Office of
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Country Program Evaluation

Guyana

2008-2012

Inter-American Development Bank
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Abstract

The 2008-2012 Country Program Evaluation for Guyana concludes that the Bank's strategy was aligned with the development objectives and economic priorities of the government. Nevertheless, its program has produced mixed results. In infrastructure, progress was achieved by consolidating the primary road network and extending the electrical grid to unserved areas; however, efforts to reduce losses in the electricity sector did not meet their target. In competitiveness, the financial and judicial sectors benefitted from institutional and structural reforms, and the business environment was strengthened through the adoption of streamlined procedures. However, key initiatives to deepen the financial market and increase access to credit have met with less success. Gains have also been made towards the achievement of the Millennium Development Goals; however, the absence of updated data in the social sectors hinders the evaluation of results. The average age of the loan portfolio is 4.56 years, the oldest in the Bank.

With the launch of the Low Carbon Development Strategy, Guyana has an opportunity to benefit from global commitments for rainforest conservation and climate change. The Bank should continue to support new initiatives that lie within the LCDS, and should work closely with Guyana to enhance its national capacity to monitor and report the results.

Although Guyana has shown the greatest improvement among D-2 countries in terms of its Country Institutional and Policy Evaluation score, FSO resources available to the country under the current program were 32% less than the allocation under the previous program. The sustainability of the Bank's work and its relevance in Guyana could be affected by a further reduction in future FSO allocations.

The CS emphasized the strengthening and use of national systems by Bank projects. Several operations use the Integrated Financial Management System for accounting, and the intention is to use this for all new Bank-funded operations.

Given the findings in this CPE, OVE recommends that the Administration: (i) take advantage of the current period of stability and growth to support Guyana on its path toward becoming a green economy; (ii) seek to leverage declining FSO resources; and (iii) continue strengthening Guyana´s national systems.

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Content

Acronyms

AFHP	Amaila Falls Hydroelectric Plant
AFS	Audited financial statements
AOG	Audit Office of Guyana
CARTAC	Caribbean Regional Technical Assistance Center
CBG	Central Bank of Guyana
CPE	Country Program Evaluation
CIPE	Country Institutional and Policy Evaluation
CS	Country Strategy
DfID	Department for International Development
E-HIPC	Enhanced Highly Indebted Poor Country Initiative
ERP	Economic Reform Program
FDI	Foreign direct investment
FSO	Fund for Special Operations
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GNI	Gross National Income
GPL	Guyana Power and Light
GOG	Government of Guyana
GPH	Georgetown Public Hospital
GRA	General Revenue Authority
GRIF	Guyana REDD+ Investment Fund
GWI	Guyana Water Incorporated
HDI	Human Development Index
HIPC	Highly Indebted Poor Country Initiative
IDB	Inter-American Development Bank
IFMAS	Integrated Financial Management Accounting System
IG	Investment Grants
IIC	Inter-American Investment Corporation
IMA	Independent Macroeconomic Assessments
IMF	International Monetary Fund
IRI	International Roughness Index
IRR	Internal Rate of Return
JICA	Japan International Cooperation Agency
Km	kilometer
LAC	Latin America and the Caribbean Region
LCDS	Low Carbon Development Strategy
MDG	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiatives
MICS	Multiple Indicator Cluster Survey
MIF	Multilateral Investment Fund
MW	megawatt
N/A	Not available
NCS	National Competitiveness Strategy
NDS	National Development Strategy
NSG	Non-Sovereign Guarantee

Acronyms

OC	Ordinary Capital
OVE	Office of Evaluation and Oversight
PBP	Policy-Based Programmatic Loan
PBL	Policy-Based Loan
PEU	Project Executing Unit
PCR	Project Completion Report
PPMR	Project Performance Monitoring Report
PMR	Project Monitoring Report
PRSP	Poverty Reduction Strategy Paper
Psi	Pressure per square inch
REDD+	Reducing Emissions from Deforestation and Forest Degradation
REER	Real Effective Exchange Rate
RMMS	Road Management Maintenance System
SAP	Structural Adjustment Program
SG	Sovereign Guarantee
TFFP	Trade Finance Facilitation Program

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Because Guyana is endowed with vast natural resources, the country is taking advantage of a relatively stable period of economic growth to begin aligning its economy with a low-carbon development trajectory.

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Executive Summary

Guyana is a sparsely populated country whose gross domestic product per capita is ranked the third lowest in Latin America and the Caribbean, and whose economy is the second smallest in the Region.[1] The bulk of economic activity has developed along the narrow coastal strip that borders the Atlantic Ocean, where some 90% of the population resides in 10% of the land. Because coastal area infrastructure and settlements are below sea level, they are highly vulnerable to climate change and rely on flood defenses to protect them. Well-endowed with natural resources (primarily mineral and forest), the interior is covered by dense rainforest containing high-value timber, and is home to the Amerindian population.

Following 15 years of negative economic growth, Guyana implemented a structural adjustment program in 1990 that was facilitated by substantial debt relief initiatives under a framework provided by the IMF and the World Bank. The SAP enabled the country to stabilize the economy, restore productive infrastructure, and consolidate progress toward key social and economic indicators. These reforms contributed to significant growth from 1990-1997 and from 2006 to the present, which combined with higher prices for Guyana's primary exports, agriculture and minerals, have contributed to strengthening the country's macroeconomic position and attracted foreign direct investment.

Guyana is currently experiencing a period of robust growth. Nevertheless, its economy remains vulnerable to political distress and exogenous shocks, a weak environment for private sector development, infrastructure bottlenecks, poverty, and natural disasters. As a small economy, the country relies heavily on imports to satisfy domestic demand, and on a small basket of exports in a limited number of sectors. A fragile business environment and still emergent financial sector translate into a weak

Guyana has an opportunity to profit from global commitments for rainforest conservation and climate change.

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business environment, which impedes capital accumulation and diversification of the economy.

The limitations of private sector development are captured by the Ease of Doing Business Index and its components. It is notable that Guyana recorded relative improvement in core indicators related to starting a business, enforcing contracts, and trading across borders. Despite these measures, access to credit remains one of the most important constraints to private sector development. Hence, economic policy priorities include strengthening the implementation of fiscal- and financial-sector reforms, improving productive infrastructure, and raising competitiveness.

Guyana has met the Millennium Development Goals for nutrition, child health, and access to clean water, and is moving towards achieving the goals for education and HIV/AIDS. Many issues remain, however. The goals for combating extreme poverty and improving maternal health require more attention, the emigration of skilled workers seriously affects labor markets, and the quality of basic services varies widely across regions.

Because Guyana is endowed with vast natural resources, the country is taking advantage of a relatively stable period of economic growth to begin aligning its economy with a low-carbon development trajectory. With the launch of the Low Carbon Development Strategy (LCDS), the country has an opportunity to profit from global commitments for rainforest conservation and climate change.

Guyana depends on grants and credits from external and domestic sources to sustain social expenditures and bridge the fiscal gap. The country's macroeconomic framework has benefited from several rounds of debt relief under the Paris Club, the Highly Indebted Poor Country (HIPC) initiative, the Extended HIPC initiative, and the Multilateral Debt Relief Initiative (MDRI). Consequently total public debt fell from 500% of GDP in 1988 to 60% of GDP in 2007, and has remained relatively stable in subsequent years. The Bank is the largest multilateral partner supporting Guyana's development, with a 2012 loan portfolio that equaled 58% of all multilateral debt and 24% of the country's total external debt.

As a D-2 country, Guyana receives a 50-50 blend of concessional resources from the Fund for Special Operations (FSO) and ordinary capital. At the time that the Country Strategy (CS) was prepared, FSO funding for 2009-2012 had not been determined. Although Guyana has shown the greatest improvement among D-2 countries in terms of its Country Institutional and Policy Evaluation score,[2] the total amount of concessional resources available to the country under the present country program was 32% less than the allocation under the previous CS. It is worth noting that the reduction in operational resources to Guyana occurred at the same time that the Bank was seeking to increase lending to the Region under the Ninth General Capital

Increase. The sustainability of the Bank's work and its relevance in Guyana could be affected by a further reduction in future FSO allocations.

The Bank's country program is focused on accelerating growth through economic diversification and targeted social development. The evaluation concluded, however, that the CS has been a weak instrument, with broad objectives, a narrow base, and no clear prioritization of actions based on development outcome measures. Constraints related to data availability and reliability, particularly in the social sector, limit not only the measurement of impact, but also the diagnosis of challenges and design of interventions.

Between 2008 and 2012, the operational portfolio focused mainly on transport, housing, and water and sanitation. Although the Growth Diagnostic recommended that the Bank continue to support a growth strategy based on exports, no new loans were programmed for competitiveness or agricultural diversification. Instead, the Bank focused on consolidating its support and enhancing the results of three active loans in these sectors. Over the review period, 13 loans were programmed and 11 approved (US$187.4 million). The Bank also approved 28 technical cooperations for a total of US$12.1 million, and one investment grant funded by the Guyana REDD+[3] Investment Fund for US$5.9 million to strengthen the government's capacity to implement the LCDS. MIF approved five grants that provided a total of US$1.87 million to support the development of small and medium enterprises. Neither SCF nor IIC approved any operations.

The average age of the loan portfolio is 4.56 years, the oldest in the Bank. An analysis of the efficiency of the portfolio shows delays during the initial stage of project execution, a characteristic of operations with procurement problems. This diagnosis is consistent with implementation constraints frequently found in small economies, where the demand for goods and services is often greater than local supply, but too small to attract international competitive bidding.

The CS emphasized the strengthening and use of national systems by Bank projects. Several operations use the Integrated Financial Management System for accounting, and the intention is to use this system for all new operations in the country. The Audit Office of Guyana has also benefitted from significant strengthening by the Bank. In the context of treasury systems, the Bank is currently piloting the module "IDB Consolidated Fund," which works as a single account for all Bank-funded projects. The Bank has not yet been able to rely on national procurement systems. The main obstacle to the implementation of an acceptable procurement system has been the delay of the major political parties in appointing nominees for the Public Procurement Commission, despite the fact that the policy framework was approved in 2001.

The Bank's program has produced mixed results. In infrastructure (Pillar 1), progress was achieved by consolidating the primary road network; however, efforts to reduce

technical and nontechnical losses in the electricity sector did not meet their target. In relation to competitiveness (Pillar 2), the financial and judicial sectors have benefitted from institutional and structural reforms, citizen security has become a priority in the government's agenda, and procedures for doing business in the country have been streamlined. However, key initiatives to deepen the financial market and increase access to credit have met with less success, and implementation of the Competitiveness loan, a cornerstone of government's competitiveness strategy, has been very slow. Progress in social development (Pillar 3) has continued, particularly in the areas of child nutrition and low-income housing; however, questions about the reliability and availability of data persist, limiting the evaluation of impact.

Given these findings, OVE recommends that the Administration:

- **Take advantage of the current period of stability and growth to support Guyana on its path towards becoming a green economy.** With the launch of the Low Carbon Development Strategy, Guyana has an opportunity to benefit from global commitments for rainforest conservation and climate change. The Bank should continue to support the design of new initiatives that lie within the LCDS, and should work closely with Guyana to enhance its national capacity to monitor and report the results of the REDD+ initiative.

- **Seek to leverage declining FSO resources.** The sustainability of the Bank's work and its relevance in Guyana could be affected by a further reduction in future FSO allocations. The Bank should identify ways to strategically target the resources available to it, including technical cooperation grants and knowledge products, to maintain a leadership role through robust policy dialogue.

- **Continue strengthening Guyana's national systems.** Given the country's positive experience in financial administration with the use of the Integrated Financial Management System, to enhance the government's and the Bank's ability to monitor and evaluate project results, the Bank should continue providing technical assistance to strengthen national systems, including the collection and analysis of data, specifically social statistics.

Management's Response to the Country Program Evaluation for Guyana 2008-2012

Management welcomes the Country Program Evaluation for Guyana covering the period 2008-2012 prepared by OVE. We broadly agree with the Report's conclusions and recommendations. Although many of the comments provided by Management to OVE during the external peer review were taken into consideration, Management would like to clarify the following points.

General Comments

- **Debt relief.** The Report should highlight the fact that the Country Strategy period coincided with the key years of consolidation after the debt relief agreements. As acknowledged in the Report, total public debt fell from 140% of GDP in 2005 to 60% in 2007 and has been kept stable since then. As Guyana's main source of technical and financial support, the Bank's role in supporting Guyana's efforts to stay the course with regard to fiscal prudence and other reforms was of paramount importance. Guyana made good use of the opportunity; and both the current CS under review and the CPE should have been more explicit about the role of the Bank in supporting the consolidation of debt relief.

- **Low Carbon Development Strategy (LCDS).** The Report should recognize the Government's role as the driving force behind Guyana's Low Carbon Development Strategy. More than the country's unique endowment of natural resources and its stable economic growth in recent years, it has been the political will of the Guyanese authorities that has been the decisive factor leading to this accomplishment.

- **Country Strategy Guidelines.** A different approach to Country Strategy design (see GN-2468) governed the development of the CS with Guyana 2008-2012. Previous guidelines emphasized "the need for programming that is results focused, risk based, and uses a programmatic and flexible approach to respond to country priorities." Given Guyana's very dynamic context and consistent with MDB practices, Management heeded the Guidelines' recommendation at the time: "Management will need to exercise judgment and apply a flexible approach allowing the Bank's country program to adjust to opportunities during CS implementation in pursuit of agreed objectives." Therefore, the CS should not be evaluated on the basis of practices and norms that post-date it.

Management's Responses to CPE's Recommendations

Management's response to each of the CPE's recommendations is given in the table below.

