

AGRICULTURAL SECTOR LOAN

(GY-0016)

EXECUTIVE SUMMARY

BORROWER AND GUARANTOR: The Cooperative Republic of Guyana

EXECUTING AGENCY: The Ministry of Agriculture (MOA) will be the agency responsible for the overall execution of the Programme. The Ministry of Finance (MOF) will be the executing agency for the implementation of fiscal measures.

AMOUNT AND SOURCE: IDB
Non-reimbursable
Technical Cooperation: US\$ 2,500,000 (SF)
Technical Cooperation loan: US\$ 4,100,000 (SF)
Fast-disbursing: US\$ 34,000,000 (SF)
Local counterpart: US\$ 739,000
Total: US\$ 41,339,000

FINANCIAL TERMS AND CONDITIONS:
Amortization period: 40 years
Grace period: 10 years
Disbursement period: 2 years
Interest rate: 1% p.a. for first 10 years, 2% p.a. thereafter
Inspection and supervision: 1%
Credit fee: 0,5% p.a.

OBJECTIVES: The sector goal is to improve production and the competitiveness of agriculture, while maintaining a supportive macroeconomic policy. Project objectives are to: (i) improve the national and sectoral environmental framework; (ii) consolidate trade liberalization, with a focus on rice; and (iii) extend the economic adjustment process to key agricultural factor markets: land and drainage and irrigation (water control).

DESCRIPTION: The issue areas of the Agricultural Sector Loan (ASL) are: (i) national and sectoral environmental framework; (ii) trade and pricing policy for rice; (iii) drainage and irrigation policy, legal framework and administration; (iv) public land policy, legal framework and administration. The operation also includes a fiscal commitment to ensure long-run

financial sustainability of drainage, irrigation and sea-defenses.

The loan provides fast-disbursing balance of payments support of US\$34 million, and will be disbursed in two tranches of US\$17 million each. Disbursements will be made against a list of acceptable imports, as specified in the loan contract, and can only take place after the Bank certifies compliance with policy conditions contained in the policy letter submitted by the Government of Guyana (GOG) (Annex I-1) and the policy matrix (Annex I-2). Support for implementation of second tranche conditionality will be provided by a parallel technical cooperation programme, which will be financed with a technical cooperation loan and a non-reimbursable technical cooperation (Annex III-1).

With support from the Bank during preparation of the ASL, the government has implemented all measures required for first tranche, with the exception of the submission of the Environmental Protection Bill to parliament: rice export taxes and commissions have been changed from ad-valorem to a revenue-neutral specific base; cabinet has eliminated restrictive licensing requirement for rice-exports; three semi-autonomous agencies have been created; a policy directive to improve policy for water resources and start experiences with water user associations (WUA) has been issued; and satisfactory plans of action to implement second tranche conditions have been formulated.

**ENVIRONMENTAL
CLASSIFICATION:**

The Environmental Committee, at its meeting of September 1, 1994, classified this as a Category III operation. The GOG implemented the required environmental consultation, and the Environmental Committee reviewed the Environmental Report on November 14, 1995.

BENEFITS:

The ASL supports policies and institutional improvements to better enable Guyana to operate in increasingly competitive conditions in international trade. Implementation of the programme should result in improvements to the environmental framework, production, international competitiveness, and exports. These results are expected from policy reforms in drainage and irrigation, land management, legal frameworks, and institutional arrangements.

Some liberalization measures which were undertaken in previous years, including the adoption of free-market exchange rates and agricultural pricing, and

privatization of rice-mills, have resulted in increased production, exports and farm incomes.

Additional measures to be undertaken by the GOG will improve the legal and operational environmental framework. Environmental improvements are required for long-run sustainability, and they also address trade constraints that may arise from environmental concerns in foreign markets. ASL supported trade and price formation measures for rice add to previous successful liberalization policies, facilitating easier access to international markets. However, remaining limits to production and productivity result from a lack of long-run policies and ineffective institutions to deal with water control infrastructure and land markets. ASL supported GOG policies address these issues, setting the stage to attract private investments and increase competitive pressures in crucial factor markets, reorganizing the legal and institutional framework for an environmentally and financially sustainable agriculture.

Programme focus on trade and price formation policies is on rice, because rice is the only major export crop that still requires improvements in pricing policies and policy attention. Although production is in private hands, the product depends on GOG policy for water control. The other major export crop is sugar, which is organized as a parastatal operation, privately administered and receives policy support from the World Bank. Other agricultural products, while extremely important for Guyana's future, cover only about 10% of the agricultural land and require long-run investment support, rather than policy improvements.

Given the prevalence of paddy (rice) cultivation among independent farmers, benefits expected from improved rice pricing policies should have wide ranging impact in farm incomes. In addition, reforms affecting land markets support an efficient reallocation of resources, and financial results from modified administration and increased revenues from drainage and irrigation services, and public land, should have a positive effect on GOG fiscal accounts, and its ability to address investment needs.

RISKS:

Main risks depend on GOG's firmness to sustain ASL policies. In particular, policies to eliminate economic rents arbitrarily generated in non-transparent land markets, and to gradually remove the government from operating, maintaining,

rehabilitating and subsidizing drainage and irrigation systems, will be subject to opposition. However, surveys and farmer consultations conducted during the preparation of the loan indicate that farmers are aware that changes of the policy and pricing mechanisms are required if water control systems are to operate effectively, and if land-rights are to be secure.

Even if policy decisions remain firm, achieving all expected results from the new policy may be difficult, given the scarcity of human and financial resources. Under the ASL, three agencies are created and operations streamlined (Boards for rice and for drainage and irrigation, and a Commission for lands management). The Board for rice is fully financed by the industry, and is based on a long tradition and important recent policy successes with incentives to rice production. The Board includes full participation from millers and producers, and is well on its way to perform effectively and efficiently. The Drainage and Irrigation Board is completing its organization and defining sources of financing, and needs support from consultants in internal management, budgeting, planning, operation and maintenance, and promotion of water user associations, to become an effective instrument for policy implementation. Finally, even though the policy decision has been made, the Commission for lands and surveys cannot be fully instituted as an effective semi-autonomous body without support to develop legislation, as well as information and administrative systems to regularize land tenure and improve collection of rents on public land.

**EXCEPTIONS TO
BANK POLICY:**

Two exceptions to Bank policy are requested: (i) an exception in procurement, in respect to purchases of petroleum and petroleum products, would enable Guyana to purchase these products in amounts greater than US\$5 million without requiring international competitive bidding (see paragraph 3.6); and (ii) a waiver on the Bank's limitation of six months on retroactive financing would permit financing of import bills incurred during the previous twelve months (see paragraph 3.8).

**THE BANK'S
COUNTRY AND
SECTOR STRATEGY:**

A central element of the Country Paper (CP) is a strategy to alleviate Guyana's external debt burden. The ASL addresses the debt issue on two counts: (i) as a balance of payments loan; and (ii) supporting measures that point towards long-run sustainability of production and exports.

The CP also defines a strategy to improve the policy formulation framework, and identifies agriculture as a sector for priority support. The ASL establishes an improved policy framework for supporting agriculture. The ASL land-management component, which would improve bankable land-rights, should also facilitate the full effectiveness in agriculture of the recently approved financial sector loan (956/SF-GY).

**POVERTY
TARGETING:**

This is a policy based operation not poverty targeted.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Special conditions of the loan contract are listed in Annex I-3.

I. FRAME OF REFERENCE

• A. Macroeconomic performance

- 1.1 In the late 1980s, Guyana adopted a more participative democracy and changed the economic strategy that it had pursued since the mid 1960s, to a more market and outward oriented strategy. Until 1988, Guyana experienced heavy state intervention and no fiscal or monetary discipline. The critical export subsectors of sugar and bauxite were nationalized, government ownership was extended even to consumer goods retailing, prices were controlled, interest rates fixed and foreign exchange was rationed. Throughout the 1980s, real gross domestic product (GDP) exhibited slow (less than 1%) or negative annual rates of growth, and social indicators experienced a major decline. The extremely poor economic performance and limited democracy fueled emigration and generated negative population growth, thus depleting the important human capital stock that Guyana had previously accumulated. In turn, fiscal constraints and reduced human capital resulted in neglected maintenance and a crumbled infrastructure.
- 1.2 Economic decline was associated to large public sector deficits, high inflation and increasing foreign borrowing. In the early 1980s, payments to official and private lenders began to be suspended. Arrears mounted during the decade, and external debt reached a peak of five times the GDP in 1990. The economic strategy was clearly unsustainable, and the government had made since the mid 1980s some attempts at seeking outside support for a major redirection of economic policies.
- 1.3 In 1988 a support group was formed to help Guyana launch a new economic strategy. Arrears with official external lending agencies were cleared and the Economic Recovery Plan (ERP) was started. The ERP eliminated price controls and freed interest and exchange rates. Initial privatization efforts were strong and resulted in the privatization of fourteen companies, including all rice mills except one. Monetary and fiscal disciplines were recovered and have been satisfactorily maintained.
- 1.4 The ERP was successful, although real GDP continued to fall up to 1990 and, with price liberalization, inflation initially increased up to a peak of 102% in 1991. Growth was resumed with annual rates of 7.5% in 1991, 7.1% in 1992, 11.8% in 1993 and 7.3% in 1994. Inflation was reduced to a 16% in 1994. The exchange rate was stabilized, gross international reserves reached US\$247 million in 1994 and interest rates (average yield on 90 days treasury bills) fell from 31% in 1991 to 17% in March, 1995.
- 1.5 The new macroeconomic policy framework has been supported since 1990 by a grant from the International Development Association (IDA) Debt Reduction Facility, two successive IMF Structural Adjustment Facilities (ESAF) and a World Bank Structural Adjustment

Credit (SAC). IDA funded in 1992 the elimination of arrears with commercial banks. The second IMF ESAF is being disbursed at a rate about equivalent to repayments to the IMF, and the SAC has been fully disbursed. On June 1995, the IMF completed its midterm review under the ESAF, concluding that macroeconomic performance had been stronger than envisaged, exceeding targets. The ESAF expires by the end of 1996, and the government is expected to start next year negotiations for a follow-on programme.

- 1.6 Despite macroeconomic success in most fronts, total external debt has remained very high (about US\$2 billion), as repayments, buy-backs, rescheduling and forgiveness have roughly matched new borrowing to finance public sector investments to start recovering the extremely deteriorated infrastructure. About 35% of external debt is owed to multilateral agencies, and 50% is bilateral (with Trinidad and Tobago representing half of this, due to oil imports). Sustained macroeconomic performance, strong exports and negotiations with creditors for balance of payments support and debt relief will remain high in the agenda of Guyana, as the external debt constitutes a crucial constraint to development. Agriculture contributes about 35% of exports, and has the potential for further expansion, thus contributing to alleviate the relative debt burden.

B. Agricultural sector policy, structure and performance

- 1.7 GOG's agricultural policy covers a wide range of objectives, including strong emphasis on equity and gender considerations. A major focus of agricultural policy is on removing obstacles to further growth and facilitating the transition to an international market where Guyana may lose the price advantages it currently has for its main export crops.
- 1.8 Agriculture is the main source of employment, generating 27% of total employment. Sugar and rice are the most important crops in terms of area, value and contribution to export earnings. Sugar has been reducing its share in exports from over 30% during 1978/93 to about 24% in 1994/95. Rice, on the contrary, has recovered since 1992 a share of exports of over 10%, which had been reduced to 6 or 7% in the 1980s.
- 1.9 Sugar is produced by the parastatal Guyana Sugar Corporation (GUYSUCO), under private administration. GUYSUCO consists of eight milling/planting units, and harvests about 105,000 acres. GUYSUCO also buys cane from about 1,900 small farmers, who produce on 10,000 acres. Sugar output increased by 54% from 1991 to 1994, reaching 256,000 mt, without relevant increases in acreage, on the strength of improvements of 45% in cane yields and 16% in the coefficient of sugar extraction from cane.
- 1.10 Sugar benefits from quotas, and price or tariff reduction advantages, in Europe (under the Lomé Convention) and the United States. It also benefits from a common tariff in Caribbean Common

Market (CARICOM). The European market attracts over 70% of total production, and in 1994 paid over US\$360/mt in excess of the price obtained by Guyana in the world market (ranging from US\$204 to US\$216/mt). Preferential access sales to the U.S.A. (at US\$430/mt, under quota), and CARICOM (at US\$296/mt, under common tariff) absorbed 10% of total production in 1994. The internal market (4%) and sales to unprotected world markets (16%) absorbed the rest of total production in 1994. Quota limits have been reached, and preferences are being eroded by a general trend to increased competition in international markets. Sugar is unlikely to survive in more competitive international markets, unless additional gains are made in cane production and major productivity gains are attained in milling. However, the subsector is well administered, supported by the Caribbean Development Bank (CDB) and is subject of conversations with the World Bank on a possible privatization to attract modernization investments for the sugar mills.

- 1.11 Rice is produced on 17,000 farms (70% of all farms in the country), totalling over 150,000 acres. With one exception, mills are in private property, as is rice-farming. Paddy (rice) farms may vary from less than 2.5 acres to several hundreds or even, in a few cases, thousand acres. However, over 70% of paddy farms operate less than 10 acres. Rice production grew 56% during 1991/94, reaching 235,000 mt in 1994.
- 1.12 Rice benefits from favored access to European markets (a quota shared with Suriname, and a 50% rebate of tariffs, under the Lomé Convention). During mid-1995, prices in Europe were about US\$710 mt, about US\$300 per mt higher than in Georgetown, which represents a net gain of over US\$90 for exporters, after deducting a US\$125/mt levy and US\$85/mt freight to the European Community (EC). In recent years, however, exporters are shipping cargo rice to an even more protected market: extraterritorial European areas (OCT), such as Aruba, Bonaire, Curacao, and Turk and Caicos. About 60% of rice exports in 1994 went to the OCT, because rice processed in these areas enters the European market without paying any tariff (resulting in a US\$45 to US\$60/mt advantage for exporters going to the EC through an OCT, after deducting extra freight and processing costs in the OCT).
- 1.13 Rice exhibits competitiveness through low field paddy costs, even when average yields are low (80% of those prevailing in neighboring countries). Until the implementation of ASL supported policies, rice had no focused source of support to improve productivity and compete with US and Asian producers in less administered world markets.

C. Obstacles to agricultural growth

- 1.14 The negative effects of over fifteen years of economic mismanagement are evident in practically all sectors and subsectors of the economy, despite all the progress achieved during the last few years. With support from the international community, the

government is trying to continue this momentum, consolidate the gains of the last three years, and expand further.

- 1.15 Major contributors to recent growth in exports have been gold-mining, forestry, sugar and rice. Production and export gains in gold-mining and forestry have resulted from foreign investments, attracted by ERP policies. Nevertheless, a better legal framework is required to ensure environmental protection, necessary for sustainable development and even to access foreign markets.
- 1.16 Sugar policy will eventually have to address a very difficult world market, and define the ownership of mills more conducive to attract investments. The GOG has financial and technical support from the CDB and the World Bank. Government is exploring the options for wider participation in the ownership of the industry and is being supported by the World Bank in this regard.
- 1.17 Previously main policy obstacles to rice expansion resulted from taxation and trade regimes, institutional arrangements inherited from a period of government intervention and control, lack of focused research and extension, and lack of effective policies for drainage and irrigation (D&I). Under the ASL, trade and taxation policies have improved, institutions designed to enforce government control have been eliminated, and the Guyana Rice Development Board (GRDB) was created to support exports and research and extension, with strong private-sector participation. However, the need for a viable long run policy focus to improve D&I still exists.
- 1.18 Agricultural development and farmer investments are also hampered by a lack of reliable legal documentation of land rights, a backlog of lease applications, poor management and administration of publicly owned land, and the low pricing of public lands. These conditions limit private investments, and constrain access to formal credit markets. The public sector does not capture relevant income from its assets, or relevant property taxes for the land transferred to the private sector.
- 1.19 Specific issues related to land markets differ, depending on whether private land (freeholds) or the leasing of public land is considered. Public lands are 90% of the territory. Almost all farming is conducted in the coastal and riverain areas, where about 50% of farms are freehold. Uncertainty of land-rights for freeholders, in some areas arises from deficiencies in legislation relating to land titling and registration combined with a lack of government resources to provide the efficient and cost-effective public sector infrastructure needed to register freehold rights to land and promote private sector investment. As a result, smaller land holders are unable to access credit using land as collateral as banks are unable to safeguard credit without reliable information on assured collateral. Substantial economic distortions exist in the leasehold market. These distortions are primarily related to the current low land rental fees combined with ineffective government land administration. These problems also

preclude the flow of land from the lease market to the freehold market.

