

# GUYANA AND THE IDB

PARTNERS FOR PROGRESS

---

Inter-American Development Bank



*This publication was prepared by the IDB Country Office in Guyana under the leadership of Mr. Musheer Kamau, Country Economist, with the participation of the following consultants: Mr. Humberto Petrei and Ms. Leila Parris. Additional inputs were received from Ms. Leslie-Ann Edwards, Country Coordinator, Ms. Dora Currea, Manager, and a team from Guyana's Ministry of Finance, headed by the Honorable Minister Dr. Ashni Singh. The External Relations Department of the IDB provided production support. Ms. Michelle Mariano served as editor. All photographs are courtesy of Mr. Corwin Williams, the IDB Cultural Center and IDB Photo Archives.*

# TABLE OF CONTENTS

## GUYANA AND THE IDB: PARTNERS FOR PROGRESS

<b>FOREWORD</b> BY HIS EXCELLENCY BHARRAT JAGDEO President of Guyana	<b>4</b>
<b>FOREWORD</b> BY LUIS A. MORENO President, IDB	<b>5</b>
<b>INTRODUCTION</b> BY DORA P. CURREA Caribbean Country Department Manager, IDB	<b>6</b>
CHAPTER 1 <b>A BRIEF LOOK AT DEVELOPMENT IN GUYANA</b>	<b>8</b>
CHAPTER 2 <b>IDB— A PARTNER IN DEVELOPMENT</b>	<b>14</b>
CHAPTER 3 <b>INFRASTRUCTURE INVESTMENTS FOR GROWTH</b>	<b>20</b>
CHAPTER 4 <b>FOSTERING A BETTER BUSINESS CLIMATE</b>	<b>30</b>
CHAPTER 5 <b>STRENGTHENING SOCIAL PROGRAMS</b>	<b>42</b>
CHAPTER 6 <b>THE FUTURE OF THE IDB IN GUYANA</b> BY MARCO C. NICOLA IDB Representative	<b>54</b>

# FOREWORD

BY HIS EXCELLENCY BHARRAT JAGDEO, PRESIDENT OF GUYANA



## Guyana's journey along its development path since gaining Independence in 1966 has not been an easy one.

It overcame many major challenges—key among these was restoring democracy 17 years ago, reconstructing a collapsed economy and infrastructure, surmounting a tremendous debt burden, calibrating its tools for effectively delivering services to the vulnerable, and becoming proactive about mitigating the effects of climate change and natural disasters, among others. By so doing, Guyana now enjoys a stable macroeconomic environment, an improved business climate, and an enhanced quality of life for its citizens. The society is imbued with a positive outlook: hope for the future has replaced the despair of 17 years ago.

Since joining the IDB in 1977, Guyana has found a reliable, relevant, and responsive development partner in the Bank. The IDB has proven itself as reliable because since inception and despite political and economic conditions, it supported Guyana's development agenda without interruption. It provided more than US\$1 billion in loans and US\$67 million in grants over the course of this long partnership.

The Bank has been relevant by working with Guyana to achieve macroeconomic stability, improve the efficiency and transparency of its public financial management systems, modernize the air and road transport sector, and reduce the scourge of malnutrition and wasting among its children.

The IDB is responsive because in a rapidly changing environment, it has been able to respond effectively to some of Guyana's most pressing issues, including enhancing competitiveness, diversifying the economy, and supporting its efforts to combat the effects of climate changes while promoting sustainable development.

It would be almost impossible to describe Guyana's recent development history without mentioning the IDB. Likewise, it would be equally true that a story about the IDB's contribution to the Caribbean region is incomplete without highlighting its partnership with Guyana and the results achieved therein over the years.

This partnership is strong and vibrant. It is one that has affected the lives of all our citizens and therefore remains a critical element for charting Guyana's future development course. ××

# FOREWORD

BY LUIS A. MORENO, PRESIDENT, IDB

**The IDB and Guyana have enjoyed a long and successful partnership for development since 1977.** Over the years, this partnership has matured and grown into one that is aligned with achieving Guyana's national development objectives while supporting the Bank's strategic goals.

The Bank has been the single largest source of multilateral development finance for Guyana, spanning key sectors that contribute to social and economic well-being. Together, Guyana and the IDB collaborated with others to improve childhood nutrition, reform education, and upgrade the road network for facilitating private sector development. Sustained collaboration with other development partners supported the revamping of the public financial management system. Guyana's legal framework, including parliamentary fiduciary oversight as well as its information systems, is becoming a model for the region. These reforms provide the basis for the Bank's increasing reliance on country systems for its operations.

In 2007, the Bank provided additional debt relief of US\$356 million to Guyana. The resource savings of this allows the country to continue its pro-poor spending patterns that helped to reduce poverty despite slower economic growth and external shocks. Guyana's strong and respected voice in the international community has been instrumental in shaping the Bank's initiatives for debt relief as well as replenishment of concessional resources.

The Bank's current Country Strategy with Guyana aims to support the Government's vision for accelerating economic growth through economic diversification and



targeted social development. Recently, the IDB started working with Guyana in key areas for sustainable development, such as the establishment of a platform for mainstreaming climate change adaptation into policy making and the design and implementation of a National Integrated Disaster Risk Management Plan.

The Bank acknowledges Guyana's ongoing influence and contribution over the years. We look forward to strengthening our partnership with Guyana as we work toward a better future for the people of Latin America and the Caribbean. [xx](#)

# INTRODUCTION

BY DORA P. CURREA

CARIBBEAN COUNTRY DEPARTMENT MANAGER, IDB



**After achieving independence from Britain in 1966, the young nation of Guyana faced significant economic challenges along its path to development.** The country's dependence on a few commodity goods not only made it vulnerable to global shocks but also led to certain political, social, and macroeconomic realities, even contributing to the deterioration of its debt profile in the 1970s and 80s. Over the past three decades, Guyana has worked steadily toward achieving macroeconomic stability, expanding infrastructure for elevating its own development and bolstering its citizens' quality of life. In this quest, the Government of Guyana (GoG) found an ally in the IDB.

Guyana and the IDB embarked on their development partnership in 1977; by the end of 2008, they had collaborated on 58 loans, totalling more than US\$1 billion and covering a wide range of the country's sectors and geographical areas. Since the partnership's inception, the IDB has consistently shown sensitivity to Guyana's needs, adapting its approach to fit the country's changing circumstances. For example, during the first stages of economic liberalization in the early 1990s, Guyana required recovery interventions to rebuild its deteriorating social and economic infrastructure, and the IDB responded by financing important investments across all sectors. These investments, combined with other social interventions,

made a significant, visible contribution to poverty reduction and sustained economic growth.

In the late 1990s, when Guyana needed to consolidate its gains from the previous decade of reform and move toward a sounder institutional framework, the Bank adjusted its focus. Through more policy-based and hybrid lending, interventions began to center on building the capacity and quality of institutions to ensure the sustainability of public investments and enhance service delivery in key sectors. But tangible results of this shift proved more difficult to produce. The new investments required a longer gestation period to yield measureable development impacts. The situation was further complicated by a series of external economic shocks and internal political instability. As part of the National Development Strategy 2001–10, GoG decided to augment its governance framework as a prerequisite for embarking on even more liberalization reforms, such as competitiveness initiatives for improving the business climate. The IDB maintained its commitment to Guyana, showing its support for the strategic pursuit of general governance and institutional reforms, many of which are still ongoing. The Bank provided countercyclical support to a maximum of US\$470 million in 2006.

In addition to these investments, in May 2007 the IDB provided debt relief of US\$356 million to Guyana in the context of the Multilateral Debt Relief Initiative (MDRI). The country had carried a large stock of debt from the 1970s and 80s, during which time market prices declined on the nationalized commodities of sugar and bauxite while the cost of oil surged and government spending remained high. The Government financed its deficits with external borrowing, a pattern that led to unmanageable external debt-to-GDP levels. GoG eventually defaulted on debt payments during the mid-1980s, and external borrowing became more difficult. By 1988, total public debt-to-GDP stood at 500 percent. The stock of public and publicly guaranteed external debt stood at around US\$1 billion at the end of 2006, a decline of 14 percent from 2005. The reduction reflects mostly the relief provided by the International Monetary Fund (IMF) and the World Bank under MDRI. As a result of MDRI and IDB

debt relief, Guyana's external debt-to-GDP ratio declined to 72.4 percent by December 2007. The ambitious legislative and institutional reforms have contributed to the improved political, economic, and social climate in Guyana. Peaceful elections in 2006 served to confirm the people's commitment to democracy and the rule of law. The participation of citizens at the community level and the contributions of nongovernmental organizations support consensus building around critical issues at the national level. The economy is moving again. The Government is committed to creating a more favorable business environment and identifying opportunities for public–private initiatives.

Still, the story of Guyana's development is by no means complete. A growing proportion of public resources is being channeled to the social sectors, aiming to improve the efficiency of social programs for the poor and other vulnerable groups. Many other development obstacles are also being addressed within the context of this partnership, such as tax administration, justice, security, and financial reforms. Despite the partnership's many achievements thus far, there remains much work to be done.

This publication provides a panoramic view of the Guyana–IDB partnership. It represents a summarized version of a more detailed analysis conducted by a team of consultants and IDB staff. This document provides only cursory insights of a limited sample of the extensive work that analyzes what Guyana and the IDB have done together. Divided into three main sections, this publication investigates the main development activities and results since 1977, with an emphasis on the last 10 years. First, the publication reviews the country's development history and analyzes the instruments the IDB used to support it. The document then explores the contributions of the Guyana–IDB partnership in unlocking development bottlenecks across different areas, including (1) infrastructure; (2) state reform, competitiveness, and private sector development; and (3) social sectors. Last, the publication looks toward the second decade of the 21st century, considering the appropriate strategy for Guyana's progression and the complementary role the IDB must play to remain relevant in this development journey. × ×









# A BRIEF LOOK AT DEVELOPMENT IN GUYANA

## CHAPTER

# 1

## SUMMARY VIEW OF GUYANA'S DEVELOPMENT PHASES

### PHASE 1 (1960--1970)

- 1966 \* Independence from Britain.
- 1970 \* Modifications in policy positions.
  - \* Guyana adopts import substitution policies, turns to government intervention in many sectors, and embarks on a vast program of nationalization.
  - \* Assumption of the Cooperative Republic status, intensification of economic and diplomatic relations with Cuba and Eastern Europe.

### PHASE 2 (1970--1990)

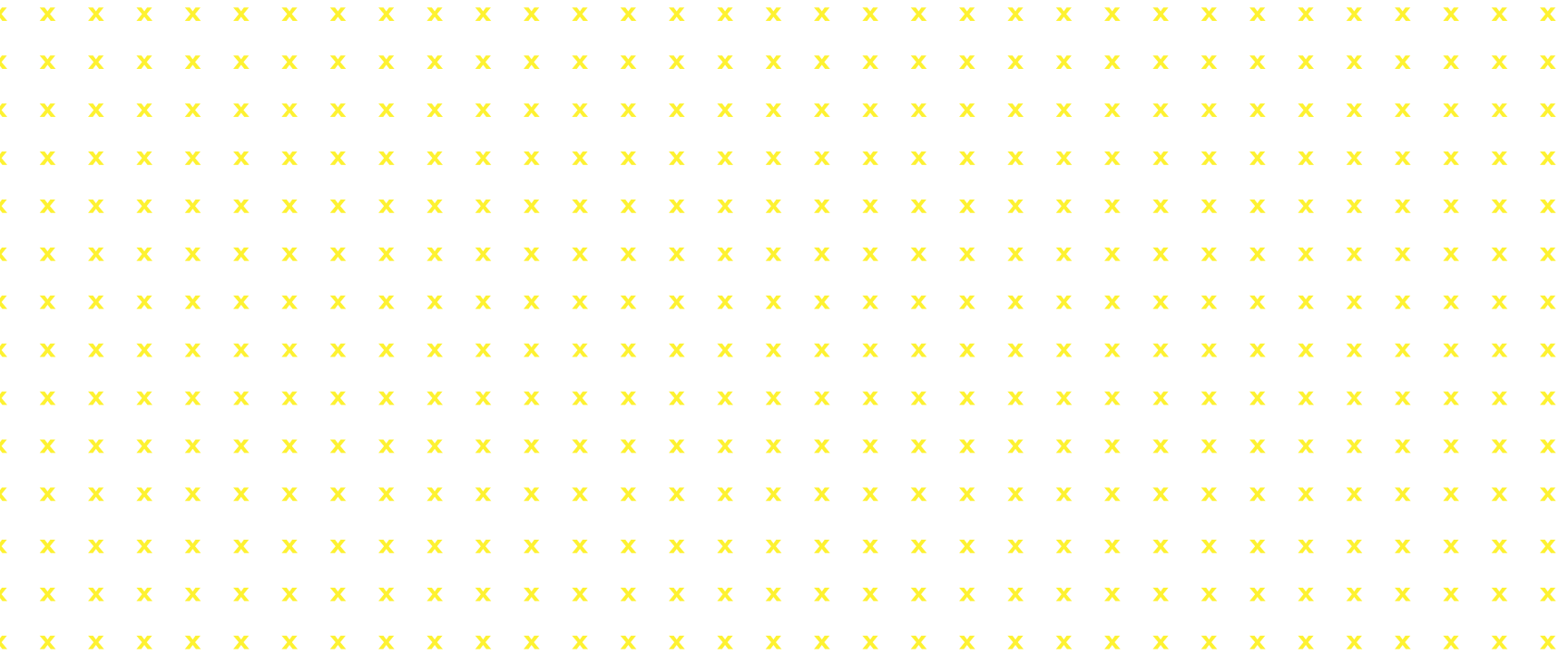
- \* Key sectors of the economy (bauxite and sugar industries, as well as financial institutions and small manufacturing industries) are nationalized.
- \* Country pursues strategy of self-reliance, moving to “feed, clothe and house” itself without external engagement or support.
- 1970–1978 \* Economy registers very modest growth rate (1.4 percent).
- 1977 \* IBD–GOG partnership is born.
- 1977–1990 \* Negative average GDP growth at –2.8 percent.
- 1980 \* 80 percent of economy owned by the State.
- 1982 \* Guyana defaults on external debt.
- 1988 \* Economic Recovery Policy (ERP) approved, providing the framework of the IMF/World Bank Structural Adjustment Program.

