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**INTERNATIONAL DEVELOPMENT ASSOCIATION
COUNTRY ASSISTANCE STRATEGY
FOR
GUYANA
FOR THE PERIOD FY 2009-2012**

April 15, 2009

**Caribbean Country Management Unit
Latin America and Caribbean Region**

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May 17, 2002*

CURRENCY EQUIVALENTS

Guyanese Dollar (G\$), US\$1.00 = G\$203.25, January 21, 2009

FISCAL YEAR

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ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities	JSAN	Joint Staff Advisory Note
AIDS	Acquired Immune Deficiency Syndrome	JSDF	Japanese Social Development Fund
AOG	Audit Office of Guyana	LAC	Latin America and the Caribbean
CARICOM	Caribbean Community	M&E	Monitoring and Evaluation
CAS	Country Assistance Strategy	MDG	Millennium Development Goals
CAS-CR	CAS Completion Report	MDRI	Multilateral Debt Relief Initiative
CDB	Caribbean Development Bank	MIC	Middle Income Countries
CIDA	Canadian International Development Agency	MIGA	Multilateral Investment Guarantee Agency
CPCE	Cyril Potter Teacher's College	MOLHSSS	Ministry of Labour, Human Services and Social Security
CPD	Continuous Professional Development for Trained Teachers Program	MSME	Micro and Small and Medium Enterprise
CSME	Caribbean Single Market and Economy	MTEF	Medium Term Expenditure Framework
DFID	UK Department for International Development	NCB	Non-Communicable Chronic Diseases
DPR	Development Policy Review	NCERD	National Center for Research and Development
DSA	Debt Sustainability Analysis	NCS	National Competitiveness Strategy
EFA-FTI	Education for All-Fast Track Initiative	NLTA	Non-lending Technical Assistance
EC	European Commission	NPTA	National Procurement and Tender Administration
E-HIPC	Enhanced HIPC	NPV	Net Present Value
EITI	Extractive Industries Transparency Initiative	OECD-DAC	Organization for Economic Cooperation and Development – Development Cooperation Directorate
ESW	Economic and Sector Work	OECS	Organization of Eastern Caribbean States
EU	European Union	PAHO	Pan American Health Organization
FCPF	Forest Carbon Partnership Facility	PEFA	Public Expenditure and Financial Accountability
FDI	Foreign Direct Investment	PEPFAR	President's Emergency Plan for AIDS Relief
FIAS	Foreign Investment Advisory Service	PER	Public Expenditure Review
FMAA	Financial Management and Accountability Assessment	PFM	Public Financial Management
FSAP	Financial Sector Assessment Program	PFMPR	Public Financial Management & Procurement
GDP	Gross Domestic Product	PPC	Public Procurement Commission
GEF	Global Environmental Facility	PPF	Project Preparation Facility
GLSC	Guyana Lands and Survey Commission	PPP	Public-Private Partnership
GNBS	Guyana National Bureau of Standards	PPP-Civic	People's Progressive Party-Civic
GNI	Gross National Income	PRGF	Poverty Reduction and Growth Facility
GNP	Gross National Product	PRS	Poverty Reduction Strategy
GWJ	Guyana Water Incorporation	PRSC	Poverty Reduction Support Credit
HIES	Household Income Expenditures Survey	PRSP	Poverty Reduction Strategy Paper
HIPC	Heavily Indebted Poor Countries	PRPMO	Poverty Reduction and Public Management Operation
HIV	Human Immunodeficiency Virus	PSIP	Public Sector Investment Program
ICA	Investment Climate Assessment	PSTAC	Public Sector Technical Assistance Credit
ICR	Implementation Completion Report	QAG	Quality Assurance Group
ICS	Investment Climate Survey	SME	Small and Medium Enterprise
ICT	Information Communication Technology	TA	Technical Assistance
IDA	International Development Association	TB	Tuberculosis
IDB	Inter-American Development Bank	TF	Trust Fund
IDF	Institutional Development Bank	TFSCB	Trust Fund for Statistical Capacity Building
IEG	Independent Evaluation Group (World Bank)	UNDP	United Nations Development Programme
IFA	Integrated Fiduciary Assessment	UNESCO	United Nations Educational, Scientific and Cultural Organization
IFC	International Financial Corporation	USAID	United States Agency for International development
IFMAS	Integrated Financial Management and Accounting System	VAT	Value Added Tax
IMF	International Monetary Fund	WHO	World Health Organization
ISR	Implementation Status and Results Report	WBG	World Bank Group
IT	Information Technology		

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COUNTRY ASSISTANCE STRATEGY FOR GUYANA

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EXECUTIVE SUMMARY

1. **Guyana has made significant headway in laying the foundations for macroeconomic stability and higher pro-poor growth, but challenges remain.** After years of volatility, GDP growth rebounded in 2006-2007, reaching 5.1 percent and 5.4 percent respectively, underpinned by booming investment and favorable terms of trade changes. Moderate and extreme poverty rates declined from 43.2 percent and 28.7 percent in 1992 to 36.1 percent and 18.6 percent in 2006, respectively, and at present, poverty-related spending continues to exceed 20 percent of GDP. Significant progress has been made on MDG targets that address the empowerment of women as well as hunger and primary education, particularly to low income households.

2. **Guyana's Poverty Reduction Strategy Paper focuses on accelerating and sustaining economic growth through enhanced competitiveness and social development.** It is committed to addressing the various challenges that constrain growth: (i) protecting the environment and managing natural resources with simultaneous sustainable social and economic development; (ii) managing the sea level rise and changes in rainfall patterns through disaster mitigation; (iii) improving infrastructure to promote growth and private sector development; (iv) improving the quality of education; (v) improving the quality of health services which is hampered by the emigration of skilled health personnel; (vi) deepening governance and modernizing the state, while building on progress already made; and (vii) preventing crime and enhancing citizen's security.

3. **An additional challenge that Guyana now faces is its vulnerability to the global crisis.** Weakened commodity exports (sugar, rice, timber, bauxite, and gold), lower workers' remittances and reduced foreign direct investment are likely to contribute to slower economic growth in 2009 and 2010.

4. **While the last Country Assistance Strategy correctly identified the country's challenges, it was overambitious in scope and had mixed results,** with the clear exception of education where good outcomes (e.g. reaching universal primary school completion with assistance from Education For All-Fast Track Initiative) were achieved.

5. **This new CAS is both demand-driven and highly selective.** In addition to expressed demand by the authorities, its design is framed by four factors: (i) the small IDA allocation (US\$8.2 million) and its implications for the choice of instruments; (ii) the need to stay engaged and remain relevant in areas where the Bank has a comparative advantage; (iii) a focus on areas where the Bank's support could significantly leverage additional financing; and (iv) the need to remain realistic with regards to the selection of outcomes to be achieved.

6. The Bank will assist Guyana in addressing its development challenges through a new Country Assistance Strategy with two main pillars: **(i) strengthening environmental resilience and sustainability; and (ii) improving education quality and social safety nets.**

7. **The CAS seeks to achieve its outcomes through a mix of instruments that rely heavily on technical assistance and analytical work,** which complement a limited lending envelope, and that leverage other donors' support. In both lending and AAA, the CAS will allow the Bank to be in a position to take advantage of opportunities as they arise, and thus incorporates reserves for "seed money" to enable the Bank to explore areas where it can

provide analytical or project preparation activities that could leverage additional donor financing.

8. Based on lessons of experience in implementing the last CAS and from other donor experiences, and because of the fact that CAS implementation and achievement of expected outcomes would depend significantly on the success of partnering with and leveraging other donors' funds, the risks associated with this modest program are characterized as high. However, the Bank recognizes the potential and high rewards from supporting the country in addressing some of the constraints to faster growth and poverty reduction.

9. The risks to the CAS will be monitored, and mitigation measures will be re-evaluated regularly, throughout the CAS period, including: policy ownership and commitment; implementation capacity; fiduciary, accountability and governance risks; insufficient donor coordination; and exogenous risks (such as price volatility and climate change); and political instability.

10. In its discussion, the Board may wish to consider the following:

- (i) Given the Bank's limited financing in Guyana, does the proposed strategy represent the most appropriate role the Bank can perform to support the Government's strategy?
- (ii) Does the Country Assistance Strategy adequately identify the risks to the successful implementation of the Bank program?

I. COUNTRY CONTEXT

1. Guyana is situated in the Northern part of South America, bordering the North Atlantic Ocean, and with Suriname, Venezuela and Brazil as neighbors. It is the third smallest country in South America after Suriname and Uruguay, and has a population of less than a million¹. It is also the third poorest country in the Western Hemisphere, after Haiti and Nicaragua². It is well endowed with natural resources including bauxite and gold, fertile agricultural lands, and large tropical forests. With 80 percent of the country covered by forests, Guyana has one of the world's highest forest cover per capita ratios. Ninety percent of the inhabitants live on the narrow coastal plain, where population density is more than 115 persons per square kilometer. According to the 2002 census, the composition population is composed of: Indo-Guyanese (43.5 percent); Afro-Guyanese (30.2 percent); Mixed Heritage (17.6 percent); Amerindian (9.2 percent); and Portuguese and Chinese (< 1 percent).

2. After over 25 years of authoritarian rule, democratic elections were held in 1992. Since then, there have been three largely free and fair general elections, but **Guyana remains a fragile democracy where political parties remain largely divided along ethnic lines.** This has periodically resulted in civil unrest and violence, particularly around the 1997 and 2001 elections, and in slowing the pace of economic reforms. However, the most recent general elections, held in August 2006, were peaceful, fostering hope that Guyana's democracy has entered a more stable period.

3. In 2007, Guyana's GDP reached US\$1.043 billion with a GNI per capita of US\$1,300. With 72 percent of Guyana's population classified as rural, its economy is resource-based; specialized in agriculture and mining, which account for 30 percent and 9.7 percent of GDP, respectively. In recent years, manufacturing has remained constant at around 10 percent of total value added while the share of services has increased to 47 percent. The IMF Article IV Staff Report (2007) and the Bureau of Statistics posit that Guyana's official statistics underestimate the size of its GDP by as much as 40 percent. This is due to two factors: a large informal sector that is not accurately accounted for, and the use of biased base year (1988) weights in the estimation of constant-prices GDP.

4. **With one of the highest rates of skilled migration in the world, Guyana is the greatest recipient of remittances as a share of GDP in the Latin America and Caribbean Region,** and has the largest percentage of households who receive remittances. Although the country enjoys the benefits of remittances, migration in Guyana constitutes a significant challenge for human capital and socio-economic development – between 35 and 55 percent of Guyana's nationals live abroad, and between 80 and 90 percent of the Guyanese with tertiary education are abroad (World Bank, 2007).

5. **The incidence of poverty, at 35 percent of the population (with much higher rates in rural and Amerindian areas), is among the highest in the Western hemisphere.** Guyana ranks 107th out of 177 countries in the UNDP Human Development Index – **second lowest in the Caribbean Region** (after Haiti). Despite progress in recent years, significant challenges remain.

6. **While some MDG indicators are likely to be achieved (education, hunger, gender, and environment), the country is still facing some challenges.** According to the

¹ The population was estimated at 763,200 people in 2007 (Government of Guyana/Bureau of Statistics).

² According to the 2008 WDI, and in terms of GDP per Capita, PPP (current international).

Poverty Assessment Report (World Bank, 2008), the most significant progress (compared to 2003) has been made on targets that address hunger and primary education, particularly to low income households, and empowerment of women. Guyana fares very well in terms of educational attainment compared to other LAC countries with similar per capita GDP. However, achievements related to maternal and child health, and controlling the prevalence of malaria and other diseases, were assessed as being unlikely to be met. The fact that goals in chronic malnutrition, poverty, child mortality and maternal health will not be met is particularly worrisome because of their long-term implications for the well-being of large segments of the population and for building human capital.

Progress Towards Reducing Poverty

7. According to a Household Income and Expenditure Survey³ completed in 2006, and a Poverty Assessment Report (World Bank, 2008), **poverty declined at a fast rate during 1992-1999, but seems to have stagnated afterwards.** The national poverty rate fell from 43.2 percent in 1992 to 36.3 percent in 1999, and extreme poverty declined even more rapidly from 28.7 percent in 1992 to 19.1 percent in 1999. However, since 1999, both the overall and the extreme poverty headcount rates have remained stable in parallel with low per capita GDP (GDP grew at an annualized rate of less than one percent). In 2006, the national poverty rate was estimated at 36.1 percent, with the population in extreme poverty comprising 18.6 percent of the population. To achieve the 2015 poverty MDGs, Guyana will need a 10 percentage point reduction in poverty, which is a higher reduction than that observed during 1992-1999.

8. **National poverty averages hide strong disparities between rural and urban areas with 19 percent in urban areas** and 74 percent in rural interior areas. Poverty rates are very similar for the Afro-Guyanese (31.6 percent), Indo-Guyanese (30 percent) and the mixed (33.7 percent) population. The Amerindians, the minority group largely residing in isolated rural interior areas, experience the highest poverty incidence in the country (around 78 percent). This ethnic group represents only 9.2 percent of the population in Guyana, but contains one third of the extreme poor population. **Low education level is the individual characteristic with the strongest negative association with poverty status.** Not surprisingly, the poverty rate decreases monotonically with increasing levels of education. A big decline in poverty rates is associated with completed secondary education. In 2006, those with the least education (none at all or incomplete primary), exhibited poverty rates of 41 percent. Individuals with completed primary or incomplete high school show considerably lower poverty rates. Completing secondary education is associated with earnings that are 20 percent higher than those with incomplete secondary.

Gender

9. According to the Poverty Assessment Report, **there are sharp differences in participation in the labor force.** Guyana has the lowest female participation rate in the region, and the widest gender participation gap. While 84 percent of men aged 15-64 years old look for a job or have a job, the proportion for women is only 37 percent. Even considering other factors that affect the decision to join the labor force (marital status, ethnicity, or area of residence), the participation gender gap remains strong. This suggests the existence of distinct gender roles in Guyanese society that create a disincentive for women to participate in the labor market.

³ Conducted by the Bureau of Statistics with support from the World Bank, UNDP, and IDB.

10. In both the PRSP and in its recent budget presentation (2009), the Government highlighted its increased focus on equity and empowerment of women. Government actions include:

(i) increased focus to the legislative framework to protect women and to empower them to earn a living; (ii) greater emphasis on incorporating entrepreneurial skills training into the life skills programme for women and, (iii) in 2009, a residential programme will be implemented along with expanded training for women in hinterland communities. In addition, a programme to assist single parents, who are mostly women, will be launched this year.

Forestry

11. **Guyana is a major provider of environmental services.** It is located at the heart of the Guiana Shield—a vast expanse of tropical forest shared with Brazil, French Guyana, Suriname and Venezuela. It is a center of biodiversity and a provider of environmental services of global scale. Much of Guyana's indigenous population lives in forests on which they depend for their economic, social and cultural subsistence. These Amerindian communities hold formal land titles over 2.4 million hectares. The annual deforestation rate is estimated at 0.1 - 0.3 percent, which is relatively slow compared to most tropical countries. About 90 percent of Guyana's forest is still intact. At present, the main pressures on forests are considered as: forest clearing for mining, the conversion of forest to agriculture, and the opening of infrastructure, especially roads. The main factors that protected Guyana's forests so far are considered as: the very low population density away from the coastal plains, and the lack of physical accessibility to the forest hinterland. However, the low rates of deforestation (and of forest carbon emissions) experienced in Guyana in the past may not accurately predict future trends, as the country continues to improve its infrastructure and to meet its development challenges.

Vulnerability to climate change and natural disasters

12. **Guyana is highly vulnerable to climate change and natural disasters.** According to the 2005 Economic Commission for Latin America and the Caribbean (ECLAC), Guyana's total losses resulting from the heavy rains of January 2005 amounted to US\$465 million, or 59 percent of the country's Gross Domestic Product (GDP). In the most densely populated area in the country, 71 percent of residents were affected, while 20 percent of those in neighboring regions were impacted. In lowland areas, flood waters persisted for over a month and the death toll reached 34, mostly attributed to waterborne disease.

13. **Sea level rise poses an important challenge to Guyana's geography, ecology and economy.** According to recent estimates⁴, sea level can be expected to consistently rise and possibly reach one meter by the end of the century. A rise of this magnitude would flood about 200,000 hectares, where 70 percent of the population resides, 40 percent of the agricultural land is located and 48 percent of the GDP is produced. While a change of this magnitude is decades away, the Government recognizes the need to plan ahead for the eventuality. Guyana has prepared a **National Sector Policy for sea and river defense**, and a pilot project for mangrove cultivation and management is ongoing. About the equivalent of US\$12 million were spent over the last year to reinforce sea and river defense structures to prevent flooding and overtopping, with over 5 kilometers of sea defense structures being completed and over 2 kilometers of erosion prevention works being done, along with routine maintenance. In addition, the Government is working with other donors on addressing this

⁴ Source: *Guyana Agriculture Adaptation Strategy, 2009, prepared under Mainstreaming Climate Change Issues in National Development Processes (MACC)*.

challenge through the following activities: Sea Defenses and Disaster Management (EU); Flood Mitigation Support (DFID); Disaster Risk Reduction and Recovery (UNDP); Support for Natural Disaster Management (IDB Technical Assistance planned under the new Assistance Strategy).

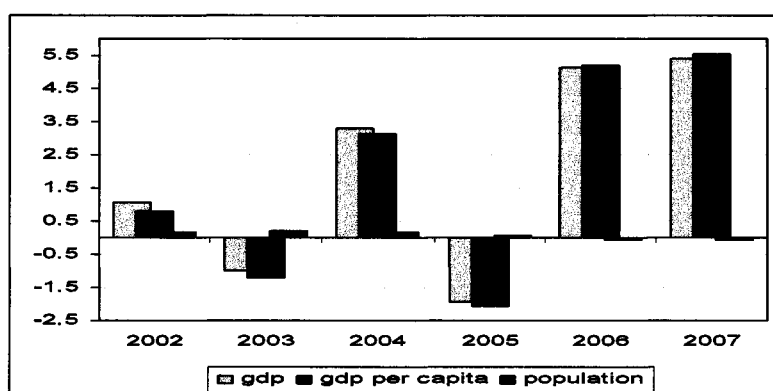
14. As indicated in its 2009 budget, the Government will continue executing major infrastructure works to address the country’s vulnerability to climate change, with a view to sustaining the economic livelihood of its citizens. A budget allocation of an equivalent of US\$10 million has been provided to this effect. In addition, mangrove cultivation pilots will continue as part of the shore zone management program.

II. RECENT DEVELOPMENTS, CHALLENGES AND GOVERNMENT PRIORITIES

A. Recent Macroeconomic Developments

15. **Economic growth in Guyana has been characterized by high volatility.** Between 1997 and 2007, years of GDP growth were interspersed with years of contraction. From 2002 to 2005, GDP growth averaged 0.08 percent (Figure 1), reflecting increased oil prices, natural disasters (severe floods in 2005), the winding down of production in Guyana’s largest gold mine and the deteriorating security situation. GDP growth rebounded in 2006 and 2007, reaching 5.1 percent and 5.4 percent respectively, underpinned by booming investment activities and favorable terms of trade changes. Significant remittance flows (about 25 percent of GDP in 2007) and FDI (12.2 percent of GDP in 2007) helped finance the additional investment. The estimated growth rate for 2008 is 3.2 percent. The slower growth is mainly due to strongly contracting sugar production and lower manufacturing output, which fell by 15 percent due to heavy rains. Non-sugar growth was strong at 6 percent, driven by growth in construction and commodity exports (rice, gold).

Figure 1: Growth Performance in Guyana



Source: IMF, World Bank, Guyana Ministry of Finance.

16. **The fiscal situation deteriorated considerably between 2002 and 2005, but the Government has made efforts to reverse the trend since then.** Increased expenditures after 2002 were the result of rising import prices (especially oil), flood-related reconstruction expenses, the Cricket World Cup-related spending as well as the much needed investment to

modernize the sugar industry⁵. Sugar sector investments were necessary to ensure the sector's competitiveness in the context of the gradual elimination of the European Union (EU) sugar preference⁶. The overall Government deficit after grants increased from 5.9 percent of GDP in 2002 to 13.6 in 2005 (or 9.3 excluding the Skeldon sugar investment).

17. With fiscal consolidation, the deficit declined to 11.5 percent of GDP in 2006, and to 7.6 percent of GDP in 2007. The recently improved fiscal balance reflects a strong revenue effort, notably through improved administration, and the introduction of a value added tax in January 2007, as well as restrained expenditures with improved prioritization of the Public Sector Investment Program (PSIP) and containment of the wage bill. A reduction of interest payments due to the various debt forgiveness initiatives has also helped to improve the fiscal position.

18. The fiscal deficit widened in 2008 to 8.7 percent of GDP primarily due to measures adopted to mitigate the impact of higher fuel prices. The measures included subsidies to the electricity company to contain tariff increases and a reduction in fuel excise taxes, and cost about 4 percent of GDP. These measures have been reversed. The other measures -- expanding the list of zero-rated VAT goods and a subsidy to flour -- have had a very small effect on the budget; however, if maintained, they could over the long run erode the tax base.

Table 1: Guyana: Key Macroeconomic Indicators (2006 – 2013)

			Est.			Proj		
	2006	2007	2008	2009	2010	2011	2012	2013
National Accounts and Prices								
Real GDP growth (percent change)	5.1	5.4	3.2	2.4	3.6	5.1	4.9	4.4
CPI inflation (percent change, average)	6.7	12.2	8.2	3.6	5.0	5.0	5.0	5.0
Exchange rate (per US\$, end of period)	201.0	204.0	205.0	...	...	...	...	...
Terms of Trade	3.2	3.1	-7.2	8.5	-8.2	-1.4	0.7	0.4
Investment (percent of GDP)								
Gross Domestic Investment	33.6	33.2	30.6	29.4	27.0	27.9	26.4	25.2
Private Sector	9.3	10.8	12.4	9.2	10.3	11.3	11.2	10.8
Public Sector	24.3	22.4	18.3	20.3	16.7	16.6	15.2	14.4
Nonfinancial Public Sector Indicators (percent of GDP)								
Central government revenues and grants	46.7	44.5	42.9	43.6	42.2	42.6	41.8	41.4
Tax revenues	31.6	35.6	33.8	33.3	33.4	33.6	33.5	33.3
Central government expenditures	58.2	52.1	51.6	51.9	48.0	47.4	45.4	44.4
Current 1/	34.0	29.7	33.3	31.2	30.1	30.8	30.2	30.1
Overall balance after grants	-11.5	-7.6	-8.7	-6.8	-5.9	-4.8	-3.5	-3.0
Financing	11.5	7.6	8.7	6.8	5.9	4.8	3.5	3.0
Net external financing 1/	10.0	8.4	12.7	12.4	11.2	9.1	7.8	2.1
Net domestic financing	1.5	0.8	0.9	-1.7	-0.6	0.7	0.3	-0.1
PetroCaribe savings	...	-1.6	-4.9	-3.9	-4.7	-5.1	-4.5	1.1
External Sector Indicators (percent of GDP)								
Merchandise Trade Balance	-32.9	-35.5	-41.9	-33.5	-31.6	-28.3	-26.5	-23.7
Exports of goods, f.o.b.	64.1	63.4	68.3	52.7	52.6	59.7	60.8	61.5
Imports of goods, c.i.f.	97.0	98.9	110.2	86.2	84.2	88.0	87.3	85.2
Current account, incl. off. transfers	-20.9	-18.0	-20.8	-19.0	-16.6	-13.3	-11.9	-10.7
Gross International Reserves (in months of imports)	3.1	3.0	2.8	3.0	3.3	3.4	3.3	3.2

Sources: Bank of Guyana; Statistical Bureau of Guyana; Ministry of Finance; and Fund staff estimates and projections.

1/ Reflects interest and amortizations after debt stock operations.

⁵ At an average level of 15 percent for the period 1998-2005, Guyana would appear to have a comparatively high public investment to GDP ratio. Comparator small countries have a rate well below 10 percent; however, due to Guyana's particular geographic configuration (10 percent of the land in Guyana is below sea level), and the difficulties of connecting communities dispersed over its vast land area, public infrastructure requires higher than average amounts of public investment.

⁶ A sugar modernization plan was initiated in 2000, anticipating lower preferential prices for exports to the EU. The plan calls for increasing output by nearly 70% over the medium term, from 226,000 tons in 2008 to 389,000 tons in 2012, and reducing costs from 20 US cents to 11 US cents per pound. The program included the construction of a new US\$180 million factory, mostly completed in 2008 (source: IMF Staff Report, 2009).

B. Outlook for 2009-2012

19. **Impact of the Global Crisis⁷. Guyana is vulnerable to the global crisis, through a weakening of commodity exports (sugar, rice, timber, bauxite, and gold), a reduction in workers remittances and reduced foreign direct investment.** Since exports of sugar, rice, timber, bauxite and gold account for 40 percent of GDP, the global slowdown in demand for these commodities is likely to have an impact on growth. In 2009, exports of goods are projected to decline (in value terms) by 16 percent, with a decline in all the main commodity exports except gold (whose exports are projected to increase by 7.2 percent). The commodity which is projected to experience the highest decline in exports (51 percent) is bauxite. Imports are also projected to decline by 19.2 percent in 2009, which will result in a projected increase in net merchandise trade from -484 to -365 from 2008 to 2009. Remittances, which account for over 25 percent of GDP, are vulnerable to rising unemployment in labor markets in the US, Canada and the United Kingdom. Remittances have held up in 2008, but are projected to decline in 2009 by about -25%. Large investment projects under consideration, such as the hydropower plant, are likely to be delayed.

20. The financial sector, even with limited exposure to international financial markets, is not immune, as the recent failure of the Caribbean Life Insurance Company (CLICO), the Trinidad and Tobago (T&T) based conglomerate, has shown. The fallout from the CLICO T&T was felt in the Bahamas where the liquidation process of the local company started on February 26, 2009, and subsequently in Guyana. The Government acted swiftly and put CLICO (Guyana) under judicial administration on March 2, 2009, with the insurance supervisor acting as a manager. CLICO Guyana has 15,000 policy holders and holds about 17% of the National Insurance Scheme's assets. The deficit of its statutory fund is estimated at USD 60 million according to the supervisor. The Guyana authorities are claiming USD 34 million into CLICO Bahamas, but the Bahamian liquidator has proposed to reclassify this amount as unsecured intercompany advances, which would have a low priority in the liquidation. The recent IMF Article IV for Guyana (February 2009) notes that as of end-September 2008, the Banks had capital to risk adjusted asset ratios well above 8 percent and liquidity levels were comfortable. NPLs are high at 10 percent, but do not appear to have risen. Stress tests, based on an update of the 2006 FSAP, with the current risks, show that banks appear resilient, with vulnerabilities emerging with severe shocks across the economy or a combination of shocks.

21. **Prospects in 2009 and 2010 show a slowdown in growth.** These projections are more conservative than those presented by the Government in its 2009 budget and by the IMF in its recent Article IV (see table 1). Growth in 2009 is projected to decelerate sharply in most non-sugar sectors. Sugar production, while projected to grow compared to 2008, does not achieve the increase of well over 20 percent projected in the 2009 budget. In 2008, it declined by 15% due to the impact of the flooding. Starting in 2010, a more broad based growth would be underpinned by an expected global economic recovery, which would result in gradual increases in export prices and remittances. Growth in Guyana could then reach well over 3 percent in 2010 and increase to 4-5 percent in 2011-13.

22. The Government has indicated its commitment to continue fiscal consolidation in the medium term, targeting an overall deficit after grants averaging about 3.5 percent of GDP. This fiscal strategy is crucial to achieve healthy public finances and a sustainable debt burden in the medium term, but it is also a very ambitious strategy. The authorities envisage a

⁷ The current macroeconomic projections are based on available information and staff estimates.

23. **Debt Management and Sustainability.** Guyana's debt sustainability has improved dramatically since 2002. The country reached the Enhanced HIPC (E-HIPC) Completion Point in December 2003 qualifying for US\$329 million of debt relief in NPV terms, additional to the debt relief of US\$256 million in NPV terms obtained under the original HIPC in May 1999. Although the external debt burden, as measured by the NPV of external debt to revenue ratio, declined following the E-HIPC Completion Point, debt sustainability concerns re-emerged in 2004 and were only eased after the implementation of the Multilateral Debt Relief Initiative (MDRI). In 2006/7 under the MDRI, about US\$611 million of Guyana's debt has been written off by the IMF, the World Bank and the Inter-American Development Bank. In November 2006, Japan finalized its bilateral debt cancellation agreement and, in July 2007, there was a write-off US\$15 million of outstanding debt to China. As of end-2007, external debt declined substantially and was US\$719 million (67 percent of GDP). Finally, in 2008, Guyana benefited from debt reduction offered by Venezuela that cancelled US\$12.5 million.

24. The updated joint IMF-WB debt sustainability analysis (DSA)⁸, presented in Annex E, indicates that Guyana remains at a moderate risk of debt distress. The main conclusions from the DSA highlight that while projected debt indicators are similar to those of the February 2008 DSA, the potential vulnerabilities have increased, namely the risk of a weak implementation of the sugar modernization plan and a more prolonged global slowdown (than currently envisaged). The total public sector debt ratios show higher vulnerability than the external ones, underscoring the importance of deepening fiscal consolidation. Going forward, the DSA highlights that Guyana's external and public debt outlook will depend on maintaining a sustainable medium-term fiscal framework, broadening the sources of growth, and a prudent debt strategy.

C. Challenges and Country Priorities

25. The Government's vision is to accelerate growth by addressing several challenges. These challenges were confirmed at the CAS consultations as the Government's main priorities in the next four years:

- (i) Protecting the environment and managing natural resources with simultaneous sustainable social and economic development;
- (ii) Managing the sea level rise and changes in rainfall patterns through disaster mitigation;
- (iii) Improving infrastructure to promote growth and private sector development;
- (iv) Improving the quality of education;
- (v) Improving the quality of health services which is hampered by the emigration of skilled health personnel;
- (vi) Deepening governance and modernizing the state, while building on progress already made; and
- (vii) Preventing crime and enhancing citizen's security.

