

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

CO-OPERATIVE REPUBLIC OF GUYANA

**PROGRAM TO STRENGTHEN PUBLIC POLICY AND FISCAL MANAGEMENT IN RESPONSE TO
THE HEALTH AND ECONOMIC CRISIS CAUSED BY COVID-19 IN GUYANA**

(GY-L1075)

LOAN PROPOSAL

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ABBREVIATIONS	
COVID-19	Coronavirus Disease 2019
DEM	Development Effectiveness Matrix
EA	Executing Agency
ECG	Evaluation Cooperation Group
ECLAC	Economic Commission for Latin America and the Caribbean
EFT	Electronic Funds Transfer
eGP	Electronic Government Procurement
GDP	Gross Domestic Product
GNI	Gross National Income
GPL	Guyana Power and Light
GWl	Guyana Water Inc
IDB	Inter-American Development Bank
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
MOF	Ministry of Finance of Guyana
MoPH	Ministry of Public Health
MSEs	Micro and Small Enterprises
NCTF	National COVID-19 Task Force
NPIs	Non-Pharmaceutical Interventions
NPTA	National Procurement and Tender Administration
NRF	Natural Resource Fund
OECD	Organization for Economic Co-operation and Development
OVE	Office of Evaluation and Oversight
O&G	Oil and Gas Sector
PACR	Proposal for the Allocation of Concessional Resources
PAYE	Pay as you Earn
PBL	Policy-Based Loan
PBP	Programmatic Policy-Based Loan
PEFA	Public Expenditure and Financial Accountability
PIMA	Public Investment Management Assessment
PPE	Personal Protective Equipment
P&RP	Preparedness and Response Plan
RE	Reproductive Number
SARS-CoV-2	Severe Acute Respiratory Syndrome Coronavirus 2
SBB	Small Business Bureau
SME	Small and Medium Sized Enterprise
VAT	Value-Added Tax
WB	World Bank
WEO	World Economic Outlook
WHO	World Health Organization

PROJECT SUMMARY
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Financial Terms and Conditions					
Borrower:			Flexible Financing Facility) ^(a)		Concessional OC
Co-operative Republic of Guyana					
Executing Agency (EA):			Amortization period:	20 years	40 years
Ministry of Finance of Guyana (MOF)			Disbursement period:	2 years	
Source	Amount (US\$)	%	Grace period:	5.5 Years ^(b)	40 years
IDB - Regular Ordinary Capital (OC):	23,800,000	70	Interest rate:	LIBOR Based	0.25%
			Credit fee:	(c)	N/A
			Inspection and supervision fee:	(c)	N/A
IDB (Concessional OC):	10,200,000	30	Weighted Average Life (WAL):	12.75 Years	N/A
Total:	34,000,000	100	Currency of approval:	Dollars of the United States of America (US\$)	
Project at a Glance					
<p>Project objective/description: The general objective of the program is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives of the program are: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; (iii) support the effective and continuous provision of essential goods and services through public policy and management measures; and (iv) promote economic and fiscal recovery in the post-pandemic period.</p> <p>To meet this objective, the Bank has structured a programmatic Policy-Based Loan (PBL) series consisting of two technically related and financially/contractually independent operations, as per document “PBL: Guidelines for Preparation and Implementation” (CS-3633-2).</p>					
<p>Special contractual condition prior to the first and sole disbursement of the first Programmatic Policy- Based Loan (PBP): The first and sole disbursement of loan resources will be subject to the borrower's fulfilment of the policy reform conditions of the first PBP established in the Policy Matrix (Annex II), the Policy Letter, and any other conditions set forth in the corresponding loan contract (¶3.4).</p>					
<p>Exceptions to Bank Policies: Management is requesting approval from the Board of Executive Directors for a partial exception to the Public Utilities Policy set forth in document GN-2716-6 and based in the technical justification in ¶3.5.</p>					
Strategic Alignment					
Challenges ^(d) :	SI	<input checked="" type="checkbox"/>	PI	<input type="checkbox"/>	EI <input type="checkbox"/>
Cross-Cutting Themes ^(e) :	GD	<input type="checkbox"/>	CC	<input type="checkbox"/>	IC <input checked="" type="checkbox"/>

^(a) Under the Flexible Financing Facility (FN-655-1), the borrower has the option to request modifications to the amortization schedule, as well as currency, interest rate and commodity conversions. In considering such requests, the Bank will take into account operational and risk management considerations.

^(b) Under the flexible repayment options of the Flexible Financing Facility (FFF), changes in the grace period are possible as long as the Original Weighted Average Life (WAL) and the last payment date, as documented in the loan agreement, are not exceeded.

^(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the Bank's lending charges, in accordance with the relevant policies.

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and justification

1. Macroeconomic context

- 1.1 Guyana is a small, open, commodity-based economy with sustained positive economic growth for over a decade. Guyana's population is approximately 785,000 with a Gross Domestic Product (GDP) per capita of US\$6,600 in 2019, placing Guyana 13 out of 26 countries in Latin America and the Caribbean (LAC), a significant improvement with respect to the GDP per capita in 2010 (US\$3,800).¹ Nonetheless, the poverty rate in the country remains high (41.2% in 2017).²
- 1.2 Guyana has been the site of significant oil discoveries since 2015. The current estimate of recoverable petroleum resources is at least 8 billion oil-equivalent barrels, which translates to 10,200 barrels per person (bpp).³ Under this new economic scenario, oil exports as a share of total exports are expected to reach almost 56% in both 2020 and 2021 (there were no oil exports before 2020), based on values of oil exports increasing from US\$1.3 billion in 2020 to US\$1.6 billion in 2021. In the context of the Coronavirus Disease 2019 (COVID-19) pandemic, the International Monetary Fund (IMF) has revised Guyana's GDP growth estimate for 2020 from 85.6% to 26.2%, still a remarkable growth figure and the only positive one in LAC. While oil production is driving these figures, authorities estimate that non-oil GDP contracted by 4.9% in the first half of 2020 and is projected to fall between 1.4% and 4.3% in the full year.⁴ In the medium-term, GDP growth is expected to average 14.9% in 2020-2025.⁵
- 1.3 The pandemic has affected economic sectors of the non-oil economy differently.⁶ The largest productive sector of the economy, agriculture (17.6% of GDP), suffered a contraction of 4.1% in the first half of 2020. However, rice production is expected to expand by around 3% in 2020 which would contribute to mitigating the contraction in agriculture. Gold production, representing almost 10% of GDP, grew by 2.1% in the first half of the year, bolstered by historically high prices of gold. The services sector, making up 45% of the economy, is potentially the most exposed sector due to social distancing policies. This sector fell by 3.8% the first half of the year. The construction sector, which had been growing at relatively high rates prior to the pandemic fell by 5.6%.⁷

¹ IMF-World Economic Outlook (WEO) 10/2020.

² These measures were based on a poverty line of US\$5.50 per day with data from the Guyana Labor Force Survey of 2017.

³ About the same level as the United Arab Emirates with 10,100 bpp (BP Statistical Review of World Energy, 2019).

⁴ MOF - Budget Speech 2020.

⁵ IMF - WEO, October 2019, April 2020, October 2020.

⁶ The mining industry, Guyana's second largest sector with 14.9% of GDP and now includes oil production, expanded by 343.7%.

⁷ Budget Speech, 2020.

Table 1. Selected economic indicators⁸

Indicator	2015	2016	2017	2018	2019	2020 est.
Real GDP growth (% change)	0.7	3.8	3.7	4.4	5.4	26.2
Inflation (end of period consumer prices and in %)	-1.8	1.5	1.5	1.6	2.1	1.3
Total revenue (% GDP)	21.0	22.0	23.1	25.0	25.8	17.7
Tax revenues (% GDP)	16.2	16.4	17.4	20.0	20.9	12.8
Total expenditure (% GDP)	21.9	25.3	26.5	27.8	28.4	23.4
Fiscal balance (% GDP)	-0.9	-3.3	-3.4	-2.8	-2.6	-5.7
Primary balance (% GDP)	-0.2	-2.6	-2.5	-1.9	-1.8	-5.2
Public sector debt (% GDP)	33.8	39.6	38.9	43.1	39.8	37.0
Current account balance (% GDP)	-3.4	1.5	-4.9	-29.2	-33.9	-22.0

- 1.4 Public finances have remained stable in the last few years, but the COVID-19 pandemic is expected to put some pressure in the country's fiscal position in the short-term. Public expenditure is anticipated to increase by 8.6% in 2020 due to the implementation of the Preparedness and Response Plan (P&RP) to the COVID-19 pandemic outbreak. The government revenues are projected to fall by 9.4% in 2020, as the trajectory of oil-related revenue growth remains uncertain and below the previously estimated levels. Hence, overall fiscal deficit is projected to increase from 2.6% to 5.7% of GDP between 2019 and 2020 (Table 1). Additionally, delays in the 2020 budget approval⁹ and a recent marked drop in average oil prices have put pressure on financial liquidity. Therefore, the availability of funds provided by this operation will contribute to ease the liquidity constraints that the country is facing during this period.
- 1.5 In the medium-term, it is projected that new incoming oil revenues¹⁰ will be channelled to the recently created Natural Resource Fund (NRF).^{11,12} The government debt, which reached 43.1% of GDP in 2018, is expected to fall to 37% of GDP in 2020 and follow a downward trajectory,¹³ helped by an expected average primary surplus of 1.1% of GDP in the 2021-2025 period. Considering the sequencing of the main oil projects, the expected windfall for the government progressively increases from 2025 onwards, which is anticipated to further improve

⁸ Source: IMF 2020.

⁹ This delay was related to the political transition in the country. Elections were held on March 2nd, 2020, with the new government sworn in August 2nd, 2020.

¹⁰ Government oil revenues from the Liza 1 well are projected to be US\$300 million by the end of 2020, but then rapidly rise to US\$872 million in 2026 after cost recovery has been exhausted.

¹¹ The NRF currently holds approximately US\$145 million and could reach over US\$200 million in 2020. Resources from the NRF can only be withdrawn with Parliament approval and subject to specific limits set in its establishment law.

¹² WEO/IMF, 04/2020.