### A former heavily agriculture-based and poorly diversified colony, Guyana gained independence from Britain in 1966.

Similar to other new nations emerging from colonialism, the roots of much of Guyana's development trace back to well before Independence. During the colonial period, the plantocracy dominated the political landscape, with sugar serving as the backbone of the economy. Workers, however, lived at subsistence levels, enjoying little benefit from their efforts. Significant poverty levels, high unemployment, and apparent discrimination fueled a series of riots in the 1940s as workers displayed blatant

dissatisfaction with their living standards. Some of the underlying social issues that sprung from the colonial period followed Guyana after Independence and into the present day—explaining, at least in part, the country's experience with socialism until the early 1990s.

In 1970, Guyana assumed “Cooperative Republic” status. Diplomatic and economic relations with Cuba and Eastern Europe were intensified. Imports were restricted as the country pursued a strategy of self-reliance, moving to “feed, clothe and house” itself without external engagement or support. Public policy reflected growing



### PHASE 3 (1991–1997)

- \* Rapid economic growth rates with average of 7.1 percent per annum.
- \* Economic liberalization policies rolled out.
- 1991** \* Official and market exchange rates introduced for the first time since Independence.
- 1992** \* Elections signal a return to democracy: People's Progressive Party (PPP) wins majority vote after 28 years in opposition and Dr. Cheddi Jagan elected president.
- 1997** \* Public sector monthly minimum wage rises to US\$63 and per capita GDP reaches US\$776, up from US\$25 and US\$454 in 1992.

### PHASE 4 (1998–2005)

- \* Period of several and consecutive external and internal shocks, including the worst flooding on record in 2005.
- \* Returns from liberalization moderated; economy grows 0.3 percent on average per year.

### PHASE 5 (2006–Present)

- \* Period of economic renewal and recovery.
- \* Improved debt profile due to debt relief.
- \* Government continues more far-reaching reforms and benefits from trade improvements.

centralization as the government adopted strategies of increasing state intervention. The key sectors of the economy (bauxite and sugar industries, as well as financial institutions and small manufacturing) were nationalized. By 1988, the government was in control of 80 percent of foreign trade and 85 percent of investments.

During the 1980s, Guyana found itself on the precipice of economic crisis. Besides high levels of external debt and arrears, the country suffered from severe deterioration of physical infrastructure (roads, buildings, and utilities) and a decline in the quality of public services, which

lowered the quality of life for the average citizen accordingly. The country experienced frequent water shortages, power cuts, and shortages of basic food items—including sugar and rice after an unexpected decline in production of its two main crops. As the formal economy deteriorated, the “black market” emerged, and with it, all of its classical negative implications. A massive brain drain of skilled professionals ensued.

Fundamental changes in the political and economic orientation of the State were inevitable. Credit from the international financial institutions, except the IDB,



ceased, and there seemed to be no other choice but to shift to a pro-capitalist ideology that translated into a policy of economic liberalization. The application of this transformation meant emphasizing the development of a market-oriented economy by promoting the private sector as the engine of growth. In 1988, the liberalization policies of the Economic Recovery Policy (ERP), which formed the framework of the IMF/World Bank Structural Adjustment Program, were approved. This program was designed to achieve annual GDP growth of 4 percent, shrink annual inflation from 50 to 10 percent, reduce the public sector deficit to 20 percent of GDP, eliminate the external and internal payment arrears on debt, build a net international reserve, and normalize Guyana's financial relations with its foreign creditors.

The road to economic recovery was filled with substantial social costs. Taxation rates were sharply increased—to nearly 100 percent for income and consumption—and commodity prices rose. These factors, coupled with essentially frozen wages, presented a huge burden to most citizens. In 1990, debt service payments and interest amounted to 140 and 53 percent of export earnings, respectively. On the positive side, the government cut its budget deficits, removed most price controls, legalized foreign currency trading, liberalized trade regulations,

encouraged foreign investment, and began privatizing state-owned companies. In early 1991, official and market exchange rates were introduced for the first time since Independence. The IMF and other international creditors refinanced the debt, giving some financial relief to the economy. Market forces and private incentives began to replace state intervention and government regulation. Foreign investors were poised to tap into Guyana's significant natural-resource potential.

The 1992 elections signaled a return to democracy. The People's Progressive Party (PPP) won the majority vote after 28 years in opposition, and Dr. Cheddi Jagan was elected president. The new Government embraced market economy policies. One USAID assessment asserted that these policies had resulted in the highest rate of economic growth in the hemisphere, sharply reduced inflation, increased exports, contributed to greater foreign investment, and allowed for more product diversification. These achievements emerged from a combination of bilateral support—from Canada, the United Kingdom, and the European Union (EU)—and multilateral partnerships—with the World Bank, the IMF, and IDB.

Between 1992 and 1997, the public sector monthly minimum wage rose from US\$25 to US\$63. Guyana's per capita GDP reached US\$766 in 1996, compared with just



US\$454 in 1992. In the improving economic climate, investors started to show interest in Guyana's agricultural, mining, and timber sectors. By the end of the 1990s, the bauxite mines and the national airlines had been privatized and the largest gold mine in the country, Omai, was owned by two Canadian companies.

A number of market-oriented policies were implemented. On the fiscal side, these included structural reforms in the public sector that modernized and streamlined tax administration, price liberalization to encourage new private investments, further privatization of public enterprises, and the restructuring of public services to achieve greater efficiency. The Government developed two important strategies—the National Development Strategy (2001–10) and the Poverty Reduction Strategy (2002–5)—setting the framework for the country's

development agenda. One IMF report indicated that by 2003, tighter monetary policy led to a decline in inflation, a build-up of gross international reserves, stabilization of the exchange rate after floating, and increased credit to the private sector. The restoration of macroeconomic stability and economic growth had begun.

Over the last four years, Guyana has experienced renewed growth. The country experienced an alleviation of its debt burden compared with previous years, introduced more far reaching reforms, and benefited from improvements in the terms of trade. There are tangible enhancements in the infrastructural, institutional, and social frameworks of the country. These contribute to an improving business environment and quality of life for the Guyanese. ××

## PERSPECTIVE ON THE PARTNERSHIP

### × CIRO DE FALCO ×

Ciro De Falco, former RE3 Manager and EVP, worked with the IDB for 20 years from 1988 to 2008. Between 1994 and 2005, he served as the Director for Region 3 and had responsibilities for the Bank's program in Guyana. He too believes that the Bank has made a significant impact while working with Guyana over the years and has been instrumental in supporting the transformation of the quality of life of the Guyanese people.

Mr. De Falco explains that the early work by the Bank in the infrastructure and agricultural sectors supported the Government's thrust to provide a basic platform that would support the economic base of the country. Early Bank projects in road construction, sea defense enforcements, irrigation technology, and production systems provided important mechanisms that private enterprise needed to engage in meaningful economic activity.

Mr. De Falco also believes that the work with the public sector in areas that support institutional strengthening and capacity building has also significantly facilitated private entrepreneurship and growth. He states that "continued emphasis needs to be placed on developing human resource



capacity and retention of skills to enable knowledge transfer and maturity of the knowledge pool available domestically."

Mr. De Falco sees a continuing role for the Bank in Guyana in supporting the traditional sectors as well as creating innovative ways for supporting the small business sectors through strategic interventions that foster public-private partnerships and trust. ××



# IDB— A PARTNER IN DEVELOPMENT

CHAPTER

2



**The cooperative efforts of Guyana and IDB have taken several forms, changing to adapt to the evolution of the country's development history.** The Bank provided concessional lending resources and grants to fund a broad array of projects in the areas of construction, institutional reform, and technical cooperation. In addition, IDB partnered with Guyana to fund initiatives to allow its participation in regional operations. IDB engages in policy dialogue and, alongside other international institutions, supports various forms of institutional assessments in collaboration with the Government.



## IDB AND GUYANA'S DEVELOPMENT PILLARS

Over the partnership's 30 years, the work of the Bank has addressed Guyana's specific developmental needs within the broad objectives put forth by IDB's institutional framework. The period-appropriate framework and agreed actions are encapsulated in respective jointly (GoG-IDB) prepared country strategy documents, each covering about a four- or five-year period. A cursory survey of several strategies confirms that the pillars (or special development focuses) that support each strategy, not surprisingly, maintain the overarching goals and interests of the Bank and the country simultaneously.

Table 2.1 Development Financing by Partner (Excluding Debt Relief) in US\$ (millions)

YEARS	TOTAL	G7	EC	CDB	IDA	IDB	IFAD	IMF	UN	OTHERS	IDB/TOTAL
1978–1982	284.3	68.3	22.1	26.6	19.2	49.7	0.0	13.3	10.1	74.9	17.5
1983–1987	175.6	29.7	22.7	1.1	7.2	54.5	0.5	–1.6	8.1	53.4	31.1
1988–1992	510.6	203.4	65.9	5.6	97.9	36.7	2.5	86.0	21.6	–9.0	7.2
1993–1997	607.5	317.8	49.5	–5.3	91.2	133.7	1.1	61.1	13.2	–54.6	22.0
1998–2002	420.4	201.9	32.1	20.6	33.6	174.3	0.3	–24.6	12.7	–30.5	41.5
2003–2007	694.4	208.3	67.1	90.9	40.0	219.9	7.6	51.6	12.2	–3.2	31.7
TOTAL	2692.9	1029.3	259.4	139.6	289.0	668.8	11.9	185.9	77.9	31.0	24.8





Table 2.2 Summary of Some IDB Country Strategies with Guyana.

STRATEGY PERIOD	COUNTRY STRATEGY OBJECTIVE	AREAS OF FOCUS
1995–1997	To support the increased effectiveness of the public sector through policy and institutional reform.	External debt, public sector, health, education, energy, urban infrastructure, agriculture sector, environment.
1998–2001	To promote sustainable growth, social development, and poverty alleviation by helping Guyana face its major development challenges.	Public sector: institutional development, other areas of public sector reform. Private sector development: enterprise development. Agriculture, finance, social sectors, education, health, urban rehabilitation, water, low-income settlement, infrastructure, transportation, energy, environment.
2002–2006	To reduce Guyana's level of poverty in the medium term while simultaneously confronting chronic institutional and human resource problems for enabling sustainable, equitable growth in the long term.	Accelerating and sustaining economic growth. Comprehensive public sector modernization. Strengthening social programs.
2008–2012	To contribute to the acceleration of economic growth through economic diversification and targeted social development.	Strategic infrastructure investments: energy, access to markets. Enhanced competitiveness: financial sector, agricultural diversification, natural resources. Social development for growth: housing and asset accumulation, access to water, basic nutrition.

Both the overall objectives and the development pillars have remained more or less consistent over time, yet the present strategy (2008–12) shows some flexibility with the strong emergence of “diversification.” This reconfiguration of the Bank’s objectives, similar to its earlier modifications concerning public sector and social program reforms, shows its clear responsiveness to the Government’s needs.

The consistency of themes has enabled the Bank to support a progressive reform program in Guyana with second and third generations of related reforms in every sector. The transportation sector has benefited from five road and two air transport investments; the sanitation sector, two large water and sewerage projects; the housing and health sectors, two loans each; the energy sector, five projects; and the agriculture sector, a wide-reaching range of 13 initiatives.

## PERSPECTIVE ON THE PARTNERSHIP

## ✧ HON. DR. ASHNI SINGH ✧

Hon. Dr. Ashni Singh, Minister of Finance, is a longstanding member of the Guyana–IDB partnership. “IDB has been and continues to be a very strong and supportive development partner with Guyana,” he emphasizes. “The Bank has supported Guyana in several ways, adapting to the respective needs of the country at various times in history. The Bank has certainly done much to help Guyana restore and expand physical infrastructure, improve access to and quality of social programs, and rebuild and strengthen institutions, especially after the turbulent period of the 1970s and 1980s.”

