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PUBLIC
SIMULTANEOUS DISCLOSURE

IDB COUNTRY STRATEGY
WITH
THE COOPERATIVE REPUBLIC OF GUYANA

2012–2016

This document was prepared by Sophie Makonnen (CCB/CGY, Team Leader), Javier Leon (CCB/CGY), Musheer O. Kamau (CCB/CSU), Leslie Ann Edwards, (CCB/CGY), Michael Hennessey (CCB/CCB), Lesley Cassar (CCB/CCB), and Rafael Lima (VPC/VPC). The team received valuable inputs from VPS and VPP. Sasha Baxter (CCB/CSU) provided research assistance. N. Maria Jordan (CCB/CCB) gave editorial support.

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ABBREVIATIONS

AOG	Audit Office of Guyana
CCC	Canadian Commercial Corporation
CDB	Caribbean Development Bank
CIDA	Canadian International Development Agency
CS	Country Strategy
DFID	United Kingdom Government Department for International Development
DSF	Debt Sustainability Framework
EPBA	Enhanced Performance Based Allocation
EC/EU	European Commission/European Union
EITI	Extractive Industries Transparency Initiative
FDI	Foreign Direct Investment
FCPF	Forest Carbon Partnership Fund
FSO	Fund for Special Operations
GAP	Good Agricultural Practice
GDP	Gross Domestic Product
GEA	Guyana Energy Authority
GEI	Government Electrical Inspectorate
GFC	Guyana Forestry Commission
GGMC	Guyana Geology and Mines Commission
GMP	Good Management Practices
GNBS	Guyana National Bureau of Standards
GNI	Gross National Income
GoG	Government of Guyana
GPL	Guyana Light and Power, Inc.
GRIF	Guyana REDD+ Investment Fund
HACCP	Hazard Analysis and Critical Control Points
HIPC	Highly Indebted Poor Country
ICT	Integrated Government Technology Platform
IFA	Integrated Fiduciary Assessment
IIC	Inter-American Investment Corporation
IMF	International Monetary Fund
IRT	Independent Review Tribunal
ISO	International Organization for Standardization
LAC	Latin American and the Caribbean
LCDS	Low Carbon Development Strategy
MACC	Mainstreaming Adaption to Climate Change
MAPS	Methodology for Assessing Procurement Systems
MDRI	Multilateral Debt Relief Initiative
M&E	Monitoring and Evaluation
MIF	Multilateral Investment Fund

MSME	Micro, Small and Medium Enterprises
NTC	National Toshaos Council
NSG	Non-Sovereign Guaranteed
OC	Ordinary Capital
OECD	Organization for Economic Co-Operation and Development
OPM	Office of the Prime Minister
OOC	Office of Climate Change
PAHO	Pan-American Health Organization
PD	Procurement Departments
PEFA	Public Expenditure and Financial Accountability Performance Measurement Framework
PEU	Project Executing Units
PI	Performance Index
PMO	Project Management Office
PPB	Public Procurement Board
PPD	Public Procurement Department
PRODEV	Program to Implement the External Pillar of the Medium-Term Action Plan for Development Effectiveness
PUC	Public Utilities Commission
RE	Renewable Energy
REDD+	Reduced Emissions from Deforestation and Forest Degradation *Plus*
SCF	Structured and Corporate Finance
SG	Sovereign Guaranteed
SME	Small and Medium-sized Enterprise
TC	Technical Cooperation
TFFP	Trade Finance Facilitation Program
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WB	World Bank

EXECUTIVE SUMMARY[1]

Country context: Guyana has done well with the opportunity provided by debt relief. In 2005 debt-to-GDP was near 180%, the fiscal deficit was over 13%, inflation was 7%, and the current account deficit was about 13%. The authorities implemented a reform program and today inflation is less than 5% and the economy has grown 4.5% annually on average between 2006 and 2011 despite the international economic crisis. Furthermore, debt is now 62.1% of GDP[2] and there is sustained fiscal discipline with deficits down to 4%. Improved terms of trade for Guyana's exports played an important role in achieving these results. In spite of the current favorable economic outlook, the country still needs to address a number of underlying vulnerabilities to make this recent economic performance sustainable.

The IDB in Guyana: IDB is Guyana's principal development partner and leading multilateral lender. Total approvals from 2008 to 2012 were $121.2 million and annual disbursements averaged about 45% of externally financed public capital expenditure. Moreover, the IDB has played a catalytic role in helping position Guyana to access additional concessional resources.

Priority areas: Guyana took an historic initiative by making environmental sustainability the center piece of its development agenda through the adoption of its Low Carbon Development Strategy (LCDS) in 2010. Accordingly, this Country Strategy (CS) will support Guyana's objective of sustaining economic growth while giving priority to investments that promote the sustainability of its natural resources endowments—green investments—and protecting Guyana's gains from debt relief in a context of limited concessional resource availability. The CS seeks to do so by focusing on the following priority areas: (i) Sustainable Energy, (ii) Natural Resource Management, (iii) Private Sector Development, and (iv) Public Sector Management.

Lending framework: The base scenario for the CS period is $82.4 million. The high scenario assumes changing the OC/FSO blend from 50/50 to 60/40, and thereby increasing the total envelope to $103.2 million. Under either scenario, the size of the envelope makes it necessary to narrow the focus of the CS.[3]

Main risks: Risks to the achievement of the CS objectives are: insufficient availability of concessional financing and limited involvement of the private sector in capital investment, exogenous oil price shocks, environmental risks, and the allocation of fiscal space to projects included in the Bank's program in the context of the national budget process. Mitigating factors to each of these risks are duly identified.

[1] The current CS will be in effect, pending approval of the Board of Directors, from October 2012 to November 2016.
[2] Despite progress Guyana maintains a moderate risk of debt distress.
[3] See paragraph 4.3 for more details.

IDB COUNTRY STRATEGY WITH GUYANA 2012–2016 RESULTS MATRIX

National Development Objectives[4]	IDB Support Sector	IDB Strategic Objectives	Expected Outcomes Strategy	Indicators	Baseline (Year, Source)	2016 Aspirational Target[5]	Frequency of Measurement
Sustainable power sector	Sustainable Energy	Implement a low-carbon energy framework to reduce the cost of electricity and increase coverage	Reduced overall electricity losses and improved quality of service	Investments in the reduction of losses implemented as planned in the D&E Program (US$M)[6]	2.5 (2010)	63.2	Annual
				Overall losses as percentage of total electricity generation (%)	31.3 (2010)	24.7	Annual
			Increased generation capacity of a more sustainable and greener energy matrix	Installed capacity with non-conventional renewable energy	10 MW (2012)	12 MW (2016)	Annual
			Improved electricity coverage	National energy coverage (%)	81% (2010)	90% (2015)	Annual
			Enhanced institutional, legal and regulatory measures and strengthened capabilities of GPL	Cash Recovery Index (CRI %)[7] improved	67 (2010)	73	Annual
				Electrical System Average Interruption Frequency Index (SAIFI)[8] improved	140 (2010)	85 (2016)	Annual
Increase global value of natural resources	Natural Resources Management	Support the development of productive use of the country's natural resources, while addressing the challenge of sustainable management of the natural resources at stake	Improved growth of natural resource-based productive activities with sustainability	Increased financial commitments from GRIF	US$250 M (2013)	US$350 M (2015)	Annual
				Increased non-traditional agricultural production.[9] Average annual growth rate (Real GDP) of non-traditional agriculture	3.1% (2007-10)	4.5% (2012-15)	Annual
Maintain low rates of natural resources degradation			Increased environmental governance and capacity for sustainable management of natural resources	Annual deforestation rate[10]	0.06%/year 2009-2010	≤0.06%/year each year between 2012 and 2015	Annual

4 Largely based on the LCDS, the Competitiveness Strategy, and National Budget Speech 2012.

5 These aspirational targets will be revised and/or replaced, on a case by case basis, through the programming documents elaborated throughout the Country Strategy period.

6 This indicator includes contribution under CAPEX and OPEX

7 $\text{CRI} = \left[\frac{\text{Total energy billed by the Utility (MWh)}}{\text{Total generation supplied in the distribution system (MWh)}}\right]\left[\frac{\text{Total amount of energy paid by consumers (US\$)}}{\text{Total amount of energy billed by the Utility (US\$)}}\right]$

8 $\text{SAIFI} = \frac{\text{Total number of customer interruptions}}{\text{Total customers served}}$

9 Non-traditional agriculture defined as the GDP's component "Other Crops" in Guyana's National Account.

10 With adequate environmental governance and sustainable management of natural resources, annual deforestation rate should be kept at its desired level under the Joint Concept Note between Guyana and Norway.

