

**DELEGATION OF THE EUROPEAN COMMISSION**  
TO GUYANA, SURINAME, TRINIDAD & TOBAGO, ARUBA & THE NETHERLANDS ANTILLES

**CO-OPERATION**

**BETWEEN**

**THE EUROPEAN COMMISSION**

**AND**

**THE CO-OPERATIVE REPUBLIC OF  
GUYANA**

***JOINT ANNUAL REVIEW***

**for the YEAR 2003**

**Final**



Joint Annual Review on the implementation of the ACP-EU Conventions and other co-operation activities.  
This report covers the period of 1.1.-31.12.2003

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## **JOINT ANNUAL REVIEW**

### **1. Executive Summary**

The **political situation** in the country remained tense even though the leaders of the ruling party PPP/C and the opposition PNCR met in May and signed off a complex communiqué including constitutional and political arrangements. The meeting brought to an end the parliamentary deadlock, which had characterised Guyana's political process for close to 14 months. Despite this positive development the relationship between the parties remained strained and the risk of the relationship breaking again remained an unfortunate but a real threat. The crime situation became worse than ever. The problem is complex and it has served to destabilise the society and the political system in general and the economy in particular.

The **economic situation** has not improved in 2003, it is estimated that the growth rate for 2003 was -0.6%. However, the country attained the e-HIPC completion point in December 2003 thus clearing the way for e-HIPC debt relief. The original and enhanced HIPC debt relief in addition to bilateral assistance will lower Guyana's debt to revenue ratio to about 213 % in 2003.

### **EC Cooperation**

The CSS was approved by the EDF Committee in September 2002. The indicative amounts allocated are: A-allocation € 34 million and B-allocation € 14 million. The B-envelope includes 4.9 MEURO from the 8<sup>th</sup> EDF SYSMIN resources and these funds can be programmed for with the A-envelope. As a result the amount of 38.9 MEURO can be programmed immediately. The CSS identifies two focal sectors:

- (a) Infrastructure: € 19 million for Sea Defences
- (b) Macro-economic support: € 14.9 million for social sectors (housing / health).

Also an indicative amount of 5 MEURO has been reserved for the following purposes:

- development of a comprehensive Transport Sector strategy (€ 1 million),
- micro-projects (€ 3 million), later increased to 4 MEURO
- Institutional strengthening of the NAO (€ 1 million).

In October 2002, the Government applied for Guyana to be considered for funds under the FLEX provisions from the B-envelope. In January 2003, the EC approved the allocation of €8.4 million from the B-envelope under the FLEX provisions to be disbursed as part of the Budgetary Support Programme, thus bringing the total of this programme to €23.3 million.

The feasibility studies and project formulation for the 9<sup>th</sup> EDF Sea Defences, Micro-projects Programme, Budget Support, Support to the NAO and Transport sector study were all carried out in 2003. As a result financing proposals for all of the above were submitted to the EC headquarters for further submission to the EDF Committee except for the Sea Defences project, for which further studies are needed due to the complexity of the works. However, the preparation to launch these studies are well under way.

**Under the 8<sup>th</sup> EDF**, Guyana received its full EDF allocation of € 32 million + SYSMIN funds equivalent to € 12.9 million + Debt relief € 10.9 million. These amounts are distributed as follows:

- (a) Economic & social infrastructures: sea defences (20.5 MEURO) and low income housing (€ 9,1 million) and
- (b) Private sector development: Guyana Training Agency- GTA- (€ 1.8 million), Linden Economic Advancement Program - LEAP (€ 12,5 million).

The implementation of the sea defences project has taken longer than anticipated due to design problems and preparation of the tender document for civil works. The institutional strengthening part is progressing satisfactorily. The tendering for the low-income housing program is on-going. GTA is progressing satisfactorily, and LEAP has overcome its earlier problems and is now advancing with full speed. An effort has been made to reduce to a minimum the uncommitted balances, as a result closure of all ended projects has been requested.

## 2. The policy agenda of the partner country

In 1988, after two decades of socio-economic decline, the Government launched an economic recovery programme (ERP), to reorient economic management away from centralised administrative controls. Guyana approached the Paris Club in 1996, to request debt relief and was granted "Naples Terms", consisting of a 67% reduction in net present value (NPV) on eligible debt, with the remaining one-third of the debt to be rescheduled over 23 years. In 1999 Guyana became eligible for debt relief under the original HIPC initiative, paving the way for a cumulative US\$440 million debt relief in nominal terms. As a result, the debt service ratio fell from 19 % in 1998 to 11 % in 1999. In October 2000, Guyana became eligible for debt relief under the E-HIPC initiative. In order for the country to reach the completion point the Government of Guyana committed itself to undertake work in the following areas: completion and implementation of PRSP, continued implementation of strong macroeconomic and structural policies, and implementation of a set of social, structural and institutional reforms.

In December 2003 the Boards' of IMF and WB concluded that Guyana had satisfactorily filled these commitments and as a result it was concluded that the country had reached the enhanced HIPC completion point. Debt relief under E-HIPC from all of Guyana's creditors amounts to US\$334.5 million in net present value (NPV) terms. The total debt relief under the original and enhanced HIPC initiatives reduces the debt stock, after traditional debt relief, by 54%, based on cumulating both relief totals at end 2002. Multilateral creditors are to provide debt relief up to US\$ 202 million in NPV terms, which includes US\$ 40 million from the IMF and US\$ 41.2 million from the WB. Guyana has negotiated a debt rescheduling agreement with the Paris Club on Cologne terms (a debt reduction of 90 %) and a number of Paris Club creditors have indicated that they would provide debt relief beyond that required under the HIPC Initiative. Approximately US\$37 million in NPV is expected to come from non-Paris Club and commercial creditors. Debt relief, in addition to bilateral assistance beyond HIPC relief lowers Guyana's debt to revenue ratio to about 213 % in 2003, 37 % below the sustainability threshold. The debt is expected to build up over the next few years to peak at about 242 % of revenues in 2007, associated with a large sugar investment (Skeldon factory). Over the long run, the ratio is projected to decline considerably, to about 150 percent in 2022. The debt service burden is projected to decline sharply by 10 % of revenue following e-HIPC relief, to 14 % in 2004, with a further decline to about 12 over the long run. However, continued care needs to be taken by the Government in order not to rebuild its stock of debt.

The relief package goes hand in hand with a poverty reduction strategy (PRSP) and the implementation of an agreed programme of social and structural reforms. The PRSP provides a comprehensive framework for the development challenges facing Guyana and an adequate strategy for reducing poverty. It reflects the results of an extensive participation and consultation process. The policy reform agenda outlined in the PRSP is large, covers most sectors, and is geared towards enhancing productivity and competitiveness of the economy. Success of the PRSP will depend on the Government's ability to improve governance, strengthen public institutions, maintain macroeconomic stability, and undertake critical structural reforms. Since its adoption in 2001, there has been progress in some areas, including social sectors, water, sugar and monitoring (with poverty spending tracking system in place). On the other hand, there have been slippages on the

macro front. In addition, the PRSP needs to be updated, and discussed with the population, as the macroeconomic situation has since deteriorated, with economic growth rate and government revenue collection much lower than anticipated. For 2003 it was hoped that GDP would grow by 1.0% and that this would be the trend for the period 2002-2005 compared to 2.7% according to the PRSP addendum and 4.1 according to the original PRSP. However, it is estimated that the growth rate for 2003 was -0.6%. This outlook calls for further prioritisation of an already ambitious PRSP program. The Government is expected to prepare the first PRSP progress report by June 2004.

### 3. Update on the political, economic and social situation

Type	Indicator	2000	2001	2002	2003	2004
Impact	1. Proportion of population below National Poverty line USD1.40/day	35.1	34.9	34.0	33.1	32.2
	2. Prevalence of underweight children under-five years of age	15.7	N/a	N/a	N/a	N/a
	3. Under-five mortality rate	37/1000	N/a	N/a	N/a	N/a
Outcome	4. Gross primary school enrolment	110	107	105	102	100
	5. Primary completion rate	83.4	83.5	84.6	85.7	86.9
	6. Ratio of girls to boys in - primary education - secondary education - tertiary education	1.03/1 1.3/1 N/a	N/a	N/a	N/a	N/a
	7. Proportion of births attended by skilled health personnel	86 %	N/a	N/a	N/a	N/a
	8. Proportion of 1 year old children immunised against measles	85	93	93	95.5	97.1
	9. HIV prevalence among 15-24 year old pregnant women	N/a	N/a	N/a	N/a	N/a
	10. Proportion of population with access to safe water**	92.0	93.2	94.1	95.0	96.0
	11. No. of house lots issued*	N/a	975	7474	4000	4000
Economic	12. GNI per capita USD	718.6	705.9	705.2	N/a	N/a
	13. GDP growth (annual %)	-1.4	2.3	1.1	1.2	N/a
	14. Inflation	5.9	1.9	6.1	5.0	N/a

Sources: Impact and outcome indicators are extracted from the latest Statistical Bulletin, dated 2002, produced by the bureau of statistics in collaboration with UNICEF. Economic indicators are extracted from 2003 Budget presentation. All figures for 2003 and onwards are projections.

\* In 2002 exceptional processing of a backlog of three years

\*\* This however, does not reflect the relatively poor quality and the sometimes erratic reliability of the water resources.

In July 2003, the Government of Guyana with UNDP published a report "Progress towards the achievement of the Millennium Goals". The report highlights the weakness and lack of social statistics in Guyana, this is clearly reflected in the above table. It should be noted that even

estimates made by ministries and international organisations are based on extremely weak and unreliable data. As a result, this type data cannot be used to assess changes from year to year. To remedy this situation, IDB will launch during 2004 a "Social statistics programme" in the amount of USD 3.5 million. The objective of this 3-year programme is to improve the gathering, analysis, availability and use of social statistics in Guyana. USAID and CIDA have projects in HIV/AIDS and health with components to improve health statistics. However, it will be at least a year before the results of these 3 projects will be available. A census was carried out in 2002, however, no results, even preliminary, have been made available yet.

### Political

The leaders of the ruling party PPP/C and the opposition PNCR met in May 2003 and signed off on a complex communiqué including constitutional and political arrangements. The meeting served to break the parliamentary deadlock, which had characterised Guyana's political process for close to 14 months. The dialogue process between the two parties had collapsed in March 2002 amidst charges and counter charges concerning the implementation of agreed decisions. This had prompted the PNCR to walk out of the national Assembly and boycott its proceedings for 14 months. The recent agreements between the Government and the opposition are encouraging steps. However, unless they are sustainably implemented, Guyana's political, social and economic situation could be further undermined.

In the last two years, after a jail brake of several criminals from the Georgetown jail in February 2002, Guyana's crime situation has become worse than it ever was. The problem of crime is complex and many sided and different explanations are offered by analysts. There is no single root cause for the escalation of crime in Guyana. The increase in crime has been variously blamed on deportees from North America; rival drug gangs contesting turf; marginalized segments of the society; petty criminals due to poverty and joblessness; and elements who deliberately target the other ethnic group. It is widely recognised that the crime problem is extremely critical and has served to destabilise the society and the political system in general, and the economy in particular. It generates fear and anxiety, fuels emigration, discourages long gestation investment needed to reinvigorate the economy, and severely compromises good governance. Although the security situation seems to have improved in recent months, at least the most spectacular type of attacks have stopped, the environment which facilitated the emergence of the crime wave has not changed, and thus the causes, what ever they may be, are still there.

### Economic

Since 1998 Guyana has experienced a slowdown in its economic performance due to a combination of domestic and external factors. Economic growth averaged only 0.7 % per annum between 1998 and 2002, for 2003 it was estimated at -0.6%. The per capita GNP in 2002 was estimated at USD 880 (WB Atlas Method). The economic performance has been adversely affected by domestic political disturbances following the general elections in 1997, prolonged civil servant strike in 1999 over wages, the unrest related to the 2001 elections, disputes between the two main parties and the parliamentary boycott of 14 months by the opposition, sharp increase in organised crime and policy slippages. External factors include adverse climatic conditions and a cyclical decline in key commodity prices (sugar, rice, gold). A 10 % deterioration in the external terms of trade between

1999 and 2002 was a major contributor to the growth slowdown. Exports and imports fell in real terms from 1997 to 2002 by 10 % and 12 % respectively.

Guyana has a large underground economy, whose presence makes it difficult to obtain accurate statistics. In the 1970s and 1980s businesses and consumers turned to the underground economy to survive the extensive state controls and rationing. In the 1990s, smuggling and drug trafficking were added to the underground economy as state controls were rolled back. From 1992-2000, the underground economy was estimated to be equivalent to 40% of GDP, a level comparable to that in other low-income transition economies.

Thanks to large foreign assistance inflows, public investment has ranged between 10 and 17 % of GDP for much of the 1990s. Private investment has declined steadily from 13.4% of GDP in 1998 to 7.4% in 2002. Since 1999, public expenditures have risen reaching 46.4% of GDP in 2002 and estimated 50% in 2003. Much of the increase can be explained by a 50% increase in the wage bill and a four-fold increase in subsidies and miscellaneous expenditures in 1999-2002. Spending in social services also increased substantially during this period.

Thanks to tight monetary policy and foreign financing of the budget deficit, inflation remained low, falling from 7.5 % in 1999 to 5.3% in 2002. The terms-of-trade have continued to deteriorate by another 11 % between 1998-2002, at the same time the real effective exchange rate was allowed to depreciate by 16 %. The trade deficit remained in the range of US\$ 80 million to US\$115 million per annum during 1998-2002, an improvement over the earlier part of the decade. The external current account deficit (excluding official transfers) widened from 14% of GDP in 1997 to 14.8 % in 2002 in response to higher foreign aid inflows. Progress in reducing the public debt burden by HIPC relief has been partly offset by rapid growth in domestic borrowing between 1997-2002. Domestic public debt, in the form of treasury bills and debentures, stood at 71 % of GDP at the end of 2002. Interest payments on domestic debt reached 3.1% of GDP in 2002, compared to 4.6% of GDP on external payments.

Guyana is highly dependant on **trade**. The value of the export of goods (2002) was at USD 495 million and the value for import of goods (2002) at USD 507 million. For 2002 the trade deficit was USD 13.6 million. Guyana's biggest trading partners in 2002 for exports were US (22.5 %), Canada (20.8 %), UK (13.7 %) and the Netherlands Antilles (11.4%); and for imports US (32.7 %), Netherlands Antilles (18.9 %), Trinidad and Tobago (14.2 %) and UK (6.2 %). For the past 3-4 years taxes on trade have represented about 3-4 % of GDP.

The major exports for 2002 were gold (27% of total exports), sugar (24 %), shrimp (10%), rice (9.1%), bauxite (7.1%) and timber (7.1%). The share of non-traditional exports is around 15%. Concerning bauxite, the world prices remain low and the government has tried for some years now to privatise its bauxite industry without success. Both sugar and rice have enjoyed preferential access to the EC market. However, these preferences are changing. The Everything but Arms initiative (EBA) will allow free access to EC for sugar and rice originating from least developed countries from 2009 onwards, thus creating competition for Guyanese exports. In the meantime, the quota increase gradually and from 2006 onwards tariffs on trade outside the quota will decrease gradually. To facilitate the transition funds have been identified from the EC under the Caribbean Regional programme for the rice sector.



Caribbean States, Guyana included, have chosen to conduct the EPA negotiations using the Regional Negotiation Mechanism (RNM). Through this mechanism negotiating responsibility for different sectors have been divided between the different Caribbean countries. The ministry responsible for these negotiations in Guyana is the Ministry of Foreign Trade and International Cooperation. This ministry was created only in 2001 and is still very small and lacks human resources. It is, however, receiving support from UNDP and IDB. Also EC assistance, in the amount of €137 944, to assist the Government to prepare itself for the EPA negotiations has been channelled through this Ministry. Some studies of limited scope have been carried out concerning trade, but a comprehensive analysis of the importance of trade and of the impacts of globalisation to Guyana is missing. And like all sectors in Guyana, accurate statistics are non-existent. With USAID assistance, a trade strategy was prepared in 2003.

Negotiations are also on going for Guyana to join the FTAA by 2006 and the implementation of a Caricom single market by 2005. Guyana has also negotiated a trade agreement with Brazil and is negotiating trade agreements with its other neighbours - Surinam and Venezuela. The first Trade Policy Review of Guyana was organised by WTO in October. It highlighted the erosion of preferences and problems faced by small, undiversified economies. Tribute was expressed to Guyana for the important steps taken to liberalise her trade policy. However, some concerns were raised over Guyana not living up to her notification obligations under the technical barriers to trade and sanitary and phytosanitary measures. At the end of 2003 Guyana was cleared to start exporting fish products to the EU. Presently there is only one company, which meets the required standards, but this will create new options especially for the shrimp exporters, which have traditionally depended on the US market.

### Social

Guyana ranks 92 in the UNDP under the UNDP 2003 Human Development Index, this compares well with the 2002 ranking of 103. However, this improvement may well reflect rather the worsening of the situation in other countries than improvement in Guyana. The quality and availability of social statistics in Guyana are very weak. This was confirmed also by the "Progress report on Millennium Development Goals (MDG)" published by the Government of Guyana and UNDP in July 2003. Most statistics are old, dating to the end of 90s. A census was carried out in 2002, but no results have been published yet. The Government with the World Bank is planning to organise a "Living Standards Measurement Survey" in 2004. However, results can only be expected some time in 2005. A household survey, carried out in 1999, showed that 35% of the population lived below the poverty line, with 19 % living under conditions of extreme poverty. To improve this and to meet the MDG of 22 % by 2015 economic growth should average around 5-6 % per annum. For the past two years growth has been around 1%.