Minister Singh believes one needs to look beyond the obvious to see the real impact of this collaboration. “Under the Unserved Areas Electrification Program, the IDB supported the Government in putting electricity within the reach of many who previously did not have access. At first glance, this might appear to be merely an infrastructure project. However, a project such as this makes an immeasurable long-term improvement in quality of life for persons in the beneficiary communities.

For example, the lifestyle changes and learning opportunities available to children in these communities are dramatically transformed with the benefit of electricity in the home. Simple as they might appear, these changes have profound, positive impacts on what a child can achieve later in life.”

For the Minister, the Bank’s support in such areas as introducing new technology in critical public administration functions has also been extremely valuable. In this regard, he highlights the introduction of a total revenue integrated processing system at the Guyana Revenue Authority and an integrated financial management and accounting system at the



Ministry of Finance. These initiatives have resulted in the tax administration and public expenditure management functions being fully automated. “Initiatives such as these contribute in no small measure to improving Government effectiveness.”

Looking ahead, Minister Singh envisions continued strong collaboration between Guyana and the IDB to upgrade strategic infrastructure for enhancing competitiveness, deepen social development, and further strengthen the institutional environment. × ×

## WORKING WITH OTHER DONORS

The IDB–GoG alliance adheres fervently to the Paris Declaration. IDB regularly cooperates with other donors to maximize the developmental impact of available resources, actively coordinating external support with all major aid agencies, both national and international, through information-sharing networks and formal monthly meetings. These meetings delineate an appropriate division of

labor, prevent duplication of efforts, and help participating organizations discover their common ground. In addition, the Bank is leading an effort to move toward national systems among donor agencies, an initiative that would include transferring major management responsibilities during the execution of financed projects to the regular government administrative organizations.

Table 2.3 Guyana IDB Loans by Sector ( US\$ '000)

SECTOR	TOTAL	1977–1985	1986–1990	1991–1995	1996–2000	2001–2005	2006–2009
Agriculture	257,347	123,142	28,009	67,868		17,428	20,900
Education	90,049	14,321	45,728			30,000	
Energy	109,773	16,089		15,474	45,000	21,210	12,000
Environment and Natural Resources	21,457				887,000		20,570
Health	63,736	8,482	27,255			28,000	
Reform and Modernization of the State	82,043			38,000		29,043	15,000
Social Investment	67,646			13,500	16,746	17,600	19,800
Urban Development	74,281				46,381		27,900
Water and Sewage	27,956			13,195	14,761		
Industry	45,504	45,504					
Transportation	184,668			23,201	68,831	68,336	24,300
Other	31,650						31,650
<b>TOTAL</b>	<b>1,056,109</b>	<b>207,537</b>	<b>100,991</b>	<b>171,238</b>	<b>192,605</b>	<b>211,618</b>	<b>172,120</b>



## LOAN OPERATIONS AND FUND ALLOCATIONS

To better respond to the evolving needs of member countries, IDB mostly uses loan modalities that are adjustable to their prevailing conditions and preferences. A system of policy-based loans, rather than conventional investment loans, gives countries higher flexibility in the use of resources and extends financing to very meritorious initiatives that might not fit the traditionally understood definition of projects. In some cases, a hybrid investment and policy-based approach has been used to positive effect.

The distribution by sector in Table 2.3 shows that the most substantial part of resources went to agriculture (24.4 percent), followed by transportation (17.5 percent), energy (10.4 percent), and education (8.5 percent). The 1995 IDB approval of the Eighth Replenishment of Capital shifted attention—and loan funds—to social and environmental reforms. Investments in transportation were distributed more or less evenly between 1992 and 2006, reflecting the continuing need of the country in that sector.



Table 2.4 Guyana: Distribution of TC Operations by Sectors (US\$ '000)

SECTOR	TOTAL	1977–1985	1986–1990	1991–1995	1996–2000	2001–2005	2006–2009
Agriculture	6,731	3,371	729	2,120	124	142	245
Education	2,120	59	542		451	1,057	10
Energy	5,094	1,582	490	443	1,114	541	926
Environment and Natural Resources	5,528			1,130	2,358	1,511	530
Health	6,711	377	1,756	215	2,59	898	875
Industry	3,581	3,103	458	20			
Information Technology	790	643				146	
Reform and Modernization of the State	14,953	1,223	972	4,318	3,051	2,884	2,504
Small and Medium Size Enterprises	3,444			219	1,042	312	1,872
Social Investment	2,761		80			1,044	1,638
Transportation	5,029	250		1,081	1,887	911	900
Urban Development	2,600	3	30	1,842	350		375
Water and Sewage	3,363		375	2,740	248		
Other	5,003	211	84	2,966	1,340		403
<b>TOTAL</b>	<b>67,709</b>	<b>10,821</b>	<b>5,517</b>	<b>17,094</b>	<b>14,556</b>	<b>9,446</b>	<b>10,276</b>

## TECHNICAL ASSISTANCE

Technical cooperation (TC) funds are used for institutional strengthening, knowledge transfer, and diagnostic, pre-investment, and sector studies to support project design or preparation. These operations are critical to the effectiveness of IDB programs, usually offering timely support for reforms associated with large loans. These funds are drawn from a variety of sources: the Fund for Special Operations (FSO), Development Trust Funds (DTF), the Multilateral Investment Fund (MIF), and Ordinary Capital (OC).

From 1997 to 2009, the FSO provided more than 50 percent of total resources dedicated to technical cooperation in Guyana. DTFs, which are used in particular to enlist consultants with technical expertise and form partnerships, provided about 30 percent of technical assistance, with MIF and OC resources filling the remaining gap. ××



Hon. Minister Ashni Singh and Mr. Marco Nicola, IDB Representative, sign a new technical cooperation agreement.

# INFRASTRUCTURE INVESTMENTS FOR GROWTH

CHAPTER

3



GoG has partnered with IDB over the past two decades in the areas of transportation and agriculture to enhance the country's stock of infrastructure as it pertains to these sectors. This chapter highlights the results of their collaboration.

## TRANSPORT SECTOR

Guyana's transport sector, regulated and maintained by the Ministry of Public Works and Communications (MPW&C), spans travel by air, land, and water. A sub-unit of MPW&C, the Works Services Group (WSG) is responsible for all main roads and bridges as well as the planning and execution of road-investment programs.

Over the past two decades, this sector has undertaken efforts to rehabilitate, modernize, and expand both air and road infrastructure as well as to enhance



the capacity and efficiency of key management agencies—critical factors for stimulating economic growth. IDB has been the Government’s main partner every step of the way.

The nascent system has already reduced the length of time it takes to travel between various points across the country, increased internal and cross-border travel, and enhanced travel safety through regulations and standards that are consistent with international norms. Most of the supported operations have concentrated on road reconstruction and air transport in the coastal areas.

### Interventions and Progress: The Road Network

The country’s 3,995-kilometer road network, consisting of four main roads, runs largely along the coastal belt with gaps at every intersection with the Essequibo, Demerara, and Berbice Rivers. Prior to the renewal, several weaknesses in the infrastructure, such as an abundance of two-lane highways and dilapidated roads, resulted in constant congestion and unacceptable accident rates. Commuters experienced long delays and high vehicle-operating costs with a deleterious impact on the country’s productivity.

The National Development Strategy responded to these weaknesses in the articulation of its overriding objective to “construct a national road transport network which would provide the basis for the economic development of the country, and assist in the attainment of its social integration.” The strategy’s key supporting objective was to make all regions adequately road accessible—including Brazil and Venezuela.

This frame of reference informed the design of the several interventions that followed. The Bank and GoG collaborated on five investments, totalling US\$155 million: (1) the Main Road Rehabilitation Program (1992), (2) Bridge Rehabilitation Phase 1 (1997), (3) Mahaica–Rosignol Road (2001), (4) Moleson Creek–New Amsterdam Road (2004), and (5) the Transport Infrastructure Rehabilitation Program (2009). In addition to these loans, the Bank provided a number of TCs within this subsector.





These interventions had a number of important objectives. One of these objectives was to improve Guyana's productive capacity by reducing the cost, time, and risk associated with poor transportation conditions, in addition to improving the accessibility of Georgetown to the main productive areas. Another was to support the diversification and further expansion of Guyana's economy through infrastructural improvements, in particular the rehabilitation of the main road network and critical bridges connecting economically important regions, administered by a strengthened MPW&C. Last, the initiatives aimed to lower transport costs, minimize product losses during transport, and reduce accident rates.

Most of the planned rehabilitation was actually achieved. The results are evident. The upgraded roadways are now safer and will likely contribute to reduced accident levels—three years after the completion of the Mahaica–Rosignol Road, fatal accidents (per kilometer of travel) had been reduced by 19 percent—in addition to lowering travel time and costs. A decrease in night accidents can be attributed to the road-safety works that the project facilitated, such as the installation of traffic and street lights, reflectors, and road markings.

Another significant outcome is in the area of the much needed road-maintenance program. As a result of the interventions, 90 percent of the main road network



is currently being maintained under the computer-based Routine Management Maintenance System (RMMS). The travel time for crossing the Berbice River from Rosignol to New Amsterdam has been reduced by 90 percent, from 45 minutes (by ferry) to 5 minutes (by bridge). The greater ease of travel has naturally resulted in increased usage of the revamped facilities, which will have positive implications for related revenue targets. This period of modernization and rehabilitation has also seen the launch of the first Road Safety Program.

Encouraging outcomes have also emerged from an institutional strengthening perspective. An Internal Audit Office and a Road Safety Unit, which monitors accident risks, road signing, and markings, have been established. In addition, the project supported the implementation of the RMMS and the creation of the WSG, which, seven years after its formation, is now an integral, high-profile unit of the Ministry with complete oversight of the road investment program.

The progression of infrastructure investments in the road transport network has brought about social and financial benefits, which, although not always readily quantifiable, have clearly contributed to the economic advancements that are being realized. On the human resources side, discussions with principals in the field attest to the growth of young, local engineers who have benefited from knowledge transfers from IDB sector specialists (local and international) and personnel from international engineering contractors—enabling them to act independently with greater confidence. Senior engineers believe the present level of technical discourse and debate within the MPW&C has much more professional depth. In fact, the Ministry has now resumed its role as the focal reference point and oversight body for all road works indicated across the public sector. The unique technical skills the unit has acquired have enabled it to multitask to assist the Government's locally funded national roads program, which includes hinterland roads



These children walk home from school on a bridge that safely protects them from the busy traffic.



and trails. The projects in this area are fairly substantial, with 2006–7 expenditures totaling almost US\$3 million. From a position with very little or no capacity a decade or so ago, with the cadre of knowledgeable engineers in WSG, MPW&C now has adequate capacity. In addition, technological advancements have been made with the acquisition of a range of computers, engineering tools, and equipment to support investigative operations. To generate income, WSG has imminent plans to formalize a design-review service that will be available to public sector agencies.



Tower and terminal at the Cheddi Jagan International Airport.

## Air Transport

Significant growth occurred in the air-transport sub-sector as a result of the GoG–IDB partnership. The first major intervention, the Air Transport Reform Loan, came in the form of a hybrid instrument, approved in 1999, that aimed at rehabilitating and modernizing the country's air-transport system. Over several decades, the system



Rehabilitated runway with new lighting system at the Cheddi Jagan International Airport.

had fallen into a state of disrepair, relying entirely on one national carrier that was inefficient and unable to satisfy local demand. Furthermore, the sector was unable to attract and retain foreign carriers as a result of restrictions on the repatriation of profits in foreign exchange. Another challenge existed in the Civil Aviation Department's inability to effectively discharge its mandate because of weak capacity, an inappropriate legislative framework, and a disconnection with international rules, regulations, and conventions. These and other factors compromised the efficiency, safety, and responsiveness of the industry in Guyana. Given the country's heavy dependence on domestic and international air transport, the implications of these shortcomings were untenable.

In the 1990s, the Government secured funding from bilateral sources for some enhancements, including the rehabilitation and expansion of passenger-processing spaces at the Cheddi Jagan International Airport (CJIA), runway upgrades, and the development of alternative power solutions. These improvements went a long way toward increasing the level of safety in the local

environment, but much more was needed to elevate the sector to comparable international standards.

At the time of the design of the Air Transport Reform intervention, the Government began privatization in this sector. Key elements reflected the need for the adoption of a sectoral policy, regulatory and institutional reforms, and the introduction of private ownership and operation of the previously state-owned airline and some airport facilities, which the project supported. This investment also directed resources toward improvements at the CJIA as well as support for the development and staffing of the new Guyana Civil Aviation Authority (GCAA) and the CJIA corporation.

