilitated.

[9] IDB, *Guyana Shorezone Management Program, Design and Feasibility Study, Final Report*, January 1995.

4.15 **Impact and sustainability**. There was a significant turnaround in agriculture during the decade. The value added to GDP of agriculture reached a low of 26% in 1990 then starting climbing immediately as policy changes were implemented in the sector and the country was able to again import needed agricultural inputs. Value added reached over 40% by 1992 and has maintained levels of between 35% and 40% since. An important change was the liberalizing of the foreign exchange regime making Guyana's agricultural products more internationally competitive. Agriculture growth averaged 5.4% from 1993 to 1999.

4.16 *Sugar.* The decline in the sugar sector began to turn around in 1991 after the Government contracted the British firm Booker Tate to manage the operations of GUYSUCO. Labor relations improved after wages of sugar workers were increased. With more than 28,000 workers in the early 1990s the sector accounted for a significant portion of the employment. Sugar production rose from 132 metric tons in 1990 to over 321 metric tons by 1999 before falling to 273 metric tons in 2000. The subsector now accounts for 16% of GDP. Exports have more than doubled since 1990 to 271 metric tons in 1999, accounting for 25% of export earnings. By 1999 the number of employees in the sector has been reduced to less than 19,000 reflecting the increased use of machinery and the higher wage levels paid to workers. It has become more difficult to recruit workers, that the wages needed to attract cane cutters are now so high that mechanical loaders are cost-efficient. The World Bank has led in the subsector providing policy advice, particularly on the Government's strategic plan that calls for substantial investments in the next five years. Guyana's preferential treatment in its export markets, particularly the European Union (EU) under the Sugar Protocol and Special Preferential Sugar scheme, has been placed into question following the recently announced "Everything But Arms" initiative to open up the EU market to the least developed countries. There is also continuing pressure from the World Bank for the Government to privatize GUYSUCO in order to further improve efficiency.

4.17 *Rice.* The rise sector also showed significant improvement after 1990. Acreage harvested rose from a low of 188 thousand in 1990 to a high of 534 thousand in 1996. Rice production climbed from 93 thousand metric tonnes in 1990 to over 365 thousand in 1999 as average yields increased from 1.23 to over 1.6 metric tonnes per acre. Export quantities are now more than four times the level of 1990 and account for 14% of total exports. The increases in production have not been entirely consistent due to the highly variable weather patterns. The year 2000 saw a decline in both production and exports to 292 thousand tonnes and 208 thousand tonnes respectively. This resulted from a combination of factors particularly heavy flooding in early 2000. Global rice prices have also declined dramatically to approximately US$215-US$245 in 2000 (compared with a price of US$412 achieved in 1996). This compounded the financial difficulties of the sector, as did the significant increase in oil prices that affected the highly mechanized production process. Problems still persist primarily due to the large debt incurred by farmers in increasing production. This debt now stands at about GY$16 billion (US$90 million) and pressure is on the commercial banks to write off some of the debt and for the Government to share in the write off.

Electricity

4.18 The Guyana Electricity Corporation (GEC) was the only public electrical utility responsible for generation, transmission and distribution (T&D) in the country, but

accounted for only about one-half of total installed capacity, the remainder self-generating facilities mostly owned by industry. Electrical supply was based on thermal generation using imported petroleum. In the 1980s GEC was plagued by difficulties in supplying dependable service, subject to frequent interruptions caused by insufficient generating capacity and reserve and inadequate maintenance. The price was sufficiently high that many customers found it cheaper to generate their own electricity. Efficiency was very low and the company suffered high electrical and financial losses. Per capita consumption of electricity fell steadily from 500 Kwh in 1980 to 200 Kwh by 1989, placing Guyana with the second lowest consumption levels in the Caribbean behind Haiti. Guyana has received a considerable amount of support from the international community in the electricity sector since independence, but over the past decade the IDB has become the principal agency in the sector, hence, together with the Government attributable for the recent results achieved.

4.19 Four TC operations totaling $577 thousand were approved in the early 1980s for studies in the sector. The first loan of $16.1 million was approved in 1985 (GY0033) for a rehabilitation program of GEC accompanied by a $1.5 million institutional strengthening non-reimbursable TC. A second operation for rehabilitation of $15.5 million (GY0046) was approved in early 1991 to supplement the first operation. There was one non-reimbursable TC (ATN/JF-5120) of $750 thousand approved in 1995 for preparation of a third loan operation (GY0048), approved in 1996 for $45 million as a sector adjustment program. A MIF operation (ATN/MT-5429) for almost $1 million was approved at the same time to assist the execution of the sector operation.

4.20 GY0033 was designed to increase the amount and reliability of electricity by restoring principal generating facilities to a level to best utilize existing investment, prevent further deterioration and meet energy needs through to 1988. It also sought to strengthen management capacity, improve the financial situation of the company and lessen human resource constraints. GY0046 provided additional financing and proposed to finance the hiring of a firm to provide management support to GEC in financial areas. The third operation GY0048 and the related MIF operation supported the privatization of GEC through a public-private joint venture for the creation of a new company with related sectoral, policy and regulatory reforms with the addition MIF support.

4.21 Significant problems were encountered in implementing GY0033. It was delayed two years due to problems of procurement of goods and unsatisfactory performance of consultants contracted for the project execution unit (PEU). The delay caused further deterioration of the generating equipment requiring additional repairs. Also the actual cost of rehabilitation was underestimated at the time of the original analysis. In the end $13.5 million more was required in a new loan to complete the rehabilitation of the generating equipment. GY0046 also attempted to facilitate the divestment of GEC to the private sector. In the preparation of the loan the Bank did not take into account the possibility of a change of Government which eventually occurred in 1992. The new Government with a different philosophy regarding privatization of electricity did not go through with the planned divestiture and there was a breakdown in negotiations with the company supplying management support to GEC. This resulted in non-compliance with first disbursement conditions of GY0046, causing a lengthy delay between project approval and eligibility. The subsequent hiring of individual consultants rather than a company to advise GEC further contributed to difficulties in execution. The component of the loan to strengthen GEC was not utilized resulting in the company lacking sufficiently qualified staff and resources to enable it to function efficiently and

effectively. The implementation of the sector operation GY0048 was considered satisfactory. Legislative objectives were achieved relatively early but difficulties in privatization occurred due to problems in finding and finalizing private sector partnership. The second tranche of the loan was disbursed in December 1999 and the third tranche in December 2000.

4.22 **Outputs and outcomes** The PCR for the second loan, GY0046 reported that the rehabilitation projects met some success, although it fell short of achieving the targets set out in the loan document. Before the original loan of GY0033 the electricity supply of GEC was reported at nine stations with 28 units with nameplate capacity of 106 MW. However capacity was only at 50% due to many problems. When GY0046 was approved the situation had gotten worse. Execution of the first loan had been seriously affected by institutional and financial problems (listed above.) By 1990 nameplate capacity had be reduced to 72 MW and operating capacity to 28 MW. Due to breakdowns the operating capacity had fluctuated between 4 MW and 28 MW while peak demand at the time was estimated at 50-60 MW. Losses in the GEC system were huge averaging over 25%, only a small portion (about 3%) due to technical losses with billing and clandestine connections accounting for the major part.

4.23 At the completion of GY0046 in November 1996 as a direct result of the project the amount of electricity generated rose from an average 10 MW to 45.3 MW. This was about 20% short of the target of 56.5 MW. At one site, the units broke down totally only 18 months after rehabilitation, at another availability stood at 58%, short of the 80% target due to boiler problems and at a third availability was at 30%, far short of the 70% target. Only one site recorded availability above the target. Spares for all the plants except one were procured under the project as anticipated. T&D was reported to have exceeded what was initially envisioned although no targets were initially set. Much more work was required to rehabilitate the T&D system fully. It also noted that GY0046 failed to meet its objective of institutional strengthening of GEC. Following a change in Government in 1992 the decision not to recruit the management team or renew the contracts of individual consultants as budgeted under the program resulted in GEC continuing to suffer from a lack of sufficiently qualified management and staff and ultimately the issue needed to be re-addressed in the 1996 loan.

4.24 The draft PCR for the sector adjustment loan GY0048 reported that the loan was successful in providing for both entry of private investors into the electricity sector and the underlying reforms of the sector's legal, regulatory and institutional framework. The privatization effort, after some delay proved to be successful. Initially, nearly 40 foreign investors expressed interest in participating in the bidding process. Subsequent to the Government's announcement that it would sell 40% of GEC to a strategic private partner with management control, 20% to local private investors, and retain 40% in own possession, nearly 30 investors remained interested. Of these, the Government short-listed eight, three of which submitted bids by the January 1997 due date. At the time of the first tranche release (December 1997), the Government was negotiating with Canada's Sask Power. As that investor withdrew (largely because of a pessimistic assessment of the investment climate in Guyana, following the late 1997 disturbances), the Government initiated a second competitive bidding round. This round led to the selection of the US$23.45 million investment plan for rehabilitating and improving GEC's services and facilities proposed by the Americas and Caribbean (AC) Power Ltd. Consortium, which was formed by the U.K. Commonwealth Development Corporation and the Electricity Board of Ireland. Following negotiations from June 1998 to June

1999, the Government and AC Power ratified the four main agreements for the transaction and the establishment of Guyana Power and Light, Inc. (GPL), as a company with 50% each of common shares held by the Government and AC Power and managed by AC Power. Financial closing and GPL's actual establishment took place on October 1, 1999 when the new utility assumed some of GEC's assets and liabilities. Since then, AC Power has been fully responsible for GPL's operation and management.

4.25 Participation of local private investors in 20% ownership interest has not yet occurred. As part of the agreements between the Government and AC Power, additional capital is to be raised through a private placement to Guyana-based institutions of up to 5% of GPL's common share capital within two years following closing, with the Government's and AC Power's common shareholdings in GPL being diluted accordingly. Within five years following closing, GPL is to carry out an initial public offering (IPO), which, combined with the earlier private placement, will bring the common shareholding in GPL to 40% each for the Government and AC Power and 20% for the private sector of Guyana (including GPL employees) and, possibly, of other CARICOM countries. Given the magnitude of the expected IPO and the relatively small scale of recent IPO's in Guyana, the Government agreed with the recommendation of the Bank to review (with support under MIF) the existing financial legal/regulatory framework and procedures, in order to facilitate the private placement and public offering of GPL's shares. There is some question whether it will be possible to bring in local investors for 20% ownership of the company by 2004.

4.26 AC Power by the end of 2001 has invested US$20 million in the utility (out of the US$ 23.45 million commitment) in activities included in the initial business development and expansion program. GPL is planning additional investments of approximately US$40 million during 2001-06 to restore the utility to international standards. The PCR reports that since initiating its operations, with the exception of technical losses, GPL managed to meet or exceed all performance targets included in the license, despite sharp increases in international petroleum prices, unscheduled electricity outages, generation breakdown, and transmission overload. The PCR reports the outlook to be positive, based on GPL's five-year development and expansion program.

4.27 In terms of **legal/regulatory/institutional** reforms the Electricity Sector Reform Act (ESRA) was enacted and took effect in 1999. ESRA was to create a modern legal/regulatory structure for licensing the supply of electricity by both public suppliers (GPL and any independent power producers) and private suppliers (individuals and enterprises that supply electricity to themselves and others in their vicinity). ESRA established GPL as public share company, defined the relationship between public suppliers and consumers, defined principles and procedures to determine rates that public suppliers can charge to final consumers, set out the principles governing rural electrification and the relationship between GPL and independent power producers, and specified the responsible Minister's role, limiting it to matters affecting national energy policy and procedures for licensing electricity supply.

4.28 A new Public Utilities Commission Act (PUCA) was enacted in September 1999, parallel to ESRA. PUCA places the electricity sector including GPL under the Public Utility Commission's (PUC) authority for matters, including enforcement of approved development and expansion programs, operating standards and performance targets. The new Act strengthens PUC as an institution, empowering it rather than a Government Minister (as was previously the case) to decide on budget matters, employment of

professional staff and consultants, and monitoring licenses and contractual commitments of public utilities. The Act also sets out that the PUC will no longer be solely reliant on the Government for funding, but be funded by the public utilities it regulates. A program was launched to develop PUC as an autonomous and efficient entity and to strengthen related sectoral agencies. The Government with support of a specialized consulting firm, financed with MIF resources, developed an institutional strengthening program for PUC and the other sectoral agencies.

4.29 **Impact and sustainability**. The first two rehabilitation projects fell short of producing all of the outputs and outcomes targeted under the loan. . The combined effort of the Bank lending of $31.6 million brought capacity to about 45 MW, about 20% short of the target of 56.5 MW. T&D was expanded beyond the targeted figures but needed further expansion and the system was still experiencing major losses (much of which was due to lack of billing and clandestine connections) and blackouts. The sector adjustment loan to support the privatization of GEC to form GPL was more successful in meeting its stated objectives. By 1999 GPL had begun operations with a new management team in place and soon produced major business and development expansion plans for the GPL system.

4.30 GPL has acquired six new generators, which will increase capacity by about 10 MW. Additional investments of $40 million from 2001-05 are intended to restore the utility to international standards[10]. In its Business Plan 2001-05[11], GPL reported that it has budgeted US$100 million over the next five years for capital expenditure, of which US$75m will go to improvements to the transmission system and new generation capacity. This entails adding an additional 38 MW of new and refurbished generation and constructing 133 kilometers of transmission lines. Three new 10-mw generators are to be installed by 2004. In its Development and Expansion Programme 2001-05[12], the company claims that it will surpass peak demand from 2000 on (see table below). Additional claims are made that $36 million will be spent on T&D system development, that 35,000 new customers will be brought on line, that commercial losses will be reduced from 20% to 4% and technical losses will be reduced from 15% to 12%.

