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PROJECT PERFORMANCE ASSESSMENT REPORT

GUYANA

FINANCIAL SECTOR AND BUSINESS ENVIRONMENT CREDIT
(CREDIT 2669-0-GUA)
PRIVATE SECTOR DEVELOPMENT ADJUSTMENT CREDIT
(CREDIT 2746-GUA)
FINANCIAL AND PRIVATE SECTOR INSTITUTIONAL DEVELOPMENT PROJECT
(CREDIT 3290-GUA)

June 15, 2004

Sector and Thematic Evaluation
Operations Evaluation Department

Currency Equivalents (annual averages)

Currency Unit G$

1998	US$1.00	G$145.5
1999	US$1.00	G$180.5
2003	US$1.00	G$179.00

Abbreviations and Acronyms

AGO	Auditor-General's Office
ASI	Adam Smith Institute
BOG	Bank of Guyana, Central Bank
BSD	Banking Supervision Department of the Bank of Guyana
CIDA	Canadian International Development Agency
DFID	Department for International Development (U.K.)
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
FIA	Financial Institutions Act
FISBEC	Financial Sector and Business Environment Credit
FMS	Financial Management System
FPID	Financial and Private Sector Institutional Development Credit
GAIBANK	Guyana Cooperative Agricultural & Industrial Development Bank
GEC	Guyana Electricity Co.
GBTI	Guyana Bank for Trade and Industry
GCFS	Guyana Cooperative Financial Service (Collection agency)
GEC	Guyana Electricity Company
GHMBC	Guyana Home Mortgage Banking Company
GNCB	Guyana National Cooperative Bank
GOG	Government of Guyana
GO-Invest	Guyana Office of Investment
GPL	Guyana Power & Light Co.
GUYMIDA	Guyana Manufacturing Industrial Development Agency
HIPC	Debt Initiative for Highly Indebted Poor Countries
ICR	Implementation Completion Report
IDA	International Development Association
IDB	Inter-American Development Bank
IMF	International Monetary Fund
MOF	Ministry of Finance
NBIC	National Bank of Industry and Commerce
ODA	Official Development Assistance
OED	Operations Evaluation Department
PIU	Project Implementation Unit
PPAR	Project Performance Assessment Report
PRGF	Poverty Reduction Growth Facility
PRSC	Poverty Reduction Strategy Credit
PSDAC	Private Sector Development Adjustment Credit
PU	Privatization Unit
SAC	Structural Adjustment Credit
SAR	Staff Appraisal Report
SDR	Special Drawing Rights
TA	technical assistance
TAC	Technical Assistance Credit
USDA	United States Department of Agriculture
Y2K	Year 2000 (computer date conversion issue)

Fiscal Year

Government: January 1 – December 31

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OED Mission: Enhancing development effectiveness through excellence and independence in evaluation.

About this Report

The Operations Evaluation Department assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, OED annually assesses about 25 percent of the Bank's lending operations. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons. The projects, topics, and analytical approaches selected for assessment support larger evaluation studies.

A Project Performance Assessment Report (PPAR) is based on a review of the Implementation Completion Report (a self-evaluation by the responsible Bank department) and fieldwork conducted by OED. To prepare PPARs, OED staff examine project files and other documents, interview operational staff, and in most cases visit the borrowing country for onsite discussions with project staff and beneficiaries. The PPAR thereby seeks to validate and augment the information provided in the ICR, as well as examine issues of special interest to broader OED studies.

Each PPAR is subject to a peer review process and OED management approval. Once cleared internally, the PPAR is reviewed by the responsible Bank department and amended as necessary. The completed PPAR is then sent to the borrower for review; the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

About the OED Rating System

The time-tested evaluation methods used by OED are suited to the broad range of the World Bank's work. The methods offer both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. OED evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (more information is available on the OED website: http://worldbank.org/oed/eta-mainpage.html).

Relevance of Objectives: The extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). *Possible ratings:* High, Substantial, Modest, Negligible.

Efficacy: The extent to which the project's objectives were achieved, or expected to be achieved, taking into account their relative importance. *Possible ratings:* High, Substantial, Modest, Negligible.

Efficiency: The extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. *Possible ratings:* High, Substantial, Modest, Negligible. This rating is not generally applied to adjustment operations.

Sustainability: The resilience to risk of net benefits flows over time. *Possible ratings:* Highly Likely, Likely, Unlikely, Highly Unlikely, Not Evaluable.

Institutional Development Impact: The extent to which a project improves the ability of a country or region to make more efficient, equitable and sustainable use of its human, financial, and natural resources through: (a) better definition, stability, transparency, enforceability, and predictability of institutional arrangements and/or (b) better alignment of the mission and capacity of an organization with its mandate, which derives from these institutional arrangements. Institutional Development Impact includes both intended and unintended effects of a project. *Possible ratings:* High, Substantial, Modest, Negligible.

Outcome: The extent to which the project's major relevant objectives were achieved, or are expected to be achieved, efficiently. *Possible ratings:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry and supported implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of the project). *Possible ratings:* Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower assumed ownership and responsibility to ensure quality of preparation and implementation, and complied with covenants and agreements, towards the achievement of development objectives and sustainability. Possible ratings: Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.

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Principal Ratings

Financial Sector and Business Environment (Credit 2669-0 GUA)

	*ICR**	*ICR Review**	*PPAR*
Outcome	Satisfactory	Moderately Satisfactory	Unsatisfactory
Sustainability	Likely	Likely	Unlikely
Institutional Development Impact	Partial	Modest	Negligible
Bank Performance	Satisfactory	Satisfactory	Unsatisfactory
Borrower Performance	Satisfactory	Satisfactory	Unsatisfactory

Private Sector Development Adjustment Credit (Credit 2746-GUA)

	*ICR**	*ICR Review**	*PPAR*
Outcome	Satisfactory	Satisfactory	Moderately Satisfactory
Sustainability	Likely	Likely	Unlikely
Institutional Development Impact	Partial	Modest	Modest
Bank Performance	Highly Satisfactory	Highly Satisfactory	Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Satisfactory

Financial And Private Sector Institutional Development Project (Credit 3290-GUA)

	*ICR**	*ICR Review**	*PPAR*
Outcome	Satisfactory	Satisfactory	Moderately Satisfactory
Sustainability	Likely	Likely	Unlikely
Institutional Development Impact	Substantial	Substantial	Negligible
Bank Performance	Satisfactory	Satisfactory	Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Satisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible operational division of the Bank. The ICR Review is an intermediate Operations Evaluation Department (OED) product that seeks to independently verify the findings of the ICR.

Key Staff Responsible

Project	*Task Manager/Leader*	*Division Chief/ Sector Director*	*Country Director*
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Financial and Private Sector Institutional Development Project (Credit 3290-GUA)			
Appraisal	John Pollner	Danny Leipziger	Orsalia Kalantzopoulos
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Preface

This is a Project Performance Assessment Report (PPAR) on three projects carried out in Guyana during the period 1994–2002. These projects were:

- **Financial Sector and Business Environment Credit (FISBEC, C2669),** a $3.5 million technical assistance project approved in December 1994 and closed in June 1999, a year later than the original closing date.

- **Private Sector Development Adjustment Credit (PSDAC, C2746**), a $15.5 million, three tranche policy-based operation approved in June 1995 and closed in December 1997.

- **Financial and Private Sector Institutional Development Project (FPID, C3290),** a $4.8 million technical assistance project approved in November 1999 and closed in December 2002.

This PPAR is based upon the Implementation Completion Reports (ICRs) prepared by the Latin America and Caribbean Region, credit documents, project files, discussions with staff of the Bank, IMF, and Inter-American Development Bank (IDB), and a mission to Guyana from September 21 to October 1, 2003. OED gratefully acknowledges the cooperation and assistance provided by the many government officials and others visited during that mission.

These projects were chosen for assessment for two reasons: to contribute to OED's ongoing thematic evaluation of the Bank's investment climate activities, and because few private sector development-focused projects in low-income countries have been assessed by OED.

Following standard OED procedure, copies of the draft PPAR were sent to the relevant government officials and agencies for their review and comments. No comments were received by OED.

Summary

This is an assessment of the Financial Sector and Business Environment Credit (FISBEC), the Private Sector Development Adjustment Credit (PSDAC), and the Financial and Private Sector Institutional Development Project (FPID), approved in 1994, 1995 and 1999, respectively.

All three projects had the same over-arching objective of improving Guyana's environment for private sector development (PSD) through privatization, financial sector reform and other measures. FISBEC and FPID, as technical assistance operations, also had institutional strengthening objectives.

At the time the PSDAC/FISBEC "package" was approved, between late 1994 and mid-1995, Guyana was experiencing relatively good times. The transition from a socialistic to a market economy, begun in 1989, had made good progress. With Guyana being divided between two dominant ethnic communities, longstanding ethnic/racial tensions and distrust were always present, albeit with different dynamics after the Indo-Guyanese-backed PPP/C party came into power in 1992. But with substantial income growth and poverty reduction happening for the first time in many years, there was relative quiet on the racial front and growing optimism across the racial divide that better times were in prospect. An important indicator of this new optimism was the reversal of the brain drain of previous decades.

PSDAC, a $15.5 million adjustment credit, was conceived as an instrument to maintain the momentum of policy reform and to provide much-needed balance-of- payments support to a country with severe fiscal and debt-servicing difficulties. Like most aid-supported activities in Guyana, it was highly donor-driven with tentative borrower ownership. Its objectives were relevant, its design was appropriate, and its implementation and near-term outcomes were mixed. Progress was relatively satisfactory on macroeconomic stabilization, privatization of small-to-medium size enterprises, financial sector regulation, and trade liberalization. It was relatively unsatisfactory in eliminating discretionary investment incentives, rendering the Central Bank autonomous, reforming corporate taxes, restructuring the Guyana National Cooperative Bank (GNCB), and developing the "one-stop shop" for promoting investment.

PSDAC's closing in December 1997 coincided with elections in that month whose outcome gave rise to renewed racial/ethnic tensions. From then until mid-2003 there was a steady deterioration in key governance indicators, including for political stability, rule of law, quality of regulation, and control of corruption. This was compounded by other adverse developments (increased crime, decreased personal security, increased drug trafficking and money laundering, and exogenous shocks including El Nino and worsened terms of trade). Taken together, these caused a massive deterioration in Guyana's environment for PSD, the improvement of which was the ultimate objective of all three projects. This deterioration diminished some PSDAC benefits and, in combination with the mixed results noted above, warrant PSDAC's outcome rating of *moderately satisfactory.* And because there are no clear indications that the governance problems will soon be resolved, PSDAC's sustainability rating is rated as unlikely.

FISBEC's objectives were relevant but FISBEC was lacking in: client ownership and participation in project preparation; good "fit" with local governance; a "process" approach to implementation; and adequate project management preparation — all these being elements of "good practice" in TA projects. Wrong assumptions were made about the Borrower's willingness to use IDA-funded consultants in several components, some of which were implemented by other donors using grant funds.

FISBEC disbursements were very slow until the last year (closing having been extended by a year) when outlays for consultants to manage GNCB, a large commercial bank, and to privatize the power company claimed the lion's share of total project outlays. But progress on GNCB rationalization was unsatisfactorily slow through the FISBEC period. And within a few years of its privatization the power company had been re-nationalized, also a highly unsatisfactory outcome. FISBEC also failed to achieve its capacity building and institutional strengthening objectives, partly owing to project design shortcomings and partly because of Guyana's highly "disenabling environment" for institutional development. FISBEC's outcome rating is thus rated unsatisfactory, its IDI rating to negligible, and its sustainability rating unlikely.

