



Independent Country Program Review

# Guyana 2017-2021

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# Acronyms and Abbreviations

<b>CCB</b>	Country Department Caribbean
<b>CDC</b>	Country Development Challenges
<b>CPD</b>	Country Program Document
<b>CPE</b>	Country Program Evaluation
<b>CS</b>	Country Strategy
<b>EFT</b>	Electronic funds transfer
<b>ER</b>	Expected result
<b>GDP</b>	Gross domestic product
<b>GSDS</b>	Green State Development Strategy
<b>ICPR</b>	Independent Country Program Review
<b>IDB (Group)</b>	Inter-American Development Bank (Group)
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>LAC</b>	Latin America and the Caribbean
<b>LCDS</b>	Low Carbon Development Strategy
<b>NSG</b>	Non-sovereign guaranteed
<b>O&amp;G</b>	Oil and gas
<b>OVE</b>	Office of Evaluation and Oversight
<b>PBL</b>	Policy-based loan
<b>PCR</b>	Project Completion Report
<b>PEFA</b>	Public Expenditure and Financial Accountability
<b>PFM</b>	Public Financial Management

<b>PMR</b>	Project Monitoring Report
<b>PPP</b>	Public-Private Partnership
<b>PPP/C</b>	People's Progressive Party/Civic
<b>ReTS</b>	Recommendations Tracking System
<b>SAI-PMF</b>	Supreme Audit Institution Performance Measurement Framework
<b>SG</b>	Sovereign Guaranteed
<b>SO</b>	Strategic objectives
<b>TC</b>	Technical cooperation
<b>TFFP</b>	Trade Finance Facilitation Program

# Executive Summary

**Purpose.** This Independent Country Program Review (ICPR) covers the Inter-American Development Bank (IDB) Group's Country Strategy (CS) and program in Guyana over the period 2017–2021. ICPRs assess the relevance of a CS, provide aggregate information on the alignment and execution of the corresponding country program and, data permitting, its contribution to strategic objectives (SO) set in the CS. ICPRs are primarily addressed to the IDB Group's Boards of Executive Directors. They seek to provide the Boards with relevant information, otherwise not readily available to them, to inform their consideration of the upcoming IDB Group CSs.

**Country context.** Guyana is a small, upper-middle-income country with abundant natural resources, both extractive and renewable, and a commodity-based economy that experienced the largest gross domestic product (GDP) growth in the region in 2020 as it started to produce and export oil. The recent discovery of vast offshore oil and gas reserves and the start of production is poised to fundamentally transform the structure of the Guyanese economy and increase fiscal revenue. Despite important improvements in economic growth in the past two years, Guyana still faces important human development challenges, including high poverty rates, lagging health indicators, and inequalities in access to public services. In addition, Guyana continues to face governance challenges, a polarized political climate, and limited institutional capacity. After a period of political instability between 2018 and 2020, a new government came to power in 2020 and has initially focused on addressing the effects of the COVID-19 pandemic.

**Strategic objectives.** The 2017–2021 CS aimed to support Guyana in reducing the constraints to achieving and pursuing inclusive growth by focusing on institutions to deliver services, critical infrastructure, and improving the basic conditions that enhance the private sector's role in the economy. The CS includes four SOs (1) *establishing a modern national strategy and planning framework*, (2) *strengthening fiscal policies and the framework for management of natural resource revenues*, (3) *supporting the business climate by fostering access to finance and the institutional framework for public-private partnerships (PPPs)*, and (4) *supporting investment in infrastructure for private sector growth*. The Office of Evaluation and Oversight (OVE) found that these strategic objectives were and remained relevant throughout the CS period considering the country's needs, and they were aligned with national and IDB Group corporate priorities, IDB-diagnosed

development needs, and the IDB's track record within the broader donor landscape. Yet, the evaluability of the CS was weak because most of the indicators proposed in its results matrix did not allow to adequately measure progress in the period.

**Country program and alignment.** The country program consisted of 72 operations for US\$410 million. During the 2017–2021 period, sovereign-guaranteed (SG) operation approvals (four investment loans, two policy-based loans, and 28 technical cooperation operations) totaled US\$142.4 million, of which almost two-thirds corresponded to COVID response operations. Driven by COVID response operations, SG lending approvals during the 2017–2021 CS period greatly surpassed the CS lending framework scenario, as the IDB moved swiftly to support Guyana's COVID response in 2020, facilitated by an increase in the share of ordinary capital funds in the blend with concessional resources and a related increase in the lending framework for 2019–2020. Guyana graduated from eligibility for concessional financing in December 2020.

Only a small portion of the approved operations was anticipated in Country Program Documents (CPDs), even before the COVID-19 pandemic. In addition to operations that were approved during the CS period, the program included 11 SG legacy investment loans and 5 investment grants, with an undisbursed balance of US\$234.6 million at the start of the CS period. Finally, the non-sovereign-guaranteed (NSG) portfolio was reestablished during the 2017–2021 period, with the approval of new NSG operations for the first time since 2009. Five NSG operations for a total amount of US\$33 million were approved during the 2017–2021 period).

The country program was strongly aligned with two SOs (*strengthening fiscal policies and the corresponding framework for the management of natural resource revenues; and supporting investment in infrastructure for private sector growth*) and partially aligned with the other two SOs (*establishing a modern national strategy and planning framework; and supporting the business climate by fostering access to finance and the institutional framework for PPPs*). Program alignment with the latter two objectives was affected by limited inclusion of operations to improve civil service quality and the institutional framework for PPPs, expected results under the respective strategic objectives.

**Program implementation and results.** The total amount of SG loan disbursements (US\$227.8 million) increased with respect to the previous period, driven by COVID response operations. Nevertheless, annual disbursements were lower than planned for 2018–2020, pointing to continued execution challenges. Preparation and execution time and expenses have increased for operations not related to COVID response, and almost all legacy investment loan operations have required closing date extensions. Apart from weak execution capacity and issues with

procurement processes (which were also identified as factors that negatively affected implementation in the previous CS), the main implementation challenges during the 2017–2021 period were related to the political context and the COVID-19 pandemic.

The country program's contributions were stronger for the strategic objectives related to establishing a modern national strategy and planning framework and strengthening fiscal policies than for the SOs related to supporting business climate and investment in critical infrastructure. Under the SO of *establishing a modern national strategy and planning framework*, the IDB contributed to enhancing the use of data and digital solutions, but contributions were more limited to the strategic sector planning and improving civil service quality expected results. Under the *strengthening fiscal policies and the framework for the management of natural resources* SO, the IDB helped to enhance public expenditure management and procurement practices, but were limited to the expected result of establishing natural resource wealth management tools and no progress was made on the expected result of improving revenue management. Under the business climate objective, the program made some contributions to fostering access to finance but not to improving the institutional framework for PPP. Lastly, the IDB program made some contributions to the strategic objective of supporting investment in infrastructure for private sector growth through TCs that helped to install capabilities to select, prioritize, and structure critical infrastructure projects; however, there is no evidence that it contributed to improving the execution rate of the public sector infrastructure investment portfolio. Regarding sustainability, some results face risks to their continuation due to political changes, changes in policy priorities, issues of staff continuity, infrastructure maintenance, and interinstitutional coordination.





# 01

## Introduction

- 1.1 This Independent Country Program Review (ICPR) analyzes the most recent Inter-American Development Bank (IDB) Group's Country Strategy (CS) with Guyana during the 2017–2021 period and its corresponding country program. ICPRs assess the relevance of the IDB Group's CS and provide aggregate information on the program's alignment and execution. If the available information allows it, the ICPRs also report on the progress toward achieving the objectives that the IDB Group established in the CS. This review by the Office of Evaluation and Oversight (OVE) is intended to provide the Boards of Executive Directors of the IDB and IDB Invest with information useful to their consideration of the upcoming the Country Strategy with Guyana. As with Country Program Evaluations (CPEs), ICPRs are based on existing documentation on operations and supported by interviews with key members of the IDB Group.<sup>1</sup> However unlike CPEs, ICPRs do not involve in-person missions, and only a limited number of interviews with key country stakeholders were conducted. The period used for the analysis was from January 1, 2017, to December 31, 2021.
- 1.2 This ICPR is structured in six chapters and an annex providing additional data. Following this introduction, Chapter II describes the country context, development needs, and government priorities. Chapter III reviews the objectives of the 2017–2021 CS and assesses their relevance. It also considers risk management, lessons learned, and recommendations from the previous CPE. Chapter IV examines the relevance of the CS and the implemented program (including new approvals and inherited or legacy operations from the previous CS period). Chapter V reviews available information about country program results and analyzes their contribution to the strategic objectives. The last section (Chapter VI) presents the ICPR conclusions.

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<sup>1</sup> For this ICPR, interviewees included Country Office staff and team leaders of all IDB and IDB Invest lending operations in the country program under review, as well as with key government counterparts. The ICPR does not cover IDB Lab operations.



# 02

## Country Context

- 2.1 Guyana is a small and ethnically diverse<sup>2</sup> upper-middle income country that has grown significantly since the first oil discoveries in 2015, achieving the largest gross domestic product (GDP) growth in the LAC region in 2020, despite the effects of the pandemic. Guyana moved from the lower-middle income into the upper-middle income in the World Bank classification category in 2015 (just prior to the beginning of this strategic period). The country graduated from IDB concessional resources at the end of 2020 and in 2021 became eligible to receive exclusively Ordinary Capital funding, paving the way for a bigger lending envelope in the medium term. GDP growth increased continuously between 2017 and 2019 as private sector activity picked up ahead of oil production in 2020. In the 2017-2020 period, per capita GDP significantly increased, placing Guyana in the top third of Latin America and the Caribbean (LAC) countries with the highest per capita GDP, compared with being in the bottom third of LAC countries with the smallest per capita GDP in 2017 (World Bank, 2022;<sup>3</sup> see Annex, Table I.1.1). The estimated average annual GDP growth in the 2017-2021 period was 14.66%, compared with GDP growth of 43.5% in 2020, which reflects the developments in the oil sector (see Figures 2.1 and 2.2). In contrast, non-oil real GDP contracted in 2020 due to the adverse effects of the COVID-19 pandemic and the uncertainty around the elections, showing a decline in all the major sectors except for agriculture, which grew due to higher output of rice, other crops, and livestock (Bank of Guyana, 2020). Without considering oil and gas (O&G), the economy has predominantly depended on six commodities—bauxite, gold, rice, shrimp, sugar, and timber—which represented 90% of total exports in 2017 (IMF, 2017). The significance of development assistance as a share of the country's income decreased in the past years.<sup>4</sup>
- 2.2 The recent discovery of vast offshore O&G reserves and the start of production is poised to fundamentally transform the structure of the Guyanese economy while generating an influx of fiscal revenue. Since the first major oil discovery in 2015, there have been 26 oil-well discoveries in Guyana. Guyana's oil reserves are estimated at nearly 11 billion barrels (Reuters, 2021; Exxon Mobile, 2022) and its territorial waters remain largely unexplored. Oil production started in December 2019, and Guyana has already become an oil exporter, started receiving oil revenue in 2020, and is projected to be among the world's largest

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2 Guyana's population is around 787,000 people. The population is concentrated along the coastal plain (close to 90% of the population), and 70% of the population resides in rural areas. Guyana is an ethnically and religiously diverse society, encompassing Indo-Guyanese, Afro-Guyanese, Mixed-Guyanese, Indigenous Amerindian, and others.