- 1.20 Problems in D&I and land markets reflect low fiscal capacity of the GOG. Ineffective institutional systems and lack of funds result in continuous degradation of D&I services and land-rights. Low land rental prices and D&I fees, and very low collection rates on both, are constraints to further growth.

D. Bank strategy in Guyana

- 1.21 The CP underlines the heavy debt burden of Guyana (23% of exports of goods and services, and 2.5 times the GDP), and proposes emphasis on balance of payments operations (policy loans). In addition to external debt, the CP identifies the following areas as priorities: strengthening public sector administration and policy formulation, health, education, energy, urban infrastructure, agriculture and environment.
- 1.22 The ASL helps Guyana reduce the relative burden of its external debt by improving agricultural export performance and by supplying the Government with fungible foreign currency in concessional terms, to refinance portions of its external debt.
- 1.23 The ASL introduces policy requirements that point towards long-run institutional, financial and environmental sustainability of agriculture. The ASL addresses the mandates of the IDB-8 Replenishment Document, by supporting a policy package that increases economic efficiency and income generating capacity of rural families, while decreasing environmental costs and environmental risks in water and land resources.

E. Bank experience

- 1.24 The Bank canceled a previous agricultural policy loan (876/SF-GY) that pursued sector objectives similar to the ones pursued with the ASL. This loan was canceled because the policy agenda was overly ambitious, there was no financial and technical support to the MOA for implementing D&I and land management policies, and there were delays in policy execution. As time passed, some policy conditions became obsolete, given the general progress in economic liberalization, and the government considered that the most practical solution was to cancel the loan.
- 1.25 The ASL builds on the experience with the previous sector policy operation, since: (i) it only deals with four well defined areas, in addition to a standard macroeconomic policy requirement; (ii) with the sole exception of the condition requiring submission to Parliament of the National Environmental Protection Bill, conditions for first tranche have been met before the operation is submitted to the Board; (iii) the MOA is the main responsible Ministry for second-tranche core conditions; and (iv) all activities required to fulfill second tranche conditions will be

financed from a technical cooperation programme, which includes a technical cooperation loan and a non-reimbursable technical cooperation.

- 1.26 The ASL preparation was coordinated with the recently approved Financial Sector Reform Program (956/SF-GY), which includes attention to rural financing, and a MIF financed technical cooperation under preparation (Strengthening Systems for Bankable Property Rights, TC-95-07-255), to assist GOG in strengthening the Registry of Deeds and enhancing bankable land rights. The Public Sector Management Program (GY-0022), under preparation, will also address related issues on revenue generation and improvements to the budgetary process. As part of the work done during the preparation of the technical cooperation to support the creation of the EPA for Guyana (TC-95-04-392), the draft law for the National Environmental Protection was prepared.

F. Other agencies

- 1.27 The World Bank has supported the definition of policies for sugar and the environment. The World Bank and the British Development Division in the Caribbean-Overseas Development Administration (BDDC-ODA) support restructuring of the public sector, thus dealing indirectly with agriculture. German cooperation supports land use planning with strong focus on forestry and environmental issues. The Carter Center is defining with the GOG a long-run policy for Guyana, including the agricultural sector. Carter Center activities underline participation and coordination among public agencies in the formulation of policies. Activities being developed by the Carter Center are at an initial stage, and are being developed with full exchange of information with the Bank. The ASL addresses areas insufficiently supported or not covered by other agencies.
- 1.28 Several other bilateral and multilateral agencies work in the sector, and the ASL design was completed with participation of the most active among these, thus ensuring a coherent and efficient approach in support of the GOG. In particular, the International Fund for Agricultural Development (IFAD) and the Inter-american Institute for Cooperation on Agriculture (IICA) have cooperated in designing water user associations, and analyzing issues relating to small-farms and gender. The Food and Agriculture Organization of the United Nations (FAO) cooperated mainly in analyzing issues dealing with policy and legislation in land and D&I. A common strategy to improve land rights was defined with BDDC-ODA, and this agency will support implementation of the land administration component of the parallel technical cooperation programme.

II. THE SECTOR PROGRAM

A. Introduction

- 2.1 The ASL addresses four subject areas, all of which contribute to improve sustainability, consolidate commodity trade liberalization, and extend the benefits of the adjustment process to key factor markets.
- 2.2 As in all policy loans, a standard ASL condition requires a stable macroeconomic environment. The Bank will monitor the macroeconomic performance of the economy, and the results of subsequent IMF evaluations with respect to the targets set out under the ESAF, in order to assess the continued stability of Guyana's economy.
- 2.3 The first issue area focuses on environmental policy, supporting the GOG policy commitments to establish an Environmental Protection Agency, implement controls and improve management of toxic agrochemicals, and ensure training for proper on-farm use of agrochemicals. Environmental sustainability has recently assumed a high profile in Guyana, because of a major environmental incident in the gold industry, and there is increasing concern in importing countries about the risks associated with exports of wood from tropical forests.
- 2.4 A second issue area of the loan addresses trade and pricing policy in rice, requiring changes in the institutional arrangement for rice, elimination of administrative obstacles to export, and modifications in taxes and commissions on rice-exports. The specific objectives will be achieved with proof of the efficient evolution of the GRDB, and a proposal to limit export-taxes to the objective of capturing rents generated by preferential access to European markets, while these rents exist and the proposed system does not affect international competitiveness.
- 2.5 The third issue area addresses efficient allocation of water resources, and institutional sustainability of D&I. A long-run policy focus is required to reorganize the hydraulic system in a more sustainable basis, with user participation. The specific policy objectives of this third part of the ASL will be achieved with successful development of WUA demonstration experiences, and a complete review and update of the complex legislation and ineffective institutional and financial arrangements to manage D&I and sea-defenses. As a complement to policy and institutional improvements, the Government is required to ensure execution of basic D&I works, comprising important minor repairs that have been identified and have never been funded.
- 2.6 The fourth and last issue area of the ASL addresses the development of modern and transparent land-markets, requiring establishment of an effective semi-autonomous commission, legal reforms and major

improvements in administration of the commission, information systems and regularization of tenure. This is very likely the area where sector policies are most in disarray. It is also the subject area where policy decisions are most urgent and more in need of institutional investment support to become fully effective. A parallel technical cooperation programme from the Bank and assistance from BDDC-ODA are expected to provide the support agreed under ASL policy-oriented action plans. In parallel, the Financial Sector Reform Program (956/SF-GY), and a TC under preparation will strengthen the Registry of Deeds, supporting modern operation of the private land market (TC-95-07-255).

B. Legal and regulatory environmental framework

- 2.7 The legal framework for natural resources management as well as protecting the environment is outdated and inadequate to the current needs of the country. A 1994 National Environmental Action Plan identified a number of critical areas where new legislation was required, and called for an Environmental Protection Act which would provide the legal and institutional framework for environmental management in Guyana. In the policy letter for the ASL, the GOG has ensured the submission of this legislation to Parliament.
- 2.8 Importation and use of pesticides is somewhat regulated under the Food and Drug Act, the Pharmacy and Poison Ordinance Factories Act, and the Accident and Occupational Diseases Notification Act. However, there is no legislation for pesticide control.
- 2.9 In addition to slow progress in the approval of new laws, attention has to be directed to the institutional support for these new legislative measures, as well as the development of effective public awareness and public participation. New legislative measures will require the early promulgation of regulations, including those addressing quality of management in storage, transportation, use and disposal of pesticides.
- 2.10 First tranche conditions require submission to Parliament of the Environmental Protection Bill and the preparation of the draft for the Pesticides and Toxic Chemicals Control Bill. GOG has already prepared the draft for the Bill on toxic chemicals and will submit the Environmental Bill before first disbursement.
- 2.11 Proposed actions. For the second tranche, the GOG is committed to:
(i) having established the Environmental Protection Agency; and
(ii) have in operation the Toxic Chemicals Control Board, established under the Pesticides and Toxic Chemicals Control Act.

C. Trade and pricing policy in rice

- 2.12 After several years of decline in rice production, significant rice-related policy reforms were introduced, starting in 1988

within the framework of the ERP. Exchange and price controls and domestic quantitative restrictions were lifted, and rice mills owned by the state were privatized (with the exception of the Burma mills, which were donated by Japan).

- 2.13 Guyana's land and water resource base exhibits a potential to further increase rice production and exports. The rice industry represents the main source of income of several thousand families of rural landowners and laborers. Increases in rice production play a dynamic role in the rural economy, and the industry's backward and forward linkages mobilize the economy as a whole. In order to realize the rice production potential, the sector reforms need to be consolidated: (i) the legal-regulatory environment should promote the development of efficient rice markets, and (ii) taxation should not create a disincentive to production.

1. Legal and regulatory framework

- 2.14 As part of reforms made in 1991, numerous sections of the Rice Act of 1985 dealing with domestic quantitative restrictions and price controls were repealed; however, quantitative restrictions on exports and anti-hoarding rules were left in place. The Guyana Rice Export Board (GREB) remained in its multiple roles as regulator, trader and quality inspector, with functions further complicated by the operation of the National Paddy and Rice Grading Center (NPRGC).
- 2.15 Even after the 1991 reforms, the GREB had the right to approve export contract terms, conditions and price. An historical purpose of this function was to prevent under-invoicing effected to avoid foreign exchange surrender requirements, an important concern when the official exchange rate of the Guyana dollar was grossly overvalued in relation to the parallel market rate. Contract approval continued even after foreign exchange markets were liberalized, because the export tax and the GREB export commission were established as *ad valorem* rates. Contract approval absorbed scarce human and fiscal resources in a regulatory function that did not add value to exports or foreign exchange earnings to Guyana, and effectively prevented concentration on developmental functions.
- 2.16 GREB also exported rice for the account of the Guyana Rice Milling and Marketing Authority (GRMMA), which is able to export on its own. The GREB involvement in commercial activities made it loose focus on purely regulatory or promotional roles. New legislation was required to enhance public roles necessary for the development of efficient rice markets: issuing standard contract terms and procedures, establishing arbitration rules, licensing of private rice inspectors, and promoting stronger rice-research and extension services to farmers.
- 2.17 Standard contract terms and dispute-settling mechanisms would strengthen the operation of domestic and external market transactions. Official inspection certificates are disregarded by

foreign buyers, and lack of acceptance of grades given at origin means that letters of credit require presentation of documents at destination, adding delay to collection of export proceeds and constraining the emergency of a market of "acceptances". The inspection (including grading) of quality and condition of exported rice needs to be modernized, in order to gain acceptance from buyers. Licensing of private inspectors (including expatriates) would improve the prestige of grades given at origin, making them acceptable by importers. Finally, a major effort to improve paddy yields is required if Guyana is to overcome the effects of reduced protection under the Lomé Convention.

- 2.18 In addition to the flawed institutional and legal framework associated to the GREB, exporters had to fill out Form No. 2 "Application for Export License". This compliance requirement, a part of the Trade Order of 1974, demanded involvement by GREB and the Ministry of Trade, Tourism and Industry. While this was not a binding constraint, the requirement wasted resources, served no beneficial purpose, and had already been discontinued for most agricultural products. Compliance with ASL first tranche conditionality required that it also be discontinued for rice and rice products.
- 2.19 The GOG has taken important policy actions to address the above mentioned issues. In late 1993, the GOG decided to review the Rice Act of 1985 in order to bring it in line with the realities of the liberalized rice export regime implemented in recent years. A new Rice Bill was unanimously approved by parliament in 1994, after extensive consultation with rice farmers and exporters, and with technical support from the ASL. The GRDB was created, merging the GREB and the NPRGC. The GRDB will play an advisory role for the rice industry, issuing standard contract terms, defining arbitration rules to settle contractual disputes and, eventually, establishing regulations for bonded warehouses. Inspection of rice for export, no longer mandatory, will be performed (if required by the export contract) by an inspector employed or licensed by the GRDB. The GRDB would not carry out commercial operation on its own account. The new Rice Act incorporates GRMMA as a limited liability corporation to manage the Burma mills, the only one remaining in state hands. The GRDB has also absorbed all rice research and extension functions, which it now performs in close coordination with private millers, farmers and the private organization Rice Producers Association.
- 2.20 Cabinet decided to eliminate export licensing for rice and rice products, required by the 1974 Trade Order, as required by ASL first tranche conditionality.
- 2.21 Proposed Actions. For second tranche, the GRDB must be operating in accordance to policies described in the GOG policy letter (Annex I-1). Specific issues to be reviewed require confirmation that the GRDB: (i) will not impose quantitative restrictions on

rice exports; (ii) will not be engaged in rice trade; (iii) will promote private rice-grading; and (iv) will operate effectively and efficiently, to the satisfaction of the private producers and exporters, and is increasingly engaging private sector participation in research and extension. In addition, the GOG will provide proof that no licensing requirement has been added for exporting rice and rice products.

2. Rice export taxes and fees

- 2.22 Guyana has preferential access to the rice market in the EC and the CARICOM. The EC Africa-Caribbean-Pacific agreement (ACP), under the Lomé Convention, allows for a quota at reduced tariff. Guyana must compete for its share of this quota, particularly with Suriname. Given the international evolution towards freer trade, the country will eventually have to sell its rice in international, not protected, markets.
- 2.23 Improved international competitiveness requires addressing the root causes of relative low yields. The two main reasons behind low yields are insufficient varieties and seeds, and the poor state of the D&I system. The ASL sets the policy framework for improved research and extension (through the focused activity of the GRDB, funding by the industry, the strong private participation it includes, and the combination of activities between the GRDB and the farmer based organization Rice Producers Association). The ASL also provides a better policy framework for improving the D&I system, and correcting the methods by which export taxes and fees were applied.
- 2.24 A tax on rice exports to the EC, the "Levy B", was imposed in 1991. The system was complex and had loopholes, and rice exports to the EC were re-routed to avoid levy B. After reviewing the rice tax regime, in November 1993, the GOG extended the levy B to tax all non CARICOM rice exports and changed the rate structure and tax base. The changes eliminate some of the problems (i.e. loopholes), but the resulting trade regime still promotes under-invoicing and penalized quality, providing a disincentive for the rice sector to realize its full trading opportunities.
- 2.25 Resulting from the November 1993 changes, the levy B had a progressive scale from 0 to 15% of FOB value, depending on the level of the rice price. Low quality grades (proxied by FOB prices) were not taxed, but higher quality rice was taxed progressively, with an anti-quality bias. Since the GOG was concerned that the revenue-enhancing effect of measures included in the ASL-supported policy package, was going to be felt only after some time. Accordingly, changes agreed for the levy B, already implemented before ASL first tranche, addressed the anti-quality bias while maintaining revenue neutrality from the levy itself. A specific US\$6/mt duty on non-CARICOM rice exports has been put in effect; and the anti-quality bias previously introduced by taxation was eliminated. European trade policies still favour the export of

cargo rice, which reduces value added in Guyana. This is an issue that will have to be addressed in the context of trade regime negotiations.