FPID was a relatively unambitious TA project that directed most of its resources to improvement of GNCB's performance, modernization of Guyana's payroll/personnel management system, and privatization. Under pressure from HIPC and IMF structural conditions, GNCB was finally privatized in 2003, a favorable outcome. However, this was after years of delayed reform (with mounting losses assumed by the State) and with a lower sales price than could have been realized earlier. The outcomes on payroll management and privatization (excepting power) were relatively favorable, as was the impact of a FPID-financed adviser on several aspects of policy reform. But FPID had a minimal impact on sustainable institutional development and capacity building. Its outcome rating is therefore rated as moderately satisfactory, its IDI rating as negligible, and (for the same reasons as in PSDAC and FISBEC), its sustainability rating as unlikely.

During the time FISBEC and FPID were being disbursed, there were gray areas in the Bank's guidelines concerning funding long-term local consultancies and stipends for government officials. While it is not evident that the guidelines were violated, the project documents should have identified the projects' intent to provide such funding and justified the practice, and the ICRs should have assessed the outcome.

Some of the main lessons from these projects are:

- The ethnic divide, distrust, and governance problems are the key constraints to improving the environment for PSD and fostering sustainable growth in Guyana.

- At the project level, all future Bank operations, including their components and processes (e.g. consultations on project design, the hiring of consultants, procurement of goods, selection of trainees, choice of regulatory options, etc.), should address how they can at least avoid deepening distrust, and if possible serve to build trust across the racial divide. Transparency should be the key watchword for both GOG and the donors.

- More diagnostic work on incentives, institutions and social capital is needed, with a view to identifying strategies and tactics for rationalizing incentives, building sustainable institutions and fostering social capital. Understanding the political economy is essential to project choice and design.

Gregory K. Ingram
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Operations Evaluation

1. Introduction

1.1 Guyana is a multiracial society, with people of Indian, African, Portuguese, Chinese, and indigenous (Amerindian) descent. Over 80 percent of its population of some 770,000 persons is of African (33 percent) and Indian (48 percent) origin. The two dominant ethnic communities have been jostling for economic, social, and political power and status for over half a century. The Indo-Guyanese population is largely rural and traditionally engaged in sugar and rice production and processing. The Afro-Guyanese population is more urban and has traditionally engaged in the mining sector and in the civil service, police, and defense forces.

1.2 These structures, combined with political party identifications along ethnic/racial lines, create complex dynamics in, and constraints to, Guyana's economic growth and institutional development. One theme of this PPAR is that the design and management of IDA projects did not adequately take into account these dynamics and constraints.

1.3 Shortly after Independence in 1966, Guyana embarked upon "cooperative socialism" and remained a socialist country until the late 1980s, by which time output had plummeted (-3.5 percent per annum during the 1980s), living standards had collapsed, the quality of social services had eroded, and infrastructure had seriously deteriorated. The socialist period also gave rise to extensive emigration. By 1988, Guyana could no longer service its external debts and its financial crisis provoked adoption in 1989 of an Economic Recovery Program (ERP). This marked the beginning of Guyana's transition from a socialist to a democratic, market economy.

1.4 During the years between 1989 and 1994, many public sector and financial sector reforms were made. Backed by substantial external technical and financial support, the government eliminated virtually all price controls, abolished import prohibitions, unified and floated the exchange rate, simplified and reduced tariffs, and established market-based interest rates. Macro imbalances were greatly reduced and inflation fell from 18 percent in the 1980s to 7 percent by the mid-1990s. In addition, some privatizations were undertaken, and in 1995 Guyana joined the World Trade Organization.

1.5 The early 1990s also witnessed significant political changes. After many years during which elections were perceived as rigged, in 1992 Guyana had what international observers judged to be a free and fair election. Since party identification is overwhelming along ethnic lines and since the Indo-Guyanese population is so much larger than the Afro-Guyanese population, this election brought to power the PPP/C[1] and the PNC became the opposition. The new PPP/C government continued with the reforms initiated by the PNC government. Hence, by 1994-95 it could be said that the first phase of reform had been fairly successful and that reforms and their benefits appeared sustainable. Racial tensions and distrust were always present, albeit with different dynamics after the PPP/C came into power in 1992. But with income growth and poverty reduction happening for the first time in many years, there was relative peace and quiet on the racial front and growing optimism across the racial divide that better times were in prospect.

1. PPP/C stands for People's Progressive Party/Civic and is identified with the Indo-Guyanese, while PNC stands for People's National Congress and is identified with the Afro-Guyanese.

1.6 One significant indicator of the new optimism was that the "brain drain" of the previous decades was reversed in the early 1990s. The return of experienced professionals, entrepreneurs, and skilled workers both signaled and caused an improvement in the investment climate.

1.7 Table 1 shows how Guyana's economic performance improved markedly during the first phase of its reform program launched in 1989, creating a favorable momentum of reforms that Financial Sector and Business Environment Credit (FISBEC), the first World Bank financial sector loan, and Private Sector Development Adjustment Credit (PSDAC), which were approved between end-1994 and mid-1995, were intended to sustain. It also shows that there was a marked deterioration in performance after 1997, the year in which Cheddi Jagan, the longtime political leader of the PPP/C and President since 1992, died and was succeeded first by his wife and then in August 1999 by Bharrat Jagdeo, the current President.

Table 1: Economic Indicators

Indicator (%)	*Annual Average for:*		
	1980s	***1991-1997***	***1998-2002***
Compound growth rate of real GDP (%)	-3.5	7.1	0.5
Poverty Incidence (%)	n.a.	43.2 (1992)	35.0 (1999)
Inflation (period average, %)	17.7	7.1 ('92-'97)	5.2
Fiscal deficit/GDP (including grants, %)	n.a.	5.1	5.5
Public debt/GDP (end of period, %)	429	223	200
Exchange rate (G$ per US$, end of period)	27.2	142.4	190.6

Source: Development Policy Review, World Bank, June 2003

1.8 Since 1997, Guyana's growth performance has been poor owing to a combination of domestic and external factors. On the domestic front, these included political disturbances following the December 1997 elections, a prolonged strike by civil servants in 1999 over wages, social unrest following the 2001 elections, a breakdown in negotiations over constitutional reforms, disputes over parliamentary management (leading to a boycott of Parliament by the opposition in 2002-03), a sharp increase in organized crime and drug trafficking, and policy slippages. External factors included adverse climatic conditions associated with El Niño (starting in 1997) and a cyclical decline in key commodity prices (sugar, rice, and gold).

1.9 The adverse domestic factors reflected a deepening of the ethnic divide. A 2002 FIAS report identified the "poisonous, racially divided, anti-cooperative political climate as Guyana's number one problem." And the Bank's 2003 Development Policy Review identified the "governance crisis" as the number one issue. Annex E shows the steady and substantial deterioration between 1996 and 2002 of several key governance indicators, including political stability, rule of law, regulatory quality and control of corruption.

1.10 Thus, while FISBEC and PSDAC were designed and approved during a period of growth, relative political stability, and optimism about future economic development, the third finance sector project, Financial and Private Sector Institutional Development Project (FPID), approved in November 1999, was launched at a time of deteriorating growth and governance. Whether or not this had, or should have had, implications for the design (and even the existence) of FPID is considered in Chapter 2. The implications of the deterioration in governance for the outcomes and sustainability of all three projects are discussed in Chapters 3 and 4.

2. The Credits: Context, Objectives, and Design

IDA's Assistance Strategy

2.1 Although the three IDA projects evaluated in this PPAR spanned the years 1994-2002, only one country strategy was in effect for almost this entire period. Issued in November 1993, this set out the strategy for FY1994-96,[2] the years in which PSDAC and FISBEC were prepared and approved. The next (and current) Country Assistance Strategy (CAS) was not issued until May 2002, long after the closing of PSDAC and FISBEC and only months before the closing of FPID.

2.2 The 1993 country strategy noted the enormous challenge facing the (then new) Government of Guyana (GOG) including the need for major measures to promote private sector development (PSD), define GOG's role in the economy, reform the public sector, rehabilitate the infrastructure, strengthen the social sectors, and protect the environment. Citing Guyana's exceptional macroeconomic performance and its prevailing good governance it proposed two alternative lending programs: a high one and a low one, with the high program the de facto base case. This program consisted of two projects per year for the years FY94-96 totaling about $55 million — a large program for a small country, implying commitments of $25 per capita per year. The lending program was intended to focus on PSD and the social sectors.

2.3 The main diagnostic instruments underlying the PSD environment improvement objectives of both the country strategy and the projects assessed in this PPAR were a 1993 Country Economic Memorandum (CEM), a 1993 Private Sector Assessment (PSA), and a 1993 Public Sector Review. These comprehensive, timely, and technically competent documents clearly identified the needs for policy reform and the constraints confronting PSD. But while they addressed the policy, infrastructural, and other constraints to transforming Guyana from a socialist to a market economy, they did not much address Guyana's *institutional structures and dynamic*s, the *governance context* (including implications of the racial divide), or *ownership issues* (such as the different interest groups having highly divergent views about the reform program). Consequently, these issues were not much addressed in the country strategy and seemingly not taken into account in design of the three finance sector projects.

2.4 Similarly, while the country strategy described a comprehensive set of needed reforms, it did not much address *relative prioritie*s (such as tax reform versus privatization); *sequencing and pacing issues* (such as the need to synchronize improvement of the regulatory regime with the pace of privatizing public utilities); or the *Bank's comparative advantages* relative to other donors, some operating in the same sectors and sub-sectors. The 1993 country strategy's risk assessment was limited to the insufficient observation that the risks of slippage were [seen as] substantial because the adjustment process was likely to involve an intensive dialogue. But little if any hint was given about the significant risks related to weaknesses in ownership, both within the ruling party and across political/ethnic lines, and to other governance-related factors to be discussed below.

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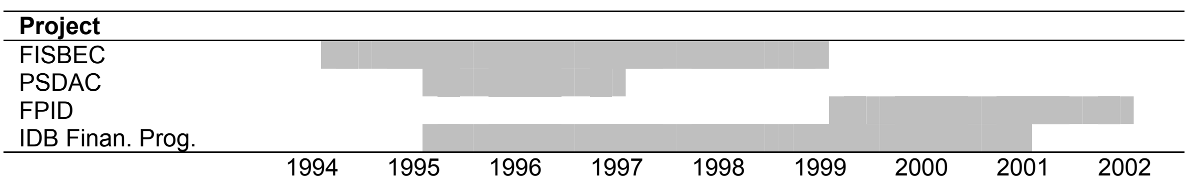
2. The 1993 strategy was not a separate Country Assistance Strategy document but rather a statement of IDA's FY94-96 strategy that appeared as a section in the Memorandum of the President for a Water Supply and Rehabilitation Project.

2.5 It is surprising and regrettable that the next country strategy was not produced until 2002, as country conditions — political, social, and economic — changed considerably after 1997 and warranted a new stocktaking and re-thinking of what assistance strategy would be appropriate under the changed conditions. The 2002 Country Assistance Strategy (CAS) gave considerable attention to Guyana's governance problems. As noted earlier, FISBEC and PSDAC were designed and implemented in the mid-1990s, when governance was not such a binding constraint. Hence, the "fit" of those projects with local governance was a closer one than in the case of FPID, approved in 1999. FPID was however consistent with the de facto country strategy of its time that called for a substantially scaled-back IDA program.

Project Objectives

2.6 All three projects had the same over-arching objective of improving Guyana's environment for private sector development; FPID also had a few components aimed at strengthening selected areas of public sector management. PSDAC was a policy-based adjustment operation, while FISBEC and FPID were technical assistance (TA) projects. There was considerable overlap in their objectives and components. Figure 1 shows the timeline of the three projects (plus that of a related IDB financial sector adjustment operations).