National Development Objectives[4]	IDB Support Sector	IDB Strategic Objectives	Expected Outcomes Strategy	Indicators	Baseline (Year, Source)	2016 Aspirational Target[5]	Frequency of Measurement
Improve flood risk management			Improved capacity for disaster risk management and climate change adaptation	% increase in Risk Management Index (RMI)[11]	31.54 (2010)	39 (2015)	Biennial
Enhance competitiveness	Private Sector Development	Increase competitiveness and innovation levels in Guyana	Improved business climate via strong incentives for formalization of businesses, access to credit, secured transactions reform and retention of skilled labor	Global Competitiveness Index Score	3.73 (2012, WEF)	4.00 (as Guatemala today) 2016, WEF)	Annual
				Ease of Doing Business	114 out of 183 countries (2012, Doing Business)	Ranking 102 (2016, Doing Business)[12]	Annual
			Enhanced institutional and regulatory capacity to promote and enforce standards of quality	Innovation and Sophistication Factors	3.3 (2012, WEF)	3.7 (as Panama today) (2016, WEF)	Annual
			Strengthened capabilities of local firms to facilitate the adoption of new production technologies, as well as product and export diversification	Firms reporting product innovation (%)	35.7 (2011 Enterprise Survey)	42.0 (Enterprise Survey)	NA[13]
				Firms reporting process innovation (%)	47.8 (2011 Enterprise Survey)	55.0 (Enterprise Survey)	NA
Strengthen public administration	Public Sector Management	Improve public sector management, including the efficiency of the tax administration, quality and transparency of public spending and monitoring and evaluation capacity	Maximize the use of new technologies to improve government operations and service delivery	E-Government index for Guyana (UNDESA)	Index 0.45 Ranking # 109 (2012)	Index 0.50	Annual
			M&E institutional architecture developed and used by decision makers	Number of ministries integrated to the M&E system	2 (2012) Health and Education	10 from a total of 18	Annual
			Increased capacity of the Government in multi-year planning	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C+ (2011/PEFA)	B (PEFA)	Annual
			Improved tax administration	Tax revenue as percent of GDP (increased)	21.3% (2011/MoF)	22.3% (MoF)	Annual
			Office of Auditor General increases capacity to audit the Bank's sovereign guarantee portfolio by implementating a risk-based audit methodology	% of portfolio with sovereign guarantee that use the external control subsystem	38% (2012)	50% (2016)	Annual

[11] The Risk Management Index, one of the IDB Indicators of Disaster Risk and Risk Management, measures country performance in risk management in terms of the four public policy areas of disaster risk management: risk identification, risk reduction, disaster management and governance and financial protection.
[12] Or equivalent, depending on the number of countries being ranked in 2016.
[13] NA: there is no specific year for the publication of the next Enterprise Survey.

I. COUNTRY CONTEXT

1.1 Guyana is primarily an agriculture and resource-based economy. However, its GDP is heavily weighted towards an expanding services sector. The country has grown since 2006, with real GDP growth averaging at 4.5% through 2011. Since debt relief, Guyana has been able to maintain fiscal discipline and bring its level of debt down from more than 180% of GDP in 2005 to 62.1% of GDP in 2011.[14] Moreover, this growth has been largely pro-poor and reflected by improvements in not only the country's macroeconomic indicators, but also in maintaining adequate levels of social spending in the face of the global economic downturn.[15]

1.2 Improvements in the economic performance of the country can be attributed partly to sound macroeconomic management and reforms undertaken to enhance governance and improve the business climate. In turn, these initiatives have allowed the private sector to grow and enabled the continued expansion of FDI for both traditional and new activities. However, this economic performance can also be attributed to exogenous factors linked to improvements in the country's terms of trade, and specifically to increases in prices of key export commodities (i.e. gold, rice, bauxite, sugar) that compensated for the negative effects of increases in oil prices.[16]

1.3 Historically, economic activity in Guyana had been volatile and characterized by relatively short periods of growth and relatively long periods of stagnation. In spite of the current favorable economic outlook, Guyana still needs to address a number of underlying vulnerabilities to sustain this recent economic performance, including: infrastructure bottlenecks, particularly with respect to the energy sector; nascent levels of economic diversification and dependence on the prices of a small number of volatile commodities; potential threats to the country's unique natural endowments posed by the growth of resource-based economic activities; challenges to enhance the efficiency and effectiveness of its public sector management; and limited access to high quality social services to further enhance quality of life.[17] To address these vulnerabilities across all sectors of the economy, Guyana took an historic initiative by adopting the Low Carbon Development Strategy (LCDS) as its development strategy in 2010.[18]

II. IDB IN GUYANA

2.1 The IDB is Guyana's principal development partner and leading multilateral lender, with approvals totaling US$187.4 million between 2008 and 2012. As part of the Highly Indebted Poor Country (HPIC) debt relief and the Multilateral Debt Relief Initiative (MDRI), the IDB cancelled US$356.5 million of Guyana's outstanding debt in January 2007. This debt relief contributed to improving the country's debt profile and the level of debt distress risk, which

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[14] Despite progress, Guyana maintains a moderate risk of debt distress according to the Debt Sustainability Framework (DSF).

[15] Education increased from US$77 million in 2006 to US$124 million in 2011 (61% growth); health, US$42.7 million to US$81.9 million (91.8%), and housing from US$24.8 million to US$62.9 million over the same period (153%).

[16] To fulfill its energy needs, Guyana's imported fossil fuels account for one third of the country's imports.

[17] Addressing these vulnerabilities will support Guyana in improving its risk of debt distress classification over the medium term.

[18] The LCDS sets out a path for achieving four strategic objectives: (i) developing infrastructure; (ii) diversifying potential low carbon productive sectors; (iii) expanding access to services and new economic opportunities for indigenous people; and (iv) enhancing services to people in Guyana through supporting private sector entrepreneurship, improving health and education services, and developing the workforce required for a modern economy.

is now classified as moderate. The debt service savings helped Guyana to increase its capital expenditure that induced higher growth rates and to boost its level of pro-poor spending.

2.2 The country relies almost exclusively on multilateral and bilateral agencies to cover its short- and long-term fiscal gaps.[19] Between 2007 and 2011, IDB disbursements averaged about 45% of externally financed public capital expenditure. However, it is expected that during the new CS period, IDB's share will fall to between 8% to 9.5%. This reduction is due to the large number of infrastructure investment projects to be implemented in the following years, a decline in the size of the Bank's financial envelope going forward, and the maturity of the active portfolio.[20]

2.3 The Bank's outstanding sovereign guaranteed (SG) loan portfolio consists of 17 operations[21] totaling US$310 million, with US$182.3 million pending disbursement.[22] The portfolio has an average age of 2.8 years and has been transitioning from reform-based operations, which currently represent 14% of the portfolio (in volume terms), to infrastructure-related projects, which currently represent more than 70%. Of these infrastructure projects, 61% are focused on transport infrastructure, 14% on water and sanitation projects, 8% on natural resources, and 2% on energy projects. Social sector projects represent 2% of the loan portfolio as Government funds most of its social programs with its own budget.

2.4 There are 18 operations in the technical cooperation (TC) portfolio totaling US$10.05 million, which are distributed among many sectors, with transport infrastructure comprising the largest portion of the portfolio (32% of current approved). Most of the resources in the active TC portfolio are being used to provide support to project preparation and implementation, highlighting the important role that the Bank plays in capacity-building in the country. The participation of private sector windows has been driven mainly by the MIF (which currently has four operations totaling US$1.77 million). SCF currently has one technical cooperation for project preparation in the energy sector (US$1.2 million). This operation will set the basis for additional support from SCF in this sector (see paragraph 3.7). IIC has an active portfolio of US$700,000 relating to a 2008 US$2 million loan to Demerara Bank. The loan provides medium- and long-term financing to Guyanese SMEs.

2.5 Guyana has been supported by grant resources from bilateral donors, including traditional and new partners. The country also benefits from regional programs and initiatives. IDB played a catalytic role in facilitating the country's access to additional concessional resources by supporting the

[19] At the end of 2012, IDB support is projected to represent 54% of multilateral and 21% of total debt.

[20] This percentage depends on the size of the Bank's financial envelope (see paragraph 4.3). In any scenario, the increase of capital investments, the reduction of Bank's financing compared to the period 2008-2011 and the reduction in size of the active portfolio, will affect this ratio.

[21] Thirteen investment loans, three hybrid loans, and one loan guarantee (LO-1731/SF-GY: Solid Waste Program Guarantee, US$2.5 million). One operation has also reached legal effectiveness: LO-2741/BL-GY: Road Network Upgrade and Expansion Program, US$66.2 million, approved on 21 June 2012.

[22] In the last four years, the Bank's program in the country has seen a positive trend in terms of disbursements. In 2008, 6.3% of the available balance at the beginning of the year was disbursed during the course of the year, whereas through the first semester of 2012, 11.8% has been disbursed. Of the 17 operations in the active portfolio, only 22% (in value terms) have had an extension to date, and of these operations, one has been extended more than 24 months. Based on the performance index (PI), only three of the operations, representing 10% of the available balance, are classified as "on alert," and none are considered "problem" projects. However, execution has been historically affected by data-related challenges and lack of project management capabilities within the PEUs, which affect the quality of the performance of the portfolio.

LCDS and acting as a partner entity in the Guyana REDD+ Investment Fund (GRIF).[23] Specifically IDB facilitates the financing of projects through investment grants.

III. PRIORITY AREAS FOR IDB 2012–2016

3.1 The CS 2012–2016 is designed to support the goals set forth in the LCDS of achieving continued economic growth, while at the same time promoting the sustainability of the country's natural resource endowments. Specifically, this CS primarily seeks to support Guyana's objective of achieving sustainable, private sector-led growth by giving priority to investments that promote the sustainability of its natural resources—green investments—. In addition, this CS enables the Bank to continue working to protect Guyana's gains from debt relief and mitigating Guyana's risk of debt distress in a context of limited concessional resource availability.

3.2 To achieve these goals, the Bank intends to work along three lines of action focused on removing infrastructure bottlenecks, facilitating import and export diversification, and managing Guyana's natural resources. These actions will be pursued in a context that takes into account the country's unique natural endowments, and its commitment to follow a green development path while taking into consideration the well-being of its indigenous populations. In this context, the Bank will promote the use of available concessional resources through the GRIF and access to additional sources of funding.

3.3 Accordingly, this approach will support Guyana's objective of sustainable economic growth with greater diversification, less volatility —all within the framework of protecting its gains from debt relief and managing its debt burden. Given the limited availability of concessional resources, a narrow set of priority areas will be pursued. As the Bank is already addressing infrastructure bottlenecks related to transport and water and sanitation with its portfolio, new activities will focus on bottlenecks in the energy sector. With respect to promoting import and export diversification, the Bank will support policy reforms to address market and institutional challenges to catalyze private sector development. The Bank will also collaborate with the Government of Guyana (GoG) to improve the country's capacity for managing better its vast natural resources while promoting increased productivity in their usage within the context of a more robust natural disasters and climate change framework. In addition to supporting the successful implementation of Guyana's growth plan, which involves investing in infrastructure, creating an adequate business environment and improving the management of natural resources, IDB - based on the efforts that have been made-- will collaborate with the GoG in continuing to improve public sector financial management, as this is a key element for achievement of the above.