3 World development indicator for GDP per capita, purchasing power parity (constant 2017 international dollars).

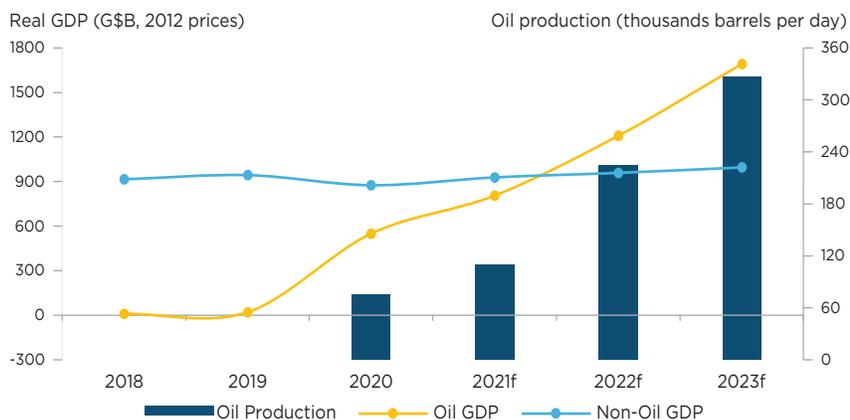
4 Net official development assistance decreased from an average 26.3% in the 1990s to 2.3% of gross national income in the 2010-2019 period (see Annex, Figure I.1.2). External debt accounts for two-thirds of total public sector debt, mostly to multilateral institutions. Multilateral creditors accounted for around 60% of total external debt in 2018. The IDB is the largest multilateral creditor (39.7% of total external debt as of 2018), followed by the Caribbean Development Bank.

per capita oil producers by 2025 (Bajpai, 2020). The rise of the oil sector is projected to dramatically alter Guyana's growth trajectory and the sectoral composition of its economy. The rise of the O&G sector offers new opportunities to address longstanding development constraints but poses unprecedented macro fiscal management challenges (World Bank, 2020). The increased dependence on natural resources exacerbates the economy's vulnerability to external shocks and could reduce the competitiveness of the non-oil economy due to the potential appreciation of the exchange rate. Moreover, Guyana faces challenges and limitations in the quality of governance in the O&G sectors.<sup>5</sup> As a new producer, Guyana is still developing the institutional framework to govern its O&G sector,<sup>6</sup> and it faces challenges in value realization, revenue management, and the overall enabling environment (NRGI, 2021).

**Figure 2.1**

**GDP growth (annual %)**

Source: World Bank, 2022; World Development Indicators 2022.

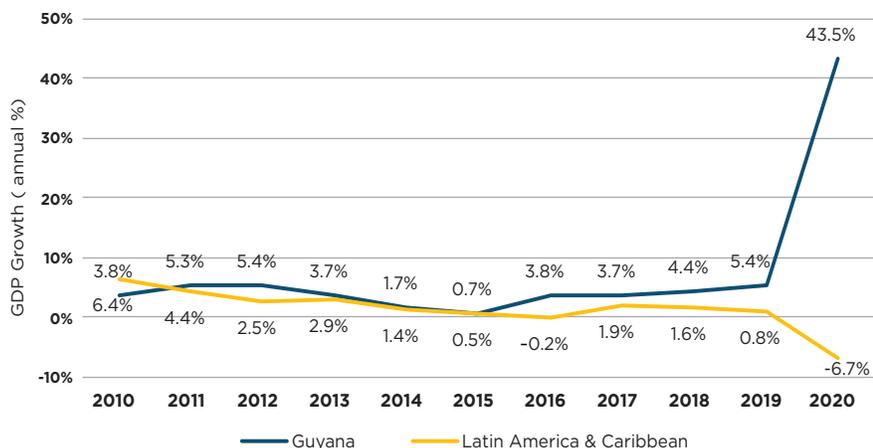


Note: Annual percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 2010 US\$.

**Figure 2.2**

**Guyana oil production, and oil and non-oil GDP<sup>a</sup>**

Source: World Bank Group Macro Poverty Outlook, 2021.



Note: f = forecast. <sup>a</sup> According to the World Bank, real GDP growth for 2020 in Guyana is potentially overstated, on account of the base year (2012) used for the inclusion of the oil sector in GDP.

- 5 Guyana's O&G sector was placed in the "weak" performance band of the 2021 Resource Governance Index, with a score of 55 out of 100 points (NRGI, 2021).
- 6 Guyana's Department of Energy was established in August 2018 - under the Ministry of the Presidency - and was responsible for implementing policy and overseeing the petroleum sector. In 2020 the government announced that the Department of Energy would fall under the Ministry of Natural Resources ahead of the establishment of a Petroleum Commission.

- 2.3 Despite Guyana's economic growth and improvement in some human development indicators, Guyana still faces development challenges, including high poverty rates, lagging health indicators, and inequalities in access to public services. Guyana has shown improvement in its Human Development Index, life expectancy, infant mortality, access to electricity and poverty indicators in the last decade, but it is still behind the LAC average (see Annex, Table I.1.2), and it does not have a frequent and comprehensive household survey that can help track the progress of social indicators. Although Guyana has achieved a significant decrease in poverty from 58.6% in 2006 to 43.4% in 2017, the poverty rate was almost double than the 2017 LAC average (23%) and even higher when compared with the 20.6% average of upper-middle-income countries in LAC (World Bank, 2020 and 2022;). Furthermore, poverty rates are higher in the sparsely populated interior, where communities have limited access to economic opportunities, healthcare, and public services.<sup>7</sup> Finally, Guyana's transportation infrastructure is concentrated in coastal areas and has a road density of 0.024, far below the LAC average of 0.462 (World Bank, 2020).
- 2.4 Resource-based development has created a limited number of jobs, the unemployment rate has not improved along with economic growth, and private sector development faces challenges in the ease of doing business. High-value mining exports (and increased dependence on natural resources) put upward pressure on the real effective exchange rate, weakening the competitiveness of firms outside the natural resources tradable sectors and undermining the development of more sophisticated forms of agriculture and manufacturing. Between 2006 and 2017, the sustained growth of the capital-intensive mining sector yielded limited employment creation, mostly in informal artisanal mining (World Bank, 2020). Guyana's unemployment rate has experienced an increasing trend in the last decade (see Annex, Figure I.1.1), going from 12.05% in 2010 to 13.91% in 2019 (pre-pandemic) and 15.82% in 2020. In addition, other economic and social factors have contributed to high emigration rates and brain drain, with 39% of all Guyanese citizens currently residing abroad and roughly half of all Guyanese with a tertiary education having emigrated to the United States (World Bank, 2020). Private sector development also faces challenges in the ease of doing business; Guyana ranks poorly—134th among 190 economies—in the ease of doing business, according to the latest World Bank 2020 ratings.
- 2.5 While the production of oil boosted economic growth, the COVID-19 pandemic has negatively affected the livelihood of Guyana's population. Rapidly falling oil prices in 2020 were one of the main

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<sup>7</sup> Life expectancy at birth is approximately 70 years with a slight increase from 2010–2020, yet Guyana is still behind the LAC average (75.6 years). The infant mortality rate (per 1,000 live births) was 24.4% in 2019, with a 5-point reduction from 2010 to 2019, yet it still high compared with the LAC average of 17.2%.

transmission mechanisms of the global crisis to Guyana's economy, which is among the reasons why the IMF revised Guyana's GDP growth estimate for 2020 from 85.6% initially, to 43.4% after the year closed. The results of an online survey carried out by the IDB in Guyana in 2020<sup>8</sup> show that the COVID-19 pandemic negatively affected the livelihood of the population through job loss, reduced income, business closure and loss of remittances.<sup>9</sup> The pandemic affected access to health services<sup>10</sup> and had a negative effect on food security; 45.6% of households reported eating less healthy meals than usual, with low-income households even more severely affected (UNDP, 2020).

- 2.6 Guyana faces climatic risks such as increased sea-level rise, more irregular rainfall patterns, and greater frequency and severity of floods and droughts, while its disaster risk management capacity is limited. Adaptation to climate change remains insufficient and the continued rise in average temperatures is likely to further increase the country's vulnerability. According to sea-level rise estimates, Guyana is one of the most affected countries in the LAC region, with some scenarios anticipating as much as 60 miles of coastal loss by 2050. Such a result would threaten much of the country's arable land and affect the coastal area where most of the population currently resides (Dasgupta et al., 2007). In addition, Guyana ranked low in the 2017 Index of Governance and Public Policy in Disaster Risk Management (IDB, 2019a).
- 2.7 Guyana experienced a period of political uncertainty from 2018 to 2020 and continues to face governance challenges, a polarized political climate, and limited institutional capacity. Guyana faced a vote of no confidence in 2018 and a months-long dispute over the 2020 elections results, which caused political uncertainty that corresponds to the country's low and decreasing scores in the political stability dimension of the World Bank's Worldwide Governance Indicators (see Annex, Figure I.1.3). In addition, the country performs worse than other LAC countries in the dimensions of absence of violence, regulatory quality, and rule of law (Kaufmann and Kraay, 2020). Although Guyana has improved its score in Transparency International's (2020) Corruption Perception Index, moving from position 20 in 2016 to position 13

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8 The IDB carried out an online socioeconomic survey between April and June 2020 across all six member countries of the Caribbean. The number of survey respondents in Guyana was 1,691.

9 41.2% of households declared at least one job loss, 71.6% of the households reported an income loss in April 2020, 65.6% households closed their businesses either due to the authorities' requirement or to lack of demand, and 54.6% of households who received remittances in January 2020 stopped receiving remittances in April 2020.

10 According to a socioeconomic assessment of impacts of COVID-19 conducted by the UNDP (in September 2020), 1 in 10 respondents indicated they were unable to access medical services or treatments when needed due to the lack of supplies at the health facilities (35%), high demand at the health facilities (25%), no money and resources (23%), and unwilling to travel to the health facility (22%).

in 2020 out of 30 LAC countries, it still has a score just below the LAC average, which represents an even more important challenge with the expected revenues from oil. Finally, the country's small size means that, given indivisible fixed costs in public services, the public sector is relatively larger, and can only draw from a limited pool of human resources (which is even more limited due to the migration of people with tertiary education), leading to inadequate skills mix in the public sector.

2.8 The new government, which has initially concentrated on the effects of the pandemic, has plans for creating jobs, investing in infrastructure, and proposing legal reforms in response to the new economic and social changes. Amid a tense political environment, elevated economic expectations, and the challenges associated with managing an oil revenue boom, the party that had ruled for 23 years before 2015 won the 2020 elections in an unstable political landscape. At the swearing-in ceremony, the new government highlighted legal reforms to respond to the new economic and social challenges (Office of the President, 2021). Following the oil discoveries, the new government is pursuing public-private partnerships (PPPs) not only for oil exploitation but also for providing services such as health care and education, under international standards. The draft of Guyana's Low Carbon Development Strategy 2030 aims to create a new low-carbon economy in Guyana by establishing incentives which value the world's ecosystem services and promoting these as an essential component of a new model of global development with sustainability at its core (see Box 2.1).