Recommendation	Management response
Take advantage of the current period of stability and growth to support Guyana on its path towards becoming a green economy. With the launch of the Low Carbon Development Strategy, Guyana has an opportunity to benefit from global commitments for rainforest conservation and climate change. The Bank should continue to support the design of new initiatives that lie within the LCDS, and should work closely with Guyana to enhance its national capacity to monitor and report the results of the REDD+ initiative.	**Agree** **1(a)** The LCDS is the framework for the GY CS 2012–2016. It is intended to support the goals set forth in the LCDS of achieving continued economic growth, while at the same time promoting the sustainability of the country's natural resource endowments. Specifically, the CS will place particular emphasis on Guyana's objective of achieving private sector-led growth by giving priority to investments that promote the sustainability of its natural resources—green investments. **1(b)** The indicators proposed in the results matrix of the new CS will be closely related the LCDS and the GRIFF. These indicators will monitor the strategy's performance toward the LCDS' main objective of creating a low deforestation, low carbon, and climate resilient economy.
Seek to leverage declining FSO resources. The sustainability of the Bank's work and its relevance in Guyana could be affected by a further reduction in future FSO allocations. The Bank should identify ways to strategically target the resources available to it, including technical cooperation grants and knowledge products, to maintain a leadership role through robust policy dialogue.	**Agree** **2(a)** Given the projected limited quantity of concessional resources for Guyana for the 2012-2016 period, a narrow set of priority areas will be pursued. The new CS will focus on bottlenecks in the energy sector, import promotion and export diversification, supporting policy reforms to address market and institutional challenges that hamper private sector development. The new CS will also support improvements in the country's capacity to manage better its vast natural resources, while promoting increased productivity in their usage, within the context of a more robust natural disaster and climate change framework.

Recommendation	Management response
	2(b) Guyana faces the challenge of maintaining adequate levels of public capital investment to promote growth while preserving a moderate risk of debt distress, in a context of dwindling access to concessional financing. Therefore, the Government has to further strengthen its fiscal position in the medium term. Ensuring macroeconomic stability and an adequate business climate will be essential for the country to progressively absorb non-concessional resources to boost its competitiveness and development. For that reason, the Bank intends to make significant efforts to attract donors interested in working with Guyana. In addition, the Bank will support activities to improve GoG's public sector management and further strengthen its debt management capacity so that it will be able to sustainably absorb non-concessional resources in the future. Also, the Bank will consider alternatives for enhancing the bankability of private sector initiatives in the country and push for a revamped NSG portfolio in Guyana. In this manner, the burden on the public sector could be reduced. Finally, the Bank is exploring mechanisms to leverage concessional resources with other bilateral partners.
Continue strengthening Guyana´s national systems. Given the country's positive experience in financial administration with the use of the Integrated Financial Management System, to enhance the government's and the Bank's ability to monitor and evaluate project results, the Bank should continue providing technical assistance to strengthen national systems, including the collection and analysis of data, specifically social statistics.	**Agree** **3(a)** The proposed CS recognizes that Guyana needs to continue improving its country systems to ensure the effective, efficient and transparent allocation of resources. In keeping with its commitment to increasingly rely on the use of country systems in IDB-financed operations, the Bank proposes to direct lending and technical resources to the country, to: ■ continue improving its expenditure and investment planning capacity; ■ strengthen its public procurement and support its integration into the budgetary and accounting processes; ■ introduce additional modern public financial management tools; ■ strengthen the monitoring and evaluation (M&E) systems that support the implementation of the country's capital investment; and

Recommendation	Management response
	■ improve the country's data gathering and processing capacity as well as its ability to effectively disseminate and use the data available on its social, economic, demographic and cultural characteristics.

SPECIFIC COMMENTS

- Given that the 2008-2012 CS has four strategic pillars, the Report should clarify why the CS is considered *narrow based* in the Executive Summary and in Chapter 2, under the Strategic Pillar section. These same sections also indicate that there is no clear prioritization of actions based on development outcome measures. As per the practices when the CS was written, an indicative loan pipeline was approved with the CS and all these indicative loans were approved during the CS period.

- The Report concludes that Guyana stands at a crossroads between sustainable development and inherent constraints to growth. It then goes on to cite political distress as one of the constraints. We would suggest that "political distress" not be assessed in the document but rather the document focus on the delivery and effectiveness of the Country Program.

- Contrary to the statement in Chapter 2, under the Strategic Pillar section, there were well-documented reasons, beyond the control of the Bank, that explain how and why the Bank "exited education" in Guyana. As detailed in Management's written comments on the draft Report, the preparation of the 2008-2012 CS and the end of the first phase of the Basic Education Access Management and Support program (BEAMS I) coincided within a context of restrictions in the lending resources available for Guyana. The availability of grant resources for education from the World Bank's Fast Track Initiative led the Government to decide against BEAMS II despite the IDB's intention to continue with the second phase of the program and the support of the then Minister of Education to the program.

- In Chapter 4, the reference to the low disbursement rates and the lack of documentation of outcomes of projects approved under the CS leaves on the side the fact that eight of the 15 operations (over 50%) in the portfolio were approved between 2008 -2012. Only three of these operations were approved prior to 2010, and most of them have only started to disburse by or after July of 2011. With these levels of execution, it is hard to expect higher disbursement rates and achievement of project outcomes. As for the documentation of outcomes, the focus of the past three or four years in CCB/CGY, as in the rest of the Bank, has been on improving the staff ability to effectively use the Bank's new project monitoring system (PMR) to track and report on project outputs during execution.

- The section on poverty and inequality should include an opinion on the Bank's conclusion that growth has been pro-poor.

- Regarding Chapter 3, as indicated in Management's comments for the external peer review, clarity would be appreciated on how the average age of 4.56 years of the loan portfolio was calculated.

- The Report indicates in Chapter 1, under the Private Sector Development section, that government has been seeking to partially privatize GPL. As indicated in the external review comments, there should be more information on the issue of privatization of GPL. Indeed, in 2003 the company was administered by a private operation and since then it was reverted to public ownership management. There have been no plans to privatize since then.

1

According to the 2006 Household Income and Expenditure Survey, there was a deficit of 19,400 homes for the low-income families (households that earn less than US$300 per month), and the supply of housing stock was not growing fast enough to satisfy demand.

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1 Introduction and Context

This Country Program Evaluation (CPE) provides an independent analysis of the Inter-American Development Bank's country program with the Cooperative Republic of Guyana during 2008 to 2012 (GN-2503-1). It reviews all projects approved, disbursed, and completed during the Country Strategy (CS) period, and draws lessons from the interaction between the Bank and the Government of Guyana. It also addresses relevant issues that were raised in the previous CPE in the light of developments since 2007.[4]

The CPE reviews the documentary evidence provided by the Bank and other sources, as well as information gathered from interviews with government officials, representatives of civil society, and Bank staff. To establish the context in which the Country Program was conceived and delivered, Chapter I summarizes the most salient features of Guyana's economy and prominent development challenges during the period of review. Against this backdrop, Chapter II analyzes the priorities and objectives identified by the Bank in its strategic dialogue with the country, drawing conclusions about the intent, relevance, and coherence of the Bank's program. Chapter III reviews the efficiency of program execution, and Chapter IV reviews the qualitative dimensions of the Bank's program and its overall development effectiveness. Chapter V concludes with findings and recommendations to enhance the Bank's future performance.

A. Country context and development challenges

1. Overview

With a population density of 3.8 people per square kilometer (km), Guyana is a sparsely populated country whose gross domestic product (GDP) per capita is ranked the third-lowest in Latin American and the Caribbean (LAC), and whose economy

Guyana is among the more fractionalized countries in the region in terms of ethnicity and religion.

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is the second-smallest in the Region.[5] The bulk of economic activity has developed along the narrow coastal strip that borders the Atlantic Ocean, where some 90% of the country's population resides on 10% of the land. Because coastal area infrastructure and settlements are below sea level, they are highly vulnerable to climate change and rely on flood defenses for protection. Well-endowed with natural resources (primarily mineral and forest), the interior of the country is covered by dense rainforest containing high-value timber, and is home to the Amerindian population (approximately 10% of the total population). Much of the hinterland is inaccessible by any means of transportation.

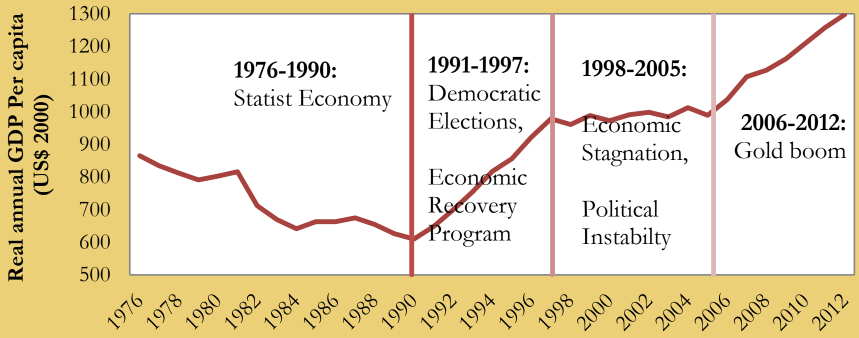
Guyana is among the more fractionalized countries in the region in terms of ethnicity and religion.[6,7] The country's socio-political divide, which is reflected in the composition of its major political parties,[8] has strained political discourse in the past. The general election of 2011 resulted in the election of the first minority government in Guyana's history, adding uncertainty to the political outlook.

Following two decades (1970-1990) of increased state intervention that resulted in widespread economic and social decline,[9] in 1990 Guyana launched a structural adjustment program under a framework provided by the IMF and the World Bank (Box I.1). Under this Economic Reform Program (ERP), the country was able to stabilize the economy, restore productive infrastructure, and consolidate progress toward key social and economic indicators. These reforms, combined with higher prices for Guyana's primary exports, agriculture and minerals, have helped strengthen Guyana's macroeconomic position and attract foreign direct investment (FDI).

Box I.1 Guyana: Phases of Economic Growth

Guyana's economic performance has been characterized by distinct phases of growth. Following more than two decades of statist policies and 15 years of negative economic growth (-2.7% on average from 1976 to 1990), Guyana became one of the fastest growing economies in the world.[a] This radical shift began with the country's first democratic election in 1992, and the liberalization of the state-controlled economy through the sweeping ERP. The ERP was based on macroeconomic stabilization and deep structural reforms, which resulted in a more flexible monetary policy and a significant reduction in the size of the public sector.[b] As economic liberalization policies rolled out, Guyana also received significant debt relief and improved its budget management.

Figure I.1 GDP Per capita, Guyana 1976-2012



Source: World Bank-WDI, April 2012

Following the initial boost produced by the first round of reforms, Guyana's economy stagnated from 1998 to 2005. The country was affected by civil disturbances and external shocks, including a weakening of export commodity prices and major flooding, which destroyed 60% of economic production.[c] As a consequence, average growth fell from 7.1% in 1990-1997 to 0.29% between 1998 and 2005.

Guyana is again experiencing robust growth, sustaining an average rate of 4.45% of GDP[d] from 2006 to 2012 (Annex I.1). Factors that contributed to this turn-around include unprecedented high international prices for gold and related FDI investments in mining. In addition, a second round of structural reforms initiated in the Poverty Reduction Strategy Paper (PRSP) resulted in a strengthened financial sector, increased tax revenue, and additional debt relief , supported by the IMF, World Bank, and IDB.

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a During Guyana's high-growth period of 1991 to 1997, many analysts considered the country's transformation to exemplify the positive impact of pro-growth policies. It was expected that the ERP would place the country on a long-term path to development.

b According to 2011 estimates by the Bank of Guyana and the IMF, public sector expenditures fell from 60% of GDP in 1992 to an estimated 32.3 % of GDP in 2012.

c Although the 2005 flood wiped out 60% of production and caused US$460 million in damage to core infrastructure, Guyana stayed within its medium-term framework (IMF 2008).

d Source: Guyana's Ministry of Finance and IMF Article IV Consultation, June 2011.

e From January 2007 to October 2011, the price of gold increased from US$650 to US$1,722 per troy ounce.

After a prosperous and relatively stable period, Guyana stands at a crossroad between sustainable development and inherent constraints to growth. While the economy demonstrated resilience during recent bouts of economic stress, sustained growth remains vulnerable to: (i) individual events such as political distress or exogenous shocks;[10] (ii) a weak environment for private sector development; (iii) infrastructure bottlenecks (energy, transportation, communications); (iv) poverty, which continues to diminish the standard of living of many Guyanese; and (v) climate change. Hence, economic policy priorities include strengthening the implementation of fiscal- and financial-sector reforms, improving productive infrastructure, and raising competitiveness.

B. Government's policy framework, 2008-2012

Guyana has outlined its vision for addressing these issues in four core strategies: the National Development Strategy, the National Competitiveness Strategy, the Low Carbon Development Strategy, and the Poverty Reduction Strategy Paper.

- The 2001-2010 **National Development Strategy** (NDS) set out the country's overall development framework,[11] focusing on "transformations for competition"—actions to accelerate and sustain economic growth through enhanced competitiveness and social development. These actions provided a framework for the other three strategies. 2006 Competitiveness Strategy, the 2009 Low Carbon Development Strategy, and the 2001 and 2010 Poverty Reduction Strategy Papers.
- The 2006 **National Competitiveness Strategy** (NCS) takes forward specific economic development priorities. Developed in partnership with the private sector, the NCS outlines the policies and actions necessary to strengthen Guyana's global competitiveness and create a strong business environment that is conducive to investment and trade.[12]
- The **Low Carbon Development Strategy** (LCDS) builds upon the NDS and the NCS by incorporating climate change considerations into the development framework and economic priority areas. The LCDS addresses low-carbon economic infrastructure, employment creation in low-carbon economic sectors, and communities and human capital. It also anticipates support for the sustainable management of forest-based economic sectors and improving the environment for doing business (Box I.2).[13]

Box I.2 Low Carbon Development Strategy

The LCDS is based on the premise that Guyana can protect and maintain its forests as part of the effort to reduce global carbon emissions and at the same time attract resources to sustain economic development. It has five main pillars:

1. "**Low-carbon economic infrastructure**." This includes developing hydropower to reduce reliance on petroleum-based fuels, expanding early-warning infrastructure and upgrading sea defenses to protect against the impacts of sea-level rise; improving standards for new construction, drainage, and irrigation; and improving hi-tech telecommunications capacity to facilitate the development of low-carbon businesses.
2. **"Nurture investment in high-potential low-carbon sectors"**, such as fruits and vegetables, aquaculture, business process outsourcing and ecotourism.
3. "**Expand access to services and new economic opportunities for Amerindian communities**" through improved social services (including health and education), low-carbon energy sources, clean water and employment which does do not threaten the forest.
4. "**Reform existing forest-dependent sectors, including forestry and mining, where necessary**", so that these sectors can operate at the standards necessary to sustainably protect Guyana's forest.
5. "**Improve services to the broader Guyana citizenry**", including improving and expanding job prospects, promoting private sector entrepreneurship, and improving social services with a particular focus on health and education.

- The government's medium-term poverty reduction agenda is rooted in its Poverty Reduction Strategy Paper (PRSP).[14] The 2011-2015 PRSP describes Guyana's macroeconomic, structural, and social policies and programs to promote broad-based growth and reduce poverty.[15] It also details associated external financing needs based upon the achievements, lessons learned, and reforms initiated under the previous (2001-2010) PRSP.

C. Recent economic performance

Improved quality of **economic statistics.** In 2010, Guyana rebased its series of national accounts, with a new base year of 2006 for constant GDP. According to the Bureau of Statistics, the new GDP series has revealed higher historical real growth and changes in the sectoral composition of GDP, owing to the change in the structure of the economy and a better accounting of activities in all sectors.[16] Important improvements were also made in reporting financial statistics in the fiscal, monetary, and external sectors.[17] The quality of social statistics lags behind: issues of accuracy persist, and updated information is not always available.[18]

Guyana's macroeconomic framework has benefited from several rounds of debt relief under the Paris Club, the Highly Indebted Poor Country (HIPC) and the Extended HIPC (E-HIPC) initiatives. Consequently, total public debt fell from 500% of GDP in 1988 to 140% in 2005. Under the Multilateral Debt Relief Initiative (MDRI), an additional US$611 million in debt was forgiven by the IMF (US$65 million), World Bank (US$185 million), and the IDB (US$467.1 million). This further lowered Guyana's debt-to-GDP ratio to 60% by 2007, where it has remained relatively stable in subsequent years.

While traditional indicators of external indebtedness have improved, Guyana remains at moderate risk of debt distress.[19] The composition of the country's debt has changed: domestic debt decreased from 17.9% of GDP in 2008 to a projected 9.5% of GDP in 2012, while external debt increased from 43.7% of GDP to 51.9% over the same period because of new net disbursements from bilateral and multilateral sources. The Bank is the largest multilateral partner, largest creditor, and largest provider of technical assistance in Guyana. In 2012, the Bank's loan portfolio was equal to 58% of all multilateral debt and 24% of the country's total external debt. As the portfolio ages, amortization will kick-in and rising debt-service payments will play a larger role in long-term fiscal and debt dynamics.

The **fiscal deficit** averaged 7.6% of GDP before grants in 2007-2012.[20] In large part, this represents a high level of planned social investment spending in the context of poverty reduction strategy targets. Bridging the fiscal gap requires a continued dependence on grants and credits from external and domestic sources to sustain social expenditures. Past and current reforms of the fiscal and financial sectors have helped to stabilize inflation.

Guyana's economy is small and **vulnerable to economic shocks**. Small economies tend to be more open to trade and characterized by higher income volatility because of their heavy reliance on imports to satisfy domestic demand, and their fiscal dependence on exports in a few sectors. Guyana's primary exports are gold, bauxite, rice, and sugar, which together accounted for 81% of total exports in 2010, the latest year for which data is available. Total exports of gold increased from US$153.1 million in 2007 to an estimated US$517 million at the close of 2011, an impressive 238% gain.[21] In contrast, sugar exports have been irregular, falling by 21%, from US$150.1 million in 2007 to US$119.4 million in 2011. This weak performance is mainly the result of reductions in production levels caused by ongoing management challenges at the Government-owned Skeldon Estate sugar factory, shortages of cane and labor, unprecedented levels of rainfall, and an end to a sugar protocol with the European Union. In terms of economic openness, the country's exports plus imports are among the highest in the Region, representing approximately 122% of GDP in 2011.[22] According to the 2012-2013 Global Competitiveness Index, Guyana ranks 132 out of 144 economies in terms of the small size of its domestic market, and 130 in the context of the size of its export market.[23]

Guyana's **current account** is exposed to oil price shocks and appears to follow a long-term negative trend. The current account deficit averaged 12% of GDP over the review period, and is expected to continue to widen over the medium term, as construction of the Amaila Falls hydroelectric plant (AFHP) further boosts imports. Oil and lubricants represented 31.4% of total imports in 2011. According to IMF calculations, a 10% increase in oil prices would widen the current account deficit by 1.25% of GDP. The increase in imports has caused a strong depreciation of the real effective exchange rate (REER).[24] Nevertheless, private transfers (remittances from abroad) represented 15% of GDP in 2011; and FDI inflows from several large private investments in mining and infrastructure[25] will help to offset the current account deficit. The Bank of Guyana has also been able to accumulate significant reserves[26] over the last five years, thanks to improved export performance. Over the long term, a shift in Guyana's energy matrix to hydropower is expected to reduce energy import dependence and help to narrow the current account deficit.

Guyana's primary exports are gold, bauxite, rice, and sugar, which together accounted for 81% of total exports in 2010, the latest year for which data is available.

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D. Private sector development

The limitations of private sector development are captured by the **Ease of Doing Business Index** and its components. Globally, Guyana stood at 114 of 183 participating economies in the 2012 Index,[27] a notable improvement from its position of 134 in 2007 and a stronger relative position than that of other D-2 countries in the Bank (Table I.1). Guyana recorded relative improvements over 2007 in the areas of enforcing contracts and trading across borders, having benefitted by streamlined procedures for establishing a business (from 46 to 26 days), a reduction in time and procedures for construction permits (rank 28), the establishment of a commercial court that strengthened the protection of investors (rank 79), and improvements in the efficiency of customs clearance.

The report identified **access to credit** as the most important constraint, followed by getting electricity (109 days) and resolving insolvency (three years) (Annex I.2). The cost, quality, and capacity of Guyana's telecommunications infrastructure were also acknowledged as constraints to business development.[28] Financial and monetary indicators presented in Annex I.3 reveal that the financial sector is shallow. Credit to the private sector is limited, and on average represents about 22% of GDP. In the context of depth of credit information, Guyana ranked 0 on a scale of 10, as efforts to establish a national credit bureau have not yielded results.[29] Further, there is no mechanism to protect intellectual property. These indicators show that there is room for improvement in the regulatory framework that governs private sector transactions, in the provision of credit for private sector development, and in loosening rules that may constrain lending in the banking sector.

Table I.1 Comparative Development Indicators

Development indicator	Guyana	Guyana and other D-2 countries (2011)*			
	2007	Guyana	Honduras	Nicaragua	Bolivia
Economic indicators					
GDP (nominal, US$ billion)	1.74	2.26	17.26	7.30	24.4
GDP PPP per capita (G2010)	3,016	3,442	4,065	2,940	5,130
Real GDP growth (% GDP, G2010)	7.02	4.37	3.4	4.66	5.09
Fiscal balance (% GDP)	-4.8	-4.3	0.8	0.6	0.8
Current account balance (% GDP, 2010)	-11.1	-9.5	-6.2	-14.4	4.9
Total debt (% GDP)	60.0	62.2	28.1	72.0	32.9
Remittances (% GDP 2010)	16.24	13.65	17.27	12.48	5.54
Foreign direct investment (% GDP, G2010)	8.8	6.9	5.8	7.6	3.2
Worldwide Governance Indicators 2011					
Voice and accountability (percentile)	51.4	50.2	31.9	29.6	47.4
Political stability/absence of violence (percentile)	26.9	33.5	34.4	34.9	29.7
Government effectiveness (percentile)	52.4	50.2	34.1	18.0	41.2
Regulatory quality (percentile)	27.2	28.0	49.3	39.3	24.2
Rule of law (percentile)	38.3	39.4	19.2	29.6	16.9
Control of corruption (percentile)	33.2	31.6	21.8	24.6	38.9
World Competitiveness Indicators 2012					
Global competitiveness rank (of 144 countries, 1=best)	126	109	90	108	104
Global competitiveness value (7=best)	3.25	3.73	3.88	3.73	3.78
Institutions (Value : 7=best)	3.03	3.50	3.32	3.34	3.31
Infrastructure –transportation & electricity (Value: 7= best)	2.51	2.91	3.12	2.97	2.95
Macroeconomic environment (Value: 7= best)	2.51	4.02	4.53	4.24	5.02
Health & education (Value: (7= best)	5.28	5.29	5.34	5.43	5.32
Labor market efficiency (Value: 7= best)	3.99	4.2	3.5	4.0	3.6

Development indicator	Guyana	Guyana and other D-2 countries (2011)*			
	2007	Guyana	Honduras	Nicaragua	Bolivia
Financial market development (Value: 7= best)	3.68	3.87	4.43	3.48	3.33
Technological readiness(Value: 7= best)	2.7	3.4	3.3	3.0	2.7
Market size (Value: 7= best, 2012)	1.75	2.03	3.16	2.76	3.25
Doing Business Indicators 2012					
Ease of doing business rank (of 183 countries, 1=best)	136-	114	128	118	153
Getting credit rank (of 183 countries, 1=best)	170	166	8	98	126
Dealing with construction permits rank (of 183 countries, 1=best)	34	28	70	150	107
Days to start a business	46	26	14	39	50
Days required to enforce a contract	661	581	920	409	591
Efficiency of customs clearance (Value: 5=best, 2010)	1.95	2.02	2.39	2.24	2.26
Firing cost (weeks of wages)	56	56	95	22	
Firms using banks to finance investment (%)		34.52	16.96	21.91	27.77
Days required to get electricity		109	33	70	42
Social indicators & Millennium Development Goals					
Human development value (1=Best)	0.619	0.633	0.625	0.589	0.663
Public education expenditure (% GDP, G2010, B2006)		6.1	3.55	2.96	6.31
Public health expenditure (% GDP, 2010)	3.01	5.07	4.41	4.87	3.04
Literacy (% population >15, 2008)		91.8	83.6	78.0	90.7
Net migration (per 1,000 residents, 2012)	-7.47	-12.78	-1.22	-3.4	-0.84
Net secondary enrollment (%, G2008, B2009)		80.5		45.8	68.1
Child mortality (under 5 per 1,000)	40.3	35.9	21.4	25.6	50.6
Maternal mortality (per 100,000 live births, modeled, 2010)		280	100	95	190
Improved water source (% of population w access, 2010)	92	94	87	85	88

*Source: World Development Indicators Databases. All data presented for 2011, unless otherwise noted.

The largest concentration of urban population lives near Georgetown, extending pressure on the land and housing markets toward the southern and western fringe, where the unmet need for new and upgraded housing, and for access to basic services is high among low-income populations.

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The quality and supply of **electricity** and **roads** were also considered a deterrent to Guyana's competitiveness by the CS. Access to electricity was uneven in the densely populated coastal strip, and largely absent in the thinly populated interior. Guyana's road network comprised 3,995 km of roads, of which approximately 10% (410 km) were main/primary roads. The national road network serves approximately 82,000 vehicles and connects Guyana with neighboring countries. Road transportation accounts for 35% of freight movement and 97% of passenger traffic in the country.[30] In 2007, Guyana had the highest rate of traffic-related deaths in LAC (34.9 per 100,000 people).[31]

Guyana's electric grid is powered by an unreliable system of diesel-burning thermal generators. Guyana Power and Light (GPL) is the primary public supplier of electricity in the country, with a nominal installed generation capacity of 160 megawatts (MW). Guyana's huge hydroelectric potential is almost completely untapped. Development of the AFHP has the potential to double the generation capacity of GPL.[32] The cost of electricity in the country is among the highest in the region, and technical and commercial losses were estimated at 34% in 2010.[33] Over the past decade, a number of major industries began to generate their own power because GPL was not able to supply reliable electricity at a competitive price. The government compensates GPL for the restriction of tariffs that has been in place since 2003. In an effort to improve supply, the government has been seeking to partially privatize GPL.

E. Social development

Achieving the **Millennium Development Goals** (MDGs). According to the most recent *Progress Report towards the Achievement of the Millennium Development Goals (2011)*, Guyana has met its MDG targets for nutrition, child health, and access to clean water,[34] and is moving toward the goals for education and HIV/AIDS (Annex I.4). Nonetheless, key objectives, including combating extreme poverty, improving maternal health, and eliminating malaria, still require more attention. Concerns about the reliability and availability of updated data remain. For instance, the most recent data on poverty are from 2006, and health indicators date from 2009.

Poverty and inequality. The United Nations Human Development Index (HDI) classified Guyana as a medium human-development country in 2011;[35] however, the country faces a big challenge in terms of fighting poverty (Annex I.5). In 2006, 36% of the population lived in conditions of moderate poverty and 19% in extreme poverty (Annex I.6); of the countries in the Region, only Haiti and Honduras have higher proportions of people living in extreme poverty[36] (Annex I.7).[37] Poverty levels are lowest in urban areas and regions such as Georgetown, but reach 92% in rural areas and among Amerindian communities (Annexes I.8 and I.9). Nonetheless, Guyana has made substantial progress toward decreasing income inequality. Among the HIPC countries in the Region, it has the lowest Gini coefficient.[38] The most significant progress was observed in the urban coastal areas (Annex I.10).

The largest concentration of urban population lives near Georgetown, extending pressure on the **land and housing markets** toward the southern and western fringe, where the unmet need for new and upgraded housing, and for access to basic services is high among low-income populations (Annex I.11). According to the 2006 Household Income and Expenditure Survey, there was a deficit of 19,400 homes for the low-income families (households that earn less than US$300 per month), and the supply of housing stock was not growing fast enough to satisfy demand.

Social spending increased considerably over the last decade. Most of the increase is attributed to additional expenditures in education and health that were closely tied to HIPC. Between 1997 and 2003, the year that Guyana reached the completion point for E-HIPC,[39] social expenditures increased from 15.3% of GDP per year to 21.4% of GDP, and have remained relatively stable at about 19% of GDP in subsequent years (Annex I.12). Despite this increase, little is known about the effectiveness of social interventions, including targeting efficiency and program benefits.[40]

Net primary enrollment reached 95% in 2009, which means that the target of achieving universal primary education will likely be met by 2015 (Annex I.13). However, academic performance is low (Annex I.14)[41] Gross secondary enrollment has increased to 88%,[42] but repetition is high (12%); and while the overall number of teachers has increased, the country still struggles to retain qualified teachers, many of whom emigrate.