Table 4.3: Comparison of Projected Peak Demand to Capacity by Year (MW)

	2000	2001	2002	2003	2004	2005
Peak demand	83.9	88.1	92.5	97.1	102.0	107.1
System capacity	91.3	99.9	109.9	119.9	129.9	129.9
Margin	7.4	11.8	17.4	22.8	27.9	22.8

4.31 However, GPL has already suffered from a number of difficulties and setbacks in its long-term plans. There are inadequacies in the current tariff system as absolute and relative prices charged to different consumer groups, residential, commercial, and industrial do not reflect either the economic or financial costs of supplying electricity. Rates are high by international standards—after the February 2002 increase they average about US$0.178/kWh. These rates cover the economic cost of production, especially since in the wake of the international petroleum price increases of about 150% during 1999-2000, costs of thermal electricity generation increased substantially. After the 2002 increase the Government is no longer subsidizing rates. Residential consumers incur the

[10] Guyana, Electricity Sector Program Project Completion Report, 2001
[11] Guyana Power & Light Inc., Business Plan 2002-05, November 2000.
[12] Guyana Power & Light Inc., Development and Expansion Programme. November 2000.

highest cost in the system but pay the lowest tariffs, being cross-subsidized by industrial and commercial consumers. The Government has reservations about raising residential tariffs to cost-covering levels, being constrained by political and popular opposition to increases.

4.32 The increases will allow GPL to achieve revenue requirements to attain the 23% return on equity stipulated by its license. However with the new investments required to improve the system rates will most likely need to be further increased in the future. As a basis for establishing a tariff scheme consistent with economic costs of electricity supplies, the Government and GPL are currently undertaking an assessment to determine long-run marginal costs by individual system, geographic area, and consumer category. This study is expected to address the issues related to financing the capital cost of new connections.

4.33 There is considerable consumer dissatisfaction and many complaints about the high rates and the less-than-satisfactory service[13]. Unions, consumer groups and others are questioning the purpose and success of the privatization and regulatory reforms in creating GPL. Reportedly energy blackouts have become more commonplace. In September 2001, GPL workers went on strike protesting the new wage structure, unwilling to accept conciliation terms, thus resulting in the closing of several power stations and T&D problems[14]. Complaints are rampant about the high electricity rates, confusion as to basis of charges, continued blackouts, power surges that destroy electrical appliances, and lengthy disruptions of services in rural areas. The extent of the future investment of GPL has also been questioned. Given the apparently poor performance of GPL, President Jagdeo raised the issue of the management contract of AC Power. The contract had a number of performance benchmarks that needed to be met over the ensuing period. There were no targets on reducing outages in the first two years (11/99-10/01), however targets are effective in year three when penalties are suppose to be applied if they are not realized. These penalties involve cuts in the fees paid to AC Power.

4.34 It is clear that GPL today is in much better condition than GEC was in 1990 when its capacity had fallen to about 10 MW. However it still has a considerable way to go before it will be "restored to international standards." The new Public Utilities Commission (PUC) is "operational," but the Government has not yet moved in making it into an autonomous and efficient regulatory body. This will be part of the next Bank loan in mid-2002 for rural electrification. The major issue GPL will face is to provide reliable service at tariff rates that are acceptable to the public and still turn a 23% return on equity.

Water and Sanitation

4.35 Guyana's coastal strip has abundant supplies of groundwater and annual rainfall. About 92% of the population has access to piped water but sewerage is limited to only the major

[13] Starbroek News, The Quality of Service from Guyana Power and Light Inc., July 24,2000 and Starbroek News, The Trouble with Guyana Power and Light, July 30, 2000.

[14] Starbroek News, Pact Signed to End Power Firm Strike: Some Workers Balk, September 8, 2001

centers with septic systems and pit latrines in the rest of the country. Two separate utilities provide services - Georgetown Sewerage and Water Commissioners (GS&WC) serving Georgetown and Guyana Water Authority (GUYWA) the rest of the country. It was agreed that the IDB would work with GS&WC and the World Bank with GUYWA.

4.36 In the early 1990's Georgetown's water distribution network was incapable of producing sufficient quantities of water to meet demand or acceptable quality standards. The system suffered from equipment failures, lack of maintenance, chemical shortages and inadequate treatment. Wells were continuously failing because of corrosion, equipment failure and lack of stand-by capability. The system needed additional water storage and pumping capacity and a reduction in leakages and wastage estimated as high as 70%. The area covered by sewers had not increased since the 1920's, servicing only about one-third of the city's population and much of the wastewater collected was discharged without treatment. In terms of the financial situation of the service, tariff revenues in 1993 were expected to cover only about 43% of expenditures. Because of the poor quality of service provided, tariffs could not be increased.

4.37 In 1990 the Bank approved two TC operations of $474 thousand and $1.8 million respectively to finance a Georgetown Water and Sewer Master Plan. Completed in 1995, it was regarded as the general framework for improvements to the system. In 1993, prior to the release of the plan, the Bank approved a $13.5 million loan for remedial maintenance of the GS&WC system (GY0006.) The project had as its objectives to effect a rapid and observable improvement in water availability and quality and to promote the establishment of an efficient and autonomous water and sewerage company.

4.38 Project components or outputs included 1) legal reform, 2) rehabilitation of water distribution and sewerage system, 3) improvement in water availability, 4) installation of water meters and storage tanks and 5) institutional strengthening of GS&WC. A one-time exception was allowed in terms of the Bank's tariff policy for utilities. The policy required that tariff revenues be sufficient to cover operating and maintenance costs on the date of Board approval. The project team and borrower agreed that GS&WC could not comply with this policy as the tariffs and collections were not sufficient to cover costs. Accordingly, targets for cost coverage and collections were established in the loan contract. The project represented only about 6% of the investments proposed in the Master Plan for the full rehabilitation and expansion of the system.

4.39 A Phase II operation (GY0054) was approved in 1999 for $27 million to improve the sanitary conditions of Georgetown and reduce environmental degradation through improvement in the quality of water supply and sewerage services. Specific objectives were i) further improvement in the availability and quality of potable water, ii) improvement operation of sewerage system and iii) consolidation and further improvement of GS&WC. GY0054 showed significant improvement over the first project in terms of providing more evaluable indicators and targets. The project identified indicators, baselines and targets for increased water availability and pressure, lowered losses and improved water quality. For the sewerage system these included removal of blockages and septic sludge disposal, but without baseline or targets. For consolidation and improvement of GS&WC there were also indicators, baselines, milestones and targets.

4.40 Due to delays in the hiring of a project management firm, the first loan GY0006 was not declared eligible for disbursement until July 1995 some fifteen months after contract

signature. A mid-term review was conducted in November 1997 showing favorable progress except for the level of the tariff and collections. The tariff and collection levels were still not sufficient to cover operation and maintenance costs and had not risen with inflation. The mid-term recommended that GS&WC be permitted to proceed to implement the activities of the project upon submission of a Tariff and Metering Strategy acceptable to the Bank. The submission was accepted in June 1998 and the disbursements became eligible again.

4.41 Prior to GY0054 being approved, an assessment report of GY0006 was completed in July 1999. However, since the project was not yet complete, it was more of a report on the current state of the project rather than a project completion report or an ex-post evaluation report. Another Final Report was done in 2000. By the end of 2001, project disbursement was over 96%. Two aspects of the project remained unsatisfactory – rehabilitation of water distribution and sewerage system and installation of water meters. The Bank's PAIS had rated this project "at risk" since early 2001 because of the problems of installing the required 10,000 meters and the delay in implementing the tariff strategy.

4.42 GY0054, approved in December, 1999, had not yet started to disburse by the end of 2001. The project is considered "at risk" under the Bank's PAIS and the most recent PPMR rates implementation as unsatisfactory, but high in probability that assumptions will hold and probable that development objectives will be achieved. The difficulties with this project stem from the need to hire a project management firm prior to first disbursement and a proposed merger of the two water companies GS&WC and GUYWA.

4.43 **Outputs and outcomes**. The most recent PPMR accounts for the lack of successful completion to GY0006 as follows: "The Executing Agency has not procured sufficient water meters or has it conducted the Domestic User Survey in a timely manner to fulfil the project target of 10,000 meters to be installed. This has disrupted the program for installation of meters and has placed the achievement of the target in jeopardy." However, there are a number of positive aspects to the project. A computerized Customer Registry (28,500 households), computerized billing and collection system, general accounting system, financial and cost control systems and budget systems were installed and are operated by trained GS&WC staff. Critical maintenance of the shelter belt plant has been completed including the rehabilitation of filters and installation of new pumps. Drilling and commissioning of 6 new wells have been completed as well as the installation of trunk mains. The construction of the two 500,000 gallon-tanks and pump stations is complete. Leak repairs and an expanded water quality monitoring program are ongoing. Chlorination equipment has been installed on all of the remote well sites. The metering program resulted in 2600 non-residential meters and 4900 domestic meters being installed. The Domestic User Survey is continuing in anticipation of GY0054. The rehabilitation of the 24 sewage lift stations has been completed with all stations now having an automatic control mechanism. The installation of the two El Nino emergency wells has also been completed. The Borrower requested an extension of the final disbursement date until late 2001 in order to expend the remaining balance to procure and install a further 5000 meters and an MIS system.

4.44 A new organizational and salary structure has been adopted by GS&WC and the number of staff has been reduced from 450 to 237 through early retirement and other incentives. The new salary structure is competitive with the private sector and all managerial positions have been filled - that of the General Manager temporarily. Training needs were identified and a training program was carried out at three levels (corporate

management, supervisors and individuals) on a hands-on basis. The Customer Relations Program is ongoing and during the last semester the Customer Relations Department has focused on working with delinquent customers to develop acceptable payment arrangements. There has been a marked increase in tariff rates since 1995 however the collection level is still below the level set in Section 6.06(b) of the Special Conditions of the loan contract and is not expected to reach acceptable levels for some time.

4.45 The World Bank approved a water sector loan to GUYWA in December 1993 for $17.5 million. The project was similar to the IDB project but intended for the system outside Georgetown. The project performed much more poorly than the IDB project and with about $9.6 million still undisbursed much remains to be done. In a 2000 review of public expenditure sectors[15], the World Bank reports on the success of the GS&WC tariff structure and recommends that "GUYWA tariffs need to move towards those of GS&WC."

4.46 **Impact and Sustainability**. It is clear that progress was achieved in improving the Georgetown sewerage and water system under GY0006. However, without quantifiable indicators, baseline information and targets it is difficult to determine how effective the project was in meeting its objectives. The 1999 Report, 2000 Final Report and GY0054 project proposal provide some indications of the improvements to the system and the company and those projected for the future. As Table 4.4 below shows there has been some improvement in the water sector of Georgetown. In particular there appears to be a significant improvement in the reliability of the system and the quality of water. Discussions with officials of GS&WC and GUYWA confirm that GY0006 had an impact in improving performance but has not brought it to international standards. In discussions with other local Guyanese there was a huge consensus that both the reliability and the quality of water have shown improvement. There are reports that the color/clarity of the water at times has a reddish hue due to proliferation of algae and decomposition of organic material. This occurs when GS&WC does not have sufficient chemicals to treat the water and needs to wait until the next shipment arrives into the country before treating it again. Water samples tested in July 2001 showed three samples of 938 testing positive for fecal coliform on one day, but tests repeated later were negative.

Table 4.4: Selected Indicators for the Water Sector in Georgetown

	1993	1999/2000	End of GY0054
Water supply	88,000 m3/day	105,000m3/day	N/A
Losses	75%	70%	55%
Water Pressure	<10 psi	<10 psi	10 psi average
Availability on higher floors	9%	9%	N/A
Quality – iron content	Untested-	Testing begun 2000	Less than 0.5mg/l
Treatment	Marginal	Total Chlorination	Total Chlorination
Metering	N/A Very low	29%	85%
Revenues/Oper. Expenses	43%	66%	114%
Collection Rate	60%	77%	86%

4.47 The water system of Georgetown requires considerable more work in order to bring it to international standards. Bank staff admit that GY0006 was a "pre-project" approved prior to the completion of the Master Plan and served to help GS&WC "get back on its feet." The 2000 Final Report of GY0006 concedes that "The objectives of the program might have been too ambitious for the amount of resources allocated and the precarious

[15] World Bank, *Guyana: Reorienting Public Expenditures to Serve the Poor*, June 2000, p52.

situation of the system." Additional improvements to the system should occur under GY0054 which aims at reducing physical losses, commercial losses and wastage and improving distribution through the installation of trunk mains and quality through installation of two iron removal plants. The sewer system of Georgetown was barley touched in GY0006 but should be addressed under GY0054. It is expected that the works of the Bank's two projects will provide a more comprehensive water quality monitoring program with improved equipment and training, enlarged capability and more frequent sampling and laboratory analysis with more monitoring of human health indicators of waterborne diseases.

Roads

4.48 Guyana's road network, about 2560 km length, with about one-fifth primary roads, fell into poor condition during the 1980s. Since road transport is the principal form of transport in the country, improving maintenance and rehabilitating roads and bridges would lower transport costs, lengthen vehicle life and reduce the need to import fuel and spare parts. The IDB provided major support to the sector over the period through three loans totaling $97.6 million and six TC operations for $2.4 million.

4.49 In 1992 the Bank approved a loan for Main Road Rehabilitation (GY0005) in the amount of $23.4 million to rehabilitate selected sections of the main road network. The project as originally conceived consisted of the resurfacing and shoulder construction of 145 km of the main public road between Timehri and Rosignol divided into three segments. It was to be executed by the Ministry of Public Works, Communications and Regional Development through the Roads Administration Division (RAD). Unpredicted increases in traffic volumes prior to and during the execution of the works necessitated significant design changes and heralded the introduction of a bypass road in the second segment of the works principally for the avoidance of the severe traffic congestion experienced during the rehabilitation of the first segment. The resulting cost increases forced the decision to complete the first two segments, except for a 6 km portion still to be completed with local funds and to seek additional funding for the final segment under a new project (GY0056 approved in 2001.) The loan is 99% disbursed and is now considered satisfactory in implementation and probable for achieving the development objectives in the PPMR.

4.50 In 1997 a Bridge Rehabilitation Program (GY0026) was approved for $41 million. The objective was to replace, rebuild or rehabilitate bridges along the main road system. The project has disbursed only 6% of the resources by the end of 2001, but is considered satisfactory in implementation and probable to achieving development objectives.