**Box 2.1. Guyana's development strategies and government priorities**

Guyana's Green State Development Strategy (GSDS) was developed during 2017–2019 and was built on the previous Low Carbon Development Strategy (LCDS). The LCDS was launched in 2009 and updated in 2013 identifying the country's climate commitments and priorities up to 2015. The GSDS promotes three key areas and eight development objectives:

Key area	Development objective
i. Managing natural resource wealth.	a. Sound fiscal and monetary policy. b. Sustainable management of natural resources.
ii. Supporting Economic Resilience.	c. Green and inclusive economic diversification. d. Transition to renewable energy. e. Resilient infrastructure, green towns and urban public spaces. f. Trade, investment, and international cooperation.
iii. Building human capital and institutional capacity.	g. Healthy, educated, and socially cohesive population. h. Good governance, transparency, and knowledge management.

Nevertheless, it is important to mention that the new administration has already produced a draft for Guyana's new Low Carbon Development Strategy 2030 that would replace the GSDS, and has conducted a national consultation process of the draft strategy document between November 2021 and February 2022. The new LCDS 2030 includes four main goals:

1. create new incentives for a low-carbon economy
2. protect against climate change and biodiversity loss
3. stimulate future growth: clean energy and low-carbon development; and
4. align with global climate and biodiversity goals.

*Source:* OVE, based on Department of Energy, 2019 and Guyana's Low Carbon Development Strategy Draft for consultation 2022.





# 03

## IDB Group Country Strategy

3.1 The 2017–2021 Country Strategy aimed to support Guyana in reducing the constraints to achieving inclusive growth by focusing on institutions to deliver services, fiscal policy, critical infrastructure, and improving the basic conditions that enhance the private sector’s role in the economy. The 2017–2021 CS established four objectives corresponding to four strategic areas of intervention and defined expected results (ER) for each strategic objective (SO) (see Table 3.1). In addition, two crosscutting themes (climate change and gender) were included in the CS, with specific discussion of how they should be incorporated in strategic areas 1 and 3.

**Table 3.1. Strategic areas, objectives, and expected results**

Strategic area	Strategic objectives	Expected results
<b>1. Strengthening public sector institutions and planning</b>	1. Establishing a modern national strategy and planning framework	1.1 Support strategic sector planning in line with national strategy goals in which gender and climate change are mainstreamed
		1.2. Improve civil service quality
		1.3. Enhance use of data and digital solutions
<b>2. Strengthening fiscal policies</b>	2. Strengthening fiscal policies and the framework for management of natural resource revenues	2.1. Improve revenue management through adjustment of tax legislation and administration
		2.2. Enhance public expenditure management through increased reporting transparency
		2.3. Enhance public financial management through the adoption of sound auditing and procurement practices
		2.4. Establish appropriate natural resource wealth management tools
<b>3. Improvement of the business climate</b>	3. Support the business climate by fostering access to finance and the institutional framework for PPPs	3.1. Increase access to finance
		3.2. Improve the institutional framework for PPPs
<b>4. Delivering critical infrastructure</b>	4. Support investment in infrastructure for private sector growth	4.1. Increase execution rate of public sector infrastructure investment portfolio
		4.2. Install capabilities to select, prioritize and structure critical infrastructure projects

Source: IDB, 2017. Guyana Country Strategy 2017-2021 (document [GN-2905](#)).

3.2 Overall, the 2017–2021 strategic objectives were relevant considering the country’s challenges during the CS period, and they are aligned to the IDB Group’s corporate strategies and to national strategies. The IDB’s 2016 Country Development Challenges (CDC) report identified challenges that existed since the previous strategic period in terms of commodity dependency and inadequate quality and capacity of public and private institutions, but also considered new challenges brought by the country becoming an oil producer, such as the need for a framework for managing natural resources. Other development partners’ diagnostic reports (World Bank, IMF,

Islamic Development Bank, UN, and Caribbean Development Bank) are in line with the challenges found in the CDC but also emphasized social sector challenges.<sup>11</sup> The selection of strategic objectives for the CS responded adequately to the country’s development needs and remained relevant once the country started receiving O&G revenue (see Box 3.1). Nevertheless, for SO 3 (i.e. *support the business climate by fostering access to finance and the institutional framework for PPPs*), neither the CS document nor the 2016 CDC document mentioned challenges in the institutional framework of PPPs. The strategic areas and objectives were aligned with the government’s priorities in the three key areas of the Green State Development Strategy (GSDS; see Box 2.1), covering five out of eight GSDS development objectives.<sup>12</sup> Furthermore, the CS was aligned to the IDB’s Update to the Institutional Strategy 2010–2020 and the Inter-American Investment Corporation Business Plan 2017–2019 (see Annex, section II.A).

### *Box 3.1. Guyana’s development challenges*

**The 2016 CDC document showed that Guyana faced multiple challenges, mainly inherent to the country’s characteristics as small, ethnically diverse, and with a commodity-based economy.** Economic performance, given the dependency on commodities and absent policy buffers, has followed the world super-commodity cycle.<sup>a</sup> With the latest offshore oil discoveries and the growing dependency on two large gold mines, the country faces sharpened risks associated with the ill effects of Dutch disease and overvaluation of the exchange rate. Other challenges that have been identified include low institutional capacity; ambiguous legal-regulatory framework; low investment and limited access to international capital markets; high cost of domestic finance; inadequate infrastructure; sparse, outdated, and limited data; inefficiencies in the public sector; weak private sector; political instability; inadequately educated workforce; high rate of job informality; weak educational and health care systems; high crime and insecurity levels; and others. These challenges are complemented by crosscutting issues, such as gender, ethnicity, environmental protection, and climate change, which affect the pace of growth and development. Based on these issues, the CDC undertook a thematic analysis of three areas: (i) enhancing sustainable public service, (ii) private sector development and infrastructure, and (iii) integrating crosscutting issues.

**The Guyana 2019 CDC update document indicated that Guyana’s macroeconomic environment has been stable since the 2016 CDC with steady growth, declining debt levels and low inflation.** It also mentioned that a substantial oil boom is on the horizon. It identified that Guyana still faces the same challenge areas identified in the previous CDC report and a considerable lag compared with other countries in the region in (i) institutional capacity, (ii) business environment, (iii) infrastructure, (iv) human development, and (v) social aspects (immigration, labor force, education). In addition, climate change persists as a main crosscutting topic.

11 The CS document indicates that although the CDC “identifies ‘enhancing human capital’ as an area for consideration, it should be noted that other important donors are working on several related initiatives in Guyana” (IDB, 2017:7).

12 The GSDS objectives not covered in the 2017–2021 CS include objective d (transition to renewable energy, objective f (trade, investment, and international cooperation), and objective g (healthy, educated, and socially cohesive population).

The diagnostics by other development partners working in the country match the IDB's. The World Bank highlighted macroeconomic vulnerability due to the dependency of the commodities, the inadequate quality and capacity of public and private institutions, lack of governance, and scarce environmental and social standards. The UN network identified the quality and equitable access to health care, education, justice, and social protection systems among the core challenges for employability and sustainable economic development. The UN also underlined the need for a legal framework and policies for climate change and conservation of natural resources. The Caribbean Development Bank identified the lack of competitiveness, social issues, gender inequality, climate change, and governance. The Islamic Development Bank focused the attention on infrastructure, rural development areas, human development, and trade and competitiveness. Finally, the International Monetary Fund emphasized that policies should focus on reducing macroeconomic vulnerabilities, addressing structural weaknesses, boosting inclusive growth, and promoting intergenerational equity.

*Sources:* OVE, based on IDB, 2016, 2019b; World Bank, 2020; UN Guyana 2017; UNSDG, n.d.; CDB, 2016; Chickrie, 2018; Stabroek News, 2018; IMF, 2016 and 2019. *Note:* <sup>a</sup> Because the temporal evolution of poverty and inequality were largely unknown at the time the CDC was drafted, the gains and losses from economic growth were not able to be determined.

- 3.3 The 2017–2021 CS was more focused than the previous CS while providing continuity in key areas. The 2017–2021 CS had four strategic areas, each with an associated objective, but did not include areas of strategic dialogue,<sup>13</sup> and it had 11 expected results compared with 15 from the previous CS. Like the previous CS, the 2017–2021 CS focused on strengthening public sector institutions, strengthening fiscal policies, and improving business climate, but it also included *delivering critical infrastructure* as a strategic area, and climate change, gender, and diversity as crosscutting themes within two strategic areas. The inclusion of the infrastructure strategic area in the 2017–2021 CS is in line with the development challenges reported in the 2016 CDC document, and it allowed the incorporation of the infrastructure and energy legacy portfolio (which had a slow performance in the previous period) into the new CS.
- 3.4 The evaluability of the CS was weak because most of the indicators proposed in its results matrix did not allow to adequately measure progress in the period. Half of the 12 indicators had problems that prevented to measure progress during the period, such as a lack of baseline or lack of sources for updates (see Annex, section II.B). In addition, four of the six indicators with information to measure progress only allowed measurement up to 2019, since they are based on Public Expenditure and Financial Accountability (PEFA) assessments that are only conducted every 3 to 5 years.

<sup>13</sup> The previous CS included three areas of strategic dialogue: water and sanitation, transport, and citizen security.

3.5 The CS incorporated lessons from the previous cycle, with a special focus on addressing slow portfolio execution and removing bottlenecks. The 2017–2021 CS identified the slow portfolio execution in the previous cycle as one of the main bottlenecks associated with the institutional and capacity-building challenges; by the end of 2016, 54% of the portfolio was labeled as “alert” or “problem,” and the disbursement rate for loans fell from an annual average of 8.6% in 2012 to 4.4% in 2016. In response, the current CS established the following actions to boost portfolio implementation: restructuring nonperforming loans to ensure appropriability and alignment with government priorities for development impact (where necessary), enhancing the Bank’s supervision capacity using real-time financial monitoring systems, enhancing the IDB’s presence in the country to support dialogue and project execution, coordinating with the local procurement body, and linking the existing portfolio of infrastructure projects to the new strategy. The CS also addressed elements from three of the four endorsed recommendations of the 2012–2016 CPE (see Box 3.2) by including actions to address implementation bottlenecks that are in line with the second and third recommendations of the 2012–2016 CPE (supporting the implementation of a delivery unit and increasing the level of specialized staff in the Country Office), and by including the enhancement in the use of data as an expected result (recommendation 5). However, the delivery unit model has not been implemented (recommendation 2), and challenges in implementing the agricultural census and the preparation on the housing strategy report (recommendation 5) meant that the recommendations about a project management system and enhancing use of data were only partially adopted.

*Box 3.2. Recommendations of 2012–2016 CPE and Recommendation Tracking System (ReTS) follow-up*

The 2012–2016 CPE for Guyana issued five recommendations. Four of them were endorsed by the Board of Executive Directors.<sup>a</sup> Recommendations 3 and 4 were substantially adopted, and recommendations 2 and 5 were only partially adopted due to challenges in implementing a centralized project and procurement management system (delivery unit) and delays in actions to strengthen the national statistics system.