The air transport sector benefited significantly from this program because important benchmarks were achieved. Successes in this sector include the following:

(1) Although after privatization the last Guyanese international carrier ceased operations in 2005, headway has been made in other areas of privatization. Ogle Airport was leased for 25 years to Ogle Airport Incorporated and is being duly managed, and the GCAA has licensed nine private aerodromes. (2) The capacity of the CJIA has been enhanced through a number of in-country training courses provided by international experts. (3) Operational manuals, including an Airport Security Manual, have been completed. (4) The GCAA was audited by International Civil Aviation Organization in June 2003 and found to be in satisfactory compliance with international standards. Moreover, new legislation has been enacted by Parliament, including the Civil Aviation Act of 2001 and laws regulating air navigation and aviation licensing. (5) The GCAA is

## PERSPECTIVE ON THE PARTNERSHIP

### × GERALD (GERRY) GOUVEIA ×

Gerald (Gerry) Gouveia, businessman and chairman of the Guyana Private Sector Commission, believes that development is done best when the private sector is an ally with Government and becomes the real engine that drives growth in the economy. “Therefore, a good development partner,” he relates, “fosters this process without being oppressive or offensive.” In this case, Mr. Gouveia says that the IDB “stands out like a shining star.” His opinion is based on the successful collaboration among GoG, the private sector, and the IDB to implement the Air Transport Sector Reform and Support for Competitiveness Programs.

Mr. Gouveia explains that “Guyana’s national development would have stalled without an adequate air transport system that met international standards.” It is for this reason he believes the Air Transport Reform Program was critical. “As a result of its privatization in 2005, the Ogle Airport, under a new private venture, achieved international certification in 2009. The airport will become more viable in the very near future and provide connections with Suriname, Brazil, Barbados, and Trinidad and Tobago. Also, we see the excellent transformation of the Cheddi Jagan International Airport that helped to bring new international connections and airlines to Guyana.”



The operation explains why competitiveness in Guyana is taking off in part.

Mr. Gouveia describes the Support for Competitiveness Program as “innovative and revolutionary” precisely because it elevated the dialogue between the Government and the private sector to a level never before attained in Guyana. “In general, the robust partnership between the Government and the IDB will have long lasting, and often times unquantifiable impacts. This is true especially in instances where the private sector is involved. Developments like these are good and will continue to shape Guyana forever.” × ×



moving toward self-sufficiency with Government funding now being supplemented by air-transport fees and taxes. It is expected to be financially sustainable after the next fee increase.

There has been a visible increase in private sector interest in the industry. Private owners have made investments in Ogle Airport's infrastructure and domestic airlines have acquired additional aircrafts. Routine safety standards have been implemented at the CJIA, and airport operations are now on a 24-hour basis. These changes have removed barriers that inhibit international airlines from operating out of Guyana—Delta Airlines has successfully negotiated a contract for service to and from North America, and others are sure to follow. Aerodrome improvements in safety conditions will make domestic air transportation more reliable, leading to increased usage. All these enhancements are expected to have a positive impact on tourism, which will, in turn, improve Guyana's economy.

## AGRICULTURE

As the bedrock of the Guyana economy, the agriculture sector accounts for approximately 30 percent of GDP, 30 percent of employment, and 40 percent of export earnings. Traditionally, this sector has been characterized by two main exports—sugar and rice. In recent times, these have been impacted by reduced preferential access and fluctuating world export prices. Although there has been a movement toward the production and export of nontraditional crops, this program is hindered by inadequate production levels, low volume of farm lands, and limited foreign markets. Much of the potential of the sector as a whole has suffered from poorly maintained drainage and irrigation infrastructure, inadequate equipment, low levels of technology, insecure land tenure, and an absence of necessary inputs.

Since 1977, IDB and GoG have worked together to improve this sector, approving a number of loans and TCs



to deal with several of these restrictive issues. This program first addressed the traditional rice and sugar industries and has more recently embraced nontraditional higher-valued products. As a result of the Government's persistence at modernizing the sector and IDB's continuous assistance over the years, production has increased in traditional and nontraditional products, related exports are on the rise, and farmers in the regions are more in control of their production as a result of the establishment of Water Users Associations (WUAs). This section explores some of the key projects undertaken in recent years and their initial impact.

### A Brief Sector Profile

The sector comprises several sub-sectors: (1) traditional agriculture (sugar and rice), (2) nontraditional agriculture (vegetables, root crops, orchard crops, herbs, spices, and oil palms), (3) horticulture (various fruits and flowers), (4) fisheries (fresh and saltwater fish, shrimp, and aquaculture), and (5) agro-industry (processing, canning, and bottling of agricultural products including rice, sugar, and various nontraditional crops). The Ministry of Agriculture (MOA) has policy and oversight and standards-setting responsibility for the entire sector, with important contributions from several other institutions in the sector, such as the Guyana Rice Development Board (GRDB), the Guyana Rice Producers Association (GRPA), and the Pesticides and Toxic Chemical Control Board (PTCCB), among others.



### GoG–IDB Collaboration in the Sector

The functioning of the agriculture sector—specifically the sugar and rice industries—is closely linked to Guyana's overall financial position. Accordingly, IDB's largest contribution to the country's development agenda has been in this sector. Several of these investments are highlighted below.

First, the Agriculture Rehabilitation Program was expected to contribute to reversing the decline of production and exports from the sugar and rice sub-sectors by providing GoG with urgently needed foreign-exchange resources for the importation of spare parts and agricultural inputs for the sugar and rice industries. Technical assistance was provided to strengthen and rationalize the agricultural input-distribution system to address the existing gaps.

This investment stimulated the sector and revitalize production. As a result of the program, sugar production over the period 1990–5 increased by 92 percent and rice production by an even more impressive 237 percent. Exports also showed significant improvements, rising in volume by 293 percent over the same period.

In further support of the sector's challenge to improve production and the competitiveness of agriculture while maintaining a supportive macroeconomic policy, the Agricultural Sector Technical Cooperation Loan was brought on stream. This loan was designed to implement the policy reforms proposed from previous interventions,

## PERSPECTIVE ON THE PARTNERSHIP

### ✱ WATER USERS ASSOCIATION ✱

Adhu Nauth Bhola is always present when the IDB specialist visits the on-going rehabilitation works of the irrigation system in Region 3. As the Chairman of the Water Users Association (WUA) of Vergenoegen/Bonasika, he knows that it is important to be informed of decisions regarding the Ministry of Agriculture, the contractor, and supervision firm. In fact, Mr. Bhola, Seepaul Bahadur, Isaac Sampson, and Harry Doobay, all members of the WUA Management Board, are aware that they represent 1,200 farmers in the WUA and have a huge responsibility to support the rehabilitation works being conducted by December 2010 in more than 12,000 irrigated acres.

It wasn't always like this. The WUA team recalls policies of the past decades before the legal and institutional framework for Guyana's Drainage and Irrigation Systems (D&I) in the coastal agriculture area was targeted for overhaul. While the National Drainage and Irrigation Authority takes care of the primary system, this new framework gives farmers responsibility for the secondary system: the operation of secondary water control structures for providing timely water services, maintenance of secondary D&I infrastructure, enhanced management of resources and decision making, improving responsiveness, efficiency cost recovery, productivity, and ultimately, sustainability.

"And yes, it was in March 2004," recounts Mr. Bhola, "when our WUA was created with the support of the IDB-financed Agricultural Service Support Program." Since



then, nine WUAs were created, bringing together more than 6,000 farmers in charge of more than 85,000 acres—an area with a productivity potential of more than 300,000 tons of rice per year.

Although all WUAs have hired professional staff to ensure day-to-day administrative and technical activities, there is no doubt for Mr. Bhola and the others that "the institutional strengthening activities promoted and financed by ASSP are essential for the sustainability of Guyana's irrigation systems." × ×

strengthen the capacity of the MOA and other vital agencies to ensure that the proposed policy reforms endured in the medium and long terms, complete a master plan for rehabilitation of capital drainage and irrigation (D&I) works, and prepare feasibility studies and designs for priority rehabilitation.

In addition to the challenges at the macro level of the sector, several problems restricted production at the farm level. The Government responded to these productivity challenges by successfully negotiating a US\$25 million loan from the Bank to support the Agricultural Support Services Program. At its core, the intention

behind this proposal was to raise rural incomes by increasing the efficiency of agricultural production in the coastal plain of Guyana. Beyond the national economic, export, and employment benefits ultimately expected from this ongoing operation, the rehabilitated D&I systems included in this plan—coupled with the formation of WUAs and other activities aimed at improving farmer expertise—will enhance productivity in the most important rice-producing regions.

These and other reforms in the agricultural sector that have been realized through the GoG-IDB partnership have made significant contributions to the country's





A rehabilitated irrigation channel.

pursuit for a market-oriented economy and its goal of sustainable economic growth. They have introduced a range of technologies, fostered more private-sector engagement in extension services and research, enabled a more neutral trade and investment environment for alternative agricultural products, and essentially paved the way for

investing in drainage and irrigation. The progress that has been made thus far has been met by a changing culture that will sustain new ways of thinking and consolidate the realized gains. Despite persisting constraints, the sector now, more than ever before, seems primed for further growth. × ×



Beneficiaries and IDB specialist inspect an irrigation system and discuss progress.

# FOSTERING A BETTER BUSINESS CLIMATE

CHAPTER

4



**In close coordination, Guyana and IDB conceived a two-pronged strategy to improve the business climate.** The first element focuses on making public administration a better vehicle for development through improvements in a few key areas: (1) fiscal and financial reform, (2) financial deepening, and (3) justice administration and citizen security. The second aspect of the strategy concerns

competitiveness and private sector development. The Bank supports specific reforms to correct incentives, dissolve bottlenecks, and establish regular mechanisms of consultation between the public and private sectors—creating better conditions for resource utilization, exports, and investment decisions. The following sections explore the features of the partnership’s results.





## IMPROVING GOVERNANCE

### Fiscal and Financial Reform

Over the last few years, a vast program of reforms was implemented to help the nation attain much needed fiscal sustainability. The reforms reworked tax policies and administration, modernized public financial management systems, and expanded the capacity of the Audit Office and National Assembly committees on economic services to oversee fiscal and fiduciary matters. The program was further aimed at increasing transparency.

The reforms often simplified outdated and unnecessarily complex procedures. Until recently, most budget and tax transactions were handled manually, and public auditing followed a traditional approach. Parliament, for its part, suffered from a weak legal framework and had scarce appropriate facilities in which to operate.

### Reforming Tax Policy and Administration

The program allowed for the instrumentation of tax reforms that addressed a wide range of issues. It was designed to help implement legislation for widening the tax base, making taxes better suited for competitiveness, improving fairness, eliminating government discretionary powers to grant tax exemptions, and limiting tax holidays to specific regions and sectors for specified periods.

Reforms also contributed to the simplification of the tax system by eliminating small taxes with high administrative costs and little benefit. The program supported the introduction of the value-added tax—now a critical factor in deficit reduction, reduced tax distortions, and improved foreign trade.

From an administrative standpoint, the reform program provided several improvements. The tax and customs administration agency benefited from a streamlined organizational structure, greater legal support and training, and increased autonomy in human resources management. Information technology has been overhauled,





and a modern computerized system was implemented for both taxes and customs administration. All these changes have meant a great leap forward in a short period as well as resulting in a number of favorable collateral effects: better enforcement capabilities, lower compliance costs, and readily available information for policy design purposes.

### Strengthening Public Financial Management

Following the enactment of a new Fiscal Management and Accountability Act, the program aimed at providing complementary support for the modernization of public financial management systems focusing on three key institutional factors: (1) issuing the regulations necessary to implement the new law; (2) strengthening the Ministry of Finance (MOF) for complying with and implementing the new framework, in particular supporting the preparation of a strategic institutional development plan, creation of a macro fiscal projection unit, strengthening of debt management, and movement toward a multiyear expenditure scenario; and (3) consolidating and expanding the implementation of a modern management information system that was recently adopted.

### Enhancing Fiscal and Fiduciary Oversight

The program was designed to reinforce the work of the Audit Office and enhance the efficacy of the National Assembly, in particular its Public Accounts Committee (PAC) and Economic Services Committee (ESC). Reforms in this area aimed at updating procedures, operational policies, and the communications network; expanding human resources endowments; and improving training.

The newly independent Audit Office has benefited from wider coverage and modernized methodologies based on risk management and quicker responses. In turn, the Executive has become more responsive to requests for—and cognizant of the importance of providing—information about public accounts.



## PERSPECTIVE ON THE PARTNERSHIP

## ✧ HON. HARI RAMKARRAN ✧

Hon. Hari Ramkarran, Speaker, says, “The IDB partnership has been a fruitful one for Guyana and presumably for the IDB as well.” In citing examples of the benefits of this partnership, Mr. Ramkarran points to the assistance given in “a wide variety of areas such as infrastructure, governance, poverty reduction, and debt relief.” A direct result of partnering for development has been the establishment of a credible relationship between IDB and GoG. “As a result there is a high degree of confidence in the nature of the program and the benefits they afford the Guyanese people.

To be more specific, Mr. Ramkarran explains that “the quality of governance in Guyana has improved” as a result. The role of Parliament generally in the entire system of governance has grown dramatically since the late 1990s. As a result of the Herdmanston Accord, the St. Lucia Statement signed between President Janet Jagan and Opposition Leader Desmond Hoyte in 1998, and the recommendations of the Constitution Reform Commission in 2000, a number of reforms were carried out with IDB support, including the establishment of Standing Committees for oversight purposes and management of the business of the National Assembly.

The Speaker is pleased with improvements in fiduciary oversight especially as the new Economic Services Committee has supplemented the work of the existing Public Accounts Committee. The FFMP Program of the IDB assisted greatly in improving the capacity of these committees. He



emphasizes, “I can safely say that the assistance by the IDB under this program has taken the work of the Parliament to a higher level. Nevertheless, the main constraint remains an institutional one. Parliamentarians are not full time and have other jobs and consequently cannot devote the time required. Quality of Parliament staff has always been a constraint and constant training is necessary.” × ×

## Financial Deepening

The Bank is contributing to the generation of a better investment climate by helping to improve the financial sector by using a programmatic lending instrument. Relatively new, this instrument ensures disbursements are timed according to progress on the policy-reform process. It provides the Government greater flexibility for execution. Financial deepening, a crucial condition for economic growth, needs macroeconomic stability to progress. The Authorities share this view and have confirmed their commitment to continue policies of prudent fiscal management, reduce the fiscal deficit, and work toward achieving fiscal sustainability in the medium term.

Guyana’s two largest banks account for more than 50 percent of its banking assets. The operating costs and interest-rate spreads are relatively high, and the private credit-to-deposit ratios of the banks are low. Although the banking sector is relatively sound, access to financial services remains limited.

Reforms on several fronts will greatly contribute to financial deepening. In-progress initiatives cover both banking institutions—which control 70 percent of total assets in the financial sector—and nonbanking institutions. The program has identified five areas of concentration: (1) maintaining sustainable macroeconomic

conditions, (2) improving the financial sector's regulatory and supervisory framework, (3) increasing access to financial services, (4) refining payment systems, and (5) enhancing anti-money laundering.

### Improving the Regulatory and Supervisory Framework

Given the limited integration between Guyana's financial system and the US and other mature markets, the country has not experienced significant and direct effects of international financial turbulence; however, inevitably tighter credit conditions could pose significant risks. Enhancing regulations and supervision now might better protect the system from the consequences of future turmoil.

Regulation and oversight of the financial system is shared among several supervisory agencies. The Bank of Guyana (BoG) is in charge of banking-system and insurance regulation, whereas separate agencies handle oversight of security markets, and credit unions. BoG's supervision capacity is currently being expanded to include the mortgage market.

Measures have been designed for sharing information and coordinating activities among financial actors. In recent years, banking indicators have been published for every

financial institution, and training has been implemented to produce a more qualified cadre of supervisors. In another positive step, new governance guidelines for financial institutions were published in January 2008. These guidelines are geared toward ensuring safety and soundness, protecting depositors' funds, and enhancing shareholding value. They establish mechanisms for achieving accountability among an institution's board of directors, management, and shareholders while simultaneously protecting depositors and other stakeholders, such as creditors, employees, customers, and the community.

### Increasing Access to Financial Services and Refining Payment Systems

To promote access to financial services, program initiatives cover the development of new financial instruments, bolstering of microfinance-institution supervision, creation of a credit bureau, and elimination of credit barriers.

Significant strides have been made in broadening the use of bank services in the payment system, which should collaterally enhance access to ATMs. The public sector payroll process is now fully computerized—today, it includes thousands of employees and pensioners whose payments are smoothly processed and transferred into their accounts







through electronic transactions. Discussions are underway to expand this direct-payment method to include other parts of the central government administration.

### Combating Money Laundering

In August 2009, President Bharrat Jagdeo approved the Anti-Money Laundering and Countering of Terrorism Act, a modern and comprehensive piece of legislation prepared in accordance with international standards. An intelligence unit has been formed within the MOF to request, receive, analyze, and disseminate information about suspicious transactions. This unit is responsible for reporting cases of substantiated money laundering to the appropriate legal authorities.

### Justice Administration

Despite limited resources, Guyana has made considerable attempts to maintain law and order and deliver justice. The significant hurdles the country faces in the administration of justice impact not only the well-being of the general population but also the conditions for private sector investment.

In a survey of manufacturing firms conducted at the initiation of the program, 43 percent of participants with recent experience in the courts identified the legal system

as a major obstacle to their business operations. Another 30 percent considered crime to be among the top constraints to business. Thirty-eight percent had been victims of theft or vandalism. According to a report by the World Bank 2009 Survey on Doing Business around the world, the enforcement of a contract in Guyana typically requires 581 days—at a cost of about 25 percent of the amount of the original debt.

These findings make abundantly clear that no plan to cultivate the business climate in Guyana could succeed without addressing the judicial system. The loan design identified three main lines of intervention: (1) strengthening the system's accountability and efficiency, (2) improving relations among institutions of the sector, and (3) facilitating access to justice.

### Strengthening Accountability and Efficiency

Like many sectors in developing nations, Guyana's justice system faces human resources and financial challenges. Procedures are outdated, and gaps persist in the coverage of services. The program aims to correct these issues, the causal factors of which are myriad and complex.

Resources are applied to strengthening the Judicial Services Commission (JSC) by developing the commission's governance policies, operational rules, and



regulations. A revised code of conduct and ethics for judges and magistrates will be drafted. Their productivity and skill sets are enhanced through improvements in training, access to legal materials, and the physical rehabilitation of courtrooms and courthouses. A new case-flow management procedure will be implemented to reduce backlog and accelerate decisions and simplify civil and criminal procedural laws.

Concerning the criminal justice system, improvements include the transfer of prosecution responsibilities from the police to state-appointed prosecutors, the training of cybercrime and money-laundering specialists, and increased information-systems support.

### Improving Relations among Justice-Sector Institutions

Past analyses of the challenges that face the sector tend to focus on particular institutions in isolation. The design of the project undertakes an alternate view, promoting changes in the relationships of the various institutions to each other.

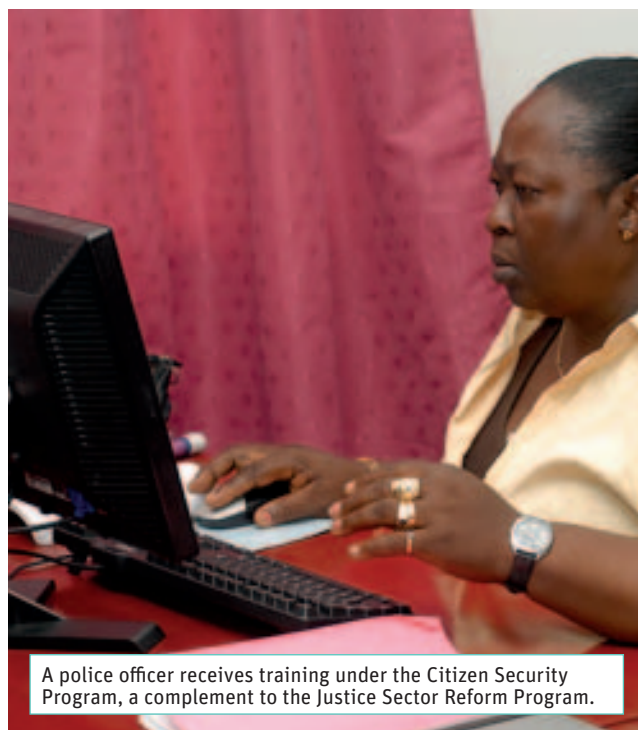
The project supports more efficient interaction among justice institutions through “top-down” and “bottom-up” approaches. Top-down interventions concern sector-wide policy, planning, and resource allocation, whereas

bottom-up approaches enhance communication, coordination, and cooperation among institutions at the local level. In addition, a Justice Sector Reform Steering Committee was set up as a long-term and sector-wide initiative, beyond the scope of the program. The committee, comprising a small group of key policy makers from the Government and Judiciary, provide high-level policy guidance and coordination for reform program implementation.

### Improving Access to Justice

The people’s ability to exercise their rights or resolve disputes through the justice system—without distinction based on ethnicity, race, gender, or socioeconomic condition—is a high priority for GoG. By recognizing this, GoG and IDB allocated project resources to enhance citizens’ awareness of their rights and responsibilities by providing legal-advice and representation services to court users as well as alternative dispute-resolution mechanisms. The project will also help develop an action plan for a nationally sustainable legal-aid scheme—including legal-advice offices for citizens—and provide technical assistance and equipment to support a legal-aid clinic.

The project assists in the formation of a national legal-awareness strategy and action plan as well as a



A police officer receives training under the Citizen Security Program, a complement to the Justice Sector Reform Program.

## PERSPECTIVE ON THE PARTNERSHIP

## ✧ HON. CARL SINGH ✧

Hon. Carl Singh, Chancellor of the Judiciary (ag), believes that the IDB has been an important partner in Guyana's development. It is a partnership that has touched every aspect of life, from areas of financial reform to nutrition and health care access and improvement and to his own specific area of justice.

"I must commend the IDB's contribution to the Modernization of the Justice Administration program, which is an important stepping stone for updating Guyana's justice system. We have to sustain these reform measures implemented with the kind intervention and commitment from the Government of Guyana," says the Chancellor. An earlier Bank-GoG engagement paved the way for the establishment of the Commercial Court.

This court has been a great attribute within the justice system as it fast tracks commercial matters. No simple feat, this innovation contributes to quick resolutions of business matters, thereby improving the environment for doing business.

Chancellor Singh believes that another important area for which the IDB is to be commended is citizens' security, a



complementary effort to the justice sector reforms. Although it is important to look at modernization of the court processes and system, amendments and new developments in legislation, the strengthening of justice and legal institutions and general access to justice, Singh notes, "The fact that efforts are being made to counteract risk factors that cause violent crime. Steps are taken to strengthen not only institutions, which clearly are important, but also foster social cohesion within the society." × ×

viable communications strategy for the justice sector. The project will support alternative, informal justice mechanisms, especially in rural areas and poor and disadvantaged communities. These mechanisms may include the use of voluntary social-mediation workers from village councils, welfare offices, and justices of the peace.

## COMPETITIVENESS AND PRIVATE SECTOR DEVELOPMENT

The productive sector of the economy still faces some challenges to producing efficiently goods and services for domestic and international markets. Exports are still highly concentrated in few resource-based products. The goal of diversification of exports calls for finding ways to reduce costs.

In the last few years, the country has made progress to improve competitiveness, but there is still more

to be done. An exploration of such progress and where the country is in relative terms can be done with the help of international indicators. These indicators identify key areas, define standardized cases or situations to be measured, attach scores, and rank countries on the basis of comprehensive measures. Several types of indicators have been developed in the last few years. The following sections analyze data from two sources: (1) public governance and (2) global competitiveness.

### Governance Indicators

The six areas considered essential to evaluate the strength of public governance described previously are: (1) control of corruption, (2) government effectiveness, (3) political stability, (4) regulatory quality, (5) rule of law, and (6) voice and accountability, which have all been studied for the last ten years. The World Bank, in conjunction with





outside authors, has kept track of appropriate indicators for each of these areas for about 212 countries.

In the case of Guyana, the indicators show that the country is ranked around the middle of the 212 countries. In most areas, the country has made progress in relative terms: for control of corruption, it moved from 60.2 percentile in 1996 to 62.8 in 2008; for government effectiveness, from 43.6 to 50.7 in the same years. In terms of political stability, it changed from 56.2 to 73.7 in those years. In regulatory quality and rule of law, it made substantial progress, jumping from 44.9 to 68.1 and from 44.3 to 72.2, respectively. Voice and accountability improved from 27.3 in 1996 to 46.2 in 2008.

Figures 4.1 and 4.2 show the changes of each indicator for the period. For each indicator, there is a table on the left and a figure on the right. Tables on the left show Guyana's position in each year considered. In each case, countries have been ranked from lower to higher percentile positions: a number close to 100 indicates that the country is on top of the ranking, whereas numbers close to zero indicate that the country is at the bottom of ranking. For each indicator, the parameters of a regression line were computed. The results indicate that in five of the six indicators, there is a positive trend. Although the country has made progress in public governance, it still faces great challenges to attract investment.

Figure 4.1 Guyana: Public Governance Indicators I

Source: World Bank Worldwide Government Indicators (several issues) and publication computations.

**CONTROL OF CORRUPTION**

Year	Percentile Rank (0–100)
1996	60,2
1998	60,7
2000	57,3
2002	59,7
2003	57,8
2004	61,2
2005	63,1
2006	67,5
2007	68,1
2008	62,8

**GOV. EFFECTIVENESS**

Year	Percentile Rank (0–100)
1996	43,6
1998	59,7
2000	53,1
2002	50,2
2003	50,7
2004	51,2
2005	64,9
2006	48,8
2007	47,4
2008	50,7

**POLITICAL STABILITY**

Year	Percentile Rank (0–100)
1996	56,2
1998	55,3
2000	72,1
2002	70,7
2003	66,8
2004	63,9
2005	61,1
2006	72,1
2007	67,3
2008	73,7

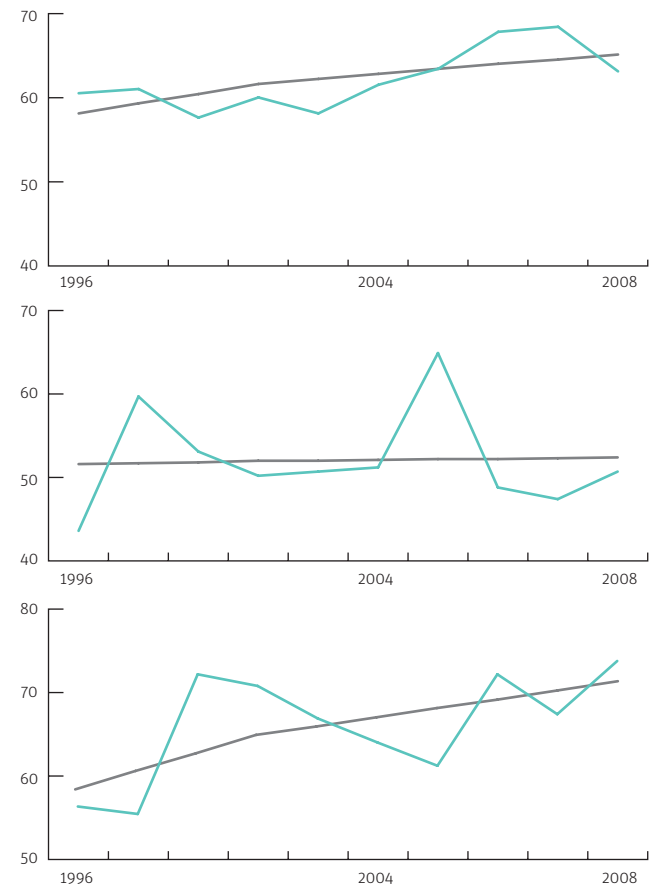


Figure 4.2 Guyana: Public Governance Indicators II

Source: World Bank Worldwide Government Indicators (several issues) and publication computations.

**REGULATORY QUALITY**

Year	Percentile Rank (0–100)
1996	44,9
1998	50,2
2000	56,6
2002	62,4
2003	54,6
2004	54,1
2005	61,0
2006	62,9
2007	67,0
2008	68,1

**RULE OF LAW**

Year	Percentile Rank (0–100)
1996	44,3
1998	53,3
2000	61,4
2002	60,5
2003	62,4
2004	61,9
2005	71,4
2006	68,6
2007	61,4
2008	72,2

**VOICE AND ACCOUNTABILITY**

Year	Percentile Rank (0–100)
1996	27,3
1998	36,1
2000	35,1
2002	32,2
2003	32,7
2004	43,7
2005	54,3
2006	50,5
2007	46,6
2008	46,2

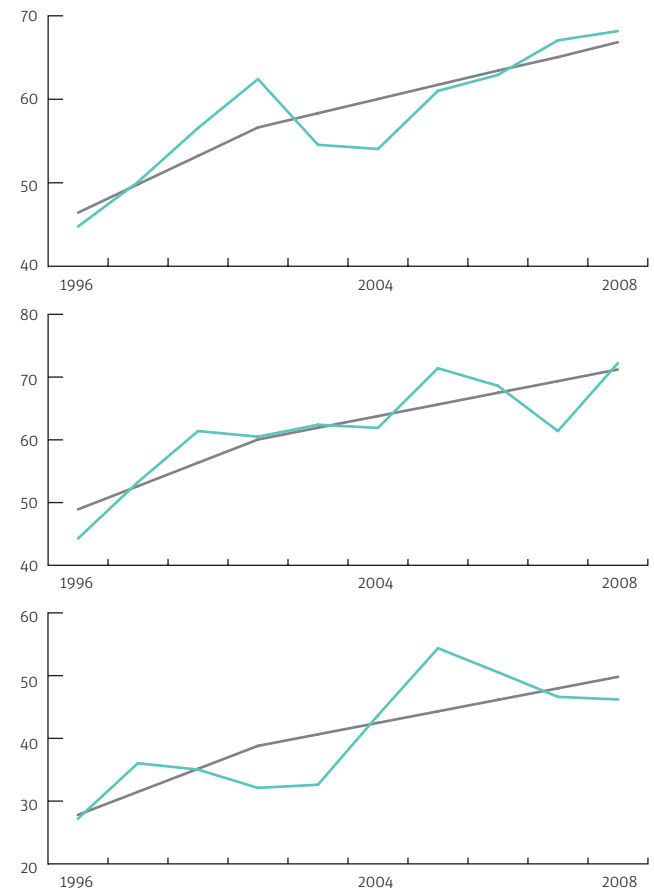


Tabla 4.1 Guyana: Global Competitiveness Rankings  
Source: Global competitive indicators and publication computations.

PILLAR		RANK			RANK (STANDARDIZED)			SCORE			% CHANGE
		2010	2009	2008	2010	2009	2008	2010	2009	2008	2010/2008
	Out of	(133)	(134)	(131)							
<b>Global</b>		104	115	126	−100	−100	−100	3.6	3.5	3.3	9.1
<b>Basic requirements</b>		105	115	125	−101	−100	−99	3.7	3.6	3.3	12.1
1st pillar	Institutions	103	117	121	−99	−102	−96	3.3	3.2	3.0	10.0
2nd pillar	Infrastructure	91	98	106	−88	−85	−84	3.0	2.8	2.5	20.0
3rd pillar	Macroeconomic stability	127	133	130	−122	−116	−103	3.0	2.8	2.5	20.0
4th pillar	Health and primary education	67	62	81	−64	−54	−64	5.4	5.6	5.3	1.9
<b>Efficiency enhancers</b>		107	112	119	−103	−97	−94	3.4	3.3	3.1	9.7
5th pillar	Higher education and training	78	81	97	−75	−70	−77	3.8	3.7	3.3	15.2
6th pillar	Goods market efficiency	96	96	103	−92	−83	−82	3.9	3.9	3.7	5.4
7th pillar	Labor market efficiency	99	109	109	−95	−95	−87	4.1	4.0	3.9	5.1
8th pillar	Financial market sophistication	101	98	100	−97	−85	−79	3.7	3.8	3.7	0.0
9th pillar	Technological readiness	94	103	102	−90	−90	−81	3.1	2.7	2.6	19.2
10th pillar	Market size	129	129	126	−124	−112	−100	1.8	1.7	1.8	0.0
<b>Innovation and sophistication factors</b>		110	111	113	−106	−97	−90	3.1	3.0	3.0	3.3
11th pillar	Business sophistication	94	95	98	−90	−83	−78	3.6	3.6	3.5	2.9
12th pillar	Innovation	121	124	122	−116	−108	−97	2.5	2.5	2.5	0.0

## Global Competitiveness Indicators

The Global Competitiveness Index (GCI), compiled and published annually by the World Economic Forum, ranks countries according to their potential for sustained economic growth. The index, computed for more than 130 developed and emerging economies, is based on an evaluation of a large number of variables with information gathered from publicly available data and a comprehensive opinion survey of a representative sample of business leaders in their respective countries.

Table 4.1 shows pillar index values and the composite global index for the years 2008–10 for Guyana. The three columns on the left show the results as published; the three columns in the middle show the same results, but in this case they have been “normalized” (i.e., expressed as percentages of the total pool evaluated to avoid the problem of comparing rankings when

the total number of observations differ, thus meaning a lower numerical rank is better). The last three columns show results on the basis of scores (higher is better) rather than ordering.

According to the standardized index, Guyana moved up from ranking at about 96 percent of the total sampled group in 2008 to 78 percent in 2010, an improvement of 19 percent. Its absolute scores improved by 9.1 percent. The results show higher improvements not only in the pillars more relevant to Guyana’s stage of development (first four pillars) but also important advances in the fifth and ninth pillars, preparing the country for the next development stage. In ten of the 12 pillars, the country experienced a continuous improvement across the years, and in all cases, the potential exhibited in 2010 is greater than that reflected for 2008.





### Support for Competitiveness

The IDB is accompanying the modernization process with the implementation of a relatively new operation. Since 2006, the economy shows the revitalization of private investment accompanied by a clear support of public policy changes conducive to a favorable business development environment. Although major reforms have produced positive results, the economy still faced constraints of a different nature, relating to its structure, function of incentive, and public institutional capacity to push private sector growth.

Solving all these problems required a well prepared strategic plan and persistence in efforts to implement it. GoG and IDB decided to concentrate their efforts in few areas where resources could be used effectively and render benefits in the short and medium terms while simultaneously laying the groundwork for more ambitious reforms and long-run objectives. Major areas of work were defined around strengthening the institutional capacity

to formulate and implement the National Competitive Strategy, improving the business climate in specific areas to dissolve bottlenecks and reduce disincentives, focusing on export promotion activities, and raising the production standard through several instruments.

The program has made substantial progress. It counts on a full-fledged project unit, which was appointed and began work at the beginning of 2009. The National Competitive Strategy has been approved, and the IDB is presently working on about one third of 122 designated priority actions, including major policy issues and supports for private sector development. The newly formed National Committee for Competitiveness (NCC) meets on a quarterly basis. The program supports reforming tax policy and administration, strengthening institutions to promote investment and trade, reducing bureaucratic bottlenecks, facilitating the adoption of technical innovations, and facilitating public–private dialogue. ××

# STRENGTHENING SOCIAL PROGRAMS

CHAPTER

5



**The IDB partnered with Guyana to support initiatives to improve overall health and nutrition, water and sanitation, education, and housing.** The effects of these projects have already begun to positively impact the quality of life of the nation's citizens, with even more significant future benefits assured as today's children grow up healthier, better educated, and more protected.

## HEALTH AND NUTRITION

The IDB collaborated with Guyana to implement its Basic Nutrition Program (BNP), approving a US\$5 million loan in 2002. This program, which became operational the following year, primarily aimed to reduce malnutrition in young children from depressed communities.

The BNP consisted of four main interventions: (1) distribution of micronutrient supplements, (2) distribution of food coupons, (3) retraining of health center staff in basic nutrition and communications skills, and (4) an



information and communication campaign. The first two interventions targeted children aged 6–24 months who attended BNP health centers. The latter two interventions had national coverage. The original BNP covered 49 centers; it was later expanded to cover an additional 30.

The program's design took into account well established knowledge of the importance of nutrition in early childhood and the prevailing local conditions. Malnutrition, even in its milder forms, increases morbidity and mortality rates in children and may have irreversible effects on learning abilities. In addition, appropriate

feeding practices are fundamentally important to the survival, growth, and development of healthy infants. The World Health Organization recommends exclusive breastfeeding for the first six months, followed by the introduction of nutritionally adequate and appropriate food in conjunction with breastfeeding until age two years.

In Guyana, although the incidence of malnutrition is relatively low in six-month-old infants and younger, it is more prevalent in the age group from 6 to 24 months. High by international standards, approximately 50 percent of pregnant women and children less than five years suffer from iron deficiency anemia—a major cause of maternal death and childhood mortality—with nearly half of all cases categorized as severe. Anemic children can suffer from impaired physical growth, lower immunity, and potentially permanent effects on neuro-motor development and emotional behavior.

Amerindians in the rural interior experience substantially higher rates of chronic malnutrition than the rest of the population, linked to deficiencies in key micronutrients such as calcium and zinc. The few studies available indicate that malnutrition for this group is mostly caused by a lack of diet diversity rather than general food availability.

Occurrences of low birth weight and stunted growth in Guyana are relatively high compared with other countries. Adding to these problems, obesity is a growing malnutrition problem—nearly 40 percent of adults are overweight.



## PERSPECTIVE ON THE PARTNERSHIP

### ✧ BIBI AND ANESIA RAMCHARRAN ✧

Bibi Ramcharran and her daughter, Aneisa, are both beneficiaries of the Basic Nutrition Program (BNP). Bibi registered at the Herstelling Health Centre when she knew she was pregnant and has continued to visit with Aneisa, who is now 14 months old. “Using the sprinkles prevented me from becoming anemic during my pregnancy and after breastfeeding Aneisa for six months, I began mixing the sprinkles with her porridges.” Bibi believes that the sprinkles have “opened up the appetite” of her baby and that her baby is very active and healthy because of this.

Bibi explained that the coupon, valued at GY\$1,000, was adequate for her baby. In fact, she said the milk and porridge ingredients she collected allows her to save money. The money she saves is used to purchase diapers for Aneisa and food items for the home. The complementary feeding practices she learned through the program also enabled her to feed Aneisa properly. “I learned the importance of only breastfeeding Aneisa for the first six months of her life,” Bibi relates, “and what to feed her as she grew older.”

For Bibi, the BNP has been very beneficial, particularly as she is a young mother and Aneisa is her first child. “The brochures, posters, messages on television have helped me to understand why I should be feeding her certain foods and how important her nutrition is as she grows up into a healthy person.” × ×



The BNP’s effects were evaluated by longitudinal and cross-sectional studies. Outcome indicators included observations of infants’ weight and length (wasting) and children’s height for age (stunted growth), as well as the effects on breastfeeding rates and participants’ compliance with complementary feeding guidelines.

Studies found that the distribution of micronutrient supplements reduced overall occurrences of anemia by around 30 percent, with the prevalence of anemia in the intervention group nearly 40 percent lower than in the control group.

Coupon distribution and other BNP activities reduced the prevalence of wasting by about 30 percent. Incidence

of moderately and severely stunted growth in the intervention group was nearly 21.3 percent lower than in the control group.

Improvements in breastfeeding rates after intervention were observed in all studies—rising 12 percent on average—with the most significant changes found in coastal communities. Evaluations of the information campaign marked significantly heightened awareness of anemia, the consequences of the disease, and foods that contain iron.

The BNP has substantially raised the profile of nutrition within the Ministry of Health and is being integrated

into its Mother and Child Health Care Program, which will expand it from 79 to 126 health centers. This project has contributed to the preparation of a comprehensive Food and Nutrition Strategy for Guyana and provided important data to develop a framework for a comprehensive national food and nutrition surveillance system.

## WATER AND SANITATION

The IDB's intervention in the water and sanitation sector has focused on the capital city. The Bank has funded two loans: the 1993 Remedial Maintenance for Georgetown Sewerage and Water Supply System loan for US\$13.5 million, which was executed from 1993 through 2002, and the 1999 Georgetown Water Supply and Sewer System II loan for a current amount of US\$14.7 million, which is ongoing. In addition, the program funded four TCs totaling US\$2.5 million.

The general objective of the Remedial Maintenance for Georgetown Sewerage and Water Supply System project was to help the Georgetown Sewerage and Water Commissioners (GS&WC) restore a safe and reliable water



Georgetown II Water Supply and Sewer System. Central Ruimveldt Pump Station and Storage Tank, which holds 500,000 gallons of water.





Construction of the landfill outside of Georgetown.



A water treatment plant under construction.

supply to the residents of Georgetown and avert serious risks to public health due to exposure to raw sewage from blocked or broken sewers.

More specifically, the project aimed to promote the establishment of an efficient and autonomous water and sewerage company for Georgetown, bolster GS&WC's financial viability through a new tariff system, train GS&WC's key personnel, update billing and collection methods, and encourage water conservation.

To attain its general objective—and save the city from further distress—the project supported laying eight miles of new trunk mains, drilling six new wells, rehabilitating 24 sewerage stations, and installing two 500,000-gallon tanks.

Among the positive impacts of this project was an observable improvement in water quality and availability and the 1994 amendment to the Georgetown Sewerage and Water Act, which gave GS&WC more autonomy,

allowing it to offer a more attractive compensation package and thereby retain key trained personnel. An important step toward financial viability was taken with the implementation of a new tariff system based on measured consumption and the cost of the service provided.

The still-ongoing Georgetown Water Supply and Sewer System II operation, which the IDB approved in 1999, is another part of the long-term plan to further rehabilitate, modernize, and enhance Georgetown's water-supply and sewerage systems.

The project's general purpose is to improve the sanitary conditions of Georgetown's population and reduce levels of environmental degradation. Three subsidiary objectives were identified to better focus the intervention: (1) further increasing the availability of drinkable water and the reliability of the distribution system, (2) improving the sewerage system, and (3) strengthening the operating capacity of GS&WC, now Guyana Water Inc.





Several benefits are expected from this project, including improvement in the quality of water available to consumers, better control and distribution of available water among the various zones in the city, reduced levels of non-revenue water, an improved sewerage system, and superior disposal of septic-tank sludge.

The Bank's support has paved the way for improved performance in this sector. The GoG–IDB collaboration in this sector will continue in 2010 with the approval of a new loan valued at US\$9 million for further improving the sewage system in Georgetown. Additional assistance will be given in 2011 with an operation to enhance water delivery and reduce non-revenue water in intermediate cities, with an emphasis in Linden.

The Bank's assistance to the water and sanitation sector also included support for improving solid-waste management in Georgetown and the rest of Region 4. In 2007, the GoG and the Bank signed a US\$18.07 million loan for the construction and operation of a sanitary landfill in Haags Bosch and improvement of the sanitary, health, and environmental conditions in Georgetown and all 15 Neighborhood Democratic Councils (NDCs) in Region 4. A key element of this operation is to support the GoG's efforts to close the current disposal site at Le Repentir, which is located in central Georgetown and has caused environmental problems to the residents of nearby neighborhoods.

## EDUCATION

A nation's potential can only be as strong as the foundation of its educational system. To help secure Guyana's future, the Bank has approved several loan operations and technical assistance projects to bolster the quality of education. The initiatives explored in the following sections have impacted students of all ages, from preprimary through university levels.

### Primary Education

The IDB's investment in education began in 1989 with the approval of a US\$46.4 million loan to fund the Primary Education Improvement Program (PEIP). In 2002, the





Bank continued its support with an additional US\$30 million loan directed toward the Basic Education Access and Management Support Program (BEAMS). Both operations supported the upgrading and construction of school facilities, as well as institutional strengthening and capacity building within the sector.

Through PEIP and BEAMS, 120 of Guyana's 888 schools were constructed, expanded, or refurbished. These projects added seats in classrooms and beds in dormitories, gave rural children access to local education, provided schools with sorely needed computers and other technology, and enhanced connectivity between distant regions and the Ministry of Education.

### Primary Education Improvement Program (PEIP)

One of the partnership's largest operations, PEIP concentrated on improving human resources by establishing more comprehensive training of primary school faculty and administrators; modernizing curricular content and methods by strengthening the capacity of the National Center for Educational Resources (NCERD) to adopt new, quality instructional materials and increase their production; and upgrading physical infrastructure, equipment,

and educational technology—including the construction of 27 new facilities and the rehabilitation of three more.

Nearly a decade after the program's inception, however, only one third of the allocated resources had been spent. GoG suggested a reformulation of the original plan—one that added to the first set of goals new initiatives to expand the Ministry of Education's institutional capacity and target student learning.

To strengthen the planning and management capacity of the Ministry of Education, the revised plan included the facilitation of organizational assessment, manager training, and ministerial monitoring and evaluation capabilities, as well as the introduction of a permanent ministerial maintenance function.

In addition, the construction of 16 new primary schools and a new secondary school—along with the renovation of 28 other schools—was completed. The classroom environment was improved through the development of learning-strategies assessments, reinforcement of the NCERD's capacity for testing and measurement, improved teacher-training programs, greater parent and community involvement, distribution of a core package of learning aids, and progress in distance teaching.



Results of the program were very positive. In all, the program was able to support improvements in 101 schools—affecting the lives of 63,000 students. Teacher retention improved, and by 2001, the average longevity of post-training service had reached eight years.

The experience and results of the program contributed significantly to articulating the need for prioritizing primary education in the Ministry’s “Education Development Strategy Paper 2003–2007,” which served as a foundation for 2008–13 strategic plan.

### Basic Education Access and Management Support Program (BEAMS)

This second loan, which attended to many of the same areas as the PEIP, expanded coverage to the preprimary level. Under BEAMS, actions centered around three main targets: (1) improved school performance, (2) enhanced organizational and human resources capacity, and (3) upgraded physical infrastructure.

An ambitious program to improve school performance targeted subject areas such as literacy and mathematics, introducing innovative technologies for learning, teacher

preparation, in-service training, student assessment, and testing practices.

Modernized techniques in the area of numerical teaching include the introduction of Interactive Radio Instruction (IRI), a low-cost radio-based distance education system that has been proven to increase student achievement in schools that lack well-trained teachers. Using this program, primary students follow carefully designed explanations and complete exercises under the guidance of their regular teacher, who acts as a facilitator. In regions where radio transmission is a challenge, audio-tapes or compact disks have been provided to ensure that all students benefit from the new curriculum.

Although the lack of trained teachers and teacher retention remain significant hurdles, BEAMS introduced a comprehensive in-service and teacher-training program that succeeded in reducing the proportion of untrained teachers at the nursery and primary levels from 23 to 12 percent in just five years (2001–6). The program organizes teacher preparation and in-service development around a cascading, cluster-based training design. The scheme originates from a core group of 14 master teachers







who have received professional support, extensive training, didactic material, and video equipment to conduct skills-development activities in literacy and mathematics. These master teachers then prepare cluster advisors, who in turn train teachers in designated school networks. To date, the number of schools reached by this program has exceeded expectations.

On the administrative side, 400 school managers have been newly trained in the application of modern management techniques—again surpassing the program’s original ambitions. In addition, a master’s program has been introduced at the University of Guyana in collaboration with Nova Southeastern University of Florida (US).

BEAMS has met its target for the number of schools to be rehabilitated and furnished. Maintenance models that were developed and tested under the project have been extended and applied to new schools with government financing. To date, 150 schools have received computers with peripherals, bettering the original projection by 50 percent.

To garner parental and community involvement, a crucial ingredient for the program’s success, the government launched a nationwide public-awareness campaign to engage stakeholders in the reforms. This campaign was reinforced by workshops at the school level that supported community linkages and mobilized parental involvement with active participation of NGOs. By the end of 2008, 100 percent of primary schools had demonstrated community involvement in school-improvement initiatives through school councils, parent–teachers associations, and school-improvement action committees.

IDB has partnered with GoG to create, expand, and refurbish schools; develop new curricula; provide innovative technologies to enrich the learning environment; develop and train educators and administrators; establish a graduate program; and introduce new Ministry management practices.

### University Education

The first operation to target university education was approved in October 1985 with the University of Guyana (UG) and the Ministry of Education. This initiative

focused on building construction, staff education and training, and the development of teaching materials for the university and three technical institutes. In addition, it contributed to the creation of an educational credit fund aimed at providing scholarship resources for post-graduate studies and grants for low-income students to enroll at UG in selected areas of study.

The program sought to raise the quality of teaching at principal postsecondary educational institutions, broaden the opportunities for technical education, focus university education efforts toward high priority fields, and facilitate study-abroad opportunities in disciplines essential to the country for which local offerings are not available.

The program met most of its targets. Over the period of the project, UG enrollment capacity improved, student enrollment climbed, the number of degrees awarded increased, and staff qualifications rose. The results in the area of grants for low-income students were below target, as the actual resources from loan recoveries were below the projected amount.

## HOUSING

The Bank's support for the housing sector consists of two loans in the last decade: (1) the Low Income Settlement Program, approved in November 1999 for US\$27 million, and (2) the Second Low Income Settlement Program, approved in December 2008 for US\$27.9 million. Both loans were investment instruments that concentrated heavily on providing infrastructure in new and existing areas to enable the availability of "serviced" lots. Complementing these two projects, the Urban Development Program (UDP) was approved for US\$20 million in November 1998, with implementation commencing in 2000. In addition to its intention as an institutional strengthening mechanism for the Ministry of Local Government (MLG) and the municipalities, the Urban Development Program was also designed to finance the rehabilitation and maintenance of municipal roads and drainage networks, reconstruction of commercial municipal facilities, and improvement of street-lighting systems.



## Low Income Settlement Program

This project's main objective was the divestment of serviced, titled land to low-income households. Specific objectives identified were to (1) reform standards for land use development, approval, and titling to streamline public and private sector residential development and (2) strengthen the institutional capacity of the Central Housing and Planning Authority (CH&PA).

The program expected a range of results: the divestment of public lands sufficient for 15,000 house lots; the provision of basic infrastructure for the lots, such as drainage, water, and roads; the upgrading of squatter settlements—containing 6,500 families—with similar services; the delivery of an Environment and Home Ownership training program to householders; capabilities for “off-site” water distribution; and the implementation of measures to strengthen the development, approval, and land-use planning process.

Key participants in this sector affirm that the project brought about unprecedented advancements in housing. At the end of the program, 18,224 completely serviced

house lots—95 percent of the target—had been completed and an occupancy rate of 69 percent had been achieved. Of the occupied lots, 84 percent were outfitted with septic tanks as a sanitary solution. This success was validated by EU and IDB's confidence sufficient to commit support for related follow-up interventions. The EU approved €10 million to fund a similar project, and a new IDB program for US\$27.9 million is nearing early execution. In addition to producing visible, tangible results, the project also had a positive impact on policies concerning on-site development standards; land-use planning and development regulations; verifiable, means-tested selection systems; and low-income loan market solutions. These achievements have directly impacted poverty-reduction goals even as capacity has been built in the CH&PA.

## Second Low Income Settlement Program

The Second Low Income Settlement Program, approved in 2008, is a natural progression of the first sector loan, seeking to consolidate the previous loan's realized gains by addressing gaps and weaknesses in the original design, even as the scope of the housing drive is expanded. The finalization of infrastructure designs is currently underway, with actual construction expected to commence in January 2010.

The issue of affordability is a critical factor in the limited level of occupancy because many low-income persons cannot afford construction costs or even the installation of sanitary facilities. In a response to a structural issue inherent in the first plan, the provision of infrastructure in this program includes services in addition to house lots. Special efforts will be made to improve coordination processes with utilities to increase their accessibility.

At the end of this program in 2013, it is expected that the quality of life of low-income families will be improved through renovations of dwelling houses that meet prescribed minimum standards, including a 312-square-foot living space, a septic tank, power and water connections, and an accessible location. The occupancy level is hoped to reach at least 70 percent. It is anticipated that 11,150 house lots will be completed with all utility services in







place and distributed as follows: 9,400 lots in new and consolidated sites, 400 core houses across selected regions, and 1,350 house lots upgraded in squatter areas. One-hundred percent of lot titles will be transferred to low-income beneficiaries.

### Urban Development Program (UDP)

The main objective of the UDP, approved in November 1998, was to improve infrastructure and the provision of basic services for the urban population of Guyana. Specifically, the project was designed to (1) support reforms to address the institutional constraints affecting Guyana's capacity to finance, operate, maintain, and expand urban infrastructure and services on a sustainable basis and (2) finance the rehabilitation of infrastructure and the reestablishment of municipal services in the country's six urban municipalities.

The project consisted of two components: (1) institutional strengthening of the six urban municipalities, the Ministry of Local Government and Regional Development (MLGRD), the Valuation Office of the Ministry of Finance, and the Program Executing Unit (PEU) and (2) investments in the rehabilitation of urban infrastructure and services.

The initial outcomes of the project were mixed. In the area of institutional strengthening, there were some

enhancements in all of the planned areas, such as the implementation of modern planning methodologies, enhanced administrative and financial management systems, and a new tax system. Although at end of program all staff in municipal offices were trained in budget preparation and financial management, revenue collection remained inadequate and the municipalities continued to face inadequate budgetary resources that inhibited the expansion of infrastructure and operations for basic-service provision.

The second objective saw much better outcomes. From a starting point at which no development projects or maintenance programs even existed in certain jurisdictions, 100 percent of planned projects—road and drainage rehabilitation and improvements to municipal commercial infrastructure—had been completed by the program end. There is now an allocated budget for maintenance in all municipalities, even though the approved resources may still be inadequate for effective maintenance.

It cannot be denied that significant improvements have been made in the area of providing basic infrastructure and related services (utilities) to home owners. By the culmination of these programs, the quality of life of people at the lower stratum of society will have been altered significantly for the better. × ×

# THE FUTURE OF THE IDB IN GUYANA

BY MARCO C. NICOLA, IDB REPRESENTATIVE

CHAPTER

6



The previous chapters described some of the main results of the partnership between Guyana and the IDB in combating the key obstacles to development in the country since 1977. It is evident that the results of this collaboration are everywhere. Of these, a very important outcome has been strengthening of the relations between the Bank and GoG as they worked together to improve the quality of life for the Guyanese and further integrate Guyana with the Caribbean and wider Latin America regions. Collectively (and with other partners), they were able to deliver more modern and adequate infrastructure for transport, health,





and education; gradually improve the quality of institutions and efficiency in the use of public finances; provide a boost for competitiveness and the nascent diversification effort underway; reduce malnutrition and augment national health; provide homes for a significant portion of low-income households; and enhance the framework for future collaboration with other development partners. Given its long history with many successes (and some lessons learned), this more than 30 year partnership is better poised and ready to take on the new challenges of the next decade, some of which continue from the past.

The last 15 years of Guyana's history illustrated that stable, pro-poor economic growth together with elevated, focused social spending were most important for advancing its development agenda. Therefore, factors that inhibit the realization of these goals should continue to be addressed. Similar to previous Country Strategies, the IDB and GoG recognize that Guyana's main challenges to development are that (1) its macroeconomic fundamentals remain fragile and highly vulnerable to shocks and impair its ability to consolidate and sustain growth and (2) although improved, poverty still diminishes the productivity and standard of living for many.

Guyana has consistently demonstrated its commitment to surmounting these hurdles as it continues to engage in pro-poor spending. This could only continue as long as sustained, stable economic growth persists in the long term. Consequently, efforts to achieve this by reducing volatility, a main characteristic of Guyana's economy, are critical.

Guyana's economy continues to be vulnerable, particularly to commodity price changes and natural disasters, as evidenced by recent shocks. Therefore, the recovery Guyana is experiencing should be protected by diversifying its revenue sources (exports) and strengthening its public financial position. A more robust and competitive environment will support the development of new export industries, which will allow Guyana to rely less on its few main primary export products (gold, bauxite, rice, and sugar).



Guyana also faces the challenge of improving the productive capacity (a means of lifting people out of poverty) of its people while maintaining an adequate level of spending to provide for their basic needs. In this regard, the drive to achieve the 2015 Millennium Development Goals (MDG) will be very challenging. More concretely, to achieve this goal, social spending is expected to exceed 20 percent of GDP throughout the medium term. The challenge becomes even more difficult at a time when concessional financing from several development partners will decline during this period. Therefore, as the IDB continues to engage Guyana in its social development agenda, it is committed to supporting efforts to enhance public financial management, create opportunities for asset accumulation by the poor, and provide resources for expanding the delivery of key basic services.

Overcoming these challenges is contingent on the successful completion of the IDB-financed institutional and governance reforms underway and continued discipline in GoG's economic and fiscal management. Looking ahead, the Bank aims to contribute to accelerating economic growth through economic diversification (for reducing vulnerability) and targeted social development (for improving social well-being). More specifically, the areas of focus include (1) strategic infrastructure investments, (2) enhanced competitiveness, and (3) social development for growth.

The expected outcomes for strategic infrastructure investments will contribute toward improving the reliability, affordability, and supply of electricity and the quality and coverage of the road network, thereby reducing travel time and transportation costs. Additional support for enhancing Guyana's competitiveness initiative will target improvements in the financial sector with the aim of expanding access to finance, lowering its costs, enhancing the supervision capacity of the Bank of Guyana, and increasing transparency in the financial sector. Also, specific programs will support new industries that yield higher-valued products (e.g., aquaculture). Under social development for growth, interventions will continue to increase housing opportunities for the poor, improve access to water and other basic services, reduce the incidence of malnutrition, and improve the effectiveness of social sector spending. There are diverse opportunities for non-sovereign guaranteed lending in Guyana in the short and medium terms (e.g., renewable energy).

Yet, the development landscape in Guyana will continue to change. The country will always have to guard against shocks that affect its terms of trade. While the country was able to soften the impact of several shocks in the last few years, its terms-of-trade position is not adequate for assuring future stability. For a country like Guyana, which has a slowly diversifying basket of exports





and is highly dependent on fuel imports, this is a serious matter for economic sustainability.

Also, by seeking an active role in setting the international agenda for mitigating the global effects of climate change, Guyana has become a leader on the dialogue regarding the creation of an incentive framework for supporting countries that engage in avoided deforestation. To put this initiative within the context of its development framework, GoG launched the Low Carbon Development Strategy (LCDS). This strategy outlines an environmentally sustainable development path that provides greater development resources to Guyana through emerging carbon frameworks and markets as it combats climate change.

These issues of continued economic vulnerability, high dependence on energy derived from foreign inputs, and the growing threats of climate changes must be reflected in the dynamic process of continually defining the framework within which the IDB–Guyana development partnership operates. The partnership will have to define the exact nature of its interventions in these areas to complement the current and previous Country Strategies.

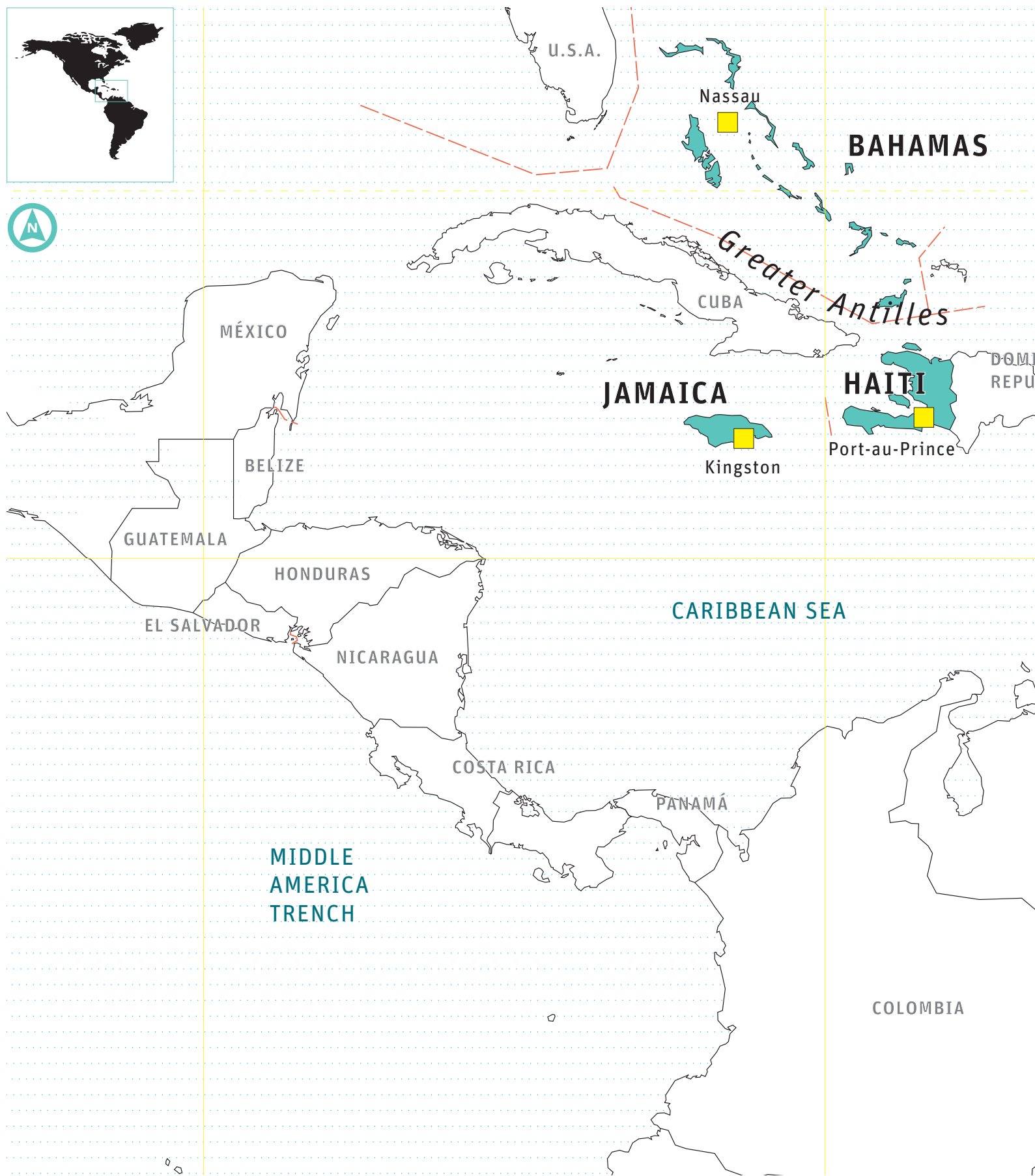
Accordingly, IDB anticipates that Guyana's external financing needs will remain significant. Guided by the absorptive capacity and constraints of debt sustainability of each member country, the Bank will seek to provide Guyana the resources it needs to advance its



development agenda. It is in this context (albeit on a larger scale) that the IDB occasionally examines its financial position for meeting the needs of its member countries. Recapitalization exercises are triggered depending on these findings. Regardless, the Bank remains committed to supporting Guyana as best it can. Projections over the next few years show that financial disbursements to the country will remain high, whereas repayments to the Bank will be low. As a result, the net flows to Guyana will be positive as it makes its final push to achieve the MDGs.

The IDB is combining its push to maximize allocations to the country in a sensible way with moving toward the national systems for financial management. With the strong improvements in public financial management, the Bank and GoG are gradually integrating projects into the Integrated Financial Management and Accounting Systems (IFMAS). This will serve to improve the efficiency of project management and provide a basis for deepening the dialogue even further.

Last, to achieve these goals, the IDB will maintain a strong physical presence in the country. The current IDB staff of international and local professionals will continue to walk side-by-side with the people of Guyana along its development path. While much has already been done, there is no doubt that the IDB–Guyana story will continue for some time to come. ××





## THE INTER-AMERICAN DEVELOPMENT BANK IN THE CARIBBEAN