¹³ However, it is important to note that public debt is projected to increase by 22.4% in 2020 (compared to 2019). The decrease in the debt to GDP ratio is due to the high nominal GDP growth rate expected in the same year.

long-term fiscal sustainability, if managed carefully. In 2025, Guyana would receive a projected US\$2.8 billion in oil revenues as part of its government take, which would ultimately accumulate to US\$49 billion by 2054.¹⁴ However, regardless of these projections, it is important to highlight the need to avoid value leakages from inefficient institutional arrangements and regulatory oversight, as a nascent and sustainable oil-producing country remains a high priority.

2. The COVID-19 pandemic and the health crisis.

- 1.6 The Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2), which causes COVID-19, was detected in China in late 2019 and quickly spread around the world. On March 11th, 2020, the World Health Organization (WHO) declared the disease a pandemic. By November 20th, 2020, there were over 51 million confirmed infections, and about 1.3 million deaths around the globe.¹⁵ While the spread of SARS-CoV-2 in LAC began later than in Asia and Europe, the number of cases in the region has risen rapidly. As of November 20th, 2020, the number of confirmed infections in LAC was 12,154,738 million, with a death toll of 426,702¹⁶ figures that will quickly become obsolete. The Caribbean region has also been affected by the COVID pandemic registering a total of 70,877 cases and 1,388 deaths. In Guyana, as of November 20th, 2020, the number of COVID-19 cases so far have been 4,914 with 142 deaths.¹⁷
- 1.7 COVID-19 is highly contagious,¹⁸ with the average number of cases reported by a country increasing by approximately 33% daily (in the absence of lockdown measures).¹⁹ This high infection rate causes sudden spikes in cases that can decimate the capacity of healthcare systems because sick patients require specialized medical care. Social distancing and isolation have become essential measures in the public health response, as they slow COVID-19 transmission²⁰ and postpone the demand for medical services.²¹ Implementing these types of measures is especially important in LAC, considering that most of the countries health systems are not prepared to deal with a pandemic.²²
- 1.8 While social distancing and preventive isolation can reduce the speed of contagion of COVID-19, these measures do not entirely stop the disease from spreading. Countries have, therefore, implemented additional health measures. For example, to replicate relatively successful experiences such as that of the Republic of Korea,

¹⁴ Balza, L., Brearley, E., Clarke, D., and Gauto, V. 2020. Traversing a Slippery Slope: Guyana's Oil Opportunity. Inter-American Development Bank (IDB).

¹⁵ [WHO](#) (2020).

¹⁶ [IDB-Division of Health and Social Protection, based on European CDC data.](#)

¹⁷ [WHO](#) (2020).

¹⁸ [Transmission of SARS-CoV-2: implications for infection prevention precautions.](#)

¹⁹ Financial Times (2020).

²⁰ Social distancing measures are very important when private decisions do not factor in the cost of not containing the contagion, although by restricting work and consumption, they deepen the economic crisis and increase the relevance of governments' fiscal performance. Eichenbaum et al. (2020) show that the value of lives saved can be greater than the economic cost of an effective and temporary distancing policy. M.S. Eichenbaum, S. Rebelo, and M. Trabandt. (2020). The Macroeconomics of Epidemics (No. w26882). National Bureau of Economic Research.

²¹ [J. Hellewell, S. Abbott, A. Gimma, N.I. Bosse, C.I. Jarvis, T.W. Russell, et al. \(2020\); T. Day, A. Park, N. Madras, A. Gumel, and J. Wu \(2006\); N. Ferguson, D. Cummings, C. Fraser, J.C. Cajka, P.C. Cooley, and D.S. Burke \(2006\); A. Dénes and A. Gumel \(2019\); and Imperial College \(2020\).](#)

²² Social Sector (SCL) (2020).

early health interventions are necessary to conduct mass testing of individuals to detect the virus and track possible cases of infection for subsequent isolation. These interventions have proven effective in ending health crises faster.^{23,24} It is also important to expand healthcare services to deliver care to infected individuals with severe symptoms. Both types of interventions require material and financial resources, which must be provided urgently and expeditiously. In many regions, including LAC, governments are ramping up spending on health. Haiti, for example, announced a package of measures in this sector involving spending equivalent to 1.6% of its GDP to direct health care and security spending, as well as transfers to support workers and households. Similarly, Barbados, Trinidad and Tobago, Jamaica, The Bahamas, and Suriname announced a series of health measures at an approximate cost of 7%, 2.5%, 1.1%, 0.6% and 0.06% of GDP, respectively.²⁵ In the case of Guyana, the government estimated a budget of US\$29 million for the implementation of strategic activities under each of the eight main pillars of the COVID-19 response plan.²⁶ Additionally, the government estimates that the tax relief measures introduced during the pandemic would amount to US\$96 million, for an estimated combined total of approximately 3.1% of GDP in 2020, similar to the average for Caribbean countries.²⁷ To support these measures and ease liquidity constraints, the government announced plans to obtain US\$60 million in loans from multilateral organizations and other development partners.

- 1.9 After the first confirmed case of COVID-19 in the country, Guyana took a series of measures aimed at controlling the spread of the pandemic, among them borders were closed, schools and educational centres were shut, international airports were closed, large gatherings and assemblies were banned, a “stay at home” order was stated and a mandatory curfew was established, reducing all activities considered non-essential. Additionally, on March 18th, 2020 the President enacted a National Public Health Ordinance, asserting that COVID-19 constitutes an emergency that threatens national security and granting comprehensive powers to government, particularly the Ministry of Public Health (MoPH), to take the necessary measures to control the epidemic.
- 1.10 The government has recently reduced curfew from 10:30 pm to 4:00 am and extended this measure to November 30th, 2020. Additionally, the government has taken a decision to reopen airports to commercial flights on October 12th, 2020. As the country begins to lift Non-Pharmaceutical Interventions (NPIs) and social distancing measures, the Reproductive Number (RE) has started to gradually rise.²⁸ Average daily new cases increased from three and five in June and July 2020 to 27 and 54 in August and September 2020.

²³ [S. Correia, S. Luck, and E. Verner.](#)

²⁴ [K. Prem, Y. Liu, T.W. Russell, et al.](#)

²⁵ IDB/FMM (2020).

²⁶ IDB calculations based on Operational Planning Guidelines to Support Country Preparedness and Response WHO 2020 for 100 cases over a three month period.

²⁷ [Ali announces US\\$60 million more for COVID battle.](#)

²⁸ As with other countries in LAC and the world, Guyana has been facing a lot of social and economic pressure to start loosening some of the restrictions imposed to slow the spread of the pandemic. Most countries have started lifting measures as they approach a RE closer to one (at a RE of less than one, the epidemic tends to die out). As Guyana starts to lift NPIs and social distancing measures, the RE is estimated to gradually rise to about two.

3. Public policy and fiscal management challenges during health crises.

- 1.11 Public policy and fiscal management play a central role, ensuring availability, transparency, and timely execution of resources. Good practices during emergencies highlight the importance of having strong institutions, policies, processes, and information systems that are efficient, reliable, transparent, and encourage accountability. Nevertheless, in previous health crises, fiscal management institutions and systems had weaknesses and became bottlenecks, which reduced the public sector's response capacity in crucial areas. The biggest challenges during the pandemic lie mainly in: (i) the lack of additional budgetary and financial resources to respond to the crisis; (ii) the unavailability of funds for service delivery units and for timely disbursements, with due regard to controls; and (iii) the lack of transparency in the use of resources deployed as part of crisis response and reporting; and (iv) problems with business continuity in the face of large scale staff shortages. Tackling these challenges requires changes in existing budgetary regulations for more efficient allocation and execution of public resources.
- 1.12 One of the areas where the introduction of changes in applicable regulations is vital for crisis response is in public procurement systems. The response of countries affected by the Pandemic H1N1/09 Virus (Influenza A) in 2009 underscored the need to guarantee that administrative processes facilitate, and do not impede, the flow of public resources to the health sector.²⁹ Immediate access to resources during a crisis is crucial to saving lives. However, traditional procurement processes in the public sector, such as competitive bidding, can take between 20 and 135 days to reach the contract award stage.³⁰ To encourage greater efficiency and transparency in public procurement processes during a crisis, some good practices include:³¹ (i) introducing guidelines for the use of expedited procedures for emergency procurement;³² (ii) identifying and introducing policies to unblock bottlenecks in the procurement system; and (iii) regulating the most appropriate procurement procedures for key purchases, including centralized procurement mechanisms.
- 1.13 A thorough analysis of goods and services critical for dealing with the health crisis is important to introduce policies that prevent shortages in that regard. Supply chains must be analysed, identifying reliable certified suppliers, authorized economic operators, and alternative supply mechanisms. In countries where critical goods are mostly imported, streamlined customs procedures should be introduced. A reduction in tariffs and nontariff barriers may also be appropriate when importing such key goods to decrease the cost of these products, thereby contributing to the management of the crisis.
- 1.14 Lastly, given the quarantine restrictions imposed in connection with the health crisis, it is essential to adopt policy changes and introduce new procedures to ensure continuity in public services remotely. Among the good practices being adopted around the world are the following. In terms of transparency, a good

²⁹ D. Hurst and S. Shapre (2017).

³⁰ IDB (2016). Public Procurement in LAC and IDB financed Projects.

³¹ The National Association of County and City Health Officials (2013).

³² These types of procedures include the use of exceptional, faster procurement methods, such as single-source selection.

practice is the creation of websites to centralize information on the health crisis and local pandemic monitoring, as well as the development of digital tools for the State to communicate with citizens.

- 1.15 In Guyana, the latest Public Expenditure and Financial Accountability (PEFA) Assessment in 2019 found areas with important weaknesses and potential for improvement in public financial management, including aspects of risk management, multi-year budgeting and financial reporting. Weak procurement practices in Guyana are reflected in the low score (D) in the procurement indicator, which examines key aspects of procurement management including transparency of arrangements, open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements.³³ To deal with the COVID-19 pandemic (and economic recovery), the government is introducing measures to address these gaps.