4.51 In both the 1992 and 1997 loans implementation was slow due to delays and problems in tendering, procurement and management by the PEU and the work of the contractors. These were common problems in Guyana and also the case for projects funded by other donors in the sector. The World Bank reports[16] that " the objectives of road projects have often not been met as a result of institutional, policy and budgetary problems." The capacity of the RAD which was responsible for maintenance was considered limited and there was continuous migration of staff to the private sector or other countries. The World Bank's Infrastructure Rehabilitation Project's road component results were unsatisfactory with the major works not completed, contracts prematurely terminated,

[16] World Bank, *Guyana: Reorienting Public Expenditures to Serve the Poor*, June 2000, p. 46.

accounting and financial irregularities, poor management, delayed auditing, slow and faulty procurement, lax project supervision and oversight and a lack of counterpart funds.[17]

4.52 The IDB project GY0005 appears to have achieved more success than the World Bank's albeit at a slower pace. The two segments of the road were successfully completed and the final disbursement will be made imminently. It is too early to judge the impact of the project, however an ex-post evaluation at the end of the third year after last disbursement is to be submitted to the Bank, including an analysis of costs and benefits and distributive impact.

Social Impact Amelioration Program (SIMAP)

4.53 SIMAP was announced in July 1988 by the Government as a stop-gap mechanism to cushion the social costs of the adjustment process. It was eventually to be phased out. The Bank became involved in September 1989 by approving a Project Preparation Facility to help design the program and then a TC operation to finance the startup. In 1992 IDA approved $10.3 million in support of SIMAP intended to help improve health and nutrition status of the poorest segments of the population. The IDB, in 1993, provided a $13.5 million loan (GY0047) referred to as SIMAP I, another was provided in 1996 (GY0025) for $17 million for SIMAP II - $15.5 million for small projects and the remainder for support and a third loan (GY0061) was approved as SIMAP III in late 2001 for $20 million. In total the IDB has approved $2.95 million in non-reimbursable TCs and $50.5 million in loans to SIMAP.

4.54 SIMAP I included four principal project types - social and productive infrastructure, Amerindian projects, nutrition projects and technical and vocational training projects. SIMAP II included the above four types but increased coverage to also include emergency response mechanism projects (ERMP) and institutional strengthening of communities and the SIMAP agency. SIMAP III was further expanded to include community services and SIMAP operating expenses.

4.55 SIMAP I was fully implemented by August 1999. The final PPMR and PCR report that implementation progress was judged successful with the exception of the nutrition component due to the Ministry of Health not succeeding in implementing a national action plan for reporting and treating of nutritional deficiencies. The overall project has been fully implemented in terms of 150 infrastructure projects completed, 40 nutrition projects completed and assistance provided in drafting and implementation of the National Nutrition Plan of Action, 20 Amerindian pilot projects executed and evaluated, vocational pilot program completed and institutional strengthening of SIMAP Agency's management successfully implemented.

4.56 Under SIMAP II, over 90% of the resources had been disbursed by the end of 2001. The project is near completion with the last disbursement expected about mid 2002. Implementation thus far is considered satisfactory with 164 social and productive infrastructure projects executed over the three years, 172 Amerindian community projects executed (this is considered unsatisfactory since it below targets), 288 emergency

[17] World Bank, *Financial and Technical Assessment of the Essiquibo Coast Road Rehabilitation Project*, March 1999.

projects executed, a nutrition program of $2 million implemented to needy target population and training courses totaling US$500,000 completed.

4.57 In addition to the PPMRs and PCRs a number of evaluations have been conducted: a) mid-term evaluation[18] of SIMAP I conducted in 1996; b) a study focused on in-plant or apprentice training.[19]; c) an ex-post evaluation of SIMAP I in 1996.[20]; d) an evaluation of the program's food distribution program at health and day care centers sponsored by the World Bank was conducted in 1997[21]; e) a World Bank Implementation Completion Report (ICR) of its 1992 loan[22]: f) a PCR of SIMAP I competed in 1999; g) an ex-post evaluation of SIMAP II[23] in 2000: h) a mid-term evaluation of health and nutrition projects in 2000[24]; and i) an evaluation of Amerindian projects[25] in 2001.

4.58 **Outputs and Outcomes**. Most of the reports and evaluations of SIMAP I and II have concentrated on outputs of subprojects financed under the two operations. Overall outputs have been judged successful. The SIMAP I Mid-Term Evaluation (1996) noted that "Project contracting and execution is a recognized SIMAP strength …" The World Bank's evaluation (1998) found "the infrastructure subprojects to be well built and maintained." The Bank's PCR for SIMAP I (1999) reported that "Thus it would be fair to say that the project achieved its objective of financing small-scale locally sponsored projects and contributed to the empowerment of CBOs (community-based organizations)."

4.59 The SIMAP II evaluation (McDonald 2000) examined completed subprojects by sector: a) education - over 100 projects completed or in execution with the schools considered to be of high quality at reasonable cost meeting urgent community needs; b) transportation - close to 100 projects financed including five under Amerindian projects; c) potable water - 59 water projects, the majority considered of good quality and sustainable, however, it was not possible to disaggregate these projects from the overall water system and d) community Centers - 21 community center projects, 11 of which were Amerindian projects with technical aspects of the community centers considered to be good.

4.60 Amerindian Projects. SIMAP I, the Bank's first SIF to include a pilot program for indigenous communities, was intended "to promote the welfare and/or economic development of Amerindian communities." Twenty projects amounting to $200,000 were financed. The Mid-Term Evaluation (1996) concluded that the pilot program should be phased into the regular SIMAP operations. Under SIMAP II the Amerindian program was expanded to include community- managed and designed projects, with significant levels of self-help, such as school and community centers, agricultural development and transportation projects. The maximum size of projects was doubled to

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[18] Mid-Term Evaluation of SIMAP I, 1996.
[19] Institute of Development Studies, University of Guyana, " Ex-Post Evaluation of IDB Projects: In-Plant Training Project", 1996
[20] Institute of Development Studies, University of Guyana, "Ex-Post Evaluation of IDB Projects: Community Development & Technical Aspects", 1997
[21] Immink, M., "Analysis and Assessment of SIMAP's Food Distribution Programme at Health and Day Care Centers in Guyana", 1997.
[22] Implementation Completion Report Guyana: "SIMAP/Health, Nutrition, Water and Sanitation Project", (Credit 2358-GUA), World Bank, 1998.
[23] MacDonald, C. and Joseph, S., Guyana: "An Evaluation of the SIMAP II Program", 2000.
[24] Omawale, O., "Midterm Evaluation of SIMAP Health and Nutrition Subprojects", 2000.
[25] Renshaw, J., "Social Investment Funds and Indigenous Peoples", 2001

$40,000 and $2.7 million was earmarked to the program. The evaluation of the Amerindian program under both SIMAP projects (Renshaw 2001) suggested that the program had fallen short in approving the expected number or projects.

4.61 Food, Nutrition and Health Care. A food ration distribution program was implemented by SIMAP in 1992 with World Bank and later IDB support. The program was to improve the coverage of maternal and child care services and to improve the nutritional status of the target population in the most needy areas. Some 50 clinics were identified for the program. In the first evaluation of the program (Immink 1997) an assessment of the World Bank and SIMAP I program was undertaken to determine adequacy and impact on the use and quality of health services and on the nutritional status of beneficiary children. The evaluation also examined program efficiency and sustainability. The evaluation found that a number of the health centers received less than their ration entitlements due to the poor ration distribution system. The quality of health care provided at these health centers did not appear to have suffered due to the ration shortfall. Antenatal and child clinic visits rose with ration distribution then dropped afterwards.

4.62 The World Bank's ICR (1998) examined the food supplementation program implemented via 57 health centers and 11 day care centers. Provision of food rationing lasted only 12 months due to cost increases. No evidence of food leakage (to ineligible participants) or sale of food was found, although some problems in selection and shortages of particular foods were reported due to changes in procurement procedures. Health center attendance increased significantly. It was estimated that the value of the food rations provided ranged between 12% and 26% of the minimum wage. The mid-term evaluation of the IDB health and nutrition subprojects (Omawale 2000) focused on a review of documents and visits to 10 project health centers. Citing the paucity and unreliability of data, the evaluation concluded that the program design was an appropriate response to nutrition problems and had the potential to impact the nutritional deficiencies of the poor. The lack of data made it difficult to judge the success of the program and it was too early to assess impact on birth weights.

4.63 **Project Priority**. The degree to which SIMAP has prioritized projects according to need, impact, etc is another aspect of evaluation work. The SIMAP I PCR reported that "it had no clear methodology for prioritizing incoming projects." The SIMAP II evaluation reports that about 83% of sampled projects were considered the highest priority by the surrounding community. Amongst the Amerindian projects, the figure was lower as paid labor was considered a more important factor than prioritization. Renshaw notes for Amerindian projects that "The selection of projects appears to be determined more by the suitability of the beneficiaries, than the nature of the projects themselves…" Under the newly approved SIMAP III a new system was introduced whereby projects are ranked according to four variables a) poverty level of community, b) previous SIMAP experience, c) maintenance records of previous projects and d) type of project.

4.64 **Participation of Communities**. Community participation and contribution is another aspect of evaluation of SIFs. The SIMAP II evaluation noted that beneficiary contribution for regular projects improved significantly from SIMAP I where none was required. Under SIMAP II beneficiary contribution was 5% for nursery and primary schools and community centers and 10% for other projects. SIMAP has made a serious effort in assuring these contributions are met. For Amerindian projects the contribution has decreased from 25% when work in kind was included to 10%. However, members of the Amerindian community may now receive pay for work, which is often substantial

when compared to local wages. Renshaw raises the counterproductiveness of paying beneficiaries for their labor, arguing that payment is an incentive for unnecessary projects and would raise expectations for the government to resolve the poverty of Amerindian communities. On the other hand, it is argued that the pay received in these extremely low-income communities provide a much greater benefit than the actual construction itself.

4.65 **Employment Creation and Income Generation**. Very little is reported on the degree of job creation stemming from SIMAP or the increase in income. SIFs have been criticized in the past for only creating temporary jobs and having little impact on the structural problem of poverty. The PCR of SIMAP I reports that an unexpected spinoff of the project was the revival and revamping of the country's contracting industry. The program provided the base for local private contracting sector to grow and learn.

4.66 **Poverty Targeting**. A number of the evaluations have reported on results in terms of targeting. The Mid-Term Evaluation of SIMAP I using rudimentary methods of data collection for 29 projects found that a much higher share (67%) of investments went to higher income communities. The PCR reported that "it was almost impossible to ensure that projects were targeted at the most vulnerable groups." SIMAP II, recognizing this shortfall, introduced a targeting mechanism using a poverty map. However for the health and nutrition projects, they were considered "well targeted since clinics were chosen from a list …indicating those with the highest level of malnutrition." The SIMAP II evaluation examined targeting in terms of the sector operations. The income of project beneficiaries was divided into four ranges of monthly family incomes using three different ways of estimating average income of project beneficiaries. It found that about 60% of project beneficiaries had family monthly incomes below G$17,500 (about US$100) and 94% below G$25,000 (US$140). Renshaw notes that there was no poverty targeting within the Amerindian program since all of the communities qualify on the grounds of poverty.

4.67 Under the food, nutrition and health component, the World Bank ICR reported that children with the greatest weight deficit showed the greatest response to supplemental feeding, however there was no effect on child morbidity. The distribution of milk rations to lactating women appeared to have little or no detrimental effect on breast-feeding practices. However, breast-feeding practices did not improve due to attendance antenatal visits to health clinics and there was no effect on the incidence of low birth weight attributable to food rationing.

4.68 **Impact and sustainability**. Based on the results of the different reports and evaluations it is difficult to state what the impact of SIMAP projects is on the community and social welfare. None of the evaluations went into that deep of analysis, and given the costs of such evaluation, considerably more resources will need to be earmarked to be able to come to more conclusive results. The fact that SIMAP stretches itself across a large number of sectors – roads, schools, markets, health centers, water, sanitation, drainage and irrigation, nutrition, food supplements and health care and vocational training – makes it extremely difficult to gauge its real impact on poverty. SIMAP was intended at the start as a transitional device to operate from the bottom up and be demand driven, with a $3 million budget reacting quickly to the needs of the most vulnerable through community organizations, NGOs, local governments and groups, as they defined their needs. The initial difficulty was the lack of such organizations. The fact that they have

now multiplied implies that the demand for such resources is beginning to meet the supply.

4.69 Resources loaned to SIMAP are now over $60 million and it is into its twelfth year of operation. It has been perceived by some as a Government "pork barrel" although considerable effort has been made to counter this image. It has been criticized for over emphasizing engineering works and not enough attention to social issues.

Education

4.70 The Bank efforts in education centered on the 1989 $46.4 million Primary Education Improvement Program (GY0010) and a $560 thousand TC (ATN/SF-3380) for institutional strengthening of the Ministry. The objective of the program was to improve the quality of education by focusing on school facilities, textbooks and teacher training. The project suffered major implementation delays and was reformulated in March 1998 by adding the components of school infrastructure and maintenance, classroom environment, institutional capacity and hinterland teacher training. In early 2002 it was over 90% disbursed and showing results mainly in terms of construction and rehabilitation of schools. Almost all of the project resources went into engineering, construction and machinery for schools with only about $4 million for teaching material and about $3 million for human resources.

4.71 **Outputs and Outcomes.** The program rehabilitated and/or constructed a total of 107 (25%) of the 435 primary schools in Guyana between 1995 and 2002 as well as strengthening infrastructure maintenance capacity of the Ministry. This number was significantly higher than the original estimate provided in the loan proposal in 1989 due to currency devaluation, redesign cost savings and improved PEU capacity. It has been estimated that under this project 60% of the student body have upgraded facilities and if SIMAP schools are included this figure is over 70%. In terms of the outcome objective of improving the quality of education results are not as measurable. Enrollment in primary schools, which has always been high due to compulsory education, did show a very small decline over the period but the improvement of the economy in the 1990s may have been a major factor in this as students joined the work force. Also the reliability of the data leaves some doubt as to actual enrollment levels.

4.72 An independent evaluation of the Ministry's five-year education development plan[26] makes an attempt to measure "quality of education" through student-teacher ratios, facilities and materials and national standard test scores. The report argues that student enrollment is high but that attendance is low and that "Quality factors causing low attendance could include lack of teachers, lack of qualified teachers, lack of facilities and instructional materials and open-planned classrooms … " Quality measures used included teaching force, materials and facilities and achievement of minimum national standards and inspection reports. The report found that even though student-teacher ratios were adequate there were still concerns over the number of untrained teachers and the large exodus of trained teachers from the country. There has been some improvement in test performance scores but national levels in English and mathematics were considered to be at unacceptably low levels. Due to a shortage of manpower and lack of

[26] Ministry of Education, *Review of the Ministry of Education's 5-year Education Development Plan 1995-2000*, Submitted by Macrae Mason Consultants, March 2001.

minimum national standards, inspection and supervision services have not been able to monitor and evaluate school adequacy and teacher performance.