In the **health** sector the biggest challenge facing Guyana is AIDS. HIV/AIDS levels are estimated to be the highest in the region after Haiti at 3.5-5.5. % for adult population and contrary to many countries in the region, the epidemic is generalised in Guyana and not concentrated to some specific groups. A National strategy against HIV/AIDS has been formulated and work is being done to integrate it into the national health plan and more specifically into the plans concerning the fight against tuberculosis and malaria. USAID is strongly supporting the Government in its fight against

AIDS. The health sector suffers from imbalances of resources between different care levels, with a high proportion of expenditure and resources directed towards the main tertiary facility and difficulties staffing lower level facilities, especially in remote areas. There is also a generalised loss of doctors and nurses through emigration to the Caribbean islands and North America. The relatively low working morale and patient service standards are also of concern. The present health sector reform programme is trying to address these issues. There is general agreement to focus on fewer, better-staffed health facilities at all levels. The government expenditure in health for 2002 was 6.0 % and was budgeted to be 6.6 % for 2003. Under the 9<sup>th</sup> EDF Budget support programme, 6 indicators for the variable tranche have been linked to achievements in the health sector.

The **housing** situation in Guyana is one of the most important social areas needing serious attention. The lack of attention to this sector during 70s and 80s means that the country needs to build 5200 houses each year for the next ten years in order to house the homeless and to replace the deteriorating stocks as well as to ease over-crowding. Also the issue of insecure tenure needs attention. The sector has been identified as one of the key sectors of poverty alleviation in the PRSP. The EC with the IDB have ongoing programmes in this sector. Also under the 9<sup>th</sup> EDF Budget support programme 3 of the indicators for the release of the variable tranche are linked to achievements in social housing. The **water and sanitation** sector in Guyana has been identified as a priority in the PRSP and a number of donors have been involved in the sectoral programme (EC, DFID, WB, IDB etc). Reasonably high water supply coverage levels (of the order of 90%) disguise the poor availability of water to hinterland communities and the many squatter areas in the urban and peri-urban locations. In addition the quality and continuity of supply are also questionable in many areas which might on the surface appear to be well served - water is not chlorinated or filtered at many of the production sites. Water losses are suggested to be of the order of 70% from the network and the lack of pressure often allows foul water back into the network. The operating licence for GWI (Guyana Water Incorporated) requires the company to ensure that *safe* water is available to eighty per cent of the settlements in the hinterland by November 2007. This target looks increasing unlikely given the lack of national water policy and the current 'funding gap' identified by the company. Already more high profile projects are without funding and the sector looks likely to suffer from continued under-investment in the near to medium term.

**Education**, and in particular basic education, has been identified as a national priority in the PRSP. This despite the fact that primary education is almost universal with net enrolment at 98 %, and hardly any difference between boys and girls or between rural and urban areas. The seriously worrying issue in the sector is that despite the high enrolment rate, literacy among the 15-24 year olds was measured at 71 % in 1990. Problems facing the sector are similar to those facing health: significant differences in access between the coastal zone and the hinterlands, difficulties to find and maintain staff in the remote areas, and constant loss of qualified staff through emigration. The Government has made a request to the "Fast Track Initiative" for the amount of US\$ 45 million. The request was approved in the end of 2003 and under the catalytic funds an amount of 8 million USD has been allocated to cover the costs of 2004 and 2005. The Governments FTI programme covers a period for 12 years and is valued at 45 million USD.

Since independence **emigration** has been a major problem for Guyana. Originally the main destination was the UK, but since the 70s the main destination has become North America, both US

and Canada, and the rest of the Caribbean. It is estimated that there are as many Guyanese living in North America as there are in Guyana. This continuous flow of people out of the country has created a permanent shortage of qualified staff in all sectors of the economy. On the other hand, the emigrants send remittances to Guyana. The Bank of Guyana estimated remittances from the US alone in 2001 was USD 92 million. However, a recent study, January 2004 financed by USAID, put this figure between USD 116 to 233 million. This represents an important inflow to the Guyanese economy, for example the Current account deficit in 2002 was USD 106 million.

Concerning **gender** equity and the empowerment of women, although there is no major difference in female and male enrolment rates in primary and secondary education in Guyana, this has not translated into real gains for women in terms of jobs: female unemployment rates are estimated to be double those for men. Girls and women also continue to have low level of autonomy in and control over their sexual and reproductive lives. In the area of male disadvantage, the drop out rate of boys from secondary level of education is increasingly evident and has become a cause for concern. In the National Assembly 30% of the 65 members are women. This reflects the fact that in order to increase women's involvement in politics political parties are required that one third of their candidates in elections are women. The issue of gender balance is addressed in most government policies, but the Government has not drafted a comprehensive gender strategy, which would cover all sectors.

Concerning **human rights and the rule of law**, freedom of press and opinion are respected. However, the police force has been criticised locally and internationally for alleged extra-judicial killings: Amnesty International and also USA and Canada have expressed their concern on this issue in January 2004. In December 2003 Guyana signed an agreement with the USA to exempt US nationals from the prosecution by the International Criminal Court. UNICEF has been working with the Government to improve the **rights of children**. Concerning **indigenous people's rights** (Amerindians) UNDP has assisted the Government and more specifically the Ministry of Amerindian Affairs to develop a strategy (presented in November 2003) to address the issues of sustainable development of Amerindian areas across the country. This document also addresses the issue of **rural poverty** as the biggest pockets of poverty are located in the Amerindian communities which are all situated in the rural hinterland areas of Guyana.

Concerning **good governance**, several donor-funded programmes are supporting the Government's efforts in this sector. IDB (public sector modernisation and local government reform), CIDA (public finances) and WB (procurement), the UK has provided assistance to the judiciary and police. Discussions on fight against corruption have become more open, and this issue is partially being addressed in the above-mentioned projects. Under the 9<sup>th</sup> EDF Budget support 6 indicators for the variable tranche are linked to the quality of the management of public finances. In the area of **conflict prevention**, which is a crucial issue in a racially divided society, and is of special concern, especially as the date for national elections approaches (due June 2006 the latest). The Government is working together with UNDP in order to build bridges between the two main racial groups. The EC is presently looking at options to support this initiative from the budget line funds. In addition, a joint effort funded by UNDP/CIDA/DFID is providing support to the monitoring and implementation of the May 2003 Communiqué.

Concerning the participation of **non-state actors** (NSA), it should be noted that both the National Development Strategy and the PRSP are the result of wide consultations with the NSA. In addition, the Government does make efforts to consult the NSA for example when drafting new legislation. Also, the EC CSP was discussed with the NSA, draft annual reports are regularly submitted to NSA for comments and they are invited to participate in workshops when new projects are being elaborated. However, the NSA in Guyana are very weak, poorly organised and function on a voluntary basis. As a result, the capacity of their members to participate in any consultation process is very limited. It should also be noted that individuals active in NSAs tend to be active in several of them at the same time, which further stretches the capacity of these persons to take part in consultations organised by the Government or different donors. Based on the above, both the Government and NSA would need support to be better able to carry out their respective roles in participatory processes. CIDA, WB, UNDP, USAID, DFID and EC have all supported these efforts through different projects.

The Government is aware of the necessity to protect **environment** and the Environmental Protection Agency (EPA) was established in 1996. However, EPA and both the Forestry Commission and Guyana Geology and Mines Commission need further capacity building in order to fully implement their roles as controlling bodies. In addition, sea defences remain an essential element in the protection of the coastal zone where 90% of the population live. However, in the long-term, climate change will probably induce a rise in the sea level to such levels that it will no longer be possible to efficiently defend this zone from the sea. Concerning **disaster management**, UNDP has, in collaboration with the Government, and with the assistance of CDERA (Caribbean Disaster Emergency Response Agency), organised a number of workshops to build the local capacity to respond to any possible disaster. No "Country Environmental Profile, CEP" exists for Guyana. Once the TCF has been approved and it becomes possible to mobilise funds under it, consultants will be recruited to prepare a CEP which will be annexed to the next JAR. DFID has support the Forestry Commission to improve its capacity to carry out all its task including issues related to **illegal logging** and mining.

### Regional

Concerning regional politics, the border issues with Suriname and Venezuela still exist, but a dialogue process is on-going with both of the neighbouring countries. A number of committees have been set up with Suriname to try to enhance co-operation between the two countries. The ties with Brazil are becoming closer and a number of co-operation agreements have been signed between Guyana and Brazil ranging from police co-operation to agricultural development. Also the possibilities to find Brazilian funding for the rehabilitation/construction of the road linking Boa Vista to the coast of Guyana are being sought.

As far as integration into the CARICOM is concerned, progress has been made in a number of areas, the establishment of the Caribbean Court of Justice being among the most recent and of concrete importance to the region.

#### **4. Overview of past and on going co-operation**

The limited institutional and absorptive capacity of the national administration has necessitated the recruitment of ad hoc technical assistance to the NAO office. To do this, a Memorandum of Understanding was signed with the Government, in February 2002, to establish a NAO Task Force at the Ministry of Finance to facilitate the programming, implementation and monitoring of EC financed projects. The Task Force is financed from interest of SASP IV counterpart funds. Over the period in review, the Task Force has increased its involvement in the areas of project monitoring and planning.

Over the reporting period the Delegation continued to work under difficult staffing conditions: 3 advisor posts continued to be vacant: technical advisor since June 2001, regional advisor since October 2001 and the advisor post transferred from Curacao since mid-2002. Replacements after over or almost 2 years of vacancy arrived for these posts respectively in August 2003, November 2003 and December 2003. At the same time the EC Office in Curacao was closed (early 2002) and the Delegation in Trinidad and Tobago was downscaled into an Office and the responsibility over these two countries was transferred to the Delegation in Guyana. All this has resulted in important amounts of extra work for every one working at the Delegation and the necessity to constantly have negative priorities. Delays in project implementation have also been created by repeated changes in AIDCO of officials in charge of specific projects. As a result, response times from AIDCO have sometimes extended over a period of several months and meanwhile blocking the implementation or programming process.

Albeit some delays in project preparation and implementation, which cannot only be imputed to the Guyanese authorities, EU cooperation with Guyana has been satisfactory.

#### **4.1 Focal sectors and macroeconomic support, 8<sup>th</sup> and 9<sup>th</sup> EDF**

##### **4.1.1 Focal sector 1: Rehabilitation of the social and economic infrastructure, 8<sup>th</sup> and 9<sup>th</sup> EDF**

Within this focal sector three areas have been identified as priority: rehabilitation of sea defences, water supply and transport, however during programming for the 8<sup>th</sup> EDF only sea defences was maintained as a sector of concentration. It was also maintained as a focal sector for the 9<sup>th</sup> EDF. Low-income housing was introduced as a new sector of concentration after the approval of the 2<sup>nd</sup> tranche.

##### **4.1.1.1 Sea Defence Programme , 8<sup>th</sup> and 9<sup>th</sup> EDF**

###### **a) Objectives and Results**

Sea Defences in Guyana occupy a major place under the 9<sup>th</sup> EDF. The programme is envisaged to cost up to €19 million (forty percent of the NIP) which is an indication of the importance of the defences to a country like Guyana where the backbone of the economy is at constant risk from inundation.

The critical point is that on average one kilometre of sea defence reconstruction costs approximately €2.5 million and to reconstruct the 50 (or more) kilometres which is currently classified as critical would cost something of the order of €125 million. By strengthening the management capacity of the project execution unit (PEU) it is hoped that other donors might be attracted back to the sector.

In regard of the National Sector Policy on Sea Defences, significant progress is being made in meeting the national needs. It should be borne in mind however that based on the last comprehensive condition survey undertaken in 1996-1997 by the PEU more than 20% of the sea defences were in urgent need of repair. Given the limits of donor activity in the area it is likely that this figure remains at least the same if not greater at this point in time.

Under the 8<sup>th</sup> EDF sea defence activities represent more than 90% of the first tranche and 63% of the total NIP. The project objective is, in the long-term, the improvement of the security of the coastal zone against the dangers of sea incursion and flooding. This programme encompasses the rehabilitation of hard structures (rehabilitation of approximately 5 km of sea defences), the institutional capacity building of the sector and support for the implementation in a pilot area of an integrated coastal zone management programme. The latter component will promote the awareness and involvement of the population monitoring and early warning activities. The Financing Agreement was signed in March 2000 for an amount of Euro 20 million.

#### b) Activities

In the summer of 2003 6<sup>th</sup> EDF funds were mobilised under an €80K procedure to perform a pre-feasibility study to plan for the 9<sup>th</sup> EDF Sea Defences project. Agrifor Consult conducted a two-week mission in Guyana and returned for one week to present their findings and draft tender documents for a more in-depth study to be carried out in 2004. The final report and final draft tender documents should be delivered in early 2004 and they are expected to allow for a more in-depth study (of the order of €500K) which will examine the issues of institutional capacity versus capital investment in construction projects in greater depth and should provide a draft financing proposal and draft tender documents for the future activities. Current thinking is that the major reconstruction projects of the past should be scaled back in favour of a greater institutional component that will enable the Sea and River Defence Division to maintain the existing defences for longer. The pre-feasibility study has been completed, however, some delay was experienced in regard of obtaining the final drafts as difficulties were experienced in obtaining comments on the drafts from the Sea Defence Division. This has since been overcome and the Delegation is awaiting the final draft tender documents and final project report from the consultant. It is expected that the Government of Guyana will then propose that steps are taken to proceed to the full elaboration study phase as mentioned above. It is expected therefore that the elaboration study could commence in the third quarter of 2004.

In addition to ongoing activities under the 9<sup>th</sup> EDF, the 8<sup>th</sup> EDF sea defence programme is ongoing. This programme encompasses the rehabilitation of approximately five kilometres of hard sea defences, a programme of institutional strengthening and support to the project execution unit of

the Sea and River Defence Division, which includes a pilot project of an integrated coastal zone management programme and a socio-economic survey and awareness campaign. The financing agreement for these activities was signed in March 2000 and amounted to €20 million.

The Institutional Capacity Building Activities (ICBA) have been under way since the final quarter of 2003 and a number of key activities are already underway including bathymetric surveying and training components. The consultant has proposed a number of changes to his terms of reference having had an opportunity to examine the issues at first hand and the Delegation and the NAO are currently looking at ways to facilitate these changes whilst having due regard for the budget.

Due to the close inter-dependence of the activities in the various components the socio-economic survey and public awareness campaign has been held back until this point in time. Now, with the inception report of the main component having been delivered and considered it is expected that the programme can be launched - using the framework contract - during the first quarter of 2004. The socio-economic team will be required to operate in close contact with the ICBA team in order for the project to be successful.

In late December 2003 a headquarters DAG was signed which will allow the design work for the 8<sup>th</sup> EDF physical works to be completed. This activity had previously been stalled due to various factors mainly due to staff shortages and changes at the Delegation, AIDCO and to a lesser extent at the PEU. The contract with the design consultant can now be signed as a consequence of a derogation obtained to allow direct contracting. The designer (ADK Consulting) will require six months to complete the design and tender documents following which a tender process can be launched (end of the third quarter of 2004). It is expected that the physical works should be commenced around the beginning of the second quarter of 2005.

It should be noted that for two years (6/2001 - 8/2003) there was no technical advisor at the Delegation and the technical unit responsible at headquarters did not have the resources to support the Delegation either. Now that the post is filled, both the 8<sup>th</sup> and the 9<sup>th</sup> EDF Sea Defences projects are advancing at a normal pace. However, it cannot be expected that the two-year slowdown in the activities could be overcome. Also it is important to keep in mind that these delays were not caused by the Government of Guyana and as a consequence the country should not be penalised for the shortcomings of the Commission.

c) Degree of integration of cross cutting themes

The 9<sup>th</sup> and 8<sup>th</sup> EDF projects include institutional capacity building measures within the sector and support for the implementation in a pilot area of an integrated coastal zone management programme, which is also important from the point of view of environmental management and protection. The project will also carry out a socio-economic survey, which will look at socio-economic impact of the rise of sea levels; the study will also take into account gender related issues.

4.1.1.2 Low Income housing, 8<sup>th</sup> EDF

a) Objectives and Results

Low Income Housing was introduced as a part of the first area of concentration as a consequence of the allocation of the second tranche of the 8th EDF to Guyana. The programme was designed to decrease the shortage of housing created by a long period of inactivity in the housing building sector. In addition, the programme was designed to contribute to the affordability of house lots by providing basic infrastructure (roads, water, drainage etc.) as well as providing basic community facilities.

Approximately 5,500 low-income families are to benefit from the programme in a combination of new settlements and existing squatter areas. The programme will work in close co-operation with the IDB funded Low Income Settlements (LIS) programme already in operation in the Central Housing and Planning Authority albeit with a primary focus in community development.

b)                   Activities

The financing agreement for the LIH programme was approved by the EDF Committee in October 2002 in the amount of €9.1 million. The pre-qualification process for the supervisor was launched in August 2003 but at the time of opening an insufficient number of expressions of interest were received. Further investigation revealed that the advertisement in the Official Journal had been wrongly placed in the Supply section and a new advertisement was placed and an additional month was allowed for additional responses. At the second opening at the Central Tender Board no further responses were received. As a consequence of this lack of response to the call for interest, implementation of this programme has been marginally delayed - however steps to enter into a restricted procedure are currently being taken and it is expected that the TA can now be in place by mid-May 2004.

Another area of interest has been the nomination by the Government of Guyana (in the form of the Central Planning and Housing Authority) of the areas in which the programme will be implemented. A list of locations was submitted in late 2003 and the Delegation is to write shortly confirming its approval of the said list.

c)                   Degree of integration of cross cutting themes

This project operates under a number of areas. There is a clear link with the PRSP process and poverty reduction - namely that poor people, among which the number of female single headed households form an important part, get improved access to housing and thus reduce other social problems. Additionally, the Central Housing and Planning Authority will benefit in the areas of Institutional Capacity Building through continuing improvements in their administrative capabilities.

**4.1.2           Focal sector 2: Private sector development (8<sup>th</sup> EDF)**

For the country to increase the national production and reduce poverty, it is imperative that the private sector continues to develop dynamically. Therefore, 8-10 % of the 8<sup>th</sup> EDF NIP was to be allocated to projects and programmes in favour of the development of the private sector. One project, the Guyana Training Agency has been approved under this focal sector. The existence of this project, which is implemented in partnership between the Government and the Private Sector



Commission, is a manifestation of the Government's understanding of the important role the private sector plays in the economic development of a country.