26. **Protecting the environment and managing the country's natural resources with simultaneous sustainable social and economic development is a major challenge and one in which Guyana is playing a global leadership role.** President Jagdeo is actively pursuing a vision of a low carbon development strategy and is seeking to leverage the preservation of the country's vast forests to raise capital to develop economic and social infrastructure. He has expressed his country's willingness to place the Guyana rainforest under long-term

⁸An Addendum to the DSA with an updated scenario of lower GDP growth is attached at the end of Annex E.

protection, if adequate market-based incentives are created to make this effort economically and socially worthwhile for the country⁹. Guyana is participating in the design of a post-Kyoto climate change mitigation regime, and will be one of the first participants in the new Forest Carbon Partnership Facility administered by the World Bank. It will likely receive a US\$2 million grant to ready itself to reduce carbon emissions from forests, and access larger financial transfers in return—a grant to prepare the country’s Readiness Plan was approved in June 2008. Guyana is now the first country to have submitted a readiness plan. The Bank will support the Government’s goals in this area sector through a Forestry project.

27. Given the importance of agriculture income in rural poverty reduction, agriculture risks (climate and price risk) must be managed in a comprehensive manner. Inappropriate agricultural practices, and inadequate exploration of mineral resources, the disturbance and degradation of forests, and unregulated squatter settlements are the major issues related to the sustainability of the environment. The Government has also taken the lead in promoting, at an international level, an approach to the climate change agenda that recognizes and addresses human development objectives.

28. **Managing the sea level rise and changes in rainfall patterns through inter alia disaster mitigation** is another important challenge. Drainage and irrigation systems were constructed over a hundred years ago, and have not been adequately maintained, nor are they designed to deal with the added stress of sea level rise. Currently, catastrophic climate risk is absorbed by the Government and agriculture producers at great cost, restricting their ability to exit from poverty and inhibiting growth and agricultural competitiveness. Given Guyana’s need to increase agricultural competitiveness, financial instruments such as agricultural insurance could provide a sustainable market mechanism to manage and transfer such risks to international markets. The Bank will support the Government in addressing this challenge through technical assistance on agriculture risk insurance.

29. **Improving infrastructure to promote growth and private sector development.** The 2006 Investment Climate Survey (ICS) revealed that access to finance (cost of financing and collateral), electricity, telecom services, skills and education of available workers, and political uncertainty or instability, were the major constraints to doing business. A growth diagnostics study¹⁰ emphasized the poor appropriability of returns on private investment, which hampers capital accumulation, innovative activities and productive diversification of the economy and is linked primarily to a weak institutional framework. The Government is committed in its PRSP to undertake various measures to improve infrastructure, including: improving drainage and irrigation systems; improving the roads network and the sea defense, as well as expanding and diversifying power supply. In telecommunications, negotiations regarding the opening of the sector to competition are progressing well. The sector is currently dominated by the private monopoly provider GT&T. Once an agreement is reached to end the monopoly, support will be required to modernize the sector’s policy, legal, regulatory and institutional frameworks. In addition, as competition is likely to be concentrated initially on the main urban centers, a comprehensive universal service program will need to be implemented. The Bank will support the Government’s goals in enhancing the telecommunications sector through a regional connectivity project.

30. **Improving the quality of education. Guyana made significant progress in terms of access to education, and primary school enrollment in the last few years was close to**

⁹ Cf. Speech to the United Nations in December, 2008. <http://www.gina.gov.gy/unveils.html>

¹⁰ Identifying Binding Constraints to Growth in Guyana by Edna Armendariz, Paloma Baena, Anneke Jessen, Matthew Shearer, Christian Schneider and Marlon Bristol, Inter-American Development Bank, GY-P0130, 2007.

100 percent. However, quality and equity constitute major concerns at all levels of education. Over the past three years, Guyana has successfully implemented a series of activities under the Education For All-Fast Track Initiative (EFA-FTI), which has supported primary education under the Government's Education Strategic Plan. Guyana has achieved good results in the number of children completing primary education (Grade 6), with the national average at 100 percent, and the hinterland improving significantly from 85 percent in 2002 to 94 percent in 2007. Steady progress is also being made towards achieving universal secondary education with about 78 percent enrollment, although regional disparities persist, repetition and drop out rates remain high, and quality indicators are below expectations.

31. There have been significant gains in the last few years, but the range of quality needs is wide: trained teachers in the coastland and hinterland represent only 57 percent and 38 percent of their respective totals, student absenteeism is high (20-25 percent), student performance on national assessments is low, and a proportion of school facilities continue to be in poor condition. These concerns justify quality as the imperative for the Ministry of Education in its future plan. The Government has focused much effort on maintaining and improving the number of trained teachers in the system, resulting in positive results despite the constant outflow of the most experienced teachers to more lucrative jobs in the private sector, and emigration to other countries where teacher salaries are more attractive.

32. The Government will improve literacy and numeracy and vocational and technical education through improving teachers' education. Its objective is to increase the proportion of trained teachers from 57 percent to 70 percent by 2012, and to upgrade the knowledge of the teachers in their specialized areas at the secondary level. The Bank will support the Government's plan through an Education project focused on the reform of teachers' training.

33. **Improving the quality of health services.** Compared to other LAC and even middle income countries, Guyana is doing better in certain areas of health such as immunizations, but worse in others such as child and maternal mortality. Assistance during births is also less prevalent in Guyana than in LAC countries or MICs. In addition, Guyana had 48 physicians per 100,000 inhabitants in 2005, a lower ratio compared to Dominica and Grenada (50) as well as Jamaica (85). These ratios partially explain poor outcomes in maternal health care services in Guyana—maternal mortality in Guyana is more than twice the rate in Jamaica.

34. The prevalence of HIV/AIDS is estimated at between 1.5 percent and 2.4 percent in the adult population. The epidemic appears to be stabilizing. Services for prevention, treatment, and care, increased dramatically in the last four years, especially aided by funding from the World Bank, the Global Fund for AIDS, Tuberculosis and Malaria and the US Government's President's Emergency Program for AIDS. The Bank is supporting the health sector through an ongoing HIV/AIDS Prevention and Control project. Results show that Guyana has made significant progress in controlling HIV/AIDS as demonstrated, in part, by the decline in the trend of HIV infections among pregnant women from 5.6 percent in 2000 to 2.1 in 2005¹¹. Major challenges still lie ahead: only 33 percent of people needing anti-retroviral therapy are accessing services and 31.6 percent of infected mothers are accessing the anti-retroviral therapy to prevent transmission of HIV to their infants. The project is contributing to supporting human capital in Guyana which is now cited (by WHO and others) as a leader in national multi-sector responses to HIV and AIDS. The line ministry component of the Guyana HIV/AIDS project has become an interesting case study on mainstreaming a national response to the epidemic.

¹¹ Ministry of Health, 2006 Guyana National HIV/AIDS Strategy 2007-2011.

35. With respect to other diseases, the prevalence of malaria declined from about 3.6 percent of the population in 2001, to about 2.7 percent of the population in 2006. In the case of tuberculosis (TB), although modest results were achieved in reducing its incidence over the period, disturbing high levels persist in 6 out of the 10 regions in Guyana, particularly in the hinterland regions. According to the recently updated National Health Sector Strategy for 2008-2012, the Government aims to achieve improvements across the whole range of public health services through strengthening human resources and expanding infrastructure to increase coverage.

36. **Guyana faces a major challenge in retaining its skilled population.** It has experienced one of the highest net emigration flows of the region, and the estimated annual emigration rate is 2 percent (World Bank, 2007). However, migration also directs a significant in-flow of financial resources into the country. Therefore, a careful strategy that links the diaspora to their home country may be effective in benefiting from the skilled immigrants while abroad (Box 1). An ongoing regional study is being undertaken at the Bank and aims at addressing nurse migration issues.

Box 1: International Migration: A Challenge and an Opportunity

Guyana has one of the highest rates of **skilled migration** in the **world**. The country has also one of the highest net out-migration flows of the Latin America and Caribbean region. It is the largest recipient of remittances in the region (relative to GDP), and has the largest percentage of households who receive remittances. Migration in Guyana constitutes a significant challenge for socio-economic development. It is estimated that between 35 and 55 percent of Guyana's inhabitants live abroad, and that between 80 and 90 percent of the Guyanese with tertiary education are abroad (World Bank, 2007b). About half of students intend to migrate soon, and some of them enter the university precisely in order to gain the necessary skills to be able to migrate. Entrepreneurs, professionals, teachers, and nurses are leaving Guyana for better opportunities, for higher pay, better work conditions, more freedom and more security¹². At the same time, migration constitutes an opportunity for the poor who are increasingly benefiting from the remittances. It is estimated that remittances constitute over 25% of GDP, and about one-third of the Guyanese population receives remittances. **The Poverty Assessment Report projected that "if remittances were to be exogenously taken away from Guyana tomorrow, the poverty rate would increase from 36 to 46 percent. The poverty among current remittance receivers would have doubled to 50%."** Remittances are an important part of the social safety nets, and have a positive effect on education. For instance, remittance-receiving households are more likely to keep their children in school, which has an impact on secondary and tertiary enrollment rates.

Addressing the migration issue becomes urgent as remittances are likely to decline significantly as a result of the global financial crisis.

37. **Deepening governance and modernizing the state, while building on progress already made.** The Government recognizes in its new PRSP that achieving higher economic growth and improved public services will not be achieved without fundamental improvements in governance and public sector institutional capacity. Corruption, weaknesses in public accountability and local Government institutions are the key challenges that constrain private sector development and which also explain the low social and economic return on public spending.

38. **The Government has demonstrated its commitment to addressing governance in its national development** through the appointment of a governance advisor and the establishment of a dedicated unit within the office of the president. Interventions on governance, both externally funded and those financed from national resources, have

¹² Poverty Assessment Report, World Bank, 2009.

included: (1) security sector reform, (2) justice administration reforms, (3) preparation for long overdue local Government elections, (4) strengthening of parliamentary oversight, and (5) implementing constitutional reforms passed by the National Assembly in 2001. Guyana receives support from the IDB, through Citizen Security and Justice Sector programs, from the UNDP, in community level security improvement and elections support, from DFID in the broad security sector, and from CIDA in the area of local Government elections. USAID, through the Millennium Challenge Threshold program, has been supporting some of the parliamentary reforms. It is worth noting that the reform agenda for strengthening fiduciary oversight and parliamentary systems was developed in the context of the World Bank PSTAC program, which closed in 2007.

39. The World Bank is currently participating in the dialogue with the Government on Governance issues in the context of the donor-Government Governance Thematic Group. This Thematic Group meets every six weeks, and includes Government representatives (the Office of the President), the World Bank, IDB, UNDP, DFID, CIDA, USAID, OAS, and the EU. Agenda items include security, parliamentary reforms (including fiduciary oversight reform agenda), implementation of constitutional reforms, local Government reform and elections.

40. Progress has been achieved in modernizing regulatory and institutional frameworks. An Integrated Financial Management and Accounting System (IFMAS) to interconnect the Government's financial management and accounting systems and control overall public expenditures has been implemented. The capital budget is prepared within the framework of a rolling five-year Public Sector Investment Program (PSIP), with a prioritization mechanism. Standard bidding documents and operational manuals are now used increasingly throughout central Government entities. The Audit Office of Guyana (AOG) has begun implementing international auditing standards and auditing methodologies to perform operational, performance, and forensic audits. The legislature has moved to strengthen its oversight role over the execution of the budget through legislative review of the external audit reports, and by questioning responsible parties about the findings from the reports. Improvements have also been made in budget formulation and implementation.

41. However, challenges remain, in particular consolidating the reform gains and moving towards a programmatic and results based system. The implementation of common internal controls and audit frameworks, the unification of current and capital budgets, and the strengthening of the linkages between budget preparation and procurement planning, are key elements that need to be consolidated before moving towards a programmatic and results based system. The establishment of an effective monitoring and evaluation framework also remains a priority. The Government will continue its efforts to promote governance in its new strategy. Concrete actions include: (i) strengthening parliament as well as public sector efficiency and effectiveness, and (ii) strengthening the Office of the Auditor General, and (iii) reforming the Integrity Commission.

42. **Preventing crime and enhancing security.** It is widely recognized that reducing crime and improving security in Guyana is extremely critical for the country's growth and competitiveness, and it is among the Government's priorities. Crime and violence generate fear and anxiety, fuel migration, discourage long-term investment, and severely compromise good governance¹³. The Investment Climate Survey (2007) reported that crime losses and

¹³ Guyana Development Policy Review, World Bank, 2003.

security costs spent are high. Direct crime losses of interviewed firms are about 3.4 percent of annual sales.

III. WORLD BANK ASSISTANCE STRATEGY

A. Lessons from the last CAS

43. **The 2002 CAS marked a fundamental shift in the IDA lending strategy for Guyana.** Drawing on the experience of previous interventions, and guided by the Bank's mandate for poverty reduction and its comparative advantage in policy dialogue, the strategy focused on supporting the policy reform agenda of the PRSP. The CAS shifted from project lending to a series of Poverty Reduction Support Credits (PRSCs) consisting of a series of single tranche programmatic credits. The pace of reforms was seen as the constraint on how many PRSCs could be provided, but the first PRSC (PRSC-I) program document suggested that it might be possible to proceed at a pace of one PRSC per year. The CAS focused on areas where the Bank was viewed as having a comparative advantage, and sought to ensure complementarities with other development partners.

44. The CAS supported three key priorities of the 2001 PRSP: (i) stimulating economic growth through sound macroeconomic management, more efficient implementation of the public sector investment program (in particular in the sugar sector), and improving the environment for private investment; (ii) improving public sector governance and accountability by strengthening oversight systems and building capacity; and (iii) enhancing provision of, and access to, basic services and safety nets.

45. **While the CAS correctly identified the country's challenges, it was extremely ambitious and overestimated the consensus and capacity for reforms.** Implementation of the CAS agenda was undermined by the macroeconomic program going temporarily off-track and the acceleration of political disruptions. The ensuing delays (even with a two year extension) and the underlying institutional issues indicate that the original schedule of one PRSC per year was too optimistic. Reform efforts have been uneven. The main issues identified during CAS implementation were: (i) lack of broad consensus for reforms; (ii) even when there was consensus, the reform process was slow; and (iii) limited management and technical capacity to carry out reforms.

46. Among the achievements under the previous CAS, the outcomes of the School Feeding Program under the EFA-FTI are noticeable. As of December 2008, there were over 11,000 beneficiary children in 60 primary schools in the interior of the country (hinterland). This represented 57 percent of all primary school children in Regions 1, 7, 8, and 9. In communities where the program operates, student attendance has increased, a local market for food items has developed, and parents and other community members are considerably more engaged in the school and local activities. An on-going impact evaluation will capture more precisely the levels of improvement related to the objectives of the program.

47. The CAS Completion Report provides a detailed assessment of Bank performance during FY03-08 (Annex D). Box 2 summarizes the main lessons and recommendations.

Box 2: Lessons and Recommendations

Selectivity and simplicity in design are key.

- The strategy was wide ranging with highly optimistic objectives and implementation time.
- Key performance indicators should be focused and as much as possible linked to measurable outcomes.
- Keep priorities well-focused and implementation flexible.

Lack of capacity in the Guyanese public sector is a cross-cutting constraint.

- Future operations should aim at increasing substantially public sector capacity.
- Timeframe and design of future operations should take into account capacity constraints in the public service.

Client ownership and commitment, including champions, are critical.

- The lack of Government focus on some key reforms lowered expectations and the impact of the CAS.

Lack of political and social cohesion can undermine the reform agenda.

- The Government noted that while the conditions were conducive to growth at the beginning of the previous CAS period, political conditions and social cohesion were not in place, contributing to poor growth and sluggish reduction in poverty.
- Political constraints often prevented reform from moving, as was the case with the VAT, which was implemented in 2007 after much delay.
- Improve political economy analysis in project design.

Resource flows need to be more predictable.

- Unpredictable resource flows negatively impacted government programs, particularly with the debt relief packages, where delays forced the government to scale down some investments.

Project sustainability requires retaining key personnel.

- Projects that rely heavily on highly-paid consultants who are unlikely to be retained by the government at project completion are likely to experience weak implementation and/or limited long-term development impact.

Donor coordination needs to be strengthened.

- Consider, for instance, joint missions to address common issues and pooled funds/swaps.

Choice and scope of AAA should involve more consultation with the government.

- Analytical work and policy notes should be demand-driven, part of the on-going reform process, and delivered in a timely manner.

B. Current Bank Group Program

48. The Guyana portfolio of IDA-financed projects is small, comprising two projects totaling US\$21.3 million, HIV/AIDS (US\$10 million) and Water Sector Consolidation (US\$11.3 million). In addition, the Trust Fund portfolio totaling US\$18.9 million includes the Education for All/Fast Track Initiative (EFA-FTI) program supported by the FTI Catalytic Fund (US\$12.2 million), the Global Environment Facility (GEF) grant for the Conservancy Adaptation Project (US\$3.8 million), the Bagasse Cogeneration project (US\$2.6 million) funded by the Community Development Carbon Fund managed by the World Bank, and a Trust Fund for National Statistics Strategy and Statistical Development TA project (US\$285,000). Ongoing analytical work includes a regional energy study (Alternative Energy Supply) in line with the Government's objective of diversifying power supply sources, and limiting Guyana's exposure to hydrocarbon price fluctuation. An Integrated Fiduciary Assessment has been recently completed and delivered to the Government (2008).

49. All operations are "Satisfactory" or "Moderately Satisfactory" for overall implementation and progress toward objectives. In terms of fiduciary risk, only one

project—Water Sector Consolidation—has a “Marginally Unsatisfactory” rating for Financial Management, and the other projects have “Satisfactory” fiduciary ratings. Institutional weaknesses of Guyana Water Incorporated (GWI) may put the Water Sector project at risk. The Bank is working closely with the Government on this issue, has laid out a timebound action plan to remedy the key problems, and is following-up on the implementation of this action plan. Only one project (Conservancy Adaptation) is currently in a potential problem status (two of its three “flags” are for Country Record and Effectiveness Delay). All planned lending and Trust Funds were approved, with the exception of one GEF project (National Protected Areas Systems) that was dropped.

50. During FY03-08, IFC committed US\$4.6 million in the mining sector (Guyana Goldfield). As of February 28, 2009, IFC’s disbursed and held portfolios totaled US\$2.91 million and US\$3.41 million respectively. An IFC investment in Small Business Development Finance Trust (up to US\$300,000) was approved in November 2008.

51. MIGA does not have any outstanding portfolio in Guyana.

C. Country Assistance Strategy FY09-FY12

52. **Main thrust of the Strategy:** This CAS is both demand-driven and highly selective. Its design is framed by four factors: (i) the small IDA allocation (US\$8.2 million) and its implications for the choice of instruments; (ii) the need to stay engaged and remain relevant in areas where the Bank has a comparative advantage; (iii) the need to work in areas where the Bank’s support could significantly leverage additional financing; and (iv) the need to remain realistic with regards to the selection of outcomes to be achieved¹⁴.

53. The CAS seeks to achieve its outcomes through a mix of instruments that rely heavily on Technical Assistance and analytical work, which complement a limited lending envelope, and that leverage other donors’ support. In both lending and AAA, the CAS will allow the Bank to be in a position to take advantage of opportunities as they arise, and thus incorporates reserves for “seed money” to enable the Bank to explore areas where it can provide analytical or project preparation activities that could leverage additional donor financing.

54. The CAS program is summarized in Table 2 and in Annex B3. It should be noted that the amounts shown in outer years are indicative only. Actual allocations will depend on: (i) the country’s own performance; (ii) its performance relative to that of other IDA recipients; (iii) the amount of overall resources available to IDA; (iv) changes in the list of active IDA-eligible countries; (v) terms of financial assistance provided (grants or loans); and (vi) the amount of compensatory resources received for MDRI.

55. IDA assistance under IDA 15 comprises both the new allocations (SDR 5.6 million or US\$8.2 million) as well as the debt relief of SDR 7.5 million (or US\$11 million) provided under the MDRI, which leaves resources in the Government’s budget.

56. The Government submitted to the donor community a draft of its second PRSP in November, 2008. It was considered prudent to proceed with the CAS ahead of the Joint Staff

¹⁴ Given the limited envelope, the proposed support will only contribute to supporting some of government’s challenges. As a result, the strict definitions of the Results Framework may not be applicable here, and several outcomes identified in the CAS may only be “outputs” at this stage. In the longer run, when the analytical support is operationalized, those outputs will indeed translate into real outcomes.

Advisory Note for several reasons: (i) the CAS is fully aligned with the draft PRSP; (ii) the Government is finalizing the PRSP but the timing is uncertain as it faces many urgent priorities, especially in the wake of the financial crisis; (iii) the priorities in the Second PRSP are clear and are not expected to change, nor will they require any change in the Bank program; (iv) the CAS is also based on and aligned with extensive consultations with the Government, other donors, the private sector, and civil society; and (v) given limited IDA allocations, there is urgent need to have a clearly defined strategy to prioritize World Bank interventions. Further, early action would also allow the Government to seek alternative financing for activities that the Bank is unable to finance. Predictability of aid flows was one of the constraints highlighted by the Government in the lessons learned from earlier assistance.

57. **Pillars and Outcomes.** The overall objective of the FY09-12 CAS is to contribute to the Government’s overarching PRSP focus of accelerating and sustaining growth through two main pillars: (i) strengthening environmental resilience and sustainability; and (ii) improving education quality and social safety nets.

58. In the area of **strengthening environmental resilience and sustainability**, the CAS aims at **contributing to achieving** the following outcomes: (i) Pilot forest areas protected and sustainably managed by local communities; and (ii) Improved Government’s ability to reduce exposure to natural disasters and global climate risk. In the area of **improving education quality and social safety nets**, the CAS aims at **contributing to achieving** the following outcomes: (i) Improved quality of education through reform of teacher training and better service delivery; and (ii) Improved institutional capacity of the Government, and ability to deliver an enhanced social protection program.

59. **Rationale.** In addition to the reasons explained above, the selection of the two pillars is also based on: (i) the Government’s request for Bank assistance in Forestry, Education, and Social Protection, and its emphasis and commitment to addressing the issues related to those sectors; (ii) ongoing engagement with the Government on environmental resilience and education (such as the work on the Conservancy Adaptation Project and the efforts to reduce Guyana’s exposures to catastrophic risk from sea level rise, hurricanes and other natural disasters; and the EFA-FTI program); and (iii) based on past achievements that will be sustained and continued during this CAS.

60. The choice of Forestry and Education, and social protection is based on the reasons explained above. Other sectors are covered by other donors’ interventions, as presented in Annex C.

Table 2: Proposed Lending and Analytical and Advisory Activities (FY09-FY12)

Fiscal Year 2009	<i>AAA:</i> On-demand Economic monitoring and just-in-time analysis (e.g. policy options to manage the impact of the crisis)
Fiscal Year 2010	<i>Lending:</i> Forestry, climate change, and community project <i>AAA:</i> Agriculture Risk Insurance <i>AAA:</i> On-demand Economic monitoring and just-in-time analysis
Fiscal Year 2011	<i>Lending:</i> Education project <i>AAA:</i> Safety Nets

61. The CAS inherits a Water sector consolidation and HIV/AIDS ongoing projects whose development impact would be to support the achievement of sustainable universal access of safe and affordable water; and slow the increase of HIV infections and mortality, respectively. Those projects are not part of the forward looking engagements, and are not part of the proposed CAS pillars.

(i) Strengthening environmental resilience and sustainability. In line with President Jagdeo's agenda on Climate Change, the Bank will assist Guyana's efforts to protect forests (mitigation) and prevent natural disasters (adaptation). On the mitigation side, the Bank will accompany the country's efforts to reduce carbon emissions from deforestation and help negotiate external resources in return (Readiness Grant from the FCPF currently being processed (US\$ 2 million). An IDA project supporting sustainable forest management would complement Guyana's participation in the FCPF. This IDA project would: (i) help strengthen the capacities of national institutions in charge of forest protection and management; and (ii) support community-based forest management initiatives undertaken by local and indigenous communities. Overall, the project would promote multipurpose forest management, including new systems of payments for carbon and other environmental services (water regulation and biodiversity conservation). Given the size of the challenges and budget limitations, this project would work on a pilot scale and help develop methodologies that can later be replicated and scaled-up. The FCPF and IDA support might also be complemented by a possible grant from the Japanese Social Development Fund (JSDF) to promote community-driven enterprises in Guyana and, possibly, by a grant from the Global Environment Facility (GEF) to protect forests and biodiversity and mitigate climate change.

62. Although the CAS completion report referred to a legal and policy framework that is not conducive to successful implementation of projects in this area, implementation of this CAS will be different. **There are strong signals of Government commitment to strengthening environmental resilience and sustainability.** For example, after a long delay, the Forestry Bill was passed in January 2009; and a climate change unit is being established in the President's Office to facilitate continued leadership from the highest level in the implementation of Guyana's low carbon growth agenda. The unit will provide the framework at the national level for climate change and guide the concerned agencies in implementation. It will also act as a clearing house for various international partnerships and ensure consistency in approach. The Bank has been requested to provide advice and financial support to this climate change unit and contribute to building its institutional and technical strength.

63. The CAS includes analytical work that covers the **agriculture risk insurance management**. Through this work, the Bank would be targeting small and vulnerable farmers, and providing the basis for medium and long term efforts to reduce poverty, smooth consumption, and bring fiscal stability to the economy.

64. Two ongoing operations contribute to this pillar: A **Global Environment Facility (GEF)** grant for the Conservancy Adaptation Project (2008, US\$3.8 million) is expected to support the Government in reducing vulnerability to coastal drainage and the lowering the potential for flooding throughout the region. In addition, a **Bagasse Cogeneration Project (2006, US\$2.6 million)**, funded by the Community Development Carbon Fund and managed by the World Bank, aims at mitigating the global climate change by facilitating the use of market-based mechanisms sanctioned under the Kyoto Protocol through support to clean energy projects in Guyana. In addition, IDA aims to collaborate with IFC to support the

development of renewable energy sources (hydropower) to further contribute to the country's stated low carbon objectives.

(ii) Improving education quality and social safety nets. In the context of the Government's new Education Sector Strategy 2008-2013, which aims at improving the quality of education in Guyana, reforming teacher education is critical to achieving the goals of the strategy and the MDGs, and to reaching a target of 80 percent trained teachers nationwide by 2015¹⁵.

65. In addition to Guyana's EFA-FTI program of US\$20.5 million already approved in 2008, an **education project** will cut across all levels of education and focus on improving the efficiency and quality of teacher education in Guyana, through reform of the delivery of teacher training. This would also complement the Education For All – Fast Track Initiative which is supporting the development and implementation of a short, modular-based Continuous Professional Development For Trained Teachers Program (CPD) to be rolled out in 2009. **Project Preparation Facility** funding will be used to support the analysis of the current structure and quality of delivery of both pre-service and in-service training of teachers.

66. To build on the work conducted in 2005 under the social protection component of the PSTAC project (which led to an action plan adopted by Cabinet in 2006), and the 2008 "Strengthening Caribbean Pensions" study, the Bank will conduct a small, focused, on-demand program of NLTA in Pensions, and Social Assistance. This program will not duplicate, but complement existing work already undertaken by the Government, and will contribute to implementing some recommendations of the existing work. Under Pensions, the Bank intends to assist the Government, in the short-term, in developing a time-bound strategy to address the effects of the financial crisis; and in the medium-term, to strengthen the equity, adequacy and sustainability of the National Insurance Scheme, as well as its administration, investment policy, and compatibility with the civil service pension schemes (to enhance labor mobility). Under the Social Assistance program, the Bank intends to focus on strengthening the information system and targeting capacity of the Ministry of Labour, Human Services and Social Security, in order to improve social service delivery. As part of strengthening the targeting capacity, the assistance would include analytical work to assess social protection needs of the relatively poorly covered Amerindian population, with special attention to education and food sufficiency.

67. In the wake of the global financial crisis, there will be a need to reach the poorest of the poor. Some ground work is already underway, such as the school feeding program under the EFA-FTI project. The project will be expanded from covering 57% of primary school children in regions 1, 7, 8, and 9, to eventually cover about 82% over the next three years. The Bank will also help Guyana better target social safety net programs to reach the poorest of the poor for conditional cash transfers, where the Bank has a comparative advantage and a good experience in the Latin America and Caribbean region.

68. **Leveraging other Funds for Guyana Program.** In view of the limited IDA 15 allocation, Guyana will be included in demand-driven regional efforts such as the regional telecommunications project (US\$0.6 million)¹⁶, the nurse migration study, and the study on non-communicable diseases. In addition, the Bank will make every effort to leverage other

¹⁵ The intermediate target for the next four years is 70%.

¹⁶ Guyana's overall portion of the proposed regional telecommunications project is US\$ 4.2 million, of which US\$3.6 million of regional IDA and US\$0.6 million of national IDA envelope.

donor funds such as the Japanese Social Development Fund, the South-South initiatives, and the IDF grants.

D. Partnerships

69. **The international development community** in Guyana includes, among others: IDB (37 percent of ODA in 2001-2006); DFID (14 percent); USA (12 percent); EC (7 percent); IDA (6 percent); and CIDA and CDB (4 percent). The future composition of the donor community, and its relative financial and policy leveraging capacity, however, is set to change. Due to the debt relief, IDB is reducing its 2009-2012 assistance from US\$300 million to US\$120 million. In addition, DFID and CIDA will be moving towards regional strategies supporting regional integration. However, Guyana may qualify for approximately US\$200 million from the Millennium Challenge Account, and is experiencing a rise in foreign aid from new players, such as China, India, and PetroCaribe. The IMF ended its financing as of September 2006.

70. **IDB** is currently the largest donor in Guyana. Its disbursements from ongoing operations represented 6.3% of GDP and 11.1% of public expenditure in 2006, and it is currently preparing its new Strategy for 2009-2012. As of October 1, 2008, the IDB portfolio in Guyana consisted of 19 loans totaling US\$389.6 million, including operations in economic growth, infrastructure, governance and public sector, and social sector. In December, 2008, IDB approved a US\$15 million Financial Sector Reform Programme aimed at modernizing the financial sector and strengthening its supervision, and at improving access to credit. The portfolio of IDB's new strategy includes projects and technical assistance in the areas of: (i) infrastructure (electricity, hydropower, transport); (ii) competitiveness (export diversification, financial sector reform, telecommunications, avoided deforestation); and (iii) social development (water and sanitation, low-income housing, basic nutrition, technical vocational education, quality of social spending). The IDB is also planning to implement a number of technical assistance programs to address a number of risks related to: (i) the natural disasters and environment; (ii) macroeconomic volatility (debt sustainability paper, implications of graduation from HIPC, and macroeconomic impact of remittances); and (iii) institutions and governance (Government performance management capacity, and support for public financial and performance management).

71. Based on IFA recommendations, the US Government through the MCA/MCC will focus on parliamentary fiduciary oversight, the national procurement system, and tax reform and administration. The EC is allocating a substantial amount in its 10th EDF to support priority actions identified in the IFA, in collaboration with WB, CIDA and IDB.