4.73 **Impact and Sustainability** While the construction, rehabilitation and physical maintenance of schools improves the environment in which students learn, it does not necessarily improve the quality of education which was the main objective of the program. Attendance of the primary school population is estimated to have reached over 80% up from 68% reported in 1989. Functional literacy and numeracy of primary graduates will reach 90% according to the PPMR, although these improvements may be due to other reasons. The Bank intends to draw from its success in education in a new Basic Education, Access and Management Support Program scheduled for approval in mid-2002 which seeks to improve the delivery of education services and programs. An ex-post evaluation of GY-0010 is called for after completion of the project to examine efficiency indicators (repetition, drop-out, absenteeism rates and test scores) both before and after the program. Guyana has also addressed the quality of education issue in its National Development Strategy calling for a re-examination of the education system.

Evaluation of Priority Themes

4.74 Table 4.5 summarizes the Bank's principal objectives stated in the last two CPs and provides a summary assessment of their degree of achievement by the end of 2001. As already noted these broader priority objectives were shared with the donor community and success or lack of success cannot be attributed to the Bank alone.

4.75 **Macroeconomic Adjustment**. A number of evaluations carried out by the World Bank, IMF, the Canadian International Development Agency (CIDA) and the EU have focused on adjustment operations in Guyana. Guyana is widely cited as a "success story" of IMF-monitored adjustment. IMF studies[27] evaluating its ESAF activities in low-income countries have included the Guyana experience. The World Bank states that "few countries have undertaken such a dramatic turnaround in economic policies, and few have implemented such a program with such speed and determination."[28]

[27] International Monetary Fund, *The ESAF at Ten Years: Economic Adjustment in Low-Income Countries*, Occasional Paper 156, 1997; IMF, *External Evaluation of the ESAF: Report by a Group of Independent Experts*, 1998; IMF, *Economic Adjustment and Reform in Low-Income Countries*, 1999.
[28] World Bank, *Guyana: From Economic Recovery to Sustained Growth",* Report No. 10307-GUY, April 1992, p.3.

Table 4.5: Success in Meeting Objectives of 1995 and 1998 Country Papers

Challenge	Objective	Achievement
Macroeconomic framework for sustained growth	Provide environment for macroeconomic stability, with supporting fiscal and monetary policies which encourage growth	**Some success** in stability but macroeconomic program went off track in 1998 due to a number of disturbances and has been slow to recover by end of 2001. Continued to receive IMF PRGF and in process for new PRGF in 2002. Economic difficulties still being encountered
Debt overhang	Reduce burden of external debt thus freeing budgetary resources for priority expenditures	**Bank contributed to debt reduction** in reaching original HIPC and probable success of reaching enhanced HIPC which will reduce debt by more than 50% resulting in resources to be used to address PRSP goals and areas agreed to with the country
Public sector modernization	Undertake major civil service reform and improve planning and project implementation capacity, procurement system and delivery of public goods and services	**Public sector reforms not pursued** due mainly to political difficulties of 1998 and strike in 1999. Plans for Bank's proposed public sector modernization program loan not pursued by Government. TC approved but needed reformulation further delaying process
Private sector development	Reduce transaction costs, encourage diversification and improve enabling environment (policies, judicial system, investment code, finance and credit, property rights and incentives) for agriculture and financial sectors in particular	Some restructuring and privatizing of public enterprises, legislation for electricity sector and deeds registry with support from the World Bank but **little success** in addressing other areas of concern. Bank's Enterprise Development Strategy not yet finalized, strategy for agriculture and new agriculture loan delayed. Bank's Financial Sector Loan completed but much remains to be done in the sector.
Social sector development	Improve delivery of social services particularly in health and education, programs to reduce poverty and enhance living standards	Implementation delays have slowed completion of existing projects in education, housing and water and approval of new ones in education and health. Poverty has fallen since 1993 but remains high in the interior and among the Amerindian population
Productive infrastructure	to assist in rehabilitation and expansion of productive infrastructure and to assist Government in management of investment priorities, maintenance and policy	Bank continues to play a major role in electricity, roads and sea defense but experiencing delays in air transport and in plans for deep water port and major bridge project due to lack of feasibility studies and designs and major Government policy decisions
Environment	Ensure integrity of resource endowment and health of population	Establishment of EPA and one small disposal site operation but no other major operations approved

4.76 The World Bank recognized in its 1992 assessment report that the longer term outlook continued to be constrained by the deteriorated public sector infrastructure, particularly power, water supply and roads, all sectors addressed by the IDB. An evaluation carried out by CIDA[29] examined not only the Canadian involvement in the Support Group for Guyana but also the role of the IFIs. It concluded that "the results of the ERP, the SAP (structural adjustment program), and the concerted international support rallied by the efforts of the SG (support group) show remarkable success so far." A 1999 evaluation of structural adjustment support by the European Development Fund reports that "the results of structural adjustment policies have been especially significant."[30] These studies cite many economic statistics showing the improvement experienced in the country's economy in most areas.

4.77 The $194 million in BOP and adjustment lending that the Bank has provided since 1990, the largest amount by any institution, has certainly played an important role in the success of the macroeconomic adjustment. The dramatic improvement in the agriculture sector is certainly due in part to the changes in policies and BOP support the Bank provided for the sector. Attributing what share of the success is due to the IDB is extremely difficult given the many players and factors in the process. However, the fact that relations between Guyana and the Bank have remained extremely positive (even during the negotiation of the agriculture and electricity loans), while those between the country and the World Bank have experienced greater difficulties points to the positive role that the Bank has played. Much of this is due to the country office representation since 1993.

4.78 As already noted in Chapter I, the country experienced positive growth and stability for much of the period under consideration. It was not until 1998 when due to mainly external factors, the economy suffered a setback and has not yet fully recovered. Recent negotiations between Guyana and the IFIs (February 2002) for a renewed PRGF, a macro framework and the final PRSP to finalize the enhanced HIPC are addressing the steps Guyana must take to bring the economy into more stable growth.

4.79 **Debt Overhang and HIPC**. Without doubt one of the greatest impacts that the IDB and other multilateral and bilateral donors have had on Guyana involves the debt reduction of the HIPC initiatives. Figure 4.1 below illustrates the impact of the different debt reduction initiatives on Guyana's external public debt over the period. In late 2000 in preparation for the enhanced HIPC initiative for Guyana, the IMF undertook some economic and financial analysis of the original HIPC initiative[31]. Of the $256 million reduction in NPV at the end of 1998, the IDB accounted for almost $52 million of the reduction. The reduction was to significantly reduce Guyana's debt burden by 2000 to levels of 348% of government revenues from about 543% in 1998. However the ratio did not fall below the target of 280%, due mainly to the depreciation of the exchange rate. Under the enhanced HIPC the target was reduced to 250% and Guyana reached the "decision point" in late 2000, qualifying it to an additional debt relief of $329 million in

[29] Canadian International Development Agency, "*Evaluation: CIDA Balance of Payment Support Program for Guyana*" October 15, 1993.

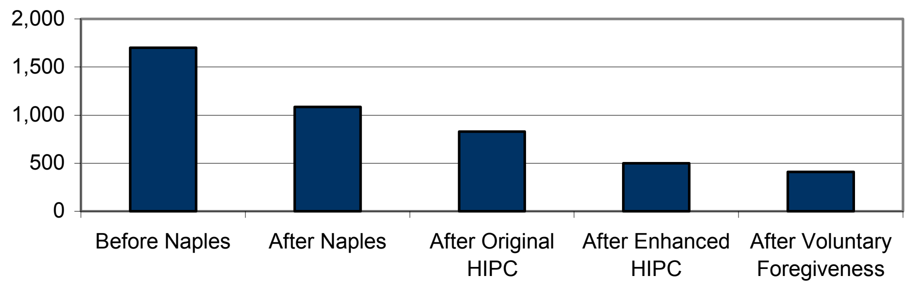
[30] European Union, *Republic of Guyana: Evaluation of Structural Adjustment Support to the Republic of Guyana by the European Development Fund*, September 1999, p.ii.

[31] IMF, "*Guyana: Decision Point Document for the Enhanced Heavily Indebted Poor Countries Initiative*", November 1,2000.

NPV. The IDB accounts for $64.3 million of this enhanced reduction bringing its total to $116 million.

4.80 The IMF undertook a study in 2001[32] of the financial impact of the HIPC initiatives for 22 countries, including Guyana. In projections, it estimated that Guyana's debt services to exports ratio would fall from 19% in 1998 to 5% by 2005 and its debt services to fiscal revenues would fall from 65% to 13% by 2005. It was estimated that over the 2001-2003 period HIPC relief would provide Guyana with about $90.5 million or about 11.8% of GDP. This provides about $30 million per year that Guyana can potentially use for other purposes.

Figure 4.1. Guyana: Net Present Value of External Public Debt
US$ millions



Source: Guyana Authorities and IMF Estimates

4.81 The PRSP to be approved in 2002, identifies the many opportunities where Guyana can use these savings to address the country's needs. The PRSP was formulated using a consultation process across a large cross-section of the population and includes a list and a prioritization of recommendations. It is premature at this point to forecast what the full impact of the HIPC debt reduction initiatives will be on Guyana.

4.82 **Modernization of the State**. This is one area where significant change was made in the early years of the ERP, but limited progress has recently been made. The Government starting in 1990 privatized a large number of state-owned enterprises. There were major cuts in the number of public servants between 1993-96, by about one third, although much of it due to the low salaries offered to civil servants. More recently both the state airline and electricity company were sold to private sector interests and the Government is continuing with its plans to privatize the remaining state-owned enterprises except for three (shipping, sugar and retail oil). Regulatory frameworks for electricity, sugar and insurance sectors have been established. Civil service reform has proceeded very slowly.

4.83 The Bank's overall objective in the last CP was to assist the country in its efforts to improve public sector efficiency and effectiveness through civil service reform, improving planning and project implementation capacity, the procurement system and

[32] IMF, "*Financial Impact of the HIPC Initiative: First 22 Country Cases*", April 10, 2001.

capacity to deliver public goods and services. More specifically, the Bank sought to assist the Government through a Public Sector Modernization Program to improve policy making and delivery capacity and a Multisectoral Pre-Investment Program to help prepare priority public sector projects and to carry out institutional strengthening for preparation and execution of projects.

4.84 This goal has proven to be unsuccessful as public sector reforms were not pursued by the Government due to a number or reasons. Plans for Bank's Public Sector Modernization Program loan were not developed. A TC operation for preparation of the loan was approved in early 2000 for slightly over $1 million. It eventually needed reformulation further delaying the process and has disbursed about 25% by mid2002. The Multisectoral Pre-Investment Program was also not developed. A TC operation for $150,000 for preparation of the loan was approved in 1995 but only $39,000 has been disbursed by early 2002.

4.85 The Government of Guyana did face a number of issues in its efforts to pursue civil service reform sector over the past four years. After being taken to court over wages, large wage awards have been given to civil servants (19% in 1998, 31% in 1999 and 27% in 2000) resulting in a doubling of wages. Union opposition to downsizing has slowed the reduction in the size of the civil service, but a voluntary separation package has been offered.

4.86 The issue of governance is reflected in indicators generated by the World Bank. Political instability is identified as the major governance issue facing Guyana. Table 4.6 summarizes these indicators for 2000-01 and compares them with the 1997-98 values as well as with regional and income category averages. Guyana performs well in "voice and accountability" and relatively well in most of the others, especially when compared to other countries in the region or in its income category. In terms of "voice and accountability" Guyana ranks in the 76th percentile of countries and for most of the other indicators in the 40th to 60th percentiles. The worst is "political stability/no violence", where due to its political difficulties Guyana has fallen to the 22nd percentile. In addition, with the exception of the "rule of law" indicator, there is evidence of deterioration in indicators since 1997-98 and in particular "control of corruption" shows a marked decline. A recent study[33] sheds light on this topic. A survey conducted of 454 public employees between November 1999 and January 2000 tests, among other things, the perception of corruption in the public sector. The results show that 93% of officials believed that corruption was significant in the public sector. They also believed that corruption was mostly related to tax and custom duties evasion and to avoid harassment by police or regulatory agents. The most opportunity for corruption was found in regulatory agencies than in service delivery institutions. Punishment appears to be low as only 9% of surveyed officials in the survey reported having known of another official being disciplined.

4.87 The larger challenge in the area of modernization of the state involves maintaining political stability so that the country can continue to achieve positive growth and deal with its social issues. The Bank can assist in this process by working with country authorities to identify mechanisms to increase cooperation, transparency, ownership and efficiency of the public sector. Examples of Bank activities could include support for

[33] "Institutional Environment and Public Officials' Performance in Guyana", World Bank Technical Paper, 2001.

additional institutional strengthening of ministries, agencies and parastatal organizations, support for bipartisan dialogue between parties, support for public labor unions or support to strengthen civil society such as NGOs and community-based organizations.

Table 4.6: Guyana: Governance Indicators

Governance Indicator	Year	Percentile Rank (0-100), in %	Estimate (-2.5 to + 2.5)	Standard Deviation	Number of surveys/ polls	Regional Average, Percentile	Income Category Average, Percentile
Voice and Accountability	2000/01	76.4	+0.94	0.27	3	36.3	45.4
	1997/98	79.9	+1.01	0.29	2		
Political Stability/No Violence	2000/01	22.2	-0.70	0.51	2	27.7	42.5
	1997/98	42.9	-0.20	0.41	1		
Government Effectiveness	2000/01	52.5	+0.02	0.40	2	31.9	42.5
	1997/98	58.6	+0.01	0.77	1		
Regulatory Quality	2000/01	47.3	+0.04	0.54	2	35.8	42.9
	1997/98	55.1	+0.23	0.52	2		
Rule of Law	2000/01	57.6	+0.13	0.37	3	32.9	42.6
	1997/98	49.7	-0.14	0.44	2		
Control of Corruption	2000/01	41.6	-0.45	0.39	2	34.3	43.9
	1997/98	60.9	-0.02	0.75	1		

Source: Kaufmann, Kraay and Zoido (KKZ), 2002: Governance Matters II: Updated Governance Indicators for 2000-01

4.88 **Private sector development**. The broad goal for the Bank in private sector development was to reduce transaction costs, encourage diversification and improve delivery. Through its Enterprise Development Strategy the Bank sought to promote regulatory and policy reform, strengthen administration of justice and property rights and provide assistance for institutions providing business and financial services.