**Recommendation 1: Prioritize the implementation of the active portfolio over new approvals.** Because the Bank’s previous portfolio included many projects with large undisbursed balances facing numerous implementation challenges, the CPE suggested minimizing new approvals for 2017–2021 CS until these projects are more advanced and on track for completion. The Board of Executive Directors did not endorse this recommendation, and therefore is not included in the ReTS.

**Recommendation 2: Work with the government to develop and institutionalize a project management system that combines core procurement functions across programs.** The Bank prepared a Government Compliance Office (Delivery Unit) diagnosis and set a new management model. However, the technical cooperation

(TC) operation GY-T1144 that aimed to support the delivery unit implementation was cancelled due to the political impasse. Despite these circumstances, the Bank planned to have a dialogue with the new government in 2021 about the portfolio's challenges and consider another alternative to the Government Compliance Office, yet no progress has been reported on this.

**Recommendation 3: Ensure an adequate level of IDB Group staff support in each area of the program to enhance project implementation and achievement of results.** The Bank hired specialists and technical consultants in the energy, water, and transportation sectors. In addition, the supervision missions increased for the Transportation Division, Environment Rural Development and Disaster Risk Management Division, and the Competitiveness, Technology, and Innovation Division. The pandemic posed a challenge regarding conducting supervision missions. Nevertheless, virtual supervisions were carried out and supplemented by the Country Office with drone footage for infrastructure projects.

**Recommendation 4: Design projects that fit the institutional environment, build on one another, and incorporate the Office of Institutional Integrity's (OII) input as part of project risk assessment.** The Bank developed a system for team leaders with new operations. This new process incorporates the OII's assessments about risk and vulnerability and a new tool (Institutional Capacity Assessment Platform - PACI) in five procedures to assess institutional risks. Despite this, there is limited evidence about the incorporation of OII's assessment into risk analysis and how these lessons are reflected in the Project Monitoring Reports (PMRs).<sup>b</sup>

**Recommendation 5: Increase support for the generation and publication of data by continuing to work with the government to strengthen the national statistical system.** The Labor Force Survey was implemented in 2018. However, some challenges emerged, such as the suspension of the agricultural census (which was modified to a survey that still remains to be implemented) and the preparation of the Housing Strategy report between 2019 and 2020 under the GY-T1136 technical cooperation operation.

*Source:* ReTS, 2021 (document [RE-562](#)). *Notes:* <sup>a</sup>The Board of Executive Directors endorsed recommendations 2, 3, 4, and 5 and did not endorse recommendation 1. <sup>b</sup>According to the ReTS, team leaders continued to acknowledge OII's procedures. The main lessons learned were understanding the processes and risks and contacting OII as a preventive measure when a hazard is identified. However, it is unclear whether progress was made toward achieving the recommendation since there is no evidence about the extent to which the assessment made by OII was incorporated into the risk analysis nor about how these lessons were reflected in the PMRs.

3.6 The CS identified and proposed mitigation actions for macroeconomic, environmental, political, and portfolio execution risks. First, since the CS highlighted that the largest potential source of risk is Guyana's vulnerability to commodity price shocks in the absence of fiscal buffers, it proposed mitigation actions such as monitoring of economic performance and policies to support corrective measures and assisting the Government in the strategic area of *strengthening public sector institutions and governance*. Second, the CS identified that the country is susceptible to the effects of natural disasters and climate change which, due to Guyana's dependency on natural resources, could affect project implementation in the short term and growth in the medium term. To mitigate environmental risks, the CS proposed continuing to support climate change adaptation and mitigation actions, as well as disaster risk management measures in the public and private sectors. Third, the CS identified political risks that could potentially undermine the task of retooling the public service for improved service delivery. For mitigating this risk, the CS indicated

that the following would be required: extensive consultation with stakeholders, creation of attractive jobs for young people, rapid deployment of legislative and regulatory reforms, utilization of technology to increase transparency, and commitment from the highest levels of government. Last, to mitigate portfolio execution risks, the CS identified the actions described in paragraph 3.5.

- 3.7 The CS also included key actions to strengthen the public financial management (PFM) system. The CS indicated that the Bank would continue to support further strengthening of the budget, treasury, and external audit subsystems. Specifically, the CS established that the Bank would support country systems through the ongoing implementation of the Action Plan for PFM Reform, including: (i) streamlining budgetary processes, (ii) adopting International Public Sector Accounting Standards (IPSAS), and (iii) developing an updated Action Plan for the Audit Office of Guyana to be informed by the results of a Supreme Audit Institution Performance Measurement Framework (SAI-PMF) assessment.





# 04

## IDB Group Program and Alignment

## A. Country program

- 4.1 The IDB Group program in Guyana consisted of 72 operations for US\$410 million. The program included 33 legacy operations<sup>14</sup> that, as of the start of the period under consideration (January 1, 2017) still had an undisbursed balance of US\$234.64 million. In addition, it included all approvals that took place over the 2017–2021 period: 39 operations made up of 4 investment loans, 2 policy-based loans (PBLs), 28 technical cooperation (TC) operations, and 5 non-sovereign-guaranteed (NSG) operations, for a total of US\$175.4 million (see Annex, Table I.3.1).
- 4.2 During the 2017–2021 period, sovereign-guaranteed (SG) loan approvals totaled US\$125.2 million, from which more than two-thirds were for COVID response operations. By instrument type, SG loan approvals in the CS period were mostly concentrated in investment loans (US\$79.6 million), although the number and amount of investment loans approved is lower than in the previous CS period. The average approval amount for investment loans in Guyana in the CS period was US\$19.9 million. Two of the four investment loans approved during the CS period were COVID response operations (one of them was under the IDB's contingent credit facility for natural disasters modality).<sup>15</sup> PBLs represented a larger share of loan approvals during 2017–2021 compared with the previous period. Two PBLs were approved in the CS period (US\$45.6 million); one was a programmatic PBL approved in 2020 to support fiscal management in response to the health and economic crisis caused by the pandemic, and the other was approved to support the strengthening and sustainability of the energy sector. Overall, 69% of the amount of approved SG loans in the 2017–2021 period corresponded to operations approved in response to the COVID-19 pandemic.<sup>16</sup>
- 4.3 SG loan approvals during the 2017–2021 CS period greatly surpassed the CS baseline lending framework scenario, driven by the operations approved to support Guyana's COVID response. The 2017–2021 CS presented a SG lending scenario of US\$86.1 million, which represented a significantly lower level of approval compared with the previous 2012–2016 CS (US\$209.8 million). The CS explained that this reduction in expected allocations

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14 This comprised 11 investment loans, 17 technical cooperation operations, and 5 investment grants.

15 In November 2020, a contingent loan (GY-O0006) was approved for US\$22 million for the COVID-19 public health emergency. The contingent credit facility is a mechanism that gives the borrower the option to reallocate unpaid balances from a list of previously identified existing loans or receive a new loan (provided there is room in the country's financing framework) to finance emergency expenditures after a natural disaster or public health emergency. The contingent loan GY-O0006 is linked and is disbursed through GY-L1078.

16 Two investment loans: GY-L1078 / GY-O0006, GY-L1077; and one PBL: GY-L1075.

was the result of Guyana's increase in per capita income and the relatively weak portfolio performance over the CS 2012–2016 period. The CS assumed that the blend of 50/50 of concessional resources with ordinary capital would be maintained throughout the CS period. In the event, the blend of ordinary capital and concessional funds was changed to 70/30 at the end of 2018, such that the lending framework for 2019–2020 increased significantly to US\$ 86 million from US\$ 38.8 in the previous biennial. Guyana graduated from eligibility for concessional financing in December 2020. With the expanded lending framework actual SG lending approvals during the 2017–2021 period reached US\$125.2 million (45% more than the CS indicative lending framework), as the IDB moved swiftly to support Guyana's COVID response in 2020. Before the COVID-19 pandemic, the SG lending approval amounts coincided with what was planned in the indicative lending framework for 2017–2019,<sup>17</sup> but the total lending approval amount in 2020, which corresponded entirely to COVID response operations (US\$86.4 million), greatly surpassed the CS indicative lending amount for that year (US\$47.4 million). According to interviews with the Country Office staff, the fact that the country graduation announcement was made without much anticipation affected the design of new operations in 2021.

- 4.4 Similar to the previous period, TCs were mainly focused on client support. 28 TCs were approved for US\$17.2 million, a lower amount than the previous period (US\$19.4 million). Three TCs had funding from other donors and two were approved to support the country's response to COVID (see Annex, Table I.3.4). Most TCs approved during the CS period (23) were focused on client support, financing studies, and capacity building, especially in public sector management and natural resource wealth management. The remaining five TCs were used as operational support for projects in the housing, transport, social investment, and energy sectors.
- 4.5 In addition to SG approvals, the portfolio included 11 SG legacy investment loans and five investment grants, with considerable undisbursed balances at the start of the CS period. As shown in Table I.3.1 of the Annex, the legacy portfolio<sup>18</sup> included 11 investment loans with an undisbursed balance of US\$180.11 million at the beginning of the period (representing 85.6% of the approved amount for those loans), 5 legacy investment grants with US\$44.11 million pending to be disbursed at the beginning of 2017 (76% of their approved amount), and 17 non-reimbursable legacy TCs at the beginning of the CS period (US\$10.42 million

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<sup>17</sup> The indicative lending framework had planned approval amounts of US\$38.8 in 2018 and US\$47.3 in 2020 and no expected approvals for 2017, 2019, and 2021.

<sup>18</sup> Defined as operations approved before 2017 but having any outstanding amounts to be disbursed as of January 1, 2017.

pending to be disbursed by the beginning of 2017, which represents 76.6% of their approved amount). The legacy portfolio includes operations that were approved from 2009 to 2016.

- 4.6 The NSG portfolio was reestablished during the 2017–2021 period, with the first NSG operations approved since 2009. From 2017 to 2021, IDB Invest approved five NSG operations in the country totaling US\$33 million. These included two senior loans<sup>19</sup> for US\$19 million, both in the agribusiness, food, and beverages sector. IDB Invest also approved three Trade Finance Facilitation Program (TFFP) lines in 2020 and 2021. IDB Invest has also provided advisory services to support investments in Guyana. In interviews, management highlighted the importance of having an IDB Invest officer in Guyana since 2018, the collaboration with the IDB team, networking activities and press releases as enabling factors for IDB Invest to resume lending in a challenging environment.
- 4.7 Only a small portion of the program was anticipated in Country Program Documents (CPDs), in part due to the change in focus to approve COVID response operations in 2020 (which naturally could not be anticipated), and due to a mismatch between CPD preparation and programming meetings with the government. Only three out of 11 operations<sup>20</sup> included in the CPD indicative operational programs for 2017–2019 were approved during the CS period (see Annex, Table I.3.6), and none of the planned operations for 2020 and 2021 were approved during the year they were planned, as the IDB focused on approving operations to support Guyana’s response to the COVID-19 pandemic (see Annex, Figure I.3.2). Only two of the five investment loans and one of the five TCs that were planned in CPDs in 2017–2019 were approved.<sup>21</sup> In contrast, none of the five planned investment loans and the one PBL planned for 2020–2021 were approved.<sup>22</sup> According to interviews with Management, the small portion of the program that was anticipated even before the COVID-19 pandemic is, to a great extent, the result of the timing mismatch between CPD preparation and programming meetings with the government. According to interviews, programming meetings have generally occurred at the end of the first semester, so the

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19 The NSG portfolio considers operations that exclusively focused on Guyana: one senior loan and one regional loan.

