URBAN DEVELOPMENT PROGRAM

(GY-0041)

EXECUTIVE SUMMARY

BORROWER AND GUARANTOR:	Government of Guyana	
EXECUTING AGENCY:	Ministry of Local Government and Regional Development (MLGRD)	
AMOUNT AND SOURCE:	IDB:	US$20 million (FSO)
	Local counterpart funding:	US$ 5 million
	Total:	US$25 million
FINANCIAL TERMS AND CONDITIONS:	Amortization period:	40 years
	Disbursement period:	5 years
	Interest rate:	1% first 10 years, 2% remaining
	Inspection and supervision:	1%
	Credit fee:	0.5%

OBJECTIVES: The chief objective of the Urban Development Program (UDP) is to improve infrastructure and basic services provision for the urban population of Guyana. More specifically, the program will seek to: (a) support reforms to address the institutional constraints affecting Guyana's capacity to finance, operate, maintain and expand urban infrastructure and services on a sustainable basis, and (b) finance the rehabilitation of infrastructure and the reestablishment of municipal services in the country's six urban municipalities.

DESCRIPTION: The UDP here presented recognizes the critical importance of rehabilitating urban infrastructure and services, and thus proposes to finance these needed investments in Guyana's urban centers. However, the UDP emphasizes that such investments must be accompanied by efforts to promote the sustainable operation of services and the maintenance of the infrastructure works; this can only be achieved through a number of changes at the municipal and central levels of Government. Therefore, to improve sustainability and help municipal authorities carry out their legally-assigned roles in basic service delivery, the proposed program will finance actions to build municipal capacity and revenues, strengthen the relevant central ministries to better support and supervise local entities, and define more clearly the

lines of responsibility and accountability between the Central Government and the municipalities. The project's two components are:

a. **Technical assistance and institutional strengthening of the six urban municipalities and Central Government agencies (US$4.4 million):** This component will finance:

   i. Technical assistance and training for improving municipal financial management and planning; modernizing local administrative procedures; and developing own-source revenue generation (US$1 million).

   ii. Strengthening Central Government capacities which directly affect local government revenues and autonomy. It will include financing for:

      1. <u>Property tax assessment reform</u> (US$1.7 million): The UDP will finance the modernization of the property tax system and complete a comprehensive revaluation of property in the six municipalities. Working with the Valuation Division of the Ministry of Finance, the UDP would undertake a series of activities in order to develop a competent, self-sustaining assessment organization that can provide, fairly and economically, timely assessments and the collection of rates for the six target cities of the UDP.

      2. <u>Strengthening the MLGRD and mechanisms for central-local transfers</u> (US$0.4 million): The component will finance the contracting of consulting services to assist in further defining responsibilities at central, regional and municipal levels of Government, as well as in designing and adopting predictable and transparent mechanisms for Central Government transfers to municipalities, such as formulas for revenue-sharing, transfers and co-financing. In addition, and complementing municipal level training efforts, training in municipal financial management will be provided to the MLGRD, so that the ministry can continue

to provide technical and management support to the town councils beyond the life of the program.

3. Strengthening the PEU (US$1.3 million): To strengthen a Program Executing Unit (PEU) in the MLGRD, an international consulting firm will be contracted to manage the execution of all UDP components, as well as advise and train PEU staff. Program resources would also be used to pay for part of the PEU staff and operating costs, equipment purchases and a vehicle.

b. **Investments in the rehabilitation of urban infrastructure and services (US$19 million)**: This component will finance eligible subprojects in the six municipalities, aimed at rehabilitating urban services infrastructure. Investments will include rehabilitation and maintenance of the municipal roads and drainage networks, the reconstruction of commercial municipal facilities such as markets, abattoirs and stellings (or wharves), as well as the rehabilitation of street lighting systems and the upgrading of the municipal governments' buildings.

To best integrate the infrastructure rehabilitation with the implementation of the parallel policy reform and institutional strengthening measures, the infrastructure investments will be carried out in two phases. During the first phase, emphasis will be placed on those investments that will provide for synergies between the program's institutional strengthening component and the civil works. Here, the project will focus on works linked to immediately possible revenue adjustments, as in the case of markets and abattoirs, and to those investments which have immediate community impact, such as improved streetlighting and drainage rehabilitation. Road maintenance and repair works, on the other hand, will be emphasized during the program's second phase, in order to coincide with the completion of the property tax revaluation exercise and the introduction of a new property tax assessment base.

RELATIONSHIP OF THE PROJECT TO THE BANK'S COUNTRY AND SECTOR STRATEGY:

The operation fits well within the Bank's country strategy in Guyana – which emphasizes public sector modernization and improvements in financing and resource allocation mechanisms – in that it finances infrastructure rehabilitation only in the context of modernization of public sector functions and capabilities at the municipal and the central levels. It incorporates sector best practices in that it emphasizes: (a) the strengthening of municipal revenues, through the development of own-source revenues as well as inter-governmental transfers; (b) the improvement of financial management and planning at local government levels; (c) changes in the revenue sharing arrangements between levels of government, and (d) efforts to make local government more responsive to community needs and a more efficient and transparent provider of services.

ENVIRONMENTAL/ SOCIAL REVIEW:

The environmental impact of the UDP will be strongly positive. The projects to be financed will mitigate or eliminate the negative environmental impacts of deteriorated infrastructures, and will improve or eliminate unsanitary conditions in markets, abattoirs and small-scale waste collection and disposal systems. Ultimately, the UDP will contribute to attracting new economic activities to the cities and foster urban development in the coastal area. Most of the negative impacts expected from UDP projects are predictable, temporary, localized and can be mitigated through the application of standard measures in engineering design, procurement construction, operation and maintenance. An environmental management system is included in the program's operating regulations.

Subproject selection has been based partly on an intensive process of stakeholder consultations through meetings with the municipal authorities and local community groups, the regional administration authorities and the Central Government. The preliminary list of investments for both phases of program execution was analyzed to ensure its environmental viability. Final subproject selection and design, now under way, is incorporating similar institutional and environmental appraisal criteria, in order to ensure continuous stakeholder ownership and support for the planned investments, as well as their environmental feasibility. The program also includes resources for social marketing efforts that will encompass not only maintenance of the infrastructure investments, but also the linkages between public service delivery and the payment of taxes and user fees.

BENEFITS:

The most immediate benefits will derive from the **infrastructure rehabilitation component.** Infrastructure and municipal services will be improved in the six urban centers, to the benefit of both urban dwellers and commuters from the adjacent coastal areas. While these investments do not specifically target low-income groups, it is expected that many of them – especially markets, drainage rehabilitation, and sanitation works – will particularly benefit lower income segments of the urban population. The improvement of a range or urban services will enhance the credibility of both local and central government and, in turn, reinforce the benefits of the program's capacity building and reform initiatives listed below.

The **institutional strengthening and technical assistance component** will have important and interrelated benefits that will contribute to creating a stronger, more effective local government:

a. The urban centers will have a stronger revenue base derived from a more predictable transfer mechanism from central government and, especially, increased own-source revenues. The property tax reform, in addition to improving the revenue stream, will result in other benefits, among them: (i) a consistent approach to the valuation of municipal property based on uniform criteria, as well as the professional administration of the process will encourage its legitimacy, reducing incentives for tax evasion, and (ii) a systematic approach to property valuation in the major property markets and the eventual application of the valuation system on a national scale will benefit the development of the property and financial markets in Guyana.

b. Town councils will have improved administrative and management capacities, the result, among others, of adopting consistent procedures for financial management, reporting and control; staff training, especially in financial management; improved municipal facilities and equipment; as well as better guidance and supervision from the MLGRD.

c. The urban population will be better informed about, and will participate in the decision-making from capital investment plans and local planning, in general. More transparent decision-making and reporting will allow for greater

accountability of local elected officials and instill a stronger sense of community ownership.

d. Maintenance of investments will improve given better incentive systems and enforcement mechanisms for fees and rate setting, as well as collection. Strengthening of the capacity of councils to budget operating and maintenance costs will also contribute to improve maintenance levels.

e. In the longer term, increased municipal revenue streams and the introduction of adequate financial administration and planning procedures, accompanied by improved municipal management and modern bylaws, could position the municipalities to access Guyana's nascent financial and capital markets.

RISKS: Project risks stem chiefly from the comparatively weak degree of development and consolidation of institutional structures in Guyana.

First, the project faces the possibility that implementing capacities are inadequate to execute the different infrastructure investments with the quality required and in a timely manner;, available supervision and inspection capacities could also prove to be insufficient. Project design addresses these risks, through the "bundling" of works during the bidding process to achieve sizable packages of investments. This will provide the needed incentive for regional and extra regional construction companies to participate in the project.

A second risk faced by the UDP is the possibility that the municipalities fail to properly operate and maintain the rehabilitated infrastructure. This risk is addressed by the program's institutional strengthening component, in conjunction with the subproject financing requirements. Institutional strengthening activities will foster the municipalities' financial administration and planning skills, thereby introducing the instruments necessary to assess short and medium term funding requirements for all investments to be undertaken.

The successful implementation of changes in the property tax regime represents another area of risk. Given the politically sensitive nature of reassessing the tax base, revaluating properties on a large scale and increasing absolute property tax charges, the authorities might be reluctant to move as fast as the

program anticipates. However, both central ministries and municipalities have expressed enthusiasm for this initiative during program preparation, recognizing its potential benefit for both levels of Government. Progress in the revaluation exercise will be monitored closely throughout implementation and especially at midterm.

Similarly, delays by Government in identifying and establishing designated sources for municipal financing, or adopting a revenue sharing mechanism, could affect the municipalities' income perspectives and delay in turn the stabilization of their financial position. Government has expressed its willingness to open the dialogue on these issues and the UDP assigns resources to support the process. In addition, the program execution mechanism addresses these risks by staging the civil works and linking the stages to measurable advances in the necessary reform efforts, on an annual basis and particulary at midterm.

SPECIAL CONTRACTUAL CONDITIONS:

Conditions precedent to first disbursement:

a. Establishment of necessary bank accounts (see paragraph 3.1).

b. Contracting of the management consulting firm and formation of the PEU (see paragraph 3.4).

c. Presentation of final text of the program's operating regulations (see paragraph 3.12).

Conditions during execution:

a. Midterm review benchmarks, prior to executing phase II of investments (paragraphs 3.22 and 3.23).

b. Contracting of minimum necessary staff at MLGRD by end of first year (paragraph 3.4).

POVERTY TARGETING:

No.

