

## TC ABSTRACT

### I. Basic Project Data

▪ Country/Region:	GUYANA/CCB - Caribbean Group
▪ TC Name:	Guyana Economic Development Strategy
▪ TC Number:	GY-T1177
▪ Team Leader/Members:	STEVENSON, CLAUDIA (IFD/CTI) Team Leader; UMANA, MARIO ALBERTO (INT/TIN) Alternate Team Leader; RAMJAG, LETICIA A (CCB/CGY); BOHORQUEZ MORA, YUDY JULIANA (ORP/GCM); GAUTO, VICTOR (CCB/CGY); GONZALEZ ALZUALDE, YOHANA BEATRIZ (IFD/CTI); SIERRA LIRANZO, MAYRETT (IFD/CTI); LIDDELL, CLEVERN ANNELIESE (CCB/CGY)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	03 Jun 2021
▪ Beneficiary:	Ministry of Finance
▪ Executing Agency:	MINISTRY OF FINANCE
▪ IDB funding requested:	US\$1,817,764.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals
▪ Prepared by Unit:	IFD/CTI - Competitiveness, Technology and Innovation Division
▪ Unit of Disbursement Responsibility:	CCB/CGY - Country Office Guyana
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation

### II. Objective and Justification

- 2.1 To support the Government of Guyana in the development and implementation of a Medium-Term Development Strategy which will leverage on the country's emerging oil and gas revenues to grow investment, increase employment and strengthen the economic resilience of the Guyana economy
- 2.2 Guyana's economy has traditionally been highly concentrated in mining and agriculture. The 2015 discovery of offshore oil reservoirs, with first oil production achieved in 2020, has brought a new set of economic opportunities as well as challenges to Guyana. The current proven reserves, plus the recent new discoveries, will produce changes in the overall economic structure of the country and have the potential to not only increase the countries' GDP but to also promote structural economic transformation. The impact of the additional revenue on a country with a GDP of US \$3.5 billion and a population of 773,000 must be carefully managed to promote inclusive, sustainable growth that benefits the Guyanese people. There is concern that Guyana may fall victim to the so-called "Dutch Disease" because of the large increase in the country's income. If, as expected, the Guyana dollar becomes stronger, it makes non-oil and gas exports more expensive, and therefore less competitive. Thus, the discovery of oil and gas, while a very positive development, could cause the contraction of the other parts of the economy. As

countries effort to move away from fossil fuels, Guyana must look ahead to ensure it does not become reliant on only this sector. The oil and gas sector can have different impacts on the economy. First, the operation of the public sector will be impacted because of fiscal revenues and royalties. Second, the external sector will be impacted through direct foreign investment and the boost in external commerce which will have an influence on the terms of trade. The third impact is related to the potential for developing linkages with the local economy as new investors will demand a new set of services and products, and by extension a new set of skills in the labor force . Within the oil and gas value chain, several types of services can be identified with different levels of technological sophistication and requirements. The fourth impact is increased demand in other sectors of the economy, caused by the first three, such as increased demand for infrastructure, communications, recruitment, housing, medical, and lodging and food services, among others. Since the oil discoveries, foreign companies, related to oil and gas, have been setting up operations in Guyana and out-competing local businesses, in particular SMEs. There are already initiatives in progress to provide training and to build the capacity of SMEs, in Guyana, to integrate them into the upstream part of the oil value chain. However, to facilitate a broader range of investment, and a more diversified, sustainable economy, beyond oil and gas, in the long term, a more strategic approach to private sector development is required. The Guyana government has been carrying out actions to support economic diversification and productivity, value added and export readiness. The GoG has started to take actions for building capacity at several levels to prepare for the expected impacts of the oil production, including managing of public spending by creating a long-term strategy and building administrative capacity

### **III. Description of Activities and Outputs**

- 3.1 **Component I: Strengthening the Technical Capacity of the GoG to lead economic transformation in Guyana.** This component will include (i) a Forum for Infrastructure Opportunities, (ii) targeted investor workshops to assist in structuring specific PPPs projects identified under Component 3, (iii) public consultation and (iv) awareness building through strategic communications to investors, stakeholders and the general public
- 3.2 **Component II: Economic Diversification and Mid-Term Development Strategy.** This component will support: (i) the engagement of a strategic advisor on economic development, (ii) consultations with stakeholders to identify and select on potential, (iii) technical exchanges with countries that have successfully developed using growth pole strategies, and (iv) consultancies to support the review of existing development strategies, facilitate consultations and provide insight into success stories on economic diversification
- 3.3 **Component III: Creating Investment Opportunities for the Private Sector .** This component will support (i) the engagement of a strategic advisor for public-private partnerships to develop a PPP framework for Guyana, including proposed legal and regulatory recommendations. (ii) dialogue with local and foreign investors for creating a more enabling environment for strategic private sector investment into large infrastructure initiatives, (iii) technical study visits to build capacity on structuring successful PPPs, and (iv) consultancies to support the work above
- 3.4 **Component IV: Awareness and Diffusion.** This component will focus on building the interest of investors in projects in Guyana. It will include (i) a Forum for Infrastructure Opportunities, (ii) targeted investor workshops to assist in structuring specific PPPs projects identified under Component 3, (iii) public consultation and (iv) awareness building through strategic communications to investors, stakeholders and the general public

- 3.5 **Component V: Contingencies.** This component will finance any contingencies that need to be tackled during project execution.

#### IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Strengthening the Technical Capacity of the GoG to lead economic transformation in Guyana	US\$882,000.00	US\$0.00	US\$882,000.00
Economic Diversification and Mid-Term Development Strategy	US\$279,000.00	US\$0.00	US\$279,000.00
Creating Investment Opportunities for the Private Sector	US\$369,000.00	US\$0.00	US\$369,000.00
Awareness and Diffusion	US\$170,000.00	US\$0.00	US\$170,000.00
Contingencies	US\$117,764.00	US\$0.00	US\$117,764.00
<b>Total</b>	<b>US\$1,817,764.00</b>	<b>US\$0.00</b>	<b>US\$1,817,764.00</b>

#### V. Executing Agency and Execution Structure

- 5.1 The execution will be carried out by the Project Implementation Unit within the Ministry of Finance Bank, in coordination with the IDB Country Office in Guyana, and the Office of the Vice President. The Ministry of Finance Office of the Vice President will oversee all the coordination activities with all the relevant stakeholders
- 5.2 The Ministry of Finance has been the Executing Agency of several IDB financed Technical Cooperations over the years. Being the central institution responsible for the public financial management in the Guyana and a mandatory authorized representative on all Bank-financed programs, the Ministry through its Project Cycle Management Department (PCMD) has extensive experience accelerating progress on various multilateral financed projects including those from IDB. Its Office of the Budget has taken responsibility for the most recently executed Technical Cooperations, GY-T1112 and GY-T1130 while the PCMD is staffed with experienced expenditure analysts who also support the Multilateral Financial Institutions Department (MFID) that works together with the Bank to advance execution. Nonetheless, success in execution has been achieved with dedicated support assigned to projects through a project manager as well as finance and procurement officers, which will also be facilitated by this TC.

#### VI. Project Risks and Issues

- 6.1 6.1 The main risks for this TC are, first, the buy-in from the private sector in Guyana who may be seeking to capitalize on the short-term gains of the Oil and Gas industry developments. This risk will be mitigated by consultations and communications with the sector. Second, foreign investors may be cautious about investing in large infrastructure projects without a legal and regulatory framework governing such investment. This will be mitigated by structuring each investment on a specific, case by case basis

#### VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "undefined".