4. The pandemic and its effects on household and business income.

- 1.16 Social distancing measures, necessary during the health crisis to save lives, lead to higher unemployment and loss of household income due to the decrease in economic activities in key sectors such as the hospitality sector and the services industry. Unlike developed countries, which have consolidated social security systems, in LAC, such systems are inadequate and inefficient partly due to the high levels of informal labour. The informal sector in LAC is estimated to account for 53% of the workforce (some 140 million workers). This high degree of labour informality is heavily concentrated among poor and low-income households. Because of shortcomings in social security programs in LAC, in order to sustain their incomes in the face of labour shocks, the region's households depend on social protection programs other than the social security programs typically available to formal workers only. In times of widespread crisis, existing social protection programs become overwhelmed, which is why governments tend to introduce new fiscal policies to meet the greater household support needs. Emergency plans in key sectors are also important to guarantee continuity in the delivery of public services, such as water, sanitation, and electricity.³⁴
- 1.17 An effective policy protecting household income during crises is to support the businesses where the individuals from those households' work, as a way of preventing widespread job losses and bankruptcies. While the economic crisis caused by COVID-19 tends to affect most of the economy, some sectors are harder hit than others, including tourism, recreation, and food services, as a consequence of the powerful impact that social distancing and isolation measures have on them.
- 1.18 In Guyana, informal workers are estimated to account for about 48% of the total labour force. As in other countries, workers in the tourism, accommodation, food service, retail and wholesale sector are expected to be among the most affected by the pandemic. The COVID-19 outbreak is also impacting formal workers and other vulnerable groups. A recent socioeconomic survey carried out by the Bank³⁵ revealed that, among respondents, the percentage of households earning less than

³³ PEFA 2019.

³⁴ The Bank is supporting social protection programs through an investment loan, which is under preparation.

³⁵ An online survey was implemented in April 2020, with about 1,700 respondent households.

the minimum wage increased from approximately 13% in January 2020 to 45% in April 2020. These reductions were maintained across all income levels though those in lower income groups were affected the most. Additionally, 60% of households earning less than the minimum wage suffered job losses while around 16% of those in the highest income group reported suffering job losses. Finally, women are also exposed to the risk of domestic violence given the context of stress and confinement. Given this context, the government has implemented some measures to support household income during the pandemic, including tax measures and guarantee continuity in the delivery of some public services.

- 1.19 In terms of business income, the sharp fall in sales creates liquidity problems, in many cases exacerbated by the destruction of the payment chain. These liquidity problems tend to affect micro, small and medium sized enterprises more acutely given their more limited access to financing. In LAC, this liquidity problem may be more severe than in developed countries considering the high rates of informal business, which makes access to financing difficult. The latest available data indicate that there are over 10 million micro and small enterprises (with 50 or fewer employees). These businesses employ 47% of the region's workforce. In the case of Guyana, it is estimated that 85% of businesses are Small and Medium sized enterprises (SME)³⁶ contributing to around 28% of GDP.³⁷
- 1.20 In the case of Guyana, prior to COVID-19 the private sector already faced a number of challenges, including small market size, access to and high cost of electricity, an inadequately educated workforce, crime and violence, inefficiency of domestic markets, and access to and cost of financing, among others. This is particularly the case for SMEs, which are more likely to have limited access to financing, face a high cost of borrowing, inadequate advisory services, business training, and management capacity. The government has established policy changes that would also provide relief to the private sector, particularly small businesses, including a program of grants to Micro and Small Enterprises (MSEs) and tax measures.

5. Public policy and income protection.

- 1.21 Public policy and fiscal management can play a crucial role in economic crises such as the one caused by COVID 19, protecting household income during the social distancing period, and supporting the survival of businesses to keep jobs safe. Proper fiscal policy design and implementation for these purposes during the current crisis presents significant challenges. In order to maximize intervention efficiency, the fiscal measures introduced must benefit those individuals and sectors that need it most, when they need it most. With respect to the issue of selecting beneficiaries for both tax benefits and subsidies, targeting difficulties arise mainly due to the absence or lack of reliability of integrated systems containing information about individuals, owing to the fact that such systems generally contain partial, often outdated information, particularly in the case of individuals in informal labour situations. This incomplete information leads to both intentional and unintentional targeting errors, reducing efficiency in the use of public resources. To address this challenge, public policy design must focus on

³⁶ IDB. Productivity, Technology, Innovation Survey (2014).

³⁷ Guyana: An enterprise development diagnostic (1998).

transparency in the use of these public resources, to increase accountability of executing agencies and reduce room for misuse.

- 1.22 Fiscal policies that support households are also usually difficult to reverse, especially if the benefit duration is prolonged. This is because individuals begin to consider such benefits as acquired rights, which raises the political cost of withdrawing them. One of the main lessons of the fiscal policy response in LAC to the 2009 global financial crisis was that various programs introduced during the crisis to mitigate its effects ended up becoming permanent programs that were not reversed once the economic shock had subsided. This ended up eroding fiscal fundamentals in the medium term. Thus, to encourage efficient use of public resources, time bound provisions must be considered in household and business support policies from the outset so that such policies do not become recurrent costs. In Guyana, the government stated in the Budget Speech 2020 its commitment to provide support to those affected while still maintaining medium-term fiscal sustainability.

6. The economy and public finance during recovery from the pandemic.

- 1.23 While the global growth outlook is still highly uncertain, estimates from the Organisation for Economic Co-operation and Development (OECD) point to a contraction of around 4.5% in worldwide real GDP in 2020.³⁸ For LAC, the preliminary estimates of the Economic Commission for Latin America and the Caribbean (ECLAC) indicate a 9.1% contraction in regional GDP and an increase in unemployment of 13.5%. ECLAC expects this to lead to a spike in poverty, with 45.4 million new people sinking into poverty and 28.5 million descending into extreme poverty.³⁹
- 1.24 In Guyana, the COVID-19 crisis negatively affected the living standards of nearly all people. In April of 2020, the Bank conducted an online survey of 1,691 households to measure the socioeconomic effects of the COVID-19 crisis.⁴⁰ This revealed that 71.6% of the households reported an income loss. The percentage of households with total income under the minimum wage increased from 13.9% in January 2020 to 44.7% in April 2020. The employment shock was unequal across gender, as 44.8% of women declared that they had lost their jobs compared to 36.6% of men. Around 45.6% of households reported eating less healthy meals than usual. Low-income households were particularly affected by changes in diet and food security: the week prior to completing the survey, 55.9% reported eating less healthy than normal and 31.4% went to bed hungry.⁴¹ Vulnerable groups include low income families, the elderly (the most vulnerable to the health consequences of COVID-19), and individuals with disabilities (for whom social isolation can imply the loss of care services in addition to income).⁴²

³⁸ [OECD \(2020\)](#).

³⁹ [ECLAC \(2020\)](#).

⁴⁰ The survey was conducted online for a period of two weeks. IDB-DT-45. IDB.

⁴¹ See Garavito et al. (2020). "The Caribbean Crisis: Results from an Online Socioeconomic Crisis". IDB.

⁴² Persons with disabilities have high risk of mortality, morbidity, and poverty in the face of COVID-19. See: IDB, 2020. Key measures to face the impacts of COVID-19 on people with disabilities: differences approach in times of pandemic.

- 1.25 Fiscal policy in Guyana has remained relatively stable. Government revenues increased from 21% to 25.8% of GDP between 2015 and 2019, but total expenditure rose from 21.9% to 28.4% of GDP during the same period, offsetting this improvement in revenues (Table 1). The COVID-19 pandemic is expected to create short-term pressures on the country's fiscal position, with an increase of the fiscal deficit to 5.7% of GDP in 2020 (¶1.4). However, Guyana's public finances are expected to strengthen in the future, as oil-related revenues are projected to become the largest source of income for the government in the medium term, equalling the government's current budget by 2024. This development will contribute to easing public finance pressures but must be accompanied by improved fiscal planning and a strengthened medium-term fiscal framework. Although the government has taken a series of steps to improve the Oil and Gas Sector (O&G) governance; further measures are necessary, given the size of the expected revenue windfall.⁴³
- 1.26 Given the severe impact of the COVID-19 health crisis on economic activity, the post pandemic period will require structural reforms to rebuild the economy and sustain fiscal performance. To that regard, the government established a Task force to address four main areas related to the COVID-19 crisis: (i) education; (ii) enforcement; (iii) testing, tracing and treating; and (iv) national economic recovery. The government also submitted the Appropriation Act 2020, approved on September 30th, 2020, which includes the estimates for revenue and expenditure for the fiscal year. In addition, the government is promoting the development of a modern and competitive environment for telecommunications, which is expected to lead to greater choices, better quality of service and lower prices for consumers. The legislation specifically addresses the expansion of telecommunications networks and services into unserved and underserved areas through the institution of a new universal access/universal services programme.
- 1.27 The post-pandemic period will require policies to enhance a sustainable fiscal path, manage oil-revenues and use public resources efficiently. Particularly important will be strengthening macro fiscal policy and debt management, and building public investment institutions.⁴⁴ This is particularly important to build fiscal buffers that make it possible to mitigate economic fluctuations. In addition, given the gender gap in economic participation and opportunity in Guyana,⁴⁵ tracking expenditure for gender is a priority. Gender budgeting has shown to be effective at ensuring that social benefits are taken into account in public expenditure decisions. Another key topic in the post-pandemic period will be climate change. Given that fiscal accounts will be weakend, optimizing policy responses to climate change and its associated fiscal risks will be critical (i.e. climate change is increasing the frequency and intensity of natural disasters). An important step will be to align climate change and fiscal goals, in order to develop a coherent, long-term, and robust policy framework, consistent with the global transition to low carbon economies. Additionally, the government is committed to continuing to make progress in improving the O&G governance.

⁴³ IDB CDC (2019).

⁴⁴ According to the IMF 2017 Public Investment Management Assessment (PIMA), Guyana's public investment management (PIM) system has weaknesses in the areas of planning, budgeting, appraisal, selection, procurement, and implementation of capital projects.

⁴⁵ According to the World Economic Forum's 2015 Global Gender Gap Report, Guyana ranks 124th out of 145 countries in terms of gender parity in economic participation and opportunity.

- 1.28 The Petroleum Exploration and Production Act, and the Petroleum Commission Bill in their current forms do not contain clear clauses that guarantee the independence of the regulator and adherence to industry norms. A new Petroleum Commission Bill is needed therefore to address these gaps that avoid or reduce control over technical and procedural aspects of the regulator. For instance, the current Petroleum Commission Bill leaves the Commission at the behest of the Minister of Natural Resources or in strictly an advisory or supporting role to the Minister of Natural Resources and the Cabinet. This situation impacts the approval, amendment, and rejection of information submitted by international oil companies for petroleum prospecting and production licenses; preparation and management of bid rounds for license grants; approval, amendment and rejection of petroleum operators' budgets, work programs, field development plans, production forecasts and decommissioning plans. In addition, the current Petroleum Commission Bill does not assign to the Petroleum Commission functions such as receiving and fully processing applications for petroleum prospecting and production licenses and proposals for Petroleum Agreements, and negotiating Petroleum Agreements, or preparing model contracts for the petroleum sector. It is important to attain the required level of independence and fiscal autonomy for the Petroleum Commission that can be achieved through a new bill. Extractive industries traditionally functioned as enclaves,⁴⁶ with limited spillover to the domestic private sector. A push towards local content strives to ensure that oil companies are hiring local labor and procuring local goods and services from the host country. Thus, the development of forward and backward linkages for local companies and opportunities for labor are instrumental in the transformation of both business development and standard of living for workers.
- 1.29 **Bank operational work, technical support in the country and lessons learned.** The Bank has ample knowledge of fiscal policy and management as well as the energy sector, which will be used for providing technical advice to guide the implementation of the country's reform program. The technical assistance program Public Procurement Modernization and Financial management Strengthening (ATN/OC-14815-GY) for US\$740,000 in 2014, supported the government with activities such as the development of the electronic government procurement action plan, inputs for the update of the procurement legislation and training. The technical assistance program Fiscal Management Modernization (ATN/OC-15939-GY) for US\$745,000 in 2016 supported capacity building activities for the Guyana Revenue Authority. A new technical assistance, currently under preparation will support the country in the areas of public procurement, public financial management, public investment and macro-fiscal management.⁴⁷
- 1.30 The IDB has been actively supporting the government efforts to transform the energy sector through a series of instruments. The Bank approved a Policy-Based Loan (PBL), Strengthening the Energy Sector (4698/BL-GY) for US\$11.64 million in 2018; and technical assistance programs including four under execution: Guyana's Emerging Oil and Gas Sector: Getting Institutions Right (ATN/OC-16532-GY) for US\$580,000 in 2017; Strengthening the Capacity of the Department of Energy (ATN/OC-17100-GY) for US\$1 million in 2018; Strategic Communications & Knowledge Sharing Support for Guyana's Oil & Gas Sector (ATN/OC-17165-GY) for

⁴⁶ When operating in developing countries—often bring staff, goods, and services from abroad.

⁴⁷ The Bank participated in the PIMA, carried out by the IMF in 2018 and in the PEFA assessment carried out by the European Union in 2019.

US\$582,682 in 2018; and Strengthening the Technical Functions of the Department of Energy (ATN/OC 17844-GY) for US\$606,062 in 2019. The Bank support follows the immediate needs of building an entirely new O&G which requires the strengthening of its governance framework in order to streamline planning interventions, regulatory reforms, and the general needs of an evolving sector. The design of this operation considered lessons learned from IDB-financed operations, including the importance of close collaboration and coordination with other agencies geared towards building the capacity of the government to manage the O&G sector. Additionally, (i) the need to leverage technical expertise and experience of stakeholders for the design and development of new O&G institutional and management framework; and (ii) the high-level training and coaching of government staff, knowledge transfer and workforce development. The Bank is also implementing an investment operation that has synergies with this PBP. The Energy Matrix Diversification and Institutional Strengthening of the Department of Energy (4676/BL-GY; 4676/BL-GY-1 and 4676/BL-GY-2), for US\$21.16 million in 2018, will diversify the energy sector with renewable energy and strengthen the nascent O&G institutional capacity; and the development of Renewable Energy with GEF funds: Sustainable Energy Program for Guyana (GRT/FM-13897-GY) for US\$5 million in 2013. This support has been designed to address the needs of a country that has never been an oil producer. However, there is still significant work to be done in national and sector planning at the governmental level, but the IDB has helped the government build a foundation to manage this emerging industry.

- 1.31 **The Bank's experience in the region and lessons learned.** The Inter-American Development Bank (IDB) Group has provided support to the region during various crises (macroeconomic crises, health crises, and natural disasters) to mitigate their immediate effects and to design reforms for the recovery period. The Bank support varies depending on the nature of the crisis. In the area of fiscal policy and management, this program's design will benefit from lessons learned during the execution and implementation phases, from other operations such as the one that was carried out with the Government of Ecuador that focused on re-establishing macroeconomic stability, restoring fiscal sustainability, and safeguarding social spending in support of the vulnerable population (Emergency Program for Macroeconomic Sustainability and Prosperity (4771/OC-EC)). Similarly, lessons have been gathered from the Macroeconomic Emergency Program to Protect Economic and Social Progress (4656/OC-BA) in Barbados that supported the government in re-establishing macroeconomic stability and fostering a sustainable fiscal balance in the short and medium term, protecting social spending to safeguard the social progress made. One of the lessons learned is that continuous dialogue and coordinated efforts regarding technical assistance can improve the results when implementing a reform in this area. The Bank has also provided support to countries in their reform processes to improve tax policy and administration, public expenditure quality, and the strengthening of fiscal sustainability⁴⁸ and extractive sector governance.⁴⁹ The Bank's experience supporting responsible development of the extractive sector in the region, through the Canadian Facility of the Extractives

⁴⁸ The most recent policy reform support programmes include the Programme to Deepen Fiscal Reform in Colombia (4552/OC-CO), the Programme to Support Fiscal Sustainability in Costa Rica (4819/OC-CR), and the Finances for Sustainable Development Programme in Paraguay (4667/OC-PR).

⁴⁹ The most recent support includes the Sustainable Management of the Underground Resources and Associated Infrastructure (4889/OC-EC).

Sector (RG-X1262) and the portfolio executed by the Mining, Geothermal Energy and Hydrocarbon Special Group demonstrated that in order for the program to have the desired impact the legal framework of the nascent O&G needed to be strengthened. Finally, this operation incorporates in its design the lessons learned from other PBPs approved this year to support countries during the health and economic crisis caused by COVID-19 in Uruguay (5034/OC-UR), Dominican Republic (5062/OC-DR), El Salvador (5046/OC-ES); Paraguay (5028/OC-PR and 5029/KI-PR); and Trinidad and Tobago (5064/OC-TT), such as the importance of coordinating financial support with other multilateral institutions, the fiscal sustainability of transfer programmes that protect businesses' liquidity (particularly SME), and the creation of task forces that help to prioritize and facilitate government efforts during the pandemic.⁵⁰

- 1.32 **Coordination with other Bank projects.** This program is consistent with the proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (GN-2996), as it forms part of the Bank's support to its borrowing member countries in the adoption of fiscal policies to mitigate the effects of the health crisis and alleviate the economic impacts. The program has significant complementarity and synergy with the Contingent Loan for COVID-19 Public Health Emergency approved in November 2020, and a loan under preparation to support safety nets for vulnerable populations. This set of operations supports the availability, efficient management, and rapid deployment of resources to respond to the health emergency. In addition, Guyana is one of the six countries participating in the Bank's Regional Public Goods program (ATN/OC-17031-RG) that supports the strengthening of public procurement in the Caribbean by promoting private sector development and innovation, which will in turn support with economic recovery measures that the government is undertaking.
- 1.33 As part of the Bank's response to the pandemic, the IDB granted non-objection of US\$1.2 million to provision the procurement of medical equipment and personal protective gear via on demand service orders through third party agents that was funded through the Support to Maternal and Child Health Loan (3779/BL-GY) in the portfolio. An additional Polymerase Chain Reaction (PCR) machine was purchased for the Guyana Livestock Development Authority (GLDA) as a back-up laboratory, with support from the operation Enhancing the National Quality Infrastructure for Economic Diversification and Trade Promotion (3824/BL-GY) and Establishing an Electronic Single Window for Trade (4659/BL-GY), which financed the acquisition of Personal Protective Equipment (PPE) in this case masks for custom's personnel. The Bank is also supporting the Ministry of Human Services and Social Security through the Technical Cooperation grant, The Institutional Strengthening of Guyana Social Safety Net (ATN/JF-16525-GY).⁵¹
- 1.34 **Financial support to respond to the pandemic.** In terms of international financial assistance to address the unprecedented financial demands of COVID-19, the Government is seeking financial support from multilateral institutions for a total

⁵⁰ This function is key, particularly due to the difficulty in balancing short-term emergency needs and long-term fiscal sustainability goals during the transition created by such an event.

⁵¹ The main deliverables are: (i) assessment of alternative payment systems (Social Protection); (ii) poverty map methodological report; (iii) social protection expenditure review; (iv) social safety net reform strategy; and (v) Guyana institutional and organizational capacity strengthening plan. All of them under review of the new government.

amount of US\$74 million. This includes support from the Bank including this operation for US \$34 million, a contingent loan for COVID-19 and a loan to support safety nets for vulnerable populations, both under preparation; and US\$20 million additional budget support from the Organization of the Petroleum Exporting Countries (OPEC)- Fund for International Development (OFIDI).⁵²

- 1.35 **Coordination with other donors.** The Bank is in continuous communication with the World Bank (WB), the IMF, the Caribbean Development Bank, the European Commission, Canada, and other partners concerning requests for support from Caribbean countries and exploring potential areas for collaboration. In Guyana, development partners, including bilateral donors, meet monthly for a Donor Coordination meeting to discuss and coordinate work in the country and in the response to the current pandemic. During the preparation of this operation, the Bank consulted with the IMF, the WB and the United States Department of the Treasury Office of Technical Assistance in order to share information and coordinate technical and program support in the country: (i) in public financial management; (ii) public investment; (iii) public procurement; and (iv) macro fiscal management, in order to avoid duplication of efforts. During the program's execution, a collaborative process with multilateral and donor entities will be implemented, which will include technical coordination dialogue as well as senior-management meetings of senior staff from donors.
- 1.36 **Strategic alignment.** The program is consistent with the Second Update to the Institutional Strategy (AB-3190-2) and is aligned with the development challenge of Social Inclusion and Equality, through measures to ensure the maintenance of essential health services in order to overcome the health crisis. The program is also aligned with the crosscutting theme corresponding to Institutional Capacity and Rule of Law since it will strengthen fiscal policy and management to tackle the health and economic crisis. The operation will also contribute to the Corporate Results Framework 2020-2023 (GN-2727-12).⁵³ The program is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (GN-2996). It is also aligned with the Sector Strategy on Institutions for Growth and Social Welfare (GN-2587-2) as concerns strengthening public sector management, and it is consistent with the Fiscal Policy and Management Sector Framework Document (GN-2831-8), which highlights the importance of macro-fiscal management and institutional strengthening to improve public expenditure quality as well as fiscal equity and social inclusion.

B. Objective, components, and cost

- 1.37 The general objective of the program is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives of the program are: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the

⁵² This support includes a national social safety net program providing: (i) food and educational supplies to 20,000 low-income families; (ii) social assistance (including utility bill support and unemployment benefits) to around 55,000 households; and (iii) subsidized loans and loan guarantees to around 300 micro and MSEs in sectors affected by the COVID-19 outbreak.

⁵³ Seven CRF level indicators have been identified in the Annex I summary. See Annex I.

countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; (iii) support the effective and continuous provision of essential goods and services through public policy and management measures; and (iv) promote economic and fiscal recovery in the post-pandemic period.

- 1.38 To meet this objective, the Bank has structured a programmatic PBL series consisting of two technically related and financially/contractually independent operations, as per document PBL: Guidelines for Preparation and Implementation (CS-3633-2). This first operation focuses on supporting policy measures undertaken during the pandemic period to promote the availability and efficient execution of resources during the emergency, support household income and business liquidity, support the continuous provision of essential goods and services, and begin to define a social, economic and fiscal plan to respond to the challenges of the pandemic. The second operation in the series will seek to promote economic and fiscal recovery in the medium term by implementing policies that enable a return to growth with equity and fiscal sustainability in the post-pandemic period. The program is organized into the following components:
- 1.39 **Component 1. Macroeconomic stability.** The objective of this component is to ensure that a macroeconomic context consistent with the program objectives as set forth in the Policy Matrix and the sector policy letter is maintained.
- 1.40 **Component 2. Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19.** The objective of this component is to promote the availability and timely execution of financial, material, and public resources to respond to the effects of the health crisis caused by COVID-19. To achieve this, the government will implement in the first operation the following policies regarding the availability of financial and material resources: (i) establishment of the National COVID-19 Task Force (NCTF) to enable interagency planning and coordination of pandemic preparedness and response actions; (ii) development and approval of the COVID-19 P&RP that covers prevention, preparation and response; and (iii) design and establishment of a webpage providing critical information relating to COVID-19 (health and non-health responses) to target messaging to the population most vulnerable to the COVID-19 pandemic. Additionally, the policy measures to support the timely execution of public resources are: (i) issue a directive to ensure necessary budgetary resources to undertake emergency measures related to the pandemic; (ii) use of the Electronic Funds Transfer (EFT) system to pay health sector workers; (iii) establish a record of expenditure made for emergency from the Consolidated Fund to promote transparency; and (iv) remove the Value-Added Tax (VAT) on importation of COVID-19 related medical supplies.
- 1.41 For the second operation, the measures promoting the availability of financial and material resources include: (i) publish a report on the NCTF activities and achievements in the website; (ii) implementation of key elements of the plan including a P&RP on supply of PPE, equipment inventory, testing and contact tracing; and (iii) publish a report that compiles practices and lessons learned regarding emergency communications to the population for COVID-19 pandemic. Furthermore, the policy measures to support the timely execution of public resources

are: (i) improve resource planning for disaster response by documenting the procedures to access funding in the event of disasters; (ii) use of EFT system to pay central government workers; (iii) publish a report, by agency, on expenditure made for the Pandemic from the Consolidated Fund using pandemic code; and (iv) draft administrative circular consistent with existing legislation to allow for contingency purchase planning.

- 1.42 **Component 3. Strengthening public policy and fiscal management to respond to the economic crisis.** The objective of this component is to strengthen the countercyclical effect of public policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis. In the first operation, the policy measures for protecting vulnerable households include: (i) extend April 30th deadline for the filing of tax returns to September 30th, 2020; (ii) suspend disconnection of services for late payment by Guyana Water Inc. (GWI); and (iii) suspend disconnection of services for late payment by Guyana Power and Light (GPL). In addition, the policy measures for increasing liquidity for businesses include: (i) establish a program from the Small Business Bureau (SBB) approving provision of grants to MSEs to sustain operations, retain employees; (ii) defer payment of corporate and individual advance taxes and Pay as You Earn (PAYE) for businesses affected until June 30th, 2020; and (iii) enable all affected businesses to pay advance taxes on the current year basis for the Year of Assessment 2021 (Year of Income 2020).
- 1.43 For the second operation, the government will implement the following measures to protect household income: (i) review and make policy determination, consistent with the macro-fiscal framework, regarding the deadline for the filing of tax returns in 2021 subject to the evolution of the pandemic in-country; (ii) review and make policy determination regarding suspension of disconnection policy for late services for Guyana Water Inc. (GWI) subject to the evolution of the pandemic in-country; and (iii) review and make policy determination regarding suspension of disconnection policy for late services for GPL subject to the evolution of the pandemic in-country. Moreover, the policy measures for increasing liquidity for businesses include: (i) review and make policy determination regarding the 6 months moratorium under the Credit Guarantee Programme by the SBB and Republic Bank offered to small businesses ending December 31st, 2020; (ii) review and make policy determination regarding the deadline for the payment of corporate and individual advance taxes and PAYE for businesses in 2021 subject to the evolution of the pandemic in-country; and (iii) review and make policy determination regarding allowing affected businesses to pay advance taxes on the current year basis for 2022, subject to the evolution of the pandemic in-country.
- 1.44 **Component 4. Institution-strengthening for the execution of public spending and delivery of essential services.** The objective of this component is to support the effective and continuous provision of essential goods and services through public policy and management measures. The policy measures for the first operation are: (i) establish mechanisms to streamline and centralize the procurement of goods and services related to the pandemic; (ii) approve administrative measures to mitigate price gouging and supply chain disruptions in public procurement of goods and services related to the pandemic; (iii) action plan for Electronic Government Procurement (eGP) approved by Ministry of Finance of

Guyana (MOF); and (iv) develop business continuity plan for public financial management, approved including measures related to the Integrated Financial Management Information System (IFMIS).

- 1.45 For the second operation, the policy measures in this component are: (i) emergency mechanisms to streamline and centralize the procurement of goods and services suspended once emergency has passed (subject to evolution of pandemic in country); (ii) publish list of procurement opportunities and contract awards under COVID-19 on National Procurement and Tender Administration (NPTA); (iii) approve conceptual design of eGP; (iv) IFMIS commitment functionality is utilised and verified by internal audit; (v) updated procurement legislation as reviewed by the National Procurement and Tender Administration (NPTA); and (vi) approval of PEFA Action Plan.
- 1.46 **Component 5. Economic and fiscal strengthening for the post-pandemic period.** The objective of this component is to promote economic and fiscal recovery in the post-pandemic period. To achieve this, in the first operation the measures include: (i) establish Task Force that will address recovery; (ii) operationalization of Telecommunications Act; (iii) approval of the Appropriation Act and Estimates for Revenue and Expenditure for Budget 2020; and (iv) publication of Budget Speech which includes Economic Recovery measures.
- 1.47 The second operation in the programmatic series will support the following measures: (i) implementation of recovery measures included in the Guyana COVID-19 National Action Plan; (ii) implementation of telecommunications regulations; (iii) approval of medium-term fiscal framework for 2021-2024, including revenue, expenditure and fiscal balance projections and identification of fiscal risks; (iv) approval of external debt policy coherent with fiscal framework; (v) strengthen the institutional framework for public investment management, including project appraisal, selection criteria and transparency; (vi) drafting of the petroleum commission Bill; (vii) update and approve new local content policy to increase the participation of the local companies along the value chain of O&G; (viii) strengthen the budget planning process quality by including in budget call circular policy guidelines for data disaggregation by gender; and (ix) incorporate the low carbon development strategy principles within the national budget.

C. Key results indicators

- 1.48 The expected program results are included in the Results Matrix (Annex III). The results indicators are: (i) budget allocated to the health sector; (ii) health sector workers paid using the EFT system; (iii) taxpayers who benefited from the extension of the deadline to file tax returns from April 30th to September 30th, 2020; (iv) businesses that benefited from the deferral of corporate advance tax payments until June 30th, 2020; (v) MSEs benefited by the SBB grants programme to sustain operations and retain employees; (vi) measures in the business continuity plan for public financial management that have been implemented; and (vii) actions prioritised by the government for 2020/2021 from the recommendations issued by the Task Force that have been implemented.
- 1.49 **Economic analysis.** Based on the recommendations by the Office of Evaluation and Oversight (OVE) in its 2011 Evaluability Review of Bank Projects and on the

findings of the review of evaluation practices and standards for PBLs conducted by the Evaluation Cooperation Group (ECG), which comprises the independent evaluation offices of the multilateral development banks), as provided for in paragraph ¶1.3 of document GN-2489-5 (Review of the Development Effectiveness Matrix (DEM) for Sovereign Guaranteed and Non-Sovereign Guaranteed Operations), which indicates that an analysis of efficiency in the use of financial resources is unnecessary, it was determined that an economic analysis would not be performed for this type of loan, as reported to the Board of Executive Directors. Accordingly, this loan operation does not include an economic analysis and no such analysis is considered for purposes of measuring the evaluability score in the program's DEM.

- 1.50 **Beneficiaries.** The direct beneficiaries of the first operation in the programmatic series are the citizens of Guyana, particularly those in the most vulnerable sectors, due to the positive social effects of the policy measures intended to increase available resources for responding to the health crisis will support the delivery of better public health services. Additionally, the protection of household income and business liquidity, as well as the measures to reactivate the economy will help reduce the impact of the crisis on the well-being of the country's citizens, particularly low-income individuals. Finally, the government will also benefit from this operation, as it will have more resources available to implement public policies to mitigate the impact of the health and economic crisis.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This operation has been structured as a Programmatic Policy-Based Loan (PBP) and is the first operation of a programmatic series consisting of two contractually independent but technically linked loans, in line with the guidelines for the preparation and implementation of PBP set forth in document CS-3633-2. The programmatic modality was chosen because: (i) it promotes ongoing policy dialogue between the Bank and the country with the aim of providing continuous support during the pandemic and in the post-pandemic period; (ii) given the uncertainty regarding the length and severity of the crisis caused by the pandemic, this instrument leaves room for adaptation to evolving circumstances and monitoring of the program's scope; and (iii) it facilitates the development, fine-tuning, and implementation of economic and fiscal recovery plans, with a view to resuming growth with equity and fiscal sustainability in the post-pandemic period.
- 2.2 **Dimensioning.** The amount of this operation will be US\$34,000,000, with US\$23,800,000 from the Bank's Ordinary Capital (OC) resources and US\$10,200,000 from Concessional OC resources, which represents 33% of the total amount that will be financed by multilateral agencies in 2020 to respond to the health and economic crisis caused by COVID-19. This amount will be disbursed in one single tranche. The cost of the operation is justified by the public sector's financial needs and has no direct relationship to the cost of the program's reforms, in accordance with document CS-3633-2 (paragraph ¶3.27 (b)). Gross financing needs for the country in 2020 are estimated as the sum of amortization (US\$56 million) and the budget deficit (US\$385 million) at US\$441 million or 6.5% of GDP.

B. Environmental and social safeguard risks

- 2.3 Based on guideline B.13 of the Environment and Safeguards Compliance Policy (Operational Policy OP-703), this program does not require ex ante classification of impacts. The operation supports the development of policies, standards, management tools, and other institutional strengthening actions. Therefore, no significant or direct adverse environmental and natural resources impacts are anticipated.

C. Fiduciary risk

- 2.4 No fiduciary risks associated with the operation have been identified. The operation's proceeds will go directly to the National Treasury in order to meet the government financing needs. To that end, the Executing Agency (EA) has the necessary financial management tools and supervision systems. The resources will be disbursed once the policy measures set forth in the loan contract are fulfilled.

D. Other risks and key issues

- 2.5 **Fiscal sustainability.** There is a medium risk that the country's economic growth could be affected, due to unexpected external shocks such as significant decreases in commodity prices and natural disasters. This risk is mitigated by the fact that Guyana has a Natural Resource Fund, which contemplates withdrawals to finance national development priorities and emergency financing in the event of the occurrence of a major natural disaster. Also, this risk will be mitigated by establishing a policy dialogue with the government and supporting the efforts to strengthen Guyana's macro fiscal framework, including its medium-term fiscal framework, as well as its debt and risk management.
- 2.6 Additionally, there is a medium risk that the development of Guyana's oil sector could face some fiscal uncertainty as global oil demand is affected by the deployment of alternative technologies and measures to tackle climate change, as well as the global implementation of the Paris Agreement. This risk will be mitigated by establishing a dialogue with the government and with the provision of technical assistance to identify such risks and policy options to manage them, especially through mechanisms that make it possible to control persistent fiscal imbalances, such as the medium-term fiscal framework and debt policy management instruments.
- 2.7 Finally, there is also a high risk that Guyana could lose access to grants and concessional loans as the country grows richer because of oil & gas resources. Guyana's economy has increased its Gross National Income (GNI) per capita in constant 2017 terms in recent years. In 2017, GNI per capita was around US\$4,460 higher than the threshold established for concessional credit (US\$2,919 prices in 2017) and for 2019 GNI per capita purchase power parity 2017 is around US\$9,074. The criterion by which Guyana has accessed a concessional loan is due to the lack of creditworthiness for borrowing solely in accordance with OC regulations and with the SCI-IDB score (see Proposal for the Allocation of Concessional Resources 2019-2020 (PACR)).⁵⁴ With the new oil discoveries, the borrowing capacity is very likely to increase and therefore it is necessary to prepare

⁵⁴ [PACR 2019-2020](#).

the country for a transition from a concessional scheme to a regular one. In this context, the main concerns are: (i) increases in financing costs when moving from a concession scheme to a regular one; and (ii) volatility of the oil revenues and the sharp increase of public spending. To mitigate this risk, Guyana must strengthen the medium-term fiscal framework and the prudent debt management policy. For this, the Bank will continue its strategic dialogue with the government, providing technical assistance in such a way as to increase institutional capacity and strengthen the structure of fiscal institutions that carry out responsible fiscal and debt management.

- 2.8 **Public management and governance.** There is high risk that the Government will not have the technical capacity to carry out such an ambitious and complex program which will affect the timing and maturity of the reforms. This risk will be mitigated by providing technical assistance to support all measures included in the program, through a technical cooperation under preparation (§1.29). As a new oil and gas producer country, Guyana requires management and planning interventions that are implemented in accordance with its evolving sector needs. The country will require extensive and widespread consultation with stakeholders, rapid deployment of administrative reforms, utilization of technology to increase transparency, and a commitment from the highest levels of government. Efforts will be undertaken jointly by the government authorities and the Bank to work with all stakeholders and manage expectations accordingly. The Bank, through different instruments under execution, including PBLs, investment operations and technical assistance will ensure the sustainable construction of the nascent sector architecture and capabilities (§1.29).
- 2.9 There is also a high risk that there will be coordination issues involved in the operation given that different public agencies are involved (MOF, Ministry of Natural Resources and the Office of the President) and multiple development partners (such as WB and IMF). This risk will be mitigated by the creation by the MOF of a Committee to coordinate progress of measures with the agencies involved and by coordinating closely on a monthly basis with the other development partners (§3.3).

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower.** The borrower is the Co-operative Republic of Guyana. The executing agency is the MOF, which is responsible for: (i) presenting evidence on the conditions met for disbursement of loan proceeds required by the Bank; (ii) promoting actions to achieve the policy objectives defined in the program; and (iii) compiling, maintaining, and delivering to the Bank the necessary information, indicators, and parameters to monitor and evaluate program outcomes.
- 3.2 **Executing agency.** The executing agency will be the MOF, which will have technical responsibility for program execution and agrees to: (i) act, on its own or by means of a designee, as the official liaison with the Bank and submit reports and evidence of fulfilment of the operation's conditions, as well as any other report that the Bank requires, according to the agreed deadlines and terms; (ii) promote actions to achieve the policy objectives defined in the program; and (iii) collect, record, and submit to the Bank all data, indicators, and metrics that help the government and the Bank monitor, measure, and evaluate the program's results.

- 3.3 **Coordination mechanism.** The MOF will maintain an ongoing dialogue through a Committee to coordinate the response to the health emergency. This Committee would include the Guyana Revenue Authority, GPL, GWI, the MoPH, and other agencies involved in the emergency response. The Bank will coordinate online follow up meetings with the Committee to provide technical support to the country if needed and to monitor the compliance of the policy measures that were included as part of this programmatic series.
- 3.4 **Special contractual condition prior to the first and sole disbursement of the first Programmatic Policy Based Loan (PBP).** The first and sole disbursement of loan resources will be subject to the borrower's fulfilment of the policy reform conditions of the first PBP established in the Policy Matrix (Annex II), the [Policy Letter](#), and any other conditions set forth in the corresponding loan contract.
- 3.5 **Partial exception to the Public Utilities Policy (GN-2716-6).** Policy measures for the first operation under Component 3 (see paragraph ¶1.42) calls for the suspension of disconnection of services for late payment by GWI and GPL during the period of the COVID-19 emergency. Since the non-suspension of services could potentially disrupt the flow of revenue of the service providers, entailing, at least temporarily, a risk to their financial sustainability, Management requests that the Board of Executive Directors approve a partial exception to the Public Utilities Policy (document GN-2716-6) on grounds of nonadherence to the principle of financial sustainability established in said policy. This exception is justified, given the importance of supporting the country in the adoption of crisis measures to ensure the population's access to basic public services, with emphasis on the most affected groups, keeping possible costs down given the economic circumstances caused by COVID-19. The fiscal sustainability of these measures is an integral part of support under this proposal, and the measures should be temporary and take into account the criteria of efficiency, transparency, and financial viability.

B. Summary of arrangements for monitoring results

- 3.6 **Monitoring.** Program monitoring consists of verification of the agreed policy measures ([Monitoring and Evaluation Arrangements](#)). The executing agency and the Bank will meet regularly to monitor the operation's results and anticipate and resolve technical difficulties related to the operation's execution. The executing agency will submit to the Bank all information required for measuring fulfilment of program targets and will provide timely information on progress toward those targets.
- 3.7 **Evaluation.** The evaluation strategy will consist of: (i) a before and after analysis of the outcome and impact indicators performance included in the Results Matrix; (ii) a review of the intervention's theory of change; (iii) a literature review of evidence on the effectiveness of similar interventions in comparable contexts; and (iv) a qualitative evaluation that provides complementary information on how the achieved results can be attributed to the program. The evaluation's main questions will address whether the policies implemented helped achieve the program objectives ([Monitoring and Evaluation Arrangements](#)). Additionally, a program completion report will be prepared. Both the ex post evaluation and the program completion report will be conducted at the end of execution of the programmatic series.

IV. POLICY LETTER

- 4.1 The [Policy Letter](#) reiterates the country government's commitment to the objectives and actions envisaged in the program. Additionally, the Bank and the government agreed on a Policy Matrix that identifies the policy actions under this operation.

Development Effectiveness Matrix		
Summary		GY-L1075
I. Corporate and Country Priorities		
1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Beneficiaries receiving health services (#) -Households with improved access to water and sanitation (#) -Households with improved access to energy services (#) -Micro / small / medium enterprises financed (#) Countries with strengthened tax and expenditure policy and management (#) -Agencies with strengthened digital technology and managerial capacity (#) -Agencies with strengthened transparency and integrity practices (#)	
2. Country Development Objectives		
Country Strategy Results Matrix		
Country Program Results Matrix		The intervention is not included in the 2020 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		See paragraphs 1.1 to 1.16 of the main document.
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.6
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		3.6
3.3 Results Matrix Quality		3.0
4. Ex ante Economic Analysis		N/A
5. Monitoring and Evaluation		7.0
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		4.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		High
Identified risks have been rated for magnitude and likelihood		Yes
Mitigation measures have been identified for major risks		Yes
Mitigation measures have indicators for tracking their implementation		Yes
Environmental & social risk classification		B.13
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Treasury.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

Evaluability Assessment Note: The operation GY-L1075, for US\$34,000,000, is part of the Bank's operational response to the COVID-19 Pandemic Programme to Strengthen Public Policy and Fiscal Management in Response to the Health and Economic Crisis Caused by Covid-19. The general objective of the programme is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives are: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; (iii) support the effective and continuous provision of essential goods and services through public policy and management measures; and (iv) promote economic and fiscal recovery in the post-pandemic period.

The loan proposal presents a solid diagnosis of the problem. The proposed solutions are an appropriate response to the problems identified in the proposal and its contributing factors. The results matrix is consistent with the vertical logic of the project, presenting adequate indicators at the level of outcomes and impacts. The outcome indicators are appropriately defined to measure the achievements of the project's specific objectives. The impact indicators reflect the contribution to the fiscal macroeconomic objectives consistent with the policy matrix of the operation, and with the objective of responding to the health crisis.

The monitoring and evaluation plan proposes a reflective analysis of the outcome and impact indicators included in the result matrix, complemented by a review of the theory of change, an updated review of international evidence and qualitative studies. The monitoring and evaluation activities will be carried out by the executing agency, the Ministry of Finance of Guyana, in coordination with the Bank.

POLICY MATRIX

PROGRAM TO STRENGTHEN PUBLIC POLICY AND FISCAL MANAGEMENT IN RESPONSE TO THE HEALTH AND ECONOMIC CRISIS CAUSED BY COVID-19 IN GUYANA

Objectives: The general objective of the program is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives of the program are: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; (iii) support the effective and continuous provision of essential goods and services through public policy and management measures; and (iv) promote economic and fiscal recovery in the post-pandemic period.

Components / Policy Objectives	Policy Conditions Programmatic Loan I	Status of Fulfilment, Conditions for Programmatic Loan I ¹	Triggers for Programmatic Loan II
Component 1. Macroeconomic stability			
Ensure a macroeconomic context consistent with the programme objectives as set forth in the Policy Matrix and the sector policy letter is maintained	1.1 Ensure a macroeconomic context consistent with the programme objectives as set forth in the Policy Matrix and the policy letter is maintained.	i. Fulfilled	1.1 Ensure a macroeconomic context consistent with the programme objectives as set forth in the Policy Matrix and the sector Policy letter is maintained.
Component 2. Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19			
Promote the availability and timely execution of financial and material resources to respond to the effects of the health crisis caused by COVID-19	2.1 The borrower will implement the following measures: <ul style="list-style-type: none"> i. Establishment of the National COVID-19 Task Force (NCTF) to enable interagency planning and coordination of pandemic preparedness and response actions. ii. Development and approval of the COVID-19 Preparedness and Response Plan (P&RP) that covers prevention, preparation, and response. iii. Design and establishment of a webpage providing critical information relating to COVID-19 (health and non-health responses) to target messaging to the population most vulnerable to the COVID-19 pandemic. 	<ul style="list-style-type: none"> i. Fulfilled (II quarter, 2020) ii. Fulfilled (II quarter, 2020) iii. Fulfilled (II quarter, 2020) 	2.1 The borrower will implement the following measures: <ul style="list-style-type: none"> i. Publish a report on the NCTF activities and achievements on the website. ii. Implementation of key elements of the plan including P&RP on supply of Personal Protective Equipment (PPE), equipment inventory, testing and contact tracing. iii. Publish a report that compiles practices and lessons learned regarding emergency communications to the population for COVID-19 pandemic.

¹ This information is merely indicative as of the date of this document. In accordance with document CS-3633-2 (Policy-Based Loans: Guidelines for Preparation and Implementation), compliance with any specified disbursement conditions, including maintenance of an appropriate macroeconomic policy framework, will be verified by the Bank when the borrower makes the corresponding disbursement request and will be reflected in a timely manner in the disbursement eligibility memorandum.

Components / Policy Objectives	Policy Conditions Programmatic Loan I	Status of Fulfilment, Conditions for Programmatic Loan I ¹	Triggers for Programmatic Loan II
Promote the timely execution of public resources to respond to health crisis caused by COVID-19	2.2 The borrower will implement the following measures: <ul style="list-style-type: none"> i. Issue a directive to ensure necessary budgetary resources to undertake emergency measures related to the pandemic. ii. Use of the Electronic Funds Transfer (EFT) system to pay health sector workers. iii. Establish a record of expenditure made for emergency from the Consolidated Fund to promote transparency. iv. Remove the Value-Added Tax (VAT) on importation of COVID-19 related medical supplies. 	<ul style="list-style-type: none"> i. Fulfilled (II quarter, 2020) ii. Fulfilled (II quarter, 2020) iii. Fulfilled (II quarter, 2020) iv. Fulfilled (II quarter, 2020) 	2.2 The borrower will implement the following measures: <ul style="list-style-type: none"> i. Improve resource planning for disaster response by documenting the procedures to access funding in the event of disasters. ii. Use of EFT system to pay central government workers. iii. Publish a report, by agency, on expenditure made for the Pandemic from the Consolidated Fund using pandemic code. iv. Draft administrative circular consistent with existing procurement legislation to permit contingency purchase planning.
Component 3. Strengthening public policy and fiscal management to respond to the economic crisis			
Strengthen the countercyclical effect of public policy through the temporary introduction of measures to protect the income of vulnerable households, during the health and economic crisis	3.1 The borrower will implement the following measures: <ul style="list-style-type: none"> i. Extend April 30th deadline for the filing of tax returns to September 30th, 2020. ii. Suspension of disconnection of services for late payment by Guyana Water Inc. (GWI). iii. Suspension of disconnection of services for late payment by Guyana Power and Light (GPL). 	<ul style="list-style-type: none"> i. Fulfilled (II quarter, 2020) ii. Fulfilled (II quarter, 2020) iii. Fulfilled (II quarter, 2020) 	3.1 The borrower will implement the following measures: <ul style="list-style-type: none"> i. Review and make policy determination regarding the deadline for the filing of tax returns in 2021 subject to the evolution of the pandemic in country. ii. Review and make policy determination regarding suspension of disconnection policy for late services for GWI subject to the evolution of the pandemic in-country. iii. Review and make policy determination regarding suspension of disconnection policy for late services for GPL subject to the evolution of the pandemic in-country.
Strengthen the countercyclical effect of public policy through the temporary introduction of measures to increase liquidity for businesses during the health and economic crisis	3.2 The borrower will implement the following measures: <ul style="list-style-type: none"> i. Establish a program from the Small Business Bureau (SBB) approving provision of grants to MSEs to sustain operations, retain employees. ii. Defer payment of corporate and individual advance taxes and Pay as You Earn (PAYE) for businesses affected until June 30th, 2020. 	<ul style="list-style-type: none"> i. Fulfilled (II quarter, 2020) ii. Fulfilled (II quarter, 2020) 	3.2 The borrower will implement the following measures <ul style="list-style-type: none"> i. Review and make policy determination regarding the 6 months moratorium under the Credit Guarantee Programmed by the SBB and Republic Bank offered to small businesses ending December 31st, 2020. ii. Review and make policy determination regarding the deadline for the payment of corporate and individual advance taxes and PAYE for businesses in 2021 subject to the evolution of the pandemic in-country.

Components / Policy Objectives	Policy Conditions Programmatic Loan I	Status of Fulfilment, Conditions for Programmatic Loan I ¹	Triggers for Programmatic Loan II
	iii. Enable all affected businesses to pay advance taxes on the current year basis for the Year of Assessment 2021 (Year of Income 2020).	iii. Fulfilled (II quarter, 2020)	iii. Review and make policy determination regarding allowing affected businesses to pay advance taxes on the current year basis for year bases 2022, subject to the evolution of the pandemic in-country.
Component 4: Institution-strengthening for the execution of public spending and delivery of essential services			
Support the effective and continuous provision of essential goods and services through public policy and management measures	<p>4.1 The borrower will implement the following measures:</p> <ul style="list-style-type: none"> i. Establish mechanisms to streamline and centralize the procurement of goods and services related to the pandemic. ii. Approve administrative measures to mitigate price gouging and supply chain disruptions in public procurement of goods and services related to the pandemic. iii. Action plan for Electronic Government Procurement (eGP) approved by MOF. iv. Business continuity plan for public financial management, approved including measures related to the Integrated Financial Management Information System (IFMIS). 	<ul style="list-style-type: none"> i. Fulfilled (II quarter, 2020) ii. Fulfilled (II quarter, 2020) iii. Fulfilled (II quarter, 2020) iv. Fulfilled (II quarter, 2020) 	<p>4.1 The borrower will implement the following measures:</p> <ul style="list-style-type: none"> i. Emergency mechanisms to streamline and centralize the procurement of goods and services suspended once emergency has passed (subject to evolution of pandemic in country). ii. Publish list of procurement opportunities and contract awards under COVID-19 on the National Procurement and Tender Administration (NPTA) website. iii. Approve conceptual design of electronic government procurement. iv. FMIS commitment functionality is utilised and verified by internal audit. v. Updated procurement legislation as reviewed by the National Procurement and Tender Administration (NPTA). vi. Approval of Public Expenditure and Financial Accountability (PEFA) Action Plan.
Component 5. Economic and fiscal strengthening for the post-pandemic period			
Promote economic and fiscal recovery in the post-pandemic period	<p>5.1 The borrower will implement the following measures.</p> <ul style="list-style-type: none"> i. Establish Task Force to address economic recovery. ii. Operationalization of Telecommunications Act iii. Approval of the Appropriation Act and Estimates for Revenue and Expenditure for Budget 2020. iv. Publication of Budget Speech which includes Economic Recovery measures. 	<ul style="list-style-type: none"> i. Fulfilled (II quarter, 2020) ii. Fulfilled (III quarter, 2020) iii. Fulfilled (III quarter, 2020) iv. Fulfilled (II quarter, 2020) 	<p>5.1 The borrower will implement the following measures</p> <ul style="list-style-type: none"> i. Implementation of the recovery measures included in the Guyana COVID-19 National Action Plan. ii. Implementation of telecommunications regulations. iii. Approval of medium-term fiscal framework for 2021-2024, including revenue, expenditure and fiscal balance projections and identification of fiscal risks. iv. Approval of external debt policy coherent with fiscal framework.

Components / Policy Objectives	Policy Conditions Programmatic Loan I	Status of Fulfilment, Conditions for Programmatic Loan I ¹	Triggers for Programmatic Loan II
			<ul style="list-style-type: none"> v. Strengthen the institutional framework for public investment management, including project appraisal, selection criteria and transparency. vi. Drafting of the petroleum commission bill. vii. Update and approval of a new local content policy to increase the participation of the local companies along the value chain of oil and gas sector. viii. Strengthen the budget planning process quality by including in budget call circular policy guidelines for data disaggregation by gender. ix. Incorporate the low carbon development strategy principles within the national budget.

RESULTS MATRIX

PROGRAM OBJECTIVE:	The general objective of the program is to strengthen the efficiency and effectiveness of fiscal policy and management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives of the program are to: (i) to promote the availability and timely execution of financial, material and public resources to respond to the effects of the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; (iii) to support the effective and continuous provision of essential goods and services through public policy and management measures; and (iv) to promote economic and fiscal recovery in the post-pandemic period.
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EXPECTED IMPACT

Indicators	Unit of measure	Baseline	Baseline year	Final target	Final year	Means of verification	Comments
Weeks without excess demand for COVID-19-related UCI beds	%	30 (45 weeks)	2020 (Jan 1 to Oct 31)	90 (52 weeks)	2021 (Jan 1 to Dec 31)	Ministry of Public Health (MoPH) COVID-19 dashboard.	Formula: (Number of weeks without excess demand) / (Number of weeks in the period under analysis). ICU demand as reported by the Ministry of Health in the COVID-19 dashboard.
Government primary balance	Percentage	-5.2	2020	-2.1	2021	Official letter from the Ministry of Finance (MOF).	Primary fiscal balance as a percentage of GDP. Data source: WEO Database (Oct 2020).

EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline	Baseline year	Final target (2020)	Means of verification	Comments
SPECIFIC OBJECTIVE 1: Promote the availability and timely execution of financial and material, and public resources to respond to the health crisis caused by COVID-19						
Budget allocated to the health sector.	Annual percentage change	7.8	2019	44	Official letter from the MOF including the Budget Speech for 2018, 2019 and 2020.	Annual percentage change in the budget allocated to the health sector.
Health sector workers paid using the Electronic Funds Transfer (EFT) system.	Percentage	0	2019	14.6	Official letter from the MOF.	Formula: (Workers paid using EFT) / (Total health sector workers). <u>Baseline (2019):</u> Workers paid using EFT: 0 Total health sector workers: 9807

Indicators	Unit of measure	Baseline	Baseline year	Final target (2020)	Means of verification	Comments
SPECIFIC OBJECTIVE 2: Strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis						
Taxpayers who benefited from the extension of the deadline to file tax returns from April 30 th to September 30 th , 2020.	Percentage	0	2019	74.5	Official letter from the MOF and Guyana Revenue Authority (GRA).	The percentage will be calculated based solely on individual (natural persons) taxpayers. The priority focus of the extension of deadlines will be income tax. Formula: (Benefited taxpayers) / (Number of taxpayers expected to file tax returns).
Businesses that benefited from the deferral of corporate advance tax payments until June 30 th , 2020.	Percentage	0	2019	18.7		The percentage will be calculated based solely on taxpayers who are legal entities. Formula: (Benefited taxpayers) / (Number of businesses expected to pay corporate advance taxes).
Micro and small enterprises (MSEs) benefited by the Small Business Bureau (SBB) grants programme to sustain operations and retain employees.	Percentage	0	2019	20		Formula: (Benefited companies) / (Number of MSEs registered with the SBB).
SPECIFIC OBJECTIVE 3: Support the effective and continuous provision of essential goods and services through public policy and management measures						
Measures in the ICTU business continuity in support of the public financial management that have been implemented.	Percentage	16.7	2019	83.3	Official letter from the MOF documenting the progress in the implementation of the measures set out in the business continuity plan.	Percentage of all measures set out in the business continuity plan that have been implemented. Formula: (Measures implemented) / (Total number of measures in the business continuity plan). <u>Baseline (2019):</u> Measures implemented: 1 Total number of measures: 6
SPECIFIC OBJECTIVE 4: Promote economic and fiscal recovery in the post-pandemic period						
Actions prioritised by the government for 2020/2021 from the recommendations issued by the Task Force that have been implemented.	Percentage	0	2019	60	Official letter from the MOF documenting the prioritised actions and the progress in their implementation.	Percentage of all actions prioritised by the government that have been implemented. Formula: (Actions implemented) / (Total number of actions prioritised by the government). Final target year: December 2021

OUTPUTS

Outputs	Unit of measure	Baseline	Baseline year	Final target (2020)	Means of verification
Component 2: Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19					
National COVID-19 Task Force (NCTF), established.	National COVID-19 Response Structure Letter	0	2019	1	Official letter from the MOF documenting the establishment of the NCTF.
COVID-19 Preparedness and Response Plan, developed and approved.	Approved Plan	0	2019	1	Official letter from the MOF documenting the approval of the plan.
Webpage providing critical information relating to COVID-19 (health and non-health responses) to target messaging to the population most vulnerable to the COVID-19 pandemic, designed and established.	Webpage	0	2019	1	Official letter from the MOF documenting the establishment of the webpage.
Directive to ensure necessary budgetary resources to undertake emergency measures related to the pandemic, issued.	Public Health Ordinance	0	2019	1	Official letter from the MOF documenting the issuance of this directive.
Directive to ensure the use of the Electronic Funds Transfer system to pay health sector workers, issued.	Guidelines and Instructions	0	2019	1	
Directive to establish a record of expenditure made for emergency from Consolidated Fund to promote transparency, issued.	Finance Circular	0	2019	1	
Regulations to remove VAT on importation of COVID-19 related medical supplies, issued.	Regulations	0	2019	1	Official letter from the MOF documenting the issuance of the regulations.
Component 3: Strengthening public policy and fiscal management to respond to the economic crisis					
Extension of the April 30 th deadline for filing of tax returns to September 30 th , 2020, approved.	Extension of Filing Letter	0	2019	1	Official letter from the GRA or other official signed document confirming the extension of the deadline for filing tax returns to September 30 th , 2020.
Suspension of disconnection of services for late payment by Guyana Water Inc (GWI), approved.	Suspension of disconnection Letter	0	2019	1	Official letter from GWI confirming the suspension of disconnection of services.
Suspension of disconnection of services for late payment by Guyana Power and Light (GPL), approved.	Suspension of disconnection Letter	0	2019	1	Official letter from GPL confirming the suspension of disconnection of services.
Program from Small Business Bureau Board approving provision of grants to MSEs to sustain operations and retain employees, established.	Letter establishing program	0	2019	1	Official letter from the MOF documenting the establishment of the program.

Outputs	Unit of measure	Baseline	Baseline year	Final target (2020)	Means of verification
Deferral of payment of corporate and individual advance taxes and Pay as You Earn (P.A.Y.E) for businesses affected until June 30 th , 2020, approved.	Deferral of Payment Letter	0	2019	1	Official letter from the GRA attaching a copy of or other official document confirming the deferment of corporate and individual taxes.
Directives enabling all affected businesses to pay advance taxes on the current year basis for the Year of Assessment 2021 (Year of Income 2020), approved.	Payment of Advance Taxes Letter	0	2019	1	Official letter from the GRA attaching a copy of or other official document confirming the authorization to pay advance taxes.
Component 4: Institution-strengthening for the execution of public spending and delivery of essential services					
Mechanisms to streamline and centralize the procurement of goods and services, established.	Finance Circular	0	2019	1	Official letter from the MOF documenting the establishment of these mechanisms.
Administrative measures to mitigate price gouging and supply chain disruptions in public procurement of goods and services related to the pandemic, approved.	Finance Circular	0	2019	1	Official letter from the MOF documenting the approval of these administrative measures.
Action plan for the Electronic Government Procurement (eGP) approved.	Approved Plan	0	2019	1	Official letter from the MOF documenting the approval of the action plan.
Business continuity plan for public financial management including measures related to the Integrated Financial Management Information System (IFMIS), approved.	Approved Plan	0	2019	1	Official letter from the MOF documenting the approval of the business continuity plan.
Component 5: Economic and fiscal strengthening for the post pandemic period					
Task Force – high level committee that will address recovery, established.	National COVID-19 Response Structure Letter	0	2019	1	Official letter from the MOF documenting the establishment of the task force.
Regulations for the operationalization of Telecommunications Act, issued.	Regulations	0	2019	1	Official letter from the MOF documenting the issuance of the regulations.
Appropriation Bill and Estimates of Revenue and Expenditure for Budget 2020, approved.	Appropriation Bill and Estimates	0	2019	1	Official letter of the MOF documenting the approval of the Appropriation Bill and Estimates of Revenue and Expenditure for Budget 2020 by Parliament.
Budget Speech which includes Economic Recovery measures, published.	Budget Speech	0	2019	1	Official letter of the MOF documenting the publication of the Budget Speech 2020.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/___

Guyana. Loan ____/BL-GY to the Co-operative Republic of Guyana
Program to Strengthen Public Policy and Fiscal Management in
Response to the Health and Economic Crisis Caused by
COVID-19 in Guyana

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Co-operative Republic of Guyana, as borrower, for the purpose of granting it a financing to cooperate in the execution of the Program to Strengthen Public Policy and Fiscal Management in Response to the Health and Economic Crisis Caused by COVID-19 in Guyana. Such financing will be chargeable to the Bank's Ordinary Capital (OC) resources in the following manner: (i) up to the amount of US\$10,200,000, subject to concessional financial terms and conditions ("Concessional OC"); and (ii) up to the amount of US\$23,800,000, subject to financial terms and conditions applicable to loan operations financed from the Bank's regular program of OC resources ("Regular OC"), as indicated in the Project Summary of the Loan Proposal, and subject to the Special Contractual Conditions of said Project Summary.

(Adopted on ____ 20__)