4.89 There was some success in restructuring and privatizing public enterprises into private companies (some successful such as GPL, some not such as Guyana Airways that eventually closed). A MIF TC (already discussed) assisted in approving legislation for electricity sector regulation now fully disbursed. . A 1997 MIF operation of $875,000 for a training system proved unsuccessful due to a shortage of counterpart funds. A 2000 MIF operation provided $142,000 to the Institute for Private Enterprise Development to help increase the volume and quality of financial services to micro and small enterprises, still disbursing. Additional support from the MIF of $900,000 in 1999 was provided for training to improve competitiveness and productivity of microenterprise. A $940,000 MIF operation in 1999 to improve the framework for deeds registry is also still disbursing. But the Bank has been less successful in pushing the broader private sector issues. The planned privatization of the two state-owned bauxite companies has been delayed as discussions are ongoing. Bauxite mining continues to be a major drain on public finance. The Bank's Enterprise Development Strategy has not yet been finalized, the strategy for agriculture and the new agriculture loan has been delayed. While the Bank's Financial Sector Loan (FSL) has been completed the Bank has not moved far in pursuing other activities in the finance sector of improving resource mobilization, improving trading in securities or reform of the insurance and pension schemes.

4.90 The reform of the financial sector project involved the restructuring and privatization of the Guyana National Cooperative Bank (GNCB), a public bank that focused on

agricultural financing which has a huge portfolio of non-performing loans. A major part of the FSL was the merger of GNCB with the Guyana Cooperative Agricultural and Industrial Development Bank and the institutional strengthening of the resulting institution. This condition was met in the final tranche of the FSL but a condition of the enhanced HIPC, is to bring the sale of GNCB to the bidding stage. Ultimately GNCB is to be sold to the private sector. Once the financial sector has been fully privatized, considerable more work is needed in finalizing the legislation and institutional strengthening of the supervision and regulatory systems. Guyana's financial system for the time remains quite undeveloped, lacking real depth of financial services and adequate supervision. Reform of the sector so that the private sector can be provided with a broader range instruments will be a slow process, one that will need to be pursued if the private sector is to develop.

4.91 **Social sector development**. The Bank's efforts in the social sector have focused on social investment funds (SIMAP), primary education, water and more recently urban development and housing. The broad goal of the last CP was to improve delivery of education and health services and to foster programs to reduce poverty and enhance living standards. The Bank has been the major development agency in the sector providing about $211 million over the period.

4.92 The challenge of poverty remains with the country as there has been some improvement in surveyed poverty levels but they remain relatively high. The latest surveys still show poverty rates to be high – 35% of the population in 1999 down from 43% in 1993. The decline in Georgetown, the capital was the largest – from 29% to 16%, the other urban areas the decline was somewhat less from 23% to 15%. In the rural coastal areas, poverty fell from 45% to 37% while in the rural interior, it increased from 79% to 92%. The Amerindian population, accounting for 7% of the population made up 17% of the poor due largely to the isolation and lack of employment opportunities of the interior. Most of the poor in Guyana live in the rural areas, largely self-employed in agriculture or manual labor.

4.93 The Bank has addressed its efforts in poverty reduction mainly through SIMAP, and it appears to be having an impact in urban areas along with the general improvement in the economy. However in the rural areas and particularly in the interior the SIMAP-style of support has not been enough to have any real impact on poverty. The debate on whether to pay for local employment in SIMAP projects only raises the broader issue of how to provide for constructive employment opportunities in the poor rural interior where there is little at the present.

4.94 Education has been one of the stronger assets of Guyana despite the marked decline during the 1970s and 1980s. This decline manifested itself in underfunding, excessive state intervention and poor test scores.[34] Public expenditure on education reached 5% of GNP and 10% of total government expenditures during 1995-97. Net enrolment ratios are relatively high at 87% (primary) and 66% (secondary). Youth literacy rate is almost 100% and adult literacy is the highest in the region (98.4%). These data are comprised into the HDR educational index, whose latest classification gives Guyana a 0.87 value below only to Argentina (0.92), Uruguay (0.92), Barbados (0.90), Chile (0.90), and The Bahamas (0.89) within the region. However, most of these achievements do not materialize in economic growth due to emigration. The exodus of mainly the more

[34] IDB, *The Financing of Education in Guyana: Issues and Strategies*, April 1997.

highly educated work force[35] created critical shortages of trained manpower in all sectors of production, services and government activity. The lack of opportunities in the country wastes its main asset and creates a vicious circle, since the creation of opportunities is a difficult task without human capital.

4.95 In terms of health indicators Guyana still has much ground to gain. The latest HDR estimates that life expectancy is about 64 years, that more than 3% of the adult population (15-49years) lives with HIV/AIDS, and that the infant mortality rate is 56 per every 1,000 live births. These indicators placed Guyana as the third worse country in the region. In addition, there were 3,806 malaria cases per every 100,000 people reported in 1997, the highest rate in the region. During the last decade, there were only 18 graduate physicians per every 100,000 people. It is estimated that between 1995-2000, underweight and underheight rates for children less than five years old were 12% and 10%, respectively. The latest report of the World Health Organization[36] ranks Guyana's overall health performance in position 128 out of 191 countries. However, Guyana spends around 4.5% of GDP in public health, a rate similar to that in Ireland and Barbados. Although there has been an improvement since the late 1980s, additional gains can be achieved by implementing reforms aimed at:[37] (i) improving performance of public providers, reducing access problems and targeting public resources towards poorer regions; and (ii) being more selective in the kinds of health services provided and/or charging for some services and integrating private sector participation.

4.96 **Productive infrastructure**. The Bank's objectives and activities were chiefly in the transportation sector. The objective was to assist in the rehabilitation and expansion of productive infrastructure and to assist the Government in management of investment priorities, maintenance and policy. As already discussed the Bank has played a major role in the electricity and road sectors. Its efforts in air transport have been slowed considerably due to a number of difficulties including recruiting qualified professionals for senior positions in Civil Aviation Authority and at the international airport. Both the sector and TC components of this $30 million hybrid operation in early 2002 have not yet started to disburse due to delays and the investment component is only 12% disbursed. The plans for a deep water port project and a major bridge project have met with delays due to lack of feasibility studies, designs and major Government policy decisions.

4.97 **Environment**. There was only one small operation approved in 2000 for $900 thousand for a Georgetown disposal facility that has barely started to disburse. The Bank provided TC support in establishing an Environmental Protection Agency (EPA) but the proposed Shore Zone Management Program is now under an EU program.

4.98 The principal objectives of the TC were to strengthen the technical, managerial, and organizational capacity of the newly established EPA and to develop the country's legal and regulatory framework for natural resources and the environment. The TC made an important contribution to environmental management, strengthening the EPA and creating environmental management systems, establishing a legal and regulatory framework for environmental management, and modestly improving environmental

[35] Carrington, William J. and Enrica Detragiache, *How Extensive is the Brain Drain*, 1999, reports that based on 1990 U.S. Census data, Guyana has the highest migration rates to the U.S. amongst 61 developing countries, with estimates of over 70% of the tertiary-educated population having migrated to the U.S.
[36] www.who.org
[37] World Bank, *Guyana. Reorienting Public Expenditures to Serve the Poor*. June 2000, p.33

capacity in agencies. After three years the EPA is a well-established institution with a sound organizational structure, operational procedures and financial management systems, and a relatively competent staff. The EPA still has difficulty in recruiting and retaining technical staff and does not have a long-term financial stability plan. Implementation of new regulations is still in the early stages and the long-term effects on the environment are still unknown.

V. Conclusions and Recommendations

5.1 The introduction of the ERP, a sharp rise in development assistance at the end of the 1980s and into the 1990s and the debt reduction of HIPC and the Paris Club have provided Guyana with a major opportunity to bring itself out of the bankrupt state it found itself in 1988. Political consensus to carry out the ERP and political stability of the early 1990s allowed the reform process to start producing results in 1991. The reduction of external interest payments, debt relief, the inflow of assistance and the privatization of many money-losing state-owned enterprises allowed public expenditures to be redirected to infrastructure and social sectors. Policy change, which was often associated with donor assistance also played a key role in the changes that occurred in Guyana. The result has been a significant amount of development progress in the country. Macroeconomic imbalances showed a significant improvement from the late 1980s and social progress has been evident, but huge needs still require attention. Political instability and weak governance still are factors preventing additional economic and developmental gains.

5.2 The IDB played an important role in meeting Guyana's needs, especially since 1995. The instruments chosen were mainly project and sector loans, technical assistance, and debt relief. Non-financial products were scarce as financial support increased. From 1989 to 2001, the IDB approved over \$528 million in loans and \$37 million in non-reimbursable TC operations, disbursing \$390 million and providing \$150 million in net flows. It participated in the HIPC debt reduction for \$116 million by the time the enhanced program will be completed. IDB gross disbursements accounted for about 32% of Government capital expenditures, 12% of public expenditures, 35% of external savings and 5% of GDP. The IDB provided considerably more resources than the World Bank or IMF in its sector approach and relations with the country have remained very good, even when difficult conditions needed to be met on adjustment loans. Only one loan was cancelled after the first tranche and there is agreement between both parties that the country was not able to meet the tranche conditions of the loan and a new operation was necessary.

5.3 Development progress may be assessed from a variety of perspectives - comparison of outcomes before and after, comparison with outcomes in other countries, comparison between outcomes and objectives and targets and comparison with what may have been achieved in the absence of a program (counterfactual.) Because of the lack of appropriate statistical data, the uncertainty of validity of the data, the shortage of ex-post evaluation documents and the length of time needed to achieve results in Guyana, it is appropriate to look at each of these in evaluating the performance of the program over the 1990s.

5.4 Before and after comparisons show how little or how far a country has progressed, whether the loans and policies have changed the course and brought about an improvement or deterioration over the period. A number of indicators where it is possible to find comparable statistics are presented in Table 5.1 for the period prior to 1991 and for the end of the period. For almost all of indicators, considerable progress has been made. Economic growth turned significantly positive over the period and inflation was cut dramatically. The external sector showed substantial improvement and external debt with the completion of the original HIPC has been brought to more manageable levels. Improvements in productive sectors were recorded particularly in agriculture and social indicators in education, health and poverty levels all showed progress.

Table 5.1: Selected Indicators Showing Progress Over the Decade

Sector and Indicators	Prior to 1991	End of period
Economy: Real GDP growth	Averaged -3% over decade	Averaged 5.6% over decade
Inflation rates	Averaged 70% over 1987-91	Averaged 7% over 1995-99
Current account deficit	47.9% of GDP in 1991	11% of GDP in 1999
Gross international reserves	US$ 4.1 million in 1991	US$ 267 million in 1999
Merchandise exports	US$ 254 million in 1991	US$ 525 million in 1999
Merchandise imports	US$ 307 million in 1991	US$ 550 million in 1999
Debt: External Debt	US$ 1940 million in 1990	US$ 1422 million in 1999
External debt to GDP	772% of GDP	207% of GDP
Debt service/GDP	43% of GDP over 1987-90	2% of GDP over 1995-98
Public sector deficit	46% of GDP in 1990	2.3% of GDP in 1999
Agriculture: Sugar Production	132 thousand tonnes in 1990	321 thousand tonnes in 1999
Exports	162 thousand tonnes in 1991	270 thousand tonnes in 1999
Yield	59 tonnes per hectare in 1991	82 tonnes per hectare in 1999
Rice production	93 thousand tonnes in 1990	365 thousand tonnes in 1999
Exports	54 thousand tonnes in 1991	252 thousand tonnes in 1999
Yield	1.34 tonnes per acre in 1991	1.63 tonnes per acre in 1998
Agriculture share of GDP	26% of GDP in 1990	37.3% of GDP in 1999
Electricity: MW capacity	Between 4 – 28 MW in 1990 averaged about 10MW	91 MW in 2000
Peak demand	50-60 MW in 1990	84 MW in 2000
Water and Sanitation: % of population with access to safe drinking water	85% in 1990	92% in 1999
Education: Public sector Investment in education	G$ 143 million in 1990	G$ 1720 million in 1998
Education as a share of budget	1.91% in 1990	11.9% in 1998
Adult literacy rate	95.4% in 1985	98.4% in 1999
Students scoring more than 50% on school exams in mathematics	4% in 1992	20% in 1999
In English	8% in 1992	27% in 1999
Health: Health care expenditure per capita	US$ 19 in 1990	US$ 45 in 1998
Health as share of GDP	4% in 1990	5% in 1998
Under 5 mortality rate	90/100,000 in 1990	79/100,000 in 1998
Life expectancy at birth	64.2 years in 1990	64.6 years in 1998
Population access to health care	87% in 1990	89.2% in 1998
Poverty/Human Development Poverty estimates	Poverty estimated at 65% in 1988, then under new method decreasing to 43% in 1993, 29% in extreme poverty	Poverty level in 1998 estimated at 35%, 21% in extreme poverty, interior and Amerindian poor increased
UNDP Human dev index	.589 in 1991 (Number 89)	.704 in 2001 (Number 93)
Real GDP per capita (PPP$)	$1480 in 1985-88 average	$3640 in 1999

Source: World Bank Development Indicators, IMF statistics, UNDP Human Development Report and other sources

5.5 The fact that Guyana has made progress leads to the question of how far does it still need to go. Cross-country comparisons are an indication of relative performance, providing information on whether gaps between countries are widening or contracting. Table 5.2 below compares Guyana to other countries in the Caribbean and Venezuela in the late 1980s and updates it for the late 1990s. The table shows improvement in most areas, however Guyana has not yet reached the levels of its neighboring countries. While real per capita GDP rose significantly over the period it still has a long way to go to reach that of others. Health indicators of life expectancy, mortality and infant mortality all show improvement but are still well below others. Maternal mortality rates of 126 (not reported here because of lack of earlier data) are still significantly higher.