- 2.26 The ASL requires for second tranche that a proposal be analyzed to review the taxation on rice exports, with the purpose of defining a mechanism that could allow the GOG to capture rents from the preferential access to the EC, which is not meant to benefit only a subsector of the economy.
- 2.27 A new fiscal mechanism able to capture EC generated rents should be defined in terms of: (i) competitiveness of rice-exports; (ii) practical viability of implementation with scarce human and institutional resources; and (iii) estimated period of duration, and levels of this rent. Alternatives will be generated for this new system.
- 2.28 In addition to export taxes, rice exports pay a commission on the FOB value of all rice exports. This commission, previously collected by GREB, was a fee for regulatory functions and export services. Before the creation of the new GRDB, in November 1993, the cabinet had reduced the commission from 3% to 2% of FOB prices. Based on an estimated annual value of exports of about US\$50 million, the 2% commission would have generated an annual revenue of about US\$1 million. The GOG thus decided that, a commission of US\$6/mt on the about 180,000 mt exported was justified, as an approach to maintain the previous level of charges levied by the extinct GREB. However, the funds are now levied as a contribution from the rice industry, and allocated to an industry-supported and focused development plan for rice. The private sector participates in the administration of the GRDB, has expressed satisfaction with this level of funding, and is even participating in additional funding through some incipient cost-sharing activities in research and extension.
- 2.29 The GRDB will not perform some activities previously performed by the GREB, such as approval of contracts. Grading services will be performed by licensed graders, and fees will be paid by the parties to the contract. On the other hand, the GRDB is assuming new industry promotion activities, including rice-research and extension, previously conducted by the National Agricultural Research Institute (NARI). The GRDB has to define a viable set of promotional activities, and develop realistic business plans. The current fee of US\$6 per metric ton of rice exported, is now exactly the same as export-taxes on rice collected by the treasury.
- 2.30 Proposed actions. For second tranche, the GOG will propose rice export taxes limited to the objective of capturing more of the rent generated by preferential access to the EC, while this rent lasts. The Government will not impose any new fees or commissions on rice exports.

D. D&I policy for agriculture

- 2.31 Guyana is characterized by a complex hydraulic system. The only good agricultural land is a narrow flat strip along the coast (12 to 77 kilometers wide from North-West to South-East) which is as much as two meters below high tides. This land and its infrastructure for controlling water are the lifeblood of Guyana's economy, which is dominated by agriculture.
- 2.32 The fundamental problem to be addressed with the ASL is the failure of past public policies for management and administration of D&I. As a result of this policy failure, the irrigation, drainage and flood control infrastructure is in a serious state of disrepair and neglect, with serious economic and environmental impacts.
- 2.33 The physical lay-out of systems, weak institutional arrangement and limited competition among alternative uses preclude full pricing of water, and do not require immediate consideration of transferable water-rights. Instead, policy-focus, updated legislation, user participation and a trend towards financial sustainability are urgent steps in the direction of less fiscal burden and more efficient use of water.
- 2.34 The multi-layered legal and institutional structure regulating drainage, irrigation and flood control is overly complex and very inefficient. It comprises 19 pieces of legislation, involving 10 agencies. This has led to fragmented and overlapping institutional responsibilities, unnecessary complexity, and lack of a central policy trust. As a result, there is little long-term planning, coordination, monitoring or environmental assessment of agricultural water resources.
- 2.35 Farmers, the primary users of D&I services, are almost completely separated from the public sector providers of those services by the legal and institutional structure. Farmers have had only limited participation in the design of the systems which serve them and have almost no representation or voice in their operation and maintenance. It is not surprising that most farmers refuse to pay rates. A clear symptom of these problems is a list of urgent basic D&I repairs that has preliminarily been identified, comprising replacements or improvements. These works are relatively simple to design and execute. They would provide immediate benefits in enhanced effectiveness of major systems, and control of environmental risks (flood, spread of vectors for human diseases, saline water intrusion). Despite their importance and the possibility of quick implementation, these works have not yet been financed.
- 2.36 Cost recovery for O&M is extremely low, both because water rates are subsidized, and collections are very low. The low cost recovery leaves the various public agencies without sufficient funds for operation and maintenance. The result is a downward

spiral of farmer dissatisfaction, even lower cost recovery and ever poorer maintenance, until some systems fail completely.

- 2.37 The GOG recently took a major action to manage water resources for agriculture more efficiently. On June 27, 1994, the parliament unanimously approved the re-establishment of the NDIB. This action centralized the responsibility for policy, management and administration of the D&I system into a single, national entity, providing at the same time the legal framework for coordinating with regional and local levels, to develop, operate and maintain all the main D&I infrastructure. This pivotal action, supported by the CDB and the Bank, provides momentum and a very positive basis upon which further policy reforms can be implemented. Building on this initial action, the division of labor between the NDIB, the regions, water users and local authorities will be developed, and the entire legal-institutional framework for D&I and sea-defenses reviewed.
- 2.38 During ASL preparation, the Bank supported the GOG in the design and implementation of a major set of policy reforms addressing the above mentioned policy issues. Building on the recent action to re-establish the NDIB, policy reforms were introduced that: (i) ensure the emergence of a strong, centralized D&I agency by strengthening the policy, planning, coordination, regulatory and normative functions of the newly established NDIB; (ii) transfer the responsibility for the operation and maintenance of secondary systems to local communities, whether through existing local government authorities or through the formation of water users associations; and (iii) rationalize financing and cost recovery of O&M and capital costs, with distinction between public and private goods, and considering the joint impact at the farm level of land-rents and D&I fees.
- 2.39 A policy directive to the NDIB has been issued, incorporating the elements of policy reform set forth above, and associated plans of actions. The plans agreed with the Bank include: (i) provisions to prepare new legislation to modernize and simplify the legal-institutional framework regulating drainage, irrigation and flood control at the national, regional and local level; and (ii) the design and initial implementation of WUA demonstration and policy coordination in one pilot region, to be complemented with a similar experience underway in another region.
- 2.40 With the appropriate ASL-supported policy framework in place, the regional demonstration programs designed, and its implementation started as well as water legislation, financial plans and institutions updated, the objective of the ASL will be achieved. A parallel technical cooperation programme funds longer-run institutional strengthening and D&I pre-investment activities to be implemented by the NDIB.

- 2.41 Proposed actions. For second tranche, the GOG will: (i) review and update water legislation; (ii) prepare an institutional proposal to manage D&I and sea-defenses; (iii) agree with the Bank on these proposals; (iv) submit these to parliament; and (v) start implementation of a system to ensure long-run financial sustainability of the D&I system and sea defences. Satisfactory progress in developing WUA and transferring D&I operations in at least two areas, has also to be achieved before second tranche. The GOG must implement agreed Action Plans for developing updated legislation and start execution of water user associations experiences in one area. The Bank will support implementation of the action plans with a parallel technical cooperation programme, and will monitor progress. In addition, the Government will execute basic D&I rehabilitation works, according to a list and a schedule of execution agreed with the Bank. These minor rehabilitations are required to enhance the effectiveness of main D&I systems, and reduce risks of flooding, saline water intrusion and spread of vectors for human diseases.

E. Development of land markets

- 2.42 As the GOG proceeded with free-market and outward oriented policies, and major distortions in commodity markets were removed, agriculture began to revitalize. The adjustment process, however, did not include policies to modernize land markets. Inefficiency in the operation of systems for registering land-rights, the distorted pricing policy for land resources, and the weak institutional infrastructure of land administration are still major constraints for realizing the full agricultural productive potential. Within this framework, and with strong emphasis on policy, the ASL focuses on two areas: (i) pricing and administration of public land, creating a viable agency for managing public land, as well as improving pricing and collection of land rents; and (ii) tenure regularization, providing firm leases and facilitating freehold land titling.

1. Pricing and administration of public agricultural land

- 2.43 About 50% of the agricultural land currently in cultivation in the coastal area is held on freehold tenure; the rest is leased through the Department of Lands and Surveys (LS). An exception is the land in region 5, under the jurisdiction of the autonomous land development scheme Mahaica-Mahaicony-Abary (MMA). The LS is the national institution responsible for land leasing, national mapping, cadastral survey, and land data base management. The information available at the Ministry of Agriculture indicates that there are more than 15,200 on-going agricultural leases and close to 1200 residential leases.
- 2.44 The LS, a critical agency for implementation of national land policy, lacks the trained staff or the administrative resources to do its job. The lack of funding and the constraints to pay

competitive salary have led to the loss of most of the department's technical staff.

- 2.45 The legal fees currently in effect for the department's products and services, including land leases, are so low that the cost of collection is many times greater than the revenues due. Under these conditions any land that the department leases adds to the agency's and government's deficit.
- 2.46 The current leasehold rents were fixed at about US\$0.05 acre/year, while modal values per region, of private leases (or subleases) of the same quality D&I land, range between US\$30-50 acre/year. The consequences of this distorted leasehold land pricing are far-reaching. It results in arbitrarily allocated economic rents, and makes land administration financially not feasible. It reinforces the persistent backlog of lease applications, fueling discretionality and non-transparency in land allocations; and it contributes to the development of an informal land market and informal or outright illegal occupancy of land. This leasehold pricing should be adjusted. Simultaneously, the regulatory and administrative capabilities of the LS should be improved in monitoring and enforcing of lease conditions, especially in the collection of lease payments. The lease instruments are being reviewed to define a standard one with flexibility to serve all agricultural lands leasing programs and with allowance for conversion to freehold and internalization of enforceable land policy and regulations (e.g. payment of O&M rates for drainage and irrigation).
- 2.47 The GOG has taken important policy actions to address the above mentioned issues. The ASL supports the GOG in adjusting GOG agricultural leasehold rents towards market-based values, in two basic steps. An initial adjustment of leasehold rents affecting all GOG leases in irrigated coastal lands has been approved by cabinet in compliance with ASL first tranche conditionality. The GOG actually went beyond what the Bank considered sufficient and implementable, and defined five rental levels, for all areas in the country, and at more than twice the level that the Bank required to define a policy commitment. The new leasehold rent is about US\$16 per acre/year in good D&I coastal land. This level is still lower than private lease contracts on coastal agricultural land with good D&I, and the Bank has accepted GOG's decision, underlining the need to actually improve land management, including rent collection.
- 2.48 The second step, to be completed before the ASL second tranche, will be the development of a methodology for determining future adjustments, for moving rents further towards the average market rental value for each homogeneous area within the irrigated coastal area. An action plan for implementation of this second stage has been prepared with support from the Bank.
- 2.49 During ASL preparation, the Bank has also supported the GOG to start restructuring LS as a semi-autonomous Commission. The

restructured LS, now to be identified as Lands and Survey Commission (LSC) is capable of generating income for the GOG well over its needs to perform effectively, through leasehold rents and fees for its products and services. The status of LSC has been decided by cabinet in compliance with ASL first tranche conditionality. In addition, a restructuring action plan has been prepared, including, but not restricted to: new salary and efficient management structures, increased enforcement capabilities (i.e. billing and collection of leasehold rents), improved data bases, streamlined lease approval process and a new standard lease instrument.

- 2.50 **Proposed actions.** For second tranche, action plans are to be implemented to strengthen the LSC, collect rents, and approach realistic market rental values in all coastal areas. A parallel technical cooperation programme will support the implementation, and contribute to improve efficient administration of public land beyond the initial policy-stage defined by the ASL.

2. Tenure regularization

- 2.51 Consolidation of private land-rights and the operation of markets for private land are also subject to constraints, particularly in the case of smaller farmers who cannot command the financial or legal resources needed to support transactions. The ASL will : (i) improve security of tenure in current leaseholds and freeholds: and (ii) facilitate conversion from leaseholds to freeholds. Strengthening of the Registry of Deeds (RD) to improve the security and management of private land-rights is supported by the Financial Sector Loan (GY-0032). The Bank is also preparing a Multilateral Investment Fund (MIF) financed technical cooperation (Strengthening Systems for Bankable Property Rights, TC-95-07-255).
- 2.52 The RD is responsible for recording land property transfers, creation and cancellation of mortgages, encumbrances, use rights and leases of private land. For historic reasons, two systems of land law and property recordings coexist in Guyana. Most of the land ownership is recorded under the old conveyance system, with high transaction costs and delays (in practice about one year), but not requiring up-front investments (surveys). Conversely, the system of land registry, still limited in terms of land coverage, has low processing time and transaction costs once the system is established, although it requires high up-front investments in surveys. The GOG policy on this matter has been the gradual conversion from the old Conveyance System to the Land Registry System. However, due to cumbersome statutes and up-front level of investment required, the process of conversion stalled. The resulting backlog of land transports constrains the liquidity of land assets and contributes to misallocations (including under-utilization) of freehold agricultural land.

- 2.53 The cumbersome legal framework and administrative procedures also apply to any conversion of leasehold land to freehold property. There is a need for expanding the current policy of transferring leasehold houselots to freehold, to agricultural lands.
- 2.54 The ASL will support the GOG in reviewing and amending appropriate legislation, including but not restricted to the Land Registry Act. An action plan has been submitted and agreed to for this purpose. Several issues, ranging from settling land disputes to the legal ability to increase rents in public lands and issue a standard agricultural lease, will have to be addressed through amended legislation. In the modernized Land Registry Act focus will be maintained on allowing for reduced registration costs and processing time associated with the conversion from the conveyance to the registry system, or from leasehold to freehold tenure. The streamlining of the conversion process should be based on similar experiences followed by Eastern Caribbean countries. Opportunities sought by GOG for expansion in freehold tenure will be realized under the new legal framework. "Land Registration Areas" will be identified and so "declared" for conversion from leasehold to freehold, particularly where farmers have had a lengthy leasehold tenure and have made improvements ("beneficial occupation") on their farm land.
- 2.55 An action plan has also been developed and agreed to with GOG for initial implementation of freehold land titling. This will include, but not be restricted to, identification of qualifying "blocks" of land to be declared "land registration areas", additional information required for its processing (i.e. surveys), timetable and associated costs. With the new policy framework in place, the parallel technical cooperation programme provides complementary funding, focusing on medium term support for implementation.
- 2.56 Proposed actions. Second tranche compliance requires implementation of action plans to: (i) update land legislation; (ii) declare blocks as "land registration areas"; (iii) achieve progress in developing criteria and plans needed for conversion of public land to freehold property; and (iv) improve tenure security on both leasehold land and freehold property. The parallel technical cooperation programme support implementation of these plans, and continue beyond the point where the ASL will have completed the definition of a framework supportive of the development of modern land markets.

III. PROGRAMME FINANCING AND IMPLEMENTATION

- 3.1 The IDB loan amounts to US\$34 million, with two tranches of US\$17 million each. Bank financing would be provided with resources of the Fund for Special Operations (FSO). Core conditionality and tranching is described in the proposed policy matrix included as Annex I-2. The proposed Bank financing scheme includes a parallel technical cooperation programme, which is to be financed from a technical cooperation loan in the amount of US\$4,100,000, and a non-reimbursable technical cooperation in the amount of US\$2,500,000. The technical cooperation programme will support implementation of second tranche conditions, and facilitate enduring results from ASL policy improvements.
- 3.2 With the exception of submitting to Parliament the Environmental Protection Bill, all first tranche conditions have been complied with. The Bill will be submitted to Parliament before first disbursement based on a draft that has been prepared with support from the Bank.
- A. The borrower and the executing agency
- 3.3 The Borrower will be the Cooperative Republic of Guyana, and the Ministry of Agriculture will be the primary executing agency. The Ministry of Finance will be the primary executing agency only for the implementation of fiscal measures that will be part of new mechanisms to ensure long-run financial sustainability of the hydraulic system, and will support the Ministry of Agriculture in preparing documentation to request disbursements.
- B. Implementation
- 3.4 An Office for Policy Coordination to support implementation by the MOA will be financed by the Bank, using non-reimbursable funds, including funds to perform two basic functions: (i) policy design and monitoring; and (ii) implementation of the parallel technical cooperation programme, which include financial and progress reports, procurement, disbursement and implementation of semiannual monitoring and review meetings. The GOG has to appoint the head and staff for this office before first disbursement of the technical cooperation programme.
- C. Disbursement, procurement and retroactive funds
- 3.5 Proceeds from the loan will finance the FOB cost of eligible imports, or the CIF cost, when freight is eligible. Disbursements of the tranches will be made against import documentation to be prepared by the MOF. The usual restrictions contained in the IDB standard negative list of imports that cannot be financed will be included in the loan contract. The MOF is already preparing all the necessary documentation needed for releasing the first

disbursement, with support from the Country Office and in coordination with similar documentation required to justify disbursements under the recently approved operation to support the financial sector (956/SF-GY).