According to the MDG Report, Guyana has met the targets for child **nutrition**[43] and for reducing **under-five mortality**.[44] It is nonetheless important to note that the numbers for child mortality differ between data sources. **Maternal mortality** has improved as well (Annex I.15)[45]. Reported HIV/AIDS cases have decreased over time. Guyana is one of the few countries that provide universal access[46] to antiretroviral medication[47]. The quality of healthcare and outcomes vary dramatically across the country, and is lowest in the interior regions (Annex I.16).

Large investments in previous years have contributed to the provision of **safe water** throughout Guyana, and to the achievement of sector objectives[48]. According to the United Nations,[49] 98% of the population has access to safe water;[50] and the percentage of people with access to treated water increased from 20% in 2001 to 45% in 2011. Although there has been substantial progress in the hinterland and rural coastal zones, disparities still exist across regions (Annex I.17). The loss of non-revenue water (49%) continues to be a challenge[51].

Labor. The overall unemployment rate has remained relatively stable, at around 11% since 1992[52]. Unemployment among Guyana's youth is much higher (26%) and varies dramatically across income levels.[53] Moreover, while there has been progress in access to data on labor markets, the availability of systematic data is a serious issue; and in the absence of regular labor market surveys, little is documented in terms of labor dynamics.[54]

The **emigration** of skilled Guyanese represents one of the biggest challenges to economic and human development in the country. As of 2010, an estimated 432,000 people of Guyanese origin (equivalent to more than half of the country´s actual population) resided outside of the country.[55] A recent IMF study showed that 86% of degreed Guyanese emigrate. Economic losses due to the emigration of highly skilled labor have been estimated at 5.9% of GDP.[56] In terms of competitiveness, the resulting shortage of specialized labor inside the country means that local labor markets are left with jobs that cannot be easily filled. Although remittances equaled approximately 15% of GDP in 2011, this is likely to decrease in subsequent years, as skilled migrants generally spend longer periods of time abroad, weakening their ties with the home country.[57]

Reducing **crime and violence** is a priority of the government.[58] Over the past decade, domestic violence and criminal activities have escalated, and homicide is now a major cause of death among the 15-44 age group (Annex I.18).[59] The use of Guyana as a transshipment route for drug trafficking is also a growing concern. The 2008 International Narcotics Control Strategy Report observed that Guyana's efforts to implement its drug strategy for 2005-2009 were undermined by a lack of resources.

2

Road transportation accounts for 35% of freight movement and 97% of passenger traffic in the country.
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2 The Bank's Country Program 2008-2012

A. Lending envelope and programming

As Guyana is the largest per-capita recipient of Bank concessional loan resources, its program is closely related to the biannual Fund for Special Operations (FSO) allocation. At the time that the CS was prepared, FSO funding for 2009 to 2012 had not been determined. Accordingly, the CS estimated a low and high scenario for sovereign guaranteed (SG) loan approvals that ranged between US$113 million and US$203 million over the five-year period.

The CS was designed around the strategic use of a wide array of financial instruments. The sector programmatic approach drew upon the use of successive traditional investment loans, programmatic policy-based loans (PBPs), and hybrid operations, and was frequently accompanied by TCs to help the Bank identify and the government meet conditions. The proposed work program consisted of an initial pipeline of eight loans totaling US$85.7 million for the three-year period 2008-2010, with an additional five loans totaling US$183.2 million programmed in subsequent Country Program Documents. The Bank approved 12 of the 13 loans for a total of US$187.4 million (Table II.1), which was close to the high scenario projected in the CS. In terms of technical cooperation (TC), the Bank approved 28 operations for a total of US$12.1 million in grant resources, and one investment grant funded by the Guyana REDD+ Investment Fund (GRIF)[60] for US$5.9 million to strengthen the government's capacity to implement the Low Carbon Development Strategy (LCDS). For the most part, TCs were aligned with the loan portfolio. MIF approved five operations that provided a total of US$1.88 million to support the development of small and medium enterprises. Neither SCF nor IIC approved any operations.

Table II.1 Loan Portfolio
All Loans: Active, Programmed, and Approved (January 2008 – June 2012)

Number	Operation name	Type	Date approved	Date of final disbur.	Amount programmed	Current approved	% Disbur. 2008	% Disbur. 2012
Loans Active as of January, 2008								
GY0011	Agricultural Support Services	ESP	6/23/04	11/24/12		17,428,200	11	90
GY0026	Bridge Rehabilitation Program I	PFM	11/25/97	5/31/09		39,257,793	80	100
GY0053	Fiscal and Financial Management Program	HIB	6/9/04	5/8/09		23,144,406	77	100
GY0054	Georgetown II Water Supply & Sewer System	ESP	12/1/99	6/14/10		14,730,064	53	100
GY0055	Georgetown Solid Waste Management	ESP	5/3/06	8/22/13		20,600,000	8	47
GY0056	Mahaica Rosignol Road	ESP	11/7/01	9/30/08		31,036,490	100	100
GY0063	Basic Education, Access, & Mgmt Support I	PFM	7/17/02	12/25/09		29,750,455	97	100
GY0065	Unserved Areas Electrification Program	ESP	6/5/02	12/10/10		21,208,869	38	100
GY0068	Basic Nutrition Program	SEF	12/17/02	5/19/09		5,000,000	62	100
GY0070	Social Statistics and Policy Analysis	SEF	12/8/03	5/31/09		2,862,105	44	100
GY0071	Citizen Security	ESP	6/28/06	11/30/12		19,800,000	4	76
GY0073	Public Management Modernization Program	SEF	12/13/04	12/17/09		3,017,036	54	100
GY0076	Moleson Creek-New Amsterdam Road	ESP	6/16/04	12/31/10		37,211,026	48	100
GY0077	Health Sector Program	ESP	6/2/04	6/30/11		23,000,000	37	100
GY-L1006	Support for Competitiveness	HIB	6/28/06	3/20/13		26,650,000	13	48
GY-L1007	Agricultural Export Diversification Program	ESP	12/5/07	4/6/13		20,900,000	0	53
GY-L1008	Transport Infrastructure Rehabilitation Program	ESP	11/21/06	12/31/13		24,300,000	5	66
GY-L1009	Justice Administration System	HIB	6/21/06	9/30/12		25,000,000	1	86
GY-L1014	Power Sector Support Program	PBL	12/12/07	4/6/12		12,000,000	0	100
	Total					**396,896,444**	**39**	**88**
Loans Programmed and Approved: January 2008 – June 2012*								
2008–2012 Country Strategy								
GY-L1016	F Financial Sector Reform Program	PBP	12/10/08	12/12/09	5,000,000	5,000,000		100
GY-L1019	Second Low Income Settlement Program	ESP	12/17/08	4/17/14	27,900,000	27,900,000		61
GY-L1021	Financial Sector Reform Program II	PBP	11/18/09	11/23/10	5,000,000	5,000,000		100
GY-L1025	Georgetown Sanitation Improvement Program	ESP	10/27/10	12/8/15	9,500,000	9,500,000		35
GY-L1027	Road Improvement and Rehabilitation Program	GOM	10/28/09	3/21/15	24,800,000	24,800,000		38
GY-L1028	Expansion of Basic Nutrition Program	ESP	12/11/09	2/17/14	5,000,000	5,000,000		28
GY-L1029	Financial Sector Reform Program III	PBP	11/3/10	11/9/11	5,000,000	5,000,000		100
GY-L1034	Georgetown Solid Waste Management Program-Supplementary Financing	SUP	6/2/10	12/31/11	3,500,000	2,000,000		100

Number	Operation name	Type	Date approved	Date of final disbur.	Amount programmed	Current approved	% Disbur. 2008	% Disbur. 2012
2010 Country Program Document								
GY-L1030	East Bank Demerara Four Lane Extension	ESP	11/17/10	12/8/15	20,000,000	20,000,000		32
2011 Country Program Document								
GY-L1035	Amaila Falls Hydroelectric Power Project	PSH			80,000,000			
GY-L1036	Linden Water Supply Rehabilitation Program	ESP	6/15/11	7/13/16	12,000,000	12,000,000		2
GY-L1037	Sustainable Operation of the Electricity Sector and Improved Quality of Service	ESP	9/7/11	9/23/15	5,000,000	5,000,000		5
2012 Country Program Document								
GY-L1031	Road Network Upgrade and Expansion	ESP	6/21/12		66,200,000	66,200,000		0
	Total				**268,900,000**	**187,400,000**		**50**

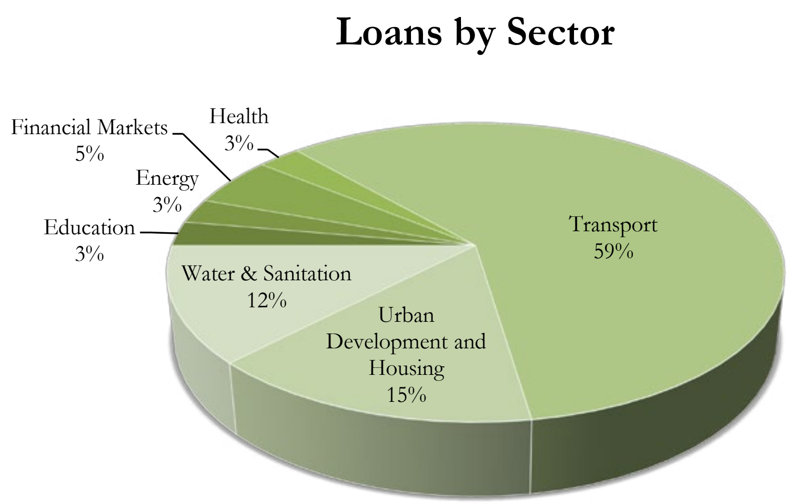
Source: PISTA.

*Includes all SG loans programmed in CS2008-2012, CPD 2010, CPD 2011, and CPD 2012.

B. Objectives and programming

The general objective of the Bank's CS was to "*contribute to accelerating economic growth through economic diversification and targeted social development*," which is consistent with the government's development framework. Interventions related to this objective were divided among three pillars –**strategic infrastructure investments, enhanced competitiveness, and social development for growth**–which were very similar to the objectives of the previous CS. In fact, the large existing operational portfolio (Table II.1), which represented twice the value of the high scenario under the projected lending envelope, was considered "*the principal foundation for the new strategy and its expected results.*" As a consequence, the Bank's loan portfolio was highly focused, with 86% of the volume of approvals concentrated in three sectors: transport (59%), housing (15%), and water and sanitation (12%) (Graph II.1). The consistency of themes between the past and present strategies also enabled the Bank to support a progressive program of second- and third- generation operations in the infrastructure and social pillars.

Graph II.1
Classification of Approved Loans by Share of Lending (2008-2012)



C. Strategic pillars

1. Strategic infrastructure investments

The CS proposed that the Bank's work program in this area contribute to "*economic diversification and movement to higher-valued production*" through strategic infrastructure investments that contribute to "*improving the reliability, affordability, and supply of electricity and the quality and coverage of the road network*." Although 59% of the volume of new approvals was assigned to this pillar, neither roads nor electricity was identified as a "*main development challenge*" in the diagnostic of the CS.

Energy. Guyana's high unit cost of energy, vulnerability to oil price shocks, and significant commercial losses impair the country's business environment and reduce its competitiveness. According to *Doing Business,* it takes more days to secure electricity in Guyana than in any other FSO country. At the request of government, the Bank's program focused on: (i) moving the energy matrix towards renewable sources of electricity; (ii) financing associated safeguards; and (iii) reducing technical losses. Over the life of the strategy, the Bank programmed two loans in the electricity sector and approved one –The Sustainable Operation of the Electricity Sector and Improved Quality of Service loan (GY-L1037), aimed to reduce energy costs and commercial losses– for US$5 million. This investment was linked with two active loans approved under the previous strategy.[61] The Amaila Falls Hydroelectric Project, the only private sector loan programmed by the Bank, has been in preparation since 2011; a Mandate Letter was recently signed.

Access to markets. Because Guyana's **national road network** is the primary link between the productive sectors and access to internal and external markets, the Bank's program focused on: (i) rehabilitating and partially expanding the country's road network; and (ii) stimulating private sector participation in the delivery of critical infrastructure. Three new loans totaling US$111 million were programmed and approved to upgrade and expand Guyana's national road network –Road Improvement and Rehabilitation Program (GY-L1027), East Bank Demerara Four Lane Extension (GY-L1030), and Road Network Upgrade and Expansion (GY-L1031). This round of operations complimented four active loans already underway in the sector.[62]

2. Enhanced competitiveness

The *Growth Diagnostic for Guyana* that the Bank undertook to inform its CS explicitly stated that "*even though lack of adequate infrastructure (in particular transportation and energy)…are potential shortfalls, they are not the root cause of low levels of private investment and entrepreneurship in Guyana. The most binding constraint to growth…can be explained primarily by a weak institutional framework.*" According to international benchmarks, successful implementation of Guyana's NCS required greater investor protection and deeper reforms in the financial sector. Noting Guyana's mixed performance as described in Doing Business, the second pillar proposed to support the implementation of the NCS by consolidating existing competitiveness initiatives and pursuing critical complementary reforms.

Financial sector reform. A US$15 million PBP operation for Financial Sector Reform (GY-L1016, GY-L1021, GY-L1029) was programmed and approved to "*enhance the supervision capacity of the Bank of Guyana and increase transparency in the financial sector, which includes reforming the anti-money laundering framework.*" The PBP series complemented six loans already in execution, and broadly related to different dimensions of Guyana's business environment: competitiveness,[63] social statistics,[64]

Guyana has made progress in expanding access to affordable housing among poor and low-income households.
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fiscal and financial management,[65] citizen security,[66] public sector management,[67] and justice administration.[68]

Agricultural diversification. The CS emphasized that the main focus of the Bank's program with Guyana was "*economic diversification as a means of improving macroeconomic stability*"; however, the Bank did not program any new operations in this area. Instead, it framed its support through two existing loans that targeted export diversification.[69]

3. Social development for growth

Housing, nutrition, water and sanitation. Poverty eradication is at the core of the 2001 and 2011 PRSPs. To sustain momentum gained under the previous strategy in areas critical to the achievement of the MDGs, the Bank programmed and approved five loans totaling US$57.9 million: (i) the Second Low Income Settlement Program (GY-L1019) was designed to increase housing opportunities for the poor; (ii) the Linden Water Supply Rehabilitation Program (GY-L1036) had the objective to improve the efficiency, quality, and sustainability of water services; (iii) Expansion of the Basic Nutrition Project (GY-L1028) sought to reduce the incidence of malnutrition; (iv) Georgetown Sanitation Improvement Program (GY-L1025) aimed to improve sanitation services; and (v) Georgetown Solid Waste Management Program (GY-L1034), provided supplementary financing for cost overruns.[70] Despite a long history of collaboration in education, the Bank exited the sector without signaling the reason for its departure in the CS,[71] or an intent to remain active in policy dialogue in the absence of lending.