3.4 This CS will therefore focus on the following priority areas:[24] (i) Sustainable Energy, (ii) Natural Resource Management, (iii) Private Sector Development, and (iv) Public Sector Management. Indigenous Amerindian populations' needs and particularities will be addressed in a cross-cutting manner.[25] [26] Generating a solid pipeline of operations financed by

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[23] The Bank in coordination with Norway and the GoG are working in improving execution arrangements for the GRIFF. Also under consideration is the possibility for the Bank to become a key partner as a financial and safeguard intermediary.

[24] Input about these priorities was sought from representatives of civil society and the private sector.

[25] The current loan portfolio is aligned with the new CS priority areas as follows: Sustainable Energy: one operation approved for US$5m (2567/BL-GY: representing 1.67% of total approved portfolio); Natural Resources Management: two agriculture operations approved for US$38.3 (1558/SF-GY and 1929/BL-GY, both representing 12.36% of total approved portfolio); Private Sector Development: one Competitiveness hybrid operation approved for US$28.45m (1750/SF-GY and 1751/SF-GY: representing 9.17%

the private sector windows has proven difficult in the past. The Bank is committed to exploring opportunities during the CS period, with a particular emphasis on the energy sector through SCF and continued work in the area of private sector development and SMEs development through the MIF and the IIC.[27]

A. Sustainable Energy

3.5 The cost of electricity in Guyana is among the highest in the Latin American and the Caribbean (LAC) region, with tariffs ranging from US$0.28 to US$0.32 per kWh. These costs are burdensome to residential consumers and act as an obstacle to growth in the commercial and industrial sectors. High electricity costs are due mainly to the cost of generation, which is dependent almost wholly on hydrocarbon fuels, and technical and commercial losses, which are exacerbated by low collection rates and institutional capacity challenges within Guyana Light and Power, Inc. (GPL).[28] Whereas electricity coverage in the coastal zone is close to 90% where most of the population (also 90%) is concentrated, electrification of Hinterland communities remains relatively low,[29] and more than 80% of the Amerindian population (largest population in the Hinterland) lacks access to electricity, driving overall coverage in the country down to 81%.

3.6 GPL is the principal public supplier of electricity with a nominal installed generation capacity of 160 MW (600 GWh of annually generated energy). In spite of increases in oil prices in recent years, GPL has not raised its tariffs since 2003, which has led to the need for fiscal transfers in years when elevated oil prices have spiked. In addition to not having increased tariffs, GPL faces a number of other challenges related to the capacity of its personnel, commercial management, financial procedures and reporting, and planning capacity. As GPL is not able to supply enough reliable power at a competitive price, a relatively large self-generation market has developed.[30]

3.7 The IDB will support GoG's strategy to implement a sustainable low-carbon energy framework for reducing the cost of electricity; expanding generation, transmission and distribution; strengthening the institutional and corporate capacity of GPL; and extending

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of total approved portfolio) and one Citizen Security Program (1752/SF-GY) approved for US$19.8m representing 6.39% of the approved portfolio; Public Sector Management: one operation in Justice Sector Reform for US$10m (1746/SF-GY) representing 6.39% of the approved portfolio. Approximately US$101.55 million is aligned to the priority sectors of the new CS, representing 32.8% of the total approved portfolio.

[26] The reduction of volatility will come through Sustainable Energy Development and Natural Resource Management. Diversification will be supported by Private Sector Development and Public Sector Management. Managing the debt burden and the fiscal situation will be supported by Public Sector Management. The development challenges related to programs targeting poverty reduction will not be directly addressed through this CS because the Government continues to indicate a preference to finance these programs directly through its own budget.

[27] The private sector windows will support the first three priority areas mentioned previously, primarily through MIF interventions and IIC technical assistance and training to SMEs. Moreover, SCF and the other NSG windows will look for opportunities in the energy, natural resources and infrastructure sectors, in providing finance to support trade and SMEs, and in integrating the Base of the Pyramid into the formal economy.

[28] Most of Guyana's power generation capacity is thermal-based, using heavy-fuel oil or diesel. In 2011, total import of oil products was 4.3M barrels for a CIF value of US$ 548.3M, or 31.4% of total imports. Technical losses have recently been quantified at 14% of gross generation for 2010, whereas commercial losses are estimated to be more than 20% of gross generation. Each percentage point of reduced losses is equivalent to an energy recovery of 4.5 GWh per year (or 0.75% of the yearly generated energy). Progress in loss reduction has an important impact in GPL´s financial situation. Because the regional average level of overall losses is around 12%, GPL´s potential margin to reduce losses is significant.

[29] Energy access for the 70,000 Amerindian residents living in 170 communities is severely limited due to the distance from major load centers. The GoG has announced the expansion of the Hinterland electrification program to reduce the gap in energy access using solar-PV systems.

[30] Self-generating installed capacity is around 47 MW, equivalent to almost 40% of GPL's. There are also independent providers with an installed capacity in coastal areas of about 35 MW.

coverage. Interventions will support efforts to: (i) continue technical and commercial loss reduction activities through capacity building of GPL, energy conservation, reduction of illegal connections and electricity theft, rehabilitation of the low voltage distribution network, and improvements in metering; (ii) increase generation capacity and promote the development of a more sustainable and greener energy matrix;[31] [32] (iii) improve electricity coverage; and (iv) enhance institutional, legal, and regulatory measures and support the agencies involved in the sector.[33] Guyana has an extensive hydropower potential based on medium to large hydropower projects yet to be harnessed and developed. The Bank's non-sovereign guaranteed window, through SCF, will continue to explore private sector opportunities in the energy sector, particularly relating to generation.[34]

3.8 The main risks to the strategy interventions include: (i) insufficient levels of capital investment and slow implementation[35] that may weaken further the technical operation of the system (overall electricity losses and quality of service); (ii) the environmental and social impact of activities related to generation and distribution; and (iii) the operational, financial, managerial and staff related problems affecting GPL and the government's institutional capabilities to manage the energy sector and the implementation of a complex integrated energy strategy. Any further expansion of generation capacity in Guyana could exacerbate these problems, especially the latter, as GPL would be challenged with managing additional capacity and expanding its customer base. The Bank will mitigate these risks by providing technical assistance to finance the implementation of the capital investment program, studies, and institutional capacity strengthening. In the case of the environmental and social impact of activities in this sector, beyond the application of the Bank's environmental and social safeguards, IDB will seek to anticipate such issues to expedite the preparation of any necessary reports and use these reports as a basis for dialogue with key stakeholders on the issues.

B. Natural Resources Management

3.9 The adequate and effective management of Guyana's vast natural resources is critical for sustainable and inclusive growth. Guyana is one of the best-conserved high-biodiversity countries in the world, with 90% of the country covered with forest, wooded lands and inland waters. Natural resources-based productive activities account for approximately 35.6% of Guyana's GDP, including agriculture 14.5%, mining 10.8%, fisheries 2.7%, forestry 2.8%, and travel and tourism 4.8%.[36] Additionally, the country derives benefits from the economic

[31] Guyana´s potential is mostly based on medium to large hydropower projects. Guyana has potential also for developing non-conventional Renewable Energy (RE; micro hydros and run of the river hydroelectric schemes, cogeneration with biomass, coastal wind development, and solar power). Although it is recognized that non-conventional RE can hardly provide the bulk of Guyana's energy needs, particularly regarding power and transport, it represents an alternative to reinforce the distribution network and contribute to increasing energy coverage in the Hinterland.

[32] Upon the GoG's request, the Bank will support a comprehensive analysis of the type of technology and source of energy for a transformation to a low-carbon energy sector.

[33] The Office of the Prime Minister (OPM) has the responsibility for the overall administration of the sector, including key policymaking and regulatory functions. The OPM carries out these duties with the support of the Public Utilities Commission (PUC), the Guyana Energy Authority (GEA) and the Government Electrical Inspectorate (GEI).

[34] Specifically, SCF is assessing the feasibility of the Amaila Hydropower Plant and analyzing ways of financing the project and mitigating the identified risks. . This operation may be complemented by interventions supporting the strengthening of the agencies involved in the sector and supporting the institutional and corporate capacity of GPL.

[35] The allocation of financial resources to mitigate GPL´s financial stress requires Parliament's approval. Potential delays to decide on this allocation could hinder the timeliness or effectiveness of the investments.

[36] Data for 2011 is from *2012 Budget Speech*, Ministry of Finance, Guyana. Travel and tourism data is from *2011 World Travel and Tourism Council*.

contribution of ecosystem services from its highly valuable biodiversity, carbon stocks[37] and avoided losses from disasters. The country faces the challenge of benefiting from the use of those natural resources, while at the same time preserving its unique natural endowments. Although the average annual deforestation rate for the period 1990-2010, estimated at 0.01-0.06%, is relatively low compared with most tropical countries, forests are under pressure from increased economic activity, as well as climate change. The mining sector has been increasingly responsible for deforestation: from 51% of total forest loss during 1990–2000 to 63% during 2001—-2009 and 91% during 2009–2010. Timber harvesting and agriculture are the next drivers, responsible for about 26% and 9% of forest reduction during 1990–2009, respectively. However, forest loss due to timber harvesting has been drastically reduced to only 3% during 2009–2010, making agriculture the second driver of deforestation by accounting for 5% of forest loss. The sector also faces serious risks related to climate variability and climate change impacts, such as the projected sea-level rise that would affect coastal areas where 90% of agricultural activity takes place,[38] and is also highly vulnerable to the risk of natural disasters such as flooding.

3.10 Guyana has advanced in filling some of the institutional and regulatory gaps related to natural resources and environmental governance, including the establishment of the new Ministry of Natural Resources and Environment.[39] [40] The country, however, still faces difficult gaps in the governance framework, particularly in effective management of land use and enforcement, predominantly in relation to mining and forestry, as well as in policy and legislation for the management of wildlife, inland fisheries, protected areas and mining. Additional challenges include insufficient technical expertise, inadequate coordination among agencies, high costs of travel to interior areas where natural resource management is required, the absence of economies of scale, limited infrastructure, slow development of the national protected area system, and failure to mainstream environmental issues in education and national policies. With respect to the non-traditional agricultural sector, although there have been major advances with the Bank's support in the last years, this subsector still faces some challenges, such as the need to attract value chain private investment of significant scale; the adoption of Good Agricultural Practices (GAP), Good Management Practices (GMP) and Hazard Analysis and Critical Control Points (HACCP) by industry stakeholders; and the operation of a sanitary surveillance system. Last, the country does not have a legislative framework for disaster risk management and, as such, the integration of risk management into the policy, legislative, and institutional frameworks of the various sector areas of agriculture, forestry, mining,

[37] Guyana's biodiversity and stored carbon have started attracting international funding from developed countries willing to pay for global ecosystem services and could be further marketed through emerging financial mechanisms.

[38] A recent analysis (Agriculture and Adaptation Report for Guyana. MACC project. 2010A) completed by the Caribbean Community Climate Change Center in the context of the MACC (Mainstreaming Adaptation to Climate Change) project concluded that close to 75% of the population of Guyana, including its capital and about 65% of its agricultural output would be displaced by a 1 mt sea level rise. Most agricultural development in Guyana has occurred in the alluvial plains of the coast. There is high dependence on the water generated from the major watersheds in coastal areas, particularly for agriculture. The Coastal Plain is the most vulnerable area, situated below mean sea-level, and heavily reliant on man-made protective infrastructure. The coastal waterways around Georgetown are polluted. There is pesticide, fertilizer, and herbicide runoff from the surrounding rice and sugar fields and from animal waste.

[39] Other relevant agencies in the sector are the Office of Climate Change (OCC) which is the focal point for the LCDS; the Guyana Forestry Commission (GFC), and the Project Management Office (PMO).

[40] Forestry legislation was revised in 2011 to reflect the dynamic thrust in Guyana, including forest monitoring and management, as well as emerging areas such as REDD+, and new bilateral and multi-lateral cooperation. Further support will be given through the Forest Carbon Partnership Fund (FCPF) and GRIF REDD+ readiness, to develop forestry management regulation and enhance enforcement capacity. The Protected Area Act (2011) was approved by Parliament, and wildlife and biodiversity legislation has been drafted.

biodiversity, tourism, and infrastructure, is critical to addressing vulnerability, loss reduction, and sustainable growth of these resources.

3.11 During this CS period, the Bank will support the development of productive uses for the country's natural resources, while addressing the challenges associated with their sustainable management. The thrust of the Bank's role is to support the Government's priorities, focusing on three complementary areas: (i) boosting productivity growth in natural resource-based economic activity with sustainability;[41] (ii) strengthening institutional capacity for natural resource management that supports the effective implementation of the LCDS while meeting international standards of ecological sustainability;[42]and (iii) mitigating disaster risk by mainstreaming risk management (including the impacts of climate change) into natural resource management.[43] The private sector window could support private investors in natural resource-based economic sectors.

3.12 The main risk associated with the implementation of these proposed actions is the financial sustainability of implementing the regulatory framework and its required investments. This risk will be addressed by continued strong negotiation at the international level to have a REDD+ market based mechanism in place post-Kyoto in the context of climate financing and by continued work on other forms of support to Guyana's REDD+ efforts. In addition, lack of coordination among participating agencies may present a risk to successful execution of the disaster risk management activities. This risk will be minimized by relying on the coordination mechanism provided by the National Disaster Risk Reduction Coordination Platform and arrangements agreed upon by the agencies and development partners during project preparation.

C. Private Sector Development

3.13 The successful transition to a *green* economy (as defined by the LCDS) requires higher levels of investment. Specifically, the LCDS envisions an active role of the private sector in delivering strategic economic infrastructure, creating employment and opportunities in new productive sectors, and enhancing the nation's human capital. However, Guyana's ability to attract investment and promote the participation of the private sector in moving to a green development path could be boosted if key constraints to doing business were removed.

3.14 The country's business environment has improved to provide reasonable incentives to induce established private sector companies to invest in innovation.[44] Improving the country's business climate will increase the level of innovation and reinforce a more productive economic structure

[41] Aimed at strengthening the legal and institutional framework that regulates the agriculture, fisheries, forestry, and ecotourism sectors, ensuring sustainability and resilience to climate change while improving productivity. It will promote also the production and marketing of non-traditional commodities for both the domestic and exports markets to support the GOG's diversification strategy.

[42] To control the exploitation of forestry resources by mining and agricultural activities, the Bank will support the strengthening of the legal and institutional frameworks that regulate the forestry sector and will support improvements in environmental governance and land management. This will be done specifically by strengthening the capacity in land use planning and the establishment of systems for monitoring the exploitation of forestry and mining, and the deployments of infrastructure, services and dwellings. The Bank will also strengthen Guyana Geology and Mines Commission (GGMC)'s capacity for monitoring mining activities and enforcement. The Bank may also support the GoG in implementing the Extractive Industries Transparency Initiative (EITI).

[43] Specifically, mainstreaming risk management in agriculture, environment and forestry through strengthening the policy and institutional frameworks for risk reduction and adaptation in these sectors.

[44] For 2012, the Global Competitiveness Index ranks Guyana at position 109 of 142 countries evaluated by the World Economic Forum on issues of competitiveness. This is an improvement compared with 2009 when Guyana was ranked 115th in a sample of 134 countries and in 2008 when it was ranked 126th of a sample of 131 countries.

and promote activities in new sectors, especially within higher value-added sectors.[45] Although improved, Guyana's regulatory framework still requires some bureaucratic procedures for business operation (including registering property, paying taxes and resolving insolvency among others). These act as a disincentive to formality.[46] Guyanese firms indicate that credit is an important constraint compared with other countries.[47] Moreover, the attraction of FDI, as well as the pursuit of diversification through innovative products requires an adequate endowment of human capital both in terms of quantity and quality, which is also constrained.[48]

3.15 To address these problems, the Bank intends to provide support for: (i) improving the business climate by enhancing access to credit, as well as augmenting the retention of skilled labor required by employers in non-traditional sectors;[49] (ii) enhancing government's institutional and regulatory capacity to promote and enforce standards of quality, thus creating incentives for companies to pursue quality certifications and investments in quality control;[50] and (iii) strengthening capabilities of local firms, to facilitate the adoption of new production technologies and foment product and export diversification.[51] The MIF and the IIC will contribute to private sector development and SMEs strengthening mostly through technical cooperation aimed at building local capacity and facilitating access to markets. SCF may explore incorporating a local bank in the Trade Finance Facilitation Program (TFFP) to assist SMEs in gaining better financing terms for their import needs.

3.16 Concentration on commodities and products with low technology content exposes Guyana's performance to the impact of global cycles and volatility. This volatility could significantly affect not only businesses performance but also the ability of the Government to implement a strategy focused on private sector development. At the same time, the proposed engagement requires that bottlenecks in key infrastructure sectors (i.e., energy, transport and communications) are adequately addressed in order for firms to fully access local and international markets. Weak institutional capacity and funding to address those challenges can

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[45] For private sector development, the LCDS outlines key constraints for future growth. Among them are: (i) Guyana's oil-dependency; (ii) limited fiber optic capacity and sub-standard telecommunications infrastructure making the cost of bandwidth and other telecommunications services among the most expensive in the world; (iii) developing a workforce that is required for a modern economy and attracting and retaining skilled people, including skilled immigrants from other countries and members of Guyana's "Diaspora;" and (iv) facilitating investment in high-potential low carbon sectors building on the priority diversification opportunities outlined in the National Competitiveness Strategy.

[46] Business formalization is still an issue in Guyana. Although the size of the underground economy has been shrinking from 47% in 2003, it is still very large.

[47] Evidence on financial development from the World Economic Forum 2011-2012 report on Global Competitiveness, shows that the soundness of banks is strongly ranked at 39 out of 142. However, other aspects of the financial sector, for example, access to credit ranks poorly at 104 out of 142 (less than one third of the firms report having loans). Due to the lack of credit information systems, audited financial statements, bankable business plans, and problems with collateral collection, banks impose high costs for finance and have stringent collateral requirements. This, in particular, affects MSMEs which account for a large percentage of businesses in Guyana. The World Bank Doing Business Index ranks Guyana 166th out of 183 in Getting Credit.

[48] The factors underlying this problem are: (i) the mismatch between the skills produced in the educational system and those required by businesses, especially in industry, and (ii) the significant emigration of skilled labor. The World Competitiveness Report 2011-2012 ranks Guyana 125th out of 142 in relation to the availability of scientists and engineers.

[49] The Bank will support the creation of financial products to facilitate access to credit for businesses (in particular MSME) for their productive and green investments. The Bank will support also secured transactions reform; streamlining of Deeds, Companies and Properties registries, trade transactions; enforcing contracts, and financial sector strengthening For the development of the labor market, the Bank will support improvement in the quality of technical and vocational education and training and analysis of the mismatch between formally taught skills and those required by businesses

[50] Guyana National Bureau of Standards (GNBS) is a semi-autonomous body responsible for promoting standards for the improvement of goods and services produced or used in Guyana and enforcing quality control in industry. The GNBS is the only agency that provides support for ISO implementation for goods and services in Guyana.

[51] This effort implies specifically designing and implementing mechanisms to facilitate technological modernization, upgrading, and basic innovation and to adopt general purpose technologies (such as ICT and clean production technologies.

have an important impact in realizing private sector potential. Risks to the implementation of private sector development will be addressed by the Bank's continued support to the development of productive infrastructure and the institutional strengthening of the Government's public sector management capacities. Sustained political support will catalyze the pace of some of the envisaged reforms and bolster the country's capacity to attract new investments. This is a difficult risk to mitigate, but the Bank will make efforts to maintain these issues as priorities in the policy dialogue with the country.