Under SYSMIN funds, a project for the economic advancement of Linden and Region 10 (LEAP) has been approved in the amount of Euro 12.5 million. (See details under SYSMIN 4.5.1).

#### 4.1.2.1 Guyana Training Agency 8 ACP GUA 008

##### a) Objectives and Results

The objective of this project is to contribute to the strengthening of the private sector's capacity of production, which is necessary for employment creation and poverty reduction. The project will contribute to the increased production capacity by facilitating an improvement in a more adequate supply of skilled workers. In order to achieve this a Training Agency will be created which will identify training needs and enable technical/vocational training for companies, facilitate qualification of trainers, design courses on identified needs and improve in-plant training facilities.

##### b) Activities

The project was designed following consultations with both Government and Private Sector representatives. A pre-feasibility study and identification study were carried out in 1998. Following extensive consultations, a draft Financing Proposal was submitted to the QSG in January 2000. The Financing Agreement was signed in July 2000. The Technical Assistance contract was awarded to GTZ in the end of December 2000, but due to the turmoil created by the pre- and post-elections period, it was decided that the expert take up his post only in May 2001.

The project experienced delays in its planning, approval and in its start up phase. Specifically, there were difficulties in deciding on the building to house the Agency. Eventually a solution was found to house the Agency in the same building as the Private Sector Commission (PSC). The fact that this project is in Guyana the first project where NIP funds are channelled through a private sector entity, the procedures are new to all the partners: Government, PSC and the Delegation. As a result, delays were experienced in establishing a smooth modus operandi between the different stakeholders. Also it has been difficult to identify qualified local staff due to the lack of qualified human resources in Guyana in general. Due to changes in the economic environment since the identification of the project, the willingness of companies to invest in training has decreased. As a result, some problems have been experienced in attracting participants to long-term courses and in the enrolment of companies to become members of GTA and to pay membership fees. By the end of 2003 the following activities had been carried out: training needs assessments in 61 companies have been carried out and 24 short term vocational training courses have been organised.

A mid-term evaluation was carried out in February 2003. The evaluation states that the project was highly relevant and efficient. However, effectiveness had suffered from changes in the general economic climate of the country. These changes have also affected the future financial sustainability of the GTA. The evaluation recommends an extension to the project to facilitate a smooth transition and scaling down of EC assistance, and goes on to conclude that without such an extension GTA risks closing down at the end of present EC funding and that this would be a loss

considering the high relevance and efficiency of the project. Since the evaluation also the effectiveness of the project has clearly improved as solutions have been found to the problems highlighted by the evaluation. The clients of the project (private sector) continue to manifest growing interest and satisfaction vis a vis the project. Also the project is providing important training support to the EC funded project Linden Economic Advancement Programme (see 4.5.1) 8 ACP GUA 009.

A proposal to extend the project until the end of 2004 is presently under consideration. The extension would be financed under the present Financing Agreement using decommitted funds from work programmes 1 to 3. The objective of the extension would be to maintain the momentum as the private sector training institutions are reviewing their institutional arrangements. This process is to be completed by the end of 2004. Closing GTA in April 2004 would compromise GTA's future role in this process as well as its sustainability. Also closure of the project in April would be very disruptive for the training activities of LEAP which have gained momentum and which greatly benefit from the inputs of GTA.

c) Degree of integration of cross cutting themes

The main objective of the project is to contribute to the strengthening of the private sector through capacity building of human resources especially on the technical level in existing firms. Institution building is a major component of the project: first establishing the Guyana Training Agency with the Private Sector Commission and secondly to strengthen the private sector institutions through training programmes. Special attention is given to ensure women's participation in the courses.

#### **4.1.3 Macroeconomic support (8<sup>th</sup> and 9<sup>th</sup> EDF)**

##### Budget support, 9<sup>th</sup> EDF

The Country support strategy identified macro-economic support as the second focal sector under the 9<sup>th</sup> EDF. The preparation of a Budget support programme (BS) was started in mid-2002. A team of consultants was fielded by the Headquarters services in April and in June 2003. Good quality policy dialogue and negotiations took place between the Delegation, the Government of Guyana and the consultants to reach agreement on the programme, including targets and indicators for the variable tranche. The preparation of the proposal was done in close cooperation with IMF, IDB, PAHO/WHO and CIDA, all involved in sectors related to the proposal, and with DFID, even though not presently involved in related sectors, but highly interested in following this experience, the EC being the only grant donor providing direct budget support for Guyana. In July 2003, the BS proposal was submitted to headquarters services for eventual submission to the EDF Committee. Originally it was envisaged that the programme be submitted to the EDF Committee in January 2004, but since the January EDF Committee was cancelled it is now expected that the proposal be presented to the June 2004 EDF Committee. Some delays were also experienced in the finalisation of the TOR and the mobilisation of the Consultants by the headquarters services, which at the time went through several restructurings and staff changes. It should be noted that the delays in the

elaboration and approval of this project are not due to the Government of Guyana and as a result the performance of the Government should not be judged negatively.

Originally the Budget support programme was to be 14.9 million €, but in October 2002 Guyana applied for funds to be allocated from the B envelope under the FLEX procedure. The request was successful and as a result, in April 2003, an additional €8.4 million was allocated from the B envelope to the budget support, thus bringing the programme up to €23.3 million over a three year period, this includes 0.97 million € for technical assistance).

The objective of the direct non-targeted BS programme is to give a grant in support of the budget of Guyana and will support the Government's reform programme by meeting part of the Government's budget financing gap. The releases will be made over three years from 2004, with a fixed and a variable tranche disbursed each year. In accordance with EC Guidelines, the fixed tranches will be released provided the Government remains on track with the IMF. The variable tranches will be released proportionally to the achievement of agreed indicators of performance concerning management of public finances and progress in the health and social housing sectors. The distribution between the fixed and the variable tranches will be 50/50%.

### Debt Relief

The European Commission has provided debt relief to Guyana both under the original HIPC and the enhanced HIPC initiatives. In 2000, € 6.44 million was given as debt relief under the original HIPC initiative. At the end of 2001, the Commission informed the Government that a further € 8.44 million would be provided under the enhanced HIPC initiative. Of this amount, €505.250 was provided in 2002 as interim relief and €1.012.700 in 2003. The remainder will be provided in 2004, now that the completion point has been attained.

### Structural Adjustment Support Programmes (SASP) IV and V, both from the 8<sup>th</sup> EDF

The programme had two components with distinct objectives: (1) macroeconomic stabilisation, through assistance to the balance of payments by provision of foreign exchange and (2) poverty alleviation, through assistance to the social sectors with counterpart funds (CPF) generated by the foreign exchange component. The support to the Government's budget in the education, health and housing sectors had as priority maintenance, training and supplies. The foreign exchange component of SASP IV (Euro 5.29 million) was totally disbursed before 1999 and the CPF were exhausted by the end of December 2000. The SASP V (Euro 5.7 million) financing agreement was signed in August 1999. A monitoring mission in 2001 concluded that the SASP funds have contributed in creating higher standards and more stable social services especially in education and health. The final payment under SASP V was made in January 2002, as a result SASP V funds have now been fully disbursed.

Several activities have been financed from the interest of SASP IV and V counterpart funds: Support to the NAO task force; Rehabilitation of Business Incubator of LEAP; Rehabilitation of the water supply system of Linden; and Support to the organisation of national elections in 2001. As these activities are completed during the course of 2004, the interest funds will have been depleted and fully disbursed.

1. 30 Million GYD has been allocated for the financing of support to the NAO task force for a period of two years starting from February 2002 onwards. This has now been extended until March and will most likely be further extended until July 2004 in order for the Task Force to be in place until the 9<sup>th</sup> EDF support programme for the NAO starts. The national administration has limited institutional and absorptive capacity and this requires the recruitment of ad hoc technical assistance, in particular within the NAO office. Following the conclusion of the technical assistance contract with a previous consultant at the end of July 2000, recruitment of a two-expert team with secretarial support for these specific functions was foreseen. In February 2002 a Memorandum of Understanding was signed with the Government to establish a NAO Task Force (NTF) at the Ministry of Finance to facilitate the programming, implementation and monitoring of EC financed projects.

The Task Force is in place since February 2002. Training in EDF procedures and Work Programmes has taken place. On the job training was arranged by the Delegation through out 2002. By the end of 2002 the NTF was preparing payment orders for non-infrastructure projects for endorsement by the Delegation. As the 8<sup>th</sup> EDF infrastructure projects start, it is envisaged that also the processing of payments for these projects be transferred to the NTF. Concerning the monitoring of on-going projects, the NTF has gradually become more and more involved. The NTF has worked closely with the Delegation to clear the RAC/RAL situation of Guyana and closure has been requested for all technically ended projects. The NTF is also gradually starting to take over more responsibility in the preparation of new projects under the 9<sup>th</sup> EDF (organisation of missions). However, draft TORs are still prepared first by the Delegation. As the NTF becomes strengthened through the 9<sup>th</sup> EDF project, it should also take over the initiative related to project planning, preparation and implementation - during the period under review this process was ongoing.

2. 15 million GYD has been allocated for the rehabilitation of the building identified by the Government to be used as the Business Incubator by the LEAP project (8 ACP GUA 009). This amount and the works are to be managed by the LEAP project management unit in Linden. It is likely that additional funds will be needed to complete the works. These funds would come either from the SASP IV and V interest or be provided by the Government.

3. 200 million GYD (€1M EURO) from the interest accrued on the SASP IV and V counterpart funds has been allocated to an emergency intervention on the Linden Water Supply System. Guyana Water Incorporated (GWI) manages the funds. Amongst the components financed under the memorandum of understanding are refurbishing of electro-mechanical equipment, the reconstruction of the Amelia's Ward aerator and improvements to pressure in the Blueberry Hill area. Unfortunately, due to technical difficulties in the design and procurement of the works and changes in the management of the water utility in 2003 the original deadline for these activities has passed with a considerable amount of work outstanding. The latest timeline for these works is to be communicated to the Delegation in the near future but it is not expected to be before August 2004.

4. GYD 220 million (1 MEURO) was allocated in 2001 to support the organisation of national elections of 2001, specifically to support the training of polling staff. This support came to an end during 2001.

#### 4.1.4 Past co-operation under 6<sup>th</sup> and 7<sup>th</sup> EDF

The National Indicative Programmes of Guyana have always concentrated on infrastructure. Over 70 % of all programmable funds have gone to infrastructure. Within infrastructure sea defences, water and sanitation and transport have dominated. If also housing is included, the part of infrastructure goes up to 79 %. Starting from the 7<sup>th</sup> EDF budgetary support, first in the form of General Import Programmes and later as Structural Adjustment Programmes, has become important.

The NIP under Lomé III (6<sup>th</sup> EDF) allocated Euro 22.1 million to Guyana, 90 % of which concentrated on economic and social infrastructure. All major projects have come to completion and were closed before the beginning of 1998.

The NIP under the Lomé IV Protocol (7<sup>th</sup> EDF) was signed in April 1991 and allocated EURO 26 million to Guyana in the form of grants, 85 % of which to be concentrated on economic and social infrastructure. In recognition of the high commitment rate achieved, a supplement of EURO 6 million was later approved. Guyana also benefited from three Structural Adjustment Support Programmes, totalling Euro 8.6 million, of which Euro 7.8 million funded under the Structural Adjustment Facility and Euro 0.8 million as an additional supplement to the NIP, thus bringing the total of the 7<sup>th</sup> EDF NIP to Euro 32.8 million.

At present the 7<sup>th</sup> EDF is 100 % committed and 98 % disbursed. During the reporting period the financial liabilities under Pouderoyen water supply and rehabilitation project, the only 7<sup>th</sup> EDF project not yet closed, were resolved. All payments have either been made or are in the process of being paid, after this measures can be taken to close the project. The inauguration of the project took place in 2003.

The NAO Task Force with the Delegation has put in a lot of effort to clear the RAC/RAL situation. Closure has been requested for all technically closed projects. As a result, all the commitments, which are presently open, are on-going projects.

## **4.2 Projects and programmes outside focal sectors, 9<sup>th</sup> EDF**

### 4.2.1 Transport sector study

Following the approval of the Terms of Reference for the study, the pre-qualification notice for short-listing was published in January 2004. Since the study follows the 9<sup>th</sup> EDF procurement rules, for which no practical guide is yet available in English, editing the tender dossier into the right format has taken more time than foreseen. By and large, however, the study is well in the pipeline, the assignment expected to start in late summer 2004. A similar kind of study, also financed by the EC, is currently being finalised in Surinam and will contribute as a reference for this study.

### 4.2.2 Micro-project programme

In the 9<sup>th</sup> EDF (NIP) for Guyana, poverty reduction is the main objective and the significance of the support to economic actors and civil society is clearly emphasised. The NIP specifically mentions Micro-Projects as part of the renewed developmental approach.

An elaboration study was organised in March 2003. During the study a one-day workshop with representatives from the civil society was organised. Civil society organisations had been invited to come and participate in this formulation workshop through announcements in the local newspapers. At the end of the day, the about 50 participants selected a Joint Working Group of 8 persons to continue more detailed work for the next three days. Together with the consultants and with the presence from the Delegation and the NAO's office, the details of the Micro projects programme were worked out. This draft was further polished by the consultants and the final draft was presented to a general meeting of civil society representatives. The process also involved consultations with other donors (CIDA, DFID, USAID) with experience in working with NGOs, CBOs and other civil society organisations in Guyana as well as consultations with relevant government organisations (Ministries of Amerindian Affairs; Culture, Youth and Sports; and Local Government. The draft financing proposal was presented to headquarters in early September 2003 to be approved under the "written procedure". Approval is expected in February 2004.

#### a) Objectives and results

The overall objective of the proposed Micro-Projects Programme (MPP) is to reduce poverty and social inequality in Guyana. The Joint Working Group identified unemployment and lack of income-generating opportunities, as well as insufficient or low quality training and education as the two most important and relevant problems to be addressed by the MPP. The project purpose - in line with priorities of the Poverty Reduction Strategy Paper - is to improve the socio-economic conditions of vulnerable groups of the Guyanese population through the development of sustainable and participatory self-help schemes ; i.e 75 Micro-Projects at the community level focusing on the area of : i) employment / income generation ; ii) training / education ; iii) communication and good governance ; iv) other socio-economic sectors.

#### b) Activities

Based on the experience of other micro-project programmes, the MPP will draw on intermediate local organisations (non-state actors) to implement micro-projects in the beneficiary communities with technical assistance of a Micro-Projects Office. An independent Micro-Project Board, that will have the overall responsibility for the MPP vis-à-vis the NAO and EC, will provide overall guidance and direction to the Programme and approve the designed micro-projects. The duration of the MPP will be five years, for an amount of 4.000.000 EURO.

### 4.2.3 Support to the NAO

#### a) Objectives and results

The overall objective of the programme "Support to the NAO" under 9th EDF is to enhance sustained economic expansion and poverty reduction through improved infrastructure, access to social services including health, water and housing, and private sector and civil society development. The project

purpose is to ensure the assistance made available by the EC is effectively used according to the principles of joint management as envisaged in the Cotonou Agreement. The project is to cover a period of 5 years and the allocated budget is 1 Million EURO.

#### b)Activities

An elaboration study was carried out in May/June 2003 and the draft Project Proposal was submitted to the Headquarters for approval in early September.

Activities of the project will include technical assistance, training, system development, implementation and communication strategies. Assistance will be provided through two components:

1. A Work Programme, which will be managed by the Ministry of Finance, where the NAO Task Force is to be located within the Project Cycle Management Division. A local TA team (will be recruited under the WP. Provision of additional equipment and infrastructure for improved communications, data processing and transport; training and the running costs of the TF Office are foreseen under this component. The local TA will contribute to the preparation of EC development programmes, the NIP and Country Support Paper and ensure the implementation of the entire project cycle: project identification, preparation, implementation, monitoring, reporting, evaluation and closure; and support the wider role of the NAO in the follow-up of all EC/EU issues related to development, trade, political cooperation, etc and facilitate a pro-active role for the NAO TF in relation to all aspects of GOG - EC co-operation. The NAO TF will act as interface with Line Ministries and Technical Service Providers in order to strengthen their capacity to implement projects and programmes in accordance with EDF procedures.
2. The provision of external TA will strengthen the institutional capacity of the NAO Task Force in order for it to effectively carry out its tasks.

### **4.3 Utilisation of resources for non-State actors**

Under the 8<sup>th</sup> EDF it was agreed with the Government that 8-10 % of the NIP was to be allocated to projects and programmes in favour of the development of the private sector. These funds would be channelled through non-State actors, namely through the Private Sector Commission, an umbrella organisation representing the private sector. One project has been approved: the Guyana Training Agency. Further details of this project can be found under chapter 4.1.2. 1. A € 4 million micro-projects programme is foreseen under the 9<sup>th</sup> EDF project. This project will be working directly with non-state actors. Further details of this project can be found under chapter 4.2.2

### **4.4 Utilisation of envelope B**

In October 2002 the government of Guyana applied for funds to be allocated from the B envelope under the FLEX procedure. The request was successful and as a result, in April 2003, an additional €8.4 million was allocated from the B envelope to the budget support, thus bringing the programme up to €23.3 million over a three year period. Originally the Budget support programme was to be 14.9 million €. The financing proposal for Budget support programme was submitted to the Headquarters in July 2003 for further submission to the EDF Committee. In January 2004 the expectation is that the proposal be submitted to the March 2004 EDF Committee.

As a result only 700 000 EURO remain unallocated under the B envelope. Considering the limits of this amount, it is proposed that, if made available, this amount be added to the decommitted 7<sup>th</sup> and 8<sup>th</sup> EDF funds. Possibilities for the use of these funds are further developed under chapter 5 Programming perspectives for the following years.

## **4.5 Other instruments**

### **4.5.1 SYSMIN**

#### 8ACP GUA 009 Linden Economic Advancement Programme (LEAP)

##### a) Objectives and results

LEAP's objective is to assist the Government of Guyana, the Linden community and Region 10 to create conditions likely to attract new businesses, as an alternative to the declining bauxite industry in order to increase employment. Priority shall be given to sustainable labour intensive economic activities, creating jobs and thus combat poverty. The improvement of the living conditions in Linden and Region 10 should also contribute in addressing the political divisions the country is facing since the December 1997 general elections.