72. **Donor coordination can be improved** in Guyana. It is currently framed within a number of thematic groups set up by the Government that are expected to focus on sector strategies. Each thematic group has specific terms of reference and is supposed to meet regularly. This mechanism offers an important forum for the donor community and the Government to achieve common goals and enhance donor harmonization but it will only be effective if the Government ensures greater frequency in convening them. In addition, the entry of many new donors who currently do not participate in the donor coordination mechanisms poses a challenge. More efficient alignment of aid towards Government priorities would happen more readily if fora existed for all donors to participate in.

73. The World Bank team conducted a number of upstream **consultations** with the Government and other development partners. The Government agreed with the CAS focus

and the proposed interventions. Consultations with the donor community served to identify synergies and possible areas of collaboration. Further consultations with the Government, the private sector, and the civil society took place in February, 2009 and confirmed the alignment of the CAS with Government priorities and the population needs.

E. IFC Program

74. IFC's efforts will focus on supporting the Government's priority of accelerating growth and improving competitiveness. IFC will place a special emphasis on reaching the underserved via access to finance (MSMEs, Credit bureau, trade financing), supporting the liberalization of the telecom/IT sector (notably via investments supporting rural areas), access to basic services (e.g. investments in hydropower), and introducing sustainability standards in extractive industries (including enhancing local benefits for local and indigenous communities). As the Government progresses in its efforts to liberalize the economy, IFC will look into initiatives to improve the business environment, via IDA/Foreign Investment Advisory Services (FIAS) synergies and leveraging donor financing (notably CIDA).

75. **In response to the global crisis**, IFC launched/expanded facilities aimed at addressing problems experienced by the private sector, which is critical to employment, recovery, and growth. Some of these facilities may be made available depending on the nature of Guyana's needs (notably SME financing).

76. **Financial Sector.** IFC's financial sector strategy in Guyana is geared towards expanding the level of credit to low income households and local SMEs. The range of financial services being currently offered to households living outside Georgetown is severely limited, and efforts are being made to increase banking penetration outside of the capital city. IFC is also working with local financial institutions and the authorities advising them on the establishment of a local credit bureau and on increasing the level of non-collateral based lending through the IFC LAC MSME Program so as to provide credit to the underserved market.

77. **Telecom/IT and World Bank Group synergies.** The most recent Investment Climate Assessment (ICA) for Guyana highlighted that internet penetration rates for the country were amongst the lowest in the region. Developing this sector would clearly help Guyana's regional integration and help improve its competitiveness, as well as connect rural areas to the market. An investment project is currently under consideration, building on the successful World Bank Group experience in the rest of the Caribbean (OECS, Dominican Republic, and Haiti).

78. **Infrastructure.** Leveraging World Bank Group synergies, IFC will develop Guyana's hydropower potential and the associated transmission infrastructure. In addition, IFC can provide advisory services to facilitate private sector participation in infrastructure with the objective of improving access to basic services for the underserved, while leveraging donor financing, notably CIDA.

79. **Introducing Sustainability Standards - Natural Resource Management.** This is an area where IDA – IFC collaboration will be enhanced. The IFC will continue to promote sustainable practices in mining investments (such as in Guyana Goldfields), with a particular attention towards compliance with the Guyanese mining, legal and regulatory framework, civil society participation, the rights of indigenous people, and environmental impact. Given the importance of the mining sector in Guyana, COCPO (IBRD Policy Division, Oil, Gas,

and Mining) will work closely with the IFC on these matters. COCPO will also be ready to assist the Government in the Extractive Industries Transparency Initiative (EITI) process, if it chooses to move in that direction and if it requests such assistance from the Bank.

F. Results-Based Monitoring and Evaluation

80. Country-level systems for poverty, economic, and human development monitoring are being strengthened through Government efforts and donor support. The Government is establishing a national M&E coordinating unit within the Ministry of Finance, and is establishing Ministerial Focal Points that would monitor the PRSP implementation and its related social outcomes. According to the PRSP, efforts to build M&E capacity within the Ministries and to develop a National Statistics Strategy are planned. The Bank will use Government systems to monitor CAS outcomes in Education, where systems were assessed to be reasonably acceptable, and where capacity building efforts are ongoing in the context of the Bank's work with the Ministry of Education. In Forestry, M&E capacity building will be embedded in the lending operation and additional capacity building efforts will be made as part of the support to the climate change unit in the President's office.

81. In addition, two ongoing operations are helping to mitigate the risk of weak statistical capacity: (i) IDB's Social Statistics Project, which is currently being evaluated with expected useful lessons for the World Bank as well; and (ii) the World Bank's National Statistics Strategy and Statistical Development Project. The latter is a continuation of earlier Bank M&E and statistics capacity building efforts under the Public Sector Technical Assistance Credit, and the Poverty Reduction and Public Management Operation. The Bank will also learn from statistical development issues that are informed by the National Statistics Strategy, and incorporate the lessons in implementing the CAS.

G. Managing Risks

82. Based on lessons of experience in implementing the last CAS and from other donor experiences, and because of the fact that CAS implementation and achievement of expected outcomes would depend significantly on the success of partnering with and leveraging other donors' funds, the risks associated with this modest program are characterized as high. A mid-term CAS Progress Report is scheduled for end 2010, which will allow the Bank the chance to review and adjust the strategy as necessary.

83. **Policy Ownership and Commitment.** The Government has demonstrated commitment to the current policy path as stated in the PRSP and demonstrated at the inaugural speech of President Jagdeo to the National Assembly in 2006. Attempts will be made to maintain a close dialogue with the Government, the opposition, and civil society to ensure continued broad-based ownership of the program. In addition, to mitigate this risk, the CAS proposes the use of a results-based monitoring framework with broad-based support from the donors that would act as a powerful tool against policy slippage or reversal, or against a slowdown in the implementation of the strategy.

84. **Implementation Capacity.** Capacity constraints remain a major issue in Guyana, particularly given the prevailing high emigration rates across sectors. To mitigate this risk, the CAS will conduct a CPPR twice a year, with systematic meetings with project coordination units. In addition, there will be tighter coordination with other development partners to avoid duplication of efforts and improve efficiency. To address the weaknesses observed in the last CAS and in particular, the oversight role and frequent coordination with the Government, the Bank has recently appointed a full time Representative in Guyana for a

period of three years. In addition, capacity building efforts will continue through the lending operations and technical assistance in collaboration with other donors (for example through joint missions). To address the issue of capacity constraints, the Government is also working on incentive measures to attract skilled personnel and retain them. For example, in the health sector, it is planning on using a performance-based incentive and promotion system that would allow for higher remuneration under the employment of autonomous Regional Health Authorities, in return for increased productivity. In the education sector, the Bank is supporting the Government with a new project to restructure its teacher training system, with a particular emphasis on improving teacher quality and enhancing the capacity and efficiency of its training institutions. In addition, the EFA-FTI program provides professional growth through special training for teachers, establishes learning resource centers in the hinterland, and improves conditions for teachers through provision of housing and incentive pay for those stationed in remote areas. It is expected that the new project combined with EFA-FTI's ongoing support, would contribute to generation and retention of skilled personnel.

85. **Fiduciary Risks, Accountability and Governance.** While the recent IFA indicates significant progress in the fiduciary and accountability frameworks, many challenges in the area of accountability and transparency remain (see paragraphs 37-42). This is an area where coordinated actions with other development partners could accelerate the strengthening of the fiduciary set up and reduce risks. The Bank will participate in, and support the functioning of the planned working group of donors active in public financial management and procurement, which would provide a forum for donor assistance in support of strengthening accountability and governance in Guyana. As part of the IFA, the Bank will help the Government prepare the Terms of Reference for developing and costing the priority items to be included in their action plan, based on the weaknesses identified by IFA. The finalization of the IFA action plan is an important milestone in EU's assistance to Guyana in 2009.

86. As stated in its PRSP, the Government will implement sustainable reforms in governance, to improve transparency and accountability. Ongoing efforts to enhancing fiduciary oversight are already in place with IDB support. The Government allocated resources in the 2009 budget for the strengthening of internal control systems, enhancing internal audit systems, and strengthening procurement and expenditure management systems. In addition, it will continue its work on strengthening the Audit Office's capabilities in the areas of performance audit, forensic audit, and audit quality assurance.

87. **Insufficient Donor Coordination and Donor funding.** This CAS relies heavily on an enhanced division of responsibilities among Guyana's development partners. The success of the strategy will therefore depend on key complementary support from other donors. There are also risks inherent in this strategy, as it relies heavily on leveraging trust fund and other donors' contributions. Delays or poor quality outcomes of other partners could affect the implementation of the strategy. The CAS expects to reduce the risk by consulting and coordinating closely with donors during the implementation period. This objective will be facilitated by the recent appointment of the full time Bank Representative in Guyana as indicated above.

88. **Political Instability.** Political instability due to division along ethnic lines has diminished in recent years but the remaining tensions could delay reforms. The Government's PRSP acknowledges that this is a risk, and that managing the political process through implementation of the governance policies may help build national consensus to implement its strategy. The Government is in the process of "deepening a democratic culture" and providing opportunities for conflict resolution. For example, reforms are

currently taking place at the legislative branch of the Government to allow the parliamentary opposition to play a more proactive role in its oversight of the executive. The CAS will build continued dialogue, in collaboration with other donors, and will emphasize strong support for the disadvantaged (such as the Amerindians).

89. **Crime and Security.** Given the Bank's limited resources, it will rely on IDB's ongoing work on "Citizen Security", and on DFID's "Security Sector Reform" to mitigate this risk.

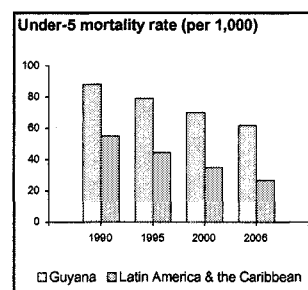
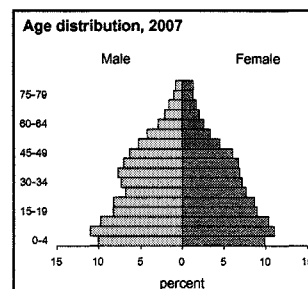
90. **Exogenous Risks.** Some of these risks include commodity price volatility, particular to agriculture and bauxite, and systemic climate shocks. The CAS will rely on a comprehensive public sector strategy to manage and transfer such catastrophic exogenous risks, using market based instruments, enhancing the efficiency of public resources, and allowing the Government to respond to such price shocks and natural disasters. The expansion of CCRIF to address excess rainfall (which Guyana is more vulnerable to) is currently being explored by the Bank and, if viable, would be an important mitigating measure. To help the Government mitigate the impact of the global economic crisis on remittances, the Bank proposes to partner with the IDB in its analytical work on the "Macroeconomic Impact of Remittances".

Annex A: Guyana at a Glance

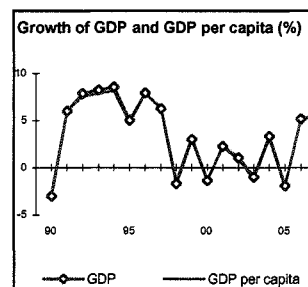
Guyana at a glance

9/24/08

Key Development Indicators (2007)	Guyana	Latin America & Carib.	Lower middle income
Population, mid-year (millions)	0.74	563	3,437
Surface area (thousand sq. km)	215	20,421	35,510
Population growth (%)	-0.1	1.2	1.0
Urban population (% of total population)	28	78	42
GNI (Atlas method, US\$ billions)	1.0	3,118	6,485
GNI per capita (Atlas method, US\$)	1,300	5,540	1,887
GNI per capita (PPP, international \$)	2,600	9,320	4,544
GDP growth (%)	5.4	5.7	9.7
GDP per capita growth (%)	5.5	4.5	8.6
<i>(most recent estimate, 2000–2007)</i>			
Poverty headcount ratio at \$1.25 a day (PPP, %)	..	8	..
Poverty headcount ratio at \$2.00 a day (PPP, %)	..	18	..
Life expectancy at birth (years)	66	73	69
Infant mortality (per 1,000 live births)	46	22	41
Child malnutrition (% of children under 5)	12	5	25
Adult literacy, male (% of ages 15 and older)	..	91	93
Adult literacy, female (% of ages 15 and older)	..	89	85
Gross primary enrollment, male (% of age group)	125	120	112
Gross primary enrollment, female (% of age group)	124	116	109
Access to an improved water source (% of population)	93	91	88
Access to improved sanitation facilities (% of population)	81	78	54



Net Aid Flows	1980	1990	2000	2007 ^a
<i>(US\$ millions)</i>				
Net ODA and official aid	42	168	107	173
<i>Top 3 donors (in 2006):</i>				
United States	5	-17	8	24
European Commission	3	29	7	18
Canada	4	16	4	6
Aid (% of GNI)	7.4	61.2	16.2	20.0
Aid per capita (US\$)	55	230	146	234
Long-Term Economic Trends				
Consumer prices (annual % change)	..	63.6	6.1	..
GDP implicit deflator (annual % change)	11.8	56.4	6.6	10.2
Exchange rate (annual average, local per US\$)	2.5	39.5	182.4	202.3
Terms of trade index (2000 = 100)	..	130	100	95
Population, mid-year (millions)	0.8	0.7	0.7	0.7
GDP (US\$ millions)	603	397	713	1,044
<i>(% of GDP)</i>				
Agriculture	23.4	38.1	31.1	29.6
Industry	35.8	24.9	29.0	23.4
Manufacturing	12.1	10.3	8.2	7.7
Services	40.9	37.0	39.9	47.1
Household final consumption expenditure	55.4	72.4	66.2	79.9
General gov't final consumption expenditure	24.2	13.6	24.7	29.9
Gross capital formation	32.8	31.1	23.8	24.8
Exports of goods and services	81.3	62.7	96.1	84.5
Imports of goods and services	93.6	79.9	110.7	119.0
Gross savings	..	-4.0	10.5	9.9



1980–90 1990–2000 2000–07
(average annual growth %)

-0.4 0.1 0.1
-3.1 5.4 1.6

(% of GDP)
-0.7 5.3 -0.3
-6.2 8.2 -1.4
-8.0 9.9 0.8
-1.7 3.7 2.0

-3.5 5.8 ..
-0.4 6.0 ..
-8.4 1.8 ..

-4.8 5.8 ..
-6.2 4.8 ..
..

Note: Figures in italics are for years other than those specified. 2007 data are preliminary. .. indicates data are not available.
a. Aid data are for 2006.

Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade

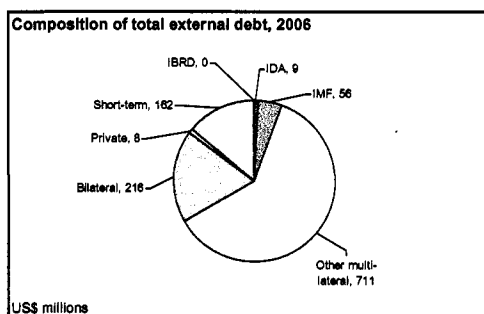
	2000	2007
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	0	551
Total merchandise imports (cif)	0	787
Net trade in goods and services	-104	-285
Workers' remittances and compensation of employees (receipts)	27	218
Current account balance as a % of GDP	-100	-123
	-14.1	-14.8
Reserves, including gold	297	251

Central Government Finance

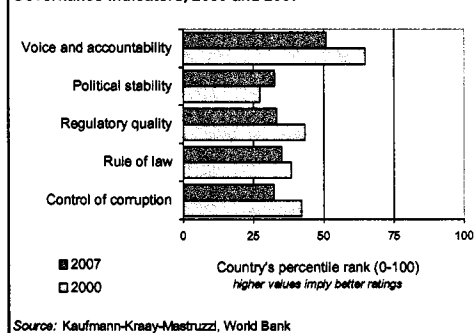
	2000	2007
<i>(% of GDP)</i>		
Current revenue (including grants)	39.5	40.6
Tax revenue	29.4	31.6
Current expenditure	32.2	34.3
Overall surplus/deficit	-4.8	-16.7
Highest marginal tax rate (%)		
Individual	33	33
Corporate	45	45

External Debt and Resource Flows

	2000	2007
<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	1,364	1,162
Total debt service	69	33
Debt relief (HIPC, MDRI)	824	382
Total debt (% of GDP)	191.5	127.9
Total debt service (% of exports)	9.5	3.6
Foreign direct investment (net inflows)	67	102
Portfolio equity (net inflows)	0	0

**Private Sector Development**

	2000	2008
Time required to start a business (days)	-	40
Cost to start a business (% of GNI per capita)	-	68.4
Time required to register property (days)	-	34
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2007
Access to/cost of financing	..	62.6
Electricity	..	40.5
Stock market capitalization (% of GDP)	..	25.1
Bank capital to asset ratio (%)	..	..

Governance indicators, 2000 and 2007**Technology and Infrastructure**

	2000	2007
Paved roads (% of total)	7.4	..
Fixed line and mobile phone subscribers (per 1,000 people)	15	53
High technology exports (% of manufactured exports)	2.0	0.3

Environment

	2000	2007
Agricultural land (% of land area)	9	9
Forest area (% of land area)	76.7	76.7
Nationally protected areas (% of land area)	..	2.5
Freshwater resources per capita (cu. meters)	..	325,908
Freshwater withdrawal (% of internal resources)	0.7	..
CO2 emissions per capita (mt)	2.1	2.0
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	..	..
Energy use per capita (kg of oil equivalent)	..	..

World Bank Group portfolio

	2000	2007
<i>(US\$ millions)</i>		
IBRD		
Total debt outstanding and disbursed	8	0
Disbursements	0	0
Principal repayments	3	0
Interest payments	1	0
IDA		
Total debt outstanding and disbursed	180	10
Disbursements	6	1
Total debt service	2	0
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	1	5
Disbursements for IFC own account	1	0
Portfolio sales, prepayments and repayments for IFC own account	0	0
MIGA		
Gross exposure	31	0
New guarantees	0	0

Note: Figures in italics are for years other than those specified. 2007 data are preliminary.
.. indicates data are not available. - indicates observation is not applicable.

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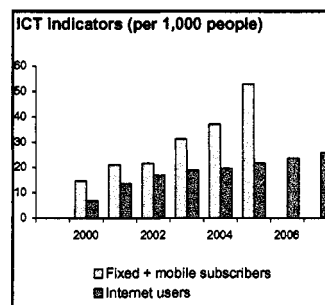
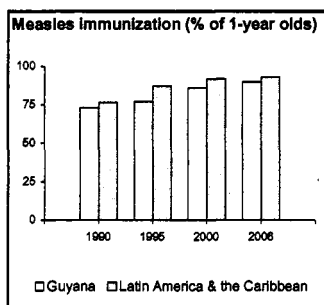
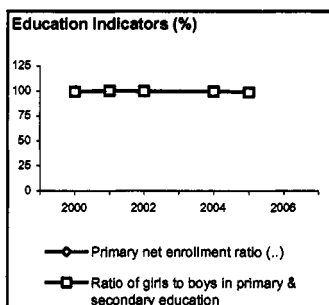
Development Economics, Development Data Group (DECDG).

Millennium Development Goals

Guyana

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Guyana			
	1990	1995	2000	2007
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$1.25 a day (PPP, % of population)	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	43.2	35.0	..
Share of income or consumption to the poorest quintile (%)	..	4.3	4.5	..
Prevalence of malnutrition (% of children under 5)	..	..	11.9	..
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	89	..	..	..
Primary completion rate (% of relevant age group)	90	77	114	123
Secondary school enrollment (gross, %)	79	..	90	105
Youth literacy rate (% of people ages 15-24)	..	..	..	..
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	101	..	99	99
Women employed in the nonagricultural sector (% of nonagricultural employment)	38	39	..	..
Proportion of seats held by women in national parliament (%)	37	20	19	29
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	88	79	70	62
Infant mortality rate (per 1,000 live births)	64	58	52	46
Measles immunization (proportion of one-year olds immunized, %)	73	77	86	90
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	470
Births attended by skilled health staff (% of total)	..	95	86	94
Contraceptive prevalence (% of women ages 15-49)	31	..	37	35
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	2.5	2.5
Incidence of tuberculosis (per 100,000 people)	44	67	101	164
Tuberculosis cases detected under DOTS (%)	..	..	10	45
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	..	88	89	93
Access to improved sanitation facilities (% of population)	..	82	82	81
Forest area (% of total land area)	76.7	..	76.7	76.7
Nationally protected areas (% of total land area)	..	..	..	2.5
CO2 emissions (metric tons per capita)	1.5	2.0	2.1	2.0
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	..	..	..	..
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	2.2	6.0	9.3	14.9
Mobile phone subscribers (per 100 people)	0.0	0.2	5.4	38.0
Internet users (per 100 people)	0.0	0.1	6.8	25.7
Personal computers (per 100 people)	..	..	3.0	3.9



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

9/24/08

Development Economics, Development Data Group (DECDG).

Annex B1: Guyana CAS Results Framework

Country Development Goals	Issues and Obstacles	CAS Outcomes ¹⁷	Milestones	Bank Program (and Partners)
Pillar One: Strengthening Environmental Resilience and Sustainability				
<p>Improved Environmental Resilience and sustainability</p> <p>Forests sustainably managed, delivering global carbon and other ecosystem services, and resulting in economic incentives for local communities and the nation.</p> <p>Exposure to catastrophic risk from sea level rise, flooding and other natural disaster events reduced.</p> <p>Climate risk in the agriculture sector (at the farmer and at the macro-level) better managed to reduce the fiscal burden</p>	<p>Management and monitoring systems are not adequate to ensure Guyana's forest resources are sustainably managed and protected against existing or future pressures, and to allow the country to take advantage of emerging markets for ecosystem services.</p> <p>Local communities are not sufficiently involved in forest management and do not get adequate economic benefits from forest uses.</p>	<p>1.a Improved Government and local communities' ability to combine economic development with reduced deforestation/degradation, and to access markets for ecosystem services</p> <p>Indicators:</p> <ul style="list-style-type: none"> i. New management models that help reduce deforestation and demonstrate social and economic viability, piloted in the field, and ready for scaling up: Baseline: 0 Target: 2 ii. National forest and carbon baseline scenario and monitoring systems, established <p>1.b Improved Government's ability to reduce exposure to natural disasters and global climate risk improved.</p> <p>Indicators:</p> <ul style="list-style-type: none"> i. Risk and flood vulnerability reduction integrated in regional development and planning activities in project areas (3 regions in low-lying coastal plains). Baseline: 0% Target: 15% of planned activities ii. One agricultural insurance contract for small farmers designed (June 2011) 	<p>Capacity of public institutions to monitor forest uses and carbon stocks, strengthened</p> <p>Local initiatives based on multipurpose forest management including the delivery of ecosystem services, designed and ongoing at pilot level</p> <p>System for transferring financial incentives resulting from ecosystem services to local communities, designed and piloted</p> <p>Scientific and engineering support framework for flood vulnerability analysis, and design of drainage and flood control systems developed (2011).</p> <p>Inter-institutional framework for risk reduction in development planning activities developed. Formal interagency workgroup established with memoranda of understanding (2011).</p> <p>Agriculture Risk Management Strategy discussed among stakeholders and workshop completed (Dec. 2010)</p>	<p>WB supervised FCPF Readiness grant; IDA forest, climate change and communities project (FY10); JSDF community grant (FY10). WB supervised GEF Grant—Possible forest and climate change GEF grant Guyana Conservancy Adaptation Project. WB managed Community Dev. Carbon Fund; Skeldon Sugar Modernization Project. Bagasse Proj. Agric Risk Insurance AAA (FY10)</p> <p>Other donors: CIDA, DfID, EU, IDB, UNDP</p>

¹⁷ The CAS inherits a Water sector consolidation and an HIV/AIDS ongoing projects whose development impact would be to support the achievement of sustainable universal access of safe and affordable water; and slow the increase of HIV infections and mortality, respectively. Those projects are not part of the forward looking engagements, and are not part of the proposed CAS pillars.

Pillar Two: Improving Education Quality and Social Safety Nets

<p>Equity and quality of education improved</p>	<p>Inefficiency of teacher education institutions</p> <p>High student to trained teacher ratio which affects education quality and learning achievement levels.</p> <p>Regional disparities in education service delivery</p>	<p>2.a Improved quality of education through reform of teacher education and better service delivery, as measured by the following:</p> <p>A policy framework for restructuring the teacher education system that consolidates and harmonizes requirements among the teacher education institutions established.</p> <p>Student to trained teacher ratio at nursery, primary, and secondary school levels by coastland and hinterland</p> <p>Baseline 2006-07:</p> <p>nursery = 27.8 natl, 26.0 C, 59.7 H primary = 45.9 natl, 43.3 C, 73.0 H secondary = 36.3 natl, 35.0 C, 52.2 H</p> <p>Target 2012:</p> <p>nursery = 26.5 natl, 25 C, 57 H primary = 42 natl, 40 C, 70 H secondary = 35.3 natl, 34 C, 50 H</p> <p>Primary and secondary school completion rates by coastland and hinterland.</p> <p>Baseline 2006-07:</p> <p>primary = 103.6 natl, 105 C, 94 H secondary (10th grade) = 53.7 natl and C, 69 H</p> <p>Target 2012:</p> <p>Primary = 100% natl and C, 95 H. Secondary = 55% natl and C, 71 H</p>	<p>Analysis of teacher education system finalized and endorsed by the Government (2011)</p> <p>Reforms of the teacher education institutions identified with clear implementation plan (2011)</p>	<p>Education For All Fast Track Initiative (EFA-FTI) - ongoing</p> <p>IDA Education Project (FY11)</p>
<p>Strengthening Social Protection System</p>	<p>Social Assistance:</p> <p>Insufficient capacity for social service delivery</p> <p>Inadequate targeting</p> <p>Missed opportunities to link transfers to human capital development.</p> <p>Pensions:</p> <p>Policy and institutional weaknesses that limit the predictability of benefits, mobility of labor, and confidence among workers and retirees.</p>	<p>2.b Improved institutional capacity of the Government, and ability to deliver an enhanced social protection program as measured by:</p> <p>A finalized time-bound strategy to strengthen: (a) targeting and administration of social assistance programs in the MOLHSS; (b) the National Insurance Scheme (in terms of equity, adequacy, sustainability, administration, and compatibility with the civil service pension scheme).</p>	<p>Institutional strengthening plan for social assistance programs in the MOLHSS improved (2011)</p> <p>Framework for improving the governance and administration of the National Insurance Scheme developed (2011).</p>	<p>NLTA Safety Nets (FY11)</p>

Annex B2: Selected Indicators of Bank of Portfolio Performance and Management

As Of Date 01/26/2009

Indicator	2006	2007	2008	2009
Portfolio Assessment				
Number of Projects Under Implementation ^a	4	3	3	3
Average Implementation Period (years) ^b	1.7	3.2	2.6	3.2
Percent of Problem Projects by Number ^{a, c}	0.0	33.3	0.0	0.0
Percent of Problem Projects by Amount ^{a, c}	0.0	43.4	0.0	0.0
Percent of Projects at Risk by Number ^{a, d}	0.0	33.3	0.0	66.7
Percent of Projects at Risk by Amount ^{a, d}	0.0	43.4	0.0	45.0
Disbursement Ratio (%) ^e	20.2	11.3	22.5	28.4
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	24	3
Proj Eval by OED by Amt (US\$ millions)	338.1	29.1
% of OED Projects Rated U or HU by Number	34.8	0.0
% of OED Projects Rated U or HU by Amt	28.6	0.0

- a. As shown in the Annual Report on Portfolio Performance (except for current FY).
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
- * All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex B3: Proposed IDA Base-Case Lending

Guyana

As of 04/15/2009

Fiscal year	Proj. ID	US\$ (M)	Strategic Rewards	Implementation Risks
FY10	Forestry, climate change and communities project	3.0	H	H
FY11	Education Quality	3.0	H	M
Total		6.0		

Annex B4: Summary of Non Lending Services - Guyana

<i>Product</i>	<i>Completion FY</i>	<i>Cost (US\$000)</i>	<i>Audience</i>	<i>Objective</i>
Recent completions				
Integrated Fiduciary Assessment (PEFA)	2008	118	G, D, B	KG, PS
Poverty Assessment ESW	2009	175	G, D, B	KG, PS
Poverty Measurement NLTA	2008	215	G, D, B	KG, PS
Planned				
Economic monitoring, on-demand analysis	2009-2010		G, D, B	KG, PS
Agriculture Risk Insurance	2010		G, D, B	KG, PS
Social Safety Net	2011		G, D, B	KG, PS

- a. Government, Donor, Bank, public dissemination
- b. Knowledge generation, public debate, problem- solving

Annex B6: Key Economic Indicators
Guyana - Key Economic Indicators

Indicator	Actual		Estimate		Projected		
	2006	2007	2008	2009	2010	2011	2012
National accounts (as % of GDP)							
Gross domestic product ^a	100	100	100	100	100	100	100
Agriculture	30	27	25	25	25	25	25
Industry	25	26	25	24	24	24	24
Services	45	47	50	51	51	51	51
Total Consumption	106	130	140	127	131	136	141
Gross domestic fixed investment	33	31	31	28	28	26	25
Government investment	22	18	20	17	17	15	14
Private investment	11	12	11	11	11	11	11
Net Imports (GNFS) ^b	47	46	52	41	39	52	56
Gross domestic savings	30	22	18	20			
<i>Memorandum items</i>							
Gross domestic product (US\$ million at current prices)	912.6	1066.4	1152.0	1189.7	1255.1	1474.3	1620.5
Real annual growth rates (% , calculated from 88 prices)							
Gross domestic product at market prices	5.1	5.4	3.2	2.4	3.6	5.1	4.9
Balance of Payments (US\$ millions)							
Merchandise FOB	585.1	682.0	789.0	663.0	707.0	841.9	914.8
Merchandise FOB	885.0	1063.0	1273.0	1028.0	1069.0	1240.1	1313.1
Net Merchandise Trade	-397.7	-381.0	-484.0	-365.0	-362.0	-497.3	-498.2
Net current transfers	216.3	287.0	310.0	233.0	258.0	367.6	378.0
Current account balance	-250.4	-193.0	-239.7	-212.1	-195.7	-186.9	-179.7
Net private foreign direct investment	102.4	152.3	155.0	141.0	131.0	129.0	126.0
Long-term loans (net)	-136.0	-140.2	-103.6	-67.3	-54.2	-28.2	-23.1
Official	31.8	9.8	-3.6	-17.3	-29.2	-38.2	-43.1
Private	-167.8	-150.0	-100.0	-50.0	-25.0	10.0	20.0
<i>Memorandum items</i>							
Resource balance (% of GDP)	-43.6	-43.3	-53.1	-39.8	-36.8	-33.7	-30.7

(Continued)

Guyana - Key Economic Indicators
(Continued)

Indicator	Estimate		Projected				
	2006	2007	2008	2009	2010	2011	2012
Public finance (as % of GDP at market prices)^c							
Current revenues and grants	47	45	43	44	42	43	42
Current expenditures	58	52	52	52	48	47	45
Current account surplus (+) or deficit (-)	-12	-8	-9	-8	-6	-5	-4
Financing	12	8	9	8	6	5	4
Monetary indicators							
M2/GDP	79	78	78	78	79	79	79
Growth of M2 (%)	16	18	..	..	..	..	..
Private sector credit growth / total credit growth (%)	147	118	..	..	..	..	..
Real interest rates							
Consumer price index (% change)	6.7	12.2	8.2	3.6	5.0	5.0	5.0
GDP deflator (% change)	5.6	12.3	5.2	4.0	5.0	4.9	4.8

a. GDP at factor cost

b. "GNFS" denotes "goods and nonfactor services."

c. Consolidated central government.