D. Risks

Although the Bank identified **natural disaster and climate change** as one of the three main risks that could affect implementation of the CS, it did not include a general objective that embraced planned actions in the sector. Despite this, the Bank approved a US$1 million Disaster Risk Management operation in 2009, and played an active role in helping Guyana access concessional resources to support the development of the LCDS, by acting as a partner entity in the GRIF, administered by the World Bank.

The GRIF was established to receive and disburse Norwegian funds held in trust by the World Bank for projects designed under the LCDS, including operations designed and implemented by the IDB (Annex II.1).[72] To date, a US$5.9 million investment grant to strengthen key government agencies and align their policies with LCDS implementation has been approved through GRIF. The Bank also provided an additional US$1.76 million in TC grants for public consultation, data and knowledge generation, and work to deepen key stakeholders' capacities to plan and implement REDD+ and LCDS initiatives.

Another concern raised by the CS was the weak institutional context in which operations would be executed, yet what the CS proposed was not analytically distinct from what had been done in the past–apparently ineffectively. According to the strategy, "*limited institutional and implementation capacities of executing agencies*" was a main obstacle to the implementation of the prior strategy. The previous CPE reached a similar conclusion. Although the strategy did not provide a specific response to strengthen the execution capacity of line ministries, a factor that has become increasingly important as project execution units are phased out, individual operations have contributed to strengthening the execution capacity of line ministries and multi-project services groups.[73] Moreover, if "*the lack of sufficient, appropriate human resources and the high rate of migration pose risks to the achievement of this CS*," the strategy failed to address this issue.

E. Monitoring and evaluation

The strategy's development objectives are broad and beyond the scope of the operational program. For example, "*at least one NSG operation in strategic infrastructure development*" is not an adequate indicator to measure the Bank's contribution to "*economic diversification and movement to higher-valued production*" (objective of Pillar 1). Of the 18 indicators included in the results matrix, 11 were outfitted with a complete metric to measure outcomes.

The CS acknowledged that "***limited data** restricted the Bank's ability to evaluate development impact in Guyana;*" however, it failed to propose an alternative to "*engage the Government […] in expanding collaborative interventions for improving data*

collection." As discussed in Chapter IV, data availability and reliability, particularly in the social sector, limits the measurement of impact, the diagnosis of challenges, and the design of interventions.

F. National systems

The CS emphasized the strengthening and use of national systems in Bank projects. In terms of financial administration, several operations use the Integrated Financial Management System (IFMAS) for accounting, and the intention is to use this system in all the new operations. With respect to external controls, the Audit Office of Guyana (AOG) has benefitted from significant strengthening by the Bank. As a result, AOG has been assigned level 3 status, making it eligible to audit TCs and projects with low and average risk. Of the last 21 audited financial statements (AFS), four were produced by AOG. In the context of treasury systems, the Bank is piloting the module "*IDB Consolidated Fund*," which works as a single account for all Bank projects. So far the Bank has not been able to rely on Guyana's national procurement systems; the main obstacle to implementing an acceptable procurement system has been the delay in establishing the Public Procurement Commission.

G. Conclusion

Between 2008 and 2012, the Bank´s loan portfolio focused on energy and roads, financial and judicial reform, housing, nutrition, health, and water and sanitation. Although the Growth Diagnostic recommended that the Bank continue to support a growth strategy based on exports, no new loans were programmed for competitiveness or agricultural diversification. Instead, the Bank focused on consolidating its support and enhancing the results of three active loans in these sectors.

In general, the evaluation considers that the CS was a weak instrument, with broad objectives, a narrow operational base, and no clear prioritization of actions based on development outcome measures. For example, although the lion's share of the volume of new approvals was assigned to the pillar of "strategic infrastructure", there was no description of the process used to select the programmed operations. The CS did not appraise which sectors would reap the highest returns from improved infrastructure, nor did it provide evidence from analytical work to justify that investments in works would produce greater developmental benefits than alternative investments in productive infrastructure (communications or ports), agriculture, or poverty reduction. In terms of logic, the CS was not always able to establish a clear link between proposed activities and the Program's objectives. For instance, the document failed to demonstrate how the rehabilitation and expansion of roads would result in--economic diversification and higher valued production.

Nonetheless, by means of consultation with the authorities in Guyana, this evaluation found that government considers the Bank a relevant development partner, and that the thrust of the Bank's country program was consistent with the development objectives and economic priorities of the country. In fact, the majority of loans originated between 2008 and 2012 grew out of government initiatives complemented with Bank consultations. The government thus regards the Bank as a good partner to fund operations deemed relevant.

Between 2008 and 2012, the operational portfolio focused mainly on transport, housing, and water and sanitation.
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3 The Bank's Performance: Program Delivery

As a D-2 country, Guyana receives a blend (50%-50%) of concessional resources from the Fund for Special Operations and Ordinary Capital (OC) (Table III.1). The new conditions governing FSO allocation allows for carry over within the two-year allocation period. For Guyana, this provided additional flexibility to the programming process and allowed for the approval of a US$66.2 million transport loan in 2012. By June 30, 2012, the entire allocation for the bi-annual period 2011-2012 had been approved.

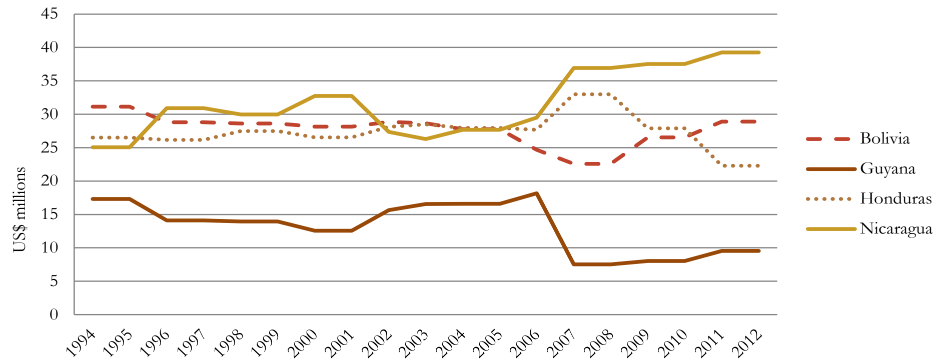
Table III.1 FSO Allocation to Guyana: 2007-2012 (US$ millions)

Period	FSO	OC	FSO Supplement	Annual Allocation	Approvals
2007-2008	16.5	16.5		33	32.9 (2007) – 32.9 (2008)
2009-2010	10.3	10.3	7.1 – 7.9	34.8 – 36.6	34.8 (2009) – 36.5 (2010)
2011-2012	20.8	20.8		41.6	17.0 (2011) – 66.2 (2012)

Source: GN-2442-34, Enterprise Data Warehouse

The biannual allocation of FSO resources is based on a review of country policies and the performance of the Bank portfolio. Although Guyana has shown the greatest improvement among D-2 countries in terms of its Country Institutional and Policy Evaluation (CIPE)[74] score (having moved from 2.82 in 2004 to 3.75 in 2010), the total amount of concessional resources available to the country under the present country program (US$187.6 million) was 32% less than its allocation under the previous strategy (US$273 million), and the country has received the lowest increase among FSO countries (Graph III.1). It is also worth noting that the reduction in operational resources to Guyana occurred at the same time that the Bank was seeking to increase lending to the Region under the Ninth General Capital Increase. The sustainability of the Bank's work and its relevance in Guyana could be affected by a further reduction in future FSO allocation.

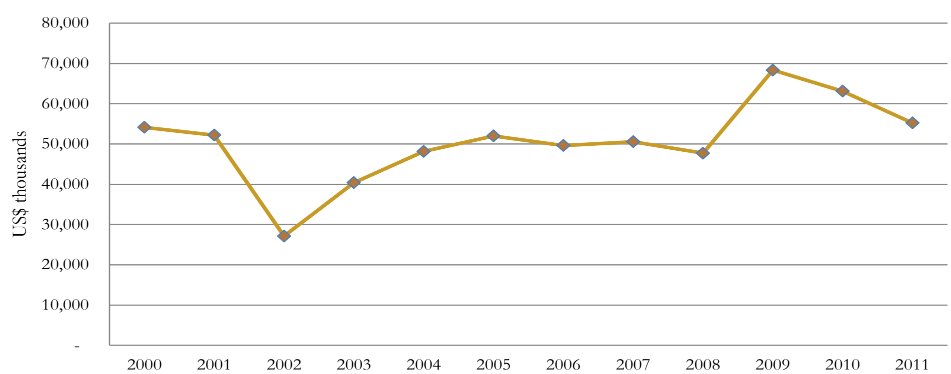
Graph III.1
Share (%) of FSO Resources by Country
Source: GN-2442-34, Enterprise Data Warehouse



Guyana has benefited from a positive **cash flow** from the Bank (Annex III.1) through both: (i) debt relief, with a subsequent reduction in interest and principal payments; and (ii) high levels of disbursements in 2009, which provided countercyclical relief during the financial crisis. In the previous CS, the high scenario for annual net flows was expected to average US$ 45.5 million, but the Bank actually provided US$52.6 million for the period 2008-2011.

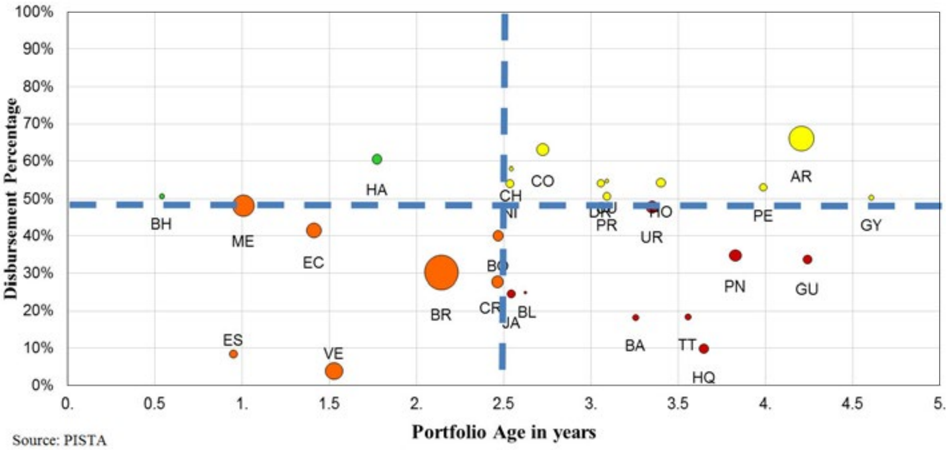
In terms of **disbursements**, the high scenario projected an annual average of US$51.8 million in blended funds for the period 2008-2011; however, the annual average actually topped US$56 million. Graph III.2 illustrates the spike in disbursements during the second-round allocation of additional resources to all FSO countries during the financial crisis.

Graph III.2
Disbursements



The **average age** of Guyana's loan portfolio is 4.56 years as of June 2012–the oldest in the Bank (2.5 year average) – and higher than the age of the portfolio at the beginning of the country program (3.7 years) in 2008 (Graph III.3). The TC program is also characterized by delays in execution, with projects having an average life cycle of 32.7 months (from approval to fully disbursed) compared to the Bank's average of 29.7 months. Analysis of the efficiency of Guyana's loan portfolio shows delays associated with institutional capacity and procurement, which is consistent with the implementation constraints frequently found in small economies, where the demand for goods and services is often greater than local supply, but too small to attract international competitive bidding. (See Annex III.2 for details of the Active Portfolio.)

Graph III.3
Disbursement Performance vs.
Portfolio Age (as of June 30th, 2012)



Source: PISTA

While the percentage of qualified AFSs is lower in Guyana's portfolio than the Bank's average, it increased progressively between 2008 (0%) and 2011 (14%). On the other hand, the country has demonstrated a remarkable record of no delayed AFS during entire programming period; by contrast, the Bank as a whole had an average delay of 14%.

The monitoring system does not show any significant problems in the portfolio outside of delays in execution. In the last PMR exercise, three of the 22 operations were on alert and none were considered problematic. Shortcomings in the monitoring system do not allow hybrid operations to be rated, however, and these operations account for two of the 22 loans.

4

East Demerara Water Conservancy, Guyana
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4 Program Results

This section analyzes the development effectiveness of Bank-financed operations in Guyana over the period of review by estimating the impact of individual projects as well as that of the Strategy as a whole. An overview of project-level results is presented where available. Not all projects are reviewed. Most investment loans designed and approved under the CS have low disbursement rates and few if any documented outcomes. Therefore, the results analysis focuses primarily on the PBP series approved and executed under the current strategy, and all investment loans approved under previous strategies that have disbursed at least 50% or which exited the portfolio during the CS period.

The information presented in this section is drawn largely from the Bank's monitoring and evaluation system (PPMRs and PMRs) for active projects and Project Completion Reports (PCRs) for closed projects. OVE has not validated this information in its entirety because data limitations make it difficult to track outcomes.

A. Strategic infrastructure investments

In the infrastructure sector, the Bank aligned its program with government objectives in energy and transport. In energy, government aimed to: "*(i) achieve an adequate and dependable supply of electricity; and (ii) increase utilization of renewable energy sources, including hydropower.*" The Bank identified its expected contribution in the CS as: (i) improved energy efficiency; (ii) increased power capacity and reduced commercial energy costs through alternative energy projects; and (iii) improved energy security through IDB private sector windows. Regarding the transport sector, the government's objective was "*to construct a national road transport network which would provide the basis of economic development of the entire country, and assist in the attainment of its social*

integration." Bank expected outcomes, according to the CS, were: (i) improved road conditions and quality of specified corridors; (ii) increased capital expenditure for road network maintenance; and (iii) improved and uninterrupted traffic flow along the Linden-to-Lethem corridor.