Following the identification mission fielded in September 1999 the draft-financing proposal was submitted to the EDF Committee for approval in September 2000. The technical assistance component was tendered during 2001 and in December 2001 the contract was awarded to a consortium lead by TRANSTEC. The team leader took up his duties in January 2002.

##### b) Activities

Between August 2002 and March 2003, LEAP experienced three changes of the team leader. This turbulence in leadership contributed to a lack of clear programme focus, conflicted relations with stakeholders and delays in filling other key positions. The level of implementation of the 1<sup>st</sup> WP was low and preparation of the 2<sup>nd</sup> WP was delayed. Initial community and stakeholder support for the project suffered in a period in which the community experienced further constriction of the mining sector resulting in the loss of more than 1500 jobs and increased social unrest.

Since March 2003, greater involvement of the local management and personnel in the day to day running of the project and decision making process has contributed significantly to the successful implementation of the 2<sup>nd</sup> WP (ends in March 2004) and the preparation of the 3<sup>rd</sup> WP (submitted to headquarters for approval in January 2004). Some restructuring of personnel, opportunities for training and the recruitment of new persons to fill vacancies at the management, technical and auxiliary level have set a foundation for strong and accountable project team to be developed. Successful implementation of an ambitious Public Awareness programme, initiated in the 2<sup>nd</sup> WP, has improved relations with stakeholders at the official and community level dramatically. On going consultations on the implementation of the programme and identification of sub-projects have been held at the local community and regional level. Four special meetings held on specific elements of the programme have augmented monthly meetings of the Advisory Group. Through out the last six months coverage in the national media has been supportive and positive.



The substantially increased level of activity coupled with the public awareness campaign has led to increased access to the programmes services as well as increased participation and demand. In the first six months of the 2<sup>nd</sup> WP, 640 training days were delivered through 14 workshops. A "cost recovery" strategy for client services has been initiated. Fifty persons are pursuing competency certification in 5 skill areas. Three infrastructure works have been identified, designed, tendered and will be mobilized within the period of the 2<sup>nd</sup> WP (by end of March 2004). Craft producers have received assistance to participate in six trade fairs, which has led to 4 export contracts. Assessment of the institutional strengthening needs of local authorities and agencies has been completed in parallel to direct support being provided. In November 2003, the Inward Investment Component was launched.

The building originally identified by the Government for the business incubator, was redirected for other activities. At the end of 2002 the Government identified another building, a school, which was to become available in late March 2003, after which refurbishment works were to be carried out. However, during the feasibility and design studies for the refurbishment it was realised that the building was not ideal for the kind of activities foreseen to take place in an incubator. A building on the main street of Linden has now been secured for the Business Incubator and the design of the rehabilitation has been completed and the tendering is ongoing to award the works contract. These works will be financed by the EC from SASP IV interests (see 4.1.3). Important linkages have been made with successful incubators in the region and an operations manual to guide LEAP's incubator has been drafted.

In preparation of LEAF credit fund, a mission to elaborate the details of this component was carried out in March 2002. The dossier was then submitted to the Headquarters for clarifications on the tendering process to be followed for the contracting of the financing institution, which would manage this component. In January 2003, the Headquarters services authorised the Government of Guyana to enter into direct negotiations with a Financial Institution to manage this credit component. This procedure was considered the most appropriate since only a small number of institutions capable of managing a micro credit facility exist in Guyana and there is a great risk that a tender would not be successful. Negotiations to contract the credit component were successfully concluded by January 2004 and the negotiated Implementation Agreement and Memorandum of Understanding were submitted to EC headquarters for approval. Once this approval is received, the agreement and the MoU can be signed and it is expected that the credit component will be up and running within a month from this signature.

#### **4.5.2 Regional co-operation**

Guyana is benefiting directly and indirectly from a number of projects implemented under the framework of "all ACP" co-operation and the Caribbean Regional Indicative Programme (CRIP). Of particular relevance to Guyana are:

##### Under the 7th EDF,

↳ The Regional Airports Programme, Phase I: The Provision of aeronautical and communication equipment for the Cheddi Jagan International Airport.

The solar-powered non-directional beacon has been procured and the final installation and training have been completed. The final payment to Unit Export Ltd. has been approved and the project is currently in the maintenance liability period. The lightning protection works have been completed and discussions are on going to settle the final account with the contractor. A meeting to promote amicable settlement between the client and the contractor is expected to take place early in 2004. EC support has contributed to both the Institutional and the Physical Capacity of the Civil Aviation Department in Guyana. The project has been in support of the overall NIP objective of the 7<sup>th</sup> EDF for the transport sector: open the country for socio-economic development and in particular to facilitate the movement of persons.

↳ The Regional Agriculture and Fisheries Programme (CAFP), whose CRIDNET component (Caribbean Rice Industry Development Network) is managed from Guyana by the Caribbean Rice Association, with CARDI. This latter started its activities in early 2000. The Caribbean Agribusiness Research and Training Fund (CARTF) was also active in Guyana during 2002.

#### Under the 8th EDF,

The Caribbean Tourism programme was approved by the EDF Committee in November 2002. Guyana's own tourism programme can benefit from this programme.

Based on the contents of the Joint Declaration on Rice, attached to the Cotonou Agreement, the EC financed a diagnostic study of the CARIFORUM rice industry in May to July 2001. Following this, a Feasibility Study of the CARIFORUM rice Industry was carried out during April -October 2002. A draft Financing Proposal for the amount of €24 million was also prepared at the same time. The proposal was approved by the EDF Committee in October 2003.

The European Commission has given approval for a € 70 Million grant to support rum producers in Cariforum Countries. The 4-year project, "Integrated Development Programme for the Caribbean Rum Sector", started in June 2002 and will assist WISRPA (West Indian Spirits and Rum Producers Association) members to able to regain markets lost through liberalisation and to create new ones.

Guyana also benefits from Programmes managed from other Cariforum countries:

- ↳ Students from Guyana received scholarships for Masters' Programmes at the University of the West Indies (UWI) and Dominican Republic Universities under the Caribbean University Level Programme (CULP),
- ↳ Guyanese businesses received grants under the Caribbean Export Competitiveness Scheme, part of the Trade Programme, based in Barbados,
- ↳ Police, judiciary and banking Officials received training under the Anti-Money Laundering Programme, based in Trinidad.

In addition, outside the CRIP, at the very end of 2000 the Caribbean component of the all-ACP HIV/AIDS/STIs Programme was initiated with CARICOM as implementing agency. This Programme was designed to help build the capacity of regional institutions to combat the epidemic. Guyana is benefiting directly from several components of this programme.

### 4.5.3 EIB

The EIB indicated an amount of Euro 10 million for loan financing of investment projects from the 7<sup>th</sup> EDF. At the end of 2001, a loan to the Institute of Private Enterprise Development (IPED) for on-lending to small businesses (Euro 0.5 million) was operational. The works at Rose Hall water supply project (Euro 9.2 million) had been finalised.

In 2001, a second loan from EIB to the Institute of Private Enterprise Development for on lending to small businesses (Euro 0.5 million) was granted from the 8<sup>th</sup> EDF. Also an amount of €20 million as a loan to Guyana Power and Light was approved in 2001. However, these funds will only be disbursed once GPL matches the amount from other sources, which has not yet taken place. In addition in 2003 the private company, which had purchased a part of GPL, sold its share to the Government for the nominal amount of 1 USD. Since then the Government has ensured the management of the company and is preparing for re-privatisation of the company.

### 4.5.4 Community Budget lines

The Iwokrama Rain Forest Project, co-financed from the Budget-Line for support of Tropical Forests in the amount of € 1.46 million, after a slow start, advanced well. This was confirmed by an evaluation made by DFID and another evaluation by UNDP. The other major donors of the Centre are Canada, UNDP and DFID. However, despite the confirmed successes the project is facing financing problems. Most donor funding ended in early 2003, including EC funding. In May 2002 a donor meeting was organised in London by the Centre to present a draft work plan for the period of 2002-2007 and to seek information on possible donor support. No firm commitments were made. By the end of 2003 the Iwokrama Centre had drastically scaled down its staffing levels, but had been able to secure funding from the Commonwealth Secretariat to continue its core activities. Search for further funding continued, also the possibilities to obtain funding from either the EC Caribbean regional programme or the EC Forest budget line were being looked at. The Government of Guyana has on several occasions expressed its concern over the lack of funding for Iwokrama, however, it is at present unable to support the centre financially. Also the necessity to concentrate EDF-NIP funding to two focal sectors has not made it possible to support the centre from these funds.

## 5 Programming perspectives for the following years

The CSS was approved by the EDF Committee in September 2002. The indicative amounts allocated are: A-allocation € 34.0 million and B-allocation € 14.0 million. The B-envelope includes €4.9 million from the 8<sup>th</sup> EDF Sysmin resources and these funds can be programmed for with the A-envelope. As a result the amount of 38.9 million can be programmed immediately. The CSS identifies two focal sectors:

1. Infrastructure: sea defences and coastal management €19 million
2. Macro economic support for social sectors (health and housing) €14.9

Also an indicative amount of €5.0 million has been reserved for the following purposes:

- development of a comprehensive Transport Sector Strategy €1.0 million
- support to the NAO €1.0 million
- Micro-project Programme originally €3.0 million, later increased to €4.0 million

In October 2002, the Government applied for Guyana to be considered for funds under the FLEX provisions from the B-envelope. In January 2003, the EC concluded that the amount of €8.4 million from the B-envelope will be released and that this amount should be disbursed as part of the Budgetary Support Programme foreseen under the 9<sup>th</sup> EDF. This will bring the total for Budgetary Support to €23.3 million.

The feasibility studies and project formulation, to be financed from the 8<sup>th</sup> EDF, for the 9<sup>th</sup> EDF Sea Defences, micro-projects programme, budget support, support to the NAO and transport sector study were all carried out in 2003. As a result of the studies the following financing proposals were submitted to the EC headquarters for further submission to the EDF Committee or to be approved through the written procedure as follows: Micro projects programme in September 2003, Support to the NAO in September, Transport sector study in June, and Budget support in July. Tendering for the first three was initiated by January 2004. The TCF was submitted to the headquarters services in August. It is expected that the MPP, support to the NAO and the transport sector study would all start before mid 2004 and that the first tranche of Budget support be released in mid-2004. A further study to elaborate and design the Sea Defences programme will be carried out in mid-2004. And it is planned to submit the financing proposal to the EC headquarters in late 2004.

De-commitment and closure has been requested for all primary and secondary commitments, which can be closed. However, by January 2004, most of these closures had not yet been registered into OLAS/CRIS. Once this is done, the amount of approximately 1.5 million EURO will be available for programming. In addition to this, the amount of 700 000 EURO remains available in the B envelope.

In view of the fact that national elections (presidential and national assembly) are due latest June 2006 it is proposed that a needs assessment and elaboration study be financed from the TCF in late 2004, once it is clear if local elections will be held in late 2004 or early 2005 before the national elections, and that 1 MEURO be allocated from the 1.5 MEURO for the organisation of the national elections. This support would be in line with the importance the CSP puts on good governance and democracy. Also this would support the initiatives the EC supports globally concerning good governance, conflict prevention and conflict resolution.

Considering the relatively small amount remaining available after this (0.5 MEURO), it is proposed that the amount be used to increase the budget of one of the already existing projects. The following options were considered: Budget Support, Linden Economic Advancement Programme, Low-income housing or the 9<sup>th</sup> EDF Sea Defences programme. The NAO considers it most opportune to allocate this amount to the Sea Defences programme. This project is presently in its planning stages and as a result the use of these funds could already be taken into consideration during the planning process. The Delegation shares the view of the Government and considers that the needs

of the Sea Defences sector are such that the allocation of a further €0.5 million is fully justified and can easily be absorbed by the project.

### **5.1 Integration of new EC/EU policy initiatives and commitments**

If the indicative allocation for Guyana were to be increased, primarily support to the water sector could be considered. In the second place, support to the Fast Track Initiative/ Education for All could be considered.

A proposal to be considered under the Water Initiative was submitted to EC headquarters in February 2003. During the 6<sup>th</sup> and 7<sup>th</sup> EDF, EC has been an important player in the water sector, however, these projects came to an end by 2002. During the preparation of the CSS support to the water sector was considered as a possible sector of concentration, but since the size of the Guyana allocation permitted only two sectors of concentration support to the water sector was not maintained as at the time it seemed that other donors would sufficiently cover the sector. The main actors in the sector are DFID, IDB and the World Bank. However, due to changing donor priorities and the needs of the sector it is now estimated that the water sector will experience a funding shortfall of approximately USD 104 million during the period of 2003-2012. At present it does not appear that any donor will be in a position to fund such a substantial gap.

Guyana Water Incorporated (GWI) is the water service provider for most of Guyana, both for the coastal and interior regions of the country. GWI is going through restructuring and modernisation. Under this process thus far all activities have been combined under one utility, a legislative basis of a new water act has been passed and the management has been contracted out to a private company.

The proposal submitted for consideration under the Water Initiative identified three target areas for EC funding: water supply, sanitation and integrated water resource management. The submitted proposal of 33 MEURO foresaw the following allocation of funds: 25 MEURO for infrastructure investment, 5 MEURO for education programmes and 3 MEURO for studies. Depending on the amount made available for Guyana identification and elaboration study should be organised and the objectives and areas of EC intervention should be specified.

The second area of allocation of possible additional EC funds could be education. Guyana has prepared a proposal for the Fast Track Initiative/Education for All (FTI). Guyana was one of the first seven countries (of the eighteen invited) to apply for funding for the EFA-FTI. The donor partners of the FTI initiative approved the proposal in November 2002. The proposal is for the amount of USD 45 million and covers the period of 2003 to 2015. An amount of USD 8 million has been attained for Guyana from the "Catalytic fund" to cover the needs of the 2 first years.

The analysis of efforts made in the education sector has revealed that although a vast majority of students have accessed the primary education, the system's ability to retain them throughout the sixth grade cycle is somewhat weak as is observed in the repetition, drop out and completion rates and in the average school attendance. There are also significant differences that exist between the coastal and hinterland regions in terms of access to the opportunities provided, and to quality educational services. Hence, a more concentrated effort is needed for improving the performance of these regions.

The first three years require USD 11.65 million to supplement government spending on education and external financing for education received from multilateral and bilateral donors as well as any HIPC-related funds. The average annual amount of financing requested under the proposal in USD 3.46 million. Guyana's approved programme encompasses the initiatives: I - Improving the Quality of the Teaching Force in the Hinterland (USD 4.74 million), II - Enhancing the Teaching/Learning Environment in Primary Schools (USD 18.83 million), and III - Strengthening School and Community Partnership (USD 21.46 million).

The funds so far allocated for this initiative for Guyana are being channelled through a World Bank managed fund. If this option were to be considered suitable for the channelling of EC funds, then funds could rapidly be mobilised once a Memorandum of Understanding would have been established between the Commission, Government of Guyana and the World Bank for the management and use of these funds.

Since the creation of the global FTI initiative, the EC Delegation in Guyana has been involved in the discussions concerning the elaboration of the FTI proposal by Guyana through the framework of the PRSP thematic group for education, which is chaired by the Ministry of Education and supported by DFID, the lead donor in this sector.

## **5.2 Proposal on a review and adaptation of the CSP**

The original CSP and the sectors of concentration identified in it remain relevant. As a result there is no need to adapt the CSP at this stage. The programming for the totality of the A and B envelopes is on going (except for the amount of 700 000 EURO still in the B envelope) and it is expected that four of the five projects/programmes identified in the CSP be committed by mid 2004. Due to the complicated nature of the design required for the Sea Defences programme it is expected that the project design be completed by early 2005 and the project be committed in 1<sup>st</sup> quarter of 2005. It is proposed that 1 MEURO from the decommitted funds be allocated for the organisation of national elections due in 2006. This allocation is in coherence with the emphasis the CSP puts on good governance and democracy, as a result, no revision of the CSP is needed in order to accommodate this project. Concerning the rest of the decommitted funds, about 0.5 MEURO and the 0.7 MEURO from the B envelope, it is proposed that the €0.5 million be allocated to the 9th EDF Sea Defences. Since this is one of the CSP focal sectors, no revision of the CSP would be needed. If the € 700 000 from the B envelope were made available, this amount can also be absorbed by the 9<sup>th</sup> EDF Sea Defences project.

If additional amounts were to be allocated for Guyana, an addendum to the CSP would be required to accommodate these funds.

Concerning the coherence of the CSS with EC policies, the EC response strategy vis a vis Guyana remains valid. No such changes have taken place, which would have put this coherence into question.

The only Member State present in Guyana and with substantial aid flows coming into the country is the UK. The contacts between the High Commission, DFID and the Delegation are close and continuous coordination takes place especially in the fields of water, education, governance, private sector development and the PRSP process, both bilaterally and through the thematic groups established for monitoring the PRSP.

Coordination and complementarity between the donors has in general been satisfactory. However, it is often donor led. The major donors in Guyana are IDB, WB, IMF, USA, UK, Canada, UNDP and the EC. Formal meetings take place in the framework of PRSP monitoring, and numerous ad hoc meetings are held when need arises. Of special relevance to the EC cooperation is cooperation and coordination in the fields of Sea Defences, housing and transport with IDB; in water with IDB, WB and DFID; in Budget Support with IMF, CIDA, PAHO/WHO and IDB; in private sector development and working with other non-state actors with DFID, CIDA and USAID; in governance, democracy and conflict prevention with UNDP, USAID, DFID and CIDA; and in education with DFID, WB and IDB.

The draft Annual review was submitted to parliamentary parties, the umbrella organisations for the private sector and the NGOs for comments and contributions. It was also submitted for comments to UK/DFID, the only member state present in Guyana, and to France and the Netherlands, whose embassies in Suriname cover also Guyana and who had expressed an interest to be consulted.