D. Public Sector Management

3.17 With the support of the IDB and the international donor community, Guyana engaged in a series of governance reforms during the period 2003–2011 that resulted in significant improvements in the quality of public expenditure and led to fiscal consolidation (i.e., fiscal deficits moving from double digits to less than 5% of GDP in 2011). Continuing on this path, the successful implementation of Guyana's LCDS, which involves ambitious investments in infrastructure, private sector development, and the adequate management of natural resources, requires improved public sector management.

3.18 Notwithstanding its noteworthy recent gains, Guyana still has important challenges in public sector management. The country needs to promote reforms in its tax policy (i.e., tax burden in Guyana stems from heavy taxes on easy-to-tax targets such as corporations, formal employment, and international trade) and strengthen its tax administration further (i.e., information systems remain underused, legal processes remain complex and time consuming, highly-skilled professionals are difficult to retain). Guyana also needs to continue improving its expenditure and investment planning capacity, strengthening public procurement and integrating it into the budgetary and accounting processes, and introducing additional modern public financial management tools to ensure effective and efficient allocation of resources. Monitoring and Evaluation (M&E) systems that support the implementation of the country's capital investment program need strengthening. Accessing pertinent data for assessing Guyana's social, economic, demographic and cultural data in a regular and timely fashion needs to be improved[52]. Moreover, Guyana needs to develop e-government and articulate appropriate institutional frameworks to promote the use of an Integrated Government Technology Platform (ICT), both from a policy formulation perspective as well as to enhance Government's management capacity.

3.19 The Bank will collaborate with GoG to address these challenges by preparing interventions to facilitate: (i) improvements in tax administration;[53] (ii) the design of an adequate M&E institutional architecture and legal framework to ensure sustainability of these systems and their use by decision makers; and (iii) the development of e-Government systems and the design and implementation of an institutional framework to manage the deployment of ICT (including the consolidation of technical capabilities across government entities).

3.20 These interventions will significantly transform the way that GoG conducts business and may generate some resistance to change.. The risks to implementation will be mitigated through the following actions: (i) preparation and implementation of a change management strategy,

[52] The GoG started the national population census in the second half of 2012. The last population census was conducted in 2002.

[53] Specifically, by enhancing transparency of taxpayer obligations and liabilities, updating taxpayer registration and tax assessment, and modernizing the overall efficiency of tax administration. In addition, the Bank will support measures to achieve a more balanced and rationalized tax structure with fewer deductions, lower tax rates and better enforcement.

(ii) prioritization and sequencing of interventions, (iii) raising public awareness of the need for reforms, and (iv) providing technical assistance for the training of government personnel.

E. Cross-cutting Themes

3.21 The indigenous peoples of Guyana number approximately 70,000 people and represent the majority of the population in the country's interior. The Hinterland region is characterized by few economic opportunities, poor environmental and health conditions and a lack of basic social infrastructure and services. Concerns affecting Amerindian communities will be addressed in a cross-cutting manner across the proposed priority areas. The following will be taken into consideration: (i) Sustainable Energy: the importance of improving overall access in the Hinterland, and supporting adequate consultation with Amerindian communities regarding infrastructure projects financed by the Bank (with emphasis on ecosystem services and the cultural and spiritual value of resources lost or degraded); (ii) Natural Resources Management: land rights, including titling and demarcation of Amerindian lands, sustainable forest exploitation by Hinterland communities,[54] consultation processes regarding the use of traditional natural resources, and community based disaster risk reduction and adaptation measures; (iii) Private Sector Development: development of new sustainable income generation activities, access to affordable financial services for low-income households in rural communities, and development of knowledge and skills (e.g. literacy, numeracy, budgeting, etc.) to save and invest surplus financial assets in productive economic activities (together with business development services especially for women). The Bank will address these topics through technical cooperation and in activities within investment loan operations.[55]

F. Areas for Continued Strategic Dialogue

3.22 Areas for further dialogue with the government include: (i) Water and Sanitation, to discuss alternatives for further improvements in efficiency, quality, sustainability and coverage of the potable water supply and sanitation services, along with Solid Waste, so as to decrease the uncontrolled disposal of solid waste in the environment and improve disposal practices; (ii) Transport, to support the shift from rehabilitating the road system to expanding its capacity, improve urban transportation in a sustainable manner, and align legislative regulation, operational aspects, and the restructuring of the sector to improve its efficiency; and (iii) Citizen Security, to provide support to the capacity building efforts of the Guyana Police Force to promote additional support to community empowerment and address principal risk factors to community safety.[56]

[54] Amerindian communities living in the Hinterland are among the most vulnerable and food insecure groups in Guyana. Accordingly, it is important to increase availability of and accessibility to food -especially among women. These interventions favor community-based agriculture to improve food security, create jobs and generate income.

[55] Indicators for the impact of Bank's interventions directed to Amerindian communities, gender equality and poverty reduction will be defined at the project level.

[56] Although the Bank is currently engaged in some of these areas through operations in the portfolio, it was perceived as optimal to focus on their execution and on providing technical assistance.

IV. THE LENDING FRAMEWORK

4.1 Based on Government and IMF data, the projected externally-financed public sector capital investment plan that supports the medium term framework 2012-2016 is estimated to be US$635 million. The estimates suggest that fiscal consolidation will continue even as this investment plan is implemented.[57]

4.2 Guyana faces the challenge of maintaining adequate levels of public capital investment to promote growth while maintaining a moderate risk of debt distress, in the context of dwindling access to concessional financing. Therefore, the Government has to strengthen its fiscal position further and ensure an adequate business climate and macroeconomic stability, so that it can progressively absorb non-concessional resources to boost the country's competitiveness and development.

4.3 The Bank's lending envelope is estimated by applying the Debt Sustainability Framework and Enhanced Performance Based Allocation (DSF/EPBA) that governs the distribution of FSO resources and its blending with OC for D2 countries.[58] Within the context of the DSF/EPBA, the Bank projects a base scenario of US$82.4 million for the CS period (or US$20.6 million per year). This scenario assumes a potential reduction in the FSO allocation as a result of the significant increase in Guyana's per capita income[59] and that the current OC/FSO blend of 50/50 is maintained. Net cash flows to Guyana will average US$31 million per year, but will turn negative by 2016 (US$-3.6 million). Total net cash flows will equal US$124 million and the outstanding debt to the Bank will grow to US$550 million by the end of the period. The high scenario assumes the same FSO allocation as in the base scenario, but supposes a change in the OC/FSO blend to 60/40, totaling US$103.2 million over the period (US$25.8 million per year). Net cash flows will sum to US$133.4 million and the outstanding debt with the Bank will be US$559 million by 2016.[60] [61] [62] Neither of these scenarios takes into account the continued support through the GRIF.

[57] The fiscal deficit is estimated to decline from 4.4% in 2011 to 3% by 2016.

[58] Under the DSF/EPBA, the overall allocation of concessional resources is determined by a combination of country needs and performance (EPBA), which determines the FSO allocation; and the level of risk of debt distress, which defines the appropriate blend of OC resources with the individual countries' FSO allocation.

[59] The EPBA formula for FSO resources has two components: (i) needs and economic strength, comprised of population and Gross National Income (GNI) per capita; and (ii) country performance, estimated as the weighted average of portfolio performance (30%) and the quality of the country's institutional and policy framework (70%). Each of these variables in the allocation formula has a defined exponent for the calculation of the distribution coefficient as determined in document GN-2442.

[60] Under both scenarios by 2016 Debt-to-GDP ratios will increase about 2 percentage points. Guyana's debt sustainability analysis reveals that the country remains at moderate risk of debt distress.

[61] This change in the blend is subject to Board approval and requires a DSF analysis indicating that the blend could be changed to 40% FSO and 60% OC without compromising the country's medium-term debt sustainability. The preliminary analysis done for this CS suggests that an OC/FSO: 60/40 blend is consistent with the DSF, as well as with the country's absorptive capacity and the improved performance of the portfolio.

[62] Determination of the levels of concessional resources will depend on the biannual allocation under the DSF/EPBA to be approved by the Board of Directors.

TABLE 1: BASE SCENARIO (OC:FSO BLEND AT 50:50)

(all units in $US m unless in percent)	2012*	2013	2014	2015	2016	Average 2013-16	Total 2013-16
Approvals	66.2	20.6	20.6	20.6	20.6	20.6	82.4
Disbursements	58.0	77.3	55.9	32.1	14.0	44.8	179.3
Principal	2.5	4.3	5.3	8.3	10.4	7.1	28.3
Net loan flows	55.5	73.0	50.6	23.8	3.6	37.8	151.0
Subscriptions	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Interest	5.2	6.2	6.5	7.1	7.2	6.8	27.0
Net cash flows	50.3	66.8	44.1	16.7	-3.6	31.0	124.1
Disbursement/Outstanding Loan Balance	13.6%	15.7%	10.4%	5.8%	2.6%		
Disbursements/Fiscal Deficit	38.5%	55.6%	43.7%	28.5%	11.9%		
IDB Debt	426.0	492.8	536.9	553.6	550.1		
IDB Debt/Multilateral Debt	54.4%	55.8%	57.2%	58.0%	56.8%		
Multilateral Debt/Total Debt	38.9%	40.8%	40.5%	40.1%	39.1%		
IDB Debt/Total Debt	21.2%	22.8%	23.2%	23.2%	22.2%		
IDB Debt/GDP	13.0%	14.2%	14.7%	14.8%	14.0%		
Total Debt/GDP	61.4%	62.3%	63.4%	63.5%	63.3%		

TABLE 2: HIGH SCENARIO (OC:FSO BLEND AT 60:40)