Electricity. During the CS period, the Power Sector Support PBL (GY-L1014, 2007) and the Unserved Areas Electrification Program (GY0065, 2002) closed. Collectively, these loans provided US$33.2 million for: (i) institutional strengthening and regulatory reforms; (ii) loss reduction; and (iii) expanded coverage. GY-L1014 promoted numerous reforms of the institutional and regulatory framework, including: (i) approval of a Power Sector Policy and Public Utilities Commission Act; (ii) implementation of a customer information system that reduced the lag between meter reading and bill production from 30 to 10 days; and (iii) execution of a Strategic Loss Reduction Program that contributed to a gradual reduction in total losses from 38% in 2007 to 31.5% in 2010.[75] Although the target for the corresponding condition in the policy matrix was 20.4%, the condition was waived.

Technical and commercial losses represent a financial risk for Guyana Power and Light, a State-run utility, rendering further expansion of the grid unsustainable without additional corrective measures. The PBL condition associated with government approval of a new tariff structure was also waived, as the Tariff Study conducted by the program did not recommend replacing the existing structure. Although GY0065 exceeded the target of providing 30,000 new connections by 153% (45,910 in all), roughly 59% of the connections were illegally accessed.[76] An additional 15,000 residents (mainly Amerindians) in 31 hinterland communities also benefitted from the rural electrification component of the loan, which included demonstration projects using solar and diesel generation.

Roads. Road improvement has been a government priority since the 1990s. Most of the primary roads (410 km of paved network) are in fair condition, since the government has pursued progressive rehabilitation of the roadways and structures. In addition, the country has made solid advances in road safety: Between 2001 and 2010, road accidents dropped by half during the last decade, and road fatalities decreased by 34%.[77]

Road rehabilitation and expansion was a core component of the economic diversification objective of the CS.[78] The Bank was able to partially accomplish two of the three expected outcomes: (i) 197 km of the primary road network were improved; and (ii) 79% of the primary road network (326 of the planned 410 km) is under routine maintenance through the Road Maintenance Management System (RMMS); the remaining 21% were under a rehabilitation contract which had two years of routine maintenance after the completion of the works. Integration at the national and international level along the Linden-Lethem corridor has not been achieved, because of geographic and economic constraints.

Since 1992, the Bank has financed major rehabilitation works along much of the primary road network; six loans were in execution during the review period.[79] The Bank's operations were aligned in four strategic areas: road rehabilitation, road maintenance, institutional strengthening, and road safety. Operations GY0026, GY0056, GY0076, GY-L1008 and GY-L1027 addressed four of the six main corridors that form Guyana's primary road network.[80] In terms of results, the oldest operation, GY0026, rehabilitated two major bridges and 79 minor structures along main roads connecting the international airport at Timehri with Georgetown and Rosignol. The sensitivity analysis conducted by the ex post economic evaluation confirmed that 84% of these structures yielded positive economic returns.[81] GY0056 produced an internal rate of return[82] of 22%, and improved the quality of the Mahaica-Rosignol Road, as evidenced by a reduction in the International Roughness Index (IRI) of from 4 to 2.5. In terms of safety, the PCR calculated a reduction of 19% in the number of severe/fatal accidents along the corridor. Similarly, the PCR for GY0076 claimed that the IRI of the Moleson Creek-New Amsterdam road reduced from 6 to 2.5, and vehicle speed increased by 22% and 14%, respectively, in urban and rural areas. It went on to state, however, that "*data required to properly assess the achievement of the development objectives was incomplete*".[83] This weakens the results obtained from the HDM-4 calculations. The PCR also specified that an ex-post evaluation of impact was not required; thus, OVE was unable to validate the reported outcomes.[84]

All three operations contributed to consolidating project execution under the Work Services Group, which is a unit under the Ministry of Public Works and Communication.[85] The Bank's operations also supported the establishment of a computer-based RMMS, which serves the main road network.

B. Enhanced competitiveness

The government's objectives under Pillar 2 are to: (i) diversify the economy; and (ii) enhance national competitiveness to support economic growth. The outcomes proposed by the CS to measure its contribution include: (i) redistribution of exports to favor higher-valued products; (ii) improved scores in key business climate indicators; (iii) improved access to finance and financial intermediation; and (iv) improved citizen security.

Fiscal reform. The Financial Sector Reform Program PBP (GY-L1016, GY-L1021 and GY-L1029 – US$15 million) was designed to deepen domestic financial intermediation. The operation's objective and conditions were based on the analytical work presented in the Financial Sector Assessment Program jointly produced by the World Bank and the IMF in 2005. The value-added of the Bank's operation is related to the creation of a credit bureau; the establishment and functioning of a Commercial Court to facilitate resolution of disputes and execution of collateral; and the inclusion of financial services such as leasing, factoring, and secured transactions that are

commonly used by the private sector elsewhere. Of these, only the establishment and functioning of a Commercial Court was completed. Some additional improvements to the financial sector also resulted from this operation, such as the implementation of a loss-sharing agreement between banks for large value transfers to ensure that the payments clearing system would function appropriately under stress.

The Fiscal and Financial Management Program (GY-0053) accomplished its goals. Analytical work prepared by CARTAC/IMF, World Bank, and the IDB was used to identify high value-added interventions. Technical assistance was financed with FSO grants, and the policy component (US$15 million) was interwoven with an investment component (US$13 million) under a hybrid instrument. The focus of the PBL was on three areas of public financial management: tax policy and administration, financial management, and audit and financial oversight. The conditions for disbursing the three tranches of the PBL contributed value-added through their focus on results. Consistent with the areas identified for reform, the investment component focused on: modernizing and strengthening the General Revenue Authority (GRA) that is in charge of collecting tax and customs revenues; modernizing the Ministry of Finance's public expenditure management system; and strengthening the capacity of Finance and Parliament to monitor public expenditures. The third tranche of the PBL was cancelled at the government's request, because of difficulties in establishing the Public Procurement Commission, and to free-up FSO resources for other operations.

This project strengthened the government's fiscal position and enhanced public sector management. An important result included improvements in overall tax collections, which are fundamental to reduce the fiscal gap. It is hard to measure the contribution of the PBP to this result, however, since it is difficult to attribute the revenue increase to a better-functioning GRA. To date, GRA systems remain in place for customs and tax administration; and GRA has autonomy in managing human resources, including setting salaries, which enables it to attract and retain qualified personnel. The project also supported improvements in public financial management. The Integrated Financial Management and Accounting System is in place and evidence suggests it is widely used throughout the administration. In terms of treasury functions, all checks are electronically generated, and salaries and pensions are directly transferred into individual accounts.

The Public Management Modernization Program (GY-0073, US$5 million) was designed to facilitate an incremental public modernization process in Guyana. The project was not successful, partly because it was underfunded, due to the cancellation of US$1.9 million. The Bank acknowledges the poor performance of this operation in the PCR. The project had three components: to strengthen the capacity of the Public Sector Ministry, to strengthen selected semi-autonomous agencies and statutory bodies, and to build consensus and prepare a roadmap for public sector reform. Some of the actions proposed required significant policy reforms that would have been more efficiently supported by a PBL or hybrid operation. The reclassification of public

servants using a salary scale that addressed the problem of salary compression was confused with a general salary increase, and when such an increase did not materialize, public servants lost interest and unions opposed the effort. In spite of this problem, by May 2012, managerial salaries were comparable to those in the private sector.

Competitiveness. The hybrid operation Support for Competitiveness (GY-L1006, US$26.7 million, 2006) comprised a PBL "*to strengthen institutions for public-private dialogue on competitiveness, and improve the environment for private investment and export development*," and an investment program to implement critical reforms to improve the business environment. Considered a "*Flagship Program*" of the NCS by the Government of Guyana, the loan complemented reforms introduced in the fiscal and financial sectors and has contributed to streamlined procedures for business registration and incorporation, simplified procedures for imports and exports, legislation for a credit bureau, a tax system that is more business-friendly, and a strengthened institutional framework of the Guyana Office for Investments. As Table I.1 showed, the country has improved its position in international assessments in targeted areas related to competitiveness and doing business. Execution of both the policy and investment components of the operation has been slow and a number of key reforms (such as the credit bureau) have yet to be implemented. The loan provided key inputs for the design of the Bank's Private Sector Development Strategy for Guyana (2007); yet, outside of MIF, the Bank has not approved any private-sector operations.

The Agriculture Support Services loan (GY0011, US$17.4 million, 2004) seeks to increase agricultural productivity and net farm returns (35%) by rehabilitating drainage and irrigation structures and the organizing farmers to maintain and operate the secondary water systems, particularly in the rice sector.
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Agricultural support. The Agriculture Support Services loan (GY0011, US$17.4 million, 2004) seeks to increase agricultural productivity and net farm returns (35%) by rehabilitating drainage and irrigation structures and the organizing farmers to maintain and operate the secondary water systems, particularly in the rice sector. The PMR reports that the project has met its targets in terms of pump station and sluice gate rehabilitation, and exceeded its target for participating water user associations. New high-yield rice varieties have been introduced, and paddy rice yield has increased. The target of increased agricultural income will not, however, be measured until four years following the completion of the loan.

Justice. To enhance the investment climate and rule of law in Guyana, a hybrid policy and investment loan, Modernization of the Justice Administration System (GY-L1009, US$25 million), was approved in 2006.[86] The loan was designed in response to concerns about backlogs and delays in the Magistrates and High Court; poor infrastructure conditions in the court, police stations and prisons; outdated court rules; and limited access to alternative dispute resolutions.[87] According to the final project implementation evaluation,[88] major accomplishments include: (i) the introduction of a monitoring and evaluation system, which is expected to increase productivity by keeping better track of courtroom recording case-flow; and (ii) records management. Also, nearly 5,000 pieces of legislation have been updated,[89] and are accessible online to the general public. The program was not able to reduce the number of backlogged

There have been talks about expanding of the community action component –which focuses on vocational training for youth-at-risk and includes anger management courses– to other regions of the country.

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cases (around 13,000), and although its ultimate goal was to improve the investment climate, there is no information on this matter.

Citizen security. Rising levels of crime in Guyana are a concern that has been taken into account through the Citizen Security Program (GY0071), a US$19.8 million operation with the objective of enhancing citizen security by contributing to the reduction of crime, violence, and insecurity. Preliminary data from the crime observatory put in place by the program showed that the homicide rate has remained fairly stable in the range of 15-21 per 100,000,[90] and results from the safe neighborhood survey[91] indicate that the victimization rate decreased from 21.3% in 2006 to 20.3% in 2010 –showing partial progress toward the accomplishment of the project's goal.[92] There have been talks about expanding of the community action component –which focuses on vocational training for youth-at-risk and includes anger management courses– to other regions of the country.

C. Social development for growth

Under the government's objective to eradicate poverty in Guyana, the outcomes proposed in the CS aim to improve: (i) access to and availability of drinking water, and the quality of service; (ii) access to improved housing and living conditions for specific geographical areas; (iii) nutrition status of 6 to 18 month olds; and (iv) effectiveness of social spending, quality of poverty data, and PRSP monitoring and preparation. The Bank's contribution includes a portfolio on water, housing, health and nutrition, education and social statistics.

Water and sanitation. Georgetown Water Supply and Sewer System II (GY0054), approved for US$27 million in 1999, was aligned with the draft PRSP, which identified water supply and sanitation as a key sector for donor support. The World Bank, DfiD, and JICA funded parallel projects in other regions of the country. Overall, the project accomplished about 60% of the originally planned work and experienced five years of delayed execution due to institutional changes, vacant positions, and procurement. Two significant amendments to the original contract affected the financial performance of the loan as well as the scale of achievements. The 2004 amendment acknowledged institutional changes resulting from the merger of Georgetown Sewage and Water Commissioners (the original executing agency) with Guyana Water (the utility responsible for the supply of water in the rest of the country) to form Guyana Water Inc. (GWI). The 2008 amendment reduced the scope of the loan and financing by 46% because of poor performance, and realigned the results of the project with feasible targets. Some of the works that were dropped from the loan were rolled into the US$9.5 million Georgetown Sanitation Improvement Program (GY-L1025), which was approved in 2010, but is not sufficiently disbursed to be evaluated at this time.

Despite these setbacks, the project appears to have produced important results. GWI has achieved operating efficiencies in Georgetown, as measured by improvements in water pressure and quality, and in cost recovery. For example, the pressure in the distribution system has increased on average to 6psi from 2psi, but falls short of the original design target of 10 psi. According to the PCR, this shortfall is due to cuts in the length of the water main under the project. Physical losses have been reduced from 70% to 45%; iron content has declined to safe levels, from 5mg/liter to about 0.6mg/liter; and 15 sewage pumping stations were refurbished and restored to fully operational status. Water quality is monitored monthly by Guyana's Environmental Protection Agency, using internationally accepted standards. OVE was able to observe and validate this procedure. While the reported outcomes are within the range of the revised project targets, GWI remains institutionally and financially fragile, and is unlikely to achieve the target of 100% cost recovery without additional strengthening measures and government's approval to adjust the tariff structure to reflect market rates.

Housing. Guyana has made progress in expanding access to affordable housing among poor and low-income households. The Second Low Income Settlement Program (GY-L1019, 2010, US$27.9 million) aims to develop new sites with services that consolidate existing housing schemes and upgrade squatter areas. As of September 2012, 489 "*core houses*" were delivered to low-income families. Each core house was constructed to prescribed standards that include 312 square feet of living space, drainage, water and electrical connections, and septic tanks. An additional 1,724 lots in squatter settlements were also upgraded, and 8,753 new lots were created. All three activities exceeded their original targets in terms of outputs and timing. Because of the synergies between the high demand for low-income housing and tax incentives, the number of commercial banks that offer financial products targeting the poor increased from two to nine; and as a result of expanded competition, interest rates have dropped from 12-15% to 4.7%. A parallel pilot is being implemented in the hinterland, where indigenous communities are adapting the concept to their particular environment using locally available materials. The site visit by OVE confirmed that the provision of local services (such as garbage collection[93]) to new housing schemes has been problematic, and the titling of land has proven to be a lengthy process.

Nutrition and health. The Bank has been a major source of funding in the health sector in Guyana, contributing since 1978.[94] To: (i) decrease the prevalence of anemia and stunting in 6–18 month-old children; and (ii) to strengthen the institutional capacity of the health sector; three loans totaling US$33 million were active over the review period, of which two have been completed.

The Basic Nutrition Program (GY0068), approved in 2002 and completed in 2009, initiated a large-scale pilot to address child malnutrition by providing "*Sprinkles*", an individually packaged micronutrient powder, and a monthly food coupon to decrease wasting and stunting. . The impact evaluation confirmed that the use of "*Sprinkles*" reduced anemia in the intervention group by 40%, and the food coupons reduced the

prevalence of wasting by nearly 27%.[95] The use of "*Sprinkles*" has been replicated successfully in other Bank countries, including Nicaragua.[96] Moreover, in 2012 the U.S. Treasury recognized the program for its development impact.[97]

To provide continuity, the Expansion and Integration of Basic Nutrition Program (GY-L1028) was approved in 2009 and has continued to provide Sprinkles to children and pregnant women in all regions. Data on results vary by source, however.[98] Additionally, the program has faced continuous execution delays that affect the accomplishment of the target related to stunting.[99]

The Health Sector Program (GY0077), approved in 2004 and completed in 2011, had the goal of "improving the organizational and institutional capacity of the health sector and of the health services delivery system." According to the PCR, program accomplishments include: development of the health management information system; an increased vaccination rate among children under one year of age, now 85%; and a more efficient provisioning of drugs to health facilities.[100] The program also financed the expansion of the Linden Regional Hospital,[101] and the rehabilitation of the inpatient ward of the Georgetown Public Hospital (GPH), as well as the installation of the Routine Maintenance Management System in GPH. The site validation visit by OVE confirmed that while the required minimum level of essential equipment and furnishings were in place, investments in infrastructure were not always accompanied by the purchase and maintenance of corresponding equipment. Similarly, although the program tackled some challenges such as planning and management inefficiencies, the sector still lacks skilled human resources, and faces geographic constraints that create gaps in services at all levels.[102]

Social statistics. The Bank supported the national statistics system in Guyana through the Social Statistics Program (GY0070), a US$2.8 million operation that aimed to "*increase the capacity of the country to generate social and other relevant data to undertake evidence-based policy analysis, and to monitor poverty reduction strategy implementation and impact.*" The program's main accomplishment was rebasing of the National Accounts with a new base year of 2006 for constant GDP, which resulted in updated and new information from sectors such as transportation, construction and the services industry. Though the PCR also mentions as accomplishments the creation of reports on PRSP performance and the launching of the Bureau of Statistics website, OVE was not able to confirm a significant improvement in the quality, quantity, or availability of social statistics. Most recent information on poverty dates from 2006, and information on social indicators is not always publicly available. Furthermore, the planned household survey was not implemented; although the tools and instruments were developed.[103] The program involved the training of staff in data collection and analysis at the Bureau of Statistics and line ministries; however, the abatement of salary subsidies upon the conclusion of the project led to staff discontent and resignations. The program faced a one-year delay in execution related to the procurement of an international firm.

Education. The Basic Education, Access and Management Support Phase I project (BEAMS - GY0063, US$29.8 million) had the objective of "*improving literacy and numeracy attainment in primary cycle, and expanding secondary access in underserved areas and poverty zones.*" This loan focused on improving school performance through an Interactive Radio Instruction initiative in mathematics. To strengthen the organizational capacity of the Ministry of Education, the loan also financed teacher training, modernization of the curriculum, and the introduction of new pedagogies.[104] The construction of additional secondary facilities aimed to expand access. In the year that BEAMS finished, it was not possible to measure the intervention's effect on literacy and numeracy attainment because of problems with the collection and management of examination results (2008). Available standardized data shows, however, that while Grade 6 students had improved their performance in math and English over the period 2009-2011, the performance of Grade 2 students worsened between 2005-2007.[105] The attribution of BEAMS to these changes cannot be confirmed, however. Although the Bank chose not to continue its work in education under the current strategy, interactive radio remains the primary mode of teaching math in Grades 1-3, sustaining the Bank´s efforts in the education sector.

In sum, progress on social development and the eradication of poverty has been positive but insufficient. Home ownership among low-income families has increased, and the quality of water has improved, which is expected to enhance the quality of life of all Guyanese. Likewise, interventions addressing child malnutrition have proven to be successful in reducing anemia and wasting levels among children, and have been replicated in other LAC countries. On the other hand, innovative interventions such as interactive radio have been institutionalized as national policies, but their effect on improving literacy and numeracy remains undetermined. In all cases, the generation of social data remains weak, limiting the Bank's ability to evaluate the development impact of social interventions.

5

Kaeiteur Falls, Guyana
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5 Summary and Recommendations

In terms of relevance, the Bank's CS was aligned with the government's development objectives and economic priorities, which focused on contributing to accelerated growth through economic diversification and targeted social development. Nevertheless, the Bank's program has produced mixed results.

In infrastructure (Pillar 1), progress was achieved by consolidating the primary road network, however efforts to reduce technical and nontechnical losses in the electricity sector did not meet their target. In relation to competitiveness (Pillar 2), the financial and judicial sectors have benefitted from institutional and structural reforms, citizen security has become a priority in the government's agenda, and procedures for doing business in the country have been streamlined. However, key initiatives to deepen the financial market and increase access to credit have met with less success, and implementation of the Competitiveness Loan, a cornerstone of government's competitiveness strategy, has been very slow. Progress in social development (Pillar 3) has continued, particularly in the areas of child nutrition and low-income housing; however, questions about the reliability and availability of data persist, limiting the evaluation of impact.

Because Guyana is endowed with vast natural resources, the government has taken advantage of a relatively stable period of economic growth to engage in the REDD initiative and has developed a Low Carbon Development Strategy with the aim of capturing global resources for climate change. In this context, the Bank played a catalytic role in helping Guyana access concessional resources to implement LCDS projects by acting as a Partner Entity.

As a D-2 country, Guyana receives a blend of concessional resources (50% FSO and 50% OC). At the time that the CS was prepared, FSO funding for the 2009-2012 period had not been determined. Although Guyana has shown the greatest improvement among D-2 countries in terms of its CIPE score, the total amount of concessional resources available under the present country program was 32% less than

High Court, Guyana
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Guyana's allocation under the previous CS. The reduction in operational resources to Guyana occurred at the same time as the Bank was seeking to increase lending to the Region under the Ninth General Capital Increase. The sustainability of the Bank's work and its relevance in Guyana could be affected by a further reduction in future FSO allocations.

The Bank's CS emphasized the strengthening and use of national systems by Bank projects. Several operations use the Integrated Financial Management System for accounting, and the intention is to use this system for all new operations. The Audit Office of Guyana has benefitted from significant strengthening by the Bank and has been assigned Level 3 status. In the context of treasury systems, the Bank is piloting the module *"IDB Consolidated Fund",* which works as a single account for all Bank-funded projects. The Bank has not yet been able to rely on Guyana's national procurement systems; the main obstacle to the implementation of an acceptable procurement system has been the delay in establishing the Public Procurement Commission.

Recommendations

Given the findings in this CPE, OVE recommends that the Administration:

- **Take advantage of the current period of stability and growth to support Guyana on its path towards becoming a green economy.** With the launch of the Low Carbon Development Strategy, Guyana has an opportunity to benefit from global commitments for rainforest conservation and climate change. The Bank should continue to support the design of new initiatives that lie within the LCDS, and should work closely with Guyana to enhance its national capacity to monitor and report the results of the REDD+ initiative.

- **Seek to leverage declining FSO resources.** The sustainability of the Bank's work and its relevance in Guyana could be affected by a further reduction in future FSO allocations. The Bank should identify ways to strategically target the resources available to it, including technical cooperation grants and knowledge products, to maintain a leadership role through robust policy dialogue.

- **Continue strengthening Guyana´s national systems.** Given the country's positive experience in financial administration with the use of the Integrated Financial Management System, to enhance the government's and the Bank's ability to monitor and evaluate project results, the Bank should continue providing technical assistance to strengthen national systems, including the collection and analysis of data, specifically social statistics.

Endnotes

1 Guyana is 214,970 sq. km., with 768,888 inhabitants mostly concentrated in urban areas along the northern coast. The July 2012 World Bank Development Indicators database estimated real GDP per capita PPP to be US$3,442.

2 The CIPE is only one element used for FSO Allocation. Other elements include portfolio performance, population, and GNI per capita. In this respect, Guyana has the highest FSO per capita allocation.

3 REDD+ (Reducing Emissions from Deforestation and Forest Degradation Plus) is a United Nations initiative to create a financial value for the carbon stored in forests, offering incentives for developing countries to reduce emissions from forested lands and invest in low-carbon paths.

4 The second CPE for Guyana was presented to the Board of Directors in 2007. The present study comprises activities approved under the 2008-2012 Country Strategy (GN-2503-1), as well as those approved previously, yet with most incidences during the period under review.

5 Guyana is 214,970 sq. km., with 768,888 inhabitants mostly concentrated in urban areas along the northern coast (Guyana Bureau of Statistics). The July 2012 World Bank Development Indicators database estimated real GDP per capita purchasing power parity to be US$3442.

6 Alesina, A., Devleeschauwer, A., Easterly, W., Kurlat, S., & Wacziarg, R. (2003). Fractionalization (No. w9411). National Bureau of Economic Research.

7 Originally inhabited by Amerindian groups, Guyana was colonized by the British and became independent in 1966. Following the abolition of slavery, indentured workers were contracted from India to work on sugar plantations. According to the 2002 census, 43% of the population considers itself of East-Indian heritage, 30% report being Afro-Guyanese, 17% report being of mixed origin, and almost 10% are Amerindian.

8 The division along ethnic lines between Guyana's two major parties—the ruling Indo-Guyanese People's Progressive Party/Civic (PPP-C) and the country's mainly Afro-Guyanese People's National Congress-Reform Party (PNC-R)—has marred political discourse in past years. More recently, the PNC-R has allied with smaller parties under the banner of "A Partnership for National Unity," winning control of the National Assembly in November 2011, for the first time since independence.

9 From 1970 to 1990, Guyana experimented with socialism. Imports were restricted as the country pursued a strategy of self-reliance with minimal external support from free-market economies. Public policy reflected growing centralization as the government increased state intervention and nationalized key sectors of the economy. By 1988, the government controlled 80% of the economy and the country was in crisis. The quality of public services and social indicators declined significantly under statist policies. Physical infrastructure, including roads, buildings, and utilities, fell into disrepair; and the country experienced frequent shortages of water, power, and basic food items—including its primary agricultural exports, sugar and rice.

10 In a very small economy, a single event is felt throughout the economy and affects growth, decline, or stagnation. The successful period from 1990-1997 indicates that positive events related to the privatization program offered opportunities for investment, which in turn resulted in sustained and high growth. Similarly, the significant political disruptions of 1998-2001 introduced uncertainty throughout the economy, resulting in the prolonged period of stagnation that ended in 2007. Large economies are not as sensitive to single events because of their relative size and diversification. For Guyana, however, single events that affect exports of gold, sugar, or bauxite determine overall economic performance.

11 The main objectives of the NDS were to (i) achieve sustainable growth; (ii) reduce poverty; (iii) attain geographical unity; (iv) ensure equitable geographical distribution of economic activity; and (v) diversify the economy.

12 Government of Guyana in Partnership with the Private Sector. Enhancing National Competitiveness: A National Strategy for Guyana, May 2006.

13 Report "Focus on LCDS," Volume 01, April 2012. Available on http://www.lcds.gov.gy.

14 PRSPs are prepared by member countries through a participatory process involving domestic stakeholders and external development partners, including the IMF and World Bank.

[15] Government of the Cooperative Republic of Guyana (2011). Guyana Poverty Reduction Strategy Paper 2011-2015 (July 2011). The first objective of the PRSP, low-carbon job-creation and economic growth, is closely aligned with the LCDS model of sustainable development. The remaining four priorities are "(ii) stronger governance, institutional, and regulatory structures; (iii) accelerated investment in human capital and primary health; (iv) accelerated investment in physical infrastructure in support of growth; and (v) special intervention programmes to address regional and demographic pockets of poverty."

[16] Rebasing and revising the national accounts allowed for the adoption of a more recent base year (previously 1988), and facilitated the use of modern measurement techniques to give a truer picture of economic structure. In the rebased series, the increased contribution of services to the economy, and the diminished contribution of traditional industries, are evident. According to the March 2010 Bureau of Statistics report "Guyana System of National Accounts," in 2009 the top five industry groupings, as measured by contribution to constant GDP, were agriculture, fishing, and forestry (21.4%); mining and quarrying (12.6%); wholesale and retail trade (12.4%); construction (9.8%); and public administration (9%).

[17] The Caribbean Regional Technical Assistance Center (CARTAC) provided technical assistance on national accounts (real sector). On fiscal statistics, the Government Finance Statistics (GFS) division of the IMF assisted Guyana to identify the sources of the discrepancies between fiscal data and monetary and financial data. Also, quarterly data are being generated for the National Insurance Scheme and five nonfinancial public enterprises; and the government is reporting financial statistics using the methodology outlined in the GFS Manual. On the monetary side, statistics improved in quality and institutional coverage. Monetary statistics currently include Bank of Guyana, other depositary corporations (commercial banks, the New Building Society, and trust companies), and other financial corporations (finance companies, life insurance companies, pensions funds, and asset management companies).

[18] For instance, information on poverty rates is from the 2006 Multiple Indicator Cluster Survey (MICS).

[19] See Guyana Debt Sustainability Analysis, January 2011, IMF Country Report No. 11/152.

[20] According to the Central Bank of Guyana, updated at Q2 2012, the fiscal deficit of the nonfinancial public sector averaged 8.3% between 2000 and 2006. The corresponding average for 2007-2012 was estimated to be 4%, according the IMF (Article IV, June 2011).

[21] According to the Bank of Guyana's Quarterly Report & Bulletin, 2012 Q1, 40% of this increase is due to an increase in the volume of exports, and 293% resulted from an increase in the price of gold.

[22] The Openness Index is an economic metric calculated as the ratio of country's total trade, the sum of exports plus imports, to the country's gross domestic product. The higher the Openness Index, the larger the influence of trade on domestic activities.

[23] World Economic Forum, Global Competitiveness Index 2012-2013.

[24] According to Guyana Article IV Consultation. IMF. June 2011, the depreciation of the REER is 11.5% above the level necessary to narrow the current account deficit over the medium term

[25] IMF Article IV (2011) projected Guyana's FDI to peak to 14.8% of GDP during 2012 as a result of investment associated with AFHP, and gradually decline to an average of 7% of GDP in the long term.