## 6 Conclusions

The Mid-term review was conducted following the agreed lines and in accordance with the stipulations of the Contonou Partnership Agreement. The final meeting with the National Authorising Officer took place on 16 November 2004.

### 6.1. Summary

Guyana is advancing in its reform programme, with improving macro-economic stability, and has become eligible for debt relief under HIPC. In December 2003, the IMF/IBRD concluded that Guyana had reached the enhanced HIPC completion point, enabling more resources to be mobilised for additional debt relief. The relief package goes hand in hand with the Poverty Reduction Strategy (PRSP). The Government is making serious efforts to fight poverty and undertake reform programmes in a political environment still dominated by a difficult dialogue between Government and opposition, under a cloud of crime and a lack of security. Economic growth is low (0.8% per annum between 1998 and 2003). Guyana has low relative poverty indicators and ranks 92nd on the UNDP Human Development Index (2003).

Focal sectors in Guyana/EC cooperation are Rehabilitation of Social and Economic Infrastructure, Macro-economic Support and Private Sector Support. Although administrative delays have occurred on both sides, in Sea Defences and recently in the credit component of LEAP and the budgetary support Programme, the prospects for accelerated project implementation are good. On balance, sectoral performance indicators are roughly on schedule, and there is **no reason to consider a revision of the Strategy. It is further proposed that the Sysmin balance allocation of € 4.9m be transferred to the A envelope in order to put together all programmable resources for Guyana.**

### 6.2. The Policy Agenda of Guyana

The Republic of Guyana remains committed to its Economic Recovery Programme and National Development Strategy, in spite of the strains put on it by the world economy and its internal economic and security situation. In 1999 Guyana became eligible for debt relief under the original HIPC initiative, paving the way for a cumulative US\$440 million debt relief in nominal terms. As a result, the debt service ratio fell from 19% in 1998 to 11% in 1999. In October 2000, Guyana became eligible for debt relief under the E-HIPC initiative. To help the country reach the completion point the Government of Guyana has committed itself to undertaking work in the following areas: completion and implementation of a Poverty Reduction Strategy (PRSP), continued implementation of strong macro-economic and structural policies, and implementation of a set of social, structural and institutional reforms.

In December 2003, the Boards of the IMF and WB concluded that Guyana had satisfactorily met these commitments and as a result it was concluded that the country had reached the enhanced HIPC completion point. Debt relief under E-HIPC from all of Guyana's creditors amounts to US\$334.5 million in net present value (NPV) terms. The total debt relief under the original and enhanced HIPC initiatives reduces the debt stock, after traditional debt relief, by 54%, based on cumulating both relief totals at the end of 2002. Multilateral creditors are to provide debt relief up to US\$ 202 million in NPV terms, which includes US\$ 40 million from the IMF and US\$ 41.2 million from the WB.



The relief package goes hand in hand with the PRSP and the implementation of an agreed programme of social and structural reforms. The PRSP provides a comprehensive framework for the development challenges facing Guyana and an adequate strategy for reducing poverty. It reflects the results of an extensive participation and consultation process. The policy reform agenda outlined in the PRSP is large, covers most sectors, and is geared towards enhancing the productivity and competitiveness of the economy. The success of the PRSP will depend on the Government's ability to improve governance, strengthen public institutions, maintain macroeconomic stability, and undertake critical structural reforms. Since its adoption in 2001, there has been progress in some areas, including social sectors, water, sugar and monitoring (with poverty spending tracking system in place). On the other hand, there have been slippages on the macro front. In addition, the PRSP needs to be updated as the macroeconomic situation has since deteriorated, with economic growth rate and government revenue collection much lower than anticipated. It is currently estimated that GDP would grow by 1.0% at best per annum during the period 2002-2005 compared to 2.7% according to the PRSP addendum and 4.1 according to the original PRSP. This outlook calls for further prioritisation of an already ambitious PRSP programme. The Government is expected to prepare the first PRSP progress report by June 2004.

### **6.3. Main Political and Social Developments**

#### **6.3.1 Changes in the Political Situation**

The political scene has always been characterised by an ethnical divide between the Afro-Guyanese dominated PNCR and the Indo-Guyanese PPP/C. The leaders of the ruling party PPP/C and the opposition PNCR met in May 2003 and signed off on a complex communiqué including constitutional and political arrangements. The meeting helped to break the parliamentary deadlock which had characterised Guyana's political process for close to 14 months. The dialogue process between the two parties had collapsed in March 2002 amidst charges and counter charges concerning the implementation of agreed decisions. This had prompted the PNC to walk out of the National Assembly and boycott its proceedings for 14 months. The recent agreements between the Government and the opposition are encouraging steps. However, unless they are sustainably implemented, Guyana's political, social and economic situation could be further undermined. The situation remains fragile and unstable and the run-up to the 2006 election adds to the risks.

In the last two years, Guyana's crime situation has become worse than it ever was, e.g. the murder rate in 2003 increased by 36% compared to 2002. The problem of crime is complex and many-sided and different explanations are offered by analysts. There is no single root cause for the escalation of crime in Guyana. The increase in crime has been variously blamed on deportees from North America and the UK; rival drug gangs contesting turf; marginalised segments of society; petty criminals due to poverty and joblessness; and elements of one ethnic group who deliberately target the other. It is widely recognised that the crime problem is extremely critical and has served to destabilise society and the political system in general, and the economy in particular. It generates fear and anxiety, fuels immigration, discourages the long-gestation investment needed to reinvigorate the economy, and severely compromises good governance. Although the security situation seems to have improved in recent months, the most spectacular type of attacks having stopped at least, the environment which facilitated the emergence of the crime wave has not changed, and thus the causes, whatever they may be, are still there.

### 6.3.2 Changes in the Economic Situation

Since 1998 Guyana has experienced a slowdown in its economic performance due to a combination of domestic and external factors. Economic growth averaged only 0.7% per annum between 1998 and 2002, and for 2003 it was estimated at 1.2%. The per capita GNP in 2002 was estimated at USD 880 (WB Atlas Method). The economic performance has been adversely affected by domestic political disturbances following the general elections in 1997, the prolonged civil servant strike in 1999 over wages, the unrest related to the 2001 elections, disputes between the two main parties and the 14-month parliamentary boycott by the opposition, the sharp increase in organised crime and policy slippages. External factors include adverse climatic conditions and a cyclical decline in key commodity prices (sugar, rice, gold). A 10% deterioration in the external terms of trade between 1999 and 2002 was a major contributor to the growth slowdown. Exports and imports fell in real terms from 1997 to 2002 by 10% and 12% respectively.

Guyana has a large underground economy, whose presence makes it difficult to obtain accurate statistics. In the 1970s and 1980s, businesses and consumers turned to the underground economy to survive the extensive state controls and rationing. In the 1990s, smuggling and drug trafficking were added to the underground economy as state controls were rolled back. From 1992-2000, the underground economy was estimated to be equivalent to 40% of GDP, a level comparable to that in other low-income transition economies.

Thanks to large foreign assistance inflows, public investment ranged between 10 and 17% of GDP for much of the 1990s. Private investment has declined steadily from 13.4% of GDP in 1998 to 7.4% in 2002. Since 1999, public expenditures have risen, reaching 46.4% of GDP in 2002 and an estimated 50% in 2003. Much of the increase can be explained by a 50% increase in the wage bill and a four-fold rise in subsidies and miscellaneous expenditures in 1999-2002. Spending in social services also increased substantially during this period.

Thanks to tight monetary policy, inflation has remained low, falling from 7.5% in 1999 to 5.3% in 2002. The real effective exchange rate was allowed to depreciate by 16% between 1998 and 2002 as the terms of trade deteriorated. The trade deficit remained in the range of US\$ 80 million to US\$115 million per annum during 1998-2002 (15.7% of GDP in 2002), an improvement over the earlier part of the decade. The external current account deficit (excluding official transfers) widened from 14% of GDP in 1997 to 14.8% in 2002 in response to higher foreign aid inflows. Progress in reducing the public debt burden by HIPC relief was partly offset by rapid growth in domestic borrowing between 1997-2002. Domestic public debt, in the form of treasury bills and debentures, stood at 71% of GDP at the end of 2002. Interest payments on domestic debt reached 3.1% of GDP in 2002, compared to 4.6% of GDP on external payments.

Guyana is highly dependent on **trade**. The value of exported goods (2002) was at USD 495 million and the value of imported goods (2002) at USD 507 million. For 2002 and 2003 the trade deficit was USD 112 and 139 million respectively. Guyana's biggest trading partners in 2002 for exports were US (22.5%), Canada (20.8%), UK (13.7%) and Netherlands Antilles (11.4%); and for imports US (32.7%), Netherlands Antilles (18.9%), Trinidad and Tobago (14.2%) and UK (6.2%).

The major exports for 2002 were gold (27% of total exports), sugar (24%), shrimp (10%), rice (9.1%), bauxite (7.1%) and timber (7.1%). The share of non-traditional exports is around 15%. Both sugar and rice have enjoyed preferential access to the EC market. However, these

preferences are changing. The Everything but Arms initiative (EBA) will allow free access to the EC for sugar and rice originating from least developed countries from 2009 onwards. To facilitate the transition, funds have been identified from the EC for the rice sector. The Government has requested assistance to prepare itself for the Economic Partnership Agreement negotiations. Guyana participated in the launching of the first EPA negotiating session in April 2004 on the roadmap for the negotiating structure and timing. Support might be made available under the 9th EDF Technical Cooperation Facility (TCF). Concerning bauxite, the world prices remain low and the government has tried for some years now to privatise its bauxite industry without success.

Negotiations are also ongoing for Guyana to join the FTAA by 2006 and the implementation of a CARICOM single market by 2005. Guyana has also negotiated a trade agreement with Brazil and is negotiating trade agreements with its other neighbours - Suriname and Venezuela. The first Trade Policy Review of Guyana was organised by WTO in October. It highlighted the erosion of preferences and problems faced by small undiversified economies. Tribute was expressed to Guyana for the important steps taken to liberalise its trade policy. However, some concerns were raised over Guyana not living up to its notification obligations under the technical barriers to trade and sanitary and phytosanitary measures. At the end of 2003 Guyana was cleared to start exporting fish products to the EU. Presently there is only one company which meets the required standards, but this will create new options, especially for shrimp exporters, who have traditionally depended on the US market.

Where possible, and building on the analysis and recommendations of the recent Trade Policy Review, support for Guyana's compliance with and implementation of WTO Agreements, notably SPS and TBT, can be provided under the 9<sup>th</sup> EDF Technical Cooperation facility. This support could include relevant technical assistance and capacity building measures.

### **6.3.3 Achievements in the Social Sectors**

Guyana ranks 92nd in the UNDP 2003 Human Development Index, which compares well with its 2002 ranking of 103rd. However, this improvement may well reflect rather the worsening of the situation in other countries than an improvement in Guyana. The quality and availability of social statistics in Guyana are very weak. This was also confirmed by the "Progress report on Millennium Development Goals (MDGs)" published by the Government of Guyana and UNDP in July 2003. Most statistics are old, dating to the end of 1990s. A census was carried out in 2002, but no results have been published yet. The Government is planning together with the World Bank to organise a "Living Standards Measurement Survey" in 2004. However, results can only be expected some time in 2005. A household survey, carried out in 1999, showed that 35% of the population lived below the poverty line, with 19% living under conditions of extreme poverty. To improve this and to meet the Millennium Development Goals (MDGs) to reduce poverty to 22% by 2015, economic growth needs to average around 5-6% per annum (source UNDP? July 2003). For the past two years growth has been around 1%.

In the **health** sector the biggest challenge facing Guyana is AIDS. HIV/AIDS levels are estimated to be the highest in the region after Haiti at 3.5-5.5% for the adult population; contrary to many countries in the region, the epidemic is generalised in Guyana and not concentrated among specific groups. A National strategy against HIV/AIDS has been formulated and work is being done to integrate it into the national health plan, and more specifically into the plans concerning the fight against tuberculosis and malaria. There is general agreement to focus on fewer, better-staffed health facilities at all levels. Government

expenditure on health for 2002 was 6.0% and was budgeted to be 6.6% for 2003. Under the 9th EDF Budget support programme, 6 indicators for the variable tranche have been linked to achievements in the health sector. Water supply has deteriorated in the capital, a new IDB loan has been provided but concerns continue about weak management. DFID is also involved in the water sector. .

The **housing** situation in Guyana is one of the most important social areas needing serious attention. The lack of attention to this sector during 1970s and 1980s means that the country needs to build 5200 houses each year for the next ten years in order to house the homeless and to replace deteriorating stocks and ease overcrowding. The issue of insecure tenure also needs attention. The sector has been identified as one of the key sectors of poverty alleviation in the PRSP. The EC and the IDB have ongoing programmes in this sector. Also, under the 9th EDF Budget support programme, 3 of the indicators for the release of the variable tranche are linked to achievements in social housing.

**Education**, and in particular basic education, has been identified as a national priority in the PRSP, despite the fact that primary education is almost universal with net enrolment at 98%, with hardly any difference between boys and girls or between rural and urban areas. Moreover, 87% of all children who enter the first grade of primary school eventually reach grade five. The problems facing the sector are similar to those facing health: significant differences in access between the coastal zone and the hinterlands, difficulty finding and maintaining staff in remote areas, and constant loss of qualified staff through emigration. The Government has made a request to the "Fast Track Initiative" for an amount of US\$ 45 million. The request was approved at the end of 2003 and under the catalytic funds an amount of 8 million USD has been allocated to cover the costs of 2004 and 2005. The FTI programme covers a period of 12 years. DFID is a major donor in the education sector.

Guyana is a relevant country in relation with **drugs**. The Commission is ready to support the efforts of the Guyana authorities to combat drug trafficking, to prevent drug abuse and provide treatment for drug addiction.

#### **6.3.4 Achievements in Cross-Cutting Issues**

Since independence **emigration** has been a major problem for Guyana. Originally the main destination was the UK, but since the 1970s the main destination has become North America, both US and Canada, and the rest of the Caribbean. It is estimated that there are as many Guyanese living in North America as there are in Guyana. This continuous flow of persons out of the country has created a permanent shortage of qualified staff in all sectors of the economy. On the other hand, emigrants send remittances to Guyana. The Bank of Guyana estimated remittances from the US alone in 2001 to be USD 92 million. However, a recent study in January 2004 financed by USAID put this figure between USD 116 to 233 million. This represents an important inflow to the Guyanese economy. For example, the current account deficit in 2002 was USD 106 million, as compared with the value of exports in 2002 of USD 495 million

As regards **gender** equity and the empowerment of women, although there is no major difference in female and male enrolment rates in primary and secondary education in Guyana, this has not translated into real gains for women in terms of jobs: female unemployment rates are estimated to be double those for men. Girls and women also continue to have low levels of autonomy in and control over their sexual and reproductive lives. In the area of male disadvantage, the dropout

rate of boys from secondary education is increasingly evident and has become a cause for concern. In the National Assembly 30% of the 65 members are women. This reflects the fact that in order to increase women's involvement in politics, political parties are required to ensure that one third of their candidates in elections are women.

In terms of **human rights and the rule of law**, freedom of the press and opinion are respected. However, the police force has been criticised locally and internationally for alleged extra-judicial killings: Amnesty International and also the USA and Canada expressed their concern on this issue in January 2004. In December 2003, Guyana signed an agreement with the USA to exempt US nationals from prosecution by the International Criminal Court. Concerning the death penalty, Guyana has yet to ratify the Second Optional Protocol to the International Covenant on Civil and Political Rights. Furthermore, the government introduced new anti-terrorism legislation in 2002 that widened the scope of the death penalty. UNICEF has been working with the Government to improve the **rights of children**. As regards **indigenous people's rights** (Amerindians), UNDP has helped the Government and more specifically the Ministry of Amerindian Affairs to develop a strategy (presented in November 2003) to address the issues of sustainable development of Amerindian areas across the country. This document also addresses the issue of **rural poverty**, as the biggest pockets of poverty are located in the Amerindian communities, which are all situated in the rural hinterland areas of Guyana.

As far as **good governance** is concerned, all government institutions (including the NAO Office) suffer from performance deficiencies relating to inadequate funding and the nation's brain drain. There is a genuine parliamentary system although its operations are affected by the lack of inter-party dialogue. The Government is very much aware of the performance problems in the public sector. Several donor-funded programmes have been assessing the situation and are supporting the Government's efforts in this sector: IDB (public sector modernisation and local government reform), CIDA (public finances), WB (procurement) and UK (judiciary, police). Discussions on the fight against corruption have become more open, and this issue is being partially addressed in the above-mentioned projects. Under the 9th EDF Budget support, 6 indicators for the variable tranche are linked to the quality of the management of public finances. Local Government exists but does not play a role in the development process. Local government reform is currently blocked due to the political situation in the country. DFID is involved in the good governance sector.

In the area of **conflict prevention**, which is a crucial issue in a racially divided society, the Government is working together with UNDP in an attempt to build bridges between the two main racial groups. Under Article 11 of the Cotonou Partnership Agreement, due attention has to be given to peace building policies and conflict prevention and resolution, whereby the appropriate instruments could be mobilised where applicable and justified. The border dispute with Suriname continues; part of it is now up for international arbitration. The border dispute with Venezuela has quietened down the last few years.

The Government is aware of the need to protect the **environment** and the Environmental Protection Agency (EPA) was established in 1996. However, the EPA and both the Forestry Commission and the Guyana Geology and Mines Commission need further capacity building in order to fully implement their roles as controlling bodies. Over the past decade, the government has become increasingly aware of environmental issues, in particular the protection of forestry resources. In addition, sea defences remain an essential element in the protection of the coastal zone where 90% of the population live. However, in the long term, climate change will probably induce a rise in the sea level to such an extent that it will no longer be possible to efficiently

defend this zone from the sea. Concerning **disaster management**, UNDP has, in collaboration with the Government, and with the assistance of CDERA (Caribbean Disaster Emergency Response Agency), organised a number of workshops to build the local capacity to respond to possible disasters. No "Country Environmental Profile, CEP" exists for Guyana. Once the TCF has been approved and it becomes possible to mobilise funds under it, consultants will be recruited to prepare a CEP, which will be annexed to the next JAR. DFID has provided support to the Forestry Commission to improve its capacity to carry out its tasks, including issues relating to **illegal logging** and mining.