(all units in $US m unless in percent)	2012*	2013	2014	2015	2016	Average 2013-16	Total 2013-16
Approvals	66.2	25.8	25.8	25.8	25.8	25.8	103.2
Disbursements	58.0	78.8	57.7	34.6	17.6	47.2	188.7
Principal	2.5	4.3	5.3	8.3	10.4	7.1	28.3
Net loan flows	55.5	74.5	52.4	26.3	7.2	40.1	160.4
Subscriptions	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Interest	5.2	6.2	6.5	7.1	7.2	6.8	27.0
Net cash flows	50.3	68.3	45.9	19.2	0.0	33.4	133.4
Disbursement/Outstanding Loan Balance	13.6%	15.9%	10.7%	6.2%	3.1%		
Disbursements/Fiscal Deficit	38.5%	56.6%	45.2%	30.7%	15.0%		
IDB Debt	426.0	494.3	540.2	559.4	559.4		
IDB Debt/Multilateral Debt	54.4%	55.9%	57.4%	58.3%	57.2%		
Multilateral Debt/Total Debt	38.9%	40.8%	40.6%	40.2%	39.3%		
IDB Debt/Total Debt	21.2%	22.8%	23.3%	23.4%	22.5%		
IDB Debt/GDP	13.0%	14.2%	14.8%	14.9%	14.3%		
Total Debt/GDP	61.4%	62.3%	63.5%	63.7%	63.5%		

V. STRATEGY IMPLEMENTATION

A. Country Systems

5.1 The last Integrated Fiduciary Assessment (IFA) was performed in 2007. The IFA consists of two major components: the Public Expenditure and Financial Accountability Performance Measurement Framework (PEFA) and the OECD/DAC Methodology for Assessing Procurement Systems (MAPS). The 2007 IFA noted several improvements in the area of public financial management since the previous assessments, with the stronger areas being budgeting, accounting, and reporting systems. GoG has placed priority on strengthening the Audit Office of Guyana (AOG) and improving the Accounting and Reporting system, IFMAS. In this regard, the Bank is supporting GoG by replicating a successful pilot of using IFMAS as the projects' accounting system while enhancing its functionality and also strengthening and modernizing the AOG. Currently, the IDB is facilitating a multi-donor supported IFA assessment, with significant leadership from GoG. The final document will be ready in December 2012.

5.2 Parliament passed the Procurement Act (Act No. 8 of 2003) in 2004. The Act and its subsequent regulations provide the major elements required to modernize the procurement system.[63] Although all features are yet to be implemented, the constitution of the PPC coupled with the strengthening of administrative capacity of NPTA would result in an evaluation and possible acceptance of the use of country systems for procurement. Consideration will also be given to the results of the MAPS exercise that is scheduled to be concluded in 2012.

5.3 Regarding the use of country systems on Bank financed projects, the budget subsystem is used on 100%, the accounting and reporting systems are used on 29%, and the external control system is used on 38%. The goal is to maintain the use of the budget subsystem at 100% and increase the use of the accounting and reporting and the external control subsystems to 50% each. In relation to procurement, the Bank may consider the use of country systems after implementation of the aforementioned strengthening activities.

B. Donor Harmonization

5.4 The Bank has an ongoing engagement with bilateral and multilateral donors and participates in round table discussions led by the Government to increase coordination and reduce duplication. In addition, the Bank is actively engaged with the European Union, CIDA, and the World Bank (WB) to conduct the 2012 Integrated Fiduciary Assessment, which is being led by the IDB. As a GRIF Partner Entity, the IDB will also work closely with Norway, the WB, and other Partner Entities in designing and supporting the execution of GRIF-funded operations.

C. Execution Issues

5.5 To improve the execution of projects during CS implementation and mitigate the risk of additional projects being affected by the constraints within the Project Executing Units (PEUs) identified in the past, the Bank will initiate a series of capacity building and training

[63] Features of the Procurement Act include: (i) a comprehensive range of available procurement methods for open participation of suppliers and contractors in procurement proceedings regardless of nationality; (ii) the creation of the National Procurement and Tender Administration (NPTA) with jurisdiction over the opening, evaluation, and selection of bids for contracts above certain thresholds; (iii) the provisions for the establishment of the Public Procurement Commission (PPC) as a normative and oversight body for the management of the procurement function including, ensuring that procuring entities comply with the law and that complaints and protests are settled appropriately; (iv) mandatory record-keeping, advertisement, and publishing of awards, along with prohibition of splitting of contracts by procuring agencies; and (v) the contractors' right to appeal decisions, among others.

opportunities targeted toward improving the project management capabilities of PEU personnel. During the new CS period, training programs will be offered in project management fundamentals (related to the application of internationally recognized tools, techniques and methodologies for, *inter alia,* project planning, risk management, and monitoring and evaluation), and public procurement certification. In addition, a review of the main reporting tools will be conducted to address issues of suitability and reliability of content to meet the needs of the PEUs to adequately plan projects and comply with Bank requirements, especially as they relate to disbursement projections and Progress Monitoring Reports.

VI. RISKS AND OTHER CONSIDERATIONS[64]

6.1 **Financing Gap.** Guyana faces the challenge of maintaining adequate levels of public capital investment to promote growth while reducing its risk of debt distress. As Guyana continues to grow and become richer, the amount of concessional resources available to it through multilaterals will gradually be constrained. Despite the support received from Norway through the GRIF, Guyana has found it increasingly difficult to gain access to concessional resources from traditional bilateral donors. However, it has been able to access non-concessional resources from non-traditional partners. In the long-run, a shift to more expensive non-concessional resources may jeopardize long-term macroeconomic sustainability. For that reason, the Bank intends to make significant efforts to attract donors interested in working with Guyana. In addition, the Bank will support activities to improve GoG's public sector management and further strengthen its debt management capacity so that it will be able to absorb sustainably non-concessional resources in the future. Also, the Bank will consider alternatives for enhancing the bankability of private sector initiatives in the country and push for a revamped NSG portfolio in Guyana. In this manner, the burden on the public sector could be reduced.

6.2 **Budget Approval and Execution.** General Elections were held in November 2011 and a new government took office in December 2011 without a majority of the seats in the National Assembly. This is an unprecedented situation for Guyana. As the Bank embarks on a new CS cycle, efforts will continue with the government and relevant stakeholders to strengthen dialogue on the country reform agenda and related policy and investment interventions..

6.3 **Environmental Risk.** As a significant share of Guyana's economic activity is derived from its natural resources, continued growth may place additional pressure on its natural resource base. In addition, Guyana's natural resources are vulnerable to flooding which could affect the realization of the country strategy's objectives. The country's LCDS provides a framework for activities to mitigate this pressure. The Bank will attempt to provide support to these activities through the Natural Resources Management priority area of this CS by strengthening the country's environmental systems. In addition, the Bank's environmental safeguards will be applied to ensure risks (including disaster risks) are mitigated in Bank interventions. Through the application of these systems, it will be possible the address issues that may affect the feasibility of Bank financed operations.

[64] As mandated in the framework of the agreement on the Ninth General Increase in Resources of the IDB, annual macroeconomic sustainability assessments are being completed for the borrowing member countries.

ANNEX I: MACROECONOMIC AND SOCIAL INDICATORS

INDICATOR	2006	2007	2008	2009	2010	2011
Real Sector Indicators						
Real Growth (%)	5.1	7.0	2.0	3.3	4.4	5.4
GDP at current market prices (US $M)	1,288.6	1,514.6	1,731.9	1,776.6	1,946.0	2,577.0
GDP Per capita (US$)	1,694.0	1,984.5	2,260.3	2,308.5	2,501.7	2,868.7
GDP Per capita (PPP)	1,461.0	1,640.1	1,781.0	1,810.9	1,911.7	1,991.6
Monetary Indicators and Prices						
Inflation (%) (end of period)	4.2	14.0	6.4	3.6	4.5	3.3
Base money growth rate (%)	na	na	7.4	24.6	15.2	10.3
Exchange Rate US$1 (end-period)	201.0	203.5	205.3	203.3	203.5	203.8
Change in the exchange rate (%)	0.3	1.2	0.9	-1.0	0.1	0.1
External Sector Indicators						
BOP - Current a/c balance / GDP (%)	(13.1)	(11.1)	(13.6)	(8.8)	(11.4)	(16.5)
Private FDI (US$M)	102.4	153.8	168.0	208.0	269.9	246.8
FDI/GDP (%)	7.0	9.1	9.3	8.1	7.0	10.9
Gross International Reserves (US$M)	277.3	312.5	355.9	628.5	780.0	798.1
Gross International Reserves /GDP (%)	21.5	20.6	20.5	35.4	40.1	35.2
Remittances (US$'000)	218,076.9	278,495.9	273,896.0	262,004.0	367,804.2	412,891.4
Fiscal Indicators						
Overall Fiscal Balance/GDP (%)	(11.6)	(4.9)	(4.7)	(5.5)	(4.3)	(4.4)
Total Public Debt Gross/GDP (%)		60.0	61.6	60.5	61.2	62.1
Total Domestic Debt/GDP (%)		18.3	17.9	15.1	13.9	12.0
Total External Debt/GDP (%)		41.6	43.7	45.4	47.3	50.2
Social Indicators						
Population ('000)	760.2	763.2	766.2	769.6	777.9	789.6
Poverty rate (moderate poverty)*	36.1	na	na	Na	30.0	28.2
Poverty rate (extreme poverty)*	18.6	na	na	Na	17.0	16.6
Human Development Index Rank**	103.0	97.0	110.0	108.0	104.0	117.0
Life Expectancy- years	68.0	68.0	69.0	69.0	69.6	69.9

(*) IMF projections

(**) HDI covers a record 187 countries and territories, 18 more than the 169 included in the 2010 HDI.