20 The amount and number of operations counted as “anticipated” does not include TCs corresponding to Action Plan for Group C and D Countries, which, by their nature, are considered anticipated but do not appear in CPDs.

21 One investment grant (planned for 2017), and two NSG operations that were included in the indicative pipeline in CPDs were not approved during the period.

22 The preparation cost for the lending instruments that were planned but not approved in the 2017–2021 period was US\$108,600.22 for one PBL and US\$77,651.97 for four investment loans. No information or record related to preparation costs was reported for GY-L1070 and GY-L1076.

indicative pipeline in the CPDs has generally included operations that the IDB wished to pursue but that were not necessarily previously discussed with the government. On the other hand, there were several operations (apart from COVID response operations) that were approved without being anticipated in the pipeline, such as the GY-L1067 PBL (Strengthening Energy Sector operation, approved in 2018), 3 NSG operations (2 senior loans and 1 disbursed TFFP), and 26 TCs.

## B. Program alignment

4.8 While the SG legacy portfolio was heavily focused on infrastructure and supporting the development of a national planning framework, new approvals focused on strengthening fiscal policies and the management of natural resources. Specifically, 73% of the SG legacy portfolio was focused on the strategic objective of *supporting investment in infrastructure, while new approvals focused on strengthening fiscal policies and the management of natural resources revenues*, in light of the anticipated oil revenues (31% of new approvals)<sup>23</sup> and on COVID response (37% of new approvals; see Table 4.1 and Annex, Table I.5.2). One of the three NSG operation was aligned with the objective regarding access to finance.<sup>24</sup>

**Table 4.1. Country program by alignment with strategic objectives**

Strategic Objectives		SG operations approved in 2017-2021				NSG approved in 2017-2021	SG legacy portfolio available balance			
		INV <sup>a</sup>	PBL	TC	Total SG approved	Total de NSG	INV	CT	IGR	Total legacy
1. Establishing a modern national strategy and planning framework	#	-	1	4	5	-	4	7	2	13
	US\$ million	-	11.6	3.2	14.8	-	45	6.7	5	56.6
2. Strengthening fiscal policies and the framework for management of natural resource revenues <sup>b</sup>	#	1	1	8	10	-	-	4	-	4
	US\$ million	6	34	4.7	44.7	-	-	1.8	-	1.8
3. Support the business climate by fostering access to finance and the institutional framework for PPPs	#	-	-	2	2	1	-	-	1	1
	US\$ million	-	-	2.3	2.3	14	-	-	1.7	1.7
4. Support investment in infrastructure for private sector growth	#	1	-	6	7	-	6	3	2	11
	US\$ million	21.2	-	3.6	24.8	-	132.3	1.7	37.4	171.4

23 Although GY-L1075 PBL is a COVID response operation, it is considered in the amount aligned with the strategic objective of *strengthening policies and the framework for management of natural resource revenues*.

24 Two NSG senior loans were not aligned to any of the strategic objectives. One of them was put on hold in January 2022 due to concerns about the loan agreement. The project was put on hold while the company analyzes whether to go forward.

Strategic Objectives		SG operations approved in 2017-2021				NSG approved in 2017-2021	SG legacy portfolio available balance			
		INV <sup>a</sup>	PBL	TC	Total SG approved	Total de NSG	INV	CT	IGR	Total legacy
Nonaligned operations	#	-	-	7	7	2	1	3	-	4
	US\$ million	-	-	2.3	2.3	19	2.8	0.4	-	3.2
COVID-19 operations (excludes those aligned with a SO)	#	2	-	1	3	-	-	-	-	-
	US\$ million	52.4	-	1	53.4	-	-	-	-	-
<b>TOTAL</b>	#	4	2	28	34	3	11	17	5	33
	US\$ million	79.6	45.6	17.2	142.4	33	180.1	10.4	44.1	234.6

Source: OVE elaboration, based on Enterprise Data Warehouse data.

Notes: INV = investment loan; IGR = investment grant. Table shows the number of operations and US\$ amount of operations with the corresponding main alignment (some operations were aligned with more than one strategic objective). See Annex, Table I.4.1.

<sup>a</sup> The contingent loan GY-00006 is included among new approvals. Because disbursements under this facility can be drawn from undisbursed loan balances of other investment loans to avoid duplication, its approved amount has not been added to the total. As of September 2021, the contingent loan has been disbursed by GY-L1078. <sup>b</sup> Operations aligned to this strategic objective include GY-L1075, which although it is a COVID response operation, has some alignment with this objective. For this reason, this operation is not counted in the COVID response operations in this table.

4.9 The country program was strongly aligned<sup>25</sup> with the strategic objectives concerning the strengthening of fiscal policies and supporting investment in infrastructure and their expected results. Regarding strengthening fiscal policies and the management of natural resource revenues, the country program included several operations to improve revenue and expenditure management. On the revenue management area, it included the approval of an investment loan (GY-L1064) aimed at the simplification of trade procedures to optimize revenue collection, transparency, and accountability operations through the use of an Electronic Single Window for trade. In addition, the program included TCs to support the development of a strategic plan for the Guyana Revenue Authority, an assessment of the real property tax system, a medium-term fiscal framework, and analytical tools for macro fiscal management. In the expenditure management area, the program included TCs to support increased transparency through the improvement of monitoring and evaluation, expenditure, and information management systems. In addition, a PBL approved

<sup>25</sup> The ICPR used the following criteria to qualify the program alignment: *strong alignment* when relevant operations are in place that can contribute to all expected results under a given strategic objective (coverage) and it is plausible to expect that these operations, if well implemented, would contribute to the achievement of the strategic objective through progress in expected results (feasibility); *partial alignment* when some expected results under the strategic objective are not covered by the program (or the program does not cover an important part of the strategic objective not captured by the expected results) or the coverage is too limited to expect that it will contribute to the strategic objective through the achievement of the expected results; and *no alignment* when there were no operations that covered the strategic objective and its expected results.

in support of COVID response (GY-L1075), supported the use of an electronic funds transfer (EFT) system for the payment of health workers.<sup>26</sup> In order to strengthen public financial management, the country program included a legacy investment loan and investment grant that was focused on the energy sector and involved the adoption of proper auditing and procurement practices, as well as six TCs that involved strengthening contractual compliance monitoring and record management and enhancing public procurement and internal auditing systems. The country program also included eight TCs related to establishing appropriate natural resource wealth management tools, which were relevant in anticipation of new oil revenue and when new oil revenue started flowing. The objective of *supporting investment in infrastructure for private sector growth* was covered by several infrastructure operations (three legacy investment grants, eight investment loans, and two TCs) in different sectors.<sup>27</sup> Most of the infrastructure operations were aligned with the expected result of increasing the execution rate of the public sector infrastructure investment portfolio.<sup>28</sup> Finally, the country program also included several TCs that aimed to build capabilities to select, prioritize, and structure critical infrastructure projects.<sup>29</sup>

4.10 Due to limited coverage of some of their expected results, the country program was only partially aligned with the objectives of *establishing a modern national strategy and planning framework and supporting the business climate*. The country program included several operations (two investment grants, three investment loans, one PBL, and nine TCs) that aimed to support strategic sector planning in line with national strategy goals covering the following sectors:<sup>30</sup> national low-carbon

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26 In addition, although GY-L1075 focused on COVID response, it also supported the establishment of a record of expenditures made for emergency from the Consolidated Fund, which is in line with the strategic objective.

27 These included GY-G1004 (solar, hybrid and hydropower demons. plants), GY-L1027 (East-West Canje roads and Sheriff Mandela road improvement and rehabilitation), GY-L1031 (Sheriff Mandela rehabilitation), GY-L1037 (improvements to energy system's efficiency and network reconfiguration), GY-L1040 and GY-X1003 (potable water services and sanitation infrastructure), GY-L1041 and GY-X1002 (rehabilitation of the power distribution network), GY-L1059 (Metrology House), GY-L1060 (water reservoir and agricultural laboratories) and GY-L1066 (solar mini-grid systems).

28 Since IDB infrastructure projects are part of the Public Sector Investment Program (PSIP), an improvement in their execution rate can be expected to contribute to an improvement of the execution rate of the overall PSIP, which was an expected result under this SO. However, the projects did not contain any targeted components to affect the Government's capacity to increase the overall execution rate of the public infrastructure investment portfolio.

29 Some of the funds from the 2017 and 2020 Action Plans C&D aimed to assist with new project preparation, project identification, and conceptualization studies for infrastructure projects, and with a consultancy focused on calculating the infrastructure gap and investment pathway.

30 Some operations that had a stronger focus on strategic sector planning were: GY-G1004 (which included a specific objective to develop a National Renewable Energy Strategy plan), GY-L1059 (which included technical assistance to design and implement a trade and investment promotion strategy), and GY-L1067 (a PBL that aimed to develop a

renewable strategy; maternal and child health; trade promotion; energy, oil, and gas (PBL); and housing. In addition, the country program incorporated operations to enhance use of data and digital solutions, including support for the development of the labor survey,<sup>31</sup> agriculture census, assessment of the Bureau of Statistics institutional capacity, and the development of a poverty map. Nevertheless, the program did not sufficiently cover the expected result of improving civil service quality overall. The only investment loans aligned with this ER were citizen security operations focused on reducing crime, violence, and the high concentrations of prison population in Guyana. GY-L1042 included components to strengthen the Guyana Police Force's crime prevention and investigation capacities and the Guyana Prison Service's rehabilitation and social reintegration services. GY-L1044 included training of the Department of Public Prosecution and police prosecutors and supporting the Law Reform Commission in its task of introducing new sentencing alternatives not currently contemplated by the country's legal framework (see Annex, Table I.4.1). There were also dispersed training activities with limited scope for some executing agencies in the context of larger components of some other operations.<sup>32</sup> Together, these operations could not be expected to substantially improve overall civil service quality, as the CS's expected result aimed to do. Although the program included SG and one NSG operation aligned with access to finance, there was limited alignment to the objective of *supporting the business climate* because only one TC operation (approved at the end of the CS period) was related to the expected result of improving the institutional framework for PPPs.

- 4.11 The country program included two investment loans, one PBL, and two TCs to support Guyana's response to the COVID-19 pandemic. Two investment loans (GY-L1077 and GY-L1078) were approved in 2020 to support the health sector and safety nets for vulnerable populations affected by COVID-19. One TC was approved to support the design and execution of GY-1077, and one to provide support for Indigenous education during COVID-19. Finally, the Program to Strengthen Public Policy and Fiscal Management in Response to the Health and Economic

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management and planning framework for the O&G sector and to contribute toward the development of the policy framework to diversify the electricity generation matrix). On the other hand, GY-G1002, which aimed to support the implementation of the Low Carbon Development Strategy, only had a small amount of undisbursed balance at the beginning of the CS period.

- 31 GY-T1117 and GY-T1118 were merged in 2016 to focus on the labor survey (an agreement between the government and the Country Office), and the planned household survey was not carried out.
- 32 For instance, the following operations included training and activities aimed at strengthening institutional capacity in executing agencies in the transportation, and trade sectors: GY-L1031, GY-L1064.

Crisis Caused by COVID-19 in Guyana (GY-L1075) was approved in 2020 to strengthen the efficiency and effectiveness of fiscal policy and management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. These operations helped address country needs during 2020 and 2021, since the COVID-19 pandemic negatively affected the livelihood of the population through job loss, reduced income, access to health services, and other areas (see paragraph 2.5).





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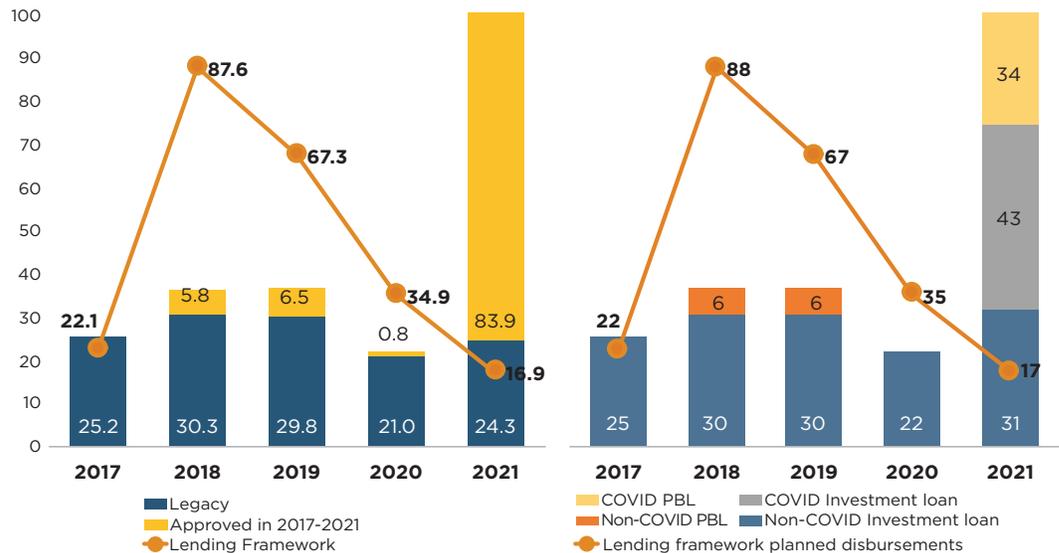
## IDB Group Program Implementation

## A. Program execution and implementation

5.1 SG loan disbursements increased with respect to the previous period, driven by COVID response operations. Total disbursements of SG loan operations during 2017–2021 (US\$227.8 million)<sup>33</sup> were higher than during the previous CS period (US\$152 million), and the total amount disbursed in the CS period was very close to the indicative amount defined in the CS Lending Framework for the period (US\$228.8 million), driven by COVID response operations that corresponded to one-third of SG disbursements. SG loan disbursements were lower than what was planned for 2018–2020, showing that implementation problems persisted and coinciding with political instability context during those years. On the other hand, disbursements significantly surpassed what was planned for 2021, largely driven by COVID response operation disbursements (see Figure 5.1 and Annex, Figure I.5.2). More than half of the total SG loan disbursements in 2017–2021 corresponded to 11 legacy operations, of which four were fully disbursed,<sup>34</sup> and two have disbursed less than 25% of their balance (see Annex, Table I.5.1). Regarding new approvals, most investment loan operations approved during this period experienced a slow start (Figure 5.1, right side), slowed their execution in 2020, and had a significant increase in disbursements in 2021 (83% of the total amount disbursed from SG loans approved in 2017–2021 was disbursed in 2021 alone). A large proportion (71%) of total disbursements in 2021 corresponded to COVID response operations (PBL and investment loan).

**Figure 5.1**  
Disbursement of SG loans vs. expected disbursements (US\$ million)

Source: OVE elaboration, based on the 2017–2021 CS and Enterprise Data Warehouse data.



Note: The orange line shows the expected disbursements according to the CS indicative lending framework.

<sup>33</sup> \$45.6 million was disbursed from PBLs (from which \$34 million were for COVID response), \$43 million from COVID response investment loans, and \$139.1 million from other investment loans. According to information provided by Management’s commitment portal, as of December 31, 2021, approximately \$5 million of the undisbursed balance of investment loans (\$76.2 million) were committed through signed contracts.

<sup>34</sup> Most of the seven legacy operations that are still disbursing were approved at the end of the previous CS period: four approved in 2016, two approved in 2014 and one approved in 2012.

- 5.2 Compared with the previous period, investment loan preparation and execution times were longer for operations that were not related to COVID response. The elapsed time from registration to approval increased compared with the previous period for the two investment loans approved in 2018, but times were lower than the average preparation times in CCB countries (see Annex I.5.8 ). In contrast, the two COVID response investment loans approved in 2020 had significantly shorter preparation times. Regarding execution times, compared with the previous period, the average time from signature to eligibility increased for investment loans not related to COVID and decreased for COVID-related operations (see Annex, Table I.5.9). The average time from eligibility to first disbursement was slightly higher for COVID response operations compared with non-COVID-related operations and to the previous period. Regarding legacy operations, 9 of the 11 legacy investment loans had expiration date extensions (ranging from 10 to 76 months). On average, legacy investment loans have been delayed by over two years (29 months).
- 5.3 Project preparation expenses for loans that were not related to COVID response increased and were higher than those of comparator countries, and overall execution expenses per US\$ million disbursed also increased compared with the previous period. Overall project preparation expenses (per US\$ million approved) decreased compared with the previous period, due to lower expenses per US\$ million disbursed for COVID response operation approvals (see Annex, Table I.5.10. However, loan preparation expenses (per US\$ million approved) for operations not related to COVID response significantly increased compared with the previous period and are much higher than the CCB average (see Annex, Figure I.5.6). Execution expenses for all disbursing SG loans increased compared with the previous CS period, were slightly higher than the CCB average, and almost double the Bank's average. Higher execution expenses were in part due to projects with a combination of low disbursement amounts and high supervision expenses,<sup>35</sup> and projects that have required increased supervision support, including through remote monitoring, such as GY-L1031 (more than US\$1 million execution expenses in the CS period).<sup>36</sup>
- 5.4 Most cancellations in the 2017–2021 CS period were minor and, in general, did not affect the program support to strategic objectives. The country executed most of the approved operations without

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<sup>35</sup> These include two legacy operations: GY-L1060 (Sustainable Agricultural Development Program) and GY-L1059 (Enhancing the National Quality Infrastructure for Economic Diversification and Trade Promotion); and one new approval operation: GY-L1064 (Establishing an Electronic Single Window for Trade).

<sup>36</sup> Drones were used to help supervise parts of GY-L1031.

modifications. However, 11 legacy TCs, three investment loans, and one investment grant<sup>37</sup> had partial cancellations, with almost all of them cancelling less than 25% of their approved amount (see Annex, Table I.5.11). Nevertheless, there was one total cancellation of a TC (GY-T1144) which, if implemented, could have helped to address recommendation 2 of the 2012–2016 CPE (see Box 3.2),<sup>38</sup> and one legacy TC (Fiscal Management Modernization in Guyana, GY-T1130) cancelled 95% of its approved amount, which affected the contribution of the program to improving revenue management through adjustment of tax legislation and administration (expected result 2.1). Regarding reformulations, the Road Network Upgrade and Expansion Program loan (GY-L1031) was reformulated in 2017 due to low execution. The new administration decided to expand transportation infrastructure loan agreements with other international partners, so the undisbursed resources from GY-L1031 were redirected toward housing solutions in the Georgetown area,<sup>39</sup> while maintaining original activities focused on Sheriff-Mandela Road with a revised scope to address sustainable and climate-ready mobility challenges. However, the reformulated project has faced implementation challenges in both housing and road components (see Box 5.1).

***Box 5.1. GY-L1031 (Road Network Upgrade and Expansion Program): reformulation and implementation challenges***

**GY-L1031 was approved in 2012, reformulated in 2017 and has faced several execution challenges.**

GY-L1031 was approved in 2012 as the Road Network Upgrade and Expansion Program (US\$66.2 million), with the objective to enhance mobility and safety through the upgrade, improvement, and expansion of the road network (including expansion and construction of road segments such as Sheriff Street – Mandela Road). By 2017, it had disbursed only US\$3.4 million, showing evidence of low execution progress that, according to interviews, was in part due to its initial design (which had unrealistic assumptions about execution times and did not consider issues in the procurement process or the low local execution capacities).

The reformulation was requested in May 2017 to use undisbursed resources from GY-L1031 to support housing objectives in Georgetown while maintaining original activities focused on Sheriff-Mandela Road, with a revised scope to address sustainable and climate-ready mobility challenges. The reformulated project was for the same amount and contemplated an execution period of five years. The structure of the reformulation design split the operation into two main components, which are managed separately by two different executing agencies.

37 GY-G1002 cancelled the undisbursed balance it had available at the beginning of the CS period (US\$ 89,933, which was small compared to the approved amount). Therefore, although the undisbursed amount of this operation was considered in the country program, there was no contribution in the 2017–2021 CS period.

38 The TC was cancelled because the Government of Guyana decided to rethink the proposed model considering wider public sector modernization efforts, and there were unproductive subsequent attempts to reengage prior to the final disbursement expiration in 2019. This was reported as being due in part to the uncertainties regarding national elections since the end of 2018.

39 The redirection of funds toward housing was in line with the experience from the previous CS period since housing projects performed better than those in transportation.

- The housing component has progressed in the housing design, but the new government had not defined the assigned areas of intervention by the end of 2021, which affected the implementation of this component.
- The Sheriff-Mandela Road component was planned to be completed by October 2021, yet it has faced several execution challenges and has been given an extension. Execution challenges include procurement issues (including getting a qualified bidder); quality issues with the contractors and subcontractors (difficulties in meeting IDB quality standards, as well as several unattended community complaints and grievances); limited personnel that could not focus exclusively on the project; COVID-19 shut down and travel restrictions (that affected execution since the contractor company is from abroad); and complaints and negative attention from the press because the road was never closed, which was not well-communicated with the communities. To address some of the COVID-19 challenges, the Country Office, in coordination with the Transport Division implemented a remote monitoring system that included drone flights and the use of CaptuData software for remote project management. According to information provided by the Country Office the Sheriff-Mandela works received a partial completion certificate in December 2021 and the defects period started (the work achieved 90% completion at that date). The Bank and the executor conducted a comprehensive walk-through during which more than 160 defects were identified and fully addressed.

5.5 NSG operations started executing, with two disbursements from a TFFP line and with a nascent execution of senior loans. NSG operations disbursed more than half of the US\$33 million that were approved.

5.6 Apart from weak execution capacity and issues with procurement processes, which were also identified in the previous CS, the main implementation challenges during the 2017–2021 period were related to the uncertainties in the political context, changes in administration, and the COVID-19 pandemic (see Figure 5.2). According to interviews, several legacy operations and those approved in the 2017–2021 CS period faced implementation challenges and difficulties in needing to modify the scope due to uncertainties in the political context and changes in government counterparts (see Annex, Table I.5.12). The changes in staff in key roles within executing agencies that occurred after the change in administration led to a loss of capacities, and the elimination of the Department of Energy affected the completion of outputs of three operations.<sup>40</sup> The second and third most common implementation issues mentioned in interviews are in line with the previous CPE findings, which indicated that low Project Execution Unit (PEU) capacity, turnover, and procurement were the main factors affecting implementation. Issues related to execution capacities such as finding skilled and qualified staff dedicated exclusively to the executing agency (which were mentioned more frequently in legacy operations) and, to a lesser extent, issues of interinstitutional coordination were reported as having caused implementation delays, especially

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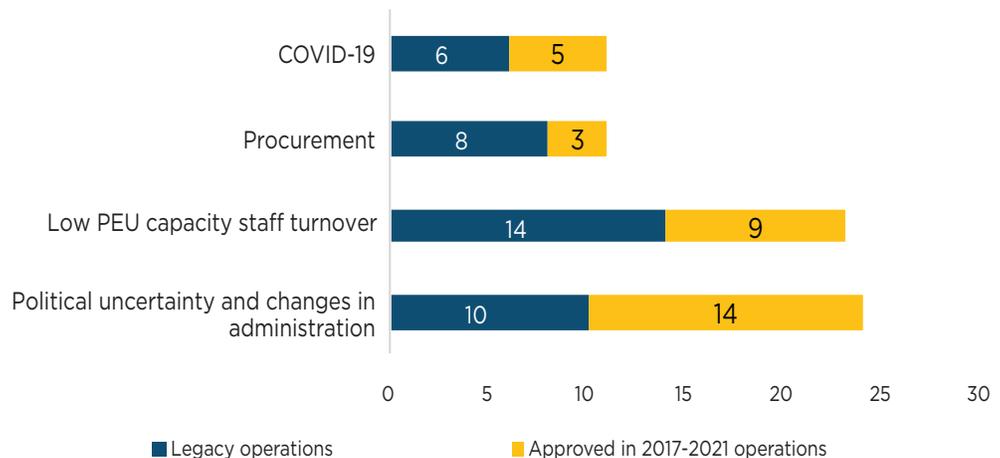
<sup>40</sup> GY-L1066, GY-T1153, and GY-T1154. The elimination of the Department of Energy also limited the contribution of some products that were drafted but only partially adopted.

in procurement processes, for four operations.<sup>41</sup> According to interviews, tendering and procurement processes were affected by the quality and small number of qualified contractors, and by dual procurement requirements (national and IDB norms)<sup>42</sup> that have caused delays in project implementation. The issues with contractors were related to limited capacities and their failure to clearly communicate execution problems. In some cases, contractors' initial proposal underestimated costs, which eventually required project rescoping and resulted in substantial delays.<sup>43</sup> Finally, the COVID-19 pandemic was reported as a cause of delay in initiating project activities for newly approved projects since it limited the dialogue with the counterpart and affected the provision of supplies. COVID-19 also impacted legacy operations since it affected implementation protocols, limited quality control procedures, prompted cancellation of contracts that required field work, and caused border closures that affected international contractors.

**Figure 5.2**

**Implementation challenges**

Source: OVE elaboration, based on interviews with IDB staff in charge of active operations.



Notes: The figure above shows information about challenges identified in interviews with team leaders of 35 operations (19 legacy operations and 16 operations approved in the 2017-2021 period; including all loan operations and 21 TCs). The numbers represent the implementation challenges mentioned during the interviews with the team leaders. Some of these operations identified more than one challenge.

5.7 The IDB supported actions to strengthen the country's public financial management system with some achievements in the external audit system during the CS period. CPDs reported some progress in actions to support the Chart of Accounts for the budget system (see Annex, Table I.2.3). In addition, the IDB supported the strengthening of the accounting and reporting subsystem through two TCs, although IPSAS standards are not yet fully adopted.

41 GY-L1064, GY-L1066, GY-T1155, and GY-T1130.

42 Interviewees explained that procurement processes above a certain amount need to follow national procurement processes with cabinet approval in addition to IDB procurement processes. This was reported as making the process lengthier and more cumbersome.

43 GY-G1003, GY-G1004, GY-L1027, GY-L1040, GY-L1031, and GY-L1066.

Regarding the external audit system, IDB supported training of the auditors in the Audit Office. IDB also supported the SAI-PMF assessment to promote increased use of the Auditor General and approved the regional operation (RG-T3646) to support deficiencies identified in SAI-PMF. CPDs reported achieving the expected result of increasing the percentage of IDB projects using the external control system (72%), which surpassed the goal for the period.

## **B. Contribution of the IDB Group program to strategic objectives**

5.8 This section reviews the information available<sup>44</sup> on country program results and the country program's contribution to the strategic objectives (SO). The operations that concluded during the period were mainly legacy operations and approved PBLs. Several operations' results contributed to some degree to the SOs with which they were aligned; however, many loans are still executing, and results are not yet available. The Annex (Table I.4.1) provides a review of program achievements and outputs that have contributed to each of the strategic objectives and their expected results and that are summarized below.

5.9 The program made some contributions toward all strategic objectives, yet contributions were limited and varied across SOs. Although available data only show progress of the indicators measuring 4 of the 11 expected results,<sup>45</sup> the IDB Group program in Guyana made some contributions toward all SOs. The contributions were stronger for the SOs related to *establishing a modern national strategy and planning framework and strengthening fiscal policies than for the strategic objectives related to supporting business climate and investment in critical infrastructure*. However, there were no contributions to at least one expected result for three of the four strategic objectives.<sup>46</sup> Finally, COVID response operations contributed to support Guyana in strengthening its fiscal management response, helping to prevent the disconnection of public services, and acquiring medical equipment and medicines.

5.10 The IDB Group program has contributed to the strategic objective of *establishing a modern national strategy and planning framework* through its support to enhancing the use of data and

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44 The sources include interviews with IDB Country Office staff and operation team leaders, Project Completion Reports (PCRs), Project Monitoring Reports (PMRs), semiannual reports, TC Documents, Annual Donor Progress Reports, PACIs, SECIs, minutes, final reports, and results matrices.

45 One indicator had no change, and progress could not be determined for the rest due to evaluability issues (see Annex, Table I.2.2).

46 No contributions to tax legislation, institutional framework for PPPs, and execution rate of the public sector infrastructure investment portfolio.

digital solutions, but contributions were more limited to strategic sector planning and to the expected result of improving civil service quality. Regarding the enhanced use of data and digital solutions ER, four TCs contributed by supporting technological updates to procurement and expenditure systems (information technology solutions for public procurement, enhancements to the procurement portal, and improvement in the payroll and pension automated systems), strengthening the capacities of the Bureau of Statistics (including developing an information technology master plan), and designing and implementing a labor survey. In addition, policy measures of the PBL that aimed to strengthen public policy and fiscal management in response to COVID-19 (GY-L1075) included the use of an EFT system to pay central government workers, which also contributed to the ER of enhancing the use of digital solutions. During the CS period, the IDB program also contributed to ER of strategic sector planning in the energy, O&G, and health sectors (see Annex, Table I.4.1). However, most of the achieved results were not focused on strategies in which climate change and gender are mainstreamed and operations from other sectors that were aligned with the strategic planning ER had no registered contributions. In the energy and O&G sectors, the IDB's COVID response PBL supported the development of a Production Sharing Agreement economic modeling toolkit (which has been used by the Department of Energy and the Ministry of Finance to conduct scenario modelling), a national vision for the diversification of the electricity sector, a National Grid Code for the electricity sector implemented by Guyana Power and Light Inc., and scenarios for the diversification of the electricity generation matrix. In the health sector, GY-L1058 contributed to supporting strategic sector planning and data use by completing a health care assessment and dashboard with human resources and infrastructure information to help the Ministry of Public Health make decisions.<sup>47</sup> With respect to the quality of civil service, citizen security operations contributed by providing training to police officers, public prosecutors, as well as staff of the Guyana Prison Service (GPS), and Ministry of Public Security<sup>48</sup>. They also supported the development of a law reform proposal introducing alternatives to imprisonment, organizational strengthening design for GPS,

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47 Interviewees reported that this information is currently being used in discussions for a potential new operation in Guyana, and that the Government has reviewed the infrastructure component and is using it as a preliminary base to prioritize health facilities that would require investments.

48 Police officers trained in domestic violence scenario response, community engagement and cooperation, and criminal and forensic investigation techniques. Police prosecutors trained in the use of non-custodial measures. MOPS staff trained in leadership and management development.

and development and implementation of case management and monitoring systems for the GPS. Other operations also completed trainings for executing agencies' staff.<sup>49</sup>

5.11 The IDB's contribution to *strengthening fiscal policies and the framework for the management of natural resources* was mixed, with contributions to enhancing public expenditure management and procurement practices but limited contribution in establishing natural resource wealth management tools and no progress in the area of revenue management. Four TCs contributed to the ER of enhancing public expenditure management through increased reporting transparency by providing training in expenditure analysis and about Public Expenditure and Financial Accountability (PEFA), as well as introducing an implementation plan of the management model for enhancement of Public Sector Investment Program execution, which was approved by the government of Guyana. In addition, although it was not its main focus, GY-L1075 also contributed to the expected results of increasing expenditure transparency and improving procurement practices by supporting the implementation and use of the EFT system to pay central government workers, the development of an action plan for electronic government procurement approved by the Ministry of Finance, and the establishment of a record of expenditures made for emergency from a consolidated fund. Nevertheless, there was no progress in the indicator of the public expenditure management ER during the CS period based on the PEFA assessment 2019. Regarding the auditing and procurement practices ER, GY-L1041 and GY-X1002 helped Guyana Power and Light Inc. introduce a procurement and inventory control system and implemented a management information system which has been progressively adopted by the utility's divisions. Five TCs also contributed to enhancing auditing and procurement practices through the implementation of a computer-based audit software and electronic records management in the Audit Office of Guyana, a gap analysis between current practices and those in compliance with the International Standards of Supreme Audit Institutions, and a proposal for procurement act and regulations, among others. The IDB's program also made some contributions to the natural resource wealth management ER through three TCs that conducted a review of the current legal and regulatory framework of the energy sector, developed an economy modeling toolkit to forecast O&G income, and conducted an O&G sector diagnostic assessment. However, these efforts were not related to the partial progress in associated results measures included in the results matrix (compliance with the Extractive Industries Transparency Initiative). Finally, no contributions

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<sup>49</sup> GY-L1031 (training on project management, M&E, transport planning, ICT management, quality and environmental safeguards) and GY-L 1064 (training program for government officers in operating an Electronic Single Window).

were identified for ER of improving revenue management through adjustment of tax legislation and administration, since operations aligned with this objective are only starting to be implemented or have been cancelled.