Annex B7: Key Exposure Indicators

As of 01/26/2009

Indicator	Actual			Estimated			Projected		
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total debt outstanding and disbursed (TDO) (US\$m)*	1402.2	1515.0	1352.4	1023.4	1140.4	1283.8	1429.9	1542.8	1643.6
External public sector debt as % of GDP	152.3	147.5	114.5	67.4	72.7	81.5	88.9	91.0	92.3
NPV of External Public Debt (US\$m)*^	..	..	..	400.5	482.3	580.7	683.3	756.0	824.5
NPV of external public sector debt to exports (%)*^	..	..	..	47.4	50.1	64.0	70.5	71.8	72.4
NPV of external public debt-to-central government revenue (%)*^	..	..	..	94.6	118.6	123.7	140.5	144.8	147.4
NPV of external public debt-to-GDP (%)*^	..	..	..	37.3	41.8	47.1	51.9	53.7	54.8
NPV of public sector debt-to-GDP net of savings *	..	..	..	66.1	68.2	72.0	74.0	74.5	74.1
NPV of public sector debt-to revenue net of savings *	..	..	..	167.7	193.7	189.1	200.4	201.1	199.4
TDO/GDP	179.7	183.9	148.5	96.0	99.0	105.7	110.3	111.1	110.8

* Reflects debt relief under o-HIPIC, E-HIPIC and MDRI as of 2007

^ Excludes the letter of credit used for financing the sugar restructuring project for comparability with the debt definition for the NPV of external debt ceiling

Annex B8: Operations Portfolio (IBRD/IDA and Grants)

As Of Date 01/26/2009

Closed Projects **32**

IBRD/IDA	
Total Disbursed (Active)	10.41
of which has been repaid	0.00
Total Disbursed (Closed)	377.60
of which has been repaid	179.61
Total Disbursed (Active + Closed)	388.01
of which has been repaid	179.61
Total Undisbursed (Active)	9.86
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	9.86

Active Projects

Project ID	Project Name	Last PSR		Fiscal Year	IBRD	IDA	GRANT	Cancel.
		Supervision Rating	Implementation Progress					
		Development Objectives						
P088030	Water Sector Consolidation	MS	MS	2006		11.3		
P103539	Conservancy Adaptation	S	S	2008			3.8	
P076722	HIV/AIDS L	S	S	2004		11.3	10	13.8
Overall Result								

Annex C: Donor Support to PRSP

Pillars		Development Partners
Enhancing economic growth	Strengthen fiscal policy and budget management	IMF, CIDA, IDA, USAID
	Strengthen financial sector	IDB, IMF, DFID, IDA
	Private sector development	IDB, USAID, CIDA, EU
	Restructuring sugar sector	CDB, IDA, DFID, IDA
	Restructuring forestry and mining sectors	CIDA, DFID, GTZ
	Environmental protection	IDB, UNDP, CIDA, DFID, IDA, EU
Infrastructure to support growth	Better maintenance, quality and coverage of sea defenses, roads and river transport, drainage and irrigation, rural electrification	EU, IDB, CDB
Good Governance and the business environment	Public sector reforms	CIDA, IDB, UNDP
	Improved accountability	CIDA, IDA, IDB, UNDP
	Justice and crime reduction programs	USAID, DFID, IDB
	Local Government reform	IDA, USAID, CIDA
	Land administration	IDB, DFID, GTZ
Investment in human capital	Education	IDB, DFID, IDA
	Health	IDB, CIDA, PAHO
	HIV/AIDS	UNAIDS, IDA, CIDA, USAID, PAHO, CDC, Global Fund for AIDS, Malaria and Tuberculosis
Infrastructure to support services	Water and sanitation	DFID, CDB, IDB, IDA, EU
	Housing	EU, IDB
Safety nets	Cash support for displaced workers, subsidies for electricity and water, support for pregnant and new mothers	IDB, CDB, DFID, IDA, UNDP, UNICEF
Special Interventions	Programs to boost income generation, access to markets and access to basic services	E-HIPC, DFID, UNICEF, EU
	Inner City Development	IBRD, CIDA, DFID

Annex D: Guyana CAS Completion Report (FY2003-2006)

Country: Guyana

Date of CAS: May 17, 2002

Date of Progress Reports: None

Period covered by the CAS Completion Report: September 2002 – June 2008

Authors: Norman Hicks (consultant), with input from Clara De Sousa, Senior Economist)

Date: August 2008

1. This CAS Completion Report (CAS-CR) evaluates the effectiveness of IDA's 2002 Country Assistance Strategy (CAS) for Guyana. While the CAS period covered FY03-06, no new CAS was written after FY06 and the previous CAS remained in effect. This report reviews the Bank's strategic objectives, program of support and their relevance to the Government's development goals for the period FY03-08. The report also assesses to what extent the Bank was successful in meeting these objectives and draws lessons to guide the design of the new country strategy for FY09-12. The report is based on reference documents and discussions with the country team, Government counterparts and various stakeholders.

I. THE CAS STRATEGY AND OBJECTIVES

2. Guyana's Poverty Reduction Strategy Paper (PRSP) of 2001 outlined a program of fundamental reforms to re-orient its economic and social policies towards poverty reduction and the achievement of the Millennium Development Goals (MDGs). This policy framework, which resulted from wide public consultations and benefits from strong donor support, rests on seven key pillars:

- broad-based, jobs-generating economic growth;
- environmental protection;
- stronger institutions and better governance;
- investment in human capital, with emphasis on basic education and health;
- investment in physical capital;
- improved safety nets; and
- special intervention programs to address regional pockets of poverty.

3. The 2001 PRSP remains the strategic program of the Government. However, a revised PRSP is under preparation and is expected to be issued this year.

4. The 2002 CAS is focused on providing support for the policy reform agenda of the PRSP and on helping the authorities increase the coherence of the overall donor effort. Previous experience with project lending in Guyana had been very uneven. Projects were small and thus relatively costly, implementation was difficult because of inadequate local capacity, procurement involved too much Cabinet involvement, and projects often failed to address major policy issues. In addition, there were many other donors, including the IDB, already providing project assistance, and IDA's allocation was relatively small.

5. The Bank therefore concluded that IDA's comparative advantage in Guyana seemed to be in terms of policy dialogue. In keeping with Bank policy and the then recently announced Poverty Reduction Support Credit (PRSC) vehicle, the CAS proposed a

fundamental shift away from project lending to a program of PRSCs -- a series of single tranche credits that were part of a longer term program in support of Guyana's poverty strategy. The strategy would be supported with technical assistance to help implement the reforms, and augmented by Bank and core Economic and Sector Work to help refine the policy agenda and monitor and evaluate the impact of the PRSP.

6. The CAS focused on the following pillars of the PRSP: (i) broad-based, jobs-generating economic growth; (ii) stronger institutions and better governance; and (iii) investment in human capital, with emphasis on basic education and health. However, in many areas the CAS outlined a policy agenda that went beyond the scope and detail found in the PRSP, and reflected on-going work done by the Bank in key sectors. The CAS was influenced by the evolving content of PRSC-I, which was then under discussion with the Government as the CAS was being prepared. In the water and sugar sectors, the PRSC included actions which were originally designed to be part of project operations. Other areas were identified as being critical to implementation of the PRSP, even if they were not identified in detail in the PRSP.

Progress in Meeting CAS Objectives

7. The overall development objective of the CAS is given as to "help create conditions for a sustained reduction of poverty levels in the country". The CAS outlined the longer term policy program to be supported by programmatic lending, and identified a number of CAS performance indicators.¹⁸ These indicators are a blend of actual indicators and policy steps, so that they become in reality a list of key steps expected that can be used to make an overall judgment on CAS progress. To this list we have added the poverty rate indicator, since poverty was the overriding CAS objective. The box below gives a summary of progress on these indicators, for the period 2003-2008, well beyond the original CAS period. Overall, looking at ten indicators, we judge that four were completed satisfactorily, two were partially completed, and four were not completed at all. The prime development goal of the CAS, the reduction in poverty, was not achieved. Poverty rates in 2006 were virtually the same as in 2002. Nevertheless, inequality seems to have been reduced between 1992 and 2006 and Guyana remains a country with relatively low inequality¹⁹. Positive results have been achieved in the areas of macro management, improving public financial management, and increasing social spending. Areas of improvement include, besides the poverty rate, the needed enactment of a method for budget allocations to schools, the reduction in the AIDS prevalence rate, and the preparation of progress reports on the PRSP that are based on regular consultation with civil society. On this basis, we rank the overall performance of the CAS as marginally unsatisfactory. This rating reflects the large gap between the high expectations of the CAS, and limited achievement, even after extending the CAS period from three to six years. Nevertheless, some substantial progress was made in a number of areas, as will be discussed below.

¹⁸ In fact, the CAS has two lists of performance indicators. One in the text (p.24) and another in Annex Table A2 which are completely different. The discussion here focuses on the indicators in the text.

¹⁹ Poverty rates in Guyana are lower than other LAC HIPC countries, and inequality is less severe.

Box 1: Status of CAS Performance Indicators

CAS Performance Indicator	Actual Outcome	Achieved? ²⁰
Reduce the overall rate of poverty	Latest Poverty Assessment Report shows poverty rate of 36% in 2006 which is unchanged from 2002.	N
Overall public deficit as a percentage of GDP consistent with medium term macroeconomic framework for the PRSP and PRGF	Deficit has been generally within program limits. (% at FY03 & FY08)	Y
Timely presentation of consolidated budget to Parliament, fully integrating capital and recurrent expenditures in a medium term time frame	Budgets are presented on a timely basis, and beginning in 2007 they are cast in a medium term framework. However, there has been no integration of capital and recurrent expenditures.	P
Completion of procurement reforms, with new systems and procedures operational	New procurement law and regulations have been approved, but the capacity of the NPTA is not sufficient to fully implement the law and there is no fiduciary oversight by a Public Procurement Commission	P
Completion of program to strengthen the independent Auditor General's (AG) Office and initiation of regular full Parliamentary discussions of timely Audit Reports	New audit law and regulations adopted. Attempts to strengthen AG office undercut by staff attrition. Overall audit reports have been done and presented to Parliament generally within a year of the end of the fiscal year.	Y
At the end of the CAS period, the Bank will undertake a Governance Review. An important measure of progress would be a rating lower than High Risk.	The Governance Review was not done, but an Integrated Financial Assessment (IFA) essentially covered the same ground, and was completed in June 2008. The IFA did not give a risk rating. It noted that significant progress had been made but many deficiencies remain.	Y
Increases in social sector expenditures in line with E-HIPC targets, and adequate balance between recurrent and capital expenditures.	Increases in social spending have exceeded EHIPC and PRSP goals.	Y
Implementation of a transparent method for allocating public resources across schools	Done on a trial basis, but not implemented country wide.	N
Containment of the increase in prevalence rates of HIV/AIDS	The AIDS prevalence rate in the adult population is at about 2.5%, and seems to be growing slowly despite Government programs.	N
Regular public progress reports and consultations on the implementation of PRSP, with civil society and local Government participation.	Two progress reports were issued, in 2003 and 2005, but none recently. There has been little or no regular consultation on the implementation of PRSP, and very poor monitoring of results.	N

8. The Progress Indicators chosen by the CAS did not reflect the full extent of CAS objectives. A separate matrix of "Policy Reform Agenda to be supported by the CAS" highlights the major policy reform areas that were expected to be addressed by the Bank, largely in the context of development policy lending. While some of these overlap with the progress indicators, they offer a much more detailed plan for the changes anticipated during the CAS period, keyed to three broad CAS objectives: stimulating growth, improving governance and sector efficiency, and improving basic services and safety nets. This policy

²⁰ Key: Y=Yes, N=No, P=Partial

agenda from the CAS is given in Box 2, below. The remaining sections evaluate the progress in implementation of this policy agenda.

Box 2: Policy Reform Agenda of the CAS²¹

Actions	Status
1. Adequate macroeconomic performance under the agreed medium-term economic framework.	Accomplished
2. Fiscal reform, including introduction of consolidated, program budgeting with a medium term framework, implementation of a multi-year formulaic mechanism for determining public sector wage increases, and initiation of a comprehensive tax reform program	Partially Accomplished
3. Strengthen framework for private investment, including the enactment of a new investment law.	Partially Accomplished
4. Implement the agreed modernization and investment strategy for the sugar sector including the eventual restructuring of the Guyana Sugar Corporation (GUYSUCO) to achieve profitability targets within the agreed financing plan.	Partially Accomplished
5. Introduce a new regulatory framework for the mining and forestry sectors.	Not Accomplished
6. Introduce new legal and institutional framework in the water sector, including passage of a new water bill and the introduction of private sector management of the newly-consolidated water utility.	Partially Accomplished
B. IMPROVING GOVERNANCE & INCREASING PUB. SECTOR EFFICIENCY & ACCOUNTABILITY	
7. Public procurement reform, including new legislation and regulations, and implementation of the agreed CPAR Action Plan.	Partially Accomplished
8. Improve public sector financial management, including the enactment of a new audit law, strengthening the Auditor General function, and implementation of agreed CFAA Action Plan aimed at improving oversight of public expenditures.	Partially Accomplished
9. Implement local Government reform, including improvements in fiscal framework for Transfers and building the capacity for revenue mobilization at local levels.	Not Accomplished
10. Establish the framework for effective monitoring and evaluation of PRSP implementation, including broad public participation, and improvements in statistical measurement of outputs and outcomes.	Not Accomplished
C. IMPROVING DELIVERY AND QUALITY OF BASIC SERVICES AND SAFETY NETS	
11. Increase access by the poor to quality education, reduce dropouts, absenteeism and overcrowding, improve teacher training, in part through the implementation of a formula based system of allocating resources to the schools.	Accomplished
12. Improve the efficiency of social assistance programs, in part through a review of their design and administration.	Not Accomplished
13. Address the spread of HIV/AIDS by formulating and implementing a national strategic plan that is consistent with the Caribbean Regional HIV/AIDS program	Accomplished

II. CAS OUTCOMES

9. **Assessment of PRS Implementation.** As noted in the two PRS Progress Reports and accompanying Joint Staff Advisory Notes (JSANs), Guyana has made progress in implementing its PRS, but achievements fell short of expectations. Despite a difficult domestic and external environment, macroeconomic stability was maintained and progress was made in implementing structural reforms, but Guyana's growth has been weaker than

²¹ See next section (CAS Outcomes) for the justification of the assessment.

projected. Poverty in Guyana has been declining in the last 15 years. However, poverty decreased at a fast rate during 1992-1999 and seems to have stagnated afterwards. Progress on poverty reduction in remote areas in the rural interior has been slow. Moderate progress has been achieved in both urban and rural coastal areas and in both the Afro-Guyanese and Indo-Guyanese communities. Amerindians living in remote rural interior areas, about 9.2 percent of the total population, still register extremely high poverty rates (around 77%). In terms of social indicators, of the 29 PRS goals, only 9 were attained or exceeded. An MDG report prepared in 2007 reported that Guyana may not reach 3 of the 11 domestic target areas covering Goals 1 to 7. However, budgetary allocations for the social sectors have been high and (about 20 percent of GDP) exceeded the HIPC target by 5.0 percent points in 2007.

Pillar I. Stimulating growth

Goal: Adequate macroeconomic stability performance under the agreed medium-term economic framework.

Result: Accomplished.

10. Between 2002 and 2006 the Government implemented a macroeconomic program supported by the IMF through SDR54.55 million Poverty Reduction and Growth Facility (PRGF). Guyana's economic performance was considered good by the IMF, with only minor delays in PRGF disbursements.

11. Growth performance has been mixed. From 2003 to 2005 GDP growth averaged -0.3, reflecting increased oil prices, natural disasters, the winding down of production of Guyana's largest gold mine and the deteriorating security situation. However, the growth rate accelerated to 5.1 percent in 2006 and 5.4 percent in 2007. The persistence of weak growth in early part of this period points to more fundamental structural weaknesses, namely a poor investment climate and high emigration of entrepreneurial skills, weak governance, and inadequate basic infrastructure. The recent improvement in growth is being led by relatively strong performance in the mining, construction and agricultural sectors. The manufacturing sector is also showing signs of recovery.

12. The fiscal deficit has increased since 2002, to accommodate much needed investments to modernize the sugar industry and to improve infrastructure. Expenditure growth also was a function of floods in 2005, and the decision to build a large stadium to hold the cricket world cup in 2006 (partly financed with foreign assistance). The overall Government deficit after grants increased from 5.8 percent of GDP in 2002 to 13.6 in 2005, and declined to 7.6 percent of GDP in 2007. The recent improvement in the fiscal balance reflect a stronger revenue effort, notably through improved administration and the introduction of value added tax in January 2007, as well as containment of expenditure though improved prioritization of the Public Sector Investment Program (PSIP). However inflation, which had been averaging only 6-7 percent per year, increased to 12% in 2007, and is likely to climb even higher in 2008 as a result of the impact of spiraling costs of food and fuel.

13. Guyana's debt sustainability improved dramatically since 2002. The country reached the Enhanced HIPC (e-HIPC) Completion Point in December 2003 qualifying for US\$329 million of debt relief in NPV terms, additional to the debt relief of US\$256 million in NPV terms obtained under the original HIPC in May 1999. Although the external debt burden as measured by the NPV of external debt to revenue ratio declined following the e-HIPC Completion Point, debt sustainability concerns re-emerged in 2004 and were only eased after

the implementation of the MDRI²². About US\$611 million of Guyana debt has been written off by the IMF, World Bank and the Inter-American Development Bank.

Goal: Fiscal Reform, including introduction of consolidated, program budgeting with a medium term framework, implementation of a multi-year formulaic mechanism for determining public sector wage increases, and initiation of a comprehensive tax reform program.

Results: Partially Accomplished.

14. Some progress has been made during the CAS period in improving the budget process. In 2007, for the first time, included a three-year forecast of fiscal aggregates, but there is no detailed Medium Term Expenditure Framework (MTEF). Almost all ministries and the 10 regions have program budgets, but the use of realistic performance indicators remains very weak. Likewise, the goal of integrating capital and recurrent expenditures has only just begun with an integrated budget circular covering both recurrent and capital spending, and a single integrated budget hearing for each ministry covering both capital and recurrent estimates (for the 2009 budget). Investment decisions are not linked to sector strategies. An integrated financial management and accounting system (IFMAS) to interconnect the Government's financial management and accounting systems, and control overall public expenditures has been implemented. However, the system still has shortcomings, and is crippled by the rapid turnover of trained staff. The capital budget is supposed to be prepared within the framework of a rolling five-year Public Sector Investment Program but the PSIP has not been produced on a timely basis.

15. A formula for public sector wage increases was agreed (condition of PRSC), under which public sector wages would fully adjust for inflation, plus have a productivity component in years with positive GDP growth. In fact, wage increases have not kept pace with inflation, particularly in 2007 when wages were increased by only 9% despite 12% inflation.

16. In August 2003, the Government initiated a medium-term reform program to broaden the tax base and increase efficiency, equity and transparency of the tax system. Main actions completed include: (1) adoption by Parliament of the value-added tax (VAT) and excise tax regulations in January 2006; (2) elimination of the Ministry of Finance's power to grant discretionary tax exemptions, (3) a limit on most income tax holidays; (4) increases in withholding taxes, consumption taxes for certain services and personal income tax thresholds, and (5) a program for strengthening the Guyana Revenue Authority.

Goal: Strengthen the framework for private investment, including the enactment of a new Investment Law.

Results: Partially Accomplished.

17. As a step to improve the environment for private investment, the PRSP envisaged reforms to strengthen the legal and institutional environment for investment. Institutional and legal steps completed include the appointment of a new chief executive for investment promotion agency (GOINVEST). An Investment Act, prepared with Bank's support (IFC), and a Small Business Act were passed by Parliament in March 2004. This new legislation establishes basic guarantees and rights for investors (e.g. against expropriation) and makes

²² Multilateral Debt Relief Initiative.

incentives more transparent. A Competition and Fair Trading Bill, which establishes a National Competition Commission, was passed by Parliament in 2006. A National Competitiveness Strategy was formulated in consultation with the private sector and donors and a program of 122 needed actions were identified. Some actions are being implemented as part of an IDB project and as part of the program for the U.S. MCA (Millennium Challenge Account).

18. Despite recent measures taken to improve the investment climate, significant factors continue to constrain private sector development and Guyana's competitiveness. At the request of the Government, an Investment Climate Assessment (ICA) was finalized after the CAS period in 2007. According to the ICA, in addition to the difficult security and crime situation, there are impediments to clearing goods through customs (e.g. exporters spend an average of 14 days in customs with a maximum time of 23 days), and the legal and judicial systems are cumbersome and judicial enforcement is lengthy. Infrastructure is a serious bottleneck: Guyana lacks a deep-water port, its road system is deficient, electric power is unreliable and expensive, and telecommunications services are limited. Qualified workers and managers are scarce because of emigration.

Goal: Implement the agreed modernization and investment strategy for the sugar sector, including the eventual restructuring of the Guyana Sugar Corporation (GUYSUCO) to achieve profitability targets with agreed financing plan.

Results: Partially Accomplished.

19. Sugar accounts for 16 percent of GDP, 25 percent of foreign exchange earnings, and directly or indirectly affects the livelihoods of over 75,000 people. The Bank, working with DfID and other donors, helped the Government construct a comprehensive program to restructure the sugar sector. This program continues Government ownership of industry assets while relying on private sector management of the Guyana Sugar Corporation (GUYSUCO) and increasing the share of privately-grown cane. One of the major elements of this strategy consists of placing emphasis on production in the Berbice area, through a new, larger sugar mill in Skeldon, capable of producing 110,000-120,000 tons of sugar per year, along with expansion of sugar cane cultivation by some 10,000 hectares. In 2006 the Government presented to the EU an Action Plan detailing the sector restructuring program to qualify for EU financial support.

20. After initial delays, the implementation of the plan has gained pace and reforms are on track. With Bank's support (through PRSC), GUYSUCO implemented measures to strengthen its financial viability, including by introducing a new wage policy limiting wage increases to inflation starting from 2001, and implementing a profit-oriented management contract in February 2004²³. However, the projected labor force downsizing, and the profitability targets for GUYSUCO have not yet been attained, although more progress may be made this year with the completion of the new sugar mill. GUYSUCO is now able to cover its operating costs without Government subsidy.

21. The Bank also supported the preparation and implementation of an Environmental Management Plan (EMP) for the new sugar mill and associated canefields expansion. In particular, the EMP now requires that GUYSUCO manage some 7,500 hectares of freshwater swamp and reef forest (conservancy areas) in a manner that will mitigate the natural habitat

²³ Guyana is the lowest cost Caribbean sugar producer and parts of its industry may, if restructured to improve efficiency, become competitive in the global free sugar market (see World Bank (2005) A Time to Choose: Caribbean Development in the 21st Century, Report no. 31725-LAC).

loss associated with expanding cane cultivation. GEF funding of \$3.8 million (approved January 2008) will assist with water management and drainage in the conservancy area.

22. Analytical work undertaken in the CAS period include a Sugar PSIA, which highlights areas in which interventions could be needed to mitigate the impact of the reform in the sector on the communities.

Goal: Introduction of a new regulatory framework for mining and forestry.

Results: Not Accomplished

23. The development and use of Guyana's considerable mining and forestry resources are critical for Guyana's future exports and growth. However, development of mining and forestry resources needs to be pursued on a sustainable basis. The Government was expected to draft and table in Parliament a new Mining Bill improving the regulatory environment for the mining sector (including issues such as environmental impact, taxation, and the rights of Amerindian communities). The Bank provided technical assistance for the preparation of a Strategic Environmental Assessment (SEA) of the mining sector to serve as a basis for the drafting of the new legislation. However, the submission to Parliament has been repeatedly delayed.

24. The forestry sector is also growing fast, boosted by private investment. Adequate controls to prevent over-harvesting, to minimize environmental damage, and to recognize the land claims of indigenous people are hence crucial. Existing legislation (from 1953) does not adequately ensure that these objectives are met and does not provide the private sector with a clear regulatory environment. It was expected that the Government would approve a new Forestry Act during the CAS period which would substantially improve the legal basis for sustainable management of Guyana's forests, including clear delineation of the rights of Amerindian communities. A draft bill was submitted to Parliament in early 2006, but never brought to a vote²⁴. Parliament did pass a law reorganizing the Forestry Commission, but this has had only minor impact on the sector.

25. While these two reforms, mining and forestry were high on the Bank's priority list, they were not a high priority for the Government, and without strong Government support languished, despite Bank pressure. Preliminary work was a condition of PRSC-I, while PRSC-II (subsequently renamed PRPMO) was to have been conditional on passage of the forestry act. In fact, the Bank accepted the submission of the act to Parliament, and did not push for positive measures on mining.

Goal: Introduce a new legal and institutional framework in the water sector, including passage of a new water bill and introduction of private management to the newly-consolidated water utility.

Results: Partially Accomplished

26. The Government has undertaken a major reorganization of the water sector with support of IDA (PRSC-I) and DFID, setting up a new legal and regulatory framework, merging the two public water companies into one (Guyana Water Inc., GWI) and bringing in a private operator under a management contract. The Government also launched a program to increase service access, particularly in urban squatter neighborhoods and rural hinterlands.

²⁴ This was updated in the core text of the CAS (see paragraph 62). The Forestry Bill was passed in January 2009.

GWI began implementing a combined plan to increase revenues and reduce costs, through a 2005 tariff review, the procurement of a new billing system, improved collection performance, and reduction in non-revenue water through distribution network repair and rehabilitation. These efforts and the Government's goal of achieving universal access to safe water are being supported by the ongoing IDA Water Sector Consolidation Project approved by the Board in July 2005. Following disappointing performance and frictions between the Government, GWI Board and the Management Contractor, the contractor ceased its operations. The goals for integrating the billing and collection systems of the two original utilities still have not been met, nor have the goals for improved water quality and increased access. The utility has been hampered by staff attrition to the private sector due to an inability to pay competitive wages. Progress in implementing the Bank's Water Supply Technical Assistance and Rehabilitation Project was impeded by the lack of donor coordination characterized by uncoordinated standards, overlapping investments, and a lack of coherent strategy.

Pillar II. Improving Governance and Increasing Public Sector Efficiency and Accountability

Goal: Public procurement reform, including new legislation and regulations, and implementation of the agreed CPAR Action Plan

Results: Partially Accomplished.

27. In 1999, the Bank carried out a Country Procurement Assessment Report (CPAR). The implementation of the action plan that resulted from the CPAR recommendations was supported by the Bank through the PRSC and PSTAC. The rules governing public procurement were revised by the 2002 National Procurement Act, which was subsequently amended by the Tender and Procurement Act of 2003. The PRPMO supported the adoption of regulations and the preparation of standard bidding documents and evaluation criteria in line with international standards.

28. The 2003 Procurement Act provides the basis for improving regulatory, oversight of operations, and complaint management functions. Overburdened by too many functions, and inadequate trained staff, the National Procurement and Tender Administration (NPTA) is unable to perform its role in regulating procurement practices and insuring optimal use of Government resources, as envisioned by the Procurement Act.

29. The Bank's PSTAC provided substantial technical assistance for writing of the operational guidelines and training of NPTA staff. The impact of much of this good work has been mitigated by staff attrition. Of 7 people trained in NPTA, only 4 are presently still on the staff. Government salaries for technical staff cannot match their alternatives in the private sector, either in Guyana or abroad. Despite considerable work, the development of standard bidding documents and operational manuals has not been completed. As part of the recent Integrated Fiduciary Assessment²⁵, a Procurement System Assessment Report (PSAR) was undertaken using standard OECD/DAC/World Bank methodology. The PSAR rated Guyana's procurement system as "moderately low" in terms of legislative and regulatory framework, and "very low" in terms of institutional framework, operations, and integrity/transparency.²⁶

²⁵ Integrated Fiduciary Assessment, Vol. I. Findings and Recommendations, Dec. 2007. A study of the IDB, EC and World Bank.

²⁶ This is a four-fold rating system: Optimum, Satisfactory, Moderately Low and Very Low.

Goal: Improve public sector financial management, including enactment of a new audit law, strengthening of the Auditor General function, and implementation of agreed CFAA Action Plan aimed at improving oversight of public expenditures.

Results: Partially Accomplished

30. The Country Financial Accountability Assessment (CFAA), completed in 2002, considered Guyana's public audit and financial management systems and processes as basic and fragmented. It pointed to a number of critical weaknesses in budgeting, accounting, audit and oversight of the Government's finance. Recommendations were adopted by the Government through an action plan. Since 2003, the legislative and regulatory initiatives have addressed previously identified systems and framework weaknesses.

31. With Bank's support (PRPMO), a new Audit Act was enacted by Parliament in April 2004.²⁷ The Audit Office of Guyana (AOG) has begun implementing international auditing standards and auditing methodologies to perform operational, performance, and forensic audits. Financial controls and audits have improved with the introduction of the Integrated Financial Management System (IFMAS), although gaps remain. Only four ministries have an internal audit capacity. The AOG was able to deliver an audit opinion on the 2004 and 2005 Government financial statements. The 2007 IFA noted that the 2003 and 2004 AG reports have not yet been reviewed by the Public Accounts Committee of the Parliament, even though they were submitted in September of 2006.