- 3.6 Procurement of goods will be carried out in accordance with standard Bank procedures. For amounts over US\$5 million, international competitive bidding (ICB) will be required. However, in the case of petroleum and petroleum products, imports above US\$5 million from individual suppliers do not always follow the letter of Bank procedures, even though they do follow acceptable commercial practices. Based on the recommendation made by the Country Office, given the experience gained with the policy loan 876/SF-GY, it is recommended that ICB for imports of over US\$5 million, be waived for petroleum and petroleum products. It is to be understood that these imports still have to be from member countries, follow acceptable commercial practices, be done at market prices, and that payments to be financed have to take place within the period established in the loan contract.
- 3.7 Public sector procurement for amounts under US\$5 million will be done in accordance with established national procedures. The Country Office will check that these procedures are applied consistently with Bank rules and regulations. Private sector procurement will be acceptable if products are originated in member countries, and follow commercial practices. Whenever possible, this procurement will be done on the basis of price quotes from at least two suppliers from member countries.
- 3.8 The small size of Guyana's economy may pose a problem to justify imports for disbursement, even though total imports have expanded from US\$216 million in 1988 to about US\$510 million in 1994. The potential problem is made even more significant because the Bank is ready to disburse the first tranche of the Financial Sector Program, and the World Bank could also be disbursing soon for its Private Sector Development Credit. The limitation on eligible imports could be attenuated by providing more flexible conditions to the Bank's retroactive financing policy. The Bank recognizes for retroactive financing only up to 6 months prior to the loan contract date. In view of the potential problems this may cause for Guyana, a waiver is requested to extend the period of retroactive financing to twelve months prior to the loan contract date. Nevertheless, total retroactive financing will be limited to 50% of the total loan amount. The date of the expenditure for the purpose of applying this condition would be the date of the remittance to the foreign payee.

D. Technical support

- 3.9 First-tranche conditions have been complied with before submitting the loan proposal to the Board. Action plans to comply with second-tranche conditions were submitted as part of first-tranche conditionality. The technical cooperation programme parallel to

the ASL (Annex III-1) addresses all support required for implementation.

E. Records, audit and control

- 3.10 The Ministry of Agriculture, through the Office for Policy Coordination, will provide documentation for each disbursement, showing the goods imported during each period, the country of origin, date and value of the transaction. For purposes of accounting and control, the MOA shall keep accounting records of the project, prepare and forward the applications for disbursements, present lists of the transactions considered eligible, and maintain all relevant supporting documentation. The Office for Policy Coordination, responsible for the overall coordination of the ASL, shall present to the Bank, within 90 days following the disbursement of each tranche, a statement of accounts, prepared in accordance with terms of reference agreed with the Bank and certified by a firm of independent public accountants, to be designated by the borrower and accepted by the Bank.

F. Environmental impact

- 3.11 The Environmental Committee classified the operation as Category III. Some concerns were raised about the potential effect of agricultural expansion on the use of toxic agrochemicals, and the equity and long-run land-use implications of the development of land markets. The Environmental Report was reviewed by the Committee on its meeting of November 14, 1995, and recommendations on core conditionality have been followed.
- 3.12 In the Policy Letter (Annex I-1), the GOG has committed itself to complete negotiations with the Bank for the development of the EPA. The GOG will shortly submit to parliament an Environmental Protection Act, and expects that parliament will approve in early 1996 the Pesticides and Toxic Chemicals Control Act. Establishment of the EPA and the Board to result from the Toxic Chemicals Control Act are core conditions for second-tranche. To complement these actions, the GOG is committed to develop the necessary institutional capabilities for the regulation and operationalization of these laws, both of which are considered important for sustainable development and even for continued access to foreign markets. With support from the parallel technical cooperation programme, the GOG will develop information systems to implement proper control and management of pesticides, and train extension agents and farmers.
- 3.13 As a result of special farm surveys and interviews of focal groups which were taken during project preparation in light of the environmental consultation, equity and long-run land use implications of the development of land markets were found to be largely positive. However, the parallel technical cooperation programme will require monitoring the policy definitions as they

are operationalized, ensuring farmer participation, and that a system is in place to guarantee public review and appeal of land allocations.

IV. VIABILITY AND RISKS

- 4.1 The ASL is focused on a small set of important and sensitive policy measures to be implemented by GOG with Bank support. While the areas included in the operation are absolutely critical for the future agricultural development of Guyana, the implementation of some policy actions may confront high political costs or limited implementation capabilities of the GOG.
- 4.2 Even though loan design has focused on key policy elements for core conditionality, some elements of the policy framework include legislation-drafting processes, cabinet and parliamentary approvals, which go beyond the ministries most interested in and engaged with the reforms. In terms of GOG implementation capabilities, the Project Team has worked very closely with the GOG, providing technical support and follow-up as the policy components are designed and tentative agreements with GOG are reached. As a result, some of the policy proposals have already been translated into action by the GOG. Bank funding and technical support will be in place to improve GOG capabilities for implementing the remaining policy measures included in core conditionality.
- 4.3 GOG's policies to eliminate economic rents arbitrarily generated in non-transparent land markets, and to gradually remove the Government from operating, maintaining, rehabilitating and subsidizing D&I systems, will be subject to opposition. However, surveys and farmer consultations conducted during the preparation of the loan indicate that farmers are aware that policy and price changes are needed if D&I systems are to operate effectively, and if land-rights are to be secure. Yet, the firmness of GOG decisions will be tested during implementation.
- 4.4 Even if policy decisions remain firm, achieving expected results from the policy decisions may be difficult, given the scarcity of human and financial resources. Under the ASL, decisions have been made to create three agencies (boards for rice and for D&I, and a commission for lands management). The board for rice is fully financed by the industry, and is based on a long tradition and important recent policy successes with incentives to rice production. The board includes full private participation from millers and producers, and is well on its way to perform effectively and efficiently. The board for D&I is completing its organization and defining sources of financing, and needs support to become an effective instrument for policy implementation. Finally, even though the policy decision has been made, the commission for lands and surveys cannot even be fully instituted as a semi-autonomous body without major help. The parallel technical cooperation programme will support the latter two agencies in implementing new policies.

- 4.5 Given the above mentioned points and past experiences with loan implementation, the ASL has been front-loaded in core conditionality and GOG has complied with first tranche conditions.
- The parallel technical cooperation programme will provide support to achieve the results expected from the policy decisions, supporting all activities required to comply with second tranche conditionality and strengthening agencies to facilitate medium and long-run endurance of updated policies.

IN REPLYING QUOTE DATE
HEREOF AND NO.



GUYANA

ANNEX I-1
Page 1 of 7
MINISTRY OF FINANCE,
P.O. Box 1073
Main & Urquhart Streets,
Georgetown,
Guyana.

AGRICULTURAL SECTOR LOAN

POLICY LETTER

November 21, 1995.

Mr. Enrique V. Iglesias, President
Inter-American Development Bank
Washington, DC 20577

Dear Mr. Iglesias:

The Government of Guyana is undertaking a programme of economic reforms, designed to create a strong foundation for growth, based on market principles, and with the full cooperation of the private sector. These reforms affect several sectors, and the Inter-American Development Bank (IDB) is already supporting the actions of the Government with a programme for reforming the financial sector. The Government is now expanding reforms to agriculture, perfecting policies that have proven successful, and extending such reforms to land management and to drainage and irrigation (D&I). The purpose of this letter is to describe to you the programme for the agricultural sector, and to place it in the context of our achievements and goals for the future.

Before informing you about the details of the Agricultural Sector Programme, let us underline two commitments that are an integral part of this Government's strategies for development. Both commitments are important to achieve the positive results we expect from the Agricultural Sector Programme, although both go well beyond a sectoral approach. One of these commitments is related to macroeconomic policies, and the other to environmental issues.

With regard to macroeconomic policies, the Government will maintain during the execution of this Agricultural Sector Programme the reforms already implemented to date, thus imposing no price and interest rate controls, and maintaining a free and open foreign exchange market. A macroeconomic framework consistent with existing and renewed agreements with the International Monetary Fund will be kept in place.

In respect of environmental issues, the Government is negotiating with the IDB support for the development of the Environmental Protection Agency. We shall submit to Parliament an Environmental Protection Bill, and we expect that Parliament will also approve in early 1996 the Pesticides and Toxic Chemicals Control Bill. To complement these actions, we shall develop the necessary institutional capabilities for the regulation and operationalization of these laws, both of which are considered important for sustainable development and even for continued access to foreign markets.

Government will therefore rely on assistance from the Bank in expediting the institutional developments required to give full operational content to this new legislation, including support for specialized laboratories and training of farmers and extension agents on the proper use of toxic agrochemicals.

In relation to the Agricultural Sector Programme, let us first emphasize that all measures that did not require longer run implementation processes have already been taken. This was done with the full collaboration from the IDB. Based on previous experiences with agricultural policy operations, we have kept the Programme focused on a few key issues and the most important policy conditions have been complied with, or will be complied with, prior to the submission of the Programme to the IDB Board. The Government is satisfied that substantial policy advances have been made during the preparation process. Further we fully expect that related projects and technical assistance currently being negotiated with the IDB will allow us to carry out the additional measures.

THE AGRICULTURAL SECTOR PROGRAMME

Building on the recent macroeconomic successes achieved, and given the importance of the agricultural sector, the Government is committed to a programme to consolidate trade liberalization, with a focus on rice, and extend the adjustment process to agricultural land management and to drainage and irrigation infrastructure.

Our programme has four parts. Firstly, we have already implemented major changes to the institutional, fiscal and administrative requirements associated with rice-exports. Then, to improve the allocative effects of taxations and guarantee the long-run sustainability of the hydraulic system, we have taken some preliminary steps and will introduce major changes in the fiscal system. Thirdly, to improve land allocation, achieve secure tenure for farmers, and improve fiscal revenues, we have started a process for approaching lease market values and regularizing land tenure. And, finally, we have made strategic institutional and policy changes that should support further expansion of agricultural production under drainage and irrigation, while leading to sustainable management of public and private components of our complex hydraulic system.

1. Trade and Pricing Policy in rice. Free-market pricing, liberalization of exchange rates and privatization of rice-mills have been in place for several years, with great success in terms of expanded acreage and exports, and improved farm-incomes. A few problems related to taxes and commissions and cumbersome administrative requirements remained as an inheritance from past policies, and have now been removed. At the same time, it was felt that improving Guyana's competitiveness required more focused institutional support, with prevalent participation from our dynamic private sector, as a challenge to demonstrate that the rice industry can stand on its own feet.

We have taken significant steps to achieve these purposes:

(a) taxes and commissions on rice exports have been simplified. Maintaining a revenue-neutral approach, these taxes and commissions are now specific, rather than ad-valorem, thus simplifying control and eliminating the anti-quality bias. We are still concerned that European policies do favour the export of cargo-rice, but this is a subject that we shall have to address.

(b) Cabinet has decided that rice exporters will no longer have to fill out an Application for Export License, previously required from the Trade Order of 1974, which demanded involvement by the Guyana Rice Export Board (GREB) and the Ministry of Trade, Tourism and Industry (MTTI). This will be implemented fully before the Programme presentation to the IDB Board; and

(c) the Guyana Rice Development Board (GRDB) has been created, merging the Guyana Rice Export Board (GREB) and the National Paddy and Rice Grading Centre (NPRGC). The Guyana Rice Milling and Marketing Authority (GRMMA) (which previously owned rice mills) has been disbanded. The GRDB will play an advisory and developmental role for the rice industry, issuing standard contract terms, defining arbitration rules to settle contractual disputes and establishing regulations for bonded warehouses. The Board has absorbed all research and extension functions for rice previously carried out by the National Agricultural Research Institute, and has reinvigorated these activities with cost-sharing with the private sector, starting a major effort to improve farmers income and our international competitiveness. The GRDB has thus been designed to support the rice industry, and is fully financed by it. The Board includes strong involvement from producers and millers.

The Government has high expectations for the outputs from the GRDB and is fully committed to ensure that its operations will: (i) not result in the imposition of any quantitative restriction on rice-exports. Private export-contracts will be considered approved at the time of signature by private parties, as long as they satisfy guidelines on grading and similar requirements designed only to ensure compliance with contractual conditions and prestige for Guyana's exports; (ii) not export rice, or in any way engage in trading activities; (iii) promote the operation of internationally acceptable rice-graders, to facilitate speedy payments from international markets; and (iv) continue to be funded by the private sector and operate cost effectively and in a businesslike manner, and in addition, continue to promote the principle of cost sharing with the private sector.

2. **Fiscal changes related to agriculture.** It is recognised that the policy of subsidising land and D&I services is not conducive to the efficient allocation of resources in the sector. As has been stated earlier, steps have been taken to reduce subsidies relating to D&I and land, as it is recognised that heavy subsidies are unsustainable.

The Government believes that it should retain its right to capture the rents generated by preferential access to European rice-markets through the Lome Convention, which the European Community allows precisely to support overall development and not simply to generate incomes for any given sector or subsector. The system to capture this rent should be designed carefully, and, at any rate, the entire fiscal system should not be reliant on a commercial preference that may eventually disappear.

In the framework of the Agricultural Programme, a study has been agreed with the IDB that will generate alternatives to put in place a mechanism to capture this rent from rice-exports, while underlining major improvements in the collection of taxes, fees and rents from the use of land and D&I infrastructure. The output of the study will be a proposal for a system to be put in place to improve national, regional and local revenues with more realistic land rents on public land, improved level and collection of D&I fees and land taxes, and increased participation of users in operation and maintenance of D&I. Some measures in the desired direction have already been implemented, and the Government expects to reach agreement with the IDB and start full implementation before the end of 1996.

The fiscal system to be put in place will:

- (a) be consistent with Guyana's fiscal situation and forecasts, and in line with the need to maintain fiscal and monetary stability;
- (b) guarantee the long-run sustainability of the complex hydraulic system of D&I and Sea-defences;
- (c) consider all costs and revenues associated with national, regional and local components of the hydraulic system; and
- (d) be related to a policy designed to improve over time the administration of local or secondary systems by local communities and water-user associations.

3. **Drainage and Irrigation Policy.** Years of neglect and fiscal constraints have resulted in the deterioration of the D&I system. The Government, regional and local authorities and farmers themselves have been doing their best to maintain this system in operation, with some rehabilitations already having been carried out, frequently with support from external donors. Given the efforts of the GRDB to improve rice-yields, this system is now a constraint to sustain and expand rice production, and a continuous source of dissatisfaction from farmers. Despite all efforts made so far, the Government is faced here with another vicious cycle. Poor infrastructure and limited funding generate deteriorated services. Unsatisfactory services, in turn, result in low collection of fees, further lack of funds; and the downward spiral eventually leads to the total failure of systems.

The Government has re-created the national Drainage and Irrigation Board (D&IB) to regulate policy, coordinate with regional and local authorities, accelerate rehabilitations of existing infrastructure, explore potential for expansion and enforce environmental policies for the subsector. The D&IB has been issued a Policy Directive stating that the Government wants to retain responsibility only for the public goods main components of the system, and thus directing the Board to commence a process of improving the capabilities of local authorities and water user associations to administer and manage secondary systems in a sustainable manner.

In the meantime, the Government has agreed with the IDB on Action Plans to: (i) review the unnecessarily complex and cumbersome legislation that now regulates the operation of D&I. This review should also produce a more coherent institutional framework to integrate policies on D&I and Sea-defences, and provide the legislation needed to facilitate the constitution, development and viable operation of water user associations. The new legislation for a modern approach to D&I will be drafted during 1996, and discussed with the IDB pursuant to its approval by Parliament and implementation; and (ii) execute and evaluate at least two experiences with water user associations, one of which has already started with cooperation from the International Fund for Agricultural Development (IFAD).

4. Public Land Administration and Regularization of Tenure. While the Government is assured that there is a general feeling of security of tenure among leaseholders, it also recognised that there are several deficiencies which must be addressed if there is to be an overall improvement in the operation of land markets. It is recognised, for example, that because of the low rentals currently charged, large economic rents are appropriated by some lease holders of public land. In addition, Government earns little revenue since the cost of collection outstrips the amounts collectible. Presently, Government's institutional capability for the management of publicly-owned lands is weak and it is with this in mind that priority has been placed on accessing assistance from the IDB and other donors in this area. It is also recognised that there are some deficiencies in respect of secure and bankable ownership rights among holders of freehold land - issues which are being addressed with support from the IDB to strengthen institutions dealing with private property.