ANNEX II: LENDING FRAMEWORK

Fiscal situation. Even while responding to higher fuel prices and the fallouts of the financial and economic crises, the consolidation of central government finances is evident. The fiscal deficit declined from 11.6% of GDP in 2006 to an estimated 4.4% of GDP in 2011. Central government finances remain on target and deviations to the consolidated fiscal position have been driven largely by state-owned enterprise (sugar and electricity), the increase in oil prices and additional expenditure measures such as the wage increase to public sector employees. These outcomes were offset by a 12% increase in the Government's revenue position in 2011. The government's ability to meet its targets despite a difficult external economic environment and the increase in expenses was due partly to buoyant revenue, especially income tax collection, and robust growth in non-tax revenue, mainly because of higher dividend payments and profits remitted by the Bank of Guyana. Notwithstanding the robust revenue inflows, the 2012 budget projects a slight widening of the central government deficit (to 4.6 percent of GDP) due to increased capital expenditure. In the medium term, the fiscal deficit is estimated to decline from 4.4% in 2011 to 3% by 2016.

Medium-term financing requirements. Based on Government and IMF data, the projected externally-financed public sector capital investment plan that supports the medium term framework from 2012 to 2016 is estimated to be US$635.0 million. The estimates suggest that fiscal consolidation will continue even as this investment plan is implemented. It is expected that GoG will seek to finance its investment program primarily from external and concessional sources. Despite limited availability of IDB concessional financing, the Bank is likely to be the most significant multilateral lender while bilateral sources are also being considered.

FINANCING REQUIREMENTS 2012-2016

		2010	2011	2012	2013	2014	2015	2016
Growth assumptions	GDP (USD)	2,259.0	2,577.0	2,788.3	3,005.5	3,262.6	3,545.2	3,764.9
	Real GDP (%)	4.4	5.4	3.7	5.5	6.0	2.7	3.7
Financing gap	Non-Interest Deficit (% GDP)	-2.2	-3.1	-3.5	-3.2	-3.2	-3.0	-2.7
	Interest payments (% GDP)	-1.1	-1.1	-0.8	-1.0	-0.9	-0.9	-1.0
	Total	-3.3	-4.2	-4.3	-4.2	-4.1	-3.9	-3.7
	US$ millions	98.2	117.2	178.7	134.7	115.1	99.2	107.3

Lending framework. Guyana faces the challenge of maintaining adequate levels of public capital investment to promote growth while reducing its risk of debt distress, in the context of dwindling access to concessional financing. The Government has to strengthen its fiscal position further so it can improve its creditworthiness and progressively absorb non-concessional resources to boost the country's competitiveness and development.

The Bank's lending envelope is estimated by applying the Debt Sustainability Framework and Enhanced Performance Based Allocation (DSF/EPBA) that governs the distribution of FSO resources and its blending with OC for D2 countries. Under the DSF/EPBA, the overall allocation of concessional resources is determined by a combination of country needs and performance (EPBA) that determine the FSO allocation; and the level of risk of debt distress, which defines the appropriate blend of OC resources with the individual countries' FSO allocation. Within the context of the DSF/EPBA, the Bank projects a base scenario of US$82.4 million for the CS period (or

US$20.6 million per year). This scenario assumes a potential reduction in the FSO allocation as a result of the significant increase in Guyana's per capita income[65] and that the current OC/FSO blend of 50/50 is maintained. Net cash flows to Guyana will average US$31 million per year, but will turn negative by 2016 (US$-3.6 million). Total net cash flows will equal US$124 million and the outstanding debt to the Bank will grow to US$550 million by the end of the period. The high scenario assumes the same FSO allocation as in the base scenario, but supposes a change in the OC/FSO blend to 60/40, totaling US$103.2 million over the period (US$25.8 million per year). Net cash flows will sum to US$133.4 million and the outstanding debt with the Bank will be US$559 million by 2016. Neither of these scenarios takes into account the continued support through the GRIF. This change in the blend is subject to Board approval and requires a DSF analysis indicating that the blend could be changed to 40% FSO and 60% OC without compromising the country's medium-term debt sustainability. The preliminary analysis done for this CS suggests that an OC/FSO: 60/40 blend is consistent with the DSF as well as with the country's absorptive capacity and the improved performance of the portfolio. Determination of the levels of concessional resources will depend on the biannual allocation under the DSF/EPBA to be approved by the Board of Directors.

[65] The EPBA formula for FSO resources has two components: (i) needs and economic strength, comprised of population and Gross National Income (GNI) per capita; and (ii) country performance, estimated as the weighted average of portfolio performance (30%) and the quality of the country's institutional and policy framework (70%). Each of these variables in the allocation formula has a defined exponent for the calculation of the distribution coefficient as determined in document GN-2442.

ANNEX III: SUMMARY OF MACROECONOMIC RISKS

Debt-to-GDP ratios have improved considerably. Guyana's debt sustainability analysis reveals that the country remains at moderate risk of debt distress. The associated risks of debt distress become more elevated under scenarios in which authorities depart from the fiscal consolidation path. The Government has to strengthen its fiscal position further and ensure an adequate business climate and macroeconomic stability so it can improve its creditworthiness and progressively absorb non-concessional resources to improve the country´s competitiveness and development.

Although diversification efforts have improved the production basket, the economy is still concentrated around few important commodities. Guyana, an open, energy-intensive economy that relies heavily on fuel imports, generates a large share of its economic activity from the agriculture and natural resources sectors. With recent increases in mineral prices, especially gold, the mining sector continues to be a main contributor to the economy, accounting for 11% of GDP. The agricultural sector comprises 20% of GDP, including the sugar sector's contribution of 4% to GDP.[66] Therefore, shocks to one industry may have considerable macroeconomic effects. Slow progress in diversifying the economy can create sustainability concerns as they would affect domestic growth, and the country's revenue position.[67]

Current account performance is primarily driven by the country's high fuel import bill. The current account deficit improved from 13.6% of GDP in 2008 to 8.8% in 2009. On account of increased domestic demand and fuel prices, this trend reversed, ending at 11.4% of GDP in 2010 and subsequently moving to 16.5% of GDP in 2011. Because of higher fuel prices, in 2011 total imports grew by 24.8% and fuel imports increased by 41.2% and are projected to rise further in 2012 as oil prices continue to escalate. The trade balance deficit increased in 2011 by 20.2%, but was lower than projected. By 2015, GoG projects a sizeable decline in imports as a large scale hydropower plant, which will substitute most thermal generation, will become operational. Fuel imports are expected to decline by approximately 22% between 2014 and 2015 as a result of the shift in the source of energy. However, higher than expected oil prices could be destabilizing for this energy intensive, fuel dependent economy; affecting the current account, fiscal deficit and debt sustainability.

Fiscal performance contrasts sharply with previously historically high deficits. The fiscal deficit declined from 11.6% of GDP in 2006 to an estimated 4.4% of GDP in 2011, a marginal deterioration from 2010 (4.3% of GDP). Two main developments work against the further consolidation of the fiscal deficit: (i) GPL's recurrent losses due to higher than anticipated oil prices or continued high levels of technical and commercial losses and (ii) the large number of ongoing infrastructure investment projects.

Guyana is vulnerable to weather related and natural risks especially flooding, with significant potential impact on the economy. The country, like many others in the region, is affected by natural disasters. Many countries face natural disasters almost every year but the impact on their economies is small. In the case of Guyana it is the reverse: the probability of a disaster occurring is

[66] The agricultural sector is made up of the following: sugar, rice, other crops, livestock, fishing, and forestry. Rice is a major export with 10.9% of exports in 2011.

[67] Over the last five years, Guyana has been able reduce its growth vulnerability to external shocks. Country growth volatility (as measured by the standard deviation of growth) declined from 1.9 for the period 1998–2005 to 1.7 for the period 2006–2011. Inversely, average growth rose from 0.7% to 4.5% between the two periods. Growth volatility is projected to decline further between 2012 and 2016, whereas average GDP growth will be around 4.9% for the same period.

small (40% versus close to 90% for many Central American and Caribbean countries), but its impact on the economy is significantly large (damage/GDP equal to 37.4% versus around 1% for other countries). Given Guyana's lack of adequate fiscal risk management instruments, vulnerability to natural disasters is a risk that may affect the overall performance of the economy.

Given the current political configuration, the principal political risk relates to the timely implementation of important investment projects and the public investment agenda. Following elections in 2011, a new government took office in December 2011 without a majority of the seats in the National Assembly. Therefore, the Administration does not enjoy an outright majority in the Parliament for the first time in Guyana's history. This could delay the public investment agenda and the timely implementation of the main investment projects being advanced by the Administration. As the Bank embarks on a new CS cycle, particular attention will be paid to political developments, especially as they relate to the budget process and allocation of fiscal space to projects in the Bank's program with the country

The limited channels of contagion continue to protect Guyana's financial sector in the face of a global crisis. Government embarked on a series of reforms to the financial system with support from the IDB. The Authorities have strengthened the function of the Central Bank, improved financial sector supervision, and passed laws for enhancing anti-money laundering and credit transactions. A credit bureau will be established in the short term.

The IMF assesses Guyana's currency to be "moderately above its equilibrium level, while broadly consistent with external stability."[68] Between 2004 and 2011, Guyana's exchange rate appreciated 20% in real terms against the US dollar. The pattern in 2011 continued to reflect trends in the value of the U.S. dollar (versus other major currencies) which the GY dollar follows closely.

Inflation has declined from 6.4% in 2008 to 3.3% in 2011. Disaggregated inflation data reveal that transportation and communication price changes drove Consumer Price Index (CPI) in 2011. This group likely reflected the evolution of fuel prices. Notwithstanding, inflation remains low. There is no official projection on inflation over the medium-term. However, as long as GoG policy responses remain the same over the next two years, there is no expectation that inflation will exceed 5%.

[68] Assessment is based upon external sustainability and macroeconomic balance approaches. "IMF Article IV Report," June 2011, pg. 12.

ANNEX IV: SUMMARY OF COORDINATION ACTIVITIES

Guyana has a long tradition of coordination with both multilateral and bilateral development partners. In addition to the IDB, other partners actively involved in supporting the country's development agenda include: the World Bank, Caribbean Development Bank, CIDA, EU, DFID and USAID. In general, the sectoral composition has been varied with many agencies providing complementary program support to enable the Government to achieve development outcomes set out in their key medium term development strategies. In recent years as well, non-traditional bilateral support has come via Norway in support of Guyana's LCDS.