32. Under PRSC-I, and on the basis of the CFAA recommendations, measures were introduced to strengthen fiduciary oversight, which has three elements: (i) ensuring effective parliamentary oversight over public finances; (ii) curtailing discretionary powers of public officials; and (iii) ensuring effective public disclosure of assets of officials. In 2005, consultants financed by the PSTAC prepared studies on each of these elements. As a result of the first study on Parliamentary oversight²⁸, the legislature has modified some 15-20 standing orders, which gives the opposition more opportunity to exercise oversight roles on financial matters. This has improved its oversight role over the execution of the budget through legislative review of the external audit reports, and by questioning responsible parties about the findings from the reports.²⁹

33. As noted above, steps have been taken to reduce the discretionary power of Government officials as part of the overall tax reform. These involve limits on grants of tax exemptions and tax holidays. However, much more still needs to be done in this area. In addition, no progress has been made in the area ensuring effective public disclosure of the assets of public officials.

Goal: Implement local Government reform.

Result: Not Accomplished.

34. PRSP consultations emphasized some shortcomings related to the weak level of local Government services. Actions planned under the PRSC -1- in support of the PRSP agenda included improvements in the fiscal framework for transfers and building the capacity for revenue mobilization at local levels. Little progress was made in these aspects of the reform. Some minor steps were taken to improve the system of tax assessments, and improve the ability of local Governments to seize property of tax defaulters as part of PRSC-1. However,

²⁷ The IDB and CIDA have provided resources for the implementation of key reforms in this area.

²⁸ Bradford and Associates Ltd, Guyana Fiduciary Oversight Project, July 4, 2005.

²⁹ Reforms have continued with IDB and US (MCC) support.

the actions contemplated for PRSC-2 in this area were not included in the follow-on PRPMO, because of the need to increase selectivity. The Government focused on the creation of institutions, notably the establishment of the Municipal Services Department in the Ministry of Local Government and Regional Development and the appointment of eight Regional Development Officers to monitor and evaluate capital contracts within Regional Development Councils. Local Government elections have not been held in over two decades, and have been scheduled for 2008. If they take place, they might help push forward the local Government reform agenda. However, local Government elections have been promised and canceled in the past (2004, 2007).

Goal: Establish framework for effective monitoring and evaluation of PRSP implementation.

Result: Not Accomplished.

35. A Policy Coordination and Program Management Unit (PCPRMU) was set up in the Office of the President in 2003 (PSTAC, PRSC) to coordinate and monitor the poverty reduction strategy, support the implementation of structural reforms, coordinate and support the implementation of social statistics strengthening activities, conduct policy analysis in support of the PRS and produce the annual PRS progress report. The Government also set up the institutional framework for monitoring and evaluation. A plan for strengthening the Statistics Bureau is being carried out with the support of the PSTAC and a World Bank TFSCB grant.³⁰ However, there is still no system for tracking budget expenditure that would permit monitoring of Government programs by sector and by major poverty-related programs and inform the budget preparation process. In addition, the PCPRMU was disbanded after the PSTAC funding ended in 2007. This seriously reduced the Government's ability to prepare the new PRSP, as well as the PSIP, and to implement the planned PRSP monitoring system.

Pillar III: Improving delivery and quality of basic services and safety nets

Goal: Increase access by the poor to quality education.

Result: Accomplished

36. The Government's Strategic Plan for Education (SPE) for 2003-07 emphasized the twin goals of raising access and increasing the quality of education services. Key goals include improved teacher training, improved ratios of trained teachers to students, reduced drop-out rates, and better facilities. Secondary education reform was supported via the Bank's Secondary Education Reform project (1996-2004, ICR outcome rating =S). In addition, PRSC-1 supported some basic reforms in education designed to decentralize control to the school and community level. Guyana is one of the 17 countries receiving assistance in its education reform as part of the Education For All-Fast Track Initiative (EFA-FTI). Guyana has received three grants so far under the EFA-FTI, based on progress made under the program. Actions in the third year of implementation of the EFA-FTI focused on implementing a community-based school-feeding program at the primary level and upgrading hinterland schools. This complements the remote areas incentive payment scheme launched by the Government in 2005 to help retain teachers by topping up the hard-living allowance.

37. Guyana is set to reach the MDG goals for education, and outcomes in 2005 were broadly in line with PRSP targets. The country achieved 100 percent primary school

³⁰ Trust Fund for Statistical Capacity Building. Other major donors in this area are the IDB and the UNDP.

enrolment in 2004 and steady progress was made year after year towards achieving full attainment of secondary school enrolment, although some regional disparities persist. Guyana also achieved good results in the number of children reaching Grade 6, with a national average of about 95 percent, although there are some significant regional deviations. However, repetition and drop out rates in secondary school remain high and quality indicators are also below expectations. Despite training more than 4,838 teachers over the past five years, student trained teacher ratios at all levels of education continue to be high, particularly in primary education. Emigration of trained teachers continues to be a serious problem that undercuts teacher training efforts. In addition, the formula based system for the allocation of resources to schools, which was introduced on a trial basis as part of PRSC-1, has never been generalized to the rest of the country.

Goal: Improve the efficiency of social assistance programs.

Result: Not Accomplished.

38. Guyana implements a range of social insurance and social assistance programs, many of which are administered by the Ministry of Labor, Human Services and Social Security (MLHSS). Guyana's social protection system is characterized by: (i) lack of an adequate targeting mechanism and criteria; (ii) low benefit levels; (iii) understaffing and outdated and inefficient service delivery systems; (iv) manual recording of program records and deficiencies in the documentation of procedures and financial management; and (v) outdated social security legislation vi) duplication and overlapping benefits. The major thrust of the Government's efforts is to strengthen its capacity through improved systems, processes and training to better manage its existing social protection programs, before expanding them or starting new ones. To this end, the Government has carried out, with support from IDA (PRSC-1 and PSTAC), four studies that provided recommendations in the areas of management information system, targeting, risk and vulnerability, labor market assessment, social legislation, and MLHSS needs assessment. However, little has been done to implement the findings of the studies and these social programs continue to be badly administered.

Goal: Address the spread of HIV/AIDS.

Result: Accomplished

39. The PRSC supported the preparation of the National Plan for HIV/AIDS (2002-06). A new National HIV/AIDS Strategic Plan (2007-11) prepared through a broad consultative process involving key stakeholders in Government, civil society and external donors and multi-lateral agencies, is under implementation. This program is being supported by the Guyana HIV-AIDS Prevention and Control project which is financed by an IDA grant, the Global Fund, CIDA, programs of the United States (including PEPFAR), and other bilateral and UN agencies.

40. The Government is expanding key services for prevention, treatment, care and support. Programs targeting prevention and behavioral change among young people and other particularly vulnerable groups including indigenous people are ongoing and services centers for voluntary testing and counseling services have increased together with prevention of mother-to-child transmission of HIV and anti-retroviral (ARV) treatment. The number of people on ARV treatment increased to 1,375 in 2006 (represents 50% of the people who need ARVs). An estimated 81% of pregnant women are now accessing PMTCT services. There is 100% screening of blood for transfusion. The Government has expanded its multi-sectoral

response to the epidemic: nine non-health line ministries are implementing HIV/AIDS programs for their clients and staff and over forty civil society organizations are helping to reach specific vulnerable groups: youth, miners, sex workers, orphans and other vulnerable children, indigenous peoples, people living with HIV/AIDS, workers and armed forces with targeted interventions. The Guyana HIV Prevention and Control Act has been revised and is expected to be approved this year.

41. Thus, Guyana has achieved the CAS objective of addressing the HIV/AIDS problem. However, in terms of PRSP and MDG targets, it has not reversed the spread of AIDS. Both the number of new cases of AIDS reported, and the number of reported cases by women aged 15-45 have risen since 2000. The PRSP target called for a decline in both cases. However, it is entirely possible that the increase in the number of reported cases reflects the greater outreach of the new program in identifying and treating AIDS patients, rather than a spread of the disease.

III. IFC ACTIVITIES

Table 1: Guyana IFC Activities FY03-08, (in US\$ million)

FY	Projects	Status	Planned Amount (US\$ million)	Approved Amount (US\$ million)
2006	Mining GY Goldfield	Ongoing	4.6	4.6

IV. BANK PERFORMANCE

A. The Soundness of the overall Strategy

42. The 2002 CAS focused Bank support on the implementation of the policy reform agenda set out in the PRSP and on helping the authorities bring increased coherence to the overall donor effort. The reliance on the PRSC instrument reflected the past problems with project execution, the need to reduce the cost associated with lending preparation, and the need to tackle some major policy issues. The PRSC program, as envisioned in the CAS and PRSC-1, was extremely ambitious. It covered a variety of issues, including improved public financial management (budgeting, auditing, procurement), sugar and water sector reforms, reforms of local Government, health and education reforms, and improved social sector targeting. The CAS expected that PRSC-1 in FY03 would be followed by PRSC-2 in FY05. The only other assistance foreseen was the PSTAC in FY03 (\$4million) and the HIV/AIDS project in FY04.

43. Problems with the PRSC program arose early on when, after Board approval of PRSC-1 in December 2002, the revision of the Procurement Act was delayed, and, as a result, the credit did not become effective until September 2003. At the same time, the macroeconomic program went temporarily off-track, political disruptions accelerated and the implementation of the poverty strategy was hampered. These delays, and the underlying institutional weaknesses they reveal, indicate that that original schedule of one PRSC per year was too optimistic and the Government's commitment to the CAS/PRSC agenda was very weak.³¹ The CAS had assumed that the Government was committed to serious reform in many sectors. In fact, reform efforts have been spotty at best, with some progress in

³¹ *Simplified Implementation Completion Report – Guyana Poverty Reduction Strategy Credit*, Report PE-P073851, June 28, 2004 and *Full Implementation Completion Report*, Report 35463, March 17, 2006.

certain areas, but with little or no progress in many others. In addition, Government plans to execute a Cricket Stadium project showed that there was little economic analysis of public expenditures and that political factors played a large role in decision making³². It became apparent that a program of annual or biannual PRSCs would not be possible in the Guyanese context, and that future operations would have to be less ambitious.

44. Learning from the PRSC-1 experience, the Bank developed the PRPMO in place of PRSC-2. The PRPMO (Poverty Reduction and Public Management Operation, \$9.6 million) focused on a few areas where the Government had made progress, and dropped many of the areas foreseen as being part of PRSC-2. It was approved in April 2006, about a year later than planned in the CAS. In part, it built on the technical assistance studies of the PSTAC. However, while major progress was made in improving the Parliamentary role in fiduciary oversight, there were no efforts to implement the programs for limiting the use of discretionary powers (outside of tax exemptions) or for improving the disclosure of officials' assets. Despite assurances in the Letter of Development Policy, the program to rationalize and improve social protection programs was not carried out.

45. **QAG/IEG.** QAG performed a QEA review of the PRPMO and rated the operation Moderately Unsatisfactory (4) because (i) Government ownership and commitment to the reforms was weak, as evidenced by the slow progress in key elements of the PRSP program in the areas of the regulatory framework for mining and forestry and financial accountability; and (ii) the poverty focus of the operation was weak, undermining its rationale. Furthermore, the panel is of the view that the overall Government expenditure program in 2006, involving a significant expansion of public spending as a share of GDP without commensurate expansion of implementation capacity, did not justify the provision of incremental financing by IDA. The team contested the assessment through a rejoinder. Assessments by IEG during the CAS period covered also projects approved under the previous CAS. For the PRSC 1 and the PRPMO, the IEG outcomes were moderately satisfactory and satisfactory respectively.

46. The CAS period expired in FY05, but no new CAS was developed. The Bank decided to return to project lending with a Water Supply Consolidation Project in FY06 (\$11 million), reflecting the complex problems of achieving policy reforms with development policy lending, and despite the poor performance of the water supply technical assistance project which had closed in FY05.

47. Bank involvement in Guyana has continued largely through the use of trust funds and grant resources. Guyana has received three grants under the EFA/FTI for \$4.0 million during 2005-07, and in 2008 a GEF grant for preservation of the conservancy area (\$3.8 million). The EFA project has worked well, and is likely to be renewed at a higher level. The GEF project became effective in January 2008, is rated as satisfactory in the latest ISR. In addition, a small grant from the Trust Fund for Statistical Capacity Building (TFSCB) was made for \$285,000 to support training and improvements in the Bureau of Statistics. This grant experienced considerable problems in implementation initially, but has recently improved.

48. **Non-Lending Services.** The Bank completed its program of ESW/AAA more or less as scheduled. This included a DPR in 2003, and a Poverty Assessment Report and an IFA/PEFA (in lieu of the Governance Review) in 2008. An Investment Climate Assessment

³² This project was partly financed by concessionary aid (India) and private investments, but the Government had to finance a significant portion when private investors failed to deliver.

was undertaken in 2006 as well as a FSAP. Informal technical assistance was provided in water supply and for handling the flood in 2005.

49. In general, good technical work, such as the IFA/PEFA, the ICA, and the Poverty Assessment Report, have proven very valuable in providing the Bank, donors and the Government with well based technical assessments of critical areas. More general reports, such as the DPR, have had less impact.

B. Portfolio Assessment

50. Portfolio indicators are given in Annex Table 4. Guyana had four projects³³ in active implementation at the end of FY08, and none were considered “at risk”. In this regard, Guyana was above average for the Latin America and Caribbean Region.

C. Aid Coordination

51. **Overall development assistance to Guyana has remained strong.** In terms of overall resource flows, the Inter-American Development Bank (IDB), the European Union, the IMF, the UK Department for International Development (DFID), and the United States Agency have been major providers of assistance. IDA’s lending to Guyana in 2006 represented 6 percent of the annual (net) disbursement of official assistance.

52. The level of aid provided has been extensive and generally supported the goals of the PRSP (see CAS Annex C). Coordination among donors in the provision of assistance in various areas has been generally good, especially in public financial management. Sector thematic coordination groups have been formed in many areas, including agriculture, water, governance and competitiveness, and these are chaired by the Government and/or a lead donor. The functioning of these groups varies in quality.

³³ According to the Business Warehouse figures.

Table 5: Donor Support to the PRSP

Pillars		Development Partners
Enhancing economic growth	Strengthen fiscal policy and budget management	IMF, CIDA, IDA, USAID
	Strengthen financial sector	IDB, IMF, DFID, IDA
	Private sector development	IDB, USAID, CIDA, EU
	Restructuring sugar sector	CDB, IDA, DFID, IDA
	Restructuring forestry and mining sectors	CIDA, DFID, GTZ
	Environmental protection	IDB, UNDP, CIDA, DFID, IDA, EU
Infrastructure to support growth	Better maintenance, quality and coverage of sea defenses, roads and river transport; drainage and irrigation, rural electrification	EU, IDB, CDB
Good Governance and the business environment	Public sector reforms	CIDA, IDB, UNDP
	Improved accountability	CIDA, IDA, IDB, UNDP
	Justice and crime reduction programs	USAID, DFID, IDB
	Local Government reform	IDA, USAID, CIDA
	Land administration	IDB, DFID, GTZ
Investment in human capital	Education	IDB, DFID, IDA
	Health	IDB, CIDA, PAHO
	HIV/AIDS	UNAIDS, IDA, CIDA, USAID, PAHO, CDC, Global Fund for AIDS, Malaria and Tuberculosis
Infrastructure to support services	Water and sanitation	DFID, CDB, IDB, IDA, EU
	Housing	EU, IDB
Safety nets	Cash support for displaced workers, subsidies for electricity and water, support for pregnant and new mothers	IDB, CDB, DFID, IDA, UNDP, UNICEF
Special Interventions	Programs to boost income generation, access to markets and access to basic services	E-HIPC, DFID, UNICEF, EU
	Inner City Development	IBRD, CIDA, DFID

V. OVERALL ASSESSMENT OF THE CAS

53. **Lessons Learned from the 2002 CAS.** The 2002 CAS reflected an upbeat assessment of the situation in Guyana; a PRSP had been written, Guyana was eligible for e-HIPC assistance, and was moving toward agreement on a multi-sector PRSC program. There were many problems facing the country, and the CAS correctly identified these and made some of them its fundamental objectives. In hindsight, however, it is clear now that the CAS was far too optimistic about the capacity and willingness to undertake reforms and to make institutional changes. The record shows a few bright spots where reforms have taken hold (Parliamentary oversight, HIV/AIDs, education), but many others where reforms have fallen short (audit, procurement, budget formulation, water supply), and still others where no progress at all was made (forestry, mining, bureaucratic discretion, asset declaration, targeting social programs).

54. There are some fundamental problems facing Guyana:
- There is no fundamental consensus for reform. Political parties are divided along racial lines; the opposition party has little voice or power, and what it has it uses largely to obstruct, rather than contribute positively.
 - Building consensus for reform takes time. Where reforms have taken place, political and social consensus has been built over time, as in the case with the VAT, which was implemented in 2007 after much delay.
 - There is limited management and technical capacity to carry out reform programs, due to both a lack of skilled manpower and the continued emigration of skilled workers abroad.

Key Considerations for the 2009-2012 CAS

Selectivity and simplicity in design are key.

- The strategy was wide ranging with highly optimistic objectives and implementation time.
- Key performance indicators should be focused and as much as possible linked to measurable outcomes.
- Keep priorities well-focused and implementation flexible.

Lack of capacity in the Guyanese public sector is a cross-cutting constraint.

- Future operations should aim at increasing substantially public sector capacity.
- Timeframe and design of future operations should take into account capacity constraints in the public service.

Client ownership and commitment, including champions, are critical.

- The lack of Government focus on some key reforms lowered expectations and the impact of the CAS.

Lack of political and social cohesion can undermine the reform agenda.

- The Government noted that while the conditions were conducive to growth at the beginning of the previous CAS period, political conditions and social cohesion were not in place, contributing to poor growth and sluggish reduction in poverty.
- Political constraints often prevented reform from moving, as was the case with the VAT, which was implemented in 2007 after much delay.
- Improve political economy analysis in project design.

Resource flows need to be more predictable.

- Unpredictable resource flows negatively impacted government programs, particularly with the debt relief packages, where delays forced the government to scale down some investments.

Project sustainability requires retaining key personnel.

- Projects that rely heavily on highly-paid consultants who are unlikely to be retained by the government at project completion are likely to experience weak implementation and/or limited long-term development impact.

Donor coordination needs to be strengthened.

- Consider, for instance, joint missions to address common issues and pooled funds/SWAs.

Choice and scope of AAA should involve more consultation with the government.

- Analytical work and policy notes should be demand-driven, part of the on-going reform process, and delivered in a timely manner.

Annex 1: Guyana: Summary Table of Progress in Reaching CAS Objectives, 2002-2008.

Planned in 2002 CAS		Implemented by June 2008		Lessons Learned
Overall Objective	Key Actions and Progress Indicators ³⁴	Status at CAS Completion	Bank Performance	
OVERALL OBJECTIVE: REDUCING POVERTY THROUGH IMPLEMENTATION OF THE PRSP				
Reduce the overall rate of poverty in the country	<ul style="list-style-type: none"> • Implementation of the PRSP • Decrease the rate of poverty from 35% in 2001 to 31% in 2005 	<p>Implemented. PRSP remains overall strategy; two progress reports issued and new PRSP is being drafted</p> <p>Targets Not Achieved. Poverty rate has not declined; estimated to be 36% in 2006 which is the same as in 2002. No major improvement in social indicators.</p>	<p>Bank provided overall advice on PRSP and encouraged implementation. Bank supported PRSP implementation with two policy based operations: PRSC³⁵, (\$12 million, closed 1/04, ICR = S), and the PRPMO³⁶, (\$9.6 million, closed 3/07, ICR = S)</p>	<p>Adequate economic growth is essential for poverty reduction</p>
	Develop and implement a system for poverty monitoring and evaluation.	<p>Not Implemented. Despite T/A from Bank, Government was unable to organize an effective M&E system. Priority indicators and programs were identified as part of PRPMO, but the monitoring system never became functional.</p>	<p>Bank provided T/A support via PSTAC³⁷ (\$4.7 million, closed 7/07, ICR: DO = S). However when T/A project ended, the M&E unit was disbanded as Government was unwilling to absorb the cost. Plan to set up new unit in Ministry of Finance has not happened, despite</p>	<p>Creating M&E where none existed in an IDA environment is politically and technically very complicated</p>

³⁴ The Key Actions and Progress Indicators combine information in the original CAS of 2002, based on Box 2, "PRSP Policy Reform Agenda" (p.21), "CAS Performance Indicators" (p.24), and Annex A2 "Country Program Matrix, FY03-05 (p.30).

³⁵ Poverty Reduction Support Credit (IDA-37250).

³⁶ Poverty Reduction and Public Management Operation (IDA-H2160).

³⁷ Public Sector Technical Assistance Project (IDA-37260, IDA-3726A).

PILLAR I: STIMULATING GROWTH		offers of IFI funding.		
Maintain macroeconomic stability as a base for growth, as shown by the medium term framework for the PRSP and the PRGF.	PRGF and PRSP goal was to keep inflation under 5% per year, deficit below 9% (largely financed by foreign loans and grants), and produce an average growth rate of 2.7% (2002-2005).	Implemented. Government has generally performed well under PRGF programs and met most macro targets for inflation, etc. Fiscal balance has been a problem at times. However, growth averaged only 0.08% during 2002-2005. Growth exceeded 5% in 2006 and 2007, so that the growth rate 2002-07 is about 2.0%, still below the target.	Macro monitoring and dialogue generally left to IMF.	Macro stability is a necessary, but not a sufficient, condition for economic growth.
Increased efficiency in the use of public resources	Fiscal reform, including introduction of program budgeting and medium term framework, multi-year formula for public sector wage determination, and comprehensive tax reform.	Partial Implementation : <ul style="list-style-type: none"> An overall budget framework exists, and program budgeting has been introduced in some ministries, but there is no MTEF; the budget system still falls short of what was envisaged; Some improvements made in Parliamentary oversight; VAT introduced in 2007, as part of a comprehensive tax reform ; Agreement on multi-year wage setting was reached, but not fully implemented (wage adjustments have not kept pace with inflation and productivity). 	Bank provided T/A support via the PSTAC project to the Guyana Revenue Authority, but otherwise was not directly involved in budget process and tax reforms. Wage agreement was agreed as part of PRSC but there was no mechanism for follow-up on implementation.	
Encourage Private Sector Development	Introduce new Investment Code and small business legislation	Implemented: Investment Code introduced and Small Business legislation passed (both in 2004), but Guyana still ranks low in terms of attractiveness of doing business.	Bank was not a major player in these reforms. An Investment Climate Assessment (ICA) undertaken by the Bank pointed out major problems.	The Investment Code is a CAS performance indicator, with instrument being the IFC. However, there was little involvement by the IFC in this area.
Undertake	<ul style="list-style-type: none"> Sugar sector restructuring plan 	Partial Implementation:	The sugar reform was a	Government was

<p>restructuring programs for key productive sectors</p>	<p>including major investments in new sugar mill, eliminating redundant workers, and reaching GUYSUCO profitability targets</p> <ul style="list-style-type: none"> New regulatory framework for mining and forestry sectors to be introduced 	<ul style="list-style-type: none"> Sugar sector restructuring undertaken, new sugar mill is close to completion. GUYSUCO is able to meet operating costs, but there has been little reduction in redundant staff. New forestry law drafted and sent to Parliament, but not approved. Sector Environment Assessment completed for mining, but no new legislation has been drafted. 	<p>major condition for PRSC. Forestry Law submission was condition for PRPMO, but passage was not required. No progress on Mining Law, except for the SEA. The Bank did not follow up with Government in these areas.</p>	<p>committed to sugar reforms, it has been reluctant to downsize labor force.</p>
B. IMPROVING GOVERNANCE & INCREASING PUBLIC SECTOR EFFICIENCY & ACCOUNTABILITY				
<p>Improve the efficiency and transparency in the public procurement system</p>	<p>Introduction of a new procurement law and associated regulations; institutional strengthening of the National Tender Board</p>	<p>Partial Implementation. New law passed and regulation enacted. PSTAC provided some institutional strengthening to NPTA, but weaknesses remain. Legislative oversight by proposed Public Procurement Commission still lacking.</p>	<p>Bank supported procurement reform under PRSC, and followed up with T/A in PSTAC. Reforms followed the recommendations of the CPAR. Difficulties encountered in training of staff in NPTA due to staff attrition after training.</p>	<p>Progress was achieved despite lack of full support by the Government.</p>
<p>Improve public sector financial management to raise efficiency and transparency</p>	<p>Introduce new audit law, strengthen the auditor general function, and implement agreed CFAA action plan; improve fiduciary oversight of Parliament, reducing discretionary power of public officials and implementing a system for public disclosure of assets of officials.</p>	<p>Partial Implementation.</p> <ul style="list-style-type: none"> New Audit Law has been passed and auditor general office strengthened, but capacity is still weak. General review of accounts have been made in recent years and sent to Parliament, but review by the Parliament lags. Parliamentary standing orders have been modified to permit more questioning of Government by opposition, and some steps 	<p>Bank supported this reform under PRSC, PRPMO and PSTAC. Macro stability is a necessary, but not a sufficient, condition for economic growth.</p>	<p>Government commitment to reforms is essential.</p>

		<p>taken to limit discretionary authority of Government officials.</p> <ul style="list-style-type: none"> Little progress has been made on reducing discretion (except for MoF) and no progress made on disclosure of assets. 		
<p>Improve service delivery capacities of local Governments</p>	<p>Improve fiscal framework for inter-Governmental transfers; build capacity for local level resource mobilization.</p>	<p>Not Implemented. Local Government structures remain weak and underfunded. However, local Government elections have been scheduled for 2008, the first time they have been held in 12 years.</p>	<p>Issue identified under PRSC, but not followed up in subsequent operations.</p>	<p>There was no support for a serious local Government reform.</p>
<p>C. IMPROVING DELIVERY AND QUALITY OF BASIC SERVICES AND SAFETY NETS</p>				
<p>Increase access by the poor to quality education and basic health services</p>	<p>Expand social services and:</p> <ul style="list-style-type: none"> Meet MDG/PRSP goals for education and health Reach e-HIPC goals for expanded spending in social sectors 	<p>Partial Implementation:</p> <ul style="list-style-type: none"> Social spending was increased and e-HIPC goals for spending were exceeded. MDG goals: Guyana already has achieved universal primary education. According to PRSP progress report (2005), 7 of 10 education indicators were met in 2004. The issue is more centered on quality and expanding secondary education. In health, data is very unclear. Immunization and maternal mortality seem to be on target, but infant mortality and other goals are lagging (PRSP PR 2005). 	<p>Bank maintained dialogue in health and education through project assistance, and supported Government reform efforts which were generally in the right direction.</p>	<p>It is difficult to directly identify the causal link between spending inputs and social indicator results. More attention needs to be given to systems for tracking results.</p>
<p>Education: reforms to increase enrollments, reduce overcrowding and absenteeism, and improve</p>	<p>Education: reforms to increase enrollments, reduce overcrowding and absenteeism, and improve</p>	<p>Partial Implementation: Improvements have been made, including higher secondary school</p>	<p>Guyana received assistance under the EFA/FTI for teacher</p>	

	<p>trained teacher ratio.</p> <ul style="list-style-type: none"> Establish a formula based system for allocation of financial resources to schools. 	<p>enrollment and primary school completion rates. Attempts to improve trained teacher ratio have been thwarted by out-migration of teachers.</p> <p>Formula-based system for resource allocation was tried on an experimental basis, but never generalized to the whole country.</p>	<p>training, school upgrading, textbooks, etc., as well as through a Secondary School Education Project (\$17.3 million, closed Dec. 2004; ICR rating = S)</p> <ul style="list-style-type: none"> The formula-based approach to school allocations was a condition of PRSC as a pilot program, but was not included in PRPMO 	
	<p>Health:</p> <ul style="list-style-type: none"> implement model for improved primary health care Implement strategy to prevent and treat HIV/AIDS infection 	<p>Good Implementation: A National strategic plan for HIV/AIDS was approved and is being implemented with the assistance of many donors, including Global Fund, PERFOR and various bilateral donors.</p>	<p>Bank assistance through regional AIDS project coordinated well with other donors. AIDS funds are providing general health sector improvements.</p>	<p>Bank did well here in supporting Government plans, rather than trying to impose its own model.</p>
Improved efficiency in social assistance programs	<p>Reform the social safety net system to improve targeting and coverage, and to strengthen benefit administration in the Ministry of Labor and Social Services (MLSS).</p>	<p>Partial Implementation. Some improvements have been made to Ministry's MIS. However, there have been no major reforms of the social assistance program.</p>	<p>Assistance via PRSTAC helped improve MIS. Several studies were done on efficiency of existing programs, with recommendations for changes, but these have not been implemented.</p>	<p>Studies, while useful, are not sufficient if there is no interest by the Government.</p>
Improve efficiency in the water sector; raise water quality and access, especially in poor and hinterland areas.	<p>Introduce new legal and institutional framework in the water sector, including passage of new water will and introduction of private management. Key goals were to</p> <ul style="list-style-type: none"> Meet PRSP goals for improved water access, particularly in poor and hinterland areas; 	<p>Partial Implementation:</p> <ul style="list-style-type: none"> New water bill passed and in operation, water regulatory framework established; Institutional restructuring undertaken, and two water companies merged; Private contractor did not 	<p>Water reforms were key part of PRSC. Bank followed up with two water projects to provide technical assistance and fund improvements. Water Supply Tech. Assist. Project, \$17.5 million</p>	<p>Merger of two companies was more difficult than anticipated and still has not been fully accomplished. Introduction of private management is not</p>

	<ul style="list-style-type: none"> • Passage and enactment of new water bill • Private management contractor appointed 	<p>perform according to plan, and contract terminated by Government;</p> <ul style="list-style-type: none"> • Problems of integrating two companies remain; • There has been no improvement in water quality; • Access in hinterland areas has expanded, but less than anticipated. 	<p>closed March 2004, ICR = U. Water Sector Consolidation Project, \$11.3 mill., effective 2/08, PDO rating = MS.</p>	<p>enough if private manager is not fully committed to carrying out reforms and meeting set targets.</p>
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Annex 2: Guyana Planned and Actual Lending FY03-08, Base Case Scenario

FY	CAS PLANS (FY02)			CAS COMPLETION REPORT (FY03-06)		
	Project	IBRD	IDA	Status	IBRD	IDA
2003	PRSC 1		12	Completed in FY2004		12
	PSTAC		4	Completed in FY2008		4.8
	<i>Subtotal in FY03</i>		<i>16</i>			<i>16.8</i>
2004	HIV/AIDS Prevention and Control		5	Active		10
	<i>Subtotal in FY04</i>		<i>5</i>			<i>10</i>
2005	Water Sector Consolidation Project		None	Active		11.3
	<i>Subtotal in FY05</i>					<i>11.3</i>
2006	Poverty Reduction and Public Mgmt. (planned as PRSC II)		None	Completed in FY2007		9.6
	<i>Subtotal in FY06</i>					<i>9.6</i>
2007						
2008						
2003-2008	<i>Subtotal in FY03-08</i>		<i>21</i>			<i>47.7</i>

Annex 2A: Guyana Planned and Actual Lending FY03-08, Trust Funds

FY	CAS PLANS (FY02)		CAS COMPLETION REPORT (FY03-06)				
	Trust Fund		IBRD	IDA	Status	IBRD	IDA
2003-2004	National Protected Areas Systems	GEF					
2005	EFA – Fast Track Initiative	EFA		None	Completed		4.0
		<i>Subtotal in FY05</i>					<i>4.0</i>
2006	National Statistics Strategy & Statistical Development	TFSCB		None	Active		0.285
	EFA – Fast Track Initiative	EFA			Completed		4.0
		<i>Subtotal in FY06</i>					<i>4.285</i>
2007	EFA – Fast Track Initiative	EFA		None	Active		4.0
		<i>Subtotal in FY07</i>					<i>4.0</i>
2008	Conservancy Adaptation Project	GEF		None	Active		3.8
		<i>Subtotal in FY08</i>					<i>3.8</i>
2003-2008		<i>Subtotal in FY03-08</i>					<i>16.085</i>

Annex 3: Guyana - Planned Non-lending Services and Actual Deliveries, FY03-08

CAS PLANS (FY02)		CAS COMPLETION REPORT (FY03-06)	
FY	Product	Status	
2003	AAA Development Policy Review	actual/closed	Delivered to Client in 2003
2004	JSAN Poverty Reduction Strategy Paper, Progress Report 1	delivered	Delivered to Client in 2004
2004	AAA Poverty Assessment ESW	actual/active	Delivered to Client in 2008
2005	AAA Governance Review	dropped	n/a
Additional Actual Products:			
n/a	Public Expenditure Review Update	actual/closed	Delivered to Client in 2003
n/a	PPIAF: (UK-NC) GY. Water and Sewerage Modernization Report	actual/closed	Delivered to Client in 2003
n/a	Floods Disaster Assessment (Technical Assistance)	actual/closed	Delivered to Client in 2005
n/a	JSAN Poverty Reduction Strategy Paper, Progress Report II	actual/closed	Delivered to Client in 2005
n/a	FSAP Guyana	actual/closed	Delivered to Client in 2006
n/a	Investment Climate Assessment	actual/closed	Delivered to Client in 2006
n/a	Country Financial Accountability Assessment	dropped	n/a
n/a	Public Expenditure and Financial Accountability	actual/active	Delivered to Client in 2008
n/a	Poverty Measurement NL TA	actual/active	Delivered to Client in 2008
n/a	ICR Legal and Institutional Evaluation	dropped	n/a

Source: Guyana CASs, WB Business Warehouse, Imagebank and WB Common Data Stores as of January 24, 2008

Annex 4: Portfolio Status Indicators by FY03-08

Fiscal year	2003	2004	2005	2006	2007	2008
# Projects	4	3	2	4	3	4
# Projects At Risk	0	0	0	0	1	0
% At Risk	0	0	0	0	33.3	0
Net Commitment Amt	51.6	32.1	14.8	35.7	26.1	37.3
% Commit at Risk	0	0	0	0	43.4	0
Latin America & Caribbean						
# Projects	285	265	268	256	247	261
# Projects at Risk	70	46	59	44	58	60
% at Risk	24.6	17.4	22.0	17.2	23.5	23
Net Commitment Amt	19,480	18,911	18,595	16,208	16,408	18,421
% Commitment at Risk	30	18.9	20.6	15.8	21.8	19.9

Source: WB Business Warehouse.