Thus a long-run process is required to attain substantial progress, and the Government has already taken two initial steps in full agreement with the IDB as follows:

(a) Cabinet has agreed to the creation of a semi-autonomous Lands and Surveys Commission (LSC). We expect IDB support to fully establish this Commission as a revenue-generating agency, able to pay competitive salaries, appoint fully qualified personnel and develop and implement a plan to regularize land tenure; and

(b) Cabinet has increased rents on public lands substantially, even going beyond a requirement made by the IDB. We expect IDB support to reorganize records, survey occupants and, in sum, develop a sustainable land information and rent-collection process.

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We have also agreed with the IDB on the implementation of Action Plans to: (i) approach market-determined land rents; (ii) develop the LSC along the lines of revenue-based budgets, with solid management structures and capable of enforcing rent-collection and environmental policies and providing accurate information on land use and availability to both Government and the private sector. The Government will request from the IDB and other donors strong outside management support to develop a modern and sustainable land agency; (iii) examine and take corrective action in respect of any constraints which may exist within the existing legislation which unnecessarily affect land markets and farmer's tenure and operation of the land they own or lease; and (iv) design a programme of freehold titling for farmers who are able to prove long-run beneficial occupation of the land.

The Action Plans will be supported by the IDB, and satisfactory implementation of the Action Plans will mean that by second-tranche: (i) the LSC will have had in operation a computerized billing and collection system, and all new or renewed leases issued during this Programme will reflect new rental levels; (ii) a process to determine market-based rents will have been in operation; (iii) a standard agricultural lease will be utilized, which will comprehensively contain all the general conditions and covenants relating to the leasing of publicly-owned land being leased for agricultural purposes; (iv) new legislation will have been submitted to Parliament, including changes in the State Lands Act and the Lands Department Act; (v) an Act to establish the LSC will have been promulgated, its organizational structure and enforcement responsibilities defined, and the Board of Directors effectively put in place; (vi) modern land surveying regulations and a standard surveying contract will have been implemented; (vii) Cabinet will have submitted to Parliament a new Land Registry Act; and (viii) the criteria for granting freehold will be ready for implementation.

Final Considerations. Three agencies have already been created or are in the process of being fully established. The GRDB and the D&IB are already in operation, with the latter still needing important financial and technical support that the Government expects to receive from the IDB and other donors. The specialized land agency (LSC) will be fully established when the major reforms in management, record keeping and rent collection subsystems are in place.

A GOG coordinator for the MOA/IDB Agricultural Sector Programme, whose post will be funded by the Bank as part of the parallel technical cooperation programme will be appointed.

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Financial and technical support needed to implement Action Plans has already been arranged with the IDB and will be financed by the parallel technical cooperation programme, and the Government expects that strong coordination and monitoring is all that is required for the success of this operation. The policy components of the Programme have either been put in place or set in motion, and the Government expects the IDB to support implementation of what are necessarily long-run processes to overcome deficiencies accumulated over several years.



Minister of Finance



Minister of Agriculture

GUYANA
AGRICULTURAL SECTOR LOAN (GY-0016)
POLICY MATRIX

POLICY AREA		ACTIONS TO BE TAKEN PRIOR TO	
		Before First Tranche	Before Second Tranche
ISSUES	OBJECTIVES		
MACROECONOMIC FRAMEWORK			
Appropriate macroeconomic environment is required to support the reforms in the agricultural sector, in particular: free markets for products and the exchange rate. Price and change-rate controls discouraged production before the ERP.	Maintain an economic environment enabling an outward oriented economy with market incentives to the private farming sector.	A macroeconomic framework consistent with the agricultural sector reforms has been maintained, as monitored by the Bank and IMF 1994/96 ESAF.	A macroeconomic framework consistent with the agricultural sector reforms has been maintained, as monitored by the Bank and new ESAF agreement with IMF.
ENVIRONMENTAL POLICY			
Legal and Regulatory Environmental Framework			
Environmental framework lacks modern legislation required to promote sustainable development. Foreign markets for gold and forestry are subject to constraints derived from a low capacity for environmental management. Lack of a legal and institutional framework for the management of toxic agrochemicals is a health risk and may also affect access to external markets.	(a) create an Environmental Protection Agency. (b) implement Board for control and management of agrochemicals, to be created by new Toxic Chemicals Control Act.	(a) The GOG will submit to Parliament the Environmental Protection Bill. b) Preparation of draft for the Pesticides and Toxic Chemicals Control Bill.	(a) Environmental Protection Agency has been established. (b) Pesticides and Toxic Chemicals Control Board is in operation.

POLICY AREA		ACTIONS TO BE TAKEN PRIOR TO	
		Before First Tranche	Before Second Tranche
ISSUES	OBJECTIVES		
I. TRADE AND PRICING POLICY IN RICE AND FISCAL CHANGES			
Legal and Regulatory Framework			
<p>Commodity trade liberalization policy for rice rendered the 1985 Rice Act obsolete. The Act provided for quantitative restrictions on exports and gave the Guyana Rice Export Board (GREB) the role of regulator, state trader and quality inspector. The National Paddy and Rice Marketing Center (NPRGC) also was inherited from past policies, and government grading was not acceptable in buying countries, leading to delays in payments to farmers.</p> <p>Ineffective and potentially costly elements of export intervention policies still remain in the regulatory framework. Rice exporters have to fill out an Application for Export License, wasting time and resources and serving no beneficial purpose. The requirement is included in the 1974 Trade Order, and it has already been discontinued for most agricultural products.</p>	<p>(a) Adjust the legal-regulatory framework to reflect the new policies and consolidate trade liberalization in the rice industry. Replace the GREB and the NPRGC with a new agency with strong private sector participation (including millers and farmers), able to keep focus on long-run policies to increase competitiveness of Guyana's rice.</p> <p>(b) Eliminate export licensing required by 1974 Trade Order for rice and rice products.</p>	<p>(a) Implementation of 1994 amendments to the Rice Act. Elimination of GREB and NPRGC, and creation of a Rice Development Board.</p> <p>(b) Cabinet decision to remove export licensing required by 1974 Trade Order for rice and rice products.</p>	<p>(a) Provide evidence that the GRDB is operating in a satisfactory manner. Key factors to be monitored are that the GRDB: (i) has not imposed quantitative restrictions on rice-exports; (ii) has not been engaged in rice-trade; (iii) has promoted operation of internationally acceptable rice-graders; (iv) is operating with high standards of cost-effectiveness, satisfaction from the private sector and increased cost-sharing with the private sector in research and extension activities.</p> <p>(b) Provide evidence that no licensing requirement has been added for exporting rice and rice-products.</p>

POLICY AREA		ACTIONS TO BE TAKEN PRIOR TO	
		Before First Tranche	Before Second Tranche
ISSUES	OBJECTIVES		
Rice Export Taxes and Fees			
<p>While lower quality rice (proxied by price) is not taxed, high quality rice is taxed progressively. The regime provides incentives for under-voicing. The GOG wishes to tax non-CARICOM rice exports, so as to capture more of the rent received by exporters under the Lomé convention reduced tariff, while there is a preferential market access generating a rent; and export taxes do not eliminate competitiveness.</p> <p>GREB charges all rice exports a 2% fee for services such as: export licensing, export price approval and quality inspection fee from the NPRGC. GREB and NPRGC should be eliminated. However, a charge is needed to finance promotional activities agreed with the private sector, under a rice Board.</p>	<p>(a) Eliminate anti-quality bias from export taxation, while making the changes revenue neutral.</p> <p>(b) Ensure that the charge for a Rice Board does not introduce the same ad-valorem bias that is to be eliminated from rice export taxes, and that the new system does not require expensive control of export values by the Board.</p>	<p>(a) Cabinet approves a revenue-neutral uniform specific tax of US\$ 6/mt, to be applied to all non-CARICOM rice exports.</p> <p>(b) GRDB approves a revenue neutral uniform specific fee or commission, of no more than US\$6/mt for all rice exports.</p>	<p>(a) MOF proposes a system to capture more of the rents generated by preferential access to rice markets taking into account the financial viability of farms and the international competitiveness of the rice industry.</p> <p>(b) no new fees or commissions have been added to rice exports.</p>

POLICY AREA		ACTIONS TO BE TAKEN PRIOR TO	
		Before First Tranche	Before Second Tranche
ISSUES	OBJECTIVES		
1. AGRICULTURAL DRAINAGE AND IRRIGATION POLICY			
<p>D&I and sea-defences are deteriorated and in continuous need for rehabilitation.</p> <p>The extreme decentralization that evolved as a piecemeal solution and was promoted during the last decade has failed. Institutional responsibilities are fragmented and overlapping, inhibiting unnecessary complexity, lack of a central policy thrust, little long-term planning, coordination or environmental monitoring.</p> <p>The multi-layered legal and institutional structure regulating drainage, irrigation and flood control (D&I) comprises 19 pieces of legislation involving 10 agencies.</p>	<p>(a) Centralize policy, planning, regulatory and normative responsibilities in a single national agency, and consider the possibility of a joint drainage and irrigation and sea-defences authority.</p> <p>(b) Review and update the entire legal-institutional framework for the hydraulic system.</p>	<p>(a) Legislation approved to establish a central national entity responsible for D&I, centralizing normative policy roles. Cabinet Policy Directive to this entity, promoting water users associations in at least two regions, cost-recovery, better operational coordination among authorities at different levels, and increased responsibility for local communities and user associations.</p> <p>(b) Agreement on an action plan to review and update water control legislation, emphasizing the necessary institutional coordination for D&I and sea-defences.</p>	<p>(a) Satisfactory performance <u>1/</u> of the new D&I agency.</p> <p>b) Agreement on legislation to update water control legislation, and institutional proposal to manage D&I and sea-defences, submitted to Parliament.</p>

1/ Benchmarks for defining "satisfactory" performance have been defined in Annex I-4.

POLICY AREA		ACTIONS TO BE TAKEN PRIOR TO	
		Before First Tranche	Before Second Tranche
ISSUES	OBJECTIVES		
<p>Farmers are almost completely separated from the public sector providers of D&I services. The GOG wants to follow a policy of promoting water user associations and enhancing local government participation, with the purpose of improving the sustainability of systems while evaluating the relative performance of water user associations and local government authorities.</p> <p>There is no fiscal system of revenues to ensure financially sustainable operation of the hydraulic infrastructure.</p>	<p>(c) Start demonstration experiences with water-user associations, and effective definition of responsibilities at different levels of authority.</p> <p>(d) To ensure the long run financial sustainability of the drainage and irrigation system</p>	<p>(c) Agreement on an action plan to design and initiate implementation of development of water user associations in one region.</p> <p>(d) Terms of Reference for the fiscal study submitted to the Bank.</p>	<p>(c) Satisfactory progress in organising water user associations for the operation and maintenance of secondary D&I systems in at least two regions.</p> <p>(d) Provide evidence that implementation of a policy to enhance fiscal accounts has been initiated, targeting fiscal charges on inputs and services. The new policy will attend to the long-run financial sustainability of the D&I-Sea Defenses hydraulic system. Factors to be monitored include: (i) Guyana's fiscal situation and forecasts; (ii) expected costs to maintain and operate national, regional and local components of the D&I system; (iii) financing of recurrent costs, including increased administration by local communities and users of secondary/tertiary components.</p>

POLICY AREA		ACTIONS TO BE TAKEN PRIOR TO	
		Before First Tranche	Before Second Tranche
ISSUES	OBJECTIVES		
PUBLIC LAND ADMINISTRATION AND REGULARIZATION OF TENURE			
Pricing and Administration of Public Agricultural Lands			
<p>Public leasehold rents are fixed well below rental values in the informal land market, creating arbitrary economic rents, promoting informality, and making land administration financially infeasible.</p> <p>Leasehold rent pricing and associated lack of information have resulted in extremely weak land administration capabilities from the Lands and Surveys Department (LSD). The agency cannot perform regulatory and administrative functions, generate the revenues it should be generating for the GOG.</p>	<p>Adjust leasehold rents towards market-based values. This should be done in two steps, given the lack of basic information that precludes immediately approaching market values for all types of land.</p> <p>Creation of a semi-autonomous Lands and Surveys Commission (LSC), even though the agency cannot be fully established until major reforms in management, record keeping and rent collection subsystems are in place.</p>	<p>(a) Cabinet decision for initial adjustment of leasehold rents affecting all public agricultural leases in irrigated coastal lands. Adjusted rent is set at an average of at least \$G1000 per acre/year.</p> <p>(b) Agreement on Action Plan to establish market-based leasehold rents by homogeneous regions in all agricultural lands.</p> <p>(a) Cabinet decision to establish LSC as semi-autonomous body. Agreement on an institutional development Action Plan for organizing the LSC with new salary and management structures, and increased enforcement capabilities.</p>	<p>(a) Satisfactory progress in improving rent-collections. A computerized lease billing and collection system in operation, and leases issued one year after first disbursement reflecting new rental rate schedule.</p> <p>(b) Satisfactory progress in executing the Action Plan including a process for determining market-based rental rates, approved by the Bank, established and in operation.</p> <p>(a) Action plan implemented, with LSC legally established, key positions filled, paying competitive salaries, and clear mission-statement and business plan in operation.</p>
Land Tenure Regularization			
<p>Only 10% of all lands and 50% of coastal lands are titled. Backlogs of leases and cases of incomplete titling to freeholds have to be addressed to improve secure rights in current leaseholds and freeholds. While uses and conditions make public leases acceptable to farmers (if long-run, secure and effectively managed), Guyana also admits full private property. The GOG is prepared to deliver full title to bona fide farmers. The legal framework and processes need support and streamlining.</p>	<p>(a) Review and update all land legislation, with focus on ensuring secure land tenure and eliminating constraints to registering land in the Land Registry System.</p> <p>(b) Design a plan to improve security of tenure in both leasehold and freehold properties and for titling freehold property.</p>	<p>(a) Agreement on action plan to update land legislation, including amendments to enable the removal of constraints on registering land in the Land Registry system.</p> <p>(b) Agreement on action plan to design a plan of freehold titling based on the conversion of leasehold agricultural land to freehold property, and regularisation of tenure in leasehold and freehold properties.</p>	<p>(a) Satisfactory progress in implementing action plan, to update land legislation including amendments to remove constraints on registering land in the Land Registry system.</p> <p>(b) Satisfactory progress in implementing action plan.</p>

POLICY AREA		ACTIONS TO BE TAKEN PRIOR TO	
		Before First Tranche	Before Second Tranche
ISSUES	OBJECTIVES		
REHABILITATION INVESTMENTS			
<p>The NDIB has preliminarily identified a plan to rehabilitate basic structures that are limiting the effectiveness of the D&I systems, causing economic losses and creating environmental hazards (flooding, intrusion of saline water, spread of vectors for human diseases).</p>	<p>Ensure funding and execution of simple basic D&I primary works to improve water control systems.</p>	<p>MOF agrees to allocate resources to fund implementation of rehabilitation investments in accordance with action plan.</p>	<p>Satisfactory progress of action plan implementation.</p>

GUYANA

AGRICULTURAL SECTOR LOAN
(GY-0016)

POLICY CONDITIONS

Set forth below is a list of conditions which are to be fulfilled by the borrower to the Bank's satisfaction prior to the release of the first and second tranche of the loan:

I. CONDITIONS TO BE FULFILLED PRIOR TO THE RELEASE OF THE FIRST TRANCHE

A. Macroeconomic framework

- 1.1 A satisfactory macroeconomic performance consistent with the objectives of the program.

B. Environmental policy

- 1.2 The government will submit to parliament the Environmental Protection Act.
- 1.3 The preparation of drafts for the Pesticide and Toxic Chemicals Control Act.

C. Trade and pricing policy in rice and fiscal changes

- 1.4 The implementation of 1994 amendments to the Rice Act. Elimination of Guyana Rice Export Board ("GREB") and the National Paddy and Rice Grading Center ("NPRGC") and creation of the Guyana Rice Development Board ("GRDB").
- 1.5 The repeal by cabinet of the export licensing requirement on rice and rice products exports imposed by the 1974 Trade Order.
- 1.6 The approval by cabinet of a revenue-neutral specific tax of US\$6/mt. on all non-CARICOM rice exports.
- 1.7 The approval by GRDB of revenue-neutral uniform specific fee or commission, of no more than US\$6/mt for all rice exports.