Figure 1: Project Timeline



2.7 **PSDAC's over-arching objective** was to spur progress in improving the environment for the private sector and thereby stimulate economic growth. Its ***proximate/intermediate objectives*** included: (i) maintenance of the macro-framework agreed with the IMF; (ii) financial sector reform through improving bank supervision and regulation making the central bank more independent; (iii) merging and restructuring key public sector banks; (iv) undertaking a comprehensive privatization program; (iv) streamlining trade procedures and harmonizing tariffs with other nations in the Caribbean; (v) updating laws and regulations governing corporations (vi) establishing an agency to foster foreign investment; (vii) reforming corporate and consumption taxes; and (viii) eliminating discretionary investment incentives. As a policy-based adjustment operation, its main ***instruments*** were policy dialogue, balance of payments support, and a set of tranche disbursement conditionalities.

2.8 **PSDAC's conditionalities** required GOG to: achieve progress in its Privatization Plan (by bringing given numbers of state-owned enterprises to point of sale and to completion of privatization); to put into effect the Financial Institutions Act and the Prudential Regulations; to approve a bill to increase the independence of the Bank of Guyana (BOG); to define the mandate and future strategy of GO-Invest; draft regulations for the Companies Act of 1991; put into effect the Trade Reform Act; and maintain measures included in the Tax Reform Plan.

2.9 **FISBEC's over-arching objective** was to implement sustainable institution-building mechanisms supporting the financial and private sector, and to facilitate the effective implementation of policy measures supported by PSDAC. It was conceived from the outset to be complementary to, and supportive of, the PSDAC agenda. Its ***components and instruments*** were: (i) *consultants* to carry out studies, provide advice, draft new laws and regulations, etc. (85 percent of total allocated costs); (ii) *training* (11 percent); and (ii) *equipment* and tangible goods such as computer hardware and software (4 percent). Another FISBEC instrument was the funding of consultancies and *stipends of government officials* (not all in the agencies involved in project components) in line positions at salary levels far above those of the civil service.

2.10 **FISBEC's components** comprised (i) advisers and training in banking supervision; (ii) an advisory team to the Privatization Unit, plus the funding of local senior staff of the Unit; (iii) advisers to assist in the merger/restructuring of GAIBANK/GNCB; (iv) advisers and training to develop GO-Invest, the investment authority; (v) consultants to conduct environmental audits and assessments; (vi) an unallocated fund for contingencies; (vi) consultants for improving the Companies Act; (vii) consultants to provide advice and training in monetary management in the BOG; (viii) a Project Unit in the Ministry of Finance; and (ix) office equipment and computers for the organizations listed above.

2.11 **FPID's main objective** was to consolidate measures taken under previous structural adjustment and TA programs and thereby foster private sector development. In broad terms this meant advancing financial sector reforms and supporting privatization. A new objective was to support the modernization of the public sector through improved service delivery in procurement, auditing and public sector management.

2.12 **FPID's main components** were: (i) supporting core functions of the Privatization Unit; (ii) implementing a new public sector human resources management and payroll budget tracking system; (iii) re-structuring GNCB; (iv)modernizing procurement/bidding for public sector contracts; and (v) developing the securities market and insurance industry. Funds were also allocated to improve banking sector regulation and public sector auditing capabilities. Eighty percent of total FPID expenditures was allocated to the provision of consultants and advisers. Although not explicitly identified in its appraisal report, FPID (like FISBEC) was intended to fund salaries/consultancies of selected government officials plus a highly paid expatriate consultant to serve both a head of the Project Unit (in the Office of the President) and as a senior economic adviser to the President.

Relevance of the Objectives and Fit with the Country Strategy

2.13 The three projects were consistent with the country strategy of 1993. But because the strategy itself was not as "strategic" a document as it might have been, almost any project might have passed this "consistency test." The missing elements at the strategic level — assessment of risks and risk-reward tradeoffs, identification of which constraints were more and which less binding, clear rationales for packaging, sequencing, and pacing of reforms — were reflected in the three projects at a tactical level. PSDAC in particular was "relevant" as an intended catalyst to policy reforms and as a source of needed balance of payments support to avoid debt defaults (Guyana was then in default to some creditors), to build up foreign exchange reserves, to support the exchange rate, and to finance imports needed to rehabilitate the infrastructure. PSDAC was also relevant as an imprimatur of reform progress in a country trying to rehabilitate its investment climate and attract direct private foreign investment.

2.14 FISBEC and FPID had similarly relevant objectives but less appropriate designs. All the projects would have been more relevant (and cost-effective) had there been less overlap with activities/interests of other donors and earlier concentration on strengthening the regulatory framework (not only in the financial sector), the investment code/law, and the judicial system — all areas of importance to the investment climate.

2.15 The **main strengths of PSDAC's design** were that that the project was timely, provided much-needed foreign exchange, focused on reform areas that needed to be addressed, entailed generally good aid coordination with the IMF and IDB, served as an instrument for strengthening the policy dialogue between IDA and GOG, and at least with regard to the privatization program, gave due attention not just to accelerating privatization but also to important process issues and to the institutional framework for privatization.

2.16 The considerable overlap of project objectives and conditionalities with those of IDB's $38 million Financial Sector Program (approved in August 1995) was both a strength and a weakness.[3] FSP's conditionalities included Guyana's maintaining a macro framework compatible with the reform program, merging/restructuring GNCB/GAIBANK, creating an independent central bank, implementing the Financial Institutions Act, and strengthening bank supervision, all of which were also PSDAP conditionalities. The additional leverage was conducive to getting action. But the downside was a duplication of effort, with some problems arising also from a lack of harmonized conditionalities.

2.17 Some **shortcomings in PSDAC's design** were (i) the lack of borrower participation in project identification and preparation; (ii) the "donor-driven" character of the project, (iii) a risk assessment that, while identifying Guyana's extremely weak administrative capacity, put too much reliance on FISBEC as an instrument for strengthening capacity; and (iv) the neglect of institutional issues (this being more of a country strategy issue than a project design issue), as neither the country strategy nor the PSDAC directly addressed the knotty issue of how policy reforms and privatization should be phased with the more difficult task of building well-functioning legal and economic institutions needed by a market economy — especially those relating to property rights, contract enforcement, commercial dispute resolution, and regulation of natural monopoly elements of private and joint-venture utilities.

2.18 The development of these institutions, especially the judiciary and the regulatory authorities, was not given sufficient priority in the 1990s by either GOG or the donors. All three projects would have been more "relevant" had greater priority been given to addressing these key institutional issues.

2.19 The **main strength of FISBEC design** was the complementarity of its objectives and planned components with PSDAC. This made it, in principle, highly relevant. The project's designers correctly recognized the need for complementary TA, mainly in the form of external consultants, who would be needed to help implement the PSDAC agenda. The project design also gave appropriate recognition to the need for capacity building, and hence included substantial training bus-components within most of the components identified above.

2.20 **FISBEC's main design weakness** was that there was little prospect that its "blueprint" would be implemented as designed. Virtually all the project resources were allocated for each

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3. That IDB credit was closed in November 2001, almost three years after its original closing date. The delay was largely owing to poor performance in strengthening the merged GAIBANK/GNCB, which was also an area of particularly weak performance under PSDAC, as will be described in Chapter 3.

year of the project period to specifically identified consultants, studies, and training programs in each of the project components. But this was simply not realistic in Guyana in the mid-1990s. It would have been more realistic and appropriate to have adopted a "process" design that built in flexibility to components and their budgets and timetables over the course of the project. A related basic problem was that, like PSDAC, FISBEC was highly donor-driven. Its designers noted the risk of weak ownership in the project documents but did not adopt a project design geared to managing that risk.

2.21 The project documents did not, however, indicate that FISBEC was intended to be a vehicle for funding many long-term local consultancies and stipends for government officials, including for those in line positions. Both as to eligibility for IDA financing and as a procurement issue (for example, as to whether active civil servants can be hired as consultants, with de facto "topping up" of salaries), there were considerable gray areas in Bank guidelines operative during the time FISBEC (and FPID) was being disbursed. And some of these gray areas remain to the present time. In any event, while a strong case could be made for donor funding of Guyanese officials (who might otherwise have emigrated in far greater numbers) and while it is not evident that guidelines were violated, the project documents and ICRs for these projects certainly should have at least identified the projects' intent to provide such funding, and justified the practice in recognition of its "second-best" character (the first best being meaningful civil service reform, including of the salary and incentive structures). IDA and other donors should also have been less tolerant of GOG's lack of progress in civil service reform. (These issues are discussed further below).

2.22 FPID was essentially a continuation of FISBEC, with several of the same objectives, components, modalities, and design features but with some notable differences in its design strengths and weaknesses. Like FISBEC, FPID was a highly-specified "blueprint" design, but this was much more appropriate because two largest components, GNCB and payroll system modernization, were well "secured," that is, had a high probability of being implemented. FPID's design was also improved by giving more attention to project management (which proved to be weak in FISBEC). A notable strength of FPID's design was the establishment of its Project Implementation Unit (PIU) in the Office of the President, with the head of the Unit being an economic adviser to the President. Except in the payroll component, FPID (unlike FISBEC) contained minimal provisions for training and capacity building. This was at the same time realistic (given the disenabling environment for institutional development in Guyana, to be discussed in Chapter 4) yet regrettable in view of the country's great needs for capacity building.

2.23 In contrast to FISBEC, which was ambitious but unrealistic, FPID can be said to have been realistic but relatively unambitious, with its relevance diminished by the deterioration in governance which had occurred since early 1998. FPID might have been more "relevant" had it sought to address some of the deeper governance issues that constituted the binding constraints to PSD in Guyana, the improvement of which was the "bottom line" objective of all projects. Yet given the complexity of those governance issues, and donors' limited capacities to address them, attempting to do so would have been very ambitious, less "realistic," and at high risk of failure. There are difficult tradeoffs involved here, but it is a lesson of recent years that unless real progress is made in improving governance, TA projects such as FPID will have little relevance to improving the environment for PSD in Guyana.

Box 1: Elements of Good Practice/"Good Fit" in TA Projects

Elements of good practice in the development, appraisal, and management/supervision of Bank TA operations are identified in two recent Bank reports. This evaluation finds that both FISBEC and FPID were lacking in several of these key elements.

- complementarity with the Bank's Country Assistance Strategy
- upstream analysis that yields a realistic understanding of the client's demand
- for reform, governance context, incentives, and management capacity
- client ownership and participation in project preparation
- clear objectives
- good fit with local governance
- adequate project management preparation
- medium- to long-term process-oriented approach to implementation
- attentive supervision by experienced staff
- adequate Bank staff skills and incentives

Sources: David Steedman, "Technical Assistance in the PREM Portfolio: Stocktaking and Lessons Learned" (World Bank, Poverty Reduction and Economic Management, December 2001) and "Lessons and Practices in TA" (World Bank, Operations Evaluation Department, 1996).

3. Implementation Experience

3.1 **PSDAC Implementation**: PSDAC was fully disbursed and its implementation was reasonably satisfactory. Minor waivers of conditionality were made concerning final sale of a dairy complex and the sale of shares in Guyana Stores. Some privatization delays resulted in a reduction in second tranche conditionality regarding the number of enterprises to be brought to point of sale, but this shortfall was made up by the time of third tranche release.

3.2 PSDAC implementation was on target with regard to macroeconomic stabilization, the number of privatizations, strengthening bank supervision, promulgation of a new Companies Law, and trade liberalization. Steps were also taken to eliminate discretionary incentives and to make the central bank independent, although these objectives were not in fact achieved. PSDAC implementation fell short of its aims with regard to GAIBANK/GNCB restructuring, corporate tax reform, and in strengthening the capacity and effectiveness of GO-Invest.