Annex 5: IBRD/IDA Net Disbursements and Charges Summary Report for Guyana (US\$ million)

	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Transfer
2002	7.5	3.8	3.8	1.8	0.0	2.0
2003	6.2	5.7	0.6	1.7	0.0	-1.2
2004	20.9	4.9	16.0	1.7	0.0	14.3
2005	3.6	3.5	0.1	1.8	0.0	-1.7
2006	2.5	3.9	-1.4	1.7	FY	-3.1
2007	12.3	0.1	12.2	0.1	0.0	12.1
2008	1.4	0.1	1.4	0.0	0.0	1.3

Source: World Bank.

Annex 6: IEG Project Ratings for Guyana, Exit FY03-08

	Approval FY	Exit FY	IEG Outcome	IEG Sustainability	IEG Institutional Development Impact
GY FINANCIAL & PRIVATE SECTOR	2000	2003	MODERATELY SATISFACTORY	UNLIKELY	NEGLIGIBLE
GY WATER SUPPLY TA AND REHABILITATION	1994	2004	SATISFACTORY	LIKELY	SUBSTANTIAL
GY Poverty Red. Support Credit I (PRSC)	2003	2004	MODERATELY SATISFACTORY	LIKELY	MODEST
GY- SECONDARY EDUCATION	1996	2005	SATISFACTORY	LIKELY	SUBSTANTIAL
GY Poverty Reduction and Public Mgmt.	2006	2007	SATISFACTORY	n/a	n/a
GY Public Sector TAC	2003	2008	SATISFACTORY	n/a	n/a

Source: WB Business Warehouse

Annex E: GUYANA Joint IMF/World Bank Debt Sustainability Analysis³⁸

Prepared by the Staffs of the World Bank and the International Monetary Fund³⁹

Approved by Gilbert Terrier and Anthony Boote (IMF)
and Marcelo Giugale and Carlos Braga (World Bank)

February 2, 2009

The debt sustainability analysis (DSA) indicates that Guyana is at a moderate risk of debt distress. While projected debt indicators are similar to those of the last DSA, downside risks, associated with difficulties in the sugar sector and the impact of the global crisis have increased. Further fiscal consolidation, readiness to adopt offsetting measures if needed, and reforms to improve competitiveness would help lower the risk of distress in due time.

Background

- 1. While debt relief from the international community helped reduce Guyana's external debt burden significantly in recent years, vulnerabilities have increased owing to difficulties in the sugar sector and the global crisis.** In 2006/07, debt relief was provided by the Fund, the World Bank, and the IDB under the Multilateral Debt Relief Initiative (MDRI), amounting to US\$611 million. In November 2006, Japan finalized its bilateral debt cancellation agreement and wrote off its claims as part of the Paris Club 2004 Agreed Minutes.⁴⁰ In July 2007, a write-off of US\$15 million of outstanding debt to China took place.
- 2. Guyana benefited from additional debt reduction in 2008.** In March, Venezuela cancelled a US\$12.5 million debt stock. Russia also agreed to cancel about US\$0.25 million of outstanding debt, provided that the two countries reach agreement on investment projects to be identified in the public sector investment program (PSIP).
- 3. As a result, the external public debt has declined substantially.** It declined from US\$1,043 million (114 percent of GDP) at end-2006 to US\$719 million (67 percent of GDP) at end-2007. Preliminary estimates suggest that in 2008 Guyana's external debt rose by US\$115 million (of which US\$ 56.5 million for PetroCaribe to be saved abroad), to US\$835 million. The central Government's short-term domestic debt, defined on a gross basis, has fallen from 34 percent of GDP in 2006 to about 29 percent in 2007.

³⁸ See Addendum at the end of this Annex E for an update based on the projected impact of the global crisis.

³⁹ Prepared jointly by IMF and World Bank staff. IDB staff was consulted during the preparation process.

⁴⁰ HIPC debt relief was granted by all multilaterals but one, Paris Club bilateral creditors, and four non-Paris Club creditors (China, India, Venezuela, and Cuba). Debt owed to Brazil and North Korea was paid off without relief. The other creditors have yet to provide HIPC debt relief.

Macroeconomic and Financing Assumptions⁴¹

4. **The macroeconomic framework assumes that the economy will continue to perform well.** Medium-term macroeconomic assumptions (Table 1) and policies underpinning the exercise are broadly unchanged with respect to the 2007 DSA (SM/08/44 Supplement 1).

- **Growth.** Real GDP growth would remain strong, averaging 4½ percent a year through 2013, driven by recent large public investments in the sugar and energy sectors and prospective significant foreign direct investment in mining, telecommunications, and agriculture, and by sugar production. It would stabilize at about 3.0 percent in the long term. Compared with the previous path, growth was somewhat lower in 2008 due to problems in the sugar sector, but it is expected to increase with a recovery of the sugar sector following large investments in recent years. The envisaged growth rates reflect continued political and social stability.
- **Inflation.** With the recent sharp drop in oil and other commodity prices, inflation is projected to decline from about 6½ percent in 2008 to below 5 percent in 2009, and to stabilize at that level thereafter, supported by prudent monetary and fiscal policies.
- **External current account.** The current account deficit is projected to narrow gradually to below 11 percent of GDP by 2013 and further to 8½ percent by 2028. This is moderately higher than previous projections, reflecting in part lower commodity exports, partly compensated by lower oil imports.

5. **A gradual return to the medium-term fiscal framework would underpin debt sustainability.** While fiscal deficits would be higher than previously envisaged during 2009-11, the authorities envisage that the deficits would be brought in line with the previous path beginning in 2012. Starting in 2013, the deficit would stabilize at about 3 percent of GDP. These assumptions are based on a return to fiscal consolidation and a slowdown in capital spending after the completion of major public investment projects.

6. **Foreign inflows would gradually decline in the years ahead.** The current account deficit is expected to be fully financed by multilateral and bilateral concessional loans, grants, and FDI, even without including the PetroCaribe loans that are expected to be saved abroad. Over the next few years, foreign direct investment would average about 10 percent of GDP and concessional loans and grants together would average about the same amount. In the long run, these same inflows would decline to about 7-8 percent of GDP and 5-6 percent, respectively. This includes financing from Venezuela under PetroCaribe, which is assumed to hover around 4-5 percent of GDP before being discontinued by 2013⁴². With financing exceeding the needs, the authorities have been saving most of PetroCaribe financing in an overseas account for their eventual use on large projects, or to offset the anticipated fall in

⁴¹ In absence of concrete plans at this stage, the DSA does not reflect the effects of potential oil production nor of the large hydroelectric plant.

⁴² Projections for Petrocaribe disbursements are based on the end-2008 WEO oil price baseline.

grants and external financing (both in terms of levels and concessionality).⁴³ Therefore, much of this upfront borrowing is not linked to higher deficits.

Baseline Scenario: PetroCaribe Financing on a Gross Basis

Results of the External Debt Sustainability Analysis

7. **Compared to previous projections, the end-2008 external debt position improved.** The NPV of external debt-to-revenue is estimated at 119 percent, 10 percentage points lower than projected in the baseline scenario of the 2007 LIC DSA (the next paragraph discusses the relevance of different debt indicators). This reduction reflects, among other factors, lower PetroCaribe financing due to lower oil prices.

8. **External debt burden indicators are expected to improve significantly in the long run, broadly in line with previous projections.** Under the baseline scenario, the NPV of external debt-to-revenue ratio and external debt-to-exports ratios remain well below the debt burden thresholds (Table 2 and Figure 1).⁴⁴ The NPV of external debt-to-revenue (excluding grants) is expected to climb from 119 percent in 2008 to 145 percent in 2013, reflecting large external gross financing from Venezuela, and decline thereafter to 128 percent by the end of the projection period. The NPV of external debt-to-exports, estimated at 50 percent in 2008, follows a similar path. The low projected debt-service ratios (about 4 percent of exports and 10 percent of revenue in the long term), indicate that the Government would have the ability to meet its debt service payments. Along with the NPV of debt-to-exports and debt-to-revenue ratios, these two indicators appear to be the most appropriate ones, given the likely underestimation of GDP (a new GDP series is expected to be published this year).⁴⁵ Accordingly, while the NPV of debt-to-GDP ratio breaches the threshold temporarily, this is not necessarily a signal of debt distress. Moreover, with GDP believed to be underestimated, significant savings of borrowing, and debt indicators below the thresholds, the projected increase in the NPV of external debt to GDP ratio by some 5-percentage point of GDP is not an indicator of debt distress.⁴⁶

9. **Standard sensitivity analysis shows that Guyana's resilience to shocks has improved slightly, but its risk of debt distress remains moderate** (Table 3 and Figure 1). For the external debt-to-revenue indicator, there is a breach of the threshold only under two of eight tests (as in the 2007 LIC DSA). This breach takes place under the B5 test, which assumes that both net non-debt creating flows and real GDP grow at their respective historical averages: the external NPV of debt-to-revenue ratio would increase to 255 percent in 2010 and decline below the threshold starting in 2015. Under the A1 scenario, which uses key variables (real GDP growth, non-interest current account, growth of GDP deflator) at

⁴³ The weighted average grant element of the IDB lending is assumed to be 52 percent.

⁴⁴ Based on the World Bank classification, the external debt burden thresholds relevant for Guyana are (i) NPV of debt-to-exports ratio of 150 percent; (ii) NPV of debt-to-revenue of 250 percent; (iii) NPV of debt-to-GDP of 40 percent; and (iv) Debt service-to-exports and revenue ratios of 20 and 30 percent, respectively.

⁴⁵ See SM/08/44 Supplement 1.

⁴⁶ Accordingly, this report does not present the high-investment, low-growth scenario envisaged in the guidance note. However, the country specific scenario models a situation of substantially lower fiscal revenues and lower long-term growth.

their historical averages, the NPV of external debt-to-revenue ratio never breaches the threshold before 2028, but has an upward trend and reaches 251 percent by 2028, just above the threshold. If net non-debt creating flows were to grow at the historical averages (B4), the NPV of external debt-to-revenue ratio would be below the threshold only by very small margins in 2010-2013 (about 240 on average with a threshold of 250). These results underscore Guyana's need to sustain economic growth and maintain the concessionality of external financing.⁴⁷

Results of the Total Public Debt Sustainability Analysis

10. **Guyana's total public debt is considered manageable as long as the authorities adhere to their fiscal consolidation strategy.** In light of the sufficient availability of external financing, the macroeconomic scenario assumes no recourse to domestic financing of the fiscal deficit in the medium term and allows for a gradual redemption of domestic securities. As external financing falls beyond 2012, domestic financing would marginally increase in the long term. Thus, the NPV of total public debt-to-revenue ratio would increase in the medium term from 159 percent in 2008 to 170 percent in 2013, reflecting large external disbursements, and gradually decline thereafter, to 153 percent by 2028. Given the authorities' assurances of their commitment to return to the sustainable medium-term fiscal framework, the projected primary fiscal balances are consistent with debt sustainability (Table 4).

11. **Under alternative scenarios and bound tests, Guyana's total public debt indicators indicate more vulnerabilities than projected by the external DSA, highlighting the importance of adhering to sound policies⁴⁸.** If GDP growth were at the historical average minus one standard deviation in 2009-2010, adversely affecting the revenue collection, the NPV of public debt would reach 383 percent of revenue by 2028 (Table 5). Likewise, if the 2008 primary deficit remained constant throughout the projection period, the NPV of public debt-to-revenue would climb to 384 percent by 2028 (Table 5 and Figure 2). The sensitivity analysis underscores the importance of pursuing sound macroeconomic policies to achieve high GDP growth rates and low fiscal deficits, as under shocks to these variables the public debt would increase significantly with respect to revenue, making it difficult to service the debt.

Alternative Scenario: PetroCaribe Financing on a Net Basis

12. **While debt indicators improve substantially when only the spent part of PetroCaribe financing is considered, the baseline scenario conclusions remain valid.** Given the magnitude of the estimated savings accumulated from PetroCaribe financing through 2013, the net debt indicators are significantly lower than in the gross-basis baseline scenario. The NPV of external debt-to-revenue ratio would reach 111 percent in 2013 (some 35 percentage points lower than in the baseline scenario), and in the long-term—as the

⁴⁷ Given the high degree of concessionality of the PetroCaribe loans, replacing this financing with less-concessional loans would lead to a sharp deterioration of debt indicators.

⁴⁸ The assumptions for marginal lending in the case of shocks under the public DSA is identical to the last DSA, with 70 percent external and 30 percent domestic borrowing and concessionality slightly below the baseline.

savings are used—they would converge to values similar to those obtained in the baseline scenario. The NPV of debt-to-GDP would increase by less than three percentage points in 2009 (Table 6), compared to more than five under the baseline.

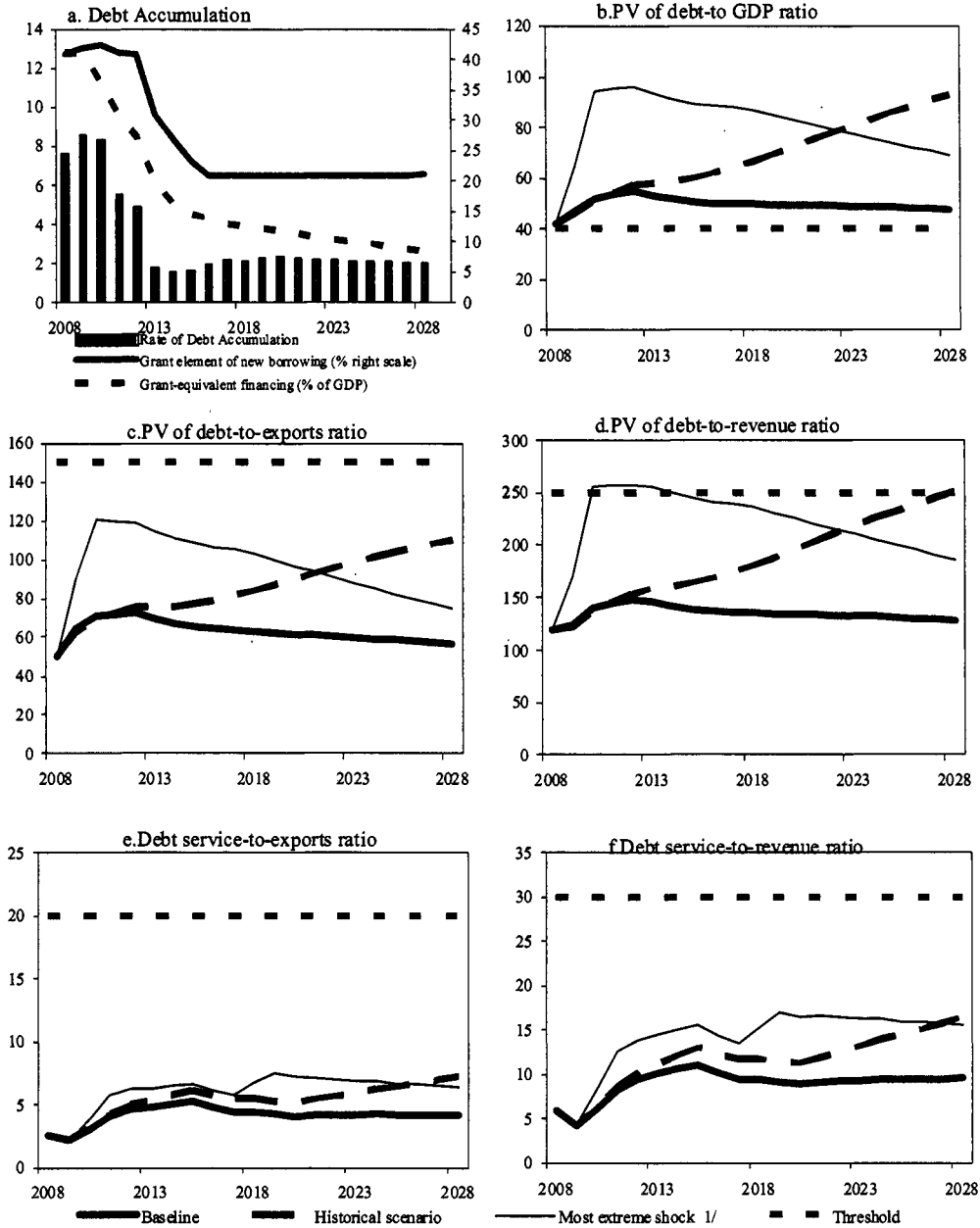
Country Specific Scenario

13. **A country-specific scenario that assumes a less-than-fully successful sugar modernization plan highlights significant downside risks and the importance of early compensatory measures.** It assumes that the plan achieves only 70 percent of the envisaged increases in sugar production both in the short and in the long run. This would lead to lower GDP levels, fiscal revenues, and, under the assumption of no offsetting measures, a deficit that would be about one percent of GDP higher per year. The increased financing requirements are assumed to be covered with new nonconcessional external disbursements. As a result (Table 7), much of the borrowing space provided by the MDRI would be eroded, with the NPV of external debt-to-revenue reaching 202 percent in 2028 (128 percent in the baseline). The NPV of debt-to-revenue indicator would breach the thresholds of three additional tests and the negative shocks would have a stronger effect than in the baseline scenario (Table 8 and Figures 3 and 4). The worsening of debt indicators, however, would not change the assessment of moderate risk of debt distress.

Conclusion

14. **Guyana remains at a moderate risk of debt distress.** Relevant debt indicators are well below thresholds but potential vulnerabilities have increased, namely the risk of a weak implementation of the sugar modernization plan and a more prolonged than-currently-envisaged global slowdown. Public sector debt ratios show higher vulnerability than external ones, underscoring the importance of deepening fiscal consolidation. Going forward, returning to the sustainable medium-term fiscal framework and broadening the sources of growth, as well as a prudent debt strategy, would be critical to preserve recent gains.

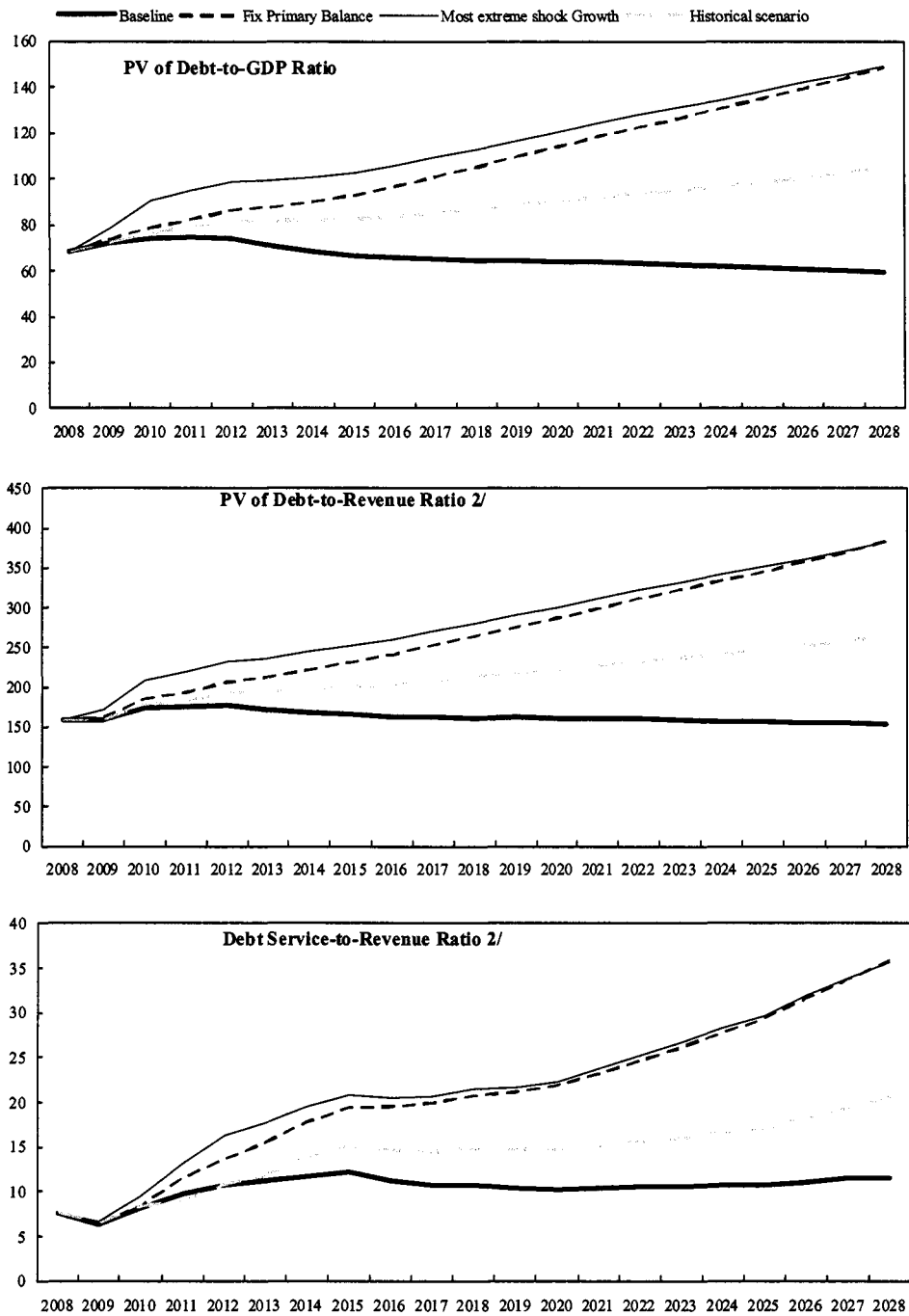
Figure 1. Guyana: Indicators of Public and Publicly Guaranteed External Debt 2008-2028, Baseline Scenario 1/



Source: Staff projections and simulations.

1/ The most extreme stress test is the test that yields the highest ratio in 2018. In figure b. it corresponds to a Combination shock; in c. to a Non-debt flows shock; in d. to a Combination shock; in e. to a Non-debt flows shock and in picture f. to a Combination shock

Figure 2. Guyana: Indicators of Public Debt Under Alternative Scenarios, 2008-2028

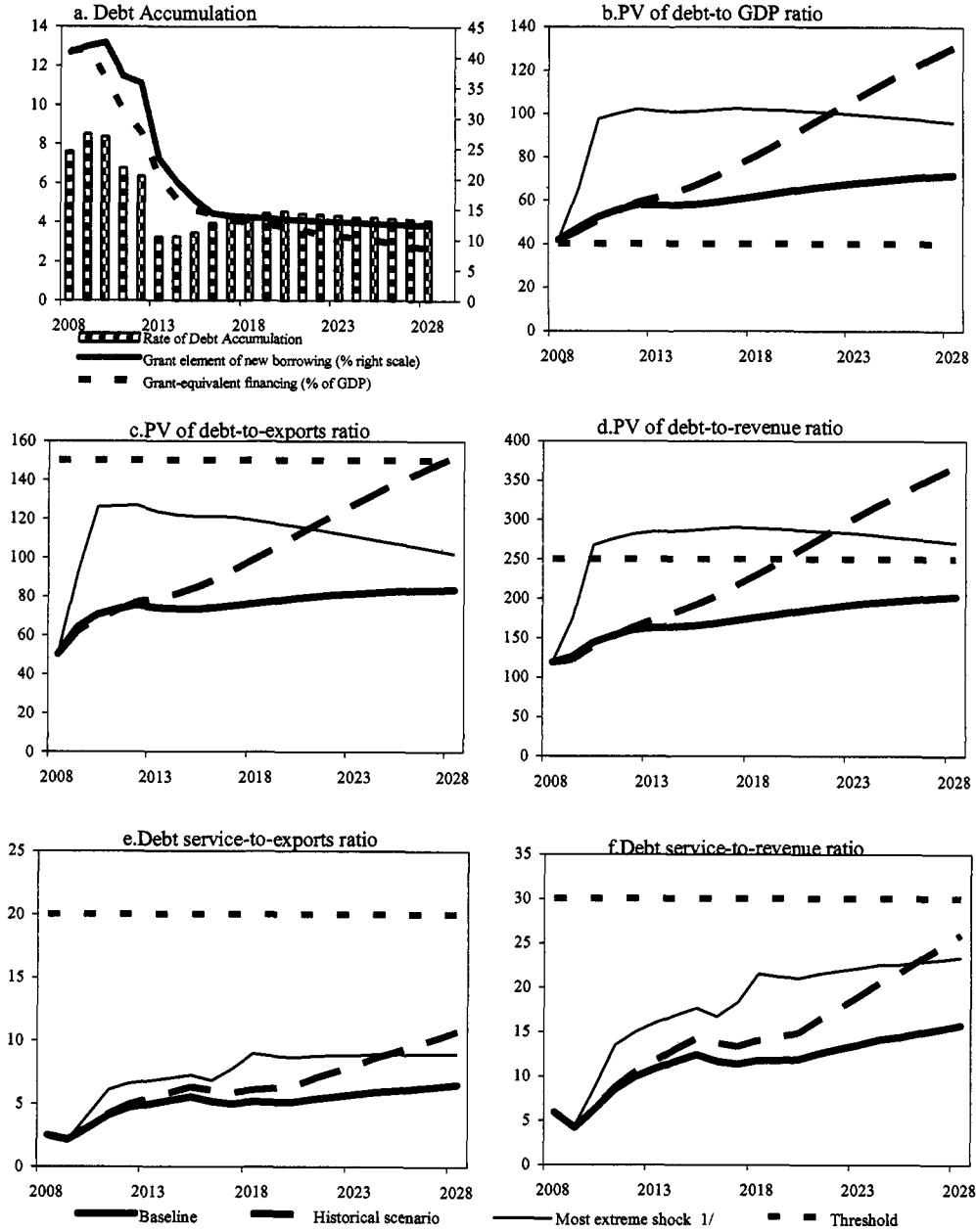


Sources: Country authorities; and Fund staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2018.

2/ Revenues are defined inclusive of grants.

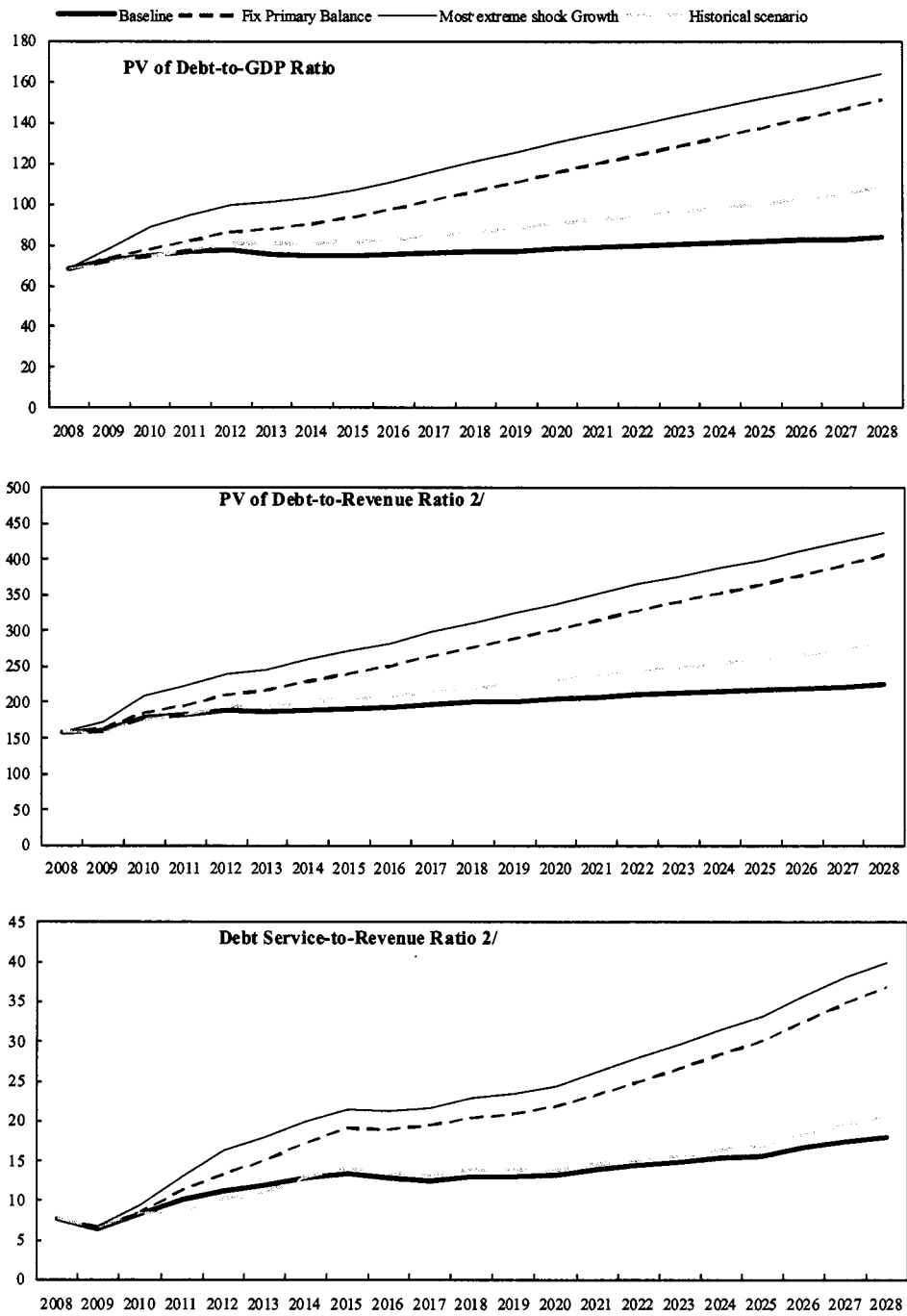
Figure 3. Guyana: Indicators of Public and Publicly Guaranteed External Debt 2008-2028, Low Sugar Scenario 1/



Source: Staff projections and simulations.

1/ The most extreme stress test is the test that yields the highest ratio in 2018. In figure b, it corresponds to a Combination shock; in c, to a Non-debt flows shock; in d, to a Combination shock; in e, to a Non-debt flows shock and in picture f, to a Combination shock

Figure 4. Guyana (Low Sugar Scenario): Indicators of Public Debt Under Alternative Scenarios, 2008-2028



Sources: Country authorities; and Fund staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2018.

2/ Revenues are defined inclusive of grants.

Table 1. Guyana: Main Elements of the Macroeconomic Framework

(In percent of GDP, unless otherwise indicated)

	Medium Term					Long Term			Averages			
	2008	2009	2010	2011	2012	2013	2018	2023	2028	2008-13	2014-28	2008-28
Economic growth and inflation												
Real GDP (percentage change)	3.2	4.6	4.8	5.1	4.9	4.4	2.9	2.9	2.8	4.5	3.0	3.5
GDP (in millions of U.S. dollar)	1154.8	1233.9	1316.7	1409.1	1504.6	1598.5	2059.0	2618.2	3317.0	1369.6	2426.3	2076.7
Average inflation (in percent)	8.3	4.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.4	5.0	5.1
End-of-period inflation (in percent)	6.4	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.2	5.0	5.1
National income												
Investment												
private	12.4	10.8	11.3	11.2	11.1	10.7	9.9	9.5	9.5	11.3	9.7	10.2
public	18.3	20.3	16.8	16.7	15.3	14.5	14.5	14.5	14.2	17.0	14.5	15.2
Savings	9.9	12.9	12.5	14.6	14.5	14.5	15.4	15.5	15.3	13.2	15.3	14.7
Fiscal sector												
Central government operations												
Revenue and grants	42.9	45.4	42.4	42.6	41.8	41.4	39.9	39.2	38.7	42.8	39.5	40.5
<i>Of which</i> tax revenue	33.8	33.6	33.7	33.6	33.5	33.3	33.3	33.3	33.2	33.6	33.3	33.3
Expenditure	51.6	51.9	48.0	47.4	45.4	44.4	42.9	42.3	41.7	48.1	42.6	44.1
Current expenditure	33.3	31.6	31.3	30.8	30.2	30.1	28.4	27.7	27.6	31.2	28.2	29.0
Capital expenditure	18.3	20.3	16.7	16.6	15.2	14.4	14.4	14.5	14.1	16.9	14.4	15.1
Public enterprises overall balance	0.0	2.9	1.7	1.9	2.2	1.7	2.0	2.1	2.2	1.7	2.0	2.0
PetroCaribe savings	4.9	4.2	4.9	5.1	4.5	-1.1	-0.8	-0.7	0.0	4.0	-0.7	0.9
Primary balance	-6.1	-3.9	-2.9	-2.2	-1.1	-0.6	-0.8	-0.9	-1.0	-2.8	-0.9	-1.4
Overall balance after grants	-8.7	-6.5	-5.6	-4.8	-3.5	-3.0	-3.0	-3.0	-3.0	-5.4	-3.0	-3.7
Balance of payments												
Current account bal. (incl. official transfers)	-20.8	-18.1	-15.6	-13.3	-11.9	-10.7	-9.0	-8.5	-8.5	-15.1	-8.9	-10.6
Exports of goods and services	83.4	73.5	73.6	74.7	75.7	76.8	79.3	81.8	84.3	76.3	80.8	79.5
Imports of goods and services	133.6	113.2	111.0	110.0	108.8	106.8	108.3	109.8	111.3	113.9	109.2	110.5
Current transfers, net	31.3	24.7	25.5	26.1	25.1	23.4	22.7	22.5	22.5	26.0	22.6	23.6
Official transfers	4.5	3.6	3.1	3.1	2.3	0.9	0.2	0.0	0.0	2.9	0.1	0.9
Foreign direct investment	13.4	11.4	9.9	9.2	8.4	8.0	7.5	7.5	7.3	10.1	7.4	8.2
Gross official reserves (in months of imports)	2.9	3.2	3.4	3.4	3.3	3.2	3.3	3.4	3.5	3.2	3.5	3.4
Terms of trade (% change)	-7.2	8.5	-8.2	-1.4	0.7	0.4	0.9	0.0	0.4	-1.2	0.4	-0.1
Financing												
External financing (in millions of U.S. dollar)												
External Financing	216.7	237.7	266.1	218.2	206.6	110.3	142.0	167.5	195.7	209.3	158.0	172.7
Loans	142.3	160.5	179.3	138.2	140.3	64.5	82.3	104.7	132.7	137.5	97.0	108.6
<i>Of which</i> PetroCaribe financing	22.5	85.5	54.9	65.4	60.5	66.3	0.0	0.0	0.0	59.2	0.0	16.9
Grants	74.4	77.2	86.8	80.1	66.3	45.8	59.7	62.8	63.0	71.8	61.0	64.1

Sources: Staff estimates and projections.

Table 2. Guyana: External Debt Sustainability Framework, Baseline Scenario, 2008-2028
(In percent of GDP, unless otherwise indicated)

	Actual			Historical Standard Average Deviation	Projections							
	2005	2006	2007		2008	2009	2010	2011	2012	2013	2008-2013 Average	2018	2028
External debt (nominal) 1/	147.5	114.5	67.4	72.7	81.5	88.9	91.0	92.3	88.4	75.5	63.0	63.0
o/w public and publicly guaranteed (PPG)	147.5	114.5	67.4	72.7	81.5	88.9	91.0	92.3	88.4	75.5	63.0	63.0
Change in external debt	-1.8	-32.9	-47.1	5.3	8.8	7.5	2.1	1.3	-3.9	-1.8	-1.0	-1.0
Identified net debt-creating flows	-1.8	-4.4	-13.5	5.3	3.5	2.0	-0.2	-0.6	-1.1	-0.6	-0.5	-0.5
Non-interest current account deficit	13.7	19.5	17.0	10.6	5.4	18.7	17.2	14.6	12.2	10.8	9.5	7.8
Deficit in balance of goods and services	34.6	43.6	44.7	34.6	43.6	44.7	34.6	43.6	44.7	34.6	43.6	44.7
Exports	84.7	80.3	78.7	83.4	73.5	73.8	74.7	75.7	76.8	78.3	84.3	84.3
Imports	119.3	123.9	123.4	133.6	113.2	111.0	110.0	108.8	106.8	108.3	111.3	111.3
Net current transfers (negative = inflow)	-24.5	-28.0	-27.8	-14.5	8.7	-31.3	-24.7	-25.5	-26.1	-25.1	-23.4	-22.7
o/w official	-4.3	-4.3	-1.1	-4.5	-3.6	-3.1	-3.1	-2.3	-0.9	-0.2	0.0	0.0
Other current account flows (negative = net inflow)	3.6	4.0	0.1	0.7	2.2	2.7	3.0	2.8	2.9	1.5	2.5	2.5
Net FDI (negative = inflow)	-9.3	-11.2	-14.2	-7.8	3.3	-13.4	-11.4	-9.9	-9.2	-8.4	-8.0	-7.5
Endogenous debt dynamics 2/	-6.2	-12.7	-16.3	-0.9	-2.2	-2.6	-3.2	-3.0	-2.7	-0.9	-0.2	-0.9
Contribution from nominal interest rate	1.1	1.4	1.0	1.1	0.9	1.1	1.1	1.1	1.1	1.3	1.5	1.5
Contribution from real GDP growth	3.1	-6.8	-5.3	-2.0	-3.1	-3.7	-4.3	-4.2	-3.8	-2.1	-1.7	-1.7
Contribution from price and exchange rate changes	-10.3	-7.3	-12.0	...	...	...	...	...	...	...	...	...
Residual (3-4) 3/	-3.1	-28.5	-33.7	0.0	5.3	5.4	2.2	1.9	-2.8	...	-1.2	-0.5
o/w exceptional financing	...	-27.8	-33.2	...	...	...	...	...	...	...	...	...
PV of external debt 4/	...	...	37.3	41.8	47.1	51.9	53.7	54.8	53.3	49.6	47.5	47.5
In percent of exports	...	...	47.4	50.1	64.0	70.5	71.8	72.4	69.4	62.6	56.4	56.4
PV of PPG external debt	...	...	37.3	41.8	47.1	51.9	53.7	54.8	53.3	49.6	47.5	47.5
In percent of exports	...	...	47.4	50.1	64.0	70.5	71.8	72.4	69.4	62.6	56.4	56.4
In percent of government revenues	...	...	94.6	118.6	123.7	140.5	144.8	147.4	146.0	134.8	128.6	128.6
Debt service-to-exports ratio (in percent)	3.5	3.8	2.3	2.5	2.1	3.1	4.1	4.6	4.8	4.4	4.2	4.2
PPG debt service-to-exports ratio (in percent)	3.5	3.8	2.3	2.5	2.1	3.1	4.1	4.6	4.8	4.4	4.2	4.2
PPG debt service-to-revenue ratio (in percent)	8.0	8.2	4.5	5.9	4.1	6.1	8.2	9.4	10.1	9.5	9.6	9.6
Total gross financing need (Billions of U.S. dollars)	0.1	0.1	0.0	14.4	8.4	7.1	10.1	9.5	13.5	0.1	0.1	0.1
Non-interest current account deficit that stabilizes debt ratio	18.6	52.5	64.1	14.4	8.4	7.1	10.1	9.5	13.5	9.6	6.0	6.0
Key macroeconomic assumptions												
Real GDP growth (in percent)	-2.1	5.1	5.4	3.2	4.6	4.8	5.1	4.9	4.4	4.5	2.9	2.8
GDP deflator in US dollar terms (change in percent)	7.2	5.2	11.7	2.4	5.0	4.1	2.1	1.8	1.8	2.2	1.9	2.0
Effective interest rate (percent) 5/	0.7	1.0	1.0	1.4	0.7	1.8	1.4	1.4	1.3	1.4	1.7	2.5
Growth of exports of G&S (US dollar terms, in percent)	-3.7	4.8	15.4	1.5	6.5	13.9	-5.8	6.9	8.6	7.7	6.6	5.5
Growth of imports of G&S (US dollar terms, in percent)	15.2	14.8	17.3	5.5	9.3	16.4	-9.5	4.6	6.1	5.6	4.2	5.2
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	40.8	41.8	42.4	41.0	40.7	39.9	39.6
Government revenues (excluding grants, in percent of GDP)	36.9	37.2	39.4	35.2	38.1	36.9	37.0	37.2	36.5	36.8	37.0	37.0
Aid flows (in Billions of US dollars) 7/	0.1	0.2	0.2	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
o/w Grants	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
o/w Concessional loans	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grant-equivalent financing (in percent of GDP) 8/	...	...	...	63.6	62.8	58.9	62.2	60.4	68.8	55.1	44.9	44.9
Grant-equivalent financing (in percent of external financing) 8/	...	...	...	...	...	...	...	...	...	...	...	...
Memorandum items:												
Nominal GDP (Billions of US dollars)	0.8	0.9	1.1	1.2	1.2	1.3	1.4	1.5	1.6	2.1	3.3	3.3
Nominal dollar GDP growth	5.0	10.6	17.7	7.5	6.8	6.7	7.0	6.8	6.2	6.8	4.9	4.9
PV of PPG external debt (in Billions of US dollars)	...	...	...	0.5	0.6	0.7	0.8	0.8	0.9	1.0	1.6	1.6
(PV-PV-1)/GDP-1 (in percent)	...	...	...	7.6	8.5	8.3	5.5	4.9	1.8	6.1	2.1	2.0

Source: Staff simulations.

1/ Includes both public and private sector external debt.

2/ Derived as $(r - g - (1+g)/(1+r)^n)$ times previous period debt ratio, with $r =$ nominal interest rate; $g =$ real GDP growth rate, and $r =$ growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Assumes that PV of private sector debt is equivalent to its face value.

5/ Current-year interest payments divided by previous period debt stock.

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

7/ Defined as: grants, concessional loans, and debt relief.

8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 3. Guyana: Sensitivity Analyses for Key Indicators of Public and Publicly Guaranteed External Debt, 2008-2028
(In percent)

	Projections											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2028
PV of debt-to GDP ratio												
Baseline	42	47	52	54	55	53	52	51	50	50	50	48
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2008-2028 1/	42	46	51	54	57	58	59	60	62	64	67	93
A2. New public sector loans on less favorable terms in 2008-2028 2	42	47	52	54	55	53	51	51	51	51	52	56
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2009-2010	42	50	59	61	62	60	58	57	57	56	56	53
B2. Export value growth at historical average minus one standard deviation in 2009-2010 3/	42	47	57	59	60	58	56	55	55	54	54	50
B3. US dollar GDP deflator at historical average minus one standard deviation in 2009-2010	42	49	57	59	60	58	57	55	55	55	54	52
B4. Net non-debt creating flows at historical average minus one standard deviation in 2009-2010 4/	42	66	89	90	90	88	86	84	83	83	81	83
B5. Combination of B1-B4 using one-half standard deviation shocks	42	64	94	95	96	93	91	89	89	88	87	69
B6. One-time 30 percent nominal depreciation relative to the baseline in 2009 5/	42	67	73	78	78	75	73	72	71	71	70	67
PV of debt-to-exports ratio												
Baseline	50	64	70	72	72	69	67	65	64	63	63	56
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2008-2028 1/	50	63	69	73	75	75	76	77	79	81	84	110
A2. New public sector loans on less favorable terms in 2008-2028 2	50	64	70	72	72	68	67	65	65	65	65	67
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2009-2010	50	64	70	72	72	69	67	65	64	63	62	56
B2. Export value growth at historical average minus one standard deviation in 2009-2010 3/	50	63	66	68	68	64	62	59	58	57	56	49
B3. US dollar GDP deflator at historical average minus one standard deviation in 2009-2010	50	64	70	72	72	69	67	65	64	63	62	56
B4. Net non-debt creating flows at historical average minus one standard deviation in 2009-2010 4/	50	90	121	120	119	114	111	108	106	105	103	75
B5. Combination of B1-B4 using one-half standard deviation shocks	50	78	117	116	115	111	108	105	103	102	100	75
B6. One-time 30 percent nominal depreciation relative to the baseline in 2009 5/	50	84	70	72	72	69	67	65	64	63	62	56
PV of debt-to-revenue ratio												
Baseline	119	124	140	145	147	146	142	139	137	136	135	129
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2008-2028 1/	119	121	138	146	154	158	160	164	168	175	181	251
A2. New public sector loans on less favorable terms in 2008-2028 2	119	123	140	144	147	144	141	139	139	139	140	153
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2009-2010	119	131	159	163	166	165	160	157	154	153	152	145
B2. Export value growth at historical average minus one standard deviation in 2009-2010 3/	119	122	154	158	161	159	155	151	149	148	147	134
B3. US dollar GDP deflator at historical average minus one standard deviation in 2009-2010	119	130	154	158	161	160	155	152	149	148	147	140
B4. Net non-debt creating flows at historical average minus one standard deviation in 2009-2010 4/	119	174	241	242	242	240	235	230	227	225	221	170
B5. Combination of B1-B4 using one-half standard deviation shocks	119	169	255	257	258	256	250	245	241	239	236	186
B6. One-time 30 percent nominal depreciation relative to the baseline in 2009 5/	119	175	199	205	209	207	201	196	193	192	190	181
Debt service-to-exports ratio												
Baseline	3	2	3	4	5	5	5	5	5	4	4	4
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2008-2028 1/	3	2	3	4	5	5	6	6	6	5	5	7
A2. New public sector loans on less favorable terms in 2008-2028 2	3	2	3	4	5	5	5	5	4	4	4	4
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2009-2010	3	2	3	4	5	5	5	5	5	4	4	4
B2. Export value growth at historical average minus one standard deviation in 2009-2010 3/	3	2	3	5	5	6	6	6	6	5	5	5
B3. US dollar GDP deflator at historical average minus one standard deviation in 2009-2010	3	2	3	4	5	5	5	5	5	4	4	4
B4. Net non-debt creating flows at historical average minus one standard deviation in 2009-2010 4/	3	2	4	6	6	6	6	7	6	6	6	6
B5. Combination of B1-B4 using one-half standard deviation shocks	3	2	4	6	6	6	6	7	6	6	6	6
B6. One-time 30 percent nominal depreciation relative to the baseline in 2009 5/	3	2	3	4	5	5	5	5	5	4	4	4
Debt service-to-revenue ratio												
Baseline	6	4	6	8	9	10	11	11	10	9	10	10
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2008-2028 1/	6	4	6	9	10	11	12	13	12	12	12	16
A2. New public sector loans on less favorable terms in 2008-2028 2	6	4	6	8	10	10	10	10	9	9	9	8
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2009-2010	6	4	7	9	11	11	12	13	11	11	11	11
B2. Export value growth at historical average minus one standard deviation in 2009-2010 3/	6	4	6	9	10	11	11	12	11	10	10	10
B3. US dollar GDP deflator at historical average minus one standard deviation in 2009-2010	6	4	7	9	10	11	12	12	11	10	10	10
B4. Net non-debt creating flows at historical average minus one standard deviation in 2009-2010 4/	6	4	8	12	13	13	14	14	13	12	15	15
B5. Combination of B1-B4 using one-half standard deviation shocks	6	4	8	13	14	15	15	16	14	14	15	16
B6. One-time 30 percent nominal depreciation relative to the baseline in 2009 5/	6	6	9	12	13	14	15	16	14	13	13	14
<i>Memorandum item:</i>												
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	27	27	27	27	27	27	27	27	27	27	27	27

Source: Staff projections and simulations.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline, while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).

4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 4. Guyana: Public Sector Debt Sustainability Framework, Baseline Scenario, 2008-2028
(In percent of GDP, unless otherwise indicated)

	Actual				Estimate							Projections				
	2005	2006	2007	Average	Standard Deviation	2008	2009	2010	2011	2012	2013	2014	2015	2016	2008-13 Average	2018
Public sector debt 1/	183.9	148.5	96.0			99.0	105.7	110.3	111.1	110.8	105.2	105.2	89.5			89.5
o/w foreign-currency denominated	147.5	114.5	67.4			72.7	81.5	88.9	91.0	92.3	88.4	88.4	75.5			75.5
Change in public sector debt	4.2	-35.5	-52.5			3.0	6.7	4.6	0.8	-0.3	-5.6	-5.6	-2.1			-2.1
Identified debt-creating flows	4.1	-34.0	-47.8			1.4	0.6	-1.7	-3.1	-4.0	-3.9	-3.9	-1.6			-1.6
Primary deficit	10.8	8.7	5.2	2.3	5.1	6.3	4.3	3.4	2.6	1.4	1.0	1.0	3.2			3.2
Revenue and grants	44.1	46.7	44.5			42.9	45.4	42.4	42.6	41.8	41.4	41.4	38.9			38.9
of which: grants	7.3	8.6	5.1			7.7	7.3	5.5	5.5	4.8	4.9	4.9	3.1			3.1
Primary (noninterest) expenditure	54.9	55.5	49.7			49.3	49.7	45.8	45.2	43.3	42.4	42.4	40.9			40.9
Automatic debt dynamics	-6.7	-14.9	-19.7			-4.9	-3.8	-5.1	-5.7	-5.5	-4.9	-4.9	-2.6			-2.6
Contribution from interest rate/growth differential	9.3	-14.3	-13.8			-3.4	-4.1	-4.9	-5.8	-5.6	-5.1	-5.1	-2.7			-2.7
of which: contribution from average real interest rate	5.5	-5.4	-6.2			-0.4	0.3	-0.1	-0.4	-0.5	-0.5	-0.5	-0.1			-0.1
of which: contribution from real GDP growth	3.9	-9.0	-7.6			-3.0	-4.4	-4.9	-5.4	-5.2	-4.6	-4.6	-2.6			-2.6
Contribution from real exchange rate depreciation	-16.0	-0.6	-5.9			-1.5	0.4	-0.2	0.1	0.2	0.2	0.2	...			...
Other identified debt-creating flows	0.0	-27.8	-33.2			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0
Debt relief (HIPC and other)	0.0	-27.8	-33.2			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0
Residual, including asset changes	0.1	-1.4	-4.8			1.6	6.0	6.3	3.8	3.8	-1.7	-1.7	-0.4			-0.4
Other Sustainability Indicators																
PV of public sector debt	36.5	33.9	66.1			68.2	72.0	74.0	74.5	74.1	70.9	70.9	64.4			64.4
o/w foreign-currency denominated	0.0	0.0	37.6			41.9	47.8	52.7	54.4	55.8	54.0	54.0	50.4			50.4
o/w external	...	...	37.6			41.9	47.8	52.7	54.4	55.6	54.0	54.0	50.4			50.4
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...	...	...			...
Gross financing need 2/	41.4	46.0	36.9			36.0	31.3	28.8	26.1	24.2	22.6	22.6	18.5			18.5
PV of public sector debt-to-revenue and grants ratio (in percent)	82.6	72.6	148.5			158.9	156.6	174.5	175.0	177.3	171.2	171.2	161.5			161.5
PV of public sector debt-to-revenue ratio (in percent)	98.9	91.4	167.7			193.7	188.1	200.4	201.1	199.4	194.3	194.3	174.9			174.9
o/w external 3/	...	...	95.3			118.9	125.6	142.6	146.9	149.6	148.1	148.1	136.8			136.8
Debt service-to-revenue and grants ratio (in percent) 4/	10.7	9.5	7.2			7.7	6.3	8.2	9.7	10.7	11.2	11.2	10.7			10.7
Debt service-to-revenue ratio (in percent) 4/	12.8	12.0	8.1			9.4	7.6	9.4	11.2	12.0	12.7	12.7	11.6			11.6
Primary deficit that stabilizes the debt-to-GDP ratio	6.6	44.2	57.7			3.3	-2.4	-1.2	1.8	1.7	6.6	6.6	3.1			3.1
Key macroeconomic and fiscal assumptions																
Normal GDP (focal currency)	164.9	183.1	217.6			236.2	256.9	282.7	311.7	342.6	374.7	374.7	557.9			557.9
Real GDP growth (in percent)	-2.1	5.1	5.4	1.3	2.7	3.2	4.8	4.6	5.1	4.9	4.4	4.4	4.5			4.5
Average nominal interest rate on public debt (in percent)	1.7	1.7	1.9	5.8		2.6	2.5	2.3	2.2	2.1	2.0	2.0	2.3			2.3
Average nominal interest rate on foreign debt (in percent)	0.7	1.0	1.0	1.4	0.7	1.8	1.4	1.4	1.4	1.3	1.3	1.3	1.4			1.4
Average nominal interest rate on domestic debt (in percent)	6.9	4.4	5.0	9.8	4.3	4.7	5.4	5.4	5.6	5.4	5.6	5.6	5.3			5.3
Average real interest rate (in percent)	3.0	-3.1	-4.4	...	...	-0.5	0.3	-0.1	-0.4	-0.4	-0.4	-0.4	-0.2			-0.2
Average real interest rate on foreign-currency debt (in percent)	8.1	0.3	0.2	4.6	3.2	2.7	3.5	3.3	2.9	2.9	3.0	3.1	3.0			3.1
Average real interest rate on domestic debt (in percent)	-1.1	-1.2	-6.9	3.6	6.7	-0.5	1.4	0.5	0.7	0.5	0.7	0.6	0.8			0.8
Exchange rate (LC per US dollar)	200.3	201.0	204.0	186.1	16.0	205.0	211.4	218.0	224.4	231.0	237.8	237.8	274.9			274.9
Normal depreciation of local currency (percentage change in LC per dollar)	0.3	0.4	1.5	3.8	5.3	0.5	3.1	3.1	2.9	2.9	2.9	2.9	2.6			2.6
Normal appreciation (increase in US dollar value of local currency, in percent)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0
Real exchange rate depreciation (in percent, + indicates depreciation)	-0.2	-0.4	-1.5	-3.4	4.4	-0.5	-3.0	-3.0	-2.9	-2.9	-2.9	-2.9	-2.5			-2.5
Inflation rate (GDP deflator, in percent)	8.1	5.6	12.7	6.1	3.8	5.2	4.0	5.0	4.9	4.8	4.8	4.8	4.9			4.9
US inflation rate (GDP deflator, in percent)	-2.9	4.7	4.8	0.5	3.1	2.2	1.4	1.6	2.0	2.0	2.0	2.0	1.9			2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	0.2	0.1	-0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0			0.0
Grant element of new external borrowing (in percent)	...	...	...	...	...	40.8	41.8	42.4	41.0	40.7	30.9	30.9	36.6			36.6

Sources: Country authorities; and Fund staff estimates and projections.
1/ Central government or nonfinancial public sector.
2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.
3/ Revenues excluding grants.
4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.
5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 5. Guyana: Sensitivity Analysis for Key Indicators of Public Debt 2008-2028

	Projections							
	2008	2009	2010	2011	2012	2013	2018	2028
PV of Debt-to-GDP Ratio								
Baseline	68	72	74	75	74	71	64	59
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	68	72	76	79	82	82	87	105
A2. Primary balance is unchanged from 2008	68	74	79	82	86	88	105	149
A3. Permanently lower GDP growth 1/	68	73	75	77	78	76	79	110
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2009-2010	68	79	90	95	99	99	113	149
B2. Primary balance is at historical average minus one standard deviations in 2009-2010	68	75	81	81	80	77	70	65
B3. Combination of B1-B2 using one half standard deviation shocks	68	76	83	87	90	89	98	125
B4. One-time 30 percent real depreciation in 2009	68	88	88	87	86	83	80	85
B5. 10 percent of GDP increase in other debt-creating flows in 2009	68	81	83	83	83	79	73	67
PV of Debt-to-Revenue Ratio 2/								
Baseline	159	159	175	175	177	171	161	153
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	159	159	178	183	193	194	213	265
A2. Primary balance is unchanged from 2008	159	163	185	194	207	212	264	384
A3. Permanently lower GDP growth 1/	159	160	178	180	186	183	197	282
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2009-2010	159	171	209	220	233	236	281	383
B2. Primary balance is at historical average minus one standard deviations in 2009-2010	159	165	190	190	192	186	177	168
B3. Combination of B1-B2 using one half standard deviation shocks	159	166	193	201	212	213	244	321
B4. One-time 30 percent real depreciation in 2009	159	195	207	204	205	200	201	220
B5. 10 percent of GDP increase in other debt-creating flows in 2009	159	179	196	196	198	192	182	173
Debt Service-to-Revenue Ratio 2/								
Baseline	8	6	8	10	11	11	11	12
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	8	7	8	9	11	12	15	21
A2. Primary balance is unchanged from 2008	8	6	8	12	14	15	21	36
A3. Permanently lower GDP growth 1/	8	6	8	10	11	12	14	24
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2009-2010	8	7	9	13	16	18	21	36
B2. Primary balance is at historical average minus one standard deviations in 2009-2010	8	6	9	12	14	13	12	14
B3. Combination of B1-B2 using one half standard deviation shocks	8	7	9	11	13	16	18	29
B4. One-time 30 percent real depreciation in 2009	8	7	11	13	15	17	18	23
B5. 10 percent of GDP increase in other debt-creating flows in 2009	8	6	9	17	12	14	12	15

Sources: Country authorities; and Fund staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the length of the projection period.

2/ Revenues are defined inclusive of grants.

Table 6. Guyana: External Debt Sustainability Framework, Petrocaribe on a Net Basis, 2008-2028
(In percent of GDP, unless otherwise indicated)

	Actual				Historical Average	Standard Deviation	Projections						2008-2013 Average
	2005	2006	2007	2008			2009	2010	2011	2012	2013		
External debt (nominal) 1/	147.5	114.5	65.6	66.1	70.9	74.0	72.9	71.2	69.1				
o/w public and publicly guaranteed (PPG)	147.5	114.5	65.6	66.1	70.9	74.0	72.9	71.2	69.1				
Change in external debt	-4.9	-32.9	-48.9	0.5	4.8	3.1	-1.1	-1.7	-2.2				
Identified net debt-creating flows	-1.8	-4.4	-13.5	5.4	3.8	2.5	0.6	0.3	-0.3				
Non-interest current account deficit	13.7	19.5	17.0	19.7	17.2	14.7	12.3	11.0	9.7				
Deficit in balance of goods and services	34.6	43.6	44.7	50.2	39.7	37.4	35.3	33.1	30.0				
Exports	84.7	80.3	78.7	83.4	73.5	73.6	74.7	75.7	76.8				
Imports	119.3	123.9	123.4	133.6	113.2	111.0	110.0	108.8	106.8				
Net current transfers (negative = inflow)	-24.5	-28.0	-27.8	-31.3	-24.7	-26.5	-26.1	-25.1	-23.4				
o/w official	-4.3	-4.3	-1.1	-4.3	-3.6	-3.1	-2.3	-2.3	-0.9				
Other current account flows (negative = net inflow)	3.6	4.0	0.1	0.8	2.2	2.8	3.1	3.0	3.1				
Net FDI (negative = inflow)	-8.3	-11.2	-14.2	-13.4	-11.4	-9.9	-9.2	-8.4	-8.0				
Endogenous debt dynamics 2/	-6.2	-12.7	-16.3	-0.9	-2.0	-2.2	-2.6	-2.3	-2.0				
Contribution from nominal interest rate	1.1	1.4	1.0	1.1	0.9	1.0	1.0	1.0	1.0				
Contribution from real GDP growth	3.1	-6.8	-5.3	-2.0	-2.9	-3.2	-3.6	-3.3	-2.9				
Contribution from price and exchange rate changes	-10.3	-7.3	-12.0	...	...	...	...	...	...
Residual (3-4) 3/	-3.1	-28.5	-35.4	-4.9	1.0	0.6	...	...	-1.9				
o/w exceptional financing	...	-27.8	-33.2	...	...	...	...	...	...
PV of external debt 4/	...	...	37.3	38.6	41.2	43.0	42.4	41.4	40.7				
In percent of exports	...	...	47.4	46.3	56.0	58.4	54.7	53.0	53.0				
PV of PPG external debt	...	...	37.3	38.6	41.2	43.0	42.4	41.4	40.7				
In percent of exports	...	...	47.4	46.3	56.0	58.4	54.7	53.0	53.0				
In percent of government revenues	...	...	94.6	109.6	108.2	115.9	114.1	110.9	111.2				
Debt service-to-exports ratio (in percent)	3.5	3.8	2.3	2.4	2.1	3.0	3.7	4.0	3.9				
PPG debt service-to-exports ratio (in percent)	3.5	3.8	2.3	2.4	2.1	3.0	3.7	4.0	3.9				
PPG debt service-to-revenue ratio (in percent)	8.0	8.2	4.5	5.8	4.0	5.9	7.4	8.0	8.2				
Total gross financing need (Billions of U.S. dollars)	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1				
Non-interest current account deficit that stabilizes debt ratio	18.6	52.5	65.9	19.2	12.4	11.6	13.4	12.7	11.9				
Key macroeconomic assumptions													
Real GDP growth (in percent)	-2.1	5.1	5.4	3.2	4.6	4.8	5.1	4.9	4.4				
GDP deflator in US dollar terms (change in percent)	7.2	5.2	11.7	5.0	4.1	2.1	1.8	1.8	1.8				
Effective interest rate (percent) 5/	0.7	1.0	1.0	0.7	1.7	1.4	1.5	1.4	1.4				
Growth of exports of G&S (US dollar terms, in percent)	-3.7	4.8	15.4	6.5	13.9	-5.8	6.9	8.6	8.1				
Growth of imports of G&S (US dollar terms, in percent)	15.2	14.8	17.3	5.5	16.4	-9.5	4.8	6.1	5.6				
Grant element of new public sector borrowing (in percent)	...	...	...	...	44.7	45.1	46.7	45.8	45.9				
Government revenues (excluding grants, in percent of GDP)	36.9	37.2	39.4	35.2	38.1	37.1	37.2	37.3	36.6				
Aid flows (in Billions of US dollars) 7/	0.1	0.2	0.2	0.1	0.2	0.2	0.1	0.1	0.1				
o/w Grants	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1				
o/w Concessional loans	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1				
Grant-equivalent financing (in percent of GDP) 8/	...	...	...	11.0	11.3	9.5	8.0	6.9	6.2				
Grant-equivalent financing (in percent of external financing) 8/	...	...	...	72.9	70.1	67.4	72.9	72.2	68.8				
Memorandum items:													
Nominal GDP (Billions of US dollars)	0.8	0.9	1.1	1.2	1.2	1.3	1.4	1.5	1.6				
Nominal dollar GDP growth	5.0	10.8	17.7	7.5	6.8	6.7	7.0	6.8	6.2				
PV of PPG external debt (in Billions of US dollars)	...	...	...	0.4	0.5	0.6	0.6	0.6	0.7				
(PV)-PVt-1/GDPt-1 (in percent)	...	...	...	4.2	5.4	4.7	2.4	1.8	1.9				

Source: Staff simulations.

1/ Includes both public and private sector external debt.

2/ Derived as $(1 - g - (1 - g)(1 + r - g))$ times previous period debt ratio, with $r =$ nominal interest rate, $g =$ real GDP growth rate, and $t =$ growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Assumes that PV of private sector debt is equivalent to its face value.

5/ Short-term interest payments divided by previous period debt stock.

6/ Long-term interest payments divided by previous period debt stock.

7/ Defined as total external debt.

8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 7. Guyana: External Debt Sustainability Framework, Low Sugar Scenario, 2008-2028
(In percent of GDP, unless otherwise indicated)

	Actual					Projections										2014-2028							
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Average		
External debt (nominal) 1/	147.5	114.5	67.4	72.7	82.1	89.9	93.4	96.2	93.6	88.4	87.8	88.4	87.8	88.4	87.8	88.4	87.8	88.4	87.8	88.4	87.8	88.4	87.8
o/w public and publicly guaranteed (PPG)	147.5	114.5	67.4	72.7	82.1	89.9	93.4	96.2	93.6	88.4	87.8	88.4	87.8	88.4	87.8	88.4	87.8	88.4	87.8	88.4	87.8	88.4	87.8
Change in external debt	-4.9	-32.9	-47.1	5.3	9.4	7.8	3.5	2.8	-2.6	-0.3	-0.1	-0.3	-0.1	-0.3	-0.1	-0.3	-0.1	-0.3	-0.1	-0.3	-0.1	-0.3	-0.1
Identified net debt-creating flows	-1.6	-4.4	-13.5	5.3	4.2	2.3	0.1	-0.4	-1.1	-0.9	-1.1	-0.9	-1.1	-0.9	-1.1	-0.9	-1.1	-0.9	-1.1	-0.9	-1.1	-0.9	-1.1
Non-interest current account deficit	13.7	19.6	17.0	10.5	6.4	19.7	17.3	14.7	10.9	9.6	7.5	6.1	7.0	7.5	6.1	7.0	7.5	6.1	7.0	7.5	6.1	7.0	7.5
Deficit in balance of goods and services	34.6	43.6	44.7	50.2	40.0	37.8	35.8	33.6	30.5	29.6	27.5	29.6	27.5	29.6	27.5	29.6	27.5	29.6	27.5	29.6	27.5	29.6	27.5
Exports	84.7	80.3	78.7	83.4	74.1	74.4	75.7	76.9	78.1	81.0	85.9	81.0	85.9	81.0	85.9	81.0	85.9	81.0	85.9	81.0	85.9	81.0	85.9
Imports	119.3	123.9	123.4	133.6	114.0	112.2	111.5	110.6	108.7	110.6	113.5	110.6	113.5	110.6	113.5	110.6	113.5	110.6	113.5	110.6	113.5	110.6	113.5
Net current transfers (negative = inflow)	-24.5	-28.0	-27.8	-31.3	-24.9	-25.8	-26.4	-25.5	-23.8	-23.2	-23.0	-23.2	-23.0	-23.2	-23.0	-23.2	-23.0	-23.2	-23.0	-23.2	-23.0	-23.2	-23.0
o/w official	-4.3	-4.3	-1.1	-3.6	-3.1	-3.1	-3.1	-2.3	-0.9	-0.2	0.0	-0.2	0.0	-0.2	0.0	-0.2	0.0	-0.2	0.0	-0.2	0.0	-0.2	0.0
Other current account flows (negative = net inflow)	3.6	4.0	0.1	0.7	2.2	2.7	3.0	2.8	2.9	1.1	1.5	1.1	1.5	1.1	1.5	1.1	1.5	1.1	1.5	1.1	1.5	1.1	1.5
Net FDI (negative = inflow)	-8.3	-11.2	-14.2	-7.8	3.3	-13.4	-11.6	-10.1	-8.3	-6.5	-6.1	-7.7	-7.4	-6.7	-7.4	-6.7	-7.4	-6.7	-7.4	-6.7	-7.4	-6.7	-7.4
Endogenous debt dynamics 2/	-6.2	-12.7	-16.3	-0.9	-1.6	-2.3	-2.9	-2.8	-2.6	-2.6	-2.6	-2.6	-2.6	-2.6	-2.6	-2.6	-2.6	-2.6	-2.6	-2.6	-2.6	-2.6	-2.6
Contribution from nominal interest rate	1.1	1.4	1.0	1.1	0.9	1.1	1.1	1.2	1.3	1.7	2.6	1.7	2.6	1.7	2.6	1.7	2.6	1.7	2.6	1.7	2.6	1.7	2.6
Contribution from real GDP growth	3.1	-6.8	-5.3	-2.0	-2.5	-3.4	-4.1	-4.0	-3.8	-2.5	-2.4	-2.5	-2.4	-2.5	-2.4	-2.5	-2.4	-2.5	-2.4	-2.5	-2.4	-2.5	-2.4
Contribution from price and exchange rate changes	-10.3	-7.3	-12.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual (3-4) 3/	-3.1	-28.5	-33.7	0.0	5.2	5.5	3.4	3.2	-1.5	...	...	...	...	...	...	...	...	...	...	...	...	...	...
o/w exceptional financing	...	-27.8	-33.2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
PV of external debt 4/	...	...	37.3	41.8	47.4	52.5	55.5	58.1	57.8	61.9	71.7	61.9	71.7	61.9	71.7	61.9	71.7	61.9	71.7	61.9	71.7	61.9	71.7
In percent of exports	...	...	47.4	50.1	64.0	70.5	73.3	75.5	74.0	76.4	83.5	76.4	83.5	76.4	83.5	76.4	83.5	76.4	83.5	76.4	83.5	76.4	83.5
PV of PPG external debt	...	...	37.3	41.8	47.4	52.5	55.5	58.1	57.8	61.9	71.7	61.9	71.7	61.9	71.7	61.9	71.7	61.9	71.7	61.9	71.7	61.9	71.7
In percent of exports	...	...	47.4	50.1	64.0	70.5	73.3	75.5	74.0	76.4	83.5	76.4	83.5	76.4	83.5	76.4	83.5	76.4	83.5	76.4	83.5	76.4	83.5
In percent of government revenues	...	...	94.6	118.6	125.9	143.8	152.8	160.0	162.6	175.4	202.1	175.4	202.1	175.4	202.1	175.4	202.1	175.4	202.1	175.4	202.1	175.4	202.1
Debt service-to-exports ratio (in percent)	3.5	3.8	2.3	2.5	2.1	3.1	4.1	4.7	4.9	5.1	6.5	5.1	6.5	5.1	6.5	5.1	6.5	5.1	6.5	5.1	6.5	5.1	6.5
PPG debt service-to-exports ratio (in percent)	3.5	3.8	2.3	2.5	2.1	3.1	4.1	4.7	4.9	5.1	6.5	5.1	6.5	5.1	6.5	5.1	6.5	5.1	6.5	5.1	6.5	5.1	6.5
PPG debt service-to-revenue ratio (in percent)	8.9	8.2	4.5	5.9	4.2	6.3	8.5	9.9	10.9	11.8	16.7	11.8	16.7	11.8	16.7	11.8	16.7	11.8	16.7	11.8	16.7	11.8	16.7
Total gross financing need (Billions of U.S. dollars)	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Non-interest current account deficit that stabilizes debt ratio	18.6	52.5	64.1	14.4	7.9	6.9	8.8	8.1	12.2	7.8	6.2	7.8	6.2	7.8	6.2	7.8	6.2	7.8	6.2	7.8	6.2	7.8	6.2
Key macroeconomic assumptions																							
Real GDP growth (in percent)	-2.1	5.1	5.4	3.2	3.7	4.4	4.8	4.6	4.2	4.2	2.9	2.9	2.9	4.2	2.9	2.9	4.2	2.9	2.9	4.2	2.9	2.9	4.2
GDP deflator in US dollar terms (change in percent)	7.2	5.2	11.7	2.4	5.0	4.1	2.3	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Effective interest rate (percent) 5/	0.7	1.0	1.0	1.4	0.7	1.8	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Growth of exports of G&S (US dollar terms, in percent)	-3.7	4.8	15.4	1.5	6.5	13.9	-5.8	6.9	8.6	8.1	7.7	6.6	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Growth of imports of G&S (US dollar terms, in percent)	15.2	14.8	17.3	5.5	9.3	16.4	-9.5	4.6	6.1	5.6	4.2	4.6	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Government revenues (excluding grants, in percent of GDP)	36.9	37.2	39.4	35.2	37.7	36.5	36.3	36.3	35.5	36.8	35.3	35.3	35.5	36.8	35.3	35.3	35.5	36.8	35.3	35.3	35.5	36.8	35.3
Aid flows (in Billions of US dollars) 7/	0.1	0.2	0.2	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
o/w Grants	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
o/w Concessional loans	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grant-equivalent financing (in percent of GDP) 8/	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Grant-equivalent financing (in percent of external financing) 8/	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Memorandum items:																							
Nominal GDP (Billions of US dollars)	0.8	0.9	1.1	1.2	1.2	1.3	1.4	1.5	1.6	2.0	3.3	2.0	3.3	2.0	3.3	2.0	3.3	2.0	3.3	2.0	3.3	2.0	3.3
Nominal dollar GDP growth	5.0	10.6	17.7	7.5	6.1	6.3	6.7	6.5	6.1	6.5	4.9	4.9	4.9	6.5	4.9	4.9	6.5	4.9	4.9	6.5	4.9	4.9	6.5
PV of PPG external debt (in Billions of US dollars)	...	...	0.4	0.5	0.6	0.7	0.8	0.9	0.9	1.2	2.3	1.2	2.3	1.2	2.3	1.2	2.3	1.2	2.3	1.2	2.3	1.2	2.3
(PV-PV-1)/GDP-1 (in percent)	...	...	...	7.6	8.5	8.4	6.8	6.3	3.3	6.8	4.3	4.1	4.2	6.8	4.3	4.1	4.2	6.8	4.3	4.1	4.2	6.8	4.3

Source: Staff simulations.

- 1/ Includes both public and private sector external debt.
- 2/ Derived as $(1 - g - (1 - t)g)/(1 + r + t)g$ times previous period debt ratio, with $t =$ nominal interest rate, $g =$ real GDP growth rate, and $r =$ growth rate of GDP deflator in U.S. dollar terms.
- 3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.
- 4/ Assumes that PV of private sector debt is equivalent to its face value.
- 5/ Current-year interest payments divided by previous period debt stock.
- 6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.
- 7/ Defined as grants, concessional loans, and debt relief.
- 8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 8. Guyana: Sensitivity Analyses for Key Indicators of Public and Publicly Guaranteed External Debt, Low Sugar Scenario, 2008-2028
(In percent)

	Projections											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2028
PV of debt-to-GDP ratio												
Baseline	42	47	52	55	58	58	58	58	59	61	62	72
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2008-2028 1/	42	46	51	55	59	61	64	67	71	76	81	131
A2. New public sector loans on less favorable terms in 2008-2028 2	42	47	52	55	58	57	57	59	61	63	66	89
A3. Alternative Scenario :[Coetumize, enter title]	42	54	65	72	77	80	81	83	84	85	86	87
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2009-2010	42	50	58	62	65	64	64	65	66	67	69	80
B2. Export value growth at historical average minus one standard deviation in 2009-2010 3/	42	47	58	61	63	63	63	63	64	66	67	74
B3. US dollar GDP deflator at historical average minus one standard deviation in 2009-2010	42	50	59	61	64	63	63	64	65	66	68	76
B4. Net non-debt creating flows at historical average minus one standard deviation in 2009-2010 4/	42	68	94	96	97	97	96	96	97	97	96	88
B5. Combination of B1-B4 using one-half standard deviation shocks	42	66	98	100	102	101	101	101	102	103	102	96
B6. One-time 30 percent nominal depreciation relative to the baseline in 2009 5/	42	67	74	78	82	82	82	82	84	86	87	101
PV of debt-to-exports ratio												
Baseline	50	64	70	73	75	74	73	73	74	75	76	83
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2008-2028 1/	50	62	68	73	77	79	81	85	89	94	100	152
A2. New public sector loans on less favorable terms in 2008-2028 2	50	64	70	72	75	73	73	74	76	79	81	104
A3. Alternative Scenario :[Coetumize, enter title]	50	73	87	95	101	102	103	104	105	106	105	78
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2009-2010	50	64	70	73	75	74	73	73	74	75	76	83
B2. Export value growth at historical average minus one standard deviation in 2009-2010 3/	50	63	67	70	72	70	69	69	70	71	72	78
B3. US dollar GDP deflator at historical average minus one standard deviation in 2009-2010	50	64	70	73	75	74	73	73	74	75	76	83
B4. Net non-debt creating flows at historical average minus one standard deviation in 2009-2010 4/	50	92	128	126	127	124	122	121	121	121	119	102
B5. Combination of B1-B4 using one-half standard deviation shocks	50	80	121	122	123	120	118	117	118	117	118	103
B6. One-time 30 percent nominal depreciation relative to the baseline in 2009 5/	50	64	70	73	75	74	73	73	74	75	76	83
PV of debt-to-revenue ratio												
Baseline	119	126	144	153	160	163	164	166	168	172	175	202
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2008-2028 1/	119	122	139	151	163	173	181	191	202	216	229	368
A2. New public sector loans on less favorable terms in 2008-2028 2	119	125	144	151	159	160	163	167	172	180	187	251
A3. Alternative Scenario :[Coetumize, enter title]	119	144	178	199	214	224	230	235	239	241	241	189
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2009-2010	119	132	160	170	178	181	182	184	187	191	195	224
B2. Export value growth at historical average minus one standard deviation in 2009-2010 3/	119	125	159	168	175	178	178	180	182	186	189	208
B3. US dollar GDP deflator at historical average minus one standard deviation in 2009-2010	119	132	158	167	175	178	179	181	184	188	192	221
B4. Net non-debt creating flows at historical average minus one standard deviation in 2009-2010 4/	119	182	257	264	269	272	272	272	274	275	273	247
B5. Combination of B1-B4 using one-half standard deviation shocks	119	174	266	276	282	285	286	286	289	291	289	270
B6. One-time 30 percent nominal depreciation relative to the baseline in 2009 5/	119	178	203	216	228	230	231	233	237	243	248	265
Debt service-to-exports ratio												
Baseline	3	2	3	4	5	5	5	6	5	5	5	6
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2008-2028 1/	3	2	3	4	5	5	6	6	6	6	6	11
A2. New public sector loans on less favorable terms in 2008-2028 2	3	2	3	4	5	5	5	5	5	5	5	5
A3. Alternative Scenario :[Coetumize, enter title]	3	2	3	5	6	6	6	7	6	6	7	6
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2009-2010	3	2	3	4	5	5	5	6	5	5	5	6
B2. Export value growth at historical average minus one standard deviation in 2009-2010 3/	3	2	3	5	6	6	6	6	6	6	6	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2009-2010	3	2	3	4	5	5	5	6	5	5	5	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2009-2010 4/	3	2	4	6	7	7	7	7	7	7	7	9
B5. Combination of B1-B4 using one-half standard deviation shocks	3	2	4	6	7	7	7	7	7	7	7	9
B6. One-time 30 percent nominal depreciation relative to the baseline in 2009 5/	3	2	3	4	5	5	5	6	5	5	5	6
Debt service-to-revenue ratio												
Baseline	6	4	6	9	10	11	12	12	12	11	12	16
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2008-2028 1/	6	4	6	9	10	12	13	14	14	13	14	26
A2. New public sector loans on less favorable terms in 2008-2028 2	6	4	7	9	10	11	11	12	11	11	11	13
A3. Alternative Scenario :[Coetumize, enter title]	6	4	7	10	12	13	14	15	14	14	15	14
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2009-2010	6	4	7	9	11	12	13	14	13	13	13	17
B2. Export value growth at historical average minus one standard deviation in 2009-2010 3/	6	4	6	9	10	11	12	13	12	12	13	17
B3. US dollar GDP deflator at historical average minus one standard deviation in 2009-2010	6	4	7	9	11	12	13	14	13	12	13	17
B4. Net non-debt creating flows at historical average minus one standard deviation in 2009-2010 4/	6	4	8	13	14	15	16	16	15	18	21	22
B5. Combination of B1-B4 using one-half standard deviation shocks	6	4	9	14	15	16	17	18	17	18	22	23
B6. One-time 30 percent nominal depreciation relative to the baseline in 2009 5/	6	6	9	12	14	15	16	16	16	16	17	22
Memorandum Item:												
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	20	20	20	20	20	20	20	20	20	20	20	20

Source: Staff projections and simulations.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline, while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).

4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

GUYANA Debt Sustainability Analysis

Addendum to the Joint IMF/WB DSA⁴⁹

The additional scenario of lower GDP growth related to the global crisis indicates that the main conclusion of the Joint IMF/WB debt sustainability analysis (DSA), i.e. that Guyana is at a moderate risk of debt distress, remains valid. In this scenario projected debt indicators, although slightly worse, are similar to those of the Joint DSA.

The macroeconomic framework assumes that the economy will continue to perform well. However, as explained in the main text of this document, due to a more prolonged global slowdown, growth rates for 2009 and 2010 are lower than those of the joint DSA. The current scenario's projections are more conservative than those presented by the Government in its 2009 budget and by the IMF in its recent Article IV. GDP is expected to expand by just 2.4% in 2009 and 3.6% in 2009. For the remaining forecasting period no change has been assumed.

The results of the additional scenario are presented in the table and figures⁵⁰ below. Due to lower growth in 2009 and 2010, debt ratios are marginally above those of the baseline scenario, however these ratios do not present any sign of increased debt distress or of compromised sustainability.

⁴⁹ This Addendum to the joint IMF and World Bank DSA was prepared by WB staff only.

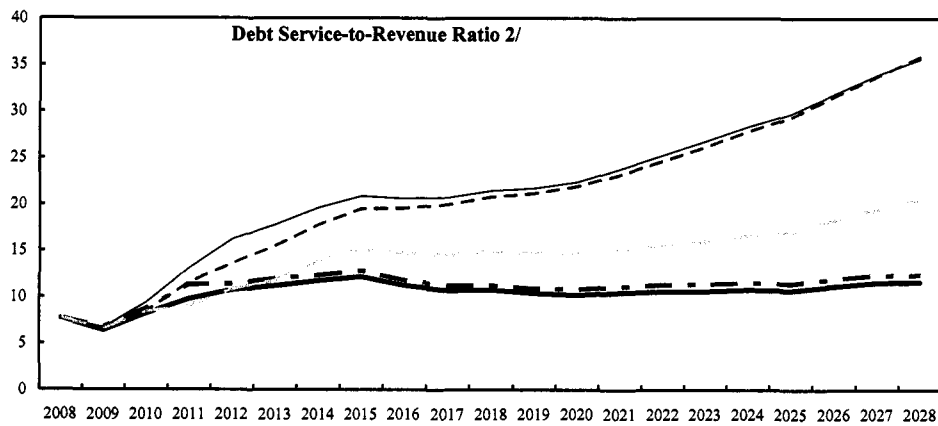
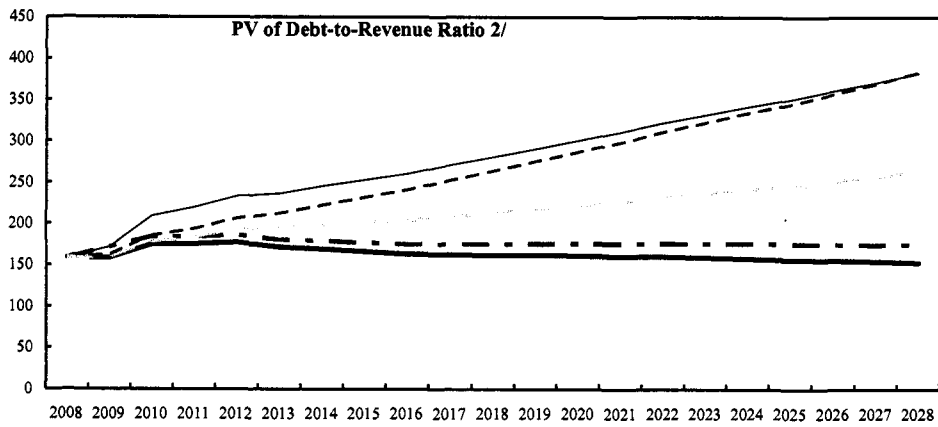
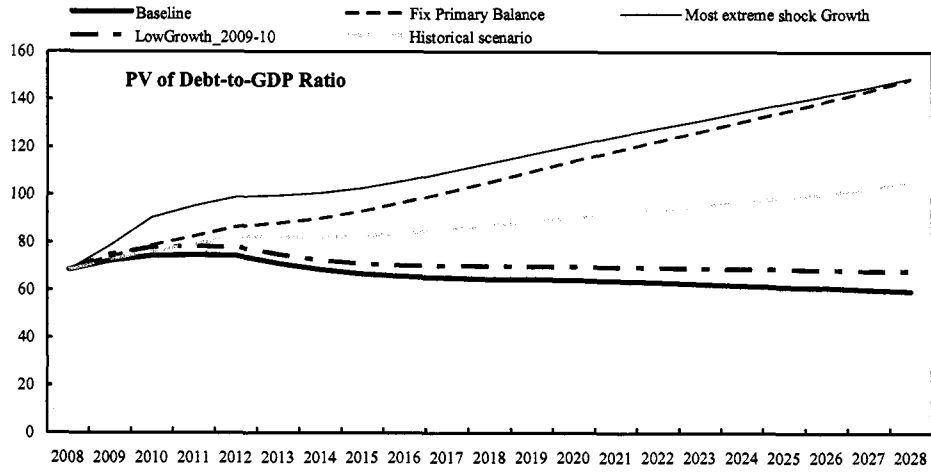
⁵⁰ The additional scenario is labeled as "low growth" in the figure below.

Table 1. Guyana: Public Sector Debt Sustainability Framework, Alternative Scenario lower GDP growth (Global Financial Crisis), 2005-2028
(In percent of GDP, unless otherwise indicated)

	Actual			Estimate			Projections					2014-28		
	2005	2006	2007	Average	Standard Deviation	2008	2009	2010	2011	2012	2013	2008-13 Average	2028	Average
Public sector debt	183.9	148.5	96.0			99.0	109.2	115.3	116.1	115.9	110.3		95.9	83.2
o/w foreign-currency denominated	147.5	114.5	67.4			72.7	84.4	93.2	95.6	96.9	92.8		79.3	66.0
PV of public sector debt	36.5	33.9	66.1			68.2	74.7	77.7	78.1	77.9	74.7		69.8	67.9
Change in public sector debt	4.2	-35.5	-52.5			3.0	10.3	6.0	0.8	-0.1	-5.6		-1.8	-0.6
Identified debt-creating flows	10.8	-34.0	-47.8			1.4	4.1	-0.5	-3.2	-4.0	-3.9		-1.3	-0.6
Primary deficit	44.1	46.7	44.5	2.3	5.1	42.9	43.6	42.2	42.6	41.8	41.4	2.5	39.9	38.7
Revenue and grants	7.3	9.6	5.1			7.7	7.3	5.5	5.5	4.6	4.9		3.1	1.7
of which, grants	54.9	55.5	49.7			49.3	49.7	45.8	45.2	43.3	42.4		40.9	39.3
Primary (noninterest) expenditure	-6.7	-14.9	-19.7			-4.9	-2.0	-4.1	-5.8	-5.5	-4.9		-2.3	-1.2
Automatic debt dynamics	9.3	-14.3	-13.8			-3.4	-2.5	-4.0	-6.0	-5.6	-5.1		-2.3	-1.2
Contribution from interest rate/growth differential	5.5	-5.4	-6.2			-0.4	-0.1	-0.2	-0.3	-0.2	-0.2		0.4	1.1
of which, contribution from average real interest rate	3.9	-9.0	-7.6			-3.0	-2.4	-3.8	-5.6	-5.4	-4.9		-2.7	-2.3
Contribution from real GDP growth	-16.0	-0.6	-5.9			-1.5	0.4	-0.2	0.2	0.2	0.2		...	...
Contribution from real exchange rate depreciation	0.0	-27.8	-33.2			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Other identified debt-creating flows	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Debt relief (HIPC and other)	0.0	-27.8	-33.2			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Residual, including asset changes	0.1	-1.4	-4.8			1.6	6.2	6.5	4.0	3.9	-1.7		-0.4	0.1
Key macroeconomic and fiscal assumptions														
Real GDP growth (in percent)	-2.1	5.1	5.4	1.3	2.7	3.2	2.4	3.6	5.1	4.9	4.4	3.7	2.9	2.8
Average nominal interest rate on forex debt (in percent)	0.7	1.0	1.0	1.4	0.7	1.8	1.4	1.4	1.4	1.4	1.4	1.5	1.7	2.5
Average real interest rate on domestic debt (in percent)	-1.1	-1.2	-6.9	3.6	6.7	-0.4	-0.1	-0.2	-0.6	-0.6	-0.6	-0.4	-0.2	0.5
Real exchange rate depreciation (in percent, + indicates depreciation)	8.1	5.6	12.7	6.1	3.8	5.2	4.0	5.0	4.9	4.8	4.8	4.8	4.9	5.0
Inflation rate (GDP deflator, in percent)	0.2	0.1	-0.1	0.1	0.1	2.3	3.3	-4.4	3.7	0.4	2.2	1.7	2.6	2.6
Growth of real primary spending (deflated by GDP deflator, in percent)														

Sources: Country authorities; and World Bank and Fund staff estimates and projections.

Guyana: Indicators of Public Debt Under Alternative Scenarios, 2008-2028 1/



Sources: Country authorities; and Fund staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2018.

2/ Revenues are defined inclusive of grants.



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