D. Agricultural drainage and irrigation policy

- 1.8 The enactment of an Act that creates a central national entity responsible for drainage and irrigation ("D&I").
- 1.9 The approval by cabinet of a Policy Directive, the purpose of which is to promote water user associations in at least two regions, cost-recovery and better operational coordination among authorities at different levels and increased responsibility and accountability

for local communities and user associations in the management and administration of the D&I system.

- 1.10 The approval by MOA of an Action Plan, the purpose of which is the review and update of water control legislation, emphasizing the necessary institutional coordination for drainage and irrigation and sea defences.
- 1.11 The approval by MOA of an action plan, the purpose of which is the design and initial implementation of water user associations for at least one region.
- 1.12 The submission of terms of reference for the fiscal study to the Bank.

E. Public land administration and regularization of tenure

- 1.13 The approval by cabinet of an immediate initial annual leasehold rent adjustment for all current land and surveys agricultural leases in irrigated coastal lands, set at an average of at least G\$1000 per acre/year.
- 1.14 The approval by the MOA of an Action Plan, the purpose of which is the establishment of market-based leasehold rents by homogeneous regions in all agricultural lands.
- 1.15 The approval by cabinet of the creation of the Lands and Surveys Commission ("LSC"), a semi-autonomous agency.
- 1.16 The approval by MOA of an Action Plan, the purpose of which is to organize the LSC with new salary and management structures and increased enforcement capabilities.
- 1.17 The approval by MOA of an Action Plan, the purpose of which is to update land legislation including amendments that enable the removal of constraints on registering land in the Land Registry System.
- 1.18 The approval by MOA of an Action Plan the purpose of which is the design of a program of freehold titling based on the conversion of leasehold agricultural land to freehold property, and regularization of tenure in leasehold and freehold property.

F. Rehabilitation investment

- 1.19 The MOF agrees to allocate resources to fund implementation of rehabilitation investment in accordance with the Action Plan approved by MOA.

II. CONDITIONS TO BE FULFILLED PRIOR TO THE RELEASE OF THE SECOND TRANCHE

A. Macroeconomic framework

- 2.1 A satisfactory macroeconomic performance consistent with the objectives of the program.

B. Environmental policy

- 2.2 The Environmental Protection Agency has been established.
- 2.3 The Pesticides and Toxic Chemicals Control Board is in operation.

C. Trade and pricing policy in rice and fiscal changes

- 2.4 Evidence that the Guyana Rice Development Board (the "GRDB") is operating in a satisfactory manner. Key factors to be monitored are the GRDB: (i) has not imposed quantitative restrictions on rice exports; (ii) has not engaged in rice trade; (iii) has promoted the operation of internationally acceptable rice-graders; and (iv) is operating with high standards of cost effectiveness and increased cost sharing with the private sector in research and extension activities.
- 2.5 The satisfactory verification of the effectiveness of the borrower's policy of not imposing export licensing requirements or alternate mechanisms of a similar nature, on rice and rice products exports.
- 2.6 The proposal by the MOF of a system to capture more of the rents generated by preferential access to rice markets taking into account the financial viability of farms and international competitiveness of the rice industry.
- 2.7 The satisfactory verification that no new fees or commissions have been added to rice exports.

D. Agricultural drainage and irrigation policy

- 2.8 The satisfactory performance of the new D&I agency.
- 2.9 The satisfactory completion of the drafting of legislation, the purpose of which is to modernize water control laws and propose a new institutional framework to manage D&I and sea defences, submitted to parliament.
- 2.10 The satisfactory progress in organizing water user associations for the operation and maintenance of secondary D&I systems to those organizations in at least two regions.
- 2.11 The initiation of the implementation of a policy to enhance fiscal accounts targeting fiscal charges on inputs and services.

E. Public land administration and regularization of tenure

- 2.12 The satisfactory improvement of the collection of leasehold rents in irrigated costal lands. For the purposes of this paragraph, "improvement of the collection" shall be deemed to include the establishment of a computerized lease billing and collection system and the adoption of new rental schedule for new leases issued one year after first disbursement.
- 2.13 The satisfactory execution of the Action Plan, the purpose of which is to establish market-based leasehold rents by homogeneous regions in all agricultural lands.
- 2.14 The satisfactory execution of the Action Plan, the purpose of which is to organize the LSC with new salaries and management structures and increased enforcement capabilities.
- 2.15 The satisfactory execution of the Action Plan, the purpose of which is to update land legislation, including an amendment that enables the removal of constraints on registering land in the Land Registry System.
- 2.16 The satisfactory execution of the Action Plan, the purpose of which is the design of a program of freehold titling based on the conversion of leasehold agricultural land to freehold property and regularization of tenure in leasehold and freehold property.

F. Rehabilitation investment

- 2.17 Progress in action plan the purpose of which is the execution of basic drainage and irrigation primary works, in accordance with the agreed upon schedule.

**BENCHMARKS AND EVIDENCE REQUIRED
FOR ASL ACTION PLANS AND PARALLEL TC PROGRAMME (1996-1998)**

COMPONENTS	First Phase (Months 1-18) With goals mainly tied to compliance with ASL second tranche conditions	Second Phase (Months 19-36) TC programme goals related to endurance of policy reforms
Environmental, legal and regulatory framework	<p><i>ASL second tranche evidence.</i> Environmental Protection Agency (EPA) legally established according to the National Environmental Protection Act.</p> <p>TC benchmark. Minister establishes agricultural environmental standards for D&I, land management and the management of toxic agrochemicals and a plan for implementation of said norms.</p> <p><i>ASL second tranche evidence.</i> Board for controlling toxic agrochemicals established and in operation, according to the Pesticides and Toxic Chemicals Control Act.</p>	<p>Plan implemented according to schedule.</p>
Management of toxic agrochemicals	<p>TC benchmark. Minister approves plan to train farmers in on-farm use of pesticides, including targets and schedule for implementation.</p> <p>TC benchmark. Minister implements a system to update international information on toxic agrochemicals and to distribute information in Guyana.</p> <p>TC benchmark. Minister establishes norms and regulations of the use of toxic agrochemicals in agriculture.</p> <p>TC benchmark. Minister approves a plan, including targets and schedule, to fund activities in integrated pest management (IPM).</p>	<p>Training plan implemented according to schedule.</p> <p>Operation of the information system according to schedule.</p> <p>Implementation of plan to finance IPM activities according to schedule.</p>
Agricultural drainage and irrigation policy	<p><i>ASL second tranche evidence.</i> D&I Board completes execution of minor D&I rehabilitation works agreed for first tranche.</p> <p><i>ASL second tranche evidence.</i> Minister submits to Parliament legislation to consolidate and update water control legislation, according to Action Plan for New Drainage, Irrigation and Flood Control Legislation.</p> <p>TC benchmark. D&I Board approves plan and schedule to improve D&I operation and maintenance on 100% of the D&I system.</p> <p>TC benchmark. Minister of Finance approves D&I financial plan (fees and budgetary support needs) to cover all D&I operation and maintenance (O&M).</p> <p><i>ASL second tranche evidence.</i> D&I Board organizes operation and maintenance of secondary D&I systems in at least 5 water-user associations in Regions 3 and 5, and transfers systems to successful organizations.</p> <p>TC benchmark. D&I Board reports on a preliminary evaluation of experiences with water user associations and local authorities, including coordination between the D&I Board and regional authorities, according to Action Plan for Pilot Policy Reform (Institutional Reform and Water User Associations).</p> <p>TC benchmark. D&I Board approves master plan for D&I rehabilitation and terms of reference for rehabilitation studies and designs.</p> <p>TC benchmark. D&I Board approves plan to train: (i) farmers and extension agents in on-farm water use efficiency; (ii) D&I personnel in operations and maintenance of D&I systems; and (iii) D&I contractors on financial management, bidding for contracts, environmental and operational management during rehabilitations.</p> <p>TC benchmark. D&I Board establishes internal organizational structure and schedule to complete staffing for central and regional units.</p>	<p>New water control legislation approved by Parliament.</p> <p>Operation and maintenance plans executed according to schedule.</p> <p>D&I budget executed according to schedule.</p> <p>D&I Board approves plan and schedule to expand experiences to Regions 2, 4 and 6. D&I Board completes evaluation of experience in water user associations and coordination with regional authorities</p> <p>Minister of Finance starts negotiations with funding sources to finance D&I capital works rehabilitation and D&I Board completes feasibility studies and designs for the rehabilitations of D&I capital works. Implementation of training programme for on-farm water use efficiency according to schedule.</p> <p>Plan to complete staffing of D&I Board and regional units implemented according to schedule.</p>

**BENCHMARKS AND EVIDENCE REQUIRED
FOR ASL ACTION PLANS AND PARALLEL TC PROGRAMME (1996-1998)**

COMPONENTS	First Phase (Months 1-18) With goals mainly tied to compliance with ASL second tranche conditions	Second Phase (Months 19-36) TC programme goals related to endurance of policy reforms
Pricing and administration of public agricultural lands	<p><i>ASL second tranche evidence.</i> Minister establishes a standard agricultural lease, according to Action Plan for Increasing Land Rents, and reports on the status of land legislation to convert all leases to statutory leases.</p> <p><i>ASL second tranche evidence.</i> Minister establishes: (i) a process to determine market values for public land by homogeneous areas in the coastal plain; and (ii) instructs Commissioner of Lands and Surveys to implement a schedule for updating and collecting rents including benchmarks, according to Action Plan for Increasing Land Rents.</p> <p><i>ASL second tranche evidence.</i> Commissioner of Lands and Surveys implements a rent billing and collection system, with computers installed, digital file of existing leases and staff trained, according to Action Plan for Increasing Land Rents.</p> <p><i>ASL second tranche evidence.</i> Minister establishes the Lands and Surveys Commission according to Lands and Surveys Commission Act, appoints the LSC Board of Directors, establishes the internal organizational structure, and approves the Business Plan according to Action Plan for Strengthening the Lands and Surveys Commission.</p>	<p>All leases granted one year after first disbursement issued using standard agricultural lease.</p> <p>Rents collected according to schedule.</p> <p>Billing and collection system fully operational and continual maintenance of lease records.</p> <p>LSC fully staffed according to agreed internal structure, qualification level and salary structure.</p>
Land tenure regularization	<p><i>ASL second tranche evidence.</i> Minister of Legal Affairs submits to Parliament legislation to amend Land Registry Act, according to Action Plan for Eliminating Legislative Barriers.</p> <p><i>TC benchmark.</i> Minister approves draft updating and consolidating all land legislation.</p> <p><i>ASL second tranche evidence.</i> LSC completes 1,000 surveys to reduce backlog of provisional leases, according to Action Plan for Land Tenure Regularization.</p> <p><i>TC benchmark.</i> Minister develops procedures for public review and appeal in the allocation of public land.</p> <p><i>ASL second tranche evidence.</i> Minister approves freehold criteria, five year plan for converting leasehold agricultural land to freehold property and declares three (3) new land registration areas, according to Action Plan for Land Tenure Regularization.</p> <p><i>ASL second tranche evidence.</i> Minister approves guidelines for land rights adjudication (in collaboration with Land Court), and plan for systematic tenure regularization on leasehold land and freehold property which includes a cost sharing agreement with freehold owners, according to Action Plan for Land Tenure Regularization.</p>	<p>Revised land legislation submitted to Parliament.</p> <p>LSC eliminates backlog of lease applications and grants an additional 1,500 leases to farmers.</p> <p>Public review and appeal process in place.</p> <p>Initial implementation of plan to convert leaseholds to freehold property, according to agreed schedule.</p> <p>Tenure regularized for 2,000 freehold farmers and land rights registered as Certificates of Title. Completed aerial survey and base maps of coastal and riverain agricultural lands.</p>
Policy coordination	<p><i>TC benchmark.</i> Minister defines priorities for sectoral economic policy, focussing on integration of D&I and land issues</p>	<p>Agreed policy recommendations implemented.</p>

AGRICULTURAL SECTOR LOAN

GUYANA (GY-0016)

PLAN OF OPERATIONS

EXECUTIVE SUMMARY

BORROWER: Republic of Guyana

EXECUTING AGENCY: Ministry of Agriculture

BENEFICIARIES: Ministry of Agriculture, Drainage and Irrigation Board, Lands and Surveys Commission

AMOUNT AND SOURCE: IDB:
Non-reimbursable
technical cooperation: US\$2,500,000 (SF)
Technical cooperation loan: US\$4,100,000 (SF)
Local counterpart funding: US\$ 739,000
Total: US\$7,339,000

**TERMS AND
CONDITIONS FOR
THE TECHNICAL
COOPERATION LOAN:** Amortization period: 40 years
Grace period: 10 years
Disbursement period: 3 years
Interest rate: 1% p.a. for first 10
years, 2% p.a.
thereafter
Inspection and supervision: 1%
Credit fee: 0.5% p.a.

OBJECTIVES: Objectives are: (i) to finance the actions needed to implement the policy reforms proposed under the Agricultural Sector Loan (ASL); (ii) to strengthen the capacity of the Ministry of Agriculture (MOA), Drainage and Irrigation Board (NDIB) and Land and Surveys Commission (LSC) to ensure that ASL supported policy reforms endure in the medium and long-run; and (iii) complete a master plan for rehabilitation of capital drainage and irrigation (D&I) works, and prepare feasibility studies and designs for priority rehabilitations.

DESCRIPTION: The Ministry of Agriculture will be supported with a technical cooperation programme (a technical cooperation loan and a non-reimbursable technical cooperation), to improve its policy formulation and coordination capacity; develop sectoral norms and

regulations linked to national environmental policies; develop and implement regulations for handling pesticides; train for on-farm management of toxic agrochemicals; and coordinate the implementation of the technical cooperation programme.

Consulting services are included to support implementation of six action plans that have been agreed in compliance with ASL first tranche: (i) draft an updated drainage, irrigation and flood control legislation; (ii) initiate in one region a demonstration policy reform programme (institutional reform and water user associations); (iii) develop the Lands and Surveys Commission; (iv) increase land rents; (v) draft amendments to land legislation, with focus on removing constraints to modern leasehold arrangements and the conversion of leasehold land to freehold property; and (vi) regularize land tenure, supporting the government in leasehold and freehold titling in selected areas.

The Drainage and Irrigation Board will be supported in water-policy planning; demonstration experiences with water user associations, their evaluation and expansion of the area covered by them; drafting a master plan for rehabilitating drainage and irrigation (D&I) works and complete studies and designs for rehabilitation of capital works, as well as improving internal administration of the agency, operation and maintenance of D&I systems, and cost-recovery. Advisory services are also included for the government to increase generation of fiscal revenues from input pricing. This will be done in the context of defining a long-run policy to finance water control systems (D&I and sea-defenses), including cost-recovery and user responsibility for operation and maintenance.

The technical cooperation programme will finance the contracting of consulting services and purchase of equipment and inputs. The budget will be executed through annual operating plans, to be monitored semi-annually.

**ENVIRONMENTAL
CLASSIFICATION:**

The Environmental Committee, at its meeting of September 1, 1994, classified the ASL as a Category III operation. The government implemented the Environmental Consultation for the ASL, and the Environmental Committee approved the Environmental Report on November 14, 1995, making recommendations that have been included in the ASL and will be implemented with support from the technical cooperation programme.

BENEFITS:

The ASL addresses policy improvements in water control services (drainage and irrigation) and land administration, as a means to expand and consolidate economic gains that have resulted from the liberalization of markets for agricultural products and foreign exchange.

The principal direct benefits of the technical cooperation programme are to facilitate the development of agencies, legislation, and farmer participation, to implement modern D&I and land policies.

Agencies involved will develop their technical capacity to analyze, formulate, evaluate and implement policies, promoting equity and improving the control and management of water and land resources.

Additionally, linkages will be established between the MOA and the Environmental Protection Agency, to ensure sectoral implementation of national environmental guidelines; regulations on the use of pesticides will be developed; and on-farm management of toxic agrochemicals will be improved.