Donor coordination has traditionally been led by the multilateral agencies, which have collaborated among themselves with leadership being taken based on strategic interests. In 2012, the IDB is leading the Integrated Fiduciary Assessment in collaboration with the EU, CIDA and the World Bank. This follows on the success of this approach in 2007, when the last IFA was conducted.

As a GRIF Partner Entity, the IDB will continue to work closely with Norway, the World Bank, and other partner entities in designing and supporting the execution of GRIF-funded operations.

At the program level, the IDB will continue to partner with PAHO and UNICEF for conducting the micronutrient surveys within the Nutrition Technical Cooperation (ATN/SF-11405-GY) and with PAHO for technical expertise related to implementation of the *Georgetown Sanitation Improvement Program* (LO-2428/BL-GY). In addition, the partnership with UNDP in the area of disaster risk management will continue. Under the IDB-funded TC (ATN/OC-11718-GY) and the UNDP's technical cooperation *Strengthening National and Local Capacities for Disaster Response and Risk Reduction*, the Bank will continue to cofinance with UNDP the cost of the Project Coordinator who is assigned to both projects and also continue to share technical expertise and collaborate with the UNDP on the development of national disaster risk indicators.

MULTILATERAL AND BILATERAL DONOR COORDINATION MATRIX

Development Agencies	Sectors										
	Private Sector Development	Governance/ Modernization	Agriculture & Rural Development	Transport/ Infrastructure	Energy	Environment/ Climate Change	Social Sectors	Tourism	Water and Sanitation	Trade	Other Support
Canadian International Development Agency (CIDA)		■							■		
Caribbean Development Bank (CDB)				■			■		■		
UK Department for International Development (DFID)		■	■		■			■	■	■	
European Union (EU)	■	■					■	■			
Inter-American Development Bank (IDB)	■	■	■	■	■	■	■		■		
Japan								■		■	
Kuwait				■				■		■	
Norway						■					
United Nations Development Program (UNDP)						■	■	■		■	■
United States Agency for International Development (USAID)	■	■	■		■	■	■	■	■	■	
World Bank (WB)	■				■	■	■				

Source: IDB

ANNEX V: RECOMMENDATIONS FROM OVE'S COUNTRY PROGRAM EVALUATION

Recommendation	Administration's response
1. Take advantage of the current period of stability and growth to support Guyana on its path towards becoming a green economy. With the launch of the Low Carbon Development Strategy, Guyana has an opportunity to benefit from global commitments for rainforest conservation and climate change. The Bank should continue to support the design of new initiatives that lie within the LCDS, and should work closely with Guyana to enhance its national capacity to monitor and report the results of the REDD+ initiative.	**Agree** 1(a). The LCDS is the framework for the GY CS 2012-2016. It is intended to support the goals set forth in the LCDS of achieving continued economic growth, while at the same time promoting the sustainability of the country's natural resource endowments. Specifically, the CS will place particular emphasis on Guyana's objective of achieving private sector-led growth by giving priority to investments that promote the sustainability of its natural resources—green investments. 1(b). The indicators proposed in the Results Matrix of the new CS will be closely related to the LCDS and the GRIFF. These indicators will monitor the strategy's performance toward the LCDS' main objective of creating a low deforestation, low carbon, climate resilient economy.
2. Seek to leverage declining FSO resources. The sustainability of the Bank's work and its relevance in Guyana could be affected by a further reduction in future FSO allocations. The Bank should identify ways to strategically target the resources available to it, including technical cooperation grants and knowledge products, to maintain a leadership role through robust policy dialogue.	**Agree** 2(a). Given the projected limited quantity of concessional resources for Guyana for the 2012-2016 period, a narrow set of priority areas will be pursued. The new CS will focus on bottlenecks in the energy sector, import promotion and export diversification, and supporting policy reforms to address market and institutional challenges that hamper private sector development. The new CS will also support improvements in the country's capacity to manage better its vast natural resources, while promoting increased productivity in their usage, within the context of a more robust natural disasters and climate change framework. 2(b). Guyana faces the challenge of maintaining adequate levels of public capital investment to promote growth while preserving a moderate risk of debt distress, in the context of dwindling access to concessional financing. Therefore, the Government has to further strengthen its fiscal position in the medium term. Ensuring macroeconomic stability and an adequate business climate will be essential for the country to progressively absorb non-concessional resources to boost its competitiveness and development. Fort that reason, the Bank intends to make significant efforts to attract donors interested in working with Guyana. In addition, the Bank will support activities to improve GoG's public sector management and further strengthen its debt management capacity so that it will be able to sustainably absorb non-concessional resources in the future. Also, the Bank will consider alternatives for enhancing the bankability of private sector initiatives in the country and push for a revamped NSG portfolio in Guyana. In this manner, the burden on the public sector could be reduced. Finally, the Bank is exploring mechanisms to leverage concessional resources with other bilateral partners.
3. Continue strengthening Guyana´s national systems. Given the country's positive experience in financial administration with the use of the Integrated Financial Management System, to enhance the government's and the Bank's ability to monitor and evaluate project results, the Bank should continue providing technical assistance to strengthen national systems, including the collection and analysis of data, specifically social statistics.	**Agree** 3. The proposed CS recognizes that Guyana needs to continue improving its country systems to ensure effective, efficient and transparent allocation of resources. In keeping with its commitment to increasingly rely on the use of country systems in IDB-financed operations, the Bank proposes to direct lending and technical resources to the country to: • Continue improving its expenditure and investment planning capacity; • Strengthen its public procurement and support its integration into the budgetary and accounting process; • Introduce additional modern public financial management tools; • Strengthen the Monitoring and Evaluation (M&E) systems that support the implementation of the country's capital investment; and Improve the country's data gathering and processing capacity as well as its ability to effectively disseminate and use the data available on its social, economic, demographic and cultural characteristics.

ANNEX VI: SUMMARY DEVELOPMENT EFFECTIVENESS MATRIX

COUNTRY STRATEGY: DEVELOPMENT EFFECTIVENESS MATRIX	
In August 2008, the Board of Directors approved the Development Effectiveness Framework (GN-2489) to increase the evaluability of all Bank development products. The Development Effectiveness Matrix for Country Strategies (DEM-CS) is a checklist of the elements that are necessary to evaluate a country strategy. It is based on the evaluation criteria developed by the Evaluation Cooperation Group of the Multilateral Development Banks in the "Good Practice Standards for Country Strategy and Program Evaluation."	

COUNTRY STRATEGY: GUYANA 2012-2016

STRATEGIC ALIGNMENT measures two dimensions: (i) the extent to which the objectives of the strategy are consistent with the country's development challenges and with the government's priorities and plans; and (ii) use of a mix of products (financial, knowledge, technical assistance) to attain the objectives, and identification of other cooperation agencies and their areas of action.

Consistency of strategic objectives: *The strategy identifies the following areas of work: (i) Sustainable Energy; (ii) Natural Resource Management; (iii) Private Sector Development; and (iv) Public Sector Management. All areas selected for Bank intervention will support Guyana's objective of sustaining economic growth, while giving priority to investments that promote the sustainability of its natural resources endowments –green investments- and protecting Guyana's gains from debt relief in a context of limited concessional resource availability. The CS is consistent with the government's priorities as defined in the Low Carbon Development Strategy (LCDS) in 2010, which identifies environmental sustainability as the center piece of Guyana's development agenda. Priority areas were identified as a result of the dialogue between the Bank and the country.*

Mix of products and participation by other donors: *The strategy proposes to use different Bank instruments such as sovereign-guaranteed operations, NSG operations, and technical-cooperation; it takes into consideration coordination with and interventions by other multilateral donors, such as the European Union, the Canadian International Development Agency (CIDA) and the World Bank, among others.*

EFFECTIVENESS measures whether the country strategy is likely to achieve its intended objectives, through an examination of four dimensions: (i) the quality of the diagnostics on which Bank action is based in each area of work; (ii) the quality of the results matrix for the strategy; (iii) the use and build up of country systems; and (iv) the analysis of the lending framework.

Effectiveness dimensions	
I. Sector diagnostics	
- Identifies the main problems based on empirical evidence	100
- Identifies the main beneficiaries	100
- Identifies and measures the factors that contribute to the problems identified	100
- Presents the policy framework and a sequence for Bank intervention	100
- The diagnostic corresponds to the objectives presented in the strategy	100
II. Results matrix	%
- The expected outcomes are clearly defined	100
- The indicators are outcome indicators and are SMART	100
- The indicators have baselines	100

All sector notes presented to support the country strategy:

-clearly identify the main sector problems based on empirical evidence.
-identify the potential beneficiaries in each area of intervention.
-identify or measure the factors that contribute to the problems identified.
-identify the policy framework and a sequence for Bank actions.

In all sector notes there is consistency between the note and the proposed strategic objectives.

Results matrix: The results matrix includes 4 strategic objectives for Bank action and 20 indicators to measure progress.

- All strategic objectives clearly identify expected outcomes.

- All indicators used are SMART.

- All the indicators have baselines.

Country Systems: With regard to fiduciary systems (financial management and procurement) assessments were conducted for all financial management sub-systems and for the procurement information system. Some financial management sub-systems (budget, treasury accounting/reporting) as well as procurement sub-systems will be strengthened during the country strategy period.

Lending framework: The strategy contains an analysis of the country's financing requirements and provides an estimate of the amount required from the Bank. The strategy presents two lending scenarios, under both of which the size of the envelope makes it necessary to narrow the focus of the CS

RISKS measures three dimensions: (i) identification of factors that actually do or might affect attainment of the proposed objectives; (ii) definition of mitigation measures; and (iii) monitoring mechanisms.

The strategy identifies the risks associated with Bank participation in each of the strategic sectors and identifies mitigation measures. It also discusses more general risks (macroeconomic, execution and environmental) that will be monitored during the country strategy period.