### **6.3.5 Regional and International Developments**

As regards regional politics, the border issues with Suriname and Venezuela still exist, but a dialogue process is ongoing with both neighbouring countries. A number of committees have been set up with Suriname to try to enhance cooperation between the two countries. Ties with Brazil are becoming closer and a number of cooperation agreements have been signed between Guyana and Brazil, ranging from police cooperation to agricultural development. Possibilities of finding Brazilian funding for the rehabilitation/construction of the road linking Boa Vista to the coast of Guyana are also being sought.

During the remaining period of the 9th EDF, further efforts are required with a view to implementing the commitments made by Guyana towards the process of regional integration, notably within the framework of the creation of the economic community of the Caribbean Region. Convergence of macro-economic policies, the customs union and the common market, and regional sector policies are all essential to seeing through the conclusions of the Economic Partnership Agreement and integrating Guyana into the world economy. Therefore, strengthening national capacities, and defining and implementing a national strategy for regional integration have become strategic priorities of ACP/EC cooperation. Where possible, support for these areas will be provided under the 9th EDF, possibly the Technical Cooperation Facility (TCF). This support could include actions aiming at greater involvement and participation of national authorities with regard to regional integration. Such actions should include the participation of all stakeholders concerned, from the grassroots to the political level. Coherence and complementarity with intervention under the Regional Indicative Programme will be taken into account. Guyana plays its role in the Caribbean Single Market and Economy (CSME) and progress has been made in the free movement of persons, although much still remains to be done.

### **6.4. State of Play of the EC Cooperation Programme**

#### **6.4.1 Focal Sector: Rehabilitation of Social and Economic Infrastructure**

This relates to the 8th and the first focal sector under the 9th EDF and includes Sea Defences (63% and 40% respectively of the NIPs) and Low-Income Housing (28% of 8th EDF).

With respect to the **sea defences** under the 9th EDF (€ 19m), preparations are ongoing. A pre-feasibility study has been conducted and an in-depth study will examine the issues of institutional capacity versus capital investment in construction projects, which should provide a draft financing proposal and draft tender documents for future activities. Current thinking is that the major reconstruction projects of the past should be scaled back in favour of a greater institutional component that will enable the Sea and River Defence Division to maintain the existing defences for a longer period of time. It is expected that the feasibility and design

study could commence in the third quarter of 2004. The Financing Decision is anticipated for the end of 2004, as against the projected first half of 2004 in the CSP. This (modest) delay is due to the fact that the direction of the project had to be rethought.

In addition to activities under the 9th EDF, the 8th EDF sea defence programme (€ 20m) is ongoing. This programme encompasses the rehabilitation of approximately five kilometres of hard sea defences, a programme of institutional strengthening and support for the project execution unit of the Sea and River Defence Division, which includes a pilot project of an integrated coastal zone management programme and a socio-economic survey and awareness campaign. The financing agreement for these activities was signed in March 2000 and amounted to €20 million. In late December 2003 administrative provisions were made which will allow the design work for the 8th EDF physical works to be completed. This activity had previously stalled due to various factors, mainly staff shortages and changes at the PEU, Delegation and AIDCO, but the contract with the design consultant can now be signed as a consequence of a derogation obtained to allow direct contracting. The physical works are expected to commence around the beginning of the second quarter of 2005.

The **Low-Income Housing** project (€ 9.1m) was approved in October 2002. The start-up was delayed by a lack of expressions of interest for the Technical Assistance. A restricted procedure is now being undertaken to expedite the start-up.

#### **6.4.2 Focal sector: Private Sector Development**

This includes assistance to the Guyana Training Agency - GTA (€ 1.8m), and the Linden Economic Advancement Programme (€ 12.5m under **Sysmin**) - LEAP, both under the 8th EDF. GTA is progressing satisfactorily, and LEAP has overcome its earlier problems (management changes, staff shortages and initial differences of opinion with stakeholders), and is now advancing very well.

#### **6.4.3 Focal Sector: Macro Economic Support**

This is the second focal sector under the 9th EDF, with an original budget of € 14.9m augmented with € 8.4m from the B envelope to a total amount of € 23.3. The objective of the direct non-targeted Budget Support programme is to give a grant in support of the budget of Guyana and will support the Government's reform programme by meeting part of the Government's budget financing gap. The releases will be made over three years from 2004, with a fixed and a variable tranche disbursed each year. In accordance with EC Guidelines, the fixed tranches will be released provided the Government remains on track with the IMF. The variable tranches will be released proportionally to the achievement of agreed indicators of performance concerning management of public finances and progress in the health and social housing sectors. The distribution between the fixed and the variable tranches will be at a 50:50 ratio. In spite of delays in the mobilisation of the consultants and a longer gestation period of the Financing Proposal than foreseen, the Financing Decision should still be taken during the first half of 2004, as scheduled in the CSP timetable.

Under the 8th EDF two Structural Adjustment Support Programmes were financed. The programmes had two components with distinct objectives: (1) macroeconomic stabilisation, through assistance to the balance of payments by provision of foreign exchange and (2) poverty alleviation, through assistance to the social sectors with counterpart funds (CPF) generated by the foreign exchange component. Support for the Government's budget in the education, health and housing sectors had maintenance, training and supplies as its priorities. The foreign

exchange component of SASP IV (€ 5.29m) was totally disbursed before 1999 and the CPF were exhausted by the end of December 2000. The SASP V (€ 5.7m) financing agreement was signed in August 1999. A monitoring mission in 2001 concluded that the SASP funds have helped to create higher standards and more stable social services, especially in education and health. The last payments were made in January 2002.

#### 6.4.4 Other instruments

Projects in the **Non-Focal** sector include a Transport Sector Study, Micro-projects and assistance to the NAO, all in preparation and to start in 2004.

No new **EIB** loans have been approved since the signature of the CSP. The EIB intervention in the water sector is successfully completed, but there are still issues pending which need to be addressed before further EIB operations in the sector become realistic. Projects in the pipeline relate to sugar, rum and renewable energy (CARICOM). The € 20m loan to GPL (electricity) is likely to be cancelled. The EIB is trying to enhance cooperation with the financial sector with a view to reaching out to the SME segment and assisting in developing the local financial markets. With public sector investments there is the problem of HIPC conditionality; the EIB rates of interest might not be compatible with HIPC criteria. The EIB is looking at this issue right now. It was firmly agreed at the meeting that the Delegation and the EIB should increase their exchange of information and views and that full support should be given by the Delegation to exploring future operations. Coordination and complementarity need to be urgently improved.

Support for **Non-State Actors** is mainly channelled through the Guyana Training Agency (see paragraph 4.2 above) and the Micro-Projects Programme, to start mid 2004.

The **B envelope** (€ 9.1m) has been largely utilised under FLEX to augment the resources for the 9th EDF Macro-Economic Support Programme (see paragraph 4.3 above). A modest € 0.7m remains.

**Cross-cutting issues** (ref. paragraph 3.4 above) have been incorporated in all projects and programmes where appropriate. Gender-specific indicators have been incorporated in the 9th EDF Budget Support Programme (€ 23.3m).

Furthermore, Guyana has benefited from **Sysmin** (the LEAP Programme, see paragraph 4.2 above) and a number of **regional projects**, in particular the Airports Programme, the Agricultural and Fisheries Programme, the CARICOM Rice Programme and the Rum Sector Programme.

#### 6.4.5 Lessons Learnt

The following constraints have been identified which have a bearing on our cooperation:

- (1) capacity constraint in Government due to the brain drain;
- (2) the difficult political and security situation;
- (3) weakness of Civil Society;
- (4) procedural delays in the start-up and implementation of projects and programmes.



## 6.5. Programming Perspectives for the Future

Given the fact that there is no need to change the development objectives of the country since Programming and also that there are no insurmountable hindrances to the preparations and implementation of the current programme, **there is no need for a change in Strategy.**

After closure and de-commitment of completed programmes about € 1.5m will become available for further programming. In addition, there remains € 0.7m under the B envelope, currently earmarked for ECHO operations.

In view of the fact that national elections (presidential and national assembly) are due at the latest in June 2006 it is proposed that a needs assessment and feasibility study be financed from the TCF in late 2004, and that € 1.0m be allocated from the € 1.5m for the organisation of national elections. This support would be in line with the importance the CSP attaches to good governance and democracy. This would also tie in with the initiatives the EC supports globally concerning good governance, conflict prevention and conflict resolution.

Considering the relatively small amount still available after this (€ 0.5m.), it is proposed that the amount be used to increase the budget of one of the already existing projects.

Two new EU/EC policy objectives are of particular interest to Guyana. First, there is the **Water Initiative** and a proposal for € 33m for water-related infrastructure investment, education programmes and studies was submitted back in February 2003. In addition to technical value, concrete project proposals, feasibility and soundness will be also scrutinised in the light of institutional capacity. Should additional funds become available, the other area for intervention to be considered is the **Fast Track Initiative/Education for All (FTI)**. Guyana is one of the seven countries to have applied. The current (overall) proposal for Guyana amounts to USD 45m for 2003-2015.

Coordination and complementarity between the donors has in general been satisfactory. However, it is often donor-led. Formal meetings take place as part of PRSP monitoring, and numerous ad hoc meetings are held as the need arises.

## 6.6. Performance Appraisal

### Criteria I: Country's Financial Performance

Status as at 31 December 2003, calculated on performance over the last five years

#### EDF

- |   |             |
|---|-------------|
| • Calculated number of years to complete EDF commitments    | 4.65 years  |
| • Calculated number of years to complete EDF assigned funds | 25.69 years |
| • Calculated number of years to complete EDF payments       | 21.10 years |
| • Level of utilisation of 9th EDF A envelope                | 0.51%       |
| • Level of utilisation of 9th EDF B envelope                | 0.00%       |

#### Community Budget Lines

- |                          |       |
|--------------------------|-------|
| • Rate of assigned funds | 0.00% |
| • Rate of payments       | 0.00% |

If the Budget Support Programme (€23.3m) had been approved in 2003, the above figures would have looked substantially more favourable: calculated number of years 2.10, 11.95 and 12.75 respectively and a level of utilisation of the 9th EDF A envelope of 67.58%. Other substantial delays occurred in the implementation of the Linden Economic Advancement Programme (LEAP), caused by management problems on site and delays in the Commission departments. In general, project implementation is suffering from lack of capacity in government administration.

**Criteria II: Country’s Sectoral and Macro-economic Performance**

**Macro-economic Support**

Macro-economic support is one of the two focal sectors under the 9th EDF. In addition, Guyana benefited from two Structural Adjustment Support Programmes under the 8th EDF (see paragraph 4.3 for details). Detailed indicators relating to Management of Public Finance, Housing and Health, as arising from the 9th EDF Macro-economic Support Study, have recently been agreed with the Government. Monitoring still has to start and the results below thus relate to the more global frame.

<b>Criteria for macro-economic support</b>			
<i>Results Indicators:</i>	Good	Adequate	Inadequate
(a) macro-economic stability			
(b1) public financial management quality			
(b2) social sector budget allocations			
(c) poverty outcomes (e.g. health, education, gender)			

Economic growth has remained sluggish, averaging below an estimated 1% between 2000 and 2003. Inflation has remained relatively subdued and stable; the annual rate of consumer price increase has been close to 6%. Despite weaker than expected economic activity, Guyana met the public deficit targets in 2002 and 2003, as set by the (second) PRGF arrangement with the IMF and approved in September 2002. The positive performance under the PRGF arrangement allowed Guyana to reach the completion point under the enhanced HIPC initiative in December 2003. Challenging external and domestic factors help explain why growth has failed to pick up as targeted by Guyana’s PRSP. Guyana has, nevertheless, managed to preserve the macro-economic stability achieved in the previous decade. Much needed reforms required to strengthen Guyana’s growth prospects were unfortunately delayed but now seem to have begun in earnest. Since **macro-economic stability** appears to be improving after a somewhat disappointing start, macro-economic performance and policy-making can be assessed as **adequate** over the period as a whole.

Public financial management in Guyana suffers from various weaknesses but reforms are being implemented after some delays. The composition of public expenditure has improved on the back of the financial resources freed by the HIPC initiative. As a result, social spending has increased. Rationalisation measures taken over the reference period are expected to lead to an improvement in the quality of social expenditures, which, however, remains low. In sum, while Guyana’s **public financial management** still suffers from various weaknesses, overall performance can be regarded as **adequate**.

According to the latest available data, in 1999, 19% of the population lived in conditions of extreme poverty. Education poverty in Guyana has been decreasing over the last decade and

seems to be relatively low. The net primary enrolment ratio was 97.9% in 2001 when the youth literacy rate remained stable at 99.8%. Relative to the rest of the region, health poverty is quite severe in Guyana, with life expectancy dropping to 63 years in 2001. Malaria remains a serious concern, tuberculosis is on the rise and HIV/AIDS has become a pandemic disease. Guyana shows favourable gender equality indicators. With the exception of education, Guyana's **poverty indicators** remain below those of the region. While limited data availability obscures the latest trends, some improvements are likely as a result of increased social spending. This suggests that the authorities' performance in the area can be assessed as **adequate**.

### Sea Defences

Sea Defences are a priority area under the 8th and the 9th EDF. Indicators were developed under the 8th EDF project and might be amended following the outcome of the studies under the 9th EDF.

<b>Criteria for Sea Defences</b>			
<i>Results Indicators:</i>	On schedule	Roughly on schedule	Delayed
Rehabilitation and maintenance of existing sea defence network			
Establishment of shore zone management system			
Annual estimate for maintenance			
Government to raise adequate funding for maintenance			

Implementation of the rehabilitation works is clearly delayed as it stands to date. However, considerable progress has been made over the most recent period to redress the situation (see paragraph 4.1 above). The development of maintenance plans and estimates is in a pilot phase and is expected to become nationwide within 2-3 years. The Government is currently unable to raise sufficient funding for maintenance from own resources; the situation is therefore delayed/inadequate.

### Private Sector Development

This is a focal area under the 8th EDF

<b>Criteria for Private Sector Support</b>			
<i>Results Indicators:</i>	Good	Adequate	Inadequate
Implementation of Policy Framework Paper 96-98			
Availability of adequate resources for the Guyana Investment Agency			
Enhancement of legal framework for private sector			
Enhancement of entrepreneurial capacity			

Good progress has been made in recent years to improve Guyana's economic policy regime, although there are still important outstanding issues - policy as well as implementation - relating to private sector development. Financial incentives are often discretionary, and licences are difficult to obtain and renew. The Government embarked in 2003 on a major tax reform. Experience to date with the Guyana Investment Agency is mixed. Entrepreneurial capacity is being enhanced, with donor support, but still insufficient.

### **Special Considerations**

The overall evaluation of progress made on the **reform process and on the PRSP** is described in paragraph 2 above. There is still work to be done but the Government remains firmly committed to its objectives. The overall assessment is **adequate**. The human rights record is generally positive although there are concerns about some causes of extra-judicial killings and the deteriorated security situation.

The **Millennium Development Goal indicators** suffer from a serious lack of available statistics. Even estimates made by ministries and international organisations are based on extremely weak and unreliable data. As a result, data of this type cannot be used to assess changes from year to year. To remedy this situation, the IDB will launch a "Social statistics programme" in 2004 in the amount of USD 3.5 million. The objective of this 3-year programme is to improve the gathering, analysis, availability and use of social statistics in Guyana. USAID and CIDA have projects in HIV/AIDS and health, with components to improve health statistics. However, it will be at least a year before the results of these 3 projects are available. A census was carried out in 2002. However, no results, even preliminary, have been made available yet. An assessment of the various dimensions of **poverty** is given in the last section under the item Macro-economic support above and concludes that the country's **poverty indicators** remain below those of the region with the exception of education.

In all development efforts, the **lack of adequate human resources**, mainly caused by the continuous emigration and brain drain, is a limiting factor. Also, the EC Delegation has been suffering from serious staff shortages (improving only very recently), which have affected the progress of its work.

The **Intervention Framework** was updated and re-worked in the 2003 Joint Annual Report, giving agreed measurable performance indicators.

**NSAs** are consulted in Joint Annual Reviews and played a major role in the PRSP. They are, however, generally weak. They will be strengthened through the Micro-Projects Programme, due to start mid 2004.

### **Commission Position on Possible Change in CSP**

Based on the above, there is **no reason to consider a change in the scope of the CSP**. Looking at the past five years, sectoral and macro-economic performance is generally adequate but financial performance in EDF aid is registered as low. This is mainly due to a long gestation period in the preparations for the main projects (housing, budget support and sea defences), staff shortages in the EC Delegation and administrative delays for which the Government cannot be held responsible. Commitment perspectives for the near future look favourable, with an expected Financing Decision for € 23.3m for the Budget Support Programme, which is quick

disbursing. Full commitment of the available resources can be expected before the end of 2005. Given the positive approach by the Government in meeting their development objectives under the constraints, the **financial allocation under the A envelope under the CSP is to be maintained**, in spite of weak financial performance, as at least part of the delays are attributable to the Commission. **It is further proposed that the Sysmin balance allocation of € 4.9m be transferred to the A envelope in order to put together all programmable resources for Guyana.**

#### **MTR Conclusions - Final Paragraph**

**In the light of the above analysis and taking into account the Special Considerations, it is proposed that:**

- **the strategy for Guyana as contained in the CSP and NIP be maintained;**
- **the Sysmin balance allocation of € 4.9m be transferred to the A envelope in order to put together all programmable resources for Guyana.**

## **List of Annexes**

It should be noted that since the previous report covered the year 2001 and the first half of 2002 until the end of May 2002, this report covers the second half of 2002.

1. Intervention framework including an overview of policy measures and indicators (updated)
2. Chronogram of activities (updated)
3. Indicative timetable for commitments and disbursements (updated)
4. Financial situation for 9<sup>th</sup> EDF (grants)
5. Financial situation for 8<sup>th</sup> EDF (grants)
6. Financial situation for 7<sup>th</sup> EDF (grants)
7. Financial situation for 6<sup>th</sup> EDF (grants)
8. Regional projects

## Annex 1A Intervention Framework Including Government Commitments and Sectoral Policies for the 8<sup>th</sup> EDF

<b>SECTORS and OBJECTIVES</b>	<b>MEASURES TO BE TAKEN</b>	<b>DATE</b>	<b>INDICATORS OF ACHIEVEMENT</b>	<b>SOURCES OF VERIFICATION</b>	<b>STATUS</b>
<b>REHABILITATION OF SOCIAL AND ECONOMIC INFRASTRUCTURE</b>					
<b>a. SEA DEFENCES</b>					
Rehabilitation and maintenance of existing sea defence network	Mobilisation of required financial resources from domestic and external sources	96-97 98-99	Increased Government Budget and secured donor participation	Government's annual budget and account.	Accomplished
	Project Management capacity strengthening; review of project management and implementation arrangements with the participating donors; training of staff	98/2	Project implementation according to schedule	Project reviews and evaluations by Government and donors.	TA in place, additional TA support foreseen in 1 <sup>st</sup> half of 2004.
	Measures to encourage new investments from the private sector into the quarry sector	98/2	Uninterrupted supply of essential quarry material to rehabilitation operations	Periodic implementation progress reports.	Part of the works contract, to be tendered in 2003-2004
Establishment of a long-term and sustainable shore zone management system	Finalise and adopt shore zone management plan based on the IDB financed feasibility study and secure/commit required financing	98/1	Initiation of shore zone management plan activities	Related TA and/or study contracts concluded.	On-going with the assistance of the TA under the Capacity building TA contract
	Adopt structure of shore zone management system; define inter-institutional responsibilities; enshrine adopted shore zone management system in appropriate government legislation	98/2	Shore zone management programme formalised	Relevant Government policy and legislation.	As above
	Strengthening of institutions participation in the shore zone management programme	98-99	Relevant institutions strengthened according to plans	Progress reviews	As above
	Improvement of human resources required by the shore zone management programme	98-99	Recruitment of staff and training of existing staff in accordance with HRD schedule adopted under the finalized Shore Zone Management Plan.	Progress reviews	As above

<b>b. WATER SUPPLY</b>					
Improvement of water supply services	Implementation of the on-going and planned programmes for the rehabilitation and/or replacement of existing water supply facilities with particular emphasis on the priority facilities identified in the World Bank Water Supply Technical Assistance and Rehabilitation Project	96-99	Substantial completion of the priority water supply facilities and particularly the EDF Funded Poudroyen and New Amsterdam projects	Monitoring and completion reports and evaluations by EC and other donors contributing to the sector.	All EC funded projects completed
	Strengthening of the institutional capacity of GUYWA; training of staff; completion of a study (*) into the possible modalities of the privatization of GUYWA and/or the increased participation of the private sector in the provision of water supply related services	96-99	-stronger management capacities; -improved human resources; -improved customer related services; -improved capabilities to manage the implementation of the facilities rehabilitation programme	Programme reviews by the World Bank and other donors, evaluations and surveys	On-going under a DFID project. Management contract in place.
	Phasing in of periodic water tariff adjustments with a view to achieving operating cost coverage by the year 2003	(*)98/2	Periodic tariff adjustments and increased efficiency in billing and collection	GUYWA's audited accounts.	On-going under a DFID project.
<b>c. TRANSPORTATION SECTOR</b>					
Rehabilitation and improvement of the transportation network	Update of Transport Plan (existing)	96-2003	Transport Plan updated	Enshrinement in appropriate level of Government decision	Tender to carry out transport sector study under 9 <sup>th</sup> EDF launched.
	Implementation of the on-going and planned programmes and projects for rehabilitation of the transportation network including road, river, sea and air transportation	96 - 98/2	Projects successfully implemented and/or showing planned progress levels, particularly the EDF funded Regional Airports Project and Guyana Suriname Ferry Project. Adequate Gov't budget and secured donor participation	Progress reports by Government and participating donors and ex-post evaluations of EDF funded projects. Gov't annual budget and accounts	Completed.
	Institutional strengthening to improve the capacity to plan, implement and maintain transportation infrastructure; strengthening of the Transport Planning Unit with assistance from IDA and IDB	98/2	Improved performance of related Government agencies	IDA and IDB reports	Completed.
	Establishment of an Airports Authority and	98/2	Bodies established	Relevant Government	Accomplished.



	a Civil Aviation Authority			legislation	
<b>d. PRIVATE SECTOR DEVELOPMENT</b>					
Increase and strengthen the role of the private sector in the country's economy through the pursuit of structural and sectoral policies creating an environment conducive to the development of the sector	Implementation of the structural and sector measures concerning the support to the private sector included in the Policy Framework Paper 96-98 in the context of the ESAF	96-98	Significant progress in the implementation of the PFP with particular emphasis on those measures relating to the private sector	IMF periodic reports	A new PRGF programme approved in September 2002. Due to slippages completion of 1 <sup>st</sup> review delayed several times until end 2003. E-HIPC completion point attained in Dec 2003.
	Supply adequate resources for the building of institutional capacity to GO-INVEST in its investment advisory role to the private sector	96-98	Adequate budget and human resources for GO-INVEST	Reports of GO-INVEST	GO INVEST is well established and functioning.
	Enhancement of the legal framework in which the private sector operates	1998	Approved regulations for the new Companies Act	Government legislation	Under HIPC GoG has taken action to strengthen tax administration (Guyana Revenue Authority); improve public expenditure management; privatise or restructure loss making state-owned bauxite entities; and implement a profitability-oriented wage and employment policy in the sugar company, and strengthen financial regulation and supervision.
	Enhancement of human resources pool and development of entrepreneurial capacity	97-99	Satisfactory implementation of on-going HRD and management skills development programmes with assistance from IDA (SME), USAID (Beep), etc.	Programme progress report	Several projects by EC,DFID, IDB,CIDA, USAID are on-going, but lack of human resources will remain a critical issue for years to come.

Sector : Poverty Reduction Budget Support	Performance Indicators	2002	Targets/ Estimate 2003	Target 2004	Target 2005	Target 2006	Sources of information	Assumptions/ Comments
<b>National Sector Target</b> Poverty reduction	- distribution of wealth statistics - employment statistics - migration statistics		*				- Government statistics - reviews by UNDP,PAHO, UNICEF and WB	* Census carried out in 2002 but release and analysis of results delayed, publication expected early 2004. The census would give an idea of the baseline for most of these issues
<b>Intervention Objective:</b> To assist Government in meeting its budgetary objectives as set out in the PRSP	- Central Government expenditure  - Size of funding gap	44.565 MGYD  0	44.299 MGYD  8 USD	48.011 MGYD  27 USD	50.810 MGYD  26 USD	52.637 MGYD  6 USD	MoF, IMF	PRSP progress report due May 2004
<b>Results:</b>								PRSP implemented according to schedule
<b>Management of Public Finances</b>	<b>Medium Term Fiscal Projection prepared</b> A core group of people <sup>1</sup> including the coordinator is in place in the MOF The MOF will produce a paper (with excel tables) on fiscal projections (2003-2008) in 2005 and 2006			June	June	June	MOF	Sufficiently Qualified staff exists. BS review mission in 2004 due after approval of project by EDF committee (May 2004)
	<b>Integrated Financial Management:</b>						MOF and CIDA	

	IFMAS is in place for all CG agencies for expenditure and revenue. IFMAS installed in 2 additional ministries. IFMAS installed in 3 additional ministries.			June	June	June		
	<b>MTEF projection:</b> MTEF Min. of Health done and integrated in the Budget MTEF Min. of Health and Min. of Housing done and integrated in the Budget				June	June	MOF and CIDA	
	<b>Debt Management</b> Presentation of the NPV of debt: completed			June	June	June	MOF	TA recruited on time in 2004
	<b>Budget presentation to the Parliament</b>	Budget for 2003 presented in March 2003		Dec (Yr N-1)	Dec (Yr N-1)	Dec (Yr N-1)		For 2004 likely to be February
	<b>Public sector transparency indicator:</b> A Treasury memorandum has to be submitted to the Parliament following the PAC report within a two month delay;	Not done		June	June	June	Parliament records, MOF	
	<b>Outturn of Health and education budgets</b> The ratio of health non-salary recurrent cost outturn to health non-salary recurrent cost budget allocation should be no lower than the ratio of total overall non-salary recurrent cost outturn to total overall non-salary recurrent cost budget allocation The ratio of education non-salary recurrent cost outturn to education non-salary recurrent cost budget allocation should be no lower than the ratio of total overall non-salary recurrent cost outturn to total overall non-salary recurrent cost budget allocation.			June	June	June	MOF, IMF	
<b>Health</b>								
	Immunisation: DPT increased coverage in	2001:		Increase	Increase	Increase	Ministry of	

	hinterland; coast coverage maintained	Region1:53% Region6:53% Region9:69%		of 1% in at least one hinterland region	of 1% in at least one hinterland region	of 1% in at least one hinterland region	Health, PAHO	
	Filariasis: MoH laboratory functioning effectively <sup>1</sup>	No testing	Testing launched in July	Results of DEC salt testing within 2 weeks	Results of DEC salt testing within 2 weeks	Results of DEC salt testing within 2 weeks	Ministry of Health, PAHO	
	Prevention of Mother to Child Transmission of HIV (PMTCT)	0	8 pilots to be launched	Successful <sup>1</sup> operation of 8 centres	Rollout to another 10 centres (=18)	Rollout to another 10 centres (=28)	Ministry of Health, PAHO, USAID	
	TB: Direct Observed Treatment Short Course	0	0	DOTS functioning effectively in one region	DOTS functioning effectively in 2 new regions	DOTS funct. effectively in 2 new regions (=5)	Ministry of Health, PAHO	
	Achieve avoidable maternal mortality death rates in regional hospitals at less than 3 per 1000	3.8 in New Amsterdam, similar estimates for other regional hospitals, but no reliable figures		Achieved in 2 regional hospitals	Achieved in 4 regional hospitals (2+2)	Achieved in 6 regional hospitals (2+4)	Ministry of Health, PAHO	
	Functioning asthma centres at regional health facilities	1	1	2 more centres	2 new centres (=4 in total plus GPHC)	2 new centres (=6 in total plus GPHC)	Ministry of Health, PAHO	
<b>Housing</b>	Development of lots for LIH	Lots in new:					Ministry of	The 2004 review will

	- Number of lots in new schemes - Number of lots in upgraded schemes Both lots in new and upgraded schemes contribute 50% to the indicator. If variation is less than 10 % 0.5 points is allocated, if more: 0 points.	1500 Lots in upgraded: 1000	2500 1000	3000 2000	3000 2000	3000 2000	Housing and Water, LIS project(IDB&E C)	assess achievements made in 2003, review in 2005 the achievements in 2004 etc.
	Land divestiture - Lots allocation rate for LIH - Number of land titles issued	150 7474*	80% 4000	80% 4000	80% 4000	80% 4000	Ministry of Housing and Water, LIS project(IDB&E C)	* Exceptional processing of a backlog of three years
	Number of houses built for LIH.	150	200	200	200	200	Ministry of Housing and Water, LIS project(IDB&E C)	

## Annex 2 Chronogramme of activities (updated)

EDF	Guyana	Total Million €	Identification	Appraisal	Financing Decision	Secondary Commitment
9 <sup>th</sup>	Sea Defences	19,0	June 2003*	Nov 2003*	End 2004	end 2004
	Transport Sector Study	1,0	Jan 2003*	May 2003*	Oct 2003*	early 2004
	Bud. Support Social Sector	23.3	April 2003*	July 2003*	March 2004	mid 2004
	Support NAO	1,0	Feb 2003*	May 2003*	Feb 2004	early 2004
	Micro-projects Programme	4,0	Feb 2003*	March 2003*	Feb 2004	early 2004
	Design study for 8 <sup>th</sup> Sea defences	0.165			Dec 2003*	Feb 2004
8 <sup>th</sup>	Sea Defences	20,5			Dec 1999*	3 <sup>rd</sup> quarter 2003onwards*
	Low Income Housing	9,1			Oct* 2002	2 <sup>nd</sup> quarter 2004
	Guyana Training Agency	1,8			May 2000*	Dec 2000*
	Linden Economic Advancement Programme (SYSMIN)	12,5			Sept 2000*	Dec 2001*
	Feasibility study for 9 <sup>th</sup> ED Transport Sector study	0.048	April 2003*	April 2003*	May 2003*	June 2003*
	Elaboration Study for 9 <sup>th</sup> EDF Micro projects programme	0.053	Aug 2002*	Sept 2002*	Oct 2002*	Dec 2002*
	Elaboration study for 9 <sup>th</sup> EDF Support to NAO	0.042	Aug 2002*	Sept 2002*	March 2003*	May 2003*
	Elaboration study for 9 <sup>th</sup> EDF Budget Support	0.125	June 2002*	Nov 2002*	Feb 2003*	March 2003*
De-com mitte d funds 6-8 <sup>th</sup>	TCF	0.67	Aug 2003*	Aug 2003*	Feb 2004	3 <sup>rd</sup> quarter 2004 onwards
	Support to 2006 National Elections **	€ 1.0	3 <sup>rd</sup> quarter 2004	3 <sup>rd</sup> quarter 2004	4 <sup>th</sup> quarter 2004	1 <sup>st</sup> quarter 2005
	Pre-feasibility study for 9 <sup>th</sup> EDF Sea Defences	€ 0.064	April 2003*	April 2003*	May 2003*	June 2003*

<b>EDF</b>						
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\* = actual \*\*= decision on the use of these funds will be taken during Annual Review 2003.

### Annex 3 Indicative timetables for commitments and disbursements (updated)

#### Indicative Primary Commitments Timetable 2002-2004

EDF	Guyana	Total	2002		2003		2004		2005	
			1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>		
9 <sup>th</sup> *	Sea Defences	€ 19,0						19.0		
	Transport Sector Study	€ 1,0					1.0			
	Design Study for 8 <sup>th</sup> EDF Sea Defences	€ 0.178				0.165				
	Budget Support	€ 23.3					23.3			
	NAO office	€ 1,0					1.0			
	Micro-projects Programme	€ 4,0					4.0			
	TCF	€ 0.67					0.67			
	Support to National Elections	€ 1.0							1.0	
	Pre-feasibility study for 9 <sup>th</sup> EDF Sea Defences	€ 0.8			0.08					
8 <sup>th</sup>	Low Income Housing	€ 9,1		9,1						
	Feasibility study for 9 <sup>th</sup> EDF Transport sector study	0.08			0.08					
	Elaboration study for 9 <sup>th</sup> EDF Micro projects programme	0.062				0.062				
	Elaboration study for 9 <sup>th</sup> EDF Support to NAO	0.07			0.07					
	Elaboration for 9 <sup>th</sup> EDF Budget support	0.135			0.135					

\* Includes decommitted funds from 6-7 EDF.



Indicative Disbursements Timetable 2002-2005

EDF	Guyana	Indic. Total	2002		2003		2004		2005		2006	
			1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	1st	2nd
9 <sup>th</sup> **	Sea Defences	€ 19,0						0.5		2,75	2.75	2.75
	Transport Sector Study	€ 1,0					0,20	0,40	0,40			
	Design study for 8 <sup>th</sup> EDF Sea defences	€0.178					0.03	0.13				
	Pre-feasibility Study for 9 <sup>th</sup> EDF Sea Defences	€0.08				0.057	0.007					
	Macroeconomic support to Social Sector	€ 23.3					3.66	3.38	4.82	4.55	3.44	3.44
	<i>Support to economic actors:</i>											
	NAO office	€ 1,0					0,1	0,12	0,12	0,13	0.13	0.13
	Micro-projects Program	€ 3,0					0,13	0,45	0,4	0,38	0.5	0.4
	TCF	€0.67						0.05	0.08	0.04	0.08	0.05
Support to 2006 National Elections	€1.0							0.2	0.3	0.5		
	<b>Sub-total</b>		0	0	0	0.057	4.127	5.03	6.02	8.15	7.4	6.77

8 <sup>th</sup>	Sea Defences	€ 20,5	0,06*	0,15*	0.420		0,23	0,20	0,20	0,50	0.75	0.75
	Low Income Housing	€ 9,1					1,00	1,20	1,20	1,10	1.2	1.1
	Guyana Training Agency	€ 1,8	0,24 *	0,04*	0,15*	0,37*	0,17	0.15				
	Linden Economic Advancement Programme	€ 12,5	0,93*	0.14*	0.36*	0.32*	1.62	1.05	1.3	1.00	1.3	1.0
	Feasibility study 9 <sup>th</sup> EDF transport study	€ 0.08				0.047						
	Elaboration study for 9 <sup>th</sup> EDF Micro projects programme	€ 0.062				0.046						
	Elaboration study for 9 <sup>th</sup> EDF Support to NAO	€ 0.07				0.038						
	Elaboration study for 9 <sup>th</sup> EDF Budget support	€ 0.135				0.114						
	Sub-total		1.23	0.33	0.93	0.935	3.02	2.6	2.7	2.6	3.25	2.85
	<b>TOTAL</b>		<b>1.23</b>	<b>0.33</b>	<b>0.93</b>	<b>0.992</b>	<b>7.14</b>	<b>7.63</b>	<b>8.72</b>	<b>10.75</b>	<b>10.65</b>	<b>9.62</b>