Table 5.2: Selected Economic and Social Indicators for Guyana and the Region: Change from 1985-90 to 1995-1999

	Guyana	Bahamas	Barbados	Jamaica	Trin&Tob	Venezuela
Per Capita Real GDP Growth-%	-2.7	0.8	1.9	4.4	-3.3	0.0
1995-1999	3.1	3.0	2.7	-1.0	4.5	-0.5
Per Capita Real GDP- US$-1990	441	N/A	6655	1628	4171	2495
1999	650	N/A	6719	1988	5106	3037
Inflation-% CPI	36.2	5.1	3.7	13.2	9.7	36.9
1995-1999	6.0	1.3	2.5	14.1	4.2	53.8
Growth of Food Production-%	-6.5	-1.6	2.3	3.3	2.0	1.6
1995-1999	4.9	11.3	6.9	0.7	-3.6	2.0
Growth in Electricity Use-%	-4.4	2.2	3.7	1.5	3.5	4.4
1995-1997	17.6	3.4	5.5	9.8	6.0	1.0
Life Expectancy at Birth-years	62.2	72.1	74.6	72.5	72.0	70.5
1995-2000	64.4	73.8	76.4	74.8	73.7	72.8
Infant Mortality Rates-per 1000	65.0	20.0	13.0	27.0	20.0	26.9
1995-2000	58.0	15.0	12.0	22.0	15.0	20.9
Mortality Rates	8.2	5.7	8.7	6.5	6.8	5.0
1995-2000	7.4	4.9	8.2	5.9	5.9	4.7
Urban Population-% - In 1990	33.2	83.6	44.8	51.5	69.1	83.9
In 2000	38.2	88.5	50.0	56.1	74.1	87.4

Source: ECLAC, Statistical Yearbook for Latin America and the Caribbean, 2000

5.6 Comparison between targets and outcomes can be used to assess whether Bank objectives are being met in different sectors. The difficulty occurs when there is insufficient information as to indicators and targets initially provided in the operation. The Bank has concentrated its efforts in the agriculture, electricity, roads, water and social investment areas, accounting for $410 million or 78% of total lending. Seven projects have been completed and five were near completion in early 2002. Overall, many of the objectives and targets were not met.

5.7 In the agriculture sector, there was significant turnaround of production. The Bank's three sector operations amounting to $97 million played an important part. The value of agriculture, after reaching a low of 26% of GDP, rose quickly and has maintained a 35%-40% level since. Sugar production was almost two and one half times that of 1990 and rice was almost four times as high. The IDB's goal under the first agriculture operation, to rehabilitate productive capacity was achieved. It took the lead in the rice sector and

was instrumental in removing many of the institutional blockages allowing for greater control by the private sector and an increase in efficiency.

5.8 Efforts in the electricity sector were not as successful as the Bank through two early investment loans of $32 million attempted to restore generating facilities but fell about 20% short of capacity targets. The sector adjustment operation was more successful in bringing in a private sector partnership but raising additional capital still is not achieved and the company is still a long way from reaching international standards. The regulatory body while set up still needs to be strengthened.

5.9 Water is another sector that still requires considerably more work to bring it to acceptable standards. The first loan was intended to get GS&WC "back on its feet" but the objective was too ambitious for the resources committed. Additional improvements should occur under the new loan, not only for water but also for sewerage. The Bank's efforts in this sector have been considerably more successful than that of the World Bank but at this point are held up due to the proposed merger of the two water authorities.

5.10 Roads is another area where the Bank fell short of its initial target, but is achieving more success than the World Bank. Only two segments of the three road sections planned were completed. A new loan approved in 2001 is intended to finish the work. Implementation was very slow and the 1997 bridge rehabilitation project is experiencing similar delays.

5.11 The social sector has been addressed through social investment funds and an education loan. The two SIMAP projects for over $30 million helped to finance over 300 infrastructure projects, close to 200 Amerindian projects, 164 emergency projects as well as food, nutrition and vocational training projects. A number of evaluations have examined outputs of the program but did not adequately consider the deeper social and economic impact issues of priority, community participation, poverty targeting and employment and income sustainability. While most of the physical targets are being met it is not clear what the impact of the program is. While poverty levels have fallen, they have risen in the rural interior where the Amerindian population with 7% of total population accounts for 17% of the poor. It is not clear that SIMAP is reaching the poor to the extent that it should.

5.12 Education has shown an improvement over the 1990s as a result of the Bank's efforts in the primary education project. With literacy rates amongst the highest in the region and the Government demonstrating a commitment to continue improving education performance, through its *National Development Strategy*, the Bank's continuing efforts in this sector should help to reinforce the earlier results of the 1989 education project.

5.13 The Bank also proposed a number of thematic objectives in its last two CPs in 1995 and 1998. It was only in the most recent CP that it included performance indicators ranging from implementation of policy measures, programs and diagnostic studies to passing of legislation, undertaking dialogue, adhering to macroeconomic targets or resolving negotiation problems. These indicators were more milestones or project targets and did little to reflect progress in achieving the stated broader objectives, proving of little use in evaluation. As Table 4.5 elaborated, the Bank has achieved partial success in the broader objectives. It is more successful in working with other institutions to meet the macroeconomic stability and debt overhang objectives, but attribution is difficult to assign under these circumstances. There is partial success in addressing social,

productive and environment objectives but less so in public sector modernization and private sector development.

5.14 The broader issue is would the country have been better off without the Bank? In the case of Guyana, any attempt to postulate a counterfactual of how the country would have fared in the absence of the structural adjustment assistance, policy conditionality and the loan and TC programs leads quickly to the conclusion that Guyana was simply too bankrupt in 1988 to have been able to come out of its decade-long deterioration on its own. It realized this when it went to the IMF and began the ERP. Trend analysis and macroeconomic models would no doubt produce results showing further deterioration as Guyana faced increasing interest payments and was in no position to finance the changes necessary to transform the economy.

5.15 Even with the assistance received from the Bank, the process of development through projects has been very slow. Project execution has been difficult with projects considerably delayed, although typically within the range of the average for the Bank. Implementation has been plagued with problems of "extremely weak institutional capacity in the Public Sector," poor performance of local contractors and suppliers and difficulties in the local procurement process. PEUs while speeding up implementation create their own problems because of the inequities of salaries, brain drain, lack of sustainability and detracting from institution building in the executing ministries. Yet implementation is within the average for the Bank, a remarkable achievement given the institutional difficulties in the country. Much of this is due to the country office and the responsible division in the Bank for its work in addressing implementation problems.

5.16 Many developmental challenges continue to face Guyana, in macroeconomic stability, debt overhang, infrastructure, social issues, political harmony and improved governance. Political stability and improved governance are necessary conditions to increase private investment. Moreover, given the size, the poverty levels, and the economic structure of Guyana, the attraction of foreign investment seems particularly needed, especially since the investment has to be more efficient if it is to improve the state of infrastructure. This becomes an even more difficult task with political instability and the perception of weak institutions and governance.

5.17 External support continues to be needed to restore macroeconomic balances and, more importantly, to set the basis for sustainable and less volatile economic growth. The debt relief provided by the Paris Club and HIPC Initiatives have helped to reduce the debt burden, but debt service as a percentage of GDP at 15.5% in 1999, the second highest rate in the world according to latest Human Development Report will continue to pose a constraint on development. These are good arguments to support further debt reductions that, of course, must be backed up by sound macroeconomic policies. Restoring economic growth may halt the high rate of emigration of qualified workers and allow their abilities to be put to use in Guyana's development.

Recommendations

1. The Bank should continue its course of action in the next Country Paper. The sectors selected for support have been important ones for the country and results were achieved in agriculture, water and roads and at least begun in electricity. The Bank has developed

its niche and should continue reinforcing its efforts where it has experience and not attempt to spread the scarce FSO resources across too wide a spectrum.

2. More realistic medium-term goals, targets and indicators need to be established under the broader priority themes, reflecting the capacity of the country and its agencies for achievement. As this is to be a long-term process milestones and benchmarks should be used to indicate progress.

3. With the uncertainty of macroeconomic stability in the country, given the vagaries, shocks and misfortunes (El Niño drought, La Niña flooding, terms or trade deterioration, political strife, oil price increase, etc.) the Bank may choose to continue with sector adjustment lending. It needs to develop sector conditionality based on realistic expectations of policy change and development. While the Bank's record in this regard is relatively good, it should attempt to ensure that sector lending is completed during the period when the funds are most needed and not stretched out to the future.

4. Modernization of the state and governance should be emphasized in the Bank's next CP and program. While delays have been experienced in the proposed modernization of the public service project that was listed in the past two CPs it should continue to be at the forefront of the Bank's program.

5. Agriculture and trade remain key to the country. While showing promising improvement, the sector still faces issues of competitiveness, quality of product, loss of trade quotas and preference and finance, all factors that could have severe consequences. The Bank should retain its participation in agriculture, reinforcing its past adjustment lending with more specific investment projects as well as economic and sector studies to address these issues of competitiveness and increased productivity. It should also explore ways to assist the country in dealing with trade issues in light of possible loss of trade preferences and a possible Free Trade Association of the Americas.

6. While improvement in electricity and roads has occurred there is still a great deal that needs to be done in these sectors. The Bank should continue efforts in these sectors working to overcome implementation problems that have occurred in the past and continue its efforts in institutional strengthening of ministries, regulatory agencies and executing units.

7. The Bank needs to continue investing in deepening its understanding of the political and social context of the country. While there has not been a change in administration since the 1992 elections, the Bank must be prepared for the political dimension in its program. Demonstration and violence have marred past elections and had an impact on economic and investment activity. Bank assistance in overcoming these difficulties should be considered.

8. The Bank needs to face the reality of the poverty in the country. While SIMAP was a useful tool in the early 1990s, its effectiveness has not been proven and questions whether it is more supply driven are being raised. The Bank needs to develop other instruments to address poverty. The further integration of poverty issues into the sectors where the Bank plans to implement its loan portfolio provides the opportunity to develop these instruments. It should continue with its efforts in the education sector and work with other donors to address the pressing needs of the health sector.

9. The Bank needs to make a major effort to assist in finding solutions to persistent private sector challenges. With some success in MIF TC activity but no other major private sector lending it needs to assess where it can support private sector development in the country that will help to achieve sustainable development objectives and design appropriate operations for the Private Sector Department and IIC financing.

10. The Bank should deepen its institutional analysis and broaden its scope on execution. It should explore using other delivery vehicles such as NGOs and private sector firms in project implementation. It needs to continue in its efforts of institutional strengthening of government ministries and agencies and learn from attempts that have or have not been successful.

GUYANA: LIST OF LOANS APPROVED FOR 1989-2001

PROJECT NO.	LOAN NO.	NAME	DATE OF APPROVAL	AMOUNT US$(000'S)
I.	**COMPLETED PROJECTS**			
GY0049	839/SF-GY	Agricultural Rehabilitation	04/1990	26,782
GY0046	853/SF-GY	Rehabilitation of GEC Installations	12/1990	15,474
GY0043[1.]	876/SF-GY	Agricultural Sector Hybrid Loan	12/1991	30,000
GY0047	912/SF-GY	Social Impact Amelioration Program	09/1993	13,500
GY0032	956/SF-GY	Financial Sector Adjustment Loan	08/1995	38,000
GY0016	965/SF-GY	Agriculture Policy Loan	11/1995	34,000
GY0048	986/SF-GY	Electricity Sector Program	11/1996	45,000
GY0051	1007/SF-GY	PPF Urban Development Program	07/1998	205
GY0057	1035/SF-GY	PPF Low Incomes Settlement Program	05/1999	186
	TOTAL			**203,147**
II.	**PROJECTS IN EXECUTION**			
GY0010	827/SF-GY	Primary Education Improvement	09/1989	46,400
GY0043	877/SF-GY	Agricultural Sector Hybrid Loan	12/1991	22,000
GY0005	890/SF-GY	Main Road Rehabilitation Program	09/1992	23,400
GY0006	909/SF-GY	Georgetown Water/ Sewer Maintenance	09/1993	13,500
GY0016	966/SF-GY	Agriculture Policy Loan	11/1995	4,100
GY0025	985/SF-GY	Social Impact Amelioration Stage II	11/1996	17,000
GY0026	999/SF-GY	Bridge Rehabilitation Program	11/1997	41,000
GY0041	1021/SF-GY	Urban Development Program	11/1998	20,000
GY0050	1042/SF-GY-1	Air Transportation Program	10/1999	20,200
GY0050	1042/SF-GY-2	Air Transportation Program	10/1999	9,800
GY0052	1044/SF-GY	Low Income Settlements	11/1999	27,000
GY0054	1047/SF-GY	Georgetown II Water and Sewerage	12/1999	27,000
GY0059	1052/SF-GY	Georgetown Disposal Site	01/2000	900
GY0067	1083/SF-GY	PEF Unserved Areas Electrification	09/2001	250
GY0061	1085/SF-GY	Social Impact Amelioration Stage II	09/2001	20,000
GY0056	1094/SF-GY	Mahaica Rosignol Road	11/2001	33,000
	TOTAL			**325,550**
			Total	**$528,697**

[1.] $30 million sector loan was cancelled after first tranche of $10.1 million was made.