3.3 With respect to ***macroeconomic stabilization***, between end-1994 and end-1997, the inflation rate fell from 16 percent to 4 percent, the fiscal deficit fell from 6 percent to 4 percent of GDP, and economic growth averaged over 6 percent. With ***regard to financial sector reforms,*** implementation of the new Financial Institutions Act and its regulations (in conformity with Basle standards) was an important achievement, and a new Central Bank Act intended to make the central bank more independent was presented to Parliament. A new ***Companies Law*** and regulations were promulgated. ***Trade liberalization measures*** entailed reducing maximum tariff rates from 45 percent to 20 percent in accordance with the CARICOM External Tariff Agreement while import and export licensing requirements were significantly reduced. PSDAC's ***privatization targets*** were also achieved (and slightly exceeded) as 19 SOEs and minority shares in 2 entities were brought to point of sale while completed sales were registered for 12 SOEs plus minority shares.

3.4 ***GAIBANK and GNCB*** were merged as planned (although a preferred objective would have been that GAIBANK be liquidated and GNCB privatized), but the new GNCB's corporate governance and management were poor and the bank's performance deteriorated rather than improved. An important factor explaining this unsatisfactory development was GOG's refusal, until 1999, to accept an expatriate management team to deal with the corruption plaguing that enterprise. The planned reform in ***corporate taxation*** did not materialize, nor did the disbanding of GUYMIDA, an agency responsible for issuing discretionary incentives, result in the intended elimination of discretionary incentives.. PSDAC's objective to foster GO-Invest as a one-stop agency to promote private investment was also not achieved during implementation owing to low GOG commitment, weak leadership and staffing, and the lack of progress in streamlining the investment process.

3.5 **FISBEC Implementation**: FISBEC's closing was delayed by one year owing to major delays in disbursements. As of the initial closing date, only 27 percent had been disbursed. In the last, extended year, the remainder ($2.2 million) was disbursed, mainly to finance an expatriate management team in GNCB (an existing component) and legal work relating to privatization of the power company (an ad hoc allocation representing IDA's first and only involvement in Guyana's power privatization. As noted above, FISBEC started with a highly specified design that could not be implemented from the outset. Hence, it became, by default, a more flexible project but one lacking in pre-defined processes and safeguards that characterize projects intentionally designed that way. The extent to which FISBEC's actual allocations differed from planned allocations is shown in Table 2. This represented a significant *de facto* although not a *de jure* restructuring.

3.6 The components for monetary management, environmental audits, GO-Invest, and companies regulation virtually disappeared from the project, while the banking supervision component was scaled back to about a quarter of what had been planned. Meanwhile, much larger-than-planned outlays were made for the Privatization and Project Unit, with only the GAIBANK/GNCB component being relatively unchanged. The project became, in effect, just these last three components.

Table 2: Planned Versus Actual FISBEC Outlays, By Main Component

Item	*Planned** %	*Actual* %
Banking Supervision	27	7
Monetary Management	3	0
Restructuring GAIBANK/GNCB	17	20
Privatization Unit	21	59
Environmental Audits	13	3
GO-Invest	14	1
Companies Regulation	4	0
Project Unit (PIU)	2	10

* Figures do not total 100% owing to rounding

3.7 Often in countries with weak governance and institutions, when components from "blueprint" projects like FISBEC are dropped or scaled-back, the projects become prey to rent-seekers. It is therefore to the credit of FISBEC that its freed-up funds remained undisbursed rather than being re-allocated to low-priority uses.

3.8 A principal reason why FISBEC disbursements in the first three years were far below what had been planned is that both the Privatization Unit and GNCB were resistant to using foreign consultants or management teams. This resulted in delays in the rate of privatizations, and in the case of GNCB, this delay was costly as bad loans (to be assumed by the State) mounted. Performance on this important component of FISBEC was unsatisfactory until the last, extended year, when conditionalities on outstanding adjustment operations (IDB, IMF, and HIPC) finally got GOG to accept an expatriate management team in GNCB. The reason why FISBEC did not finance environmental audits as planned was that this function was performed by consultants financed on grant terms by DFID, which also financed many consultants to the PU for other privatization tasks.

3.9 One significant FISBEC role (not explicitly identified in the appraisal report or ICR) was the financing of salaries/consultancies for line officials not only in FISBEC-related agencies (including GNCB, GO-Invest, Bank of Guyana, and the MOF/PU), but also departments not directly concerned with project components, as in the Office of the President, Guyana Revenue Authority, and the budget department of MOF.

3.10 The fivefold increase over planned allocations for the Project Unit (PIU) were largely to finance a consultant, later to become the project manager for FPID, who served as an economic adviser to the Minister of Finance. This was a "positive externality" of the project during implementation. As for the PIU itself, while the legal documents called for its creation within MOF, this was not done and the project was under-managed on the government side, albeit with some improvement in 1998-99. Indeed, as described in Box 2, FISBEC was repeatedly criticized by Guyana's Auditor-General's Office for lax management and for its non-response to these criticisms.

Box 2: Comments on FISBEC by Guyana's Auditor-General's Office

From the 1998 Report on FISBEC: "Periodic progress reports on the works performed by consultants…were not produced for audit inspection despite requests for same. Consequently it could not be determined to what extent progress was made on…reforms in the various sectors…."

From the 1999 Report on FISBEC: "An adequate management structure was not in place to ensure timely monitoring, evaluation and reporting of the progress of the project….It could not be ascertained whether there was competitive bidding in the awarding of the contracts to the consultants since relevant records and documents were not produced for audit inspection….Additionally it could not be ascertained whether all the services to be provided in accordance with the contracts were actually rendered, since relevant legal documents were not provided for audit inspection. A satisfactory explanation was also not obtained for this state of affairs. The project did not operate with an annual budget. This matter was also the subject of adverse comment in my report on the previous year's accounts. ..The requirement was not met [that] the Borrower shall provide…the amounts required as counterpart funds for the execution of the project."

3.11 A major problem for OED as well as the Auditor-General in assessing the performance of FISBEC is that monitoring and reporting on the project, whether in the PIU, in supervision reports or in the ICR, was almost always in terms of progress toward component/development objectives (for example, to strengthen the banking supervision department of GOG) without a clear indication of what role the particular consultants or studies or training or equipment funded by FISBEC actually played. Hardly any reference was made in these reports, for example, to the terms of reference or efficacy or cost-effectiveness of particular consultants, or to studies and their quality, impact, and cost-effectiveness. Moreover, the reporting on project progress (both in supervision reports and in the ICR) tended to give credit to FISBEC for the achievement of project objectives that were more properly attributable to other donors.

3.12 As noted above, FISBEC was a significant source of ad hoc funding of salaries and consultancies, some in agencies unrelated to FISBEC objectives and components. The benefit of this practice was that it enabled GOG to use many skilled people who otherwise might not have been available at civil service salaries. Much of the business of government simply would not have been possible otherwise. But neither in the design nor the evaluations of either FISBEC or FPID was this practice identified or justified, or its serious downsides and negative externalities at all considered.

3.13 FISBEC implementation of its training/capacity building subcomponents (planned at 10 percent of total project costs) fell well short of what was planned. This was partly a cause and partly a consequence of the change in allocations and reflected also the inherent difficulties of capacity building and institutional development in Guyana

3.14 **FPID: Implementation**: FPID closed as planned in December 2002, having been over 90 percent disbursed. Its implementation was moderately satisfactory. FPID's design survived much more intact than had FISBEC's, as its largest components, for GNCB restructuring and payroll system modernization, were disbursed more or less as planned.

3.15 Unlike most FISBEC and FPID components, *the modernization of the payroll system* was an essentially technical task that did not involve removing or reducing rents (as in some privatizations, GNCB, and procurement). This component, unlike most others, had strong GOG ownership while MOF's payroll division had staff who were motivated (including by substantial salary supplements paid from FPID) and qualified to manage their own component with little interference from other parts of GOG.

Table 3: Planned Versus Actual FPID, Outlays, By Main Component Group

Item	*Planned* %*	*Actual %*
Financial Sector (mainly GNCB)	27	20
Private Sector Development (mainly PU)	38	49
Public Sector Business Services (mainly payroll system modernization)	26	29
Contingencies	9	2*
Total	100	100

*Unused/undisbursed, therefore not added into total

Source: ICR Annex Table 2d

3.16 Thus, although the payroll component was an ad hoc, last-minute addition to FPID, its implementation proceeded satisfactorily in the first phase (to enable the system to meet Y2K standards). Progress was slower in the second phase of getting an integrated human resources management system. About $1 million was disbursed on this component, of which about $100,000 was spent on training. This was one of the few components of either FISBEC or FPID where capacity building got significant attention and resources.

3.17 The Auditor-General component also had good client ownership and management and involved some capacity building. But this component was very small, entailing only about $40,000 to finance 75 staff weeks of training for 24 staff in performance as well as forensic auditing. The training was provided in Guyana by the U.S. Department of Agriculture, and was reportedly (by the Auditor-General's Office) cost-effective and of good quality. The actual and prospective departure of trained staff has so far been moderate, partly because a new law (not yet passed) would establish a much-improved salary scale for the Auditor-General's Office. This component was well implemented, but it has to be questioned how cost-effective it is for IDA to fund this type and size of component when IDB is providing similar assistance and would seem to have a comparative and competitive advantage there at a time when no IDA project for public sector management was in place.

3.18 Some components of FPID, namely *procurement, securities and insurance*, while never formally dropped, did not materialize as planned as other donors and another IDA operation essentially displaced FPID. DFID, rather than FPID, provided TA in the securities area and the work on procurement reform appears to have been done not under FPID but rather in connection with preparation of the IDA Poverty Reduction Strategy Credit (PRSC). As in the case of FISBEC, supervision reports and the ICR tended to blur the matter of whether it was FPID or other donors' assistance that was enabling progress to be made on those components.

3.19 FPID's financing of the PIU in the Office of the President had important and positive externalities as the PIU was essentially the counterpart for IMF negotiations, the IDB program, HIPC, implementation of international financial institution conditionality, coordination of the PRSP process, and preparation of the PRSC. So, while FPID had a "less-than-planned" impact in some of its focus areas, it had a "more-than-planned" impact in other important areas.

4. Outcomes and Assessments

Outcomes

4.1 OED defines outcome as "the extent to which a project's major relevant objectives were achieved, or are expected to be achieved, efficiently." Outcome therefore includes both what was achieved during implementation and since project closing, up to the present time. In assessing the extent to which the outcomes of FISBEC, PSDAC, and FPID were satisfactory or not, emphasis is given here to performance on the *intermediate* objectives (such as privatization, GNCB rationalization, etc.) vis a vis the *ultimate* objective of improving the country's environment for PSD, recognizing that the deterioration of governance in recent years has very adversely affected Guyana's business environment, and in so doing has diminished the projects' relevance and benefits.

4.2 Previous chapters have dealt in some detail with the projects' designs, relevance, and efficacy during the implementation period, so this chapter does not repeat those findings but rather provides supplemental and updated findings about outcomes in several component areas where PSDAC policy conditionalities or TA outlays were particularly significant, namely, privatization (with special reference to the power company, the largest privatization and one where considerable IDA TA funds were expended), discretionary incentives, independence of the central bank, and GNCB. It then provides assessments and ratings of the projects' outcomes, sustainability, institutional development impact, Bank performance and Borrower performance.