- 5.12 Under the business climate objective, the program made some contributions to fostering access to finance but not to improving the institutional framework for PPPs. IDB Invest contributed to the fostering access to finance ER through a TFFP credit line to support the client in diversifying its network of correspondent banks so that it could offer trade products to more clients (including small and medium enterprises) in Guyana. The IDB Group also contributed by granting small businesses 222 loan guarantees through the Collateral Guarantee Fund and nine loans with interest reductions<sup>50</sup> through the Interest Payment Support facility. GY-T1141 also provided support to business climate by developing a legal framework for collateral registry (although it has not yet moved forward) and provided support for the draft legislation and information system for secured transactions. The indicator of the expected result related to access to finance (domestic credit to private sector as percentage of GDP) showed improvement in the CS period. In contrast, there were no contributions from the IDB Group during the CS period to the expected result of improving the institutional framework for PPPs.
- 5.13 The IDB program made some contributions to the strategic objective of *supporting investment in infrastructure for private sector growth* through TCs that helped to install capabilities to select, prioritize, and structure critical infrastructure projects; however, there is no evidence that it contributed to improving the execution rate of the public sector infrastructure investment portfolio. Although many operations that were aligned to the specific objective of supporting investment in infrastructure completed critical infrastructure projects (roads, electrification structure, bridges, drains, and water treatment plants), there is no evidence that they helped accelerate the execution rate of the public sector infrastructure investment portfolio because most of these infrastructure operations experienced execution issues and delays. The IDB program contributed to the ER of installing capabilities to select, prioritize, and structure critical infrastructure projects by delivering prefeasibility and feasibility studies,<sup>51</sup> four studies to define the best course of action and policy for the Guyana- Brazil integration in the context of the recent oil discoveries, an aviation

50 Nine out of 150 planned loans. The contribution was limited due to administration changes, and because the government decided to reduce the interest rate from 15% to 6%. Therefore, multiple stakeholders lost interest in executing the operation, and the 40% coverage was not attractive for the banking community.

51 Prefeasibility studies on use of gas in Guyana's electric system and engineering studies for deep water port location, and feasibility studies and diagnostic assessments to support other operations (sustainable agriculture and housing).

master plan that includes the proposal for structured development of civil aviation improvements over the next two decades, and a gas-to-power feasibility analysis. In addition, GY-L1058 completed a health care assessment and dashboard with human resources and infrastructure information to help the Ministry of Public Health make decisions. Interviewees reported that this information is currently being used in discussions for a potential new operation in Guyana and that the government has reviewed the infrastructure component and is using it as a preliminary base to prioritize health facilities that would require investments.

### **C. Results of COVID response operations**

5.14 One PBL and two investment loans supported Guyana's response to the COVID-19 crisis by strengthening Guyana's fiscal management response, helping to prevent the disconnection of public services, and acquiring medical equipment and medicines. The Program to Strengthen Public Policy and Fiscal Management in Response to the Health and Economic Crisis Caused by COVID-19 in Guyana (GY-L1075) was fully disbursed. Aside from the contribution to the above-mentioned strategic objectives related to strategic planning and strengthening fiscal policies, additional measures supported by this PBL included establishing a national COVID taskforce, developing and approving the COVID-19 preparedness and response plan, extending the deadline to file tax returns, and suspending the disconnection of public services, among others. The contingent credit facility COVID loan (GY-L1078) was fully disbursed to acquire medical equipment, medicines, and protective equipment. In addition, according to recent Project Monitoring Reports (PMR), in 2021, the Support to Safety Nets for Vulnerable Populations Affected by Coronavirus in Guyana investment loan (GY-L1077) provided extraordinary cash transfers and electricity utility credits to counter the impacts of the pandemic, provided textbooks for primary and secondary education students, and delivered worksheets to accompany television and radio content to community centers or schools in the hinterland and riverine areas.

### **D. Sustainability**

5.15 Some of the results achieved by the program face sustainability risks related to political changes, policy priorities, interinstitutional coordination, staff continuity, low institutional capacities, and infrastructure maintenance. According to interviews with IDB staff, changes in government administration represent risks to the sustainability of some operational results (GY-L1042, GY-

1059, GY-L1075) given the changes in government priorities. Changes in the administration, which led to the elimination of the newly created Department of Energy, have affected the execution of some operations, and pose risks to the continuation of operational outcomes (GY-L1066 and GY-L1067). Lacking or limited communication or coordination mechanisms affect interinstitutional coordination, which poses risks to the sustainability of achievements of some operations (GY-L1044, GY-L1064, GY-L1075) because the continuation or progress of their outputs and outcomes depend on other institutions. Other sustainability risks stem from staff continuity issues; for instance, GY-G1003 had a partly unsatisfactory sustainability Project Completion Report (PCR) rating because there were identified risks to the continuation of outcomes due to problems with staff continuity and limited coordination of the program with the government negatively affected the demand for the loan program. Low institutional capacities also represent a sustainability risk, since the continuation of some of the outcomes depend on having a sufficient number of qualified staff to continue with the activities without IDB support.<sup>52</sup> Despite coordination efforts to include funding in its annual budget for the renewable energy technology system, GY-G1004 still faces risks related to the maintenance of the system. In addition, infrastructure maintenance is a sustainability concern for the GY-L1031 Sheriff-Mandela Road component related to citizens' and authorities' ability to assimilate, maintain, and manage the new traffic light system. Finally, IDB has made efforts to promote the continuity of some operations by providing training, installing capacities in the Bureau of Statistics to continue conducting the labor survey on a quarterly basis since 2017, and designing operations to continue previous operation's efforts (GY-L1014 and GY-L1041 were designed to continue the efforts of GY-L1037 in the energy sector and to support the continuation of results).

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52 The GY-L1037 PCR validation identified that, although there were other operations (GY-L1014 and GY-L1041) to support the continuity of the activities, there was still a sustainability risk to continue with the operations results in energy loss efforts without IDB support due to low institutional capacities (number of qualified staff: difficulties in hiring and retaining). A similar risk was seen in GY-L1040 and GY-X1003.



# 06

## Conclusions

- 6.1 The CS strategic objectives were and remained relevant as they addressed Guyana's development challenges and anticipated needs related to the production of and expected revenue from O&G. The 2017–2021 CS was more focused than the previous CS, while providing continuity in key areas. Overall, the 2017–2021 SOs were relevant and aligned to the IDB Group's institutional strategies and to national strategies. Furthermore, they remained relevant in a context of an economic structural change prompted by oil discoveries.
- 6.2 The country program was strongly aligned with the SOs concerning the strengthening of fiscal policies and supporting investment in infrastructure, but only partially aligned with supporting business climate and establishing a modern national strategy and planning framework. While the SG legacy portfolio was heavily focused on infrastructure and supporting the development of a national planning framework, new approvals focused on strengthening fiscal policies and the management of natural resources. The program alignment was affected by the limited inclusion of operations to improve civil service quality overall (an ER under the strategic objective of establishing a modern national strategy and planning framework), and to improve the institutional framework for PPPs (an ER under the supporting business climate objective).
- 6.3 The country program included operations to support the country's response to COVID-19, showing the IDB's flexibility in responding to the new challenges caused by the pandemic. During the 2017–2021 period, the SG program approvals greatly surpassed the CS baseline lending framework scenario driven by COVID response operations (more than two-thirds were for COVID response operations). The approved operations supported Guyana's response to the COVID-19 crisis by strengthening fiscal management response, providing cash transfers, helping to prevent the disconnection of public services, and acquiring medical equipment and medicines.
- 6.4 IDB Invest approved NSG operations for the first time since 2009, opening the door to more involvement with private sector development in Guyana. Senior NSG loans and TFFP credit lines have already started disbursing. Some enabling factors for IDB Invest included having an IDB Invest officer in Guyana since 2018, close collaboration with the IDB team, networking activities, and press releases.
- 6.5 Project execution and disbursements were lower than expected, with the exception of COVID response operations. Total disbursements over the review period increased compared to the previous period, driven by COVID response operations. However, the total amount disbursed was lower than what was planned in the expected CS indicative lending framework for 2018–2020

but picked up in 2021 with the disbursement of COVID response operations. Furthermore, several legacy investment loans still had a large undisbursed balance at the end of 2021, and almost all legacy investment loans had expiration date extensions, with an average delay of over two years.

- 6.6 The political context and the COVID-19 pandemic, along with persistent challenges of low execution capacity and procurement processes, were the main factors that affected implementation in this period. Program implementation was negatively affected by the period of political uncertainty, in which the country faced a vote of no confidence in 2018, a months-long dispute over the 2020 elections results, and a change in administration. In addition, the COVID-19 pandemic affected execution through delays in the initiation of newly approved projects and led to cancellations of contracts for works and services under some legacy operations. Furthermore, implementation challenges related to low execution capacity and difficulties in procurement processes (challenges already identified in the previous CPE) persisted during the period. These challenges remained, although the CS incorporated lessons from the previous cycle with a special focus on addressing slow portfolio performance and removing bottlenecks. The implementation of the delivery unit model (one of the recommendations from the previous CPE) was not achieved, which in part explains why some implementation challenges related to procurement issues continued in this period. Persistent execution capacity and procurement issues show that previous CPE findings regarding implementation challenges are still relevant.
- 6.7 The country program's contributions were stronger for the strategic objectives related to public sector planning and fiscal policies than for those related to supporting the business climate and investment in critical infrastructure. Regarding *establishing a national strategy and planning framework*, the IDB contributed to enhancing the use of data/digital solutions and to strategic sector planning in the O&G and health sectors. There were mixed contributions to *strengthening fiscal policies and the framework for the management of natural resources*, with important contributions in enhancing public expenditure management and procurement practices. Nevertheless, there was a limited contribution in establishing natural resource management tools. Regarding *supporting business climate and investment in critical infrastructure for private sector growth*, the IDB Group made some contributions to fostering access to finance and installing capabilities to select, prioritize, and structure critical infrastructure projects. Finally, there were no contributions for at least one expected result under three of the four strategic objectives (no

contributions were found in tax legislation, institutional framework for PPPs, and execution rate of the public sector infrastructure investment portfolio).

- 6.8 Structural changes in the Guyanese economy due to the discoveries of O&G present new opportunities and challenges for the country, and will likely change its relationship with the IDB Group. The projected economic growth and transformation in the economy is bound to change the nature of the relationship between the IDB Group and Guyana as the country becomes less dependent on external funding for its development projects. Therefore, the IDB Group can take advantage of having been an important long-term development partner and use its experience and knowledge of Guyana, as well as knowledge gained in other countries, to provide support in managing increasing resources from O&G and the public investment financed by these resources. Finally, IDB Invest's recent engagement in Guyana suggests that, together with the IDB, it has a role to play in the country to support private sector development.

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## Office of Evaluation and Oversight - OVE

Established in 1999 as an independent evaluation office, OVE evaluates the performance and development effectiveness of the activities of the Inter-American Development Bank Group (IDB Group). These evaluations seek to strengthen the IDB Group through learning, accountability and transparency.

OVE evaluations are disclosed to the public in accordance with IDB Group policies to share lessons learned with the region and the development community at large.

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