EXCEPTIONS TO BANK POLICY:

None.

PROCUREMENT:

International prequalification and competitive bidding procedures will be required for the contracting of civil works when the value of the contract exceeds US$1 million. ICB procedures will

also be required for contracting consulting services above US$200,000; and for goods and services where the value of the contracts exceeds US$250,000. The Bank will carry out its supervision in an ex post manner, in the cases of: (a) acquisition of goods and related services, and for civil works below US$250,000, and (b) selection of contracting in the case of contracts of US$50,000 equivalent, or less for individual consultants, and US$100,000 equivalent or less for consulting firms.

I. BACKGROUND

1.1 After years of stagnation and at times recession, Guyana's economy has turned around since the beginning of the 1990s, as a result of a process of economic stabilization and structural reform begun in the late 1980s. Fiscal restraint and tight monetary policies allowed improvements in the Government's net revenue position and led to a reduction in inflation to single digit levels. Combined with substantial support from the international donor community and favorable conditions for its major exports, these reform efforts resulted in economic recovery. Beginning in 1991, average real GDP growth was 7.5% per year, for an accumulated growth rate of 45% in the five year period until 1995. In 1996 and 1997 growth slowed somewhat, nevertheless reaching still a comparatively strong 6.6% and 6.2%, respectively.

1.2 While Guyana's economic performance has been impressive, concerns over perspectives for sustainability of this growth path are increasing. Economic recovery has been fueled chiefly by the traditional sectors, such as mining, forestry, sugar and rice. However, steep declines in world market prices for traditional commodities and the phasing out of preferential access to major agricultural export markets are beginning to weigh on the country's economy, as was evidenced already to some extent by the country's economic performance in 1997.

1.3 In 1997, inclement weather conditions further compounded the effects of the country's deteriorating external position, leading to a reduction in GDP growth. Moreover, while macroeconomic stability was largely maintained during the year, the fiscal deficit almost doubled from 5% of GDP to 9%, principally due to imbalances in current spending. This performance suggests that, in the medium term, expectations of maintaining present real growth rates in excess of 5% do not appear consistent with other macroeconomic aggregates and realistic assumptions concerning world market access and prices for the country's major exports. In line with these considerations, and given continued adverse weather patterns during the first half of the year, 1998 growth projections have been reduced substantially.

A. Urban population, infrastructure and public services

1.4 Guyana has a total population of approximately 750,000 inhabitants, a number which has remained unchanged over the past decades as a result of emigration. The country's population is very unevenly distributed, with over 80% living along the coastal plain, the narrow strip of land that contains most of the country's rice and sugar producing areas. Population density in the coastal area is estimated at 50 inhabitants per km^2, while for the country as a whole it only reaches about four inhabitants per km^2.

1.5 Despite the relatively high population density in the coastal areas, Guyana is still a predominantly rural society with only about 30% of the population living in urban settlements. Currently only six towns are formally designated as urban municipalities, with a combined estimated population of 259,400, according to official information from the Statistics Bureau in 1998. The country's largest urban center is Georgetown, the capital, with approximately 178,000 inhabitants. The other towns are Linden, New Amsterdam, Corriverton, Anna Regina, and Rose Hall. Population in these municipalities ranges from approximately 33,500 in the case of Linden to around 8,000 in Rose Hall and 2,600 in Anna Regina, the two smallest urban centers.

1.6 Both economic development and public service delivery in urban Guyana have been hampered by the deteriorated condition of its infrastructure. Although Central Government has very recently completed substantial improvements in Georgetown streets, most of the towns' road networks are dilapidated and in urgent need of repair. Efficient and safe transit conditions are further affected by the almost complete absence of functioning street lighting systems in most of the municipalities. Similarly, the drainage systems in five of the six municipalities is in a general state of disrepair. Sedimentation and solid waste blockage affect the efficient functioning of the major outfall and primary drains as well as the sub-system of secondary and tertiary drains, where problems are further compounded by vegetation overgrowth and the frequent influx of human waste into the system. As a result, frequent flooding occurs even under normal or low rainfall conditions, constituting a severe public health and environmental hazard. Public facilities such as markets, abattoirs and stellings (or wharves) are in bad state of repair. Markets and abattoirs tend to be overcrowded and are often unsanitary, while run-down stelling facilities frequently constitute a public safety hazard. Solid waste collection and disposal in all urban areas is severely deficient.

1.7 Service delivery and the maintenance of infrastructure have been hampered in all municipalities by budget constraints. These arise in part because of nation-wide constraints, but particularly because municipalities have not revised fees, service charges or fines to keep up with inflation or reflect accurately the cost of services. Nor have municipalities set modern service standards and enforcement mechanisms; low municipal administrative capacity and outmoded or nonexistent bylaws have impeded progress in these areas.

B. Legal and institutional framework for urban administration

1.8 Urban administration is governed primarily by two statutes, the Municipal and District Councils Act (1969) and the Local Democratic Organs Act (1980). Both are very comprehensive and specific in the powers and duties it gives the municipal councils as self-accounting statutory bodies, including responsibility in varying

degrees for water supply, sanitation, street paving, drainage, solid waste management, street lighting, environmental health, recreation facilities, markets and abattoirs. Municipalities can do their own physical planning, contract out services, accept grants, take loans, and issue bonds, subject to approval from the Ministry of Local Government and Regional Development (MLGRD). Councils have been also been given extensive authority to set fees and issue licenses.

1.9 Municipalities are assigned broad powers by the existing legislation, enabling them to carry out the functions required of a modern, business-like local government. However, current municipal bylaws date back to the period before independence and need to be adjusted to contemporary requirements so that town councils can implement and enforce existing legislation. Modern bylaws are necessary to guide the councils' management of municipal affairs and service delivery as they incorporate basic standards of operation for each type of urban service to facilitate their enforcement. Inadequate bylaws, by contrast, contribute to the misuse of urban infrastructure and services and the general degradation of the urban environment.

1.10 Central ministries, and especially the MLGRD, are assigned responsibility for policy formulation and provision of budgetary subsidies, and are charged with overseeing the functioning of local government to ensure compliance with policies and regulations. Although hampered by limited operating budgets, high vacancy rates, and low administrative capacity, the MLGRD, together with the Ministry of Finance and the Ministry of Public Works and Communications, still control a significant number of the activities assigned to the local authorities. These central agencies exert significant influence over the municipal administration through discreet allocations to the municipalities' capital budget and direct investments in infrastructure works and services. As a result, the dividing line between the spheres of action of these two levels of central and local government is often blurred, with the associated loss of efficiency and accountability.

1.11 In 1989, another layer of Government was added with the administrative subdivision of the country into ten regions, each governed by an elected Regional Democratic Council (RDC) and managed by a regional administration staffed with public servants. In theory RDCs have a broadly defined mandate to support, advise and supervise the autonomous administrative organs of the sub-regional level. However, their effectiveness appears to vary considerably among the ten regions and is hampered in all cases by the lack of human and financial resources.

1.12 The RDC's influence over the six urban municipalities also varies. While they do not exert control over the councils of Georgetown and New Amsterdam, which report directly to the MLGRD, they have broad formal powers over the town councils of Corriverton, Rose Hall, Linden, and Anna Regina. The regional administrations are charged

with supervising the financial management of these four municipalities, reviewing the annual budget estimates prior to their submission to Central Government and authorizing major expenditure plans, as well as any eventual sale of municipal assets. Furthermore, RDCs are empowered to approve the appointment of senior municipal officials. However, as noted earlier, the RDCs' effective use of its powers varies among the municipalities, with Linden, for example, being subject to a much more stringent control by the RDC than is the case in Corriverton. Nevertheless, the powers allotted to the RDCs over the urban centers, although not necessarily exercised at present in all cases, add to the existing ambiguities in the division of labor among the different levels of Government and dilute the accountability of municipal government.

C. Municipal finances and resources for infrastructure and services

1.13 Municipal budgets are modest: the city of Georgetown operated throughout the 1990's with an average annual budget of US$2 million, while the other five municipalities traditionally operate on even significantly lower budgets, ranging from about US$20,000 in the case of Rose Hall and Anna Regina to US$230,000 for Corriverton. All the municipalities fund their budgets through own revenues, generated from a variety of property, business and trade taxes, fees and services charges, as well as through direct transfers from the Central Government. None of them has had access to debt financing in form of direct loans from the financial sector or the underwriting of securities, reflecting as much the precarious financial positions of the municipalities and their dire state of financial administration, as the very early stage of financial markets development in Guyana. The table below shows available income and expenditure figures for the six municipalities for 1997.

Table I-1 MUNICIPALITIES INCOME AND EXPENDITURES IN 1997 (in US$ thousands)						
	Georgetown	**Linden (2)**	**New Amsterdam**	**Corriverton**	**Rose Hall**	**Anna Regina**
Revenues						
General rates	4,034.8	-	-	62.2	1.9	174.1
Market fees	587.4	-	-	143.7	3.9	34.1
Other	385.2	-	-	14.8	10.2	4.4
Total	5,007.4	n/a	n/a	220.0	16.2	212.6
Actual/budget (%)	45.0	n/a	n/a	90.5	100.0	40.4
Expenditures						
Current	4,391.1	217.8	172.6	226.7	16.4	208.9
Capital	n/a	n/a	n/a	n/a	3.8	n/a
Total	4,391.1	217.8	172.6	226.7	20.2	208.9
Actual/budget (%)	39.5	42.5	29.3	98.4	97.8	40.7
Transfer GOG (1)	118.5	66.7	74.1	44.4	51.8	51.8
Population (thousands)	177.9	33.5	21.7	15.7	8.0	2.6

(1) MLGRD
(2) 1996 figures, 1997 not available
Source: Unaudited municipal statements; MLGRD; Bureau of Statistics
Exchange rate: G$135 = US$1

1. Property taxes

1.14 Traditionally, the most important local revenue source for Guyana's municipalities was the levy of property taxes on commercial and residential property, followed by specific broad-based user fees for services, such as market fees. However, the relevance of property taxes as a source of income has continuously declined over the last two decades, as the property taxation system for the municipalities has deteriorated. Many years of under-funding and consequent staff shortages at the Valuation Office of the Ministry of Finance have compromised its ability to satisfy its core function: to provide fair, accurate assessments to local authorities. While the Valuation Office was able to complete a revaluation for the city of Georgetown in 1997, city officials report that many properties remain undiscovered and others are under-assessed. The five other cities included in the proposed program have registration and valuation lists that are 30 years old, leaving a substantial number of properties in all municipalities under-taxed or entirely outside of the taxation registries. Ownership records for all six municipalities are deficient. Furthermore, over time the municipalities have, to different degrees, adjusted the tax rates in order to reflect rampant inflation during the 1980s and early 1990s, reaching in some cases reportedly tax rates of over 200%. However, those adjustments have not only failed to offset the inflationary effects on the real value of the tax base, they also appear to have contributed to the erosion of public confidence in the fairness and adequacy of the taxation system and created strong incentives for tax evasion.