\* = Actual disbursement

\*\* = Includes 6-7 EDF decommitted funds

**Annex 5 - Financial Situation for 8th EDF (grants): National Indicative Programme**

Account No	Title of Project	Date of Decision	Loan/Grant	Amount of Financing Agreement	Payments			AMOUNT TO FIN.ADR./DAG
					PREVIOUS	2003	CUMULATIVE	
	INDICATIVE PROGRAMME <i>1<sup>st</sup> AREA OF CONCENTRATION: INFRASTRUCTURE</i>			€	€	€	€	
8.ACP.GUA.005	Guyana Sea Defences	12/21/99	G	20,000,000.00	202,981.25	447,595.92	650,577.17	3.25
8.ACP.GUA.007	Guyana Sea Defences-ADK	1/1/00	G	520,000.00	406,706.33	-	406,706.33	78.21
	<i>2<sup>nd</sup> area of concentration: Private Sector Development</i>							
8.ACP.GUA.003	ID Study: Human Resource Development Programme	7/15/98	G	73,056.60	73,056.60	-	73,056.60	100.00
8.ACP.GUA.006	Technical Assistance- Feasibility Study	9/21/99	G	1,160.23	1,160.23	-	1,160.23	100.00
8.ACP.GUA.008	Guyana Training Agency	1/1/00	G	1,795,000.00	640,836.79	525,808.45	1,166,645.24	64.99
8.ACP.GUA.010	Preparation of Country strategy paper for 9th EDF	11/30/00	G	79,990.00	79,990.00	-	79,990.00	100.00
8.ACP.GUA.013	Country support strategy	11/27/01	G	19,562.58	19,562.58	-	19,562.58	100.00
8.ACP.GUA.015	Low Income Housing Programme	12/10/02	G	9,100,000.00	-	-	-	-
8.ACP.GUA.016	Micro Projects Programme	10/4/02	G	62,615.00	-	46,457.29	46,457.29	74.20
8.ACP.GUA.017	Feasibility Study for BS Programme - 9th EDF	2/24/03	G	135,000.00	-	114,988.03	114,988.03	85.18
8.ACP.GUA.018	Elaboration Study for support to the NAO- 9th EDF	3/8/03	G	70,000.00	-	38,846.69	38,846.69	55.50
8.ACP.GUA.019	Transport Sector Study	3/17/03	G	80,000.00	47,077.78	-	47,077.78	58.85
	<b>Sub total</b>			<b>31,936,384.41</b>	<b>1,471,371.56</b>	<b>1,173,696.38</b>	<b>2,645,067.94</b>	<b>8.28</b>
	<b>NON PROGRAMMABLE FUNDS</b>							
8.ACP.GUA.001	Structural Adjustment Support IV	6/30/98	G	4,600,000.00	4,600,000.00	-	4,600,000.00	100.00
8.ACP.GUA.002	Structural Adjustment Support IV	6/30/98	G	690,000.00	690,000.00	-	690,000.00	100.00
8.ACP.GUA.004	Structural Adjustment Support V	1/1/99	G	5,400,000.00	5,400,000.00	-	5,400,000.00	100.00
8.ACP.GUA.009	Linden Economic Advancement Programme	10/27/00	G	12,500,000.00	1,072,564.00	645,960.26	1,718,524.26	13.75
8.ACP.GUA.011	IPED 11 Loan from EIB	12/22/00	L	500,000.00	41,000.00	-	41,000.00	8.20
	<b>TOTAL NON PROGRAMMABLE FUNDS</b>			<b>23,690,000.00</b>	<b>11,803,564.00</b>	<b>645,960.26</b>	<b>12,449,524.26</b>	<b>52.55</b>
	<b>LOANS FROM THE EUROPEAN INVESTMENT BANK</b>							
8.ACP.GUA.014	Rosehall Water Supply Rehabilitation	12/4/00	L	1,400,000.00	1,400,000.00	-	1,400,000.00	100.00
8.ACP.GUA.012	Power Project	7/24/01	L	20,000,000.00	-	-	-	-
<b>JOINT ANNUAL REPORT ON THE NATIONAL PROGRAMMES</b>				<b>57,026,525.41</b>	<b>14,675,076.56</b>	<b>1,819,797.64</b>	<b>16,494,733.20</b>	<b>28.92</b>

**Annex 6 Financial Situation for 7th EDF (grants): National Indicative Programme**

Account No	Title of Project	Date of Decision	Loan/Grant	Amount of Financing Agreement	Payments			AMOUNT TO FIN.ADR./DAG
					PREVIOUS	2003	CUMULATIVE	
				€	€	€	€	
	INDICATIVE PROGRAMME FOCAL AREA: Rehabilitation of Economic Infrastructure							
7.ACP.GUA.006	TA-Sea Defence Rehabilitation	5/18/93	G	747,958.02	747,958.02	-	747,958.02	100.00
7.ACP.GUA.007	New amsterdam Water Supply ( Phase 11)	7/14/92	G	4,500,000.00	4,147,216.22	-	4,147,216.22	92.16
7.ACP.GUA.011	Rehabilitation of Sea Defences	12/20/93	G	10,929,610.66	10,929,610.66	-	10,929,610.66	100.00
7.ACP.GUA.012	Rehabilitation of Demerara Harbour Bridge	7/14/92	G	8,321,467.12	8,321,467.12	-	8,321,467.12	100.00
7.ACP.GUA.017	Pouderoyen Water Supply Rehabilitation Project	11/21/94	G	6,500,000.00	6,061,563.75	19,337.98	6,080,901.73	93.55
	OUTSIDE OF FOCAL AREA							
7.ACP.GUA.002	TA-Setting up of Private Sector Centre	1/15/93	G	13,196.88	13,196.88	-	13,196.88	100.00
7.ACP.GUA.005	Development of Small Business Credit Initiative	12/18/92	G	219,239.00	219,239.00	-	219,239.00	100.00
7.ACP.GUA.014	TA-Establishment of Private Sector Centre	2/18/92	G	454,361.55	454,111.55	-	454,111.55	99.94
7.ACP.GUA.024	Technical assistance to the NAO's Office	12/16/96	G	31,504.24	31,504.24	-	31,504.24	100.00
7.ACP.GUA.025	Study- Economic Appraisal of Sea Defences	3/11/99	G	20,779.22	20,779.22	-	20,779.22	100.00
	TRANSFERRED FROM THE 5TH EDF							
7.ACP.GUA.008	East Bank Berbice culverts	3/19/81	G	218,345.51	218,345.51	-	218,345.51	100.00
7.ACP.GUA.016	Development of Small Business Credit Initiative	8/12/94	G	571,686.57	571,686.57	-	571,686.57	100.00
7.ACP.GUA.027	General elections 2001: Financial Needs assessment	1/25/00	G	49,997.75	49,997.75	-	49,997.75	100.00
	<b>Sub total</b>			<b>32,578,146.52</b>	<b>31,786,676.49</b>	<b>19,337.98</b>	<b>31,806,014.47</b>	<b>97.63</b>
	<b>NON PROGRAMMABLE FUNDS</b>							
7.ACP.GUA.003	General Import Programme 1	9/2091	G	4,479,657.72	4,479,657.72	-	4,479,657.72	100.00
7.ACP.GUA.015	General Import Programme 11	5/20/94	G	1,952,955.00	1,952,955.00	-	1,952,955.00	100.00

7.ACP.GUA.019	Support Structural Adjustment Programme/ GIP 111	10/27/95	G	800,000.00	800,000.00	-	800,000.00	100.00
7.ACP.GUA.020	Support Structural adjustment programme	10/27/95	G	1,264,996.68	1,264,996.68	-	1,264,996.68	100.00
7.ACP.GUA.026	Debt Relief ( HIPIC)	12/16/99	G	6,440,000.00	6,440,000.00	-	6,440,000.00	100.00
<b>SYSMIN Operations</b>								
7.ACP.GUA.009	SYSMIN	11/8/88	L	3,825,821.46	3,230,478.41	-	3,230,478.41	84.44
7.ACP.GUA.013	Feasibility study- Guyana/Brazil road	7/1/98	G	124,457.86	124,457.86	-	124,457.86	100.00
7.ACP.GUA.022	Ta- Examining SYSMIN request	5/15/96	G	17,342.65	17,342.65	-	17,342.65	100.00
7.ACP.GUA.023	Study- Economic Diversification of Linden	1/1/98	G	101,225.84	101,225.84	-	101,225.84	100.00
<b>LOANS FROM THE EUROPEAN INVESTMENT BANK</b>								
7.ACP.GUA.004	Bauxite Rehabilitation Rehabilitation	12/15/92	L	5,000,000.00	5,000,000.00	-	5,000,000.00	100.00
7.ACP.GUA.018	IPED Global loan	4/3/95	L	500,000.00	500,000.00	-	500,000.00	100.00
7.ACP.GUA.021	Rosehall Water Supply Rehabilitation	11/7/95	L	7,800,000.00	7,800,000.00	-	7,800,000.00	100.00
<b>TOTAL OF NON PROGRAMMABLE FUNDS</b>				<b>32,306,457.21</b>	<b>31,711,114.16</b>	<b>-</b>	<b>31,711,114.16</b>	<b>98.16</b>
<b>TOTAL OF NATIONAL PROGRAMMES</b>								
				<b>64,884,603.73</b>	<b>63,497,790.65</b>	<b>19,337.98</b>	<b>63,517,128.63</b>	<b>97.89</b>

**Annex 7 Financial Situation for 6th EDF (grants): National Indicative Programme**

Account No	Title of Project	Date of Decision	Loan/Grant	Amount of Financing Agreement	Payments			AMOUNT TO FIN.ADR./DAG
					PREVIOUS	2003	CUMULATIVE	
	INDICATIVE PROGRAMME <i>FOCAL AREA: Rehabilitation of Economic Infrastructure</i>			€	€	€	€	
6.ACP.GUA.002	Sectoral Import Programme	4/6/87	G	242,990.31	242,990.31	-	242,990.31	100.00
6.ACP.GUA.003	River Ferry Services-Immediate Action Programme	10/24/86	G	2,824,575.16	2,824,575.16	-	2,824,575.16	100.00
6.ACP.GUA.006	Infrastructure Rehabilitation	7/30/87	G	16,955,779.31	16,955,779.31	-	16,955,779.31	100.00
6.ACP.GUA.014	Pre-Feasibility Study- Demerara Harbour Bridge	5/12/92	G	110,242.71	110,242.71	-	110,242.71	100.00
6.ACP.GUA.015	TA-New Amsterdam Water Supply Project	5/12/92	G	59,930.97	59,930.97	-	59,930.97	100.00
6.ACP.GUA.016	Lome IV Sea Defence Study	6/5/92	G	197,751.02	197,751.02	-	197,751.02	100.00
6.ACP.GUA.020	Pouderoyen Water Sypply Project-Appraisal	11/2/94	G	23,120.00	23,120.00	-	23,120.00	100.00
6.ACP.GUA.023	TA-PEU Sea Defence Rehabilitation Programme	12/20/93	G	378,596.27	378,596.27	-	378,596.27	100.00
6.ACP.GUA.024	TA-Investigation in Sea Defences	9/19/96	G	36,571.14	36,571.14	-	36,571.14	100.00
6.ACP.GUA.025	TA-NAO's Office	12/16/96	G	166,132.46	166,132.46	-	166,132.46	100.00
6.ACP.GUA.028	Programme Appraisal/Prep.Financing.Prop. Sea Defence	1/6/98	G	66,836.23	66,836.23	-	66,836.23	100.00
6.ACP.GUA.029	TA- Low Income Housing ( KAMPAX)	7/3/00	G	73,289.07	73,289.07		73,289.07	100.00
6.ACP.GUA.030	Elaboration Study for Sea Defences	1/1/03	G	80,000.00	-	53,552.58	53,552.58	66.94
	OUTSIDE OF FOCAL AREA							
6.ACP.GUA.004	TA-Oriental Fruit Fly	12/23/87	G	114,568.97	114,568.97	-	114,568.97	100.00
6.ACP.GUA.007	TA-Tourism Developpent	7/11/88	G	64,195.98	64,195.98	-	64,195.98	100.00
6.ACP.GUA.010	TA Rehabilitation of Toxicology Unit	4/11/89	G	14,435.87	14,435.87	-	14,435.87	100.00
6.ACP.GUA.011	Dairy Development Preparatory Study	7/3/89	G	56,832.00	56,832.00	-	56,832.00	100.00
6.ACP.GUA.013	Preparation of General Import Programme	12/14/90	G	43,350.00	43,350.00	-	43,350.00	100.00
6.ACP.GUA.018	TA- Establishment of Private Sector Centre	5/3/96	G	100,000.00	100,000.00	-	100,000.00	100.00
6.ACP.GUA.019	ID Study: Lome IV 2nd Financial Protocol	7/13/94	G	61,680.91	61,680.91	-	61,680.91	100.00
6.ACP.GUA.021	Small Business Credit Initative (SBCI)	8/12/94	G	105,776.68	105,776.68	-	105,776.68	100.00
6.ACP.GUA.022	Study: Drug Traffic/Abuse	12/8/94	G	28,628.39	28,628.39	-	28,628.39	100.00

6.ACP.GUA.026	Mid Term Evaluation - SBCI	6/20/97	G	42,015.10	42,015.10	-	42,015.10	100.00
6.ACP.GUA.027	Study of HRD needs in Private Sector	11/25/97	G	4,610.97	4,610.97	-	4,610.97	100.00
	<b>Sub Total (NIP)</b>			<b>21,851,909.52</b>	<b>21,771,909.52</b>	<b>53,552.58</b>	<b>21,825,462.10</b>	<b>99.88</b>

6.ACP.GUA.017	TRANSFERRED FROM 4TH EDF Development of Small Business Initiative	8/12/94	G	4,333.50	4,333.50	-	4,333.50	100.00
	NON PROGRAMMABLE FUNDS							
6.ACP.GUA.001	Emergency aid-Thallium Poisoning	3/20/87	G	27,893.00	27,893.00	-	27,893.00	100.00
6.ACP.GUA.005	Emergency aid-Malaria	12/28/87	G	217,559.58	217,559.58	-	217,559.58	100.00
6.ACP.GUA.009	EIB line of Credit	12/14/88	L	3,600,000.00	3,600,000.00	-	3,600,000.00	100.00
6.ACP.GUA.012	River Ferry Services-Compensation Rogan	9/28/90	G	62,319.00	62,319.00	-	62,319.00	100.00
	<b>TOTAL OF NON PROGRAMMABLE FUNDS</b>			<b>3,912,105.08</b>	<b>3,912,105.08</b>	<b>-</b>	<b>3,912,105.08</b>	<b>100.00</b>
	<b>TOTAL OF NATIONAL PROGRAMMES</b>			<b>25,764,014.60</b>	<b>25,684,014.60</b>	<b>53,552.58</b>	<b>25,737,567.18</b>	<b>99.90</b>

## ANNEX 8 REGIONAL PROGRAMMES RELEVANT TO GUYANA

Account No	Title of Project	Date of Decision	Loan/Grant	Amount of Financing Agreement	Payments			AMOUNT TO FIN.ADR./DAG
					PREVIOUS	2003	CUMULATIVE	
				€	€	€	€	
6.ACP.RPR.101	ST Ration Air Cargo Service	4/18/88	G	135,000.00	135,000.00	-	135,000.00	100.00
6.ACP.RPR.122	TA CARDI for CARIB. Agri Prject	6/30/88	G	394,947.68	394,947.68	-	394,947.68	100.00
6.ACP.RPR.234	Study for the Guyana/Brazil road Link	6/22/89	G	53,147.72	53,147.72	-	53,147.72	100.00
6.ACP.RPR.239	Study for Telecom Guyana/ Suriname	7/26/89	G	34,007.14	34,007.14	-	34,007.14	100.00
6.ACP.RPR.479	CARICOM Regional Carib. Conference- Brussels	5/25/92	G	35,000.00	35,000.00	-	35,000.00	100.00
6.ACP.RPR.518	Mission of CARICOM's Secretary General	2/16/92	G	6,411.48	6,411.48	-	6,411.48	100.00
6.ACP.RPR.530	Guyana -Suriname Ferry Portconsult-operational Arrangement	12/2/85	G	88,926.06	88,926.06	-	88,926.06	100.00
6.ACP.RPR.556	Guyana -Suriname Ferry Portconsult-operational Arrange.-Extension	12/2/85	G	350,000.00	349,981.14	-	349,981.14	99.99
7.ACP.RPR.441	Regional Airport ( Guyana's part only)	11/4/94	G	810,300.00	693,351.31	76,412.63	769,763.94	95.00
7.ACP.RPR.203	Guyana -Suriname Ferry ( Guyana's part only)	12/2/85	G	1,955,588.22	1,955,588.22	-	1,955,588.22	100.00
8.ACP.RCA.002	Preparation of HIV/AIDS programme	10/1/98	G	80,000.00	61,907.07	-	61,907.07	77.38
8.ACP.RCA.010	Cariforum Radar Network system	7/9/99	G	245,000.00	66,618.72	-	66,618.72	27.19
8.ACP.RCA.016	TA Preparing 2nd Phase Caribbean Regional Airport Programme	10/18/99	G	80,000.00	60,219.95	-	60,219.95	75.27
8.ACP.RCA.022	TA for Preparation of Carrib. Telecommunications Union Programme	6/30/00	G	4,131.00	3,730.70	-	3,730.70	90.31
8.ACP.RCA.027	TA Preparing 9th EDF Caribbean Regional Support Strategy	5/10/01	G	80,000.00	77,585.19	-	77,585.19	96.98
8.ACP.RCA.028	TA - Joint Working Group for finalisation of Regional Support Strategy	11/13/01	G	40,000.00	36,000.00	-	36,000.00	90.00
8.ACP.RCA.030	Regional Airport Programme Phace II - Prep. Financial Proposals	12/20/01	G	80,000.00	72,839.00	-	72,839.00	91.05
8.ACP.RCA.032	Feasibility Study Rice in the Caribbean	3/1/02	G	400,000.00	292,940.10	-	292,940.10	73.24
8.ACP.TPS.125	Integrated Develop. Prog. For Caribbean Rum (Guyana's part only)	12/14/01	G	14,733,000.00	-	-	-	-
9.ACP.RPR.006	Support to the Competitiveness of the Rice Sector in the Caribbean	10/31/03	G	11,705,000.00	-	-	-	-
9.ACP.RCA.001	Regional Weather Radar Warning System	10/23/03	G					#DIV/0!
	<b>Total</b>			<b>31,310,459.30</b>	<b>4,418,201.48</b>	<b>76,412.63</b>	<b>4,494,614.11</b>	<b>14.35</b>