4.3 ***Privatization*: ** As described in the implementation section, many state-owned enterprises (SOEs) have been brought to point of sale and privatized since FISBEC was approved in December 1994. However, most of these privatizations were of small companies of limited consequence to the economy or to the investment climate. The largest privatizations were GEC, the power company, GNCB and two other banks, and Guyana Airways. To the credit of GOG, since the mid-1990s the overall quality of the privatization process, specifically its openness and probity, appears to have been reasonably good. Evidently, insider dealing and other forms of major corruption were avoided, and good marks in particular are given to the leadership of the PU, the senior staff of which was paid by FISBEC and FPID. Provision was also made to reduce the social costs of privatization.

4.4 The most important issue in assessing the outcome of privatization is whether constructive restructuring (as opposed to asset-stripping) took place after privatization, and what happened to the productivity, profitability, and viability of the former SOEs. Unfortunately, data needed to answer these questions are not yet available. The PU plans to do a post-privatization study, but this is not yet underway. The limited available information[4] indicates that in the banking sector (leaving aside GNCB, which was substantially restructured before its privatization in 2003) not much modernization has taken place, with services continuing much as before privatization. Guyana Airways was liquidated shortly after its privatization and the largest privatization, of GEC, has failed, with serious adverse impact on the investment climate (Box 2). OED finds that

4. Sources for this judgment include mission interviews, the Bank's DPR, publications of the Economist Intelligence Unit and Oxford Analytica.

the outcome of privatization (only a small part of which is directly attributable to the three IDA projects) has been mixed.[5]

Box 3: The Unhappy Story of GEC Privatization

After years of preparation and false starts, the Guyana Electric Company was privatized in 1999. FISBEC paid about $1 million in legal fees to an American law firm consulting to the Privatization Unit concerning this privatization. The ICR for FPID cited this privatization, the largest to date, as a major accomplishment.

What the ICR neglected to mention, however, was the well-known fact that in April 2003 the power company (now called GPL) was re-nationalized. After having invested about $20 million in the company, the foreign partner sold its 50 percent share back to the Government for $1 and left Guyana. Between 1999 and 2003, tariffs of the privatized power company (which were set outside the domain of the Public Utility Commission) were raised considerably by GPL. This rendered the company more financially viable than before, but both technical and commercial losses increased after privatization, partly because of constraints upon GPL's ability to make collections and suspend services by non-payers. This was simultaneously a failure of privatization and of utility regulation, not a positive achievement as the FPID ICR implied. This outcome was unsatisfactory in that it reflected and perpetuated both the unreliability and high cost of electricity needed by companies operating in the private sector and the Government's failure to establish appropriate "rules of the game" for utility privatization. OED was unable to ascertain what role the large FISBEC outlays for privatization consultancies played in the outcome. This was partly owing to the generally inadequate monitoring and vetting of the quality of project consultancies and studies by either IDA or GOG.

4.5 ***Social Impact of Adjustment***: PSDAC did not contain specific objectives or components relating to poverty alleviation or the social impact of adjustment. But the privatization program did provide for worker participation and compensation and a Social Impact Amelioration Program was undertaken. Reflecting mainly the high GDP growth of the mid-1990s, the proportion of the population classified as below the poverty line fell from 43 percent in the early 1990s to 35 percent by 1999, with a decline also of the incidence of households classified as very poor. Income distribution remained moderate, with a Gini coefficient estimated at 0.4 for 1999. The social impact of adjustment therefore seems to have been relatively favorable in the 1990s. But this improvement will be hard to sustain in light of the slowdown in growth and the country's governance and fiscal problems of recent years.

4.6 ***Elimination of Discretionary Incentives***: Whereas the PSDAC ICR cited the achievement of elimination of Guyana's discretionary incentives by 1997, the Bank's 2002 *Country Financial Accountability Assessment* found that high-level officials exercise unusually high degrees of discretion in making decisions of considerable financial impact. Areas involving the dubious use of discretion include remissions of taxes for investment, corporate taxes, disputes in relation to tax penalties, remissions of customs duties, and purchases of public land. A 2002 FIAS report also stated that excessive case-by-case discretionary decision-making in Guyana was a recipe for unclear governance, red tape, differential treatment of companies or business people who should be treated equally, and an invitation to corruption. New tax and procurement laws are geared to greatly reduce discretionary incentives but these remain to be implemented.

5. The outcome of the privatization of telecommunications, undertaken before the three IDA projects, has also reportedly been unsatisfactory.

4.7 ***Independence of the Central Bank*:** The PSDAC ICR cited as an achievement under PSDAC the tabling in Parliament of a central bank act to promote central bank autonomy. However, reflecting weak GOG ownership of this intent, as of 2003 there was still in office only an acting governor of the central bank, serving at the pleasure of the President — a clear violation of the spirit if not the letter of the law. The Central Bank remains to achieve significant autonomy.

4.8 ***Trade, Tax, and Other Policy Reforms:*** In general, with regard to those other policy reform objectives where PSDAC was successful during implementation, the outcomes since project closing have been generally positive notwithstanding some notable lapses, as for example the inadequate supervision/regulation of Globe Bank (a failed private bank). Progress has continued in trade reforms, including the further lowering and harmonization of tariffs with other CARICOM countries. GO-Invest, the agency to foster foreign investment, has been resuscitated with the aid of other donors but remains weak. But the intended reform of corporate and consumption taxes has continued to be postponed until very recently.

4.9 ***The GNCB Story: Success or Failure? Or Both?*** The PSDAC/FISBEC objective of getting substantial restructuring of the merged GAIBANK/GNCB was not realized, as mentioned above, because mismanagement, poor corporate governance, and corruption led to mounting rather than reduced losses. Only in 1999 was the positive step taken, under HIPC conditionality pressure, to bring in an expatriate management team. The stated FPID objective for GNCB was not its privatization but rather its return to a profitable net earnings position, with a reduced share of its non-performing loan portfolio and increased collections on defaulting loans. Even with the leverage of HIPC conditionality, however, progress toward these objectives was slow. But finally, with the prodding of PRGF leverage, GNCB was brought to point of sale in 2002 and sold in 2003 to the existing largest private bank in Guyana, NBIC, owned by the Republic Bank of Trinidad. The bulk of non-performing loans (including those inherited from GAIBANK) were not taken over by the privatized bank but was rather transferred to the Government collection agency.

4.10 This privatization was no doubt an important achievement and a positive outcome, marking (as the ICR observed) the creation of a fully privatized financial system in Guyana. Yet this "success" is qualified by the fact that the process took far longer than it should have, with the state taking over a far larger portfolio of bad debts than it should have. Moreover, by the time that GOG was finally ready to proceed with the sale, the investment climate had worsened considerably, causing a prospective Canadian investor to withdraw and the final sale price to be less than it would have been had the privatization come sooner.

4.11 **Considering the Counterfactual, Related Attribution Issues, and the Projects' Ultimate Objective*:*** Project evaluation should be based not upon "before/after" comparisons but rather upon "with/without" assessment, i.e. the assessment of how outcomes would have been different had the projects not existed. This is inevitably speculative in TA and adjustment projects where formal models are not applicable, and is all the more difficult where, as in the case of the three IDA projects, multiple donors are pursuing more or less identical project objectives through overlapping projects.

4.12 In this context, it is important to distinguish between "the achievement of IDA project objectives" (such as FISBEC's objective to perform environmental audits) and "IDA project achievements", i.e. outcomes clearly attributable to the impact of the IDA projects. Since the environmental audits were actually financed and managed by DFID rather than IDA, they were clearly not an "IDA project achievement". Unfortunately, supervision missions and project ICRs tended to give undue credit to IDA for progress also on banking supervision, monetary management, procurement, and insurance and securities regulation that was more attributable to other donors. The counterfactual for these components is that the outcomes would have been the same in the absence of the IDA projects. Conversely, the completion report for IDB's Financial Sector Program did not adequately credit PSDAC for its role in advancing some reforms targeted by that project. IDA's diagnostic and preparatory work for PSDAC was clearly important to both projects and to GOG's own policy agenda, so the counterfactual assessment for PSDAC is that is that the pace of privatization and policy reform would have slower in PSDAC's absence. It is considerably harder to attribute significant and lasting impacts to the two TA projects.

4.13 While emphasis in this PPAR has been given to evaluating the projects in regard to their intermediate objectives, their ultimate or "bottom line" objective to improve Guyana's business environment has not been achieved. During the mid-1990s, PSDAC certainly had a significant positive effect on the business environment whereas the two TA projects had a much smaller effect. But all the benefits were largely swamped in recent years by the adverse impact of the deterioration in political stability, personal security, and the quality of governance. As Annex E shows, there were sharp declines in rule of law, control of corruption, and the quality of regulation. Reflecting these developments, the rate of private investment has fallen steadily from 13 percent of GDP in 1998 to 7 percent in 2002, loans and advances to the private sector are down, and emigration abroad, including of businessmen, has risen — all indicators that the "bottom line" objectives are not being met.

4.14 **Outcome Ratings**: **FISBEC's** relevance was reduced by its unrealistic objectives weak ownership, and faulty design while its efficacy was low owing to the dropping of many components, slow progress in GNCB, and its failure to foster sustainable institution building. The efficacy of the large outlays for GEC privatization could not be ascertained. *OED rates the overall outcome of FISBEC as unsatisfactory.*

4.15 **PSDAC** was highly relevant while its efficacy was mixed. Progress was satisfactory on macroeconomic stabilization, privatization of small to medium-size enterprises, financial sector regulation, and trade liberalization and unsatisfactory in eliminating discretionary investment incentives, rendering the Central Bank autonomous, reforming corporate taxes, restructuring GNCB, and developing a one-stop shop for promoting investment. *On balance OED rates the overall outcome of PSDAC moderately satisfactory*.

4.16 **FPID** was only moderately relevant while the efficacy of its two main components was mixed. Progress was good in the payroll component but was slow in the GNCB component, albeit with an ultimately positive outcome of GNCB privatization. It did little to directly achieve its broad objective to provide an enabling transactional environment for private sector business, but the externalities cited above were important and positive. *On balance OED rates the overall outcome of FPID as moderately satisfactory.*

Sustainability

4.17 OED defines sustainability as "resilience to risk of net benefits flows over time." In contrast to all three ICRs, which did not identify serious risks (and therefore rated the sustainability of the projects likely),[6] this PPAR finds Guyana to be highly vulnerable to several kinds of serious risks. This finding is not OED's own, as it is based largely on Bank's documents. The 2002 CAS declared its assistance strategy to be "a *high risk* one for the Bank, with *a significant probability that the low case scenario would be triggered during the CAS period."* (Italics added). The CAS found in particular that "the risk of escalating political instability remains high," and it cited the related risk of loss of momentum and focus on the reform agenda. Other risks found to be substantial were fiduciary risks related to weaknesses in the fiduciary and accountability framework, implementation capacity (weakened by continued high emigration of skilled Guyanese), fiscal management risks, and external shock risks

4.18 The 2002 CFAA assigned Guyana a high country risk rating, while the 2003 DPR discusses at length Guyana's multiple serious vulnerabilities and its need for radical improvement in the business climate through macroeconomic stability, better governance, and improved social capital and physical infrastructure; diversification of the economic base into high-value, competitive activities; and the restructuring of the traditional sectors — mining and sugar. These were found to be necessary conditions for a better economic outlook. Another major donor classifies Guyana as high risk and as a pre-conflict situation.

4.19 There are some positive signs of the government's new intent to decrease some of these risks, as for example, its recent passage of a procurement reform law and a communiqué in May 2003 that provided some limited opportunities for shared governance with the opposition party. Yet the trends of recent years, most particularly in the governance indicators shown in Annex E, have been in the wrong direction and the recent improvements (as compared to 2002) are yet not sufficient to promise significant improvement in the (now depressed) net benefits of the projects. *OED therefore rates the sustainability of all three projects as unlikely.*

Institutional Development Impact

4.20 All three projects had important institutional development (ID) objectives and project components. But Guyana's environment for ID and capacity building has been "disenabling" in important respects that severely constrained the ability of IDA (or any donor's) projects to have their intended ID impact, *viz*:

- **Guyana's political and state institutions lack cross-ethnic legitimacy.** Especially in recent years, the ethnic divide and its associated tensions, distrust, and dysfunctional consequences has permeated all institutions, making them less effective. This is a huge impediment to sustainable ID
- The **lack of civil service reform** (including a much-needed decompression of salary scales and a redefinition of institutional and individual responsibilities) is inimical to retaining able and motivated staff in the civil service, especially since emigration is a viable option for most skilled staff. Donors speak of a "hollowed out" government with a "missing middle" level of public servants.
- **Training can be a "black hole**" (as one senior donor official put it) in that, largely for the reasons above, as staff turnover is very high, selection of those to be trained is sometimes

6. Remarkably, even though the ICRs were issued in June 1998, December 1999, and June 2003, respectively, that is well after the political violence erupted in 1998 and up through the most serious "governance crisis" period of 2002 to mid-2003, no mention was made in the ICRs of ethnic, political or social problems that might pose any relevant risks to the benefits of the IDA projects.

politicized, and staff may not be highly motivated to acquire technical and managerial skills when their advancement may seem to depend more upon senior or personal affiliations than on merit. IDA and other donors' TA projects have long been characterized by a shortage of counterparts to receive on-the-job training.

- **ID has been approached in a piecemeal, ad hoc way** rather than in a systematic and coordinated way. There is no national ID vision or strategy with clear criteria for setting priorities and sequencing activities
- **Overly centralized decision-making and micro-management** from the top has reduced efficiency and de-motivated institutional staff at all levels, constraining ID
- **Donor practices of salary supplementation** (including paying consultants to do line jobs in the public service) and of hiring at high salaries the best qualified staff for their PIUs can undermine the development of existing institutions, create parallel structures, distort incentives, breed resentments and foster a powerful constituency opposed to civil service reform.

4.21 **PSDAC** did not have capacity building components but it did have an ID impact in the broader sense of changing some important "rules of the game" through its positive effects on privatization, trade liberalization, and financial sector legislation. It did not however have the intended ID impacts on either GNCB/GAIBANK or on GO-Invest, nor did it address the systemic problems mentioned above. *OED rates PSDAC's IDI as modest* (this being equivalent to the ICR rating of "partial.").

4.22 **FISBEC and FPID** played a positive role in changing the rules of the game in GNCB and fostered some capacity building in the PU (mainly through "substitution TA") but both projects were weak on ID. In FISBEC, this was mainly because the training and capacity building sub-components were never implemented while in FPID's case it was mainly because only in the payroll modernization component was any significant amount of capacity building attempted. Both FISBEC and FPID, through their payments of the salaries of local staff/consultants, did thereby prevent an erosion of institutional capacities that might otherwise have taken place, especially via emigration. But while this practice had a short-term positive IDI, it also has adverse effects on institutional development that may be difficult to overcome in the longer term. Neither project addressed the systemic problems mentioned above which render sustainable capacity building in Guyana a near impossible task. *OED rates the IDI of both FISBEC and FPID negligible.*

Bank Performance

4.23 **PSDAC:** Bank performance was on the whole good during identification, preparation, and appraisal. The project documents reveal considerable thoroughness and technical competence in preparation. There was considerable participation with stakeholders during preparation, although some stakeholders reported that this took the form of Bank staff explaining what had already been decided upon. Cooperation with the IMF was good and with IDB was fair. More division of labor and responsibility with IDB would have been desirable. Supervision entailed five missions averaging 2.6 mission members providing 73 supervision days — well below what had been planned. Inevitably, because the project components spanned several sectors and the supervision missions could not provide specialists in all these sectors, much of the supervision was in the nature of monitoring rather than providing expert advice and problem-solving assistance. *OED rates Bank performance overall as satisfactory*.

4.24 **FISBEC**: The identification and design of this project seriously misjudged the extent of borrower ownership and commitment to carry out the project as designed. Consultation and borrower participation in identification and preparation was insufficient, and wrong assumptions were made about the borrower's willingness to use expatriate consultants at international prices in several components. This seriously affected project implementation. FISBEC was deficient regarding its (i) upstream analysis of the client's demands, governance context, incentives, and management capacity; (ii) the "fit" with local governance; (iii) project management preparation; and (iv) medium- to long-term process-oriented approach to implementation. Design of the GAIBANK/GNCB component was flawed. There were nine supervision missions between November 1994 and July 1999, with most missions focusing on monitoring. Bank supervision was too permissive of lax project management by the borrower and too little attention was paid to the quality of consultants and their advice and studies and to cost-effectiveness. *OED rates Bank performance overall as unsatisfactory*.

4.25 **FPID:** The identification and preparation of this project gave more attention than FISBEC to matters of project management and borrower ownership and willingness to use expatriate consultants, and so it was more realistic albeit less ambitious in its objectives. At the same time, because governance issues had become quite problematic by 1999, when FPID was being prepared, appraised, and negotiated, the neglect of governance issues and the consequent "loose fit" with local governance was a more serious omission. In these circumstances it must be questioned whether a "low risk, moderate relevance, low gain" project is really worth undertaking vis a vis a higher relevance, higher risk project addressing systemic ID and governance problems.

4.26 FPID supervision entailed five supervision missions over three years averaging 2.4 supervision personnel per mission. The supervision reports again concentrated on monitoring (vis-à-vis technical problem solving) and largely reported on progress against objectives. Too little attention was given to efficacy, the quality of the consultants' work and advice, and cost-effectiveness. *On balance, OED rates Bank performance overall as satisfactory.*

Borrower Performance

4.27 **PSDAC:** GOG was too much a passive partner in many donor-driven projects, including all three IDA projects under review. But there seems to have been a fair amount of borrower acquiescence at the time in the PSDAC objectives, so borrower "ownership" was adequate. As the ICR noted, the process was slowed by the need for Cabinet approval of even the technical details of every proposal while Government efforts to build broad-based support were initially limited due to reluctance to share information with the opposition. There was considerable GOG ambivalence about doing what was necessary to achieve the privatization and GNBC rationalization targets, and this caused delays and inefficiencies in implementation. Over the project period, borrower performance improved and conditionalities were fulfilled.. Therefore, *OED rates overall borrower performance on this project as satisfactory*.

4.28 **FISBEC**: From project identification through appraisal, the borrower was ambivalent about its intentions regarding the various FISBEC components, especially concerning its intent to use expatriate consultants funded by FISBEC. So the borrower was partly responsible for IDA's unrealistic expectations as to the extent to which the FISBEC design would be implemented. It was also a borrower shortcoming that it delayed certain privatizations and proved reluctant to use FISBEC resources for needed consultants in privatization and in the GNBC component until

1999. These delays were costly to the country. It is also not clear whether the last year's large commitment of resources related to GEC privatization was cost-effective. As the Auditor-General's reports make clear, moreover, there were serious deficiencies in borrower management of the project. *OED rates borrower performance for this project as unsatisfactory*.

4.29 **FPID:** The same questions raised about Bank performance in FPID, i.e. with respect to whether this project could have and should have more seriously addressed system ID and governance issues, would apply also to borrower performance. Borrower performance on the privatization and GNBC and payroll components was satisfactory but too little attention was paid to instrument efficacy and cost-effectiveness. The funding of salary supplements remained problematic in the continuing absence of civil service reform and the systemic problems of ID in Guyana remain unaddressed. Forensic audits revealed no violations of legal requirements, but project data and documentation did not permit adequate performance evaluation of efficacy and cost-effectiveness. *OED rates borrower performance for this project as satisfactory.*

5. Lessons and Recommendations

5.1 *Governance problems and distrust are the binding constraints to improving the investment climate and getting PSD going in Guyana.* Unless real progress is made on those fronts — and donors need to recognize their very limited capacities to help in those areas — donor-driven projects can expect to continue to have low rates of return, and may even be harmful.

5.2 *Every component of every donor project and every project process* (such as consultations on project design, the hiring of consultants, procurement of goods, selection of trainees, and choice of regulatory options*) should be assessed to seeing how the projects and processes can avoid deepening distrust, and if possible, serve to build trust across the racial divide.* Participatory approaches, as applied in preparation of the PRSP, should be applied in monitoring and evaluation of all projects, both by donors and clients.

5.3 *More diagnostic work is needed to identify strategies and tactics for rationalizing incentives, building sustainable institutions, and fostering social capital*. If Guyana could build its social capital, it would have no lack of financial capital or human capital. *New studies are not needed to undertake serious public sector reforms, including civil service reforms, that have been postponed for a decade or more*. These reforms are a necessary precondition to effective capacity building and the sustainability of institutions that are currently overwhelmingly donor-dependent.

5.4 *Closer donor coordination is needed to increase the efficiency and cost-effectiveness of technical assistance projects aimed at institutional development.* Having multiple cooks (donors) in the same kitchen (project component) preparing the same meals but with different ingredients and tastes is neither efficient nor cost-effective. While in policy-based operations there may be a case for some overlap, in institutional development TA projects there *should be clearer division of responsibility among donors* to avoid duplication and overlap. *Agreements should be sought on "lead donor" and pooling arrangements reflecting donors' experience in Guyana and comparative/competitive advantages.*

5.5 *Donors and GOG alike need to strengthen ongoing and ex-post monitoring and evaluation of ID projects* to get prompt and true accounts not only of progress toward objectives but also of the quality, impact, and cost-effectiveness of the particular instruments employed (in TA projects these include consultant advice, consultant-prepared studies, and various types of training and equipment).

5.6 *Donors need to face up to the labor market distortions and other downsides for the longer run being caused by their hiring and salary supplementation practices.* Donor policies on salary supplementation of public servants (including consultants performing line positions in government) need to be rationalized and harmonized with a view to promoting rather than postponing civil service reform.

Annex A. Basic Data Sheet

FINANCIAL SECTOR AND BUSINESS ENVIRONMENT (CREDIT 2669-0-GUA)

Key Project Data *(amounts in US$ million)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project cost	4,000,000	3,700,000	97%

Project Dates

Signing	December 1994	January 1995
Effectiveness	January 1995	March 1995
Closing date	June 1998	June 1999

Staff Inputs (staff weeks)

	No. Staff weeks	*USUS('000)*
Preappraisal	10.2	25.5
Appraisal	9.5	24.8
Negotiations	1.8	5.5
Supervision	61.0	120.4
Completion	5.0	15.0
Total	87.5	191.2

Mission Data

	Date (month /year)	*No. of persons*	*Staff days in field*	*Specializations represented*	*Perfor-mance rating*	*Rating trend*	*Types of problems*
Identification	3/94	3	5	Task Mgmt/PSD/Financial/Trade			n.a.
Pre-appraisal	6/94	4	9	Task Mgmt/PSD/Financial/Trade			Obtaining commitment from government to a targeted, time-bound privatization program.
Appraisal	9/94	4	5	Task Mgmt/PSD/Financial/Trade/Legal			Government initial reluctance to borrow technical assistance funds alongside adjustment credit.
Appraisal through Board Approval	11/94						n.a.
Board Approval through Effectiveness	3/95						n.a.
Supervision 1	11/95	2		Task Mgmt./PSD/	1	1	(i) Government resistance to hiring external consultants; (ii) GO INVEST progress is slow.
Supervision 2	3/96	4		Task Mgmt./Finance, PSD, Trade/Tax	1	1	(ii) restructuring of GNCB has been too slow; (ii) only modest progress achieved on privatization: (iii) GO-Invest needs more structure and better documented procedures.
Supervision 3	10/96	2		Task Mgmt./Financial	2	3	(i) New management at GNCB still fails to make significant progress; (ii) While entities have been brought to point of sale, very few have been sold; (iii) activities of GO-Invest still not up to expectations
Supervision 4	4/97	2	7	Task	S	S	(i) Restructuring of the New GNCB

	Date (month /year)	No. of persons	Staff days in field	Specializations represented	Perfor-mance rating	Rating trend	Types of problems
				Mgmt/Financial /PSD/Banking			still suffers from inadequate procedures and independent loan recovery agency still not operations; (ii) third year privatization targets still not complete; (iii) GO-Invest manuals have not yet been produced agency needs to become more independent.
Supervision 5	9/97	2	9	Task Mgmt/Financial/Economist	U	S	(i) Restructuring of the New GNCB requires much more strengthening in the area of credit policy and loan recovery unit needs substantially more resources; (ii) while progress achieved in privatization, there is still a substantial pipeline of enterprises.
Supervision 6	4/98			Task Mgmt./Financial	S	S	
Supervision 7	10/95	4	12	Task Mgmt./Financial Financial Analyst Banking Specialists (2)	S	S	(i) Restructuring of the New GNCB continues to be problematic. Financial position not improving.
Supervision 8	1/99	2	5	Task Mgmt./Financial, Financial Analyst	S	S	(i) Agreement reached with Government on hiring of experienced international restructuring and management team for
Supervision 9	7/99	4	6	Task Mgmt./Finance/ Banking/Accounting	S	S	

Other Project Data

Borrower/Executing Agency:

FOLLOW-ON OPERATIONS			
Operation	***Credit no.***	***Amount (US$ million)***	***Board date***
Financial & Private Sector Institutional Development Cr.	3290-GUA		1999

PRIVATE SECTOR DEVELOPMENT ADJUSTMENT CREDIT (CREDIT 2746-GUA)

Key Project Data *(amounts in US$ million)*

	Appraisal Estimate	Actual or current estimate	Actual as % of appraisal estimate
Total project cost	56.3	58.8	102

Project Dates

	Original	Actual
Signing	January 1995	June 1995
Effectiveness	March 1995	July 1995
Closing date	December 1997	December 1997

Staff Inputs (staff weeks)

	Actual	
	No. Staff weeks	USUS('000)
Preparation to Appraisal	99	397
Appraisal to Board	41	165
Negotiations through Board Approval	29	118
Supervision	42	139
Completion	4	11
Total	222	830

Mission Data

	Date (month /year)	No. of persons	Staff days in field	Specializations represented	Performance Rating: Implementation Status	Performance Rating: Development Objectives	Types of problems
Through Appraisal	4/93	4	10	TM, F, P, Econ			Delays in priori' actions: passage of trade and financial legislation
Through Appraisal	5/93	1	10	F			
Through Appraisal	7/93	6	8	TM, F, P-3, T-2			
Through Appraisal	10/93	3	7	TM, T-2			
Through Appraisal	11/93	1	10	Environment			
Appraisal through Board Approval	1/94	6	21	TM, F, P-3, T, L			Delays in meeting prenegotiation privatization targets
Appraisal through Board Approval	9/94	3	11	TM/PMF-2			
Supervision	11/95	3	6	TM/P,F,T	S	S	Delays in third tranche privatization Completion of bank restructuring
Supervision	3/96	4	4	TM/P,F-2,T	S	S	
Supervision	11/96	2	3	TM/P,F,T	S	S	
Supervision	4/97	2	3	TM/F,F	S	S	
Supervision	9/97	2	9	TM/F,Econ	S	S	
Completion	2/98	1	5	TM/F			

Other Project Data

Borrower/Executing Agency:

FOLLOW-ON OPERATIONS			
Operation	Credit no.	Amount (US$ million)	Board date
Secondary Towns Infrastructure Development			
Private Sector Development and Public Sector Adjustment			

FINANCIAL AND PRIVATE SECTOR INSTITUTIONAL DEVELOPMENT (CREDIT 3290-GUA)

Key Project Data *(amounts in US$ million)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project cost	4.80	4.66	97

Project Dates

	Original	*Actual*
Departure of Appraisal Mission		06/18/1999
Board approval		11/16/1999
Effectiveness	11/30/1999	12/09/1999
Closing date	12/31/2002	12/31/2002

Staff Inputs (staff weeks)

	Actual	
	N° Staff weeks	*USUS('000)*
Identification/Preparation	16.2	43.6
Appraisal/Negotiation	34.4	103.1
Supervision	60.4	181.1
Total	117.0	342.8

Mission Data

	Date (month/ year)	*No. of persons*	*Specializations represented*	*Performance Rating*	
				Implementation Progress	*Development Objectives*
Identification/ Preparation	10/98	3	TM/Finance (1), Finance (1), Private Sector (1)		
Identification/ Preparation	1/99	3	TM/Finance (1), Finance (1), Private Sector (1)		
Appraisal/Negotiations	7/99	4	TM/Finance (1), Finance (1), FMS (1)TM/F, Private Sector (1)	S	S
Appraisal/Negotiations	9/99	3	TM/Finance (1), PSD (1), Legal (1)	S	S
Supervision	3/2000	4	TM/Finance (*1), Co-TM/Econ. (1), Procurement (1), FMS (1)	S	S
Supervision	11/2000	2	TM/Finance (1), Co-TM/Econ. (1)	S	S
Supervision	7/2001	2	TM/Finance (1), Co-TM/Econ. (1)	S	S
Supervision	2/2002	2	TM/Finance (1), Co-TM/Econ. (1)	S	S
Supervision	2/2003	2	TM/Finance (1), Co-TM/Econ. (1)	S	S
ICR	2/2003	2	Financial Analyst (1), TM/Finance (1)	S	S

Annex B. Individuals Interviewed

Government of Guyana and Related Agencies
Mr. Coby Frimpong, Office of the President, Head, Executive Implementation Unit
Mr. Neermal Rekha, Secretary to the Treasury, Ministry of Finance
Mr. Winston Jordan, Budget Advisor, Ministry of Finance
Mr. Lawrence Williams, Banking Supervision Manager, Bank of Guyana
Mr. Ramnarine Laal, Director, Banking Supervision Dept., Bank of Guyana
Dr. Gobind Ganga, Director of Research, Bank of Guyana
Mr. Maurice Wilson, Deputy Auditor General
Mr. Deodat Sharma, Deputy Auditor General
Mr. Winston Brassington, Head, Privatization Unit
Ms. Rachel Andrade-Sankar, Snr Systems Analyst, Ministry of Finance
Mr. Geoffrey DaSilva, Head, GO-Invest
Mr. John Flanagan, former management team, Guyana National Cooperative Bank
Mr. Ashni Singh, Budget Director, Ministry of Finance
Ms. Sonya Roopnauth, Permanent Secretary, Ministry of Health (formerly MOF)
Mr. Jonathan Miller, DFID Consultant to Ministry of Finance on StockExchange/Securities Regulation
Mr. Brian Jenkins, DFID Consultant to Privatization Unit

World Bank
Dr. Lucia Hanmer, Country Representative, World Bank
Mr. Daniel Wallace, Economist, World Bank Office
Mr. James Droop, former World Bank Res. Rep. in Guyana
Ms. Orsalia Kalantzopoulos, Country Director
Mr. Raj Nallari, Lead Economist
Mr. Sanjivi Rajasingham, Task Manager, PSDAC
Mr. John Pollner, Task Manager, PSDAC/FISBEC/FPID
Mr. Norman Hicks, Economic Adviser
Mr. Mustapha Rouis, Lead Economist
Ms. Jyoti Shukla, Sector Manager
Mr. Mark Dorfman, Task Manager, FISBEC
Mr. Chris Parel, Task Manager, PSTAC
Mr. Xavier Forneris, IFC/FIAS
Mr. Frank Sader, IFC/FIAS
Mr. Amit Mukherjee, Senior Public Management Specialist, EASPR

Other Donors
Mr. Ebrima Faal, former IMF Res. Rep. in Guyana
Mr. George Bindley-Taylor, IMF Resident Representative
Mr. Mike Sarhan, Mission Director, USAID
Mr. Winston Harlequin, Program Management Specialist, USAID
Mr. Jan Sand Sorensen, Representative, UNDP
Mr. Rejean Hamel, Director, CIDA
Mr. Vishal Kapur,3rd Secretary-Development, Canadian High Commission
Ms. Helena Laakso, Officer in Charge, European Commission

Mr. William Armstrong, Task Manager, IDB Financial Sector Program
Mr. Sergio Varas Olea, Representative, Inter-American Development Bank
Mr. Stuart Hughes, Power Sector Specialist, Inter-American Development Bank
Ms. Adrienne Pratt, IDB Country Division 6
Ms. Denise De Souza, Asst Resident Representative, UNDP (formerly MOF/GNCB)

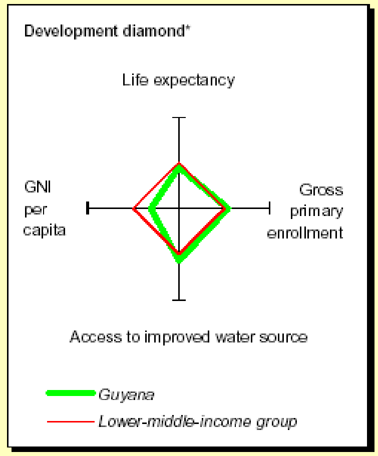
Private Sector and Civil Society
Mr. David Yankana, businessman and former Director, Private Sector Commission
Ms. Sheila Holder, Member of Parliament
Mr. Stanley Ming, Managing Director, Ming Products and Services
Mr. Bal Persaud, Executive Director, Private Sector Commission
Mr. Bryan James, Chairman, Securities Commission and former Chairman, PSC
Dr. Clive Thomas, Director, Institute of Development Studies, Univ. of Guyana

Annex C. Guyana at a Glance

Guyana at a glance

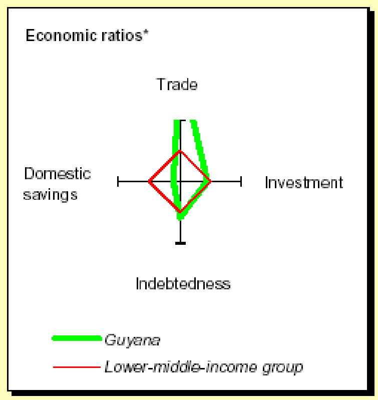
8/20/03

POVERTY and SOCIAL	Guyana	Latin America & Carib.	Lower-middle-income
2002			
Population, mid-year *(millions)*	0.77	527	2,411
GNI per capita *(Atlas method, US$)*	840	3,280	1,390
GNI *(Atlas method, US$ billions)*	0.65	1,727	3,352
Average annual growth, 1996-02			
Population *(%)*	0.6	1.5	1.0
Labor force *(%)*	1.5	2.2	1.2
Most recent estimate (latest year available, 1996-02)			
Poverty *(% of population below national poverty line)*	..	..	..
Urban population *(% of total population)*	37	76	49
Life expectancy at birth *(years)*	62	71	69
Infant mortality *(per 1,000 live births)*	52	27	30
Child malnutrition *(% of children under 5)*	12	9	11
Access to an improved water source *(% of population)*	94	86	81
Illiteracy *(% of population age 15+)*	1	11	13
Gross primary enrollment *(% of school-age population)*	120	130	111
Male	122	131	111
Female	118	128	110

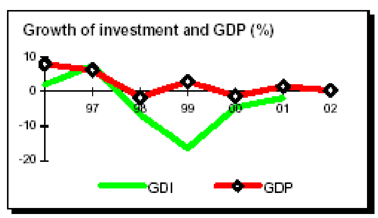


KEY ECONOMIC RATIOS and LONG-TERM TRENDS	1982	1992	2001	2002
GDP *(US$ billions)*	0.48	0.37	0.70	0.71
Gross domestic investment/GDP	25.0	42.3	21.9	..
Exports of goods and services/GDP	52.8	128.5	94.9	..
Gross domestic savings/GDP	7.7	16.9	5.6	..
Gross national savings/GDP	..	-0.6	3.6	..
Current account balance/GDP	-29.3	-37.6	..	..
Interest payments/GDP	4.5	11.8	2.5	15.2
Total debt/GDP	207.2	521.1	200.4	205.6
Total debt service/exports	20.7	21.3	6.6	23.0
Present value of debt/GDP	..	..	126.3	..
Present value of debt/exports	..	..	131.2	..

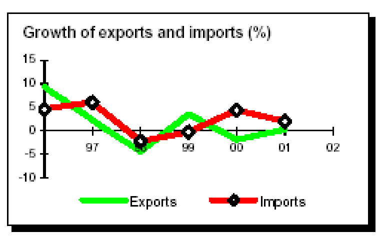
	1982-92	1992-02	2001	2002	2002-06
(average annual growth)					
GDP	-2.2	3.5	1.5	0.3	..
GDP per capita	-1.7	3.0	0.8	-0.4	..
Exports of goods and services	3.4	1.1	0.2	..	..



STRUCTURE of the ECONOMY	1982	1992	2001	2002
(% of GDP)				
Agriculture	23.4	40.8	31.3	..
Industry	29.0	29.0	28.3	..
Manufacturing	14.3	14.3	8.2	..
Services	47.7	30.2	40.4	..
Private consumption	66.5	60.2	69.0	..
General government consumption	25.8	22.9	25.4	..
Imports of goods and services	70.1	153.9	111.3	..



	1982-92	1992-02	2001	2002
(average annual growth)				
Agriculture	0.8	3.1	3.4	..
Industry	-3.8	5.7	0.2	..
Manufacturing	-8.1	5.2	2.5	..
Services	-0.4	3.7	1.0	..
Private consumption	-5.4	4.9	4.1	..
General government consumption	7.1	7.9	4.4	..
Gross domestic investment	3.1	-2.8	-1.9	..
Imports of goods and services	2.9	0.8	2.0	..



Note: 2002 data are preliminary estimates.

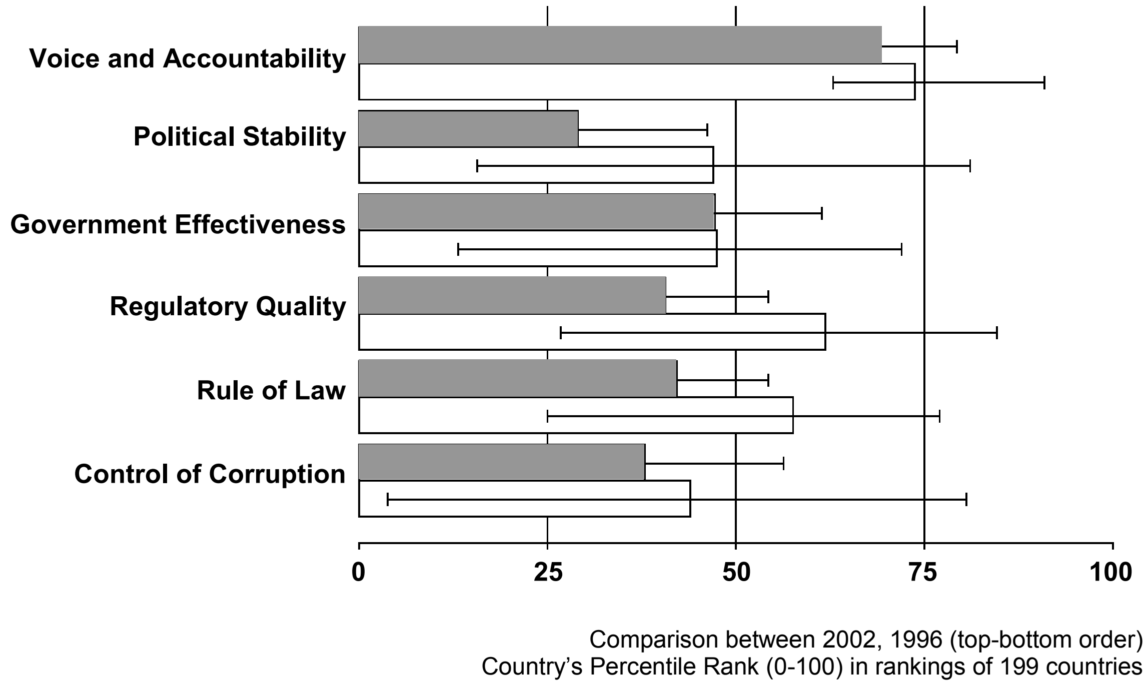
This table was produced from the Development Economics central database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Annex D. Governance Indicators

Governance Indicators

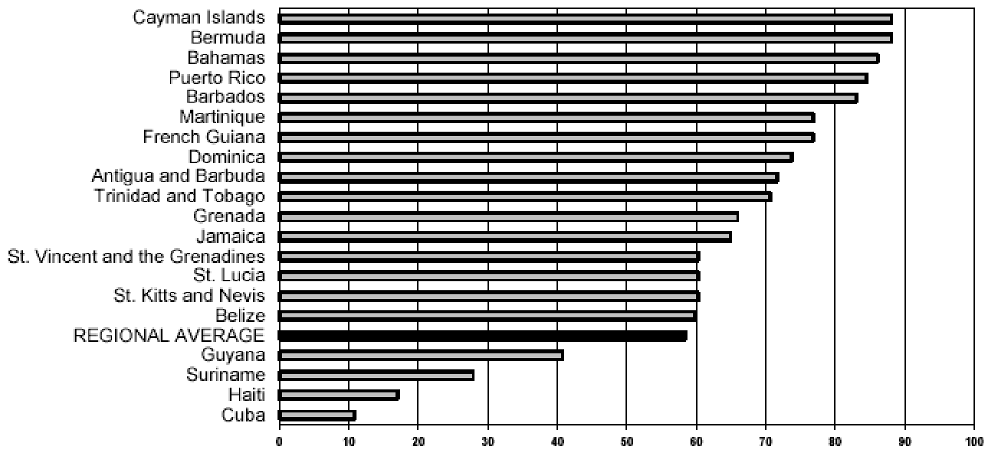
The figure below shows the significant deterioration in recent years of almost all the key governance indicators. (The bottom bar for each indicator refers to 1996 and the top bar refers to 2002. The thin black line on each bar corresponds to the range at the 90 percent confidence interval).[7]



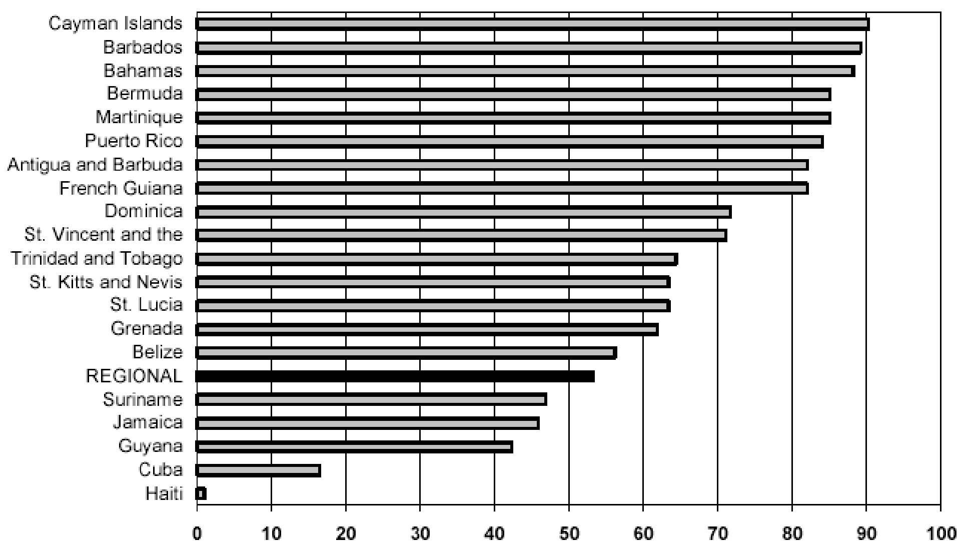
Source: D. Kaufmann, A. Kraay and M. Mastruzzi, 2003: Governance Matters III: Governance Indicators for 1996-2002 (http://www.worldbank.org/wbi/governance/pubs/govmatters3.html)

7. The report, by Kaufmann, Kraay, and Mastruzzi provides a more detailed accounting on these indicators, including data for the intermediate years of 1998 and 2000 and charts showing Guyana's ratings compared to those of other countries in the Caribbean and Latin America.

Regulatory Quality, Caribbean Region, 2002



Rule of Law, Caribbean Region, 2002



Source: Kaufmann et al. (2003).

Annex E. Chronology

1953	Self government
1964	PNC and UF coalition take power, Forbes Burnham becomes Prime Minister
1966	Full independence
1966-89	Period of "cooperative socialism"; large enterprises, banks and media nationalized, price and exchange controls; almost all land retained by the state by1988 government accounted for over 85% of investment
1970	Guyana becomes a republic, pursues socialist path
1980	New constitution, Burnham as president
1985	Burnham dies, Desmond Hoyte becomes President
1989	Economic Recovery Program, beginning of transition from a socialist to a market economy
1990	IMF ESAF of SDR81.5 million approved
1990	TAC (C-2169) approved
1992	Elections with international supervision, PPP comes into power, Cheddi Jagan becomes President
1994	IMF PRGF/ESAF of SDR 54 million approved
1994	FISBEC (C2669) approved
1995	Financial Institutions Act (FIA) passed
1995	Merger of GAIBANK and GNCB)
1995	Implementation of 2nd stage CARICOM CET rate, max tariff reduced from 30 to 25%
1995	PSDAC (C2746) approved
1995	Guyana joins WTO
1996	TAC (c2169) closed
1997	PSDAC (C2746) closed
1997	General election won by Janet Jagan, PNC disputes election results, violent street demonstrations follow
1997	HIPC decision point
1997	Cheddi Jagan dies, Samuel Hinds becomes President and Janet Jagan becomes PM
1997	Janet Jagan becomes President (Dec)
1998	Government declares state of emergency in the capital
1999	Appointment of expatriate team GNCB
1999	Implementation of final step in CET reduction from 25% to 20%
1999	GEC privatized
1999	Janet Jagan resigns, Bharrat Jagdeo (then Finance Minister) becomes President
1999	Completion point for HIPC of $440 m (nominal) equivalent to $256 in NPV
1999	FPID (C3290) approved (Nov)
2000	Decision point for enhanced HIPC with floating completion point $329 million in NPV
2002	Poverty Reduction Strategy Paper Issued
2002	IMF Poverty Reduction and Growth Facility (PRGF) for SDR 55 million (US$73million) approved.
2002	FPID (C3290 closed)
2003	GNCB privatized
2003	GPL returned to GOG control/ownership
2003	Communique on new arrangements for limited shared governance; Parliament reconvenes

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