1.15 Staff shortages and cumbersome manual collection and reporting systems compound the aforementioned problems, resulting overall in generally poor collection performance. With the exception of Corriverton, effective tax collection rates in the municipalities are estimated at around 50% to 60%. As a consequence, on average property taxes at present only account for less than 30% of municipal income, with the exception of Georgetown where their share in municipal resources is approximately 50%.

2. User fees and charges

1.16 Given the decline of property taxes as a relevant source of income, user fees' importance for municipal finances has increased steadily in most towns since the 1980's. Different types of service charges (trash removal, recreation, burials) have grown in importance. Market fees, especially, have become a major source of revenue, accounting in some instances for over 60% of total income. However, as in the case of the property tax system, market fees have not been consistently adjusted to reflect inflation and there are deficiencies in their enforcement. An assessment of the municipal fee structures shows that they are not related to the underlying costs of service provision and that their income potential is not fully exploited.

1.17 Due to the weaknesses in tax collection and fee coverage, own revenues do not, or only barely cover, the municipalities' recurrent expenditures – mainly salaries and related costs for municipal personnel, including the municipal police force – and the bare minimum required for operating and maintaining services and infrastructure. The lack of own revenue generation leads in all municipalities to chronic under-funding, which in turn severely limits their ability to adequately operate, maintain and expand urban services.

3. Central Government transfers

1.18 The shortfalls in the councils' recurrent budgets are usually balanced through central municipal Government grants. These, however, must also finance all of the municipalities' capital expenditures, creating added incentives to reduce maintenance and rehabilitation expenditures. Government transfers to municipalities have fluctuated widely over the years, ranging from as little as 2% of the respective town's budget to over 50%. Although they constitute a major source of funding for the councils, as indicated in Table I-1 above, Central Government transfers to the municipalities lack a dedicated source of funds. Rather, these transfers tend to be subordinated to changes in Central Government priorities and resources, which makes financial planning and execution difficult for the town councils.

1.19 Moreover, there is no established system for reviewing and approving funding requests from town councils. Resource allocations remain erratic. Emergencies, political pressure, and past

amounts received by a council are the main criteria for granting funds, rather than either responding to annual plans or medium-term strategies of the councils or supplementing funds raised locally by them. The current system lacks any formula for allocating grants according to transparent criteria.

4. Financial management capacity of municipal government

1.20 The municipalities' dire financial state is exacerbated by profound deficiencies in their financial planning and administration processes and systems. Bookkeeping and reporting systems are inadequate in most municipalities, with Corriverton being a notable exception. Accounting procedures are not standardized and the larger municipalities, especially Georgetown, have long-standing arrears in major accounts. Furthermore, legally mandated council audits by the Auditor General have not been carried out recently. None of the municipalities has established budgeting procedures and systems or applies structured financial planning methods. No short term or long term business plans are developed by the municipal administration to guide the budgeting process and the execution of works. Annual estimates prepared by the councils are generally unrealistic, given that expenditure projections are usually not contrasted with corresponding income estimates for the period, based on tax recollection or fee income targets. The prevalence of manual systems, a lack of resources for financial administration and planning and limited capacity of staff each contribute to the present situation.

D. Local government capacity for service delivery

1.21 Administration in town councils can be characterized as being in a state of disarray, with operations and management systems broken down, high levels of staff turnover and absenteeism, high vacancy rates and under-qualified staff. Low salaries, poor working conditions and a top-heavy administrative structure can be identified as the main reasons for the failure to recruit and retain qualified staff. Lines of authority within the councils are also frequently unclear, leading to confusion over responsibilities and lack of accountability. Councils have no modern technology or equipment, and the physical premises of most council offices are dilapidated and inadequately maintained. This administrative environment has a direct and deleterious effect on the delivery of urban services.

1.22 Private contractors currently play a very small role in the delivery of municipal services, with the exception of the occasional contracting of garbage collection and some maintenance and construction works. However, the "privatization" of these services, rather than represent a conscious policy effort, reflect human resource shortages in the municipalities, which on occasion preclude the direct provision of these services.

E. Bank strategy and projects, and related activities of other institutions

1.23 The Bank is currently the largest source of external financing for development projects in Guyana and has assumed a leading role in areas such as infrastructure projects (sea defenses, bridges and main roads) and in the agriculture, energy and social sectors. The proposed program was first prepared during 1993-1995. A technical cooperation (ATN/SF-3829-GY) financed this first stage of preparation, which included very complete preparatory studies. In early 1995, further work was suspended until January 1998, when Government gave the project its highest priority.

1.24 Given the size, location and type of subprojects to be financed, the proposed operation will complement these Bank activities, as well as the Social Impact Amelioration Program, or SIMAP (Loan 905/SF-GY). SIMAP finances small, community-generated social and economic infrastructure investments; average subproject size is US$80,000. Sponsorship of subprojects to be financed by SIMAP is limited to community groups and nongovernmental organizations (NGOs), so that municipal investments such as those contemplated in the present operation are excluded.

1.25 The Bank's strategy, as reflected in the 1998 Country Paper and the social sector strategy agreed upon with Government in 1996, focuses on the improvement of the quality, efficiency and sustainability of social services. The strategy gives top priority to efforts to modernize the public sector, and specifies that progress in carrying out civil service reform and in developing more efficient financing and resource allocation mechanisms are to take precedence over major new capital investments. The proposed operation fits well within this strategic focus, and complements a broader effort to effect public sector modernization now being developed by Government and the Bank (GY-0053).

1.26 Several bilateral donor agencies are financing technical assistance in Guyana in a number of areas, including public sector modernization. The World Bank has been developing a Secondary Towns Infrastructure Development Project, proposed for US$25 million, which is experiencing delays, although it had been expected to be approved during 1998. The World Bank loan is to be used primarily for rehabilitation and expansion of urban infrastructure services in secondary towns not covered by the IDB-supported program. The World Bank is also financing a water supply technical assistance and rehabilitation project now under way.

F. Program rationale

1.27 The UDP here presented recognizes the critical importance of rehabilitating urban infrastructure and services, and thus proposes to finance these needed investments in Guyana's urban centers. However, it emphasizes that such investments must be accompanied by efforts to promote the sustainable operation of services and the

maintenance of the infrastructure works; this can only be achieved through a number of changes at the municipal and central levels of Government. Therefore, to improve sustainability and help municipal authorities carry out their legally-assigned roles in basic service delivery, the proposed program will finance actions to build municipal capacity and revenues, strengthen the relevant central ministries to better support and supervise local entities, and define more clearly the lines of responsibility and accountability between the Central Government and the municipalities.

II. THE PROGRAM

A. Objectives

2.1 The chief objective of the Urban Development Program (UDP) is to improve infrastructure and basic services provision for the urban population of Guyana. More specifically, the program will seek to: (a) support reforms to address the institutional constraints affecting Guyana's capacity to finance, operate, maintain and expand urban infrastructure and services on a sustainable basis, and (b) finance the rehabilitation of infrastructure and the reestablishment of municipal services in the country's six urban municipalities.

B. Project description

2.2 The project consists of two components: (a) technical assistance and institutional strengthening of the six urban municipalities, as well as of the Ministry of Local Government and Regional Development (MLGRD), the Valuation Office of the Ministry of Finance and the Program Executing Unit (PEU); and (b) investments in the rehabilitation of urban infrastructure and services.

1. Technical assistance and institutional strengthening (US$4.4 million)

a. Technical assistance and training for the municipalities (US$1 million)

2.3 In order that municipalities can better perform their legally-mandated responsibilities for urban management, this component would finance municipal capacity-building activities. Through this component, the program will support technical assistance and training for improving municipal financial management and planning; modernizing local administrative procedures; and developing own-source revenue generation. Areas of activity under that component will include: (a) development of basic financial administration, planning and budgeting skills in the respective town councils, including the revision of accounting standards and procedures with the aim of their standardization; (b) strengthening tax collection and enforcement mechanisms; (c) social marketing program to enhance citizen information about and participation in local government; (d) development of mechanisms to stimulate greater private sector involvement in the supply of municipal services; (e) revision of the organizational structure, operational procedures and human resources management of the six municipalities, and (f) improving communication and mutual learning among these urban centers. This component would also finance the purchase of computer and peripheral equipment and software necessary to improve the management capacity of the municipal governments.

b. Technical assistance for policy changes and institutional strengthening of central government agencies (US$3.4 million)

2.4 This component will strengthen Central Government capacities which directly affect local government revenues and autonomy. It will include financing for improving the property tax system, building capacity at the MLGRD to better support municipal development, and encourage dialogue and decision-making regarding central transfers to municipalities and definition of responsibilities between central and local government.

(i) Property tax assessment reform (US$1.7 million)

2.5 The project will support the modernization of the property tax system and complete a comprehensive revaluation of property in the six municipalities. Working with the Valuation Division of the Ministry of Finance, the UDP would undertake a series of activities in order to develop a competent, self-sustaining assessment organization that can provide, fairly and economically, timely assessments and the collection of rates for the six target cities of the UDP.

2.6 Activities to be financed include, among others: (a) restructuring the valuation organization; (b) develop and adopt standards of practice which guide the administration of property tax assessments; (c) develop or update property tax maps, with unique parcel reference numbers assigned; (d) select and adapt a computer-assisted mass appraisal (CAMA) system; (e) develop a data collection manual and a program for quality control; (f) select, contract and train a small number of local staff for data collection and data entry tasks, senior assessors in mass appraisal methods, and (g) develop a taxpayer education and information system. The assessment and collection model to be developed would eventually serve as guide in developing a nationwide property tax system.

(ii) Strengthening the MLGRD and mechanisms for central-local transfers (US$371,000)

2.7 The component will finance the contracting of consulting services to assist in further defining responsibilities at central, regional and municipal levels of government, as well as in designing and adopting effective and efficient mechanisms for Central Government transfers to municipalities, such as formulas for revenue-sharing, transfers and co-financing. The design to be adopted for intergovernmental transfers will include the following criteria, among others: (a) municipal governments should have adequate revenues to discharge designated responsibilities; (b) the grant mechanism should ensure the predictability of assigned resources to local governments, but retain sufficient flexibility so that national stabilization objectives are not thwarted by local government finances; (c) the mechanism for transfers should be

transparent and simple, and (d) the proposed design should provide incentives for sound fiscal management and discourage inefficent practices.

2.8 In addition, training in municipal financial management will be provided to the MLGRD, so that the ministry can continue to provide technical and management support to the town councils beyond the life of the program.

(iii) Strengthening the PEU (US$1.3 million)

2.9 Component resources would also be used to strengthen a Program Executing Unit (PEU) in the MLGRD. A management consulting firm will be contracted to manage the execution of all UDP components, as well as advise and train PEU staff. Program resources would also be used to pay for part of the PEU staff and operating costs, equipment purchases and a vehicle.

2. Infrastructure and service rehabilitation (US$19 million)

2.10 This component will finance eligible subprojects in the program's six municipalities, aimed at rehabilitating urban services infrastructure. Investments will include rehabilitation and maintenance of the municipal roads and drainage networks, the reconstruction of commercial municipal facilities such as markets, abattoirs and stellings, as well as the rehabilitation of street lighting systems and the upgrading of municipal governments facilities. Furthermore, limited financing will also be provided for selected investments in the upgrading of solid waste collection and disposal facilities, chiefly through the rehabilitation and provision of equipment. It is estimated that the subprojects would be executed over a period of five years.

2.11 Given the importance of well-functioning drainage systems in the below sea-level coastal towns, about 34% of funding will be allocated for drainage rehabilitation subprojects, representing the major area of program activities. Road maintenance and reconstruction works are to constitute the second most important area of investment, with approximately 25% of program funds allocated to it, while rehabilitation works for commercial municipal infrastructure will account for about 23% of funding allocation. The largest absolute share of subproject investments will be carried out in Georgetown, followed by New Amsterdam and Linden, reflecting the municipalities' respective sizes. However, program per capita financing is the lowest in Georgetown and, conversely, the highest in the two smallest municipalities, with comparable projected per capita outlays in the remaining three municipalities (a table with proposed investments is presented in Annex II-1).

2.12 To allow for optimum cohesiveness between the infrastructure rehabilitation and the implementation of the parallel policy reform and institutional strengthening measures, the infrastructure

investment will be carried out in two phases. During the first phase, emphasis will be placed on those investments which will provide for synergies between the program's institutional strengthening component and the civil works. Therefore, during that phase the project will focus on rehabilitation works linked to immediately possible revenue adjustments, as in the case of markets and abattoirs, and to those investments which have immediate community impact, such as improved streetlighting and drainage rehabilitation. Road maintenance and repair works, on the other hand, will be emphasized during the program's second phase, in order to coincide with the completion of the property tax revaluation exercise and the introduction of a new property tax assessment base.

2.13 The identification of the subprojects for the pipeline to be financed during both program phases has been taking place during program preparation. Each town council participated in the selection process and citizen consultations took place through both town meetings and neighborhood surveys. A Program Steering Committee (PSC) formed during an earlier stage of UDP preparation (which included representation of the relevant ministries, the town councils and the service companies) completed the selection process begun by local needs-analyses in the towns. A second Steering Committee formed during the current stage of program preparation has been collaborating with the Bank, the MLGRD and the town councils in arriving at the final pipeline for Phase II of the program.

2.14 Socioeconomic, technical, and environmental analysis has been completed for Phase I subprojects, and both designs and tender documents have been prepared for them. The Program Preparation Unit (PPU) is currently working on the analysis of subprojects that have been proposed for Phase II and will complete the identification of works to be rehabilitated in this phase prior to Board presentation of this operation. Subproject design and preparation of tender documents for Phase II subprojects will be completed during the first six months of project execution.

C. Size of program

2.15 Program size was determined on the basis of: (a) the pipeline of infrastructure subprojects identified and analyzed for financing during the program's first phase; (b) preliminary identification of infrastructure rehabilitation subprojects for the program's second phase; (c) the estimated cost of the Central Government and municipal capacity-building activities, as well as costs associated with the PEU; (d) the capacity of the municipalities to ensure maintenance and cost recovery of investments, and (e) institutional capacity to implement the program's infrastructure investments in the expected execution period.

D. Program cost

2.16 The Bank financing is part of a five-year program whose cost is estimated at US$25 million. The breakdown by investment category and source of funds is presented in Table II-1.

Table II-1
COSTS AND FINANCING OF PROJECT
(thousands of US$ equivalent)

COMPONENT	IDB	GOVT.	TOTAL	%
DIRECT COSTS	**19,526**	**4,201**	**23,727**	**94.91**
Technical assistance and institutional strenghtening	**4,293**	**100**	**4,393**	**17.57**
1. Municipal governments	992	25	1,017	4.07
— Consulting services	800	-	800	
— Equipment	34	-	34	
— Training	87	10	97	
— General support services	71	15	86	
2. Property tax initiative	1,650	45	1,695	6.78
— Consulting services	1,100	-	1,100	
— Equipment	224	-	224	
— Training	81	10	91	
— General support services	245	35	280	
3. MLGRD institutional strengthening	341	30	371	1.49
— Consulting services	300	-	300	
— Equipment	13	-	13	
— Training	18	10	28	
— General support services	10	20	30	
4. Program Executing Unit (PEU)	1,310	-	1,310	5.64
— Consultants	1,100	-	1,100	
— Equipment	80	-	80	
— General support services	130	-	130	
Infrastructure rehabilitation investments	**14,933**	**4,101**	**19,034**	**76.14**
1. Phase I civil works	7,064	2,142	9,207	38.83
2. Phase II civil works	6,548	1,958	8,417	33.67
3. Civil works supervision	1,410	-	1,410	5.64
PPF	**300**	**-**	**300**	**1.20**
1. Program Preparation Unit (PPU) and PEU	300	-	300	1.20
FINANCIAL EXPENSES	**200**	**799**	**999**	**4.00**
Interest	-	372	372	1.49
Credit commission	-	427	427	1.71
Credit supervision	200	-	200	0.80
CONTINGENCIES	**274**	**-**	**274**	**1.10**
TOTAL	**20,000**	**5,000**	**25,000**	**100.00**
% by source of funds	**80**	**20**	**100**	

E. Financing plan

2.17 The Bank loan will account for 80% percent of total program cost. The remaining US$5 million will be local counterpart. Counterpart contributions for the program would be distributed over the five years of execution.

F. Terms and conditions of the loan

2.18 The IDB financing, in the amount of US$20 million, will be drawn from the Fund for Special Operations. The following table shows the terms and conditions of the loan:

Table II-2 TERMS AND CONDITIONS OF THE LOAN	
Source of funds:	Fund for Special Operations
Amount:	US$20 million
Terms:	
amortization period	40 years
grace period	10 years
commitment of funds	4½ years
disbursement	5 years
Interest rate:	Variable
Inspection and supervision:	1% of the loan amount
Credit fee:	1% for first 10 years, and 2% for the remaining

III. PROGRAM EXECUTION

A. The borrower

3.1 The borrower for this operation will be the Republic of Guyana. The borrower will deposit the resources of the loan in a special foreign exchange account to be established in the Central Bank of Guyana. Government will also open an account in a commercial bank for the transfer of local counterpart resources. **The opening of these accounts will be a condition precedent to first disbursement.**

B. Executing agency and institutional framework for execution

1. The MLGRD and the Program Executing Unit (PEU)

3.2 The program will be executed by the Ministry of Local Government and Regional Development (MLGRD), through a Program Executing Unit (PEU). The MLGRD is a small ministry, recently established as a separate entity from the previous Ministry of Public Works, Communications and Regional Development. The ministry has as its central mission to supervise and maintain the legal and regulatory framework of the system of regional and local administration and to ensure consistency between local plans and national policies. 1/

3.3 With a total of 50 employees at present, the ministry suffers from a very high vacancy rate, particularly at the management and administration levels, where it currently stands at 66%. In addition, an annual turnover rate of near 40% exists for staff positions below management levels, due to low pay and poor working conditions. The ministry's management and information systems are entirely manual. Its annual budget is of roughly US$3 million.

3.4 Given the MLGRD's limited institutional capacity and in order to make possible the development of the UDP, a Program Preparation Unit (PPU) was created in June 1998. The PPU is comprised of one MLGRD staff member and external consultants financed through a Project Preparation Facility (1007/SF-GY), including an engineer, a procurement specialist, a municipal development specialist, and a secretary. Similarly, program execution will rely significantly on the contracting of external consultants. Given existing wage structure and rigidities within the public service, which would make impossible the recruitment of qualified staff to quickly strengthen the ministry's capacity, a management consulting firm will be contracted to assist to manage the UDP. The consulting

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1/ Its other key objectives are to promote the continued integration of the Amerindian community into the wider Guyanese society; to encourage self-sufficiency and social development in the hinterland regions, and to facilitate the economic development of all the regions.

firm will be contracted by the PPU prior to project inception, in accordance with the Bank's international competitive bidding procedures. Once contracted, the consulting firm and staff from the PPU will form the PEU at the MLGRD. **Contracting of the management consulting firm and formation of the PEU will be conditions precedent to first disbursement.** 2/ In addition, **during the first year of execution, the MLGRD will assign and/or contract a minimum core staff to take part in the UDP.**

3.5 The consulting firm to be contracted will have overall responsibility for program execution. However, it will train counterparts in the PEU and the MLGRD, so that following initial continuous in-country presence, it will gradually hand over day-to-day responsibilities to the PEU and reduce its team's participation over the years of program execution. The firm will contract, as necessary, consulting services for the different program components, both nationally and internationally. Detailed terms of reference for the management consulting firm are under preparation and will be part of the program's operating regulations **(see paragraph 3.12 below).**

3.6 The PEU will be responsible for overall project administration, preparation of tendering documents, contracting of works and services, supervision and evaluation. It will also be responsible for implementing the technical assistance and institutional strengthening components of the UDP, both at the central and at the municipal levels. The PEU will be headed by a Government appointed coordinator, to be chosen by Government with the Bank's no objection, on the basis of agreed upon terms of reference. The UDP coordinator will be assisted by the consulting firm mentioned above.

2. The Program Steering Committee (PSC)

3.7 While day-to-day UDP implementation and administration will be done by the PEU, a Program Steering Committee (PSC) will be responsible for overall project oversight and monitoring. The PSC will be composed of nine statutory members: one representative from each of the six participating municipalities, as well as one delegate each from the ministries of Local Government and Regional Development, Public Works, and Finance. In addition, the PEU coordinator and its senior advisor from the consulting firm would be nonvoting members of the PSC. The PSC, which will meet on a quarterly basis, will invite representatives of the relevant regional authorities and the national service companies (electricity, water and sewage, etc.) to participate in its

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2/ Procurement processes for firm selection will begin in October 1998, so that the firm's contracting is not delayed. PPF resources will be utilized to contract the firm.

meetings, as necessary, in order to facilitate program coordination.

3.8 Major tasks of the PSC will be to revise periodically the progress of the implementation of each UDP component, facilitate coordination of the execution of the infrastructure works in each locality, maintain communications with the PEU and the Bank, promote and participate an ongoing dialogue regarding central-municipal relationships, and receive and review all program reports.

3. Other participating entities

a. The Ministry of Finance's Valuation Division

3.9 The Valuation Office of the Finance Ministry will be the locus for the property tax system modernization to be undertaken through the UDP. An international consulting firm specializing in property tax reform will be contracted by the PEU to carry out the property revaluation in the six municipalities and the institutional strengthening of the Valuation Office. Current senior assessment officials and staff will work with the consulting firm to carry out the revaluation exercise and the series of changes necessary to accomplish the modernization of the property tax system. A detailed action plan for the property tax assessment reform component is in the project's technical files, and will be part of the UDP's operating regulations.

b. Six town councils

3.10 While there are substantial differences among the six town councils with regard to budgets, staff complements and range and efficiency of services performed, they are all similarly structured. In each municipality, the councils' chief tasks are undertaken primarily by five departments under a town mayor: the office of the town clerk, the office of the town engineer, the health department, the constabulary and a department that groups other services. Council members are elected by citizens residing in the urban centers; elected councilors in turn select the town mayor.

3.11 The councils of the six towns have participated in the design of the UDP and will continue to participate in and derive benefits from the program in a number of ways. In consultation with community members, they have taken part in the selection of the rehabilitation projects to be financed by the UDP, as well as in the design of the technical assistance components. During the execution of the UDP, the councils will continue to be represented in the PSC through their town clerks. They will participate in and benefit from financial management training activities, as well as the modernization of their bylaws; and benefit from improved management information systems and physical facilities. Importantly, they will engage community members in increased communication regarding the linkage between improved service-delivery and payment of taxes and user fees; and participate in the

dialogue with Central Government over the design of revenue-sharing mechanisms. The councils will also consider and decide upon the outsourcing of service provision to the private sector in each municipality.

C. Program execution mechanisms

1. Operating regulations

3.12 Both the PEU and the PSC will be guided by the program's operating regulations, which will include, among others, the following documents: (a) detailed terms of reference for the program management consulting firm; (b) detailed terms of reference for the tax reform initiative; (c) model of subsidiary agreement (or financing contract) between the MLGRD and each municipality; (d) implementation schedule for Phase I and Phase II of the infrastructure investment component; (e) implementation schedule for each of the technical assistance components; (f) criteria to guide the selection of appropriate revenue-sharing mechanisms; (g) environmental guidelines; (h) structure and organization of the PEU, plus staff job descriptions; (i) structure and functions of the PSC; (j) reporting guidelines, and (k) program logical framework, with benchmarks for each program component. A preliminary version of the operating regulations is in the project's technical files and will be finalized with resources from the PPF now under execution. **A complete version of the operating regulations will be presented to the Bank by the PEU as a condition precedent to first disbursement.** Attached as Annex III-1 is the UDP's logical framework.

2. Technical assistance and institutional strengthening component

3.13 An international firm specializing in property tax assessment reform, with experience in the region, will partner with the project management consulting firm to execute this initiative. Thus, it will be contracted by the PEU together with the project management firm as a condition precedent to first disbursement. In accordance with the technical assistance implementation schedule, other consulting services, both national and international, will be contracted by the project management firm for the different training and technical assistance functions.

3. Infrastructure investment component

3.14 The financing of the subprojects will be granted on a non-reimbursable basis. However, by program regulation, for each infrastructure investment to be undertaken with program resources, the respective municipality and the MLGRD will sign a "Financing Contract" which will stipulate the detailed financial, technical and environmental characteristics of the proposed investment, and the required obligations of the municipality with regard to maintenance and cost recovery through fees and tariffs (see

paragraphs 3.26-3.27 below). Costs of supervision of the subprojects will be included in each investment project's cost.

D. Program procurement procedures

3.15 Acquisition of related goods and services and contracting of works, will follow Bank procedures.

3.16 International pre-qualification and Competitive Bidding (ICB) procedures will be mandatory for the procurement of the program management firm and other consulting contracts for more than US$200,000 and for other goods and related services where the value of contracts exceed US$250,000. Following Bank procedures, the PPU will commence the selection competition for the project management firm by inviting expressions of interest for consultancy services for the joint project management and the property tax assessment functions in the last quarter of 1998, with the intention of contracting the winning firm by June 1999. The only major procurement of goods for each phase of the program, the municipal vehicles and equipment, could be achieved in a single ICB package.

3.17 International pre-qualification and Competitive Bidding procedures will also be used for the contracting of civil works when the value of the contract exceeds US$1 million equivalent. For the first phase of the program, it is contemplated that the contracting of the major infrastructure rehabilitation works in the six municipalities will be done through three relatively large procurement packages arranged by sectors (drainage, municipal facilities and roads). These three procurement packages will be the subject of a single ICB procurement. It is anticipated that pre-qualification of contractors for this procurement will commence in the last quarter of 1998 and the three contracts will be let by the third quarter of 1999. The procurement of works for the second phase of the program will follow much the same pattern. This approach would serve to capitalise on the readiness of tender documents by the time of loan approval, minimize the process time by the Guyana Central Tender Board, which has been a bottleneck in other Bank-financed programs, and facilitate an early start-up of the municipal infrastructure rehabilitation. In addition, past experience indicates that the range and total value of the packages (US$1 million - US$3 million and US$6 million) would be attractive to international contractors and the larger national contractors.

3.18 The recommended ICB procurement thresholds mentioned above are justified considering that in similar projects in the country, international participation has been attracted when amounts exceed these limits. All bidding under the set limits will be done following national legislation, which requires local public bidding or competition (LCB). However, to facilitate execution the Bank will carry out its supervision in an ex post manner, in the cases of: (a) acquisition of goods and related services, and for civil works below US$250,000, and (b) selection of contracting in the case of contracts of US$50,000 equivalent, or less for individual

consultants, and US$100,000 equivalent or less for consulting firms. This will be done with the understanding that Bank financing may be used only if those contracts meet the Bank's requirements and procedures. A procurement plan is attached in Annex III-2.

E. Disbursement schedule and advance of funds

3.19 The disbursement schedule for the program, by source of funds, is presented in the following table:

Table III-1
DISBURSEMENT SCHEDULE
(in thousands of US$ equivalent)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total	%
IDB loan	3,000	4,000	4,800	5,000	3,200	**20,000**	80
Counterpart	750	1,000	1,200	1,250	800	**5,000**	**20**
Total	**3,750**	**5,000**	**6,000**	**6,250**	**4,000**	**25,000**	**100**
%/year	**15**	**20**	**24**	**25**	**16**	**100**	

3.20 A revolving fund will be established with resources from the Bank's loan to pay for projected expenditures. An advance of 5% of the financing, or US$1 million, is recommended.

F. Annual reviews and midterm review

3.21 Each year, at a mutually agreed date, the PEU and the Bank, will carry out formal reviews of the UDP. The reviews will focus particularly on the outputs, activities and benchmarks set forth in the logical framework (see Annex III-1). These reviews will provide a forum to assess program and subproject issues and, if necessary, will lead to the formulation of steps for remedial action. During the annual reviews, particular attention will be given to progress in the municipal strengthening and the property tax reform activities.

3.22 Two years following the start of the program, or when 75% of the Phase I subproject civil works has been committed, whichever comes first, **by contractual obligation,** a midterm evaluation will be carried out by the PEU and the Bank. At the time of this evaluation, the borrower should, at a minimum, have attained key benchmarks for each major UDP objective detailed in the table below:

Table III-2 MIDTERM BENCHMARKS	
KEY OBJECTIVES	**BENCHMARKS**
Municipal strengthening	— Standardized municipal bylaws and operating procedures prepared and adopted. — Standardized draft business plan for each municipality submitted to MLGRD. — All municipalities report directly to the MLGRD.
Property tax reform	— Data collection on GIS, tax maps and for the CAMA completed for three towns, including Georgetown; assessment of all properties in the three towns completed. — Delinquency levels have dropped by 50%.
Revenue sharing mechanism	— Draft proposals for revenue sharing mechanism developed, discussed with central authorities.
Strengthening MLGRD	— Minimum staff has been selected and contracted to participate in training.
Infrastructure rehabilitation	— 100% of Phase I projects contracted. — 75% of Phase I civil works initiated. — 100% of Phase II projects identified, analyzed and prepared for tender.

3.23 In the event that the results of the evaluation are not satisfactory, commitments for financing infrastructure investments during the second phase of the UDP will only be undertaken if the authorities take the necessary measures to correct deficiencies in order to achieve program objectives.

G. External audits

3.24 During the execution period of the loan, the executing agency will present to the Bank financial statements for the loan. These statements should be submitted annually within 120 days of the close of the fiscal year and should be certified by a firm of independent public accountants acceptable to the Bank.

H. Fees and tariffs

3.25 As has been described in chapter I of this document, Guyana's municipalities in general present a very weak financial picture. Own revenues usually do not, or barely cover, current expenditures, while possibilities for capital expenditures are wholly dependent on Central Government transfers, since none of the municipalities has had access to commercial credit sources or the capital market. The dire financial situation of the municipalities is compounded by their general lack of adequate financial planning and management. The program will address these shortcomings through both its institutional strengthening measures and a process of explicitly linking the sequence of infrastructure investments with expected revenues. Thus, infrastructure investments will first focus on rehabilitation works for which improved cost recovery can immediately be achieved by charging adequate direct fees and tariffs, or via the implementation of a special tax regime (e.g., betterment districts).

3.26 UDP-mandated financing agreements between the MLGRD and the municipalities will guide and enforce cost recovery of infrastructure investments financed through the program. In the case of investments in commercial municipal infrastructure, such as markets, abattoirs and stellings, the financing contract will establish the municipalities' obligation to revise and adjust fees and tariffs for the use of those services, to comprehensively reflect relevant operating and maintenance cost of the services, depreciation of assets during their economic life, as well as financing requirements for anticipated expansions. Prior to the completion of works, the municipalities will be required to present to the PEU pricing calculations and medium-term financial projections for the services, reflecting the aforementioned concepts, outlining adequate fees and tariff schedules. During Phase I of the investment program, the program's technical assistance component will aid municipalities in preparing the required calculations.

3.27 In those cases where investments and anticipated future expenditures cannot be absorbed directly by fees and tariffs, but will need to be covered by general revenues, the municipalities will be required by the program's financing contract to present to the PEU midterm financial projections for the adequate operation of the services. The towns will be required to identify anticipated operating and maintenance costs of the services and establish corresponding resources in the short, medium and long-term budgeting process. The PEU's technical assistance will support the municipalities in preparing the required cost estimates and projections.

I. Environmental and social impact

3.28 The environmental impact of the UDP will be strongly positive. The projects that will be financed will mitigate or eliminate the negative environmental impacts of deteriorated infrastructures, namely the risks of traffic accidents on roads and flooding due to blocked drains, as well as the risks associated with the absence of street lighting. The program will also contribute to improve or eliminate unsanitary conditions in markets, abattoirs and small-scale waste collection and disposal systems. Ultimately, the UDP will contribute to attracting new economic activities to the cities and foster urban development in the coastal area.

3.29 Most of the negative impacts expected from UDP infrastructure projects are likely to occur during the construction phase of the planned rehabilitation works (roads, drains and stellings); however, other projects such as abattoirs, sanitation and small scale waste collection and disposal projects may produce negative impacts during their operational phase as well. Nevertheless, most are predictable, temporary, localized and can be mitigated through the application of standard measures in engineering design, procurement construction, operation and maintenance.

3.30 An environmental management system is included in the program's operating regulations and includes: (a) a set of environmental guidelines for project design and environmental control measures to be adopted during the construction and operation phase for each category of project; (b) specific environmental procedures to be followed in the identification, analysis, procurement, construction, supervision, disbursement, final approval of the works and maintenance of the investments, and (c) as part of the municipal strengthening efforts, training at the local level to enhance municipal capacity to maintain and operate the new and rehabilitated facilities in an environmentally sound way. As mentioned, approval by the Bank and adoption by the MLGRD and the municipalities of the operating regulations will be a condition precedent to first disbursement. Detailed documentation on each aspect of the environmental management system as well as a summary are available in the project's technical files.

J. Maintenance

3.31 The participating municipalities will commit to operate and maintain the works and equipment financed with program resources in accordance with generally accepted technical standards, and to make available to that effect the resources necessary. This commitment will be reflected in the financing contract to signed with the MLGRD. Projected operating and maintenance costs for the UDP's infrastructure investment will be included in the municipalities' short and midterm budgeting process, and approved by the respective municipal councils. During execution of the program and five years afterwards, the Bank will be entitled to inspect all the infrastructure investments and, if unacceptable operation and maintenance standards are not met, it will be the municipalities' obligation to take all the necessary steps to improve operation and maintenance quality.

IV. VIABILITY, RISKS AND BENEFITS

A. Program viability

1. Economic viability

4.1 The proposed investment in the six project municipalities will reduce existing deficiencies in the provision and maintenance of urban infrastructure and the delivery of municipal services. As a consequence, both the inhabitants of the municipal centers and transient users of municipal services will derive important economic benefits from the UDP. While both groups will derive major benefits from reduced transaction costs for economic activities, as well as improved health and environmental conditions, town residents will derive important additional benefits from increased property values.

4.2 In the case of the municipalities, direct financial benefits — measured in terms of additional revenues created — will accrue principally from improvements in the towns' commercial infrastructure, such as markets, abattoirs and stellings. Capital, operations and maintenance costs for those investments can be recovered directly through increases in fees and services. The municipalities will also derive important indirect financial and economic benefits from both the investments in the drainage and roads network, and from the implementation of the program's institutional strengthening component. While the latter will contribute to reestablishing an efficient property taxation system, the former will increase property values and allow for higher tax revenues, as well as substantially increase the municipalities' economic attractiveness.

4.3 For the purpose of evaluating the economic feasibility of the proposed investment program, an assessment of a preliminary investment pipeline was carried out during project preparation. The assessment took into consideration the expected capital costs of investment, operation and maintenance costs over a determined time period, and expected direct and indirect revenue streams. Given the similarity of the proposed investments across the six towns, however, a representative sample of proposed projects in each of the target sectors was analyzed in detail. The sample included 22 projects, with combined capital costs of approximately US$5.8 million, representing approximately 30% of the UDP's total investment component. The sample included investments in rehabilitation of municipal commercial infrastructure, roads and drainage networks, and solid waste management.

4.4 Overall, none of the analyzed projects fall significantly short of a 12% benchmark for the Internal Rate of Return (IRR). The weighted average IRR by project sectors fluctuate between a low of

12.7% for investments in solid waste management and a high of 53.2% for drainage rehabilitation.

2. Infrastructure demand

4.5 During initial project preparation in 1993-1994, the international consultants, in coordination with the then Ministry of Works and Local Government and the municipalities, identified over 100 individual infrastructure rehabilitation investments to be carried out in the originally proposed five project municipalities. In subsequent discussions a preliminary list of feasible subprojects was developed and about 50% of the identified investments were completely prepared for their contracting, including the definition of all required technical specifications, environmental assessments and the preparation of bidding documents.

4.6 The analyzed sample had a strong focus on rehabilitation works in Georgetown, where close to 58% of all investments were to take place, followed by New Amsterdam. Investments in the remaining municipalities were assumed to be more modest. The emphasis on Georgetown was partially due to the assumption of a comparatively large road rehabilitation component within the program, especially in the capital city. Despite the time elapsed since the initial assessment of the subproject pipeline, an assessment of the appropriateness of planned investments during program preparation indicated that, with few exceptions (see below), no major adjustments were required. In almost all cases, no significant maintenance or rehabilitation work had been undertaken since 1994; in the intervening years, infrastructure conditions had simply worsened.

4.7 However, one notable change in the current UDP pipeline is a reduction in the Georgetown road rehabilitation component, since a substantial portion of these investments were undertaken by Government in 1996-1997. In addition, the initial pipeline's underlying assumption with regard to the Georgetown drainage component, that substantial work on the outflow and primary drains would be carried out through a different project prior to program inception, has not materialized. Therefore the program's infrastructure pipeline will include those works, increasing the overall drainage component of the operation. Furthermore, project investments in solid waste have been scaled down and limited to the rehabilitation of plants and equipment.

3. Sustainability

4.8 Sustainability of investments has been sought by using appropriate economic, institutional, financial, social and environmental criteria in the selection, appraisal and design of all subprojects, a process that is being repeated in the analysis of the subprojects to be added to the initial sample. Strong emphasis is being given in this context to the assessment of the medium and long-term institutional and financial capacity of the municipalities to

guarantee the adequate management, maintenance and required future rehabilitation of the infrastructure investments.

4. Institutional viability

4.9 The MLGRD and the six municipal councils have demonstrated their commitment to the implementation of major reforms in municipal administration, subject of the institutional strengthening component of the program. Government has also shown support for the proposed reforms, which will enable the municipalities to achieve greater efficiency, sustainability and autonomy in their financial administration and the delivery of services. Specifically, Government has indicated its commitment to assist in improving the property tax system, to establish more transparent and reliable criteria for Central Government transfers to the municipalities and to explore options for the identification of dedicated sources of funding for the municipalities, as well as for the development of revenue sharing mechanisms.

4.10 On the other hand, while the current institutional weakness of the MLGRD and the municipalities will be addressed by the program's institutional strengthening component, these deficiencies will not be eliminated in the short term. Therefore, the program execution mechanism is designed so as to reduce to a minimum the institutional burden placed on the MLGRD and the municipalities with regard to the actual implementation of the works program and the strengthening components. Responsibility for day-to-day project operation, administration and reporting will be performed by the PEU, assisted and staffed in part by an external management consulting firm. Technical preparation work, such as design of infrastructure investments, as well as inspection of on-going works and completed investments will largely be out-sourced. At the same time, UDP execution mechanisms will guarantee a high degree of participatory involvement of the relevant institutions through the Programme Steering Committee.

5. Social and environmental viability

4.11 Subproject selection has been based partly on an intensive process of stakeholder consultations through meetings with the municipal authorities and local community groups, the regional administration authorities and the Central Government. The preliminary list of investments for both phases of program execution was analyzed to ensure its environmental viability. Final subproject selection and design, now under way, is incorporating similar institutional and environmental appraisal criteria, in order to ensure continuous stakeholder ownership and support for the planned investments, as well as their environmental feasibility. The program also includes resources for social marketing efforts that will encompass not only maintenance of the infrastructure investments, but also the linkages between public service delivery and the payment of taxes and user fees. Moreover, given that the program will focus exclusively on the rehabilitation of existing infrastructure, it is

anticipated that the use of a participatory approach and application of strict environmental criteria during project implementation will ensure its viability.

B. Benefits

4.12 The project is expected to generate substantial short, medium and long term benefits in all of its major areas of activities. Program initiatives in each area have been designed to reinforce the activities to be carried out in the other areas, allowing for important synergies in the realization of expected program benefits and their sustainability.

1. Infrastructure rehabilitation

4.13 The most important benefits expected in the short term will be the improvement of infrastructure and municipal services in the six project municipalities. The proposed rehabilitation of municipal commercial infrastructure and road systems will enhance the productivity of the urban centres, which directly or indirectly serve the vast majority of Guyana's population and generate the bulk of the nation's GDP. Market and abattoir investments, including sanitary precautions and sound waste management, would help mitigate the risks for plant users and consumers, which result from the frequently haphazard food processing, storage and handling arrangement currently in place. Drainage rehabilitation and improvements in solid waste management will have substantial positive effects on environmental and public health conditions for city residents. Road system maintenance, including rehabilitation of street lighting, will contribute to improving public safety, while yielding savings in vehicle operating costs and contributing to a reduction of traffic-induced contamination.

4.14 Most infrastructure rehabilitation investments will benefit both urban dwellers and commuters from the adjacent rural coastal areas, populations which include a wide cross-section of income levels of Guyanese society. Importantly, while the infrastructure investments of the project do not specifically target low-income groups, it is expected that certain investments – especially markets, drainage rehabilitation, and sanitation works – will benefit particularly lower income segments of the urban population.

4.15 Subproject eligibility criteria used in the analysis of Phase I projects and being used in the analysis of Phase II projects include an economic rate of return of 12% where applicable, and cost efficiency criteria in other cases. Subproject appraisal criteria used by the UDP will help to institute in the municipalities and the relevant Central Government agencies the practice of: (a) economic analysis of proposed projects and the selection and execution of more cost-effective projects; (b) greater community participation in the project decision making and design process, and (c) transparent analysis and budgeting of infrastructure operating and maintenance capacity.

4.16 In addition to the benefits obtained directly from the infrastructure rehabilitation, the phasing of the investment program and the selection of the individual rehabilitation investments within each phase will enhance the benefits of the other key program components.

2. <u>Institutional strengthening and technical assistance</u>

4.17 This component will have important and interrelated benefits that will contribute to creating a stronger, more effective local government:

a. The urban centers will have a stronger revenue base derived from a more predictable transfer mechanism from central government and, especially, increased own-source revenues. The property tax reform, in addition to improving the revenue stream, will result in other benefits, among them: (i) a consistent approach to the valuation of municipal property based on uniform criteria, as well as the professional administration of the process will encourage its legitimacy, reducing incentives for tax evasion, and (ii) a systematic approach to property valuation in the major property markets and the eventual application of the valuation system on a national scale will benefit the development of the property and financial markets in Guyana.

b. Town councils will have improved administrative and management capacities, the result, among others, of adopting consistent procedures for financial management, reporting and control; staff training, especially in financial management; improved municipal facilities and equipment; as well as better guidance and supervision from the MLGRD.

c. The urban population will be better informed about, and will participate in the decision-making from capital investment plans and local planning, in general. More transparent decision-making and reporting will allow for greater accountability of local elected officials and instill a stronger sense of "community ownership".

d. Maintenance of investments will improve given better incentive, systems and enforcement mechanisms for fees and rate setting, as well as collection. Strengthening of the capacity of councils to budget operating and maintenance costs will also contribute to improve maintenance levels.

e. In the longer term, increased municipal revenue streams and the introduction of adequate financial administration and planning procedures, accompanied by improved municipal management and modern bylaws, could position the municipalities to access Guyana's nascent financial and capital markets.

C. Risks

4.18 Successful project execution faces a number of risks, stemming primarily from the comparatively weak degree of development and consolidation of institutional structures in Guyana. Generally, public administration suffers from a lack of resources and capacity, and these weaknesses tend to be all the more pronounced at the local government level. The private sector, on the other hand, while undoubtedly recovering from a long period of protracted decline, is still in an early phase of development.

4.19 At the operational level, these weaknesses could threaten the timely and effective execution and supervision of the infrastructure rehabilitation works. Program design addresses this risk, and especially a potential lack of national construction capacity, through the "bundling" of works during the bidding process to achieve sizable packages of investments. As has been demonstrated recently in similarly packaged infrastructure projects in Guyana, the resulting tender size should provide an incentive for regional and extra-regional construction companies to participate in the program.

4.20 A second risk faced by the project at the operational level is the possibility that the municipalities fail to properly operate and maintain the rehabilitated infrastructure. However, this risk is mitigated by the program's institutional strengthening component, in conjunction with the subproject financing requirements. The institutional strengthening component will foster the municipalities' financial administration and planning skills, thereby introducing the instruments required to assess short and medium term funding requirements for all investments to be undertaken. Resource requirements will be assessed in light of the municipalities' future income, once own-revenue mobilization and the system for Central Government transfers have been improved. The program will also finance social marketing outreach to urban communities, emphasizing the importance of maintaining public facilities and services.

4.21 The successful implementation of changes in the property tax regime and the system of Central Government transfers represents another area of risk for UDP implementation. Given the politically sensitive nature of reassessing the tax base, revaluating properties on a large scale and increasing absolute property tax charges, the authorities might be reluctant to move as fast as the program anticipates. Nevertheless, all parties concerned – the central ministries and the municipalities –, have expressed enthusiasm and commitment to a process of property tax reform, recognizing the many benefits to be attained from such an effort at both levels of Government.

4.22 Similarly, Central Government could postpone identifying and establishing designated sources for municipal financing, or adopting a revenue sharing mechanism. Delays in both areas would

affect the municipalities' income perspectives and delay the stabilization of their financial position, possibly affecting the investment program. Government has not expressed reservations on these issues during preparation; nevertheless, the program execution mechanism addresses these risks by staging the civil works and linking the stages to measurable advances in the necessary reform efforts.

INFRASTRUCTURE INVESTMENT PROGRAM - PHASE I

Sectors	Towns						Total	%
	George-town	New Amsterdam	Linden	Corri-verton	Rose Hall	Anna Regina		
Roads network								
— Improvements	916	146	201	363	104	104	1,834	24.51
— Streetlighting	-	92	-	30	16	-	138	1.85
Drainage systems								
— Rehabilitation	556	762	350	690	597	-	2,955	39.48
Municipal facilities								
— Markets	243	630	487	139	-	-	1,499	20.03
— Stellings	-	30	-	-	-	-	30	0.41
— Abattoirs	203	125	-	30	-	-	358	4.79
— Town halls	-	34	81	21	44	167	347	4.64
Solid waste management								
— Vehicles	-	-	-	-	-	-	-	0.00
— Equipment	6	3	3	2	2	2	18	0.25
— Workshops	28	21	15	6	-	-	70	0.94
— Bins	-	-	10	6	15	8	39	0.52
— Landfill	-	60	-	-	-	-	60	0.80
Sanitation	**38**	**38**	**19**	**19**	**-**	**19**	**133**	**1.78**
Base costs	**1,990**	**1,941**	**1,166**	**1,306**	**782**	**300**	**7,485**	**100.00**
Contingencies								
— Physical contingencies (10%)	199	194	117	131	78	30	749	
— Price contingencies (13%)	259	252	253	170	102	39	973	
TOTAL	**2,448**	**2,387**	**1,434**	**1,606**	**962**	**369**	**9,207**	

INFRASTRUCTURE INVESTMENT PROGRAM - PHASE II

Sectors	Towns						Total	%
	George-town	New Amsterdam	Linden	Corri-verton	Rose Hall	Anna Regina		
Roads network								
— Improvements	520	400	604	-	-	-	1,524	22.27
Drainage systems								
— Rehabilitation	540	-	-	208	-	-	748	10.93
Municipal facilities								
— Markets	1,420	-	-	-	-	-	1,420	20.75
— Town halls	375	-	-	-	-	-	375	5.48
Solid waste management								
— Workshops	170	-	-	-	-	-	170	2.48
— Landfill	-	-	17	-	-	-	17	0.25
Sanitation	**54**	**-**	**-**	**-**	**-**	**-**	**54**	**0.79**
To be defined	**421**	**815**	**400**	**400**	**100**	**400**	**2,536**	**37.05**
Base costs	**3,500**	**1,215**	**1,021**	**608**	**100**	**400**	**6,844**	**100.00**
Contingencies								
— Physical contingencies (10%)	350	121	102	61	10	40	684	
— Price contingencies (13%)	455	158	133	79	13	52	889	
TOTAL	**4,305**	**1,494**	**1,256**	**748**	**123**	**492**	**8,417**	

LOGICAL FRAMEWORK				
OBJECTIVE	INDICATORS		VERIFICATION	ASSUMPTIONS
	MIDTERM	PROJECT COMPLETION		
GENERAL OBJECTIVE				
Infrastructure and basic service delivery in municipalities improved	— Rehabilitation works initiated in 75% of projects identified for first phase. — Municipal training program initiated. — Property tax system reform initiated in three of the six project municipalities.	— Roads and drainage systems rehabilitated. — Municipal commercial • infrastructure improved. — Solid waste management facilities upgraded. — Resource availability and financial planning and management capacity of municipalities established.	— Project progress reports — On-site inspections — Municipal annual reports — Municipal budgets	— Resources are available for adequate improvement and maintenance of infrastructure and improvement of municipal management capacity.
SPECIFIC RESULTS				
1. Municipal institutional capacity to finance, operate, maintain and expand urban infrastructure and basic services on a sustainable level enhanced.	— Municipal financial planning and budgeting process strengthened. — Municipal income from fees and service charges increased to reflect costs of services delivery. — Income from property taxes increased through reduction in delinquency rate by 50%.	— Municipal budgets provide for adequate funding to operate, maintain and expand infrastructure and basic services. — Municipal own resources, through fees and taxes, and Government transfers are increased. — Municipal revenues dedicated to infrastructure and services delivery expanded. — Budgeting and planning tools developed and implemented. — Property tax system reformed and modernized. Property valuations updated and tax base expanded.	— Project reports — Municipal annual reports — Municipal budgets and income statements	— Technical "know-how" for financial planning and budgeting can be transferred. — Collection of own income from fees and taxes can be increased. — Transparent mechanism for predictable Government transfers can be designed and implemented.
2. Rehabilitation of infrastructure and reestablishment of municipal services financed	— 75% of first phase investment projects initiated. — 100% of second phase investment projects identified, designed and prepared for licitation. — Maintenance programs for all initiated investments are presented and funded through specific budget allocations.	— 100% of planned investment projects carried out in year one through five for road maintenance and rehabilitation, drainage rehabilitation, improvement of municipal commercial infrastructure, upgrading of solid waste management equipment. — Municipalities have established approved maintenance programs for all investments and budgeted dedicated resources.	— Project reports — Investment reports — On-site inspection — Municipal annual reports — Central Government reports — Maintenance programs	— Investment projects can be identified. — Investment projects are economically, socially and environmentally viable. — Institutional resources are available to carry out the investments; technical engineering know-how is available to implement works. — Funding projections allow for adequate maintenance levels of investments.

LOGICAL FRAMEWORK				
OBJECTIVE	INDICATORS		VERIFICATION	ASSUMPTIONS
	MIDTERM	PROJECT COMPLETION		
ACTIVITIES				
1.1 Technical assistance and training for improved municipal financial management and administration	— Training workshop held with municipal authorities. — Development and presentation to public of draft business plans for municipalities, including budgeting process. — Draft standardized Chart of Accounts and Accounting Manual developed and presented to municipalities and GOG authorities. — Draft reformed bylaws, organizational structures and operational procedures presented to municipalities and GOG.	— Training workshop held with municipal authorities. — Completed business plans and short, medium and long-term budgets for municipalities made public. — Development of standardized financial administration and reporting tools, such as Chart of Accounts, budget formats and financial reports. — Audited statements published. — Modernized bylaws, organizational structures and operational procedures.	— Progress reports — Business plans and budgets — Chart of Accounts and Accounting Manual — Bylaws — Organizational and operational manuals	— Human resources are available at municipalities. — Municipal councils approve changes of bylaws, organizational structures and procedures. — Accounting "know-how", financial planing skills and budgeting processes can be developed at municipalities.
1.2 Property tax assessment reform	— Valuation Division staff trained. — Review of organizational structure for property tax assessment functions and selection of future model. — CAMA and GIS systems selected, adapted and implemented. — Data collection for GIS, tax maps and mass appraisal database completed for three towns, including Georgetown; 35,000 property parcels assessed. — New valuations publicised, notification, hearings and appeals system structured. — Staff trained.	— Valuation organization restructured. — Standard of practice developed and implemented for administration of property tax assessments. — Property tax maps updated. — Appraisal system introduced. — Staff trained. — Collection manual developed and implemented. — Tax rates revised and updated. — Tax delinquency reduced. — Notification, hearings and appeals process structured. — Updated property maps, based on aerial photography, developed. — "Know-how" transfer for property tax assessment in rural areas initiated, through definition of rural revaluation implementation plan.	— Progress reports — Tax delinquency reports. — Tax schedule — Property tax maps — Valuation lists — Organizational and operational manuals. — Procedures for notification, hearings and appeals process.	— Reform of tax system, revaluation of properties and increased collection supported by municipalities and GOG. — Human resources available at municipalities and Valuation Division. — Consultant services available to develop GIS, CAMA etc., local and regional human resources available to assume consultants' functions.

LOGICAL FRAMEWORK				
OBJECTIVE	INDICATORS		VERIFICATION	ASSUMPTIONS
	MIDTERM	PROJECT COMPLETION		
1.3 Strengthening the MLGRD	— Minimum level of MLGRD staff selected and/or contracted and have participated in municipal financial management training. MLGRD staff trained to advise on short, medium and long-term budgeting process. — MLGRD staff familiarized with draft Chart of Accounts and Accounting Manuals for municipalities. — PEU and PSC established	— MLGRD effectively assists in preparation and revises municipal financial planning and budgeting documents.	— Project progress report. — Training reports.	— Human resources are available.
1.4 Mechanism for transparent central-local government budget transfers developed	— Draft proposals discussed and presented for establishing predictable transfer mechanism of budgetary resources from Central Government to municipalities. — Draft proposals for revenue sharing mechanism, consistent with agreed upon criteria, discussed and presented.	— Mechanism for predictable budget transfers implemented. — Proposals for revenue sharing mechanism finalized and presented to GOG. - Policy decision implemented.	— Project reports — Proposals for procedures and mechanism	— GOG supports process of proposal development. — GOG can implement structured transfer mechanism.
1.5 Project execution mechanism established	— PEU formed and functioning. — Project management consulting company contracted and personnel assigned in Guyana. — PSC established and meeting regularly. — Program Operating Regulations established and approved. — Workplan for institutional strengthening and training established and in execution. — Investment Plan (infrastructure pipeline) for infrastructure investment established and in execution.	— PEU and PSC performing satisfactory. — Project management functions delegated to national staff. — Commitments and disbursements meet planed levels.	— Project documentation — Contracting documents of consultants — Minutes of Steering Committee meetings — Operating procedures — Workplan — Agreed-upon infrastructure pipeline	— Qualified management consultant can be contracted. — Members of Steering Committee are willing to participate. — Project coordinator can be contracted. — Agreed-upon operating procedures can be established.
2.1 Infrastructure and service rehabilitation	— 100% of works for first phase contracted. — 75% of works established for first phase initiated. — Second phase infrastructure projects identified, designed and contracting initiated.	— 100% of works for phase one completed. — 100% of works for phase two contracted. — 75% of works established for phase two completed. — Maintenance levels for all completed investments adequate and according to agreed-upon plan.	— Project reports — Investment pipeline reports. — On-site inspections.	— Engineering capacity can be contracted. — Works design and technical specifications are adequate.

LOGICAL FRAMEWORK				
OBJECTIVE	INDICATORS		VERIFICATION	ASSUMPTIONS
	MIDTERM	PROJECT COMPLETION		
TASKS				
1.1.1 Basic financial administration, planning and budgeting skills are developed in the municipalities	— Training courses in financial management and planning — Revised and updated Chart of Accounts and accounting procedures.	— Financial planning and administration tools are implemented	— Project reports — Chart of Accounts — Accounting manuals — Budgets and financial planning documents	— Human resources are available
1.1.2 Property tax and fees collection and enforcement mechanism strengthened	— Municipal staff trained — Bylaws and penalties updated — Delinquency reporting improved.		— Project documents — Delinquency reports — Municipal budgets and income statements	— Human resources are available. — Limited automatization can be introduced. — Municipalities have willingness for stronger enforcement.
1.1.3 Mechanism to stimulate greater private sector involvement in supply of municipal services developed	— Possible areas for privatization of municipal services identified and proposal presented. — Possible private sector investors identified.			— Private sector investors interested in supplying municipal services. — Municipalities willing to outsource services.
1.1.4 Organizational structure, operational procedures, bylaws and human resources management revised	— Draft proposal for new organizational structure. — Draft proposal for new operational procedures — Draft proposal for updated bylaws — Draft proposal for human resources administration, including number of positions, recruitment procedures, salary structures and wage-incentives schemes.	— Revised organization structure implemented. — Revised operational procedures approved by municipalities and implemented. — Reformed bylaws approved by municipalities and MLGRD, publicised and implemented. — Municipal staffing according to approved level and human resource qualification.	— Progress reports — Proposals — Annual reports from municipalities — Bylaws	— Human resources can be attracted. — Councils approve changes in organizational structure, procedures and bylaws
1.1.5 Social marketing program developed	— Social marketing program designed and consultants contracted.	— Town councils annually report on accomplishments and financial plans. — Tax collection levels improved.	— Reports — Consultants terms of references and contracts.	— Citizens receptive to local government issues. — Human resources available.
1.1.6 Communication and mutual learning among urban centres improved	— Mechanism for regular meetings of mayors and town clerks established. — Proposal for staff exchange and "know-how" transfer between municipalities established.	— Forum for regular meetings of mayors and town clerks formalized. — Municipalities designate a representative for the group.	— Reports of meetings — Establishment of a formal organizational format.	— Municipalities can identify common interests and can overcome political divergences. — MLGRD provides resources for organizing municipal meetings.

LOGICAL FRAMEWORK				
OBJECTIVE	INDICATORS		VERIFICATION	ASSUMPTIONS
	MIDTERM	PROJECT COMPLETION		
1.2.1 Valuation organization is structured	— Draft for organizational format for the property valuation system, either within or outside of the current Valuation Division, is presented. — New organizational format is implemented		— Organizational chart	— GOG is willing to explore different organizational models
1.2.2 Standards of practice for the administration of property tax assessments developed and adopted	— Standard of practice manuals drafted		— Manuals	— Authorities will adopt new standards
1.2.3 Property tax maps developed and updated	— Draft maps developed	— Aerial photography of all project municipalities — Complete tax maps	— Aerial photographs — Tax maps	— Availability of resources
1.2.4 CAMA selected and adopted	— CAMA in place		— Appraisal reports	— Suitable system can be identified and adopted to Guyana's conditions — Human resources can be trained in management of the system
1.2.5 National staff for data collection and entry and mass appraisal methods selected and trained	— Adequate number of data collection and entry staff — Adequate number staff for mass appraisal. — Training courses held		— Training reports — Staffing reports	— Human resources available
1.2.6 Tax payer education and information system developed	— Public notification and hearing procedures drafted — Appeals Board established on pilot base — Public relations and marketing plan established	— Public notification and hearings procedures implemented — Appeals Board established and functioning — Satisfactory progress in implementing the public relations and marketing plan	— Procedures and manuals — Public records of hearings — Public records of Appeals Board action — Report on public relations plan	— Municipal and GOG authorities supportive of citizen involvement. — Adequate public relations program can be developed.

TENTATIVE PROCUREMENT PLAN				
PROGRAM PROCUREMENT MAIN ACQUISITIONS	**FINANCING**	**METHOD**	**PREQUALI-FICATION**	**DATES**
CIVIL WORKS				
Estimated aggregated amount: US$19.2 million:				
1. Drainage package				
a. Year 1, US$2.60 million	IDB 80%	ICB	YES	II/99
b. Year 2, US$0.75 million	"	ICB	YES	II/01
2. Municipal facilities:				
a. Year 1, US$1.28 million	IDB 80%	ICB	YES	II/99
b. Year 2, US$1.80 million	"	ICB	YES	II/01
3. Roads				
a. Year 1, US$1.74 million	IDB 80%	ICB	YES	II/99
b. Year 2, US$1.52 million	"	ICB	YES	II/01
4. Miscellaneous				
a. Year 1, US$135,000	IDB 80%	NCB	NO	
b. Year 2, US$135,000	"	NCB	NO	
c. Year 3, US$120,000	"	LS	NO	
d. Year 4, US$120,000	"	LS	NO	
GOODS				
Estimated aggregate amount: US$350,000				
1. Contracts >US$50,000 but <$350,000				
a. Year 1, US$100,000	IDB 80%	NCB	NO	II/99
b. Year 2, US$100,000	"	NCB	NO	II/01
2. Contracts of less than US$50,000				
a. Year 1, US$100,000	IDB 80%	NCB	NO	II/99
b. Year 2, US$50,000	"	NCB	NO	II/01
SERVICES: Aggregate estimate: US$3.9 million				
1. Project management supervision, US$1.6 million	IDB 100%	ICB	YES	II/99
2. Property tax initiative, US$1.6 million	IDB 100%	NCB/ICB	YES	II/99
3. Municipal strengthening and MLGRD, US$0.8 million	IDB 100%	NCB/ICB	NO	--->

ICB = International Competitive Bidding
NCB = National Competitive Bidding
LS = Local Shopping

DATES = Refer to semester of year
---> = during execution

PROPOSED RESOLUTION

GUYANA. LOAN ____/SF-GY TO THE COOPERATIVE REPUBLIC OF GUYANA
(Urban Development Program)

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 Urban Development Program. Such financing will be for the amount of up to twenty million dollars of the United States of America (US$20,000,000), or its equivalent in other currencies, except that of the Co-Operative Republic of Guyana, which are part of the Fund for Special Operations of the Bank, and it will be subject to the "Special Contractual Conditions" and the "Terms and Financial Conditions" of the Executive Summary of the Loan Proposal.