List of Technical Cooperation Operations Approved for 1989-2001			
TC No.	**Name**	**Amount**	**Date**
ATN/SF-3313-GY	PPF: Agricultural Rehabilitation	107,650	July 5, 1989
ATN/SF-3325-GY	Preparation of a Financing Request in Agriculture	30,000	July17,1989
ATN/SF-3333-GY	Reference Terms for Multisectoral loan	90,000	August 01, 1989
ATN/SF-3353-GY	PPF: Social Improvement (GY-0047)	150,000	September 07,1989
ATN/SF-3356-GY	Training in Social Development Programs	20,000	September12, 1989
ATN/SF-3380-GY	Institutional Strengthening Ministry of Education	560,000	October 13, 1989
ATN/SF-3450-GY	Assistance to Ministry of Agriculture	30,000	March 28, 1990
ATN/SF-3506-GY	PPF: Agricultural Sector Loan	150,000	June 29,1990
ATN/SF-3575-GY	Financing of Exports	16,000	November 06,1990
ATN/SF-3614-GY	Institutional Support of the Ministry of Finance	4,219,800	January 09,1991
ATN/SF-3640-GY	Water and Sewerage Georgetown	474,000	February 13,1991
ATN/JF-3640-GY	Water and Sewerage Georgetown	1,800,000	February 03,1991
ATN/TF-3663-GY	Social Impact Amelioration Programme	2,800,000	March 20,1991
ATN/SF-3756-GY	Terms of Reference in Mining Sector	25,000	July 17,1991
ATN/SF-3776-GY	Road Maintenance Program	30,000	August 07,1991
ATN/SF-3829-GY	Feasibility Studies for Urban Development	311,000	October 09,1991
ATN/JF-3829-GY	Feasibility Studies for Urban Development	1,100,000	October 09,1991
ATN/SF-3856-GY	Water and Sewerage Program	30,000	November 01,1991
ATN/SF-3933-GY	Improvement and Rehabilitation of Roads	300,000	March 08, 1992
ATN/JF-3933-GY	Improvement and Rehabilitation of Roads	781,000	March 08, 1992
ATN/SF-3989-GY	Administration of Sector Loans	4,788	June 05, 1992
ATN/SF-4204-GY	Hospital Administration	30,000	May 11, 1993
ATN/SF-4251-GY	PPF (GY-0032): Financial Sector Loan	150,000	June 14, 1993
ATN/SF-4328-GY	PPF(GY-0030): Shore-zone Management Prog.	150,000	July 02, 1993
ATN/SF-4387-GY	PPF(GY-0047): Social Impact Amelioration	40,000	July 12, 1993
ATN/SF-4418-GY	PPF (GY-0006): Georgetown Water Project	150,000	December12, 1993
ATN/SC-4416-GY	Farmers' organization	70,000	December 17,1993
ATN/SC-4469-GY	Feasibility Study Shore-zone Management Prog.	800,000	March 09, 1994
ATN/SF-4595-GY	PPF: Agricultural Sector Loan Preparation	150,000	July 13, 1994
ATN/CP-4647-GY	Consolidation of Commercial Laws	92,760	August 26, 1994
ATN/SF-4659-GY	Long Term Development Strategy	90,000	September 26,1994
ATN/CP-4712-GY	Support to MOA in project preparation	150,000	November 09,1994
ATN/SF-4762-GY	PPF (GY-001):Agricultural Investments Program	150,000	December 15, 1994
ATN/SF-4896-GY	Health Sector Development Preparation	15,000	May 12,1995
ATN/KC-4896-GY	Health Sector Development Preparation	20,000	May 12,1995
ATN/IT-4895-GY	Support to EPA Project Preparation	40,000	May 15,1995
ATN/SD-4974-GY	Support Institute Private Development	6,000	August 01, 1995
ATN/SD-5035-GY	Studies Micro, Small and Medium Enterprise	50,000	October 18,1995
ATN/SD-5038-GY	Bank lending to Smaller Clients	131,291	October19, 1995
ATN/JF-5120-GY	Electricity Sector Hybrid Program	750,000	November 06,1995
ATN/SF-5085-GY	Multi-Sectoral Pre-investment Program	150,000	November 27,1995
ATN/SD-5077-GY	Strengthening Ministry of Finance	108,000	November 30,1995
ATN/SF-5098-GY	Support to Agricultural Sector Program	2,500,000	December 20,1995
ATN/SD-5117-GY	Environment Protection Agency	130,435	December 27,1995
ATN/SD-5114-GY	Inst. Strengthening New Amsterdam Credit Union	60,000	December 27,1995

ATN/JF-5323-GY	Bridges Rehabilitation and Replacement Program	750,000	August 28,1996
ATN/II-5401-GY	Design of Telecommunications Component	380,000	November 05,1996
ATN/DC-5407-GY	New Alternatives Sources of Energy	150,000	November 12,1996
ATN/MT-5429-GY*	Energy Regulation	990,000	November 20, 1996
ATN/SF-5432-GY	Environmental Management Program	1,500,000	December 04,1996
ATN/SF-5550-GY	Action Plan C and D Countries	435,625	January 01,1997
ATN/SC-5482-GY	Inst. Strengthening Statistics Bureau	50,000	January 28,1997
ATN/SF-5488-GY	Establishment of votes registration	500,000	February 07,1997
ATN/ST-5520-GY	Support for Private Enterprise Development	100,000	March 19,1997
ATN/MH-5592-GY*	Middle and Technical Management Training	875,000	June 4, 1997
ATN/NC-5695-GY	Study on Privatization for Airport	150,000	September 16,1997
ATN/DC-5779-GY	Shelter Sector Policy and Program Reform	200,000	December 05,1997
ATN/SF-5834-GY	Health Sector Policy and Inst. Development Prog.	2,500,000	January 07,1998
ATN/CP-5845-GY	Health and Domestic Violence of Women	75,000	January 15,1998
ATN/JF-6017-GY	Air Transport Sector Reform	300,000	June 10,1998
ATN/JF-6078-GY	Bridges Rehabilitation and Replacement Prog.	45,000	July 31,1998
ATN/DC-6188-GY	Enabling Settlements and Shelter Program	150,000	October 15,1998
ATN/NE-6207-GY	Coastal Zone Management Training Program	100,000	October 20,1998
ATN/MT-6671-GY*	Strengthening System of Property Rights	940,000	September 22, 1999
ATN/DC-6512-GY	Study for Cheddi Jagan Airport	150,000	May 19,1999
ATN/JF-6695-GY	Mahaica-Rosignol Road feasibility study	525,300	October 12,1999
ATN/MH-6750-GY*	Microenterprise Training Services	900,000	November 10, 1999
ATN/SF-6788-GY	Final designs 1 Tranche Rehabilitation	250,000	December 06,1999
ATN/SF-6843-GY	Strategic Planning for Rice Industry	150,000	December 21,1999
ATN/SF-6858-GY	Georgetown Solid Waste Management	300,000	January 10, 2000
ATN/SF-6867-GY	Design Public Sector Modernization Program	1,005,000	January 19, 2000
ATN/DC-6875-GY	Studies of Cheddi Jagan Airport Phase II	140,000	January 28, 2000
ATN/MT-7047-GY*	Modernization of Telecommunications	1,100,000	June 6, 2000
ATN/SC-7037-GY	EPA Institutional Support	75,000	June 27, 2000
ATN/ME-7182-GY*	Institutional Strengthening of Priv. Enterprise Dev	142,000	October 20, 2000
ATN/SC-7317-GY	Institutional Support EPA - II Phase	75,000	January 11, 2001
ATN/SF-7326-GY	Technical Vocational Education Training	100,000	February 14, 2001
ATN/CP-7371-GY	Cofinancing of MIF ATNMH-6750	94,900	March 6, 2001
ATN/CT-7482-GY	Information Technology Project	100,000	June 05, 2001
ATN/SC-7538-GY	Guyana Census Preparation	130,000	August 3, 2001
ATN/SF-7597-GY	Financial Sector Strengthening	700,000	September 21, 2001
ATN/SF-7604-GY	Basic Education and Access Management	680,000	October 1, 2001
ATN/SF-7679-GY	Environmental Management Program II	1,280,000	November 20, 2001
ATN/SF-7680-GY	Government Procurement Frameworks	260,000	November 1, 2001
ATN/CT-7681-GY	Government Procurement Frameworks	250,000	November 1, 2001

* MIF project

World Bank Loan Ratings over the Period

The World Bank has approved 12 loans over the period 1989-2001, eight of which are complete:

1. Structural Adjustment Loan It supported the ERP to: improve the incentive framework through reforms, improve public sector finances and formulate a realistic public sector investment program. The ratings were satisfactory outcome, uncertain sustainability and substantial institutional development.
2. Technical Assistance It was to assist in implementing the adjustment program and improve macroeconomic management so that the objectives of the program could be achieved. The project ratings were satisfactory outcome, uncertain sustainability and modest institutional development.
3. SIMAP It was to assist in cushioning the social costs of the adjustment process through improving the health and nutrition status of the poorest segments of the population. The project ratings were satisfactory outcome, uncertain sustainability and modest institutional development.
4. Infrastructure Rehabilitation It was to repair and reconstruct deteriorated sections of sea defenses and lay basis for development of an efficient operations and maintenance system; improve overall performance and efficiency of the transport sector; facilitate agricultural, agro-industrial and mining production; and reduce the need for the premature replacement of transport vehicles, spare parts and fuel imports. The project ratings were unsatisfactory outcome, uncertain sustainability and modest institutional development.
5. Sugar Industry Restructuring and Privatization It was to maintain production levels and ensure long-term technical and financial viability of the sugar industry through a two-year capital investment program for replacement equipment and restructuring and privatization of the government-owned GUYSUCO. The project ratings were satisfactory outcome, uncertain sustainability and modest institutional development.
6. Private Sector Development Adjustment Credit It was to help spur progress in improving the environment for the private sector to stimulate economic growth by reducing the direct role of the state in economic activities, improving the regulation and supervision of the financial system and restructuring key financial institutions, reducing the burden of bureaucratic impediments to investment and international trade, and revising the corporate tax policy to improve transparency and reduce distortions. The project ratings were satisfactory outcome, likely sustainability and modest institutional development.
7. Public Administration It was to provide assistance to maintain and improve the capacity of the public sector to facilitate adequate staffing of key public service positions and eliminate staffing redundancies and to create conditions for accountability in financial and personnel management as well as in fundamental operational programs. The project ratings were satisfactory outcome, likely sustainability and modest institutional development.
8. Financial Sector and Business Environment -Technical Assistance It was to provide skills necessary to achieve the goals of the Private Sector Development Adjustment Credit in three areas: a) Reducing the role of the State in the economy through privatization; b) Improving the solvency and efficiency of financial intermediation; and c)Enhancing the business environment through the encouragement of both domestic and foreign investment. The project ratings were moderately satisfactory outcome, likely sustainability and modest institutional development.

Design Completeness of Project GY0049 – 839/SF – Agriculture Rehabilitation Loan - 1990

Project Goal – To assist Guyana to rehabilitate agriculture productive capacity and enable agriculture sectors to reverse their decline in production and exports

Objectives	Indicators	Baseline	Milestone	Targets	Progress
Rehabilitate productive capacity	Acreage, production, yield and exports	Yes, data on the two sectors was provided	N/A	N/A	N/A
Provide foreign exchange resources to import agricultural inputs for rice and sugar subsectors	Shortage of agricultural inputs	N/A	N/A	N/A	N/A

Design Completeness of Project GY0043 – 876/SF – Agriculture Sector Hybrid Loan – 1991

Project Intent – Two components – a sector adjustment (SA) component to provide BOP support and an investment component for sea wall defense and agricultural access roads to rehabilitate agriculture

Objectives	Indicators	Baseline	Milestone	Targets	Progress
Reactivation of agriculture production	Acreage, prod-uction, yield and exports	Sugar and rice statistics	N/A	N/A	N/A
SA component – to ensure a positive contribution of agri-culture sector to recovery program through policy changes	Numerous actions to be taken by Government in tranches of program in policy matrix of document	N/A	N/A	In some cases, these are provided: divestment of companies, water fees collected,etc	Tranches approved
Investment – to support reforms in sector by removing bottle-necks to agriculture reactivation by a) repairing sea wall breaches and b) upgrad-ing and maintenance of access roads alleviating constraints on production and marketing	a)Reduction in likelihood of flooding in areas of sea walls; b)Miles of road upgrading and maintenance	a) N/A b) N/A	a) N/A b) N/A	a) N/A b) About 1000 miles of access roads	a) N/A b) N/A

Design Completeness of Project-GY0016- Agriculture Sector Loan – 1995

Project intent – improve production and competitiveness of agriculture while maintaining supportive macroeconomic policy.

Objectives	Indicators	Baseline	Milestone	Targets	Progress
Improve production and competitiveness	Production, yield and exports	Current figures	N/A	N/A	N/A
Macroeconomic enabling environment for agriculture	Macro framework consistent with agriculture sector	Current economic conditions	Tranche	ESAF targets	Tranche releases
Improve national and sectoral environmental framework	Create EPA, implement control and management of agri-chemicals	Current un-controlled environ rules/ regulations	Tranche	Environ legislation and Board in place	Tranche releases
Consolidate trade liber-alization with focus on rice	Adjust legal/regulatory framework to reflect new policies for rice, eliminate export licensing, anti-quality bias on exports	Rice sector reforms introduced in earlier loan	Tranche	Eliminate former agencies, create Rice Board	Tranche releases

Extend economic adjustment process to key factor markets of land and drainage and irrigation (D&I)	Leasehold rents at market values, semi-autonomous Lands and Surveys Commiss, eliminate constraints to registry, D&I works	Current difficulties in sector	Tranche	Water laws, new D&I agency,	Tranche releases

Design Completeness of Project-GY0005 – Main Road Rehabilitation – 1992

Project Intent – To contribute to restoring Guyana's road network and through that its productive capacity by reducing cost, time and risks of transportation

Objectives	Indicators	Baseline	Milestone	Targets	Progress
Restore country productive capacity by improving road network	N/A	N/A	N/A	N/A	N/A
Reduce transportation costs, average transit times, frequency of accidents, vehicle maintenance costs and product losses	Transportation costs N/A, Transit times N/A, Accidents – fatalities, Maintenance costs N/A, Product losses N/A	Traffic counts conducted in 1991, N/A data on costs, transit time, maintenance costs or product losses, some data on accidents	N/A	N/A	N/A
Improve accessibility between Georgetown and main productive areas	Improved competitiveness in agricultural productivity N/A	N/A	N/A	N/A	N/A
Train professionals for project execution and maintenance	N/A	N/A	N/A	N/A	N/A
Strengthen internal audit function of MPW&C (added later in PPMR)	Enhanced financial accountability at MPW&C with spinoffs	N/A	N/A	N/A	N/A

Design Completeness of Project- GY0026 – Bridge Rehabilitation Program – 1997

Project Intent – to continue previous project by replacing, rebuilding and rehabilitating bridges along main road, increasing road safety, and provide a secure and integrated framework for the sector.