[26] As of 2011, the Bank of Guyana reported that the accumulation of reserves exceeded 5 months of imports.

[27] Doing Business 2012 ranked Guyana 114 of 183 countries overall in 10 topics: starting a business (87), dealing with construction permits (28), registering property (104); getting credit (166), protecting investors (79); paying taxes (115), trading across borders (82), enforcing contracts (73), resolving insolvency (138), and getting electricity (144). In terms of access to credit, Guyana ranked 116 of 183 countries. (http://www.doingbusiness.org/~/media/giawb/doing%20business/documents/profiles/country/GUY). Similarly, the World Economic Forum's Global Competitiveness report 2011-2012 identifies "access to financing" as the fourth most problematic factor for doing business.

[28] World Bank (2010). Enterprise Survey.

[29] According to the Doing Business Report of 2011, Guyana is recognized as one of the countries that has made getting credit easier (page 43). With the approval of the Credit Bureau Act and accompanying regulations in 2010, steps were taken by government to improve credit information sharing. As of 2012, efforts to establish the credit bureau had not yielded results.

[30] Ministry of Public Works and Communication (2005). Guyana Transport Sector Study, Vol. 2.

[31] IDB (2010). Road Safety Strategy – Closing the Gap: Reducing road traffic deaths in Latin America and the Caribbean, Action Plan 2010-2015. Transport Division.

[32] The estimated cost of the AFHP is roughly US$650 million or about 27% of GDP in 2011. The project is one of the main priorities for the government, and has the potential to convert Guyana's base load fossil fuel electric generation capacity to hydro-generation. The IMF expects this project to add cumulatively 6% points of real GDP growth during its construction, due to FDI flows. Once completed, the project could result in a 20-25% reduction in imports, which will serve as a natural hedge against oil price volatility and foreign currency exposure and reduce generation costs by 20-40%.

[33] IDB (2012). Guyana: Energy Sector Note 2012. Prepared by INE/ENE.

[34] Information about the achievement of the goals for nutrition and child health comes from the MDG Progress Report of 2011. Information regarding the goal for clean water comes from http://www.openequalfree.org/guyana-reaches-the-first-millennium-development-goal-early/8200.

[35] In 2000, Guyana had an HDI of 0.579; by 2011 the country had an HDI of 0.633.

[36] Extreme poverty is based on the normative goods basket (2,400 calories per adult man), defined by the Caribbean Food and Nutrition Institute (CFNI), and its average cost is US$1.25 per day. Moderate poverty also includes a monetary allocation for nonfood items and has an average cost of US$1.75 per day (IMF, 2011).

[37] MDG, 2011 Report. To achieve the MDG target for the reduction of extreme poverty by 2015, Guyana must reduce this indicator by a further 4.5 percentage points.

[38] According to World Development Indicators and the 2011-2015 PRSP, the Gini coefficient declined from 0.44 in 1992 to 0.35 in 2006, and is lower than, for example, Bolivia, Honduras, Jamaica, Suriname, and Nicaragua. While in other Latin American countries, the richest quintile accounts for 60% of national consumption, in Guyana the richest 20% accounts for 42%.

[39] In 2001, in order to qualify for the Enhanced HIPC (E-HIPC) Initiative, Guyana elaborated a Poverty Reduction Strategy Paper (PRSP). By doing so, Guyana committed to reorienting its economic and social policies towards the objectives of the PRSP and achievement of the MDGs, by using the E-HIPC debt relief to raise social expenditure and tackle poverty. The E-HIPC Completion Point was reached on 26 November 2003. Source: Bedi, Arjun S. and Jong, Niek de (2010), "Guyana´s Poverty Reduction Strategy and Social Expenditure". European Journal of Development Research. The most recent PRSP covers the period 2011-2015.

[40] Stone, Leslie, and Tejerina, Luis (2008), "Access to social Services in Guyana–Results from Recent Surveys, 2005-2007," Inter-American Development Bank.

[41] Results from the National Grade Six Assessment show that of the students who sat the exam, only 40% received passes in math and 35% in English.

[42] There is no information for net enrollment.

[43] The percentage of children under five years old who suffered from moderate to mild malnutrition declined from 8.8% in 2003 to 6% in 2008.

[44] According to the Report, under-five mortality rate in Guyana has declined from 120 per 1,000 live births in 1991 to 17 per 1,000 lives in 2008, resulting in an achievement of the target. However, it is important to note that the numbers for child mortality differ among data sources; see Stone and Tejerina (2008), op. cit.

[45] Despite this progress, it is important to mention that the 2007 MDG Report mentioned that Guyana had the potential to attain the goals of eradication of hunger and combating HIV/AIDS, but was unlikely to reach the goals of reducing child mortality, improving maternal health, and combating malaria and tuberculosis, a very different scenario from the one depicted in the 2011 MDG Report.

[46] Universal access is defined as coverage of at least 80% of the needed population.

[47] MDG, 2011 Report.

[48] Sector objectives included (i) improve access to safe water for 95% of the population; (ii) establish a new company that would integrate Guyana Water, which served communities outside Georgetown, with the Georgetown Sewerage and Water Commission; (iii) streamline activities in the coastal zone with emphasis on treatment of raw water; and (iv) develop a comprehensive rehabilitation and maintenance plan.

[49] http://www.openequalfree.org/guyana-reaches-the-first-millennium-development-goal-early/8200

[50] IMF (2011), "Guyana: Poverty Reduction Strategy Paper 2011-2015."

[51] Ibid.

[52] MDG, 2011 Report

[53] Among the poorest youth, unemployment is at 40%, compared to 13.6% for the richest quintile; see Stone and Tejerina (2008), op. cit.

[54] According to the MDG report, census data are currently used to generate labor force indicators. Also, before 2005, the most recent labor market statistics come from the 2002 census and the 1999 household survey. The MDG target to achieve full and productive employment and decent work for all, including women and young people, has not been assessed.

[55] Migration and Remittances Fact Book 2011, World Bank.

[56] Mishra, Prachi (2006), "Emigration and Brain Drain: Evidence from the Caribbean". International Monetary Fund. Working Paper WP/06/25.

[57] Faini, Riccardo (2007). "Remittances and the Brain Drain: Do More Skilled Migrants Remit More?" World Bank Economic Review.

[58] Citizen Security and Peaceful Coexistence. IDB Policy Note. June 2012

[59] IMF (2011). "Guyana: Poverty Reduction Strategy Paper 2011-2015." According to the Citizen Security and Peaceful Coexistence Policy Note of June 2012, homicides peaked in 2002-2003 (27/100,000 inhabitants), but have since decreased. In 2011 the homicide rate was 17/100,000 inhabitants.

[60] REDD+ (Reducing Emissions from Deforestation and Forest Degradation Plus) is an United Nations initiative to create a financial value for the carbon stored in forests, offering incentives for developing countries to reduce emissions from forested lands and invest in low-carbon paths. GRIF is a fund for the financing of activities under the LCDS.

[61] Unserved Areas Electrification Program (GY0065), Power Sector Support Program (GY-L1014).

[62] Bridge Rehabilitation Program I (GY0026), GY0056 Mahaica Rosignol Road), Moleson Creek-New Amsterdam Road (GY-0076), Transport Infrastructure Rehabilitation Program (GY-L1008).

[63] Support for Competitiveness (GY-L1006),

[64] Social Statistics and Policy Analysis (GY0070).

[65] Fiscal and Financial Management Program (GY0053).

[66] Citizen Security Program (GY0070).

[67] Public Management Modernization Program (GY0073).

[68] Justice Administration System (GY-L1009).

[69] Agricultural Export Diversification Program (GY-L1007), Agricultural Support Services loan (GY0011).

70 Georgetown Water Supply & Sewer Service II (GY0054), Georgetown Solid Waste Management (GY0055), Basic education, Access, & Management Support (GY0063), Basic Nutrition Program (GY0068), Health Sector Program (GY0077).

71 The IDB exited the education sector following an extensive period of engagement in primary and secondary education. Although not discussed in the CS, external factors identified by OVE which may have influenced the Bank's departure include: (i) the approval of US$20 million in grant funding for education through the Fast Track Initiative of the World Bank; (ii) a decision by GOG to prioritize vocational education, for which the Caribbean Development Bank is the main contributor; and (iii) a shortening of the IDB's lending envelope by one third (see Chapter III) and a decision by Government to prioritize these resources in areas where the Bank's contribution was unique, including basic nutrition and low-income housing.

72 In 2009, Guyana and Norway signed a Memorandum of Understanding in which Norway committed to pay US$250 million to Guyana, over five years, in exchange for forest services. This support will be based on an independent verification of results achieved by Guyana, including a set of enabling activities described in the Joint Concept Note (JCN) of March 31, 2011.

73 The Work Services Group and the Central Housing and Planning Authority have benefitted from Bank efforts to strengthen the institutional capacities in line ministries. The multi-project services group model was employed for health, transport, and agriculture. Staff in the services groups are a mixture of civil service and high-level consultants who are embedded within the public sector and mostly paid by the treasury.

74 The CIPE is only one element used for FSO Allocation. Other elements include portfolio performance, population, and GNI per capita. In this respect, Guyana has the highest FSO per capita allocation.

75 Guyana Power & Light Updated Technical Losses Estimate – Final Report, 2010.

76 Loss Reduction Investment Management – Final Report.

77 Annual road accidents declined from 2,765 to 1,704 between 2001 and 2010, showing a reduction of 48%. Average fatalities per 1,000 vehicles per year went from 3.0 in 2000 to 1.4 in 2010.

78 Statement Related to TSP in the 2008 CS (¶ 4.6):"The Bank will continue to support the rehabilitation and partial expansion of the road network. By the end of the strategy period, 410 km of the main road network should be under routine maintenance, of which at least 10% should have an IRI less than 5.0 and therefore be in good driving condition. These interventions will complement those already underway in the sector and would contribute to the IIRSA initiative." Regarding private sector investment: "The Bank will use its Infra Fund to finance economic, financial, social, and environmental feasibility studies to catalyze private sector investment"

79 On April 2012 an additional transport loan GY-L1031 (2741/BL-GY) was approved for US$66.2 million.

80 GY0026, Bridge Rehabilitation Program (1997, US$ 39.3 million), was completed in 2009. GY0056, Mahaica Rosignol Road Rehabilitation (2001, US$31.2 million), was completed in 2008. GY0076; New Amsterdam-Moleson Creek Road Rehabilitation (2004, US$ 37.2 million), was completed in 2011. GY-L1008, Transport Infrastructure Rehabilitation Program (2006, US$24.3 million), was 66% disbursed as of June 2012. GY-L1027, Road Improvement and Rehabilitation (2009, US$24.8 million), was 38% disbursed as of June 2012.

81 Guyana: Main Road Rehabilitation Program Phase II. An Ex-post Economic Evaluation. Charles, L Mc Donald. January 2010.

82 Mahaica Rosignol Road Rehabilitation Project. An ex-post economic evaluation of the project using actual traffic and HDM4. October, 2009.

83 PCR GY0076, paragraph 6.1.

84 Ibid, paragraph 6.1.

85 The WSG is a unit under the Ministry of Public Works and Communication, which was established with the support of loan operation LO-1094/SF-GY.

86 Its current expiration date is September 2012.

[87] Overview of the Modernization of the Justice Administration Systems, Project (2012). "Presentation at the National Commission on Law and Order (NCLO)".

[88] Coral Hill LLC (2012). "MJAS Project Implementation Assessment, Final Report".

[89] Some pieces of legislation dated as back as of 1932. Most were updated as of December 2010.

[90] Citizen Security and Peaceful Coexistence. Policy Note. June 2012.

[91] The SNS is a specialized household survey that collects information regarding: (i) socio-demographic characteristics; (ii) prevalence of aggressive behaviors and of other violence-related behaviors; (iii) personal attitudes toward aggressive behaviors; (iv) self-efficacy and collective for alternatives to violence; (v) perception of social institutions and the government; (vi) violence victimization both in the family and in the community; (vii) victimization rates by type of crime; and (viii) perception of police.

[92] The goal for this indicator is to reach 17.3%, as mentioned in the CS 2008-2012. Information on the progress comes from "Citizen Security and Peaceful Coexistence. Policy Note". June 2012.

[93] The collection of garbage in housing schemes is the responsibility of the Neighborhood Democratic Councils. These councils currently face technical and financial challenges.

[94] The Health Care I Project financed the construction of health posts, health centers, and district hospitals in rural areas. Later on, the Social Impact Amelioration Program continued improving health posts and health centers in Guyana, and the Health Care II project of 1988 financed the first rehabilitation of the Georgetown Public Hospital.

[95] Ismail, Suraiya and Roopnaraine, Terry (2009). "The Impact Evaluation of the GoG/IDB Basic Nutrition Program, Integrated Report".

[96] In Nicaragua, anemia was reduced in participating children from 29% to 19.8% as the result of the distribution of more than 10.4 million packets of "Sprinkles," (See PAININ III –operation NI-L1009).

[97] It was recognized that the BNP has benefited over 41,000 infants in 79 health centers, among other achievements, June 2012. (http://www.iadb.org/en/topics/health/us-treasury-recognizes-idbs-basic-nutrition-program-in-guyana,6817.html)

[98] As shown in PMR of September 2012, stunting in children (under five years of age) remains high at 14% according to MICS of 2006, while MICS of 2000 already showed that stunting had decreased to 11%. (Social Protection and Health Sector Note of Guyana, 2012). Moreover, the most recent PMR (September 2012) states that the MOH started measuring stunting only in 20120, showing a 3% prevalence in children under 5 years old, although survey data shows higher levels.

[99] PMR (September, 2012).

[100] PCR (2011) indicated that the provision of drugs to health facilities within one week's time, increased from 50% to 85%.

[101] In May 2012, OVE visited the Linden Hospital, which was expanded and rehabilitated with funds from the Health Sector Program.

[102] Social Protection and Health Sector Note. Guyana. 2012

[103] The PCR says it will be run concurrently with the 2012 Census, but there is no information on its progress.

[104] MindBloom consulting (2009). Final Evaluation of the Basic Education, Access and Management Support Project.

[105] See Annex I.14. Also, see Ministry of Education (201