RISKS:

The main risk of the technical cooperation programme relates to non-compliance with the set of conditions agreed under the ASL, due to delays in policy execution. Conditions require primarily the approval of new legislation for land and water control, establishment of the semi-autonomous Lands and Surveys Commission, collection of market based land rents, regularization of land tenure, implementation of a system to ensure the long-run financial viability of the drainage, irrigation and sea-defenses structure, and execution of a plan to implement basic D&I rehabilitations. All these are decisions to be led by the Minister of Agriculture, in coordination with the Minister of Finance and with support from the two agencies responsible for implementing water control and land policies.

Another factor of risk might be delays in procurement of the consulting services. To minimize this, procurement packages for consulting services have been reduced, and support for the MOA to facilitate procurement is also included.

**THE BANK'S
COUNTRY AND
SECTOR STRATEGY:**

A central element of the Country Paper (CP) is a strategy to alleviate Guyana's external debt burden.

The ASL addresses the debt issue on two counts: (i) as a balance of payments loan; and (ii) supporting measures that point towards long-run sustainability of production and exports.

The CP also defines a strategy to improve the policy formulation framework, and identifies agriculture as a sector for priority support. The ASL establishes an improved policy framework for supporting agriculture. The ASL land-administration component, which would improve bankable land-rights, should also facilitate the full effectiveness in agriculture of the recently approved financial sector loan (956/SF-GY). Environmental conditions are fully consistent with a TC under preparation (TC/95-04-39-2-GY) for the establishment of an Environmental Protection Agency (EPA).

**SPECIAL
CONTRACTUAL
CONDITIONS:**

The Agreement for the Technical Cooperation Programme, will contain:

a. conditions prior to the first disbursement. The presentation of evidence satisfactory to the Bank that: (i) policy conditions corresponding to the first tranche of the ASL have been met; (ii) the head of the Office for Policy Coordination, and all staff of said Office have been hired, including the procurement expert and the local environmental consultant; (iii) final terms of reference for the two short-term international environmental consultants needed during the first year of operation; (iv) final terms of reference for the long-run consulting services on Drainage and Irrigation Management, and Land Administration and Regularization of Tenure, and initiation of the procurement process for these two services; and (v) the first annual operating plan.

b. within 6 months of first disbursement. Present to the satisfaction of the Bank: (i) evidence that the two long-run consulting services for Drainage and Irrigation Management, and Public Land Administration and Tenure Regularization, have been hired; and (ii) the training plan for on-farm management of pesticides.

c. within 12 months of first disbursement. Present evidence satisfactory to the Bank that: (i) the system to update international information on toxic agrochemicals is in operation; and (ii) the training

plan for on-farm management of pesticides has been initiated.

d. within 18 months of first disbursement. Present evidence satisfactory to the Bank that Drainage and Irrigation Board has established, in coordination with the Environmental Protection Agency, standards for D&I contractors to specify in their tenders measures to reduce potential negative impacts at all stages of their operation in D&I rehabilitation.

e. other conditions. (i) Before October 31st of each year, presentation of the annual operating plan for the technical cooperation, detailed by semester. (ii) Before the end of April and October of each year, presentation of semiannual reports. The semi-annual reports will include specific references to the evolution of benchmarks included in Annex I-4.

I. BACKGROUND

- 1.1 The Government of Guyana started the economic recovery of the country with policies that liberated the price for rice, freed the foreign exchange market and privatized rice-mills. Strong growth in production, exports and farm incomes has resulted, and the government is now focusing on completing the liberalization of rice markets and expanding the economic adjustment to factor markets.
- 1.2 Agricultural policy in Guyana covers a wide range of objectives, including equity, environmental and gender considerations. A major focus of agricultural policy is on removing obstacles to further growth and facilitating the transition to an international market where Guyana may lose the price advantages it currently has for its main export crops. In this respect, in addition to the maintenance of a stable macroeconomic framework supportive of development, four issues assume a strategic role: (i) improving environmental policies; (ii) completing liberalization in rice trade and rice taxation; (iii) increasing the financial sustainability, quality and reliability of D&I services; and (iv) enhancing public land administration and regularizing tenure to ensure land rights.
- 1.3 Some policy obstacles to rice expansion remained even after the 1988 economic liberalization (taxation and trade regimes, and institutional arrangements inherited from a period of government intervention and control), and most of these have already been removed under the ASL. However, institutional support is still needed to comply with second tranche conditions, and start processes to consolidate environmental control and policy planning at the Ministry of Agriculture and key agencies directly involved in ASL policies (NDIB and LSC). As a main product of the technical

cooperation programme, these agencies should be able to sustain the ASL policy changes, and have in place the management and basic information systems required to access external financing to further expand their operations (particularly relevant in the case of major D&I rehabilitations that are required in Guyana).

1. Environmental policy

- 1.4 The legal framework for natural resources management as well as protecting the environment is outdated. In the context of ASL policies, the Environmental Protection Bill will be presented to Parliament, and a Pesticides and Toxic Chemicals Control Bill will be introduced. Attention has to be directed to the institutional support for these new legislative measures, as well as the development of effective public awareness and public participation. New legislative measures will require the early promulgation of regulations, including those addressing quality of management in storage, transportation, use and disposal of pesticides.
- 1.5 Under ASL supported policies, agriculture and more intensive cultural practices will expand. These results may include increased use of agricultural chemicals in general, and pesticides in particular. The expansion of the agricultural sector in Guyana has indeed been accompanied by increased use of pesticides and other agricultural chemicals, including a broader range of active ingredients and brand names. Problems already detected in Guyana, although never fully quantified or compared to other environmental and health hazards, include indiscriminate use with consequent residual contamination of food and environment, resistance to pesticides and fungicides, rising incidence of poisoning of workers, inappropriate marketing practices by dealers, misleading advertising, inappropriate labelling, and poor quality products. Additional potential problems arise when irrigation, or particularly drainage water is used for domestic-water purposes.
- 1.6 A system is not yet in place to update the evolving international information, or ensure that pests and treatments are identified coherently both in terms of international information and common names used by local farmers.

2. Rice export taxes and fees

- 1.7 Under the ASL, the GOG has simplified taxation and commissions on rice exports. However, the fiscal system still relies on export taxation, while D&I services and public land are highly subsidized. The GOG wants to explore the possibility of capturing more of the rent generated by preferential access of rice to the European markets, as long as this protection is available and the competitiveness of rice exports is not affected. A revised fiscal system is required to address rice taxation, input pricing, farmer participation and long-run financial sustainability of drainage, irrigation and sea-defenses.

3. Agricultural drainage and irrigation policy

- 1.8 Guyana is highly reliant on its complex hydraulic system, including the access roads, which were built on dams when canals and drains were excavated. Low-lying land, sea-defenses, and D&I are the keystones of Guyana's agriculturally based economy. This infrastructure: (i) keeps seawater from covering agricultural lands and urban areas; (ii) protects flat agricultural lands from floods accompanying torrential rains, by means of dikes and shallow reservoirs (conservancies); (iii) stores and delivers water for irrigation; (iv) drains or pumps excess water from irrigation and storm runoff from farmlands into the sea, through sluice gates; and facilitates access to farms.
- 1.9 The system is in serious state of disrepair. A farm survey conducted during the preparation of the ASL indicates that the state of D&I systems is by far the foremost cause of farmer discontent. Only 15% of farmers interviewed were satisfied with drainage systems, and only 11% with irrigation systems. A preliminary master plan of rehabilitations for the next twenty years was prepared recently, amounting to an estimated US\$68 million. However, this master plan needs to be reviewed in terms of economic returns and priorities of the farming community.
- 1.10 The mechanisms currently in place for cost-recovery generated in 1994 only 15% of collection targets. The prevailing (modal) annual D&I fee targeted for collection in 1994/95 is less than US\$5 per acre/year. Fees are calculated to cover 90% of variable costs (incorporating a 10% subsidy on variable costs, under the assumption that the rate of collection will be a 100%). Exclusion of all administrative costs, and no attempt at recovering capital costs (usually funded with external loans and grants), define a background of financial unsustainability, adding to fiscal gaps resulting from limitations in land taxation, and low collection of land rents. A formal analysis of the fee required to sustain the system in the long-run is not available, although rates of about US\$18 per acre are frequently mentioned. This is the fee charged in Region 5, where D&I systems are in relatively good shape and the 60% rate of collection is the highest in the country.
- 1.11 D&I management structure is based on over 19 pieces of legislation, mostly outdated, and extremely complex. It includes responsibilities for Hydraulics Department (HD-MOA), Local Authorities (LA), Regional Democratic Governments (RD), conservancy authorities and a special authority in one region. Since the amendment of the Drainage and Irrigation Bill in 1994, the NDIB has been absorbing all functions for the care, maintenance and management of primary D&I. The NDIB, which is completing its organization and defining sources of financing, needs substantial support in internal management, budgeting, planning, operation and maintenance, and promotion of water user associations, to become an effective instrument for policy implementation.

4. Public land administration and regularization of tenure

- 1.12 Agricultural development and farmer investments are also hampered by a lack of reliable legal documentation of land rights, a backlog of lease applications, poor management and administration of publicly owned land, and the low pricing of public lands. These conditions limit private investments, and constrain access to formal credit markets. The public sector does not capture relevant income from its assets, or relevant property taxes for the land transferred to the private sector. Substantial economic distortions in the leasehold market are primarily related to the current low land rental fees, combined with ineffective government land administration. Legal and administrative constraints also preclude the flow of land from the lease market to the freehold market.

5. Policy and implementation coordination

- 1.13 The MOA is very weak in most of its departments, lacking trained personnel and systems to ensure the long-run objectives of the ASL, and execute the technical cooperation programme. In particular, support is needed to ensure a coordinated policy focus for policies on D&I and land administration.
- 1.14 A centralized policy focus is required, because different agencies are responsible for D&I and land administration, although land, drainage, and irrigation are frequently joint services, usually required simultaneously for agricultural production in the coastal and riverain areas. The ASL requires financial sustainability, increasing D&I fees or land rents, which will also jointly affect farm accounts. Therefore, improved collection in land-rents, a better system to finance public goods components of D&I, and transferring to users the operation and maintenance of the secondary/tertiary components, should be analyzed jointly.

II. OBJECTIVES

- 2.1 The technical cooperation programme will support implementation of the policy reforms proposed under the Agricultural Sector Loan (ASL), and strengthen the capacity of the Ministry of Agriculture (MOA), Drainage and Irrigation Board (NDIB) and Land and Surveys Commission (LSC), to ensure that ASL supported policy reforms endure in the medium and long-run. It will also fund a master plan, feasibility studies and final designs for capital D&I rehabilitations.

III. DESCRIPTION OF AREAS FOR THE TECHNICAL COOPERATION PROGRAMME

- 3.1 Given the close relationship between the technical cooperation programme and the ASL, areas for technical cooperation are presented in what follows according to the four issue areas of the ASL: (i) environmental policies; (ii) trade and pricing policy in rice and fiscal changes; (iii) agricultural drainage and irrigation

policy; and (iv) public land administration and regularization of tenure.

A. Environmental policy

1. Legal and regulatory framework

- 3.2 The objective is to develop and monitor sectoral implementation of national environmental standards, in coordination with the Environmental Protection Agency, and with focus on D&I activities, land administration and pesticides, including training for on-farm management of toxic agrochemicals. This will be achieved through the following activities: (i) develop norms and regulations for environmental analysis of D&I operation, maintenance and rehabilitation; and (ii) develop norms and regulations for pesticide management. A local consultant will be hired to develop and monitor implementation of sectoral standards, supported by periodic missions (one month a year) of a specialized international consultant. Cost is estimated at US\$140,000.

2. Management of toxic agrochemicals

- 3.3 The objective is to develop a system to use updated information on toxic agrochemicals. Activities will be to: (i) develop a system to access updated international information on toxic agrochemicals, and translate it into local denominations known by users; and (ii) prepare and implement a training plan for on-farm management of pesticides, and ensure coordination and complementary funding for activities already being implemented in Guyana for integrated pest management. The local consultant indicated in the previous paragraph will carry on most of the activities, but a one-time specialized international consultant and funds to hire local consultants and trainers, and prepare instructional materials are required. Cost is estimated at US\$290,000.

B. Trade and pricing policy in rice and fiscal changes

1. Legal and regulatory framework

- 3.4 The objective is to support and monitor the performance of the GRDB. A specialized international consultant will provide this support and monitor the GRDB, including: (i) no imposition of quantitative restrictions on rice exports; (ii) no direct rice trade by the Board; (iii) promotion of the operation of internationally acceptable rice-graders; and (iv) general effectiveness and private sector participation in the operations of the Board. Cost for this consultant are included below, under policy coordination (section E of this Plan of Operations).

2. Rice export taxes and fees

- 3.5 Objectives are to propose and evaluate: (i) rice export taxes and revenues policies that capture the rent from accessing European rice markets, increase fiscal revenues from land rents and D&I

cost-recovery, and promote water user responsibility; and (ii) alternatives to implement a sustainable financial scheme for the hydraulic system that protects, drains and irrigates the coastal areas in Guyana. Proposals will have to be made in the context of fiscal system as a whole. Alternatives to be proposed will take into consideration the public (conservancies and main canals), and private goods (secondary irrigation and tertiary canals) components in the system, the present and foreseen recurrent costs, and potential revenues. Cost of consulting services is included under Agricultural Drainage and Irrigation policy (section C.1, D&I management, of this proposal).

C. Agricultural drainage and irrigation policy

1. D&I management

- 3.6 The NDIB will be supported to strengthen its core staff capacity in policy analysis and planning, administrative support services (accounting, procurement, contracting, and financial management), operation and maintenance (O&M), D&I systems rehabilitation, farmer participation in O&M through water user associations, cost recovery, and availability of feasibility studies to access external financing for D&I rehabilitation. Activities will focus on support to implement the ASL action plans to update water control legislation, generate initial experiences with water user associations, and produce alternatives to ensure long-run financial sustainability of the system. The total cost of this area is estimated at US\$1,800,000, to be financed by the Bank, as detailed in the following paragraphs.
- 3.7 This support will be directed toward complying with ASL conditions, and strengthen the NDIB, enabling it to sustain policy changes and access external financing for rehabilitating capital D&I works. Activities will include: (i) update water control legislation; (ii) develop experiences of policy reform and water user associations in Region 5; (iii) strengthen the administrative and organizational structure of the NDIB, especially for contracting, financial management and accounting; (iv) identify training needs of staff and farmers; (v) support definition of internal changes that may result from the proposal to ensure long-run financial sustainability of the hydraulic system, (vi) review the 20 year master plan for D&I rehabilitation; and (vii) support preparation of terms of reference for feasibility studies. Total cost is US\$800,000.
- 3.8 Longer run focused activities will underline institutional reform, increased farmer participation and improve cost recovery. Activities will: (i) evaluate experiences with water user associations and local communities and, based on that evaluation, replicate the formation of water user associations, based on experience gained during implementation of the ASL action plan; (ii) establish a process for O&M of primary elements of the D&I system, which includes routine assessment of maintenance and rehabilitation needs and support to private contractors for O&M and

rehabilitation; and (iii) provide training to selected staff and farmers through intensive short courses in Guyana, and for farmers and water users through demonstrations, field days and similar events, on an on-going basis. Support will include monitoring of progress in feasibility studies and designs for the rehabilitation of capital works and implementation of recommendations from fiscal studies indicated in the previous paragraph. Costs include training materials and expanded field activities, and is estimated at US\$1,000,000.

2. Feasibility studies and designs

- 3.9 Specialized consulting services will produce feasibility studies and final designs for the rehabilitation of D&I capital works, at an estimated cost of US\$1,025,000.

D. Public land administration and regularization of tenure

- 3.10 The technical cooperation programme has two major objectives in this area; adjust leasehold rents to market-based prices to partially support the establishment of a viable agency to administer public lands, and provide the legal, administrative and technical processes to secure land tenure. To achieve these objectives the focus is on two main issues: (i) pricing and administration of public agricultural lands, including institutional establishment of the Lands and Surveys Commission (LSC); and (ii) land tenure regularization. The total cost of this area is US\$2,844,000.