Objectives	Indicators	Baseline	Milestone	Targets	Progress
Secure integ-rated framework for road sector	N/A	N/A	N/A	N/A	N/A
Continued improvements in road safety	Number of reported accidents per vehicle/km. Or per total km traveled declining steadily.	4000 accidents yearly	N/A	N/A	N/A
Improve main road network to a maintainable state over a period of 10 years.	Main road network under routine and periodic maintenance	Existing road network has improved due to GY0005, bridges still need work	N/A	Road network expands at rate double that of economy; more than 60% of network under routine main-tenance	N/A
Systematic approach to budgetary expenditures	Road Mainten-ance Management System (RMMS) applied to the main road network	N/A	N/A	By 2002	N/A

Design Completeness of Project GY0033 (1985) & GY0046 (1996) Rehabilitation of GEC
Project Intent – Reconditioning of GEC's main generating facilities and enable GEC to increase quantity and reliability of electricity services by restoring generating facilities to a level as close to original capacity as technically and economically feasible.

Objectives	Indicators	Baseline	Milestone	Targets	Progress
Increase amount and reliability of electricity	MW of production, losses and reliability measures	Some	N/A	N/A	N/A
Restoring principal generation to best utilize existing investment, prevent further deterioration meet energy needs	Capacity and production (MW), loss of load probability and system energy losses	Nine power stations, 28 units producing only 50% of capacity – about 53MW of 106MW	Provided as projections as to improvements of the system	MW capacity provided in Annex II of documents	N/A
Strengthen management capacity, improve financial situation and lessen human resources constraints	Staff and management pay scale and productivity	Poor financial performance requiring subsidies Shortage of skilled staff and management	N/A	Provided in financial projections	N/A

Design Completeness of GY0048 - Electricity Sector Program – 1996
Project Intent – To cooperate with Guyana in improving the efficiency of electricity sector to provide more reliable service at an affordable cost to consumers.

Objectives	Indicators	Baseline	Milestone	Targets	Progress
Efficiency of electrical sector	Electricity production, losses, etc	Current levels	N/A	N/A	N/A
Support privatization of GEC through public-private joint venture for the creation of new company	Sale of shares of GEC	100% ownership of GEC by government	Winning bidder selected Action plan of sale of shares	Either in whole or in part	PPMR and tranche reports
Modernize legal, regulatory and institutional framework required to attain privatization	Legislation in place Regulatory institutions established	Current laws and regulations weak	Legislation consistency All part of tranche process	Overall reform targets for sector set out in Policy Letter	PPMR and tranche reports

Design Completeness of Project of GY0006-Remedial Maintenance of GS&WC – 1993
Project Intent – To effect a rapid and observable improvement in water availability and quality and to promote establishment of an efficient and autonomous water and sewerage company

Objectives	Indicators	Baseline	Milestone	Targets	Progress
Effect a rapid and observable improvement in water availability and quality	No specific water availability and quality indicators provided	N/A	N/A	N/A	N/A
Promote establishment of efficient and autonomous water and sewerage company	N/A	N/A	N/A	N/A	N/A

Financial viability	Coverage of costs, increase tariff levels, collection of charges, reform of legal framework staff training	Water tariffs not currently covering operating costs-43% of expenditures, very poor collection rates – only 60% collected	Component milestones provided in Annex I-1, Attachment 2 and Appendix III. Tariff increases in Appendix III	Tariff rates to cover operating expenses. Progressively improve rate of collection Legislation in place to ensure autonomy of GS&WC-Parliamentary approval Training of staff – no numbers mentioned	Reported in 11/97 Mid-term report, 7/99 report and 2000 Final Report
Rehabilitate water distribution system	No figures for availability, losses, quality or pressure in original document. Later provided	Survey found only 47% of dwellings with plumbing actually receive water, 75% losses, quality listed as below international standards only marginal treatment of water, pressure listed at 10 psi, unreliable service	N/A	N/A Simply stated as improvement with no meaningful targets	Mid-term Evaluation 99 report.

Design Completeness of Project GY0054 - GS&WC Program II – 1999
Project Intent - To improve the sanitary conditions of the population in Georgetown and reduce the current levels of environmental degradation through an improvement in the quality of the water supply and sewerage services.

Objectives	Indicators	Baseline	Milestone	Targets	Progress
Improve sanitary conditions and reduce environmental degradation	N/A	N/A	N/A	N/A	N/A
Further improvement in availability and quality of potable water and reliability of distribution system	Water availability increase Water pressure Increased Efficiency –losses reduced Quality improved	105,000 m3/day below recommended 15 psi not reaching higher floors about 70% of production Iron content	A number of milestones are provided in Table 3.2 of project document	Average pressure to 10psi Losses reduced to 55% Iron content less than 0.5mg/l	Semi-annual reports and financial statements
Improvement in level of operation of sewerage system	Removal of blockages in sewerage system Septic tank sludge disposal	N/A	N/A	Pumping stations working normally No spillover of sewerage No discharge of sludge	Semi-annual reports and financial statements

Consolidate and further improve GS&WC as operating agency	Physical losses reduced Metering increased Financial coverage of O&M+D Net income Collections	About 70% 14% of customers 77%	Table 3.2 Table 5.1 2000-100% 2002-104% 2003-115% 2002-$100T 2003-$450T 86%	Reduced to 55% at end Increased to 85% of customers See milestones in Tables 5.1, 5.2, 5.3 of report	Semi-annual reports and financial statements

Design Completeness of Project GY0047 – 912/SF SIMAP I –1993

Project Intent – To provide resources to SIMAP as a stop-gap mechanism to limit negative impact of Economic Recovery Program and cushion the social costs of the adjustment process.

Objectives	Indicators	Baseline	Milestone	Targets	Progress
Limit negative impact of ERP	N/A	N/A	N/A	N/A	N/A
Support SIMAP's mission of financing small locally sponsored projects to serve priority needs of vulnerable groups	1. Number of small projects benefiting residents of low-income communities sponsored by community-based organizations and financed by SIMAP Agency. 2. Indicators of poverty in communities receiving SIMAP assistance are greatly reduced.	1. In pilot program a number were carried out 2. In pilot program average house-hold income of SIMAP recipients was $52 month	1. N/A 2. N/A	1. 250 small projects: infra-structure, nutrition, pilot program for Amerindian communities 2. Target of households with income of $251 a month	1. Annual reports of SIMAP agency 2. N/A
Empowerment of low-income communities to identify, articulate and address their priority needs. (added later to PPMR)	Number of project applications presented to SIMAP and other local Social Investment Funds increased annually by 20%	Small number of project applications initially	20% increase each year	N/A	N/A

Design Completeness of Project GY0025 – 985/SF SIMAP II

Project Intent – To address the priority infrastructure needs of low-income communities and to promote community development.

Objectives	Indicators	Baseline	Milestone	Targets	Progress
1. Improve living standards and income potential of low income households	Indicators of poverty reduced in communities receiving SIMAP assistance	Household income of G$23.7 thousand, poverty map	N/A	N/A	N/A
2. Increase capability of lower income communities to identify, articulate and address needs	Number of applications presented to SIMAP and other SIFs increased annually by 20%	Under SIMAP I the number increased	N/A	20% per year	N/A

3.Provide a demonstration effect for other public agencies on procedures to respond to local investment programs	Increase in the number of communities with active CBOs	N/A	N/A	N/A	N/A

Design Completeness of Project GY0061 – 1085/SF SIMAP III – 2001

Project intent – To contribute to improve the living and social well-being of the poorest communities.

Objectives	Indicators	Baseline	Milestone	Targets	Progress
1. Improve living standards and economic opportunities of the poorest and most vulnerable communities through a participatory approach	Beneficiary communities find that SIMAP has improved their living conditions. (Detailed output or monitoring indicators in Annex 7) Outcome indicators will be developed and analyzed in mid-term and final evaluations	Poverty maps	N/A	At least 80% of the beneficiary communities find that SIMAP has improved their living conditions.	Annual progress reports generated from SIMAP
2. Increase capacity of poor to identify and act on priority needs	Beneficiaries receive training; Outcome indicators to be developed later	N/A	N/A	At least 75% of beneficiary communities receive training in capacity building; training costs average 5% of project; 50% are women	Annual and SIMAP Reports

Design Completeness of Project of GY-0010 - 827/SF Primary Education Improvement 1989

Project intent – To improve the quality of the primary education system

Objectives	Indicators	Baseline	Milestone	Targets	Progress
Improve quality of education	Enrollment by grade; number of teachers; teacher attrition; perform-ance test scores	N/A	N/A	N/A	N//A
Advancing qual-ification of teachers	Length and type of training received; timing of training	N/A	N/A	N/A	N/A
Increase avail-ability of text books and materials	N/A	N/A	N/A	N/A	N/A
Expand and rehabilitate school facilities	Number of schools built or rehabilitated	N/A	N/A	N/A	N/A

Guyana: Main Economic Indicators 1992-2001

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	*Average*
NATIONAL ACCOUNTS											
GDP growth at factor cost (real)	7.8%	8.2%	8.4%	5.1%	7.0%	6.2%	-1.7%	3.8%	-1.3%	1.9%	*4.5%*
GDP per capita (US$)	489	591	705	836	926	970	929	869	907	929	*815*
Investment rate (% of GDP)	42.3%	33.6%	31.6%	31.7%	30.0%	30.3%	28.8%	24.5%	28.7%	33.6%	*31.5%*
Private	26.2%	15.2%	20.8%	15.5%	10.9%	12.3%	14.3%	12.6%	12.5%	13.9%	*15.4%*
Public	16.1%	18.4%	10.8%	16.3%	19.1%	18.1%	14.5%	11.8%	16.2%	19.7%	*16.1%*
National savings (% of GDP)	-0.9%	4.7%	12.6%	13.9%	22.3%	16.2%	15.0%	13.4%	10.0%	11.0%	*11.8%*
Private	1.6%	6.4%	6.7%	1.6%	6.5%	6.8%	6.0%	7.0%	7.6%	7.7%	*5.8%*
Public	-2.5%	-1.7%	5.9%	12.3%	15.8%	9.4%	9.0%	6.4%	2.4%	3.4%	*6.0%*
External savings (% of GDP)	-2.7%	29.5%	19.2%	17.5%	7.0%	14.7%	13.9%	10.3%	18.3%	23.0%	*15.1%*
Exports g&nfs (% of GDP)	129%	118%	108%	101%	103%	99%	96%	99%	102%	102%	*106%*
Imports g&nfs (% of GDP)	154%	138%	122%	112%	109%	109%	108%	107%	119%	124%	*120%*
Agriculture, livestock (real growth rate)	29.0%	3.6%	5.9%	6.8%	6.5%	1.3%	-3.1%	18.4%	-10.4%	3.9%	*6.2%*
Mining and quarrying (real growth rate)	-11.5%	49.0%	6.6%	-11.4%	15.2%	15.0%	2.7%	-8.4%	5.9%	1.0%	*6.4%*
Services (real growth rate)	1.2%	3.5%	5.4%	5.4%	6.1%	5.3%	1.3%	-0.8%	5.1%	0.9%	*3.3%*
FISCAL SECTOR (% of GDP)											
Central Government Revenues	41.6%	40.4%	38.6%	36.7%	38.4%	34.7%	31.8%	33.3%	39.6%	39.3%	*37.5%*
Of which external grants	1.2%	1.2%	1.3%	1.8%	2.5%	2.5%	0.7%	2.7%	3.4%	2.6%	1.8%
Central Government Current Expenditures	49.4%	35.0%	31.2%	26.9%	24.2%	26.3%	27.8%	25.7%	33.0%	35.5%	*31.5%*
Central Government Capital Expenditures	9.4%	12.2%	14.2%	13.1%	15.9%	15.4%	12.1%	10.0%	13.1%	11.4%	*12.7%*
Central Government Current Balance	-11.3%	1.9%	0.2%	6.5%	11.3%	5.6%	2.8%	4.0%	-1.1%	-4.6%	*1.5%*
Central Government Primary Balance	11.3%	7.9%	11.0%	6.2%	7.0%	4.5%	1.1%	5.5%	2.3%	1.1%	*5.8%*
Central Government Economic Balance	-17.1%	-6.8%	-6.8%	-3.3%	-1.6%	-6.9%	-8.1%	-2.5%	-3.5%	-7.7%	*-6.4%*
Central Government External financing	7.6%	2.0%	4.9%	1.4%	7.1%	4.0%	1.9%	3.4%	6.6%	5.5%	*4.4%*
Public Enterprises Current Balance	5.0%	2.5%	2.8%	5.6%	6.6%	6.0%	5.1%	3.9%	2.3%	3.9%	*4.4%*
Public Enterprises Economic Balance	2.2%	-7.2%	-0.4%	2.8%	2.8%	2.6%	1.9%	0.9%	0.6%	2.6%	*0.9%*
PRICES											
Inflation rate	2.6%	7.7%	16.1%	8.1%	4.5%	4.2%	4.7%	8.7%	8.0%	6.0%	*7.1%*
Exchange rate (eop, G$ per US$))	126.0	130.8	142.5	140.5	141.3	144.0	165.3	180.5	184.8	189.5	*154.5*
Terms of trade (goods, index 1995=100)	111.5	103.4	102.0	100.0	84.9	84.5	88.1	80.7	72.7	78.4	*90.6*
BALANCE OF PAYMENTS (US$ millions)											
Current account balance	-146.7	-137.9	-100.8	-94.9	-53.8	-91.1	-98.5	-75.2	-109.0	-129.0	*-103.7*
Exports	381.7	414.0	463.4	495.7	574.8	593.4	547.0	525.0	505.2	490.3	*499.1*
Imports	-442.7	-483.8	-504.0	-536.5	-595.0	-627.6	-601.2	-550.2	-585.4	-583.9	*-551.0*
Balance of payments result	-39.3	-49.7	-63.9	-68.9	-1.4	4.0	-22.7	-4.4	42.5	-8.4	*-21.2*
EXTERNAL SOLVENCY RATIOS											
Stock of NIR / Imports (months of imports fob)	0.4	1.4	2.1	1.9	3.1	2.9	2.4	2.8	3.7	3.8	*2.5*
Stock of m&lt public external debt (millions of US$)	1,967	1,953	1,999	2,058	1,537	1,513	1,507	1,210	1,195	1,193	*1,614*
Stock of m&lt public external debt / GDP	530%	432%	378%	328%	219%	204%	231%	177%	170%	169%	*284%*
Stock of m&lt public external debt / CG revenues	1273%	1069%	978%	892%	570%	588%	726%	531%	429%	431%	*749%*

Sources: Central Bank of Guyana for GDP, sector activity, fiscal, and balance of payments. IMF for the remainder. 1999-2001 estimates.