- 3.11 A socio-economic impact study will be preformed to analyze issues related to the value of secure land tenure and the linkages between land titling, D&I rehabilitation and agricultural production. Equipment and support staff resources are needed to execute the activities of the technical cooperation programme: (i) premises; (ii) specialized equipment to support cadastral surveys; (iii) computer equipment for the LSC; (iv) local technical assistance in the areas of land administration, land information management, land tenure, cadastral surveying and land registration; and (v) vehicles, boats and operational maintenance. The cost of these items is estimated at US\$598,100 and will be financed from a grant provided by the British Development Division in the Caribbean. Bank contribution of US\$2,245,900 is separated into activities as detailed in the following paragraphs.

1. Pricing and administration of public agricultural lands

a. Determining market-based rental rates on public agricultural land

- 3.12 The objective is to adjust leasehold rents towards market levels. Consulting services will assist the MOA in preparing a procedure for equitably determining and implementing new rental fees. Activities are planned to include: (i) review of public land laws, preparation of enabling legislation to convert all contractual

leases to statutory leases and remove legal barriers to increasing rents on public lands; (ii) preparation of a new standard agricultural lease; (iii) development of an administrative process for valuing agricultural land, setting new rates and billing and collecting rents; (iv) compilation of the necessary technical rationale to justify rental rates; and (v) prepare a map of public land rent regions. The estimated cost is US\$147,300.

b. Rent billing and collections system

- 3.13 The technical cooperation programme will support the organization of existing cadastral records, design of a computerized system for rent billing and collection, procurement of the equipment needed to implement the system and training of staff. The cost is US\$420,000.

c. Establish the LSC

- 3.14 Perform the legal, managerial and financial analysis needed to establish the LSC as a semi-autonomous body along the lines of a revenue-based budget, with competitive salaries, new management structure and increased enforcement capabilities. Consulting services will produce: (i) a statement of institutional objectives; (ii) a financial analysis and a budget for the LSC based on projections of revenue generated from public land rents, product and service fees, and a corresponding five year business plan; (iii) an organizational structure, including managerial and technical position descriptions; (iv) definition of external public and private sector organizational linkages and responsibilities; (v) definition of regulatory, enforcement and monitoring responsibilities and operations relating to land resources; (vi) identification and recommendations of a Board of Directors representing the government, private sector, community organizations and academia; and (vii) preparation of a Lands and Surveys Commission Bill to fully establish the LSC. The cost is estimated at US\$212,700.

2. Land tenure regularization

a. Review of land law and regulations

- 3.15 The objectives are to ensure legal and secure access to land and provide reliable evidence of land tenure. Consulting services will review land related legislation and accompanying administrative regulations, concentrating on eliminating legal barriers to adjudicating land disputes, registering land titles in the Land Registry system and using modern surveying techniques in parcel surveying and boundary demarcation, and where necessary, draft laws and regulations. The estimated cost is US\$98,500.

b. Converting leasehold land to freehold property

- 3.16 Assist MOA in developing freehold criteria necessary for determining bona fide farmers currently holding leases on public

agricultural land, developing a plan for granting freehold title to property to these individuals, and registering these property rights in the Land Registry system. The cost is US\$55,700.

c. Determining and registering land rights

- 3.17 The objective is to systematically reduce tenure insecurity and register land rights. Consulting services will complete a study to: (i) prioritize areas based on number of disputes, lack of documentation and insecure tenure arrangements; (ii) prepare guidelines for adjudication of land disputes; (iii) define a mechanism for public review and appeal in the process of allocating public lands; (iv) determine a cost sharing mechanism for surveying and titling on private lands; and (v) prepare a plan for systematic tenure regularization, issuance of titles and registration of documents. Based on this study MOA will select and qualify blocks of agricultural land as "land registration areas". The estimated cost is US\$98,700.

d. Aerial survey and mapping

- 3.18 Perform an aerial survey and prepare base maps of the coastal and riverain agricultural areas. The estimated cost is US\$390,000.

e. Cadastral surveying

- 3.19 Support leasing of public agricultural lands and regularization of land tenure: (i) establish the systems and procedures necessary to utilize modern and cost effective satellite-based surveying technology and provide appropriate training to government and private sector land surveyors; (ii) prepare and execute a systematic work plan of cadastral surveying. The cost is US\$823,000.

E. Coordination

1. Coordinating unit

- 3.20 The objective is to ensure implementation of the technical cooperation programme, timely procurement and liaison with the Bank. Activities will be geared to procurement and reporting. A senior local professional with experience in government policies, a procurement expert, one vehicle, computers, and office equipment are required. Estimated cost is US\$270,000.

2. Policy coordination

- 3.21 The Coordinating Unit will have the additional objective of providing support to establish and maintain a long-run coordinated policy focus at the MOA, starting with attention to ASL policies. This will be achieved producing semiannual reviews and periodic studies on D&I and land policies. Two local junior consultants will be hired, to be supported by short periodic missions of high-level consultants (two months per year). One vehicle, computers

and office equipment are included. The estimated cost is US\$300,000.

IV. EXECUTION

- 4.1 The executing agency of the technical cooperation programme will be the MOA, through a special coordinating unit to be established for this purpose: the Office for Agricultural Policy Coordination, which will also execute the activities included under the environmental component of the cooperation. The Office will be headed by a professional with experience in policy decisions in agriculture, who will report directly to the Minister of Agriculture. The chairpersons of the NDIB and LSC will be directly responsible to the Minister of Agriculture for activities included under Drainage and Irrigation and Land Administration components, respectively.
- 4.2 Three professional consulting services will be hired to execute the three most complex or specialized activities: (i) Drainage and Irrigation Management; (ii) feasibility studies and designs for capital D&I rehabilitation; and (iii) Public Land Administration and Regularization of Tenure. Services in subject areas (i) and (ii) have to start as soon as procurement is feasible, and the Agreement for the Technical Cooperation Programme will include special conditions to ensure their promptest availability.
- 4.3 The execution period of the technical cooperation programme will be three years, divided in two phases of 18 months each. The first activity is to appoint the staff of the coordinating unit. Activities of the coordinating unit during the first year will be geared to contracting the two major specialized consulting services (institutional support for the Drainage and Irrigation Board, and for the Lands and Surveys Commission), procure firms or individual consultants to deliver fiscal and environmental proposals, and ensure compliance with second tranche ASL conditionality.
- 4.4 The second phase will continue: (i) training for on-farm management of toxic chemicals, supporting integrated pest-management activities, and ensuring compliance of operations in agriculture with national environmental standards; and (ii) improving the policy formulation and implementation capacities of the NDIB and LSC. In the case of the NDIB, the second phase will evaluate initial experiences and expand activities to develop water user associations; develop feasibility studies for capital D&I rehabilitation; as well as execute training activities on D&I operation and maintenance, on-farm water control, and business operations by D&I contractors. The second phase for the LSC will eliminate backlogs of provisional leases, issue new leases on agricultural land, and initiate implementation of plans for converting leasehold land to freehold property, and tenure regularization.

A. Cost and financing

- 4.5 The total cost of the technical cooperation programme is US\$7,339,000, including 10% for contingencies. It is proposed that a non-reimbursable technical cooperation in the amount of US\$2,500,000 be included in this total, to be financed from the net income of the fund for special operations, and that a reimbursable loan in the amount of US\$4,100,000 be financed with FSO resources. The local counterpart is estimated at US\$739,000, out of which US\$598,100 will be covered by a grant from the British Development Division in the Caribbean.

Table I
Estimated costs (in US\$ thousands)

Cost Area	FINANCING			
	IDB NON-REIMBURSABLE TC (SF)	IDB REIMBURSABLE TC LOAN (SF)	LOCAL	TOTAL
Environmental policy	290,000	-	-	290,000
Agricultural drainage and irrigation policy	960,000	840,000	-	1,800,000
Designs and feasibility studies for D&I capital rehabilitations	515,000	510,000	-	1,025,000
Public Land Administration and Regularization of tenure	-	2,245,900	598,100	2,844,000
Coordination	510,000		60,000	570,000
Contingencies	225,000	404,000	65,900	694,900
Interest	-	59,100	-	59,100
Credit Fee	-	-	15,000	15,000
FIV	-	41,000	-	41,000
TOTAL	2,500,000	4,100,000	739,000	7,339,000

C. Monitoring

- 4.6 The technical cooperation programme will be executed on the basis of annual plans, with details by semesters, to be drawn up by the Office for Agricultural Policy Coordination, which will also compile the data provided to it by the chairpersons of the NDIB and LSC. The annual plans to be agreed with the Bank will include information on: (i) activities to be conducted during each semester; (ii) investments and costs to be incurred, the goods to be procured, short-run consultants to be hired and training activities to be undertaken; and (iii) analysis of the evolution of the technical cooperation programme, identification of problems detected and proposals to improve execution. As indicated in the following section on Requirements, the first annual operating plan

is a condition prior to the first disbursement of the technical cooperation programme.

- 4.7 The Country Office in Guyana, together with the project team, will monitor and supervise the execution of the TC, in cooperation with the Coordinating Unit. Monitoring will include semi-annual meetings to review progress in implementing the operating plans, based on reports from consultants and from the Coordinating Unit.

D. Requirements

1. Conditions prior to first disbursement

- 4.8 Before first disbursement, the Ministry of Agriculture will present evidence satisfactory to the Bank that: (i) policy conditions corresponding to the first tranche of the ASL have been met; (ii) the head of the Office for Policy Coordination, and all staff of said Office have been hired, including the procurement expert and the local environmental consultant; (iii) final terms of reference for the two short-term international environmental consultants needed during the first year of operation; (iv) final terms of reference for the long-run consulting services on Drainage and Irrigation Management, and Land Administration and Regularization of Tenure, and initiation of the procurement process for these two services; and (v) the first annual operating plan.

2. Within 6 months of first disbursement

- 4.9 Within 6 months of first disbursement, the Ministry of Agriculture will present to the satisfaction of the Bank: (i) evidence that the two long-run consulting services for Drainage and Irrigation Management, and Public Land Administration and Tenure Regularization, have been hired; and (ii) the training plan for on-farm management of pesticides.

3. Within 12 months of first disbursement

- 4.10 The Ministry of Agriculture will present to the satisfaction of the Bank: (i) evidence that the system to update international information on toxic agrochemicals is in operation; and (ii) evidence that the implementation of the training plan for on-farm management of pesticides has started.

4. Within 18 months of first disbursement

- 4.11 The Ministry of Agriculture will present to the satisfaction of the Bank evidence that the Drainage and Irrigation Board, in coordination with the Environmental Protection Agency, has defined standards for D&I contractors to specify in their tenders measures to reduce potential negative impacts at all stages of their operation in D&I rehabilitation.

5. Other conditions

- 4.12 The Ministry of Agriculture will present, before October 31st of each year, the annual operating plan for the technical cooperation, detailed by semester, and semiannual reports before the end of April and October of each year. The annual plans to be agreed with the Bank will include information on: (i) activities to be conducted during each semester; (ii) investments and costs to be incurred, the goods to be procured, short-term consultants to be hired and training activities to be undertaken; and (iii) analysis of the evolution of the technical cooperation, identification of problems detected and proposals to improve execution. The reports will also include specific references to the evolution of benchmarks included in Annex I-4.

D. Competitive bidding

- 4.13 Contracts for consulting services over the equivalent of US\$200,000 and for goods over US\$250,000 will be awarded through international competitive bidding.

V. **BENEFITS AND RISKS**

- 5.1 During preparation of the Agricultural Sector Loan, several areas of technical cooperation were identified to support implementation of second tranche conditions and establish enduring capacities to analyze and implement policies at the MOA, NDIB and LSC. Support is required to improve legal frameworks, internal management and information systems to execute policies, as well as to access external sources of financing for the rehabilitation of D&I capital works.
- 5.2 The principal direct benefits of the technical cooperation programme are the development of agencies, legislation, and farmer participation, to implement modern D&I and land policies.
- 5.3 Agencies involved will develop their technical capacity to analyze, formulate, evaluate and implement policies, promoting equity and improving the control and management of water and soil resources. Additionally, linkages will be established between the MOA and the Environmental Protection Agency, to ensure sectoral implementation of national environmental guidelines; regulations on the use of pesticides will be developed; and on-farm management of toxic agrochemicals will be improved.
- 5.4 The main risk of the technical cooperation programme relates to non-compliance with the set of conditions agreed under the ASL. These require the approval of new legislation for land and water control, establishment of the semi-autonomous Lands and Surveys Commission, collection of market based land rents, regularization of land tenure, implementation of a system to ensure the long-run financial viability of the drainage, irrigation and sea-defenses

structure, and execution of a plan to implement basic D&I rehabilitations. All these are decisions to be lead by the Minister of Agriculture, in coordination with the Minister of Finance and with support from the two agencies responsible for implementing water control and land policies, although they may still be subject to delays in policy execution.

- 5.5 Other risks might be associated with delays in procurement of the consulting services. To avoid these delays, procurement packages for consulting services have been reduced to a minimum, and support for the MOA to facilitate procurement, implement and monitor the required cooperation is also included.

VI. JUSTIFICATION

- 6.1 The Government is expanding the economic adjustment process to complete rice export liberalization, as well as improve the environment and the operation of water and land markets. Policy improvements are necessary to enhance the competitive structure of Guyana's agriculture, and develop a sustainable system, able to participate in more competitive world markets for agricultural exports.
- 6.2 Policy reforms are difficult to implement, particularly under the weak and understaffed institutions that prevail in Guyana. Therefore, support is required to comply with conditions included in the ASL policy matrix. The technical cooperation programme provides this support and, at the same time, facilitates more enduring results.
- 6.3 Development and implementation of sectoral environmental regulations, and strengthening of the two agencies responsible for water control and public land management require the management, informational, revenue generation and training activities included in the technical cooperation programme. At the same time, enduring results are dependent to a large extent on the rehabilitation of D&I systems that are vital for agricultural production and growth. The programme supports water user associations, improvements to D&I cost-recovery and financing mechanisms, review and analysis of a master plan for D&I capital rehabilitations, and the studies required to produce final designs and feasibility analyses for capital works.
- 6.4 The technical cooperation programme includes all the necessary elements to support compliance with ASL conditions and establish more enduring policy formulation and implementation capacities, in full consistency with ASL objectives.

GUYANA
PARALLEL TECHNICAL COOPERATION PROGRAMME - AGRICULTURAL SECTOR LOAN
PROCUREMENT SCHEDULE

DESCRIPTION	IDB	(%)				Date for Public Announcement Quarter
No. of lots: Total: Amount	Financing	Local	Method	Prequalification		
A. CONSULTING SERVICES						
1. Policy and Administrative Support to the National Drainage and Irrigation Board (planning, internal management systems, legal reforms, water user associations, training and cost-recovery). No. of lots: 1. Total: US\$1,800,000	100	0	IPB	YES		96/I
2. Feasibility Studies and Final Designs for Rehabilitation of Drainage and Irrigation Capital Works. No. of lots: 1. Total: US\$1,025,000	100	0	IPB	YES		97/I
3. Policy and Administrative Support to the Lands and Surveys Commission (planning, institutional development, internal management, legal reforms, surveys and training). No. of lots: 1. Total: US\$2,245,900	100	0	IPB	YES		96/I
4. Local long-run consultants for policy and implementation coordination, procurement, and implementation of environmental policies. No. of lots: 5 Total: US\$300,000	100	0	PPC	NO		96/I
5. Short-run individual international consultants for environmental and economic policy analyses. No. of lots: several Total: US\$200,000	100	0	PPC	NO		96/I, III, 97/I, III, 98/I, III
B. GOODS						
1. 2 4X4 vehicles No. of lots: 1. Total: US\$40,000	100	0	PPC	NO		96/I
2. Computers, printers and software. No. of lots: 1. Total: US\$50,000	100	0	PPC	NO		96/I

IPB: international public bidding

PPC: public price competition, or public announcement for consulting services.

Procurement for amounts under IDB procurement rules will be governed by local rules, which require PPC, (Public Price Competition for goods, or Public Announcement for local consultant services).

Limits over which Ipb is required are US\$ 200,000 for consulting services and US\$250,000 for goods, per lot.

PROPOSED RESOLUTION

**GUYANA. LOAN /SF-GY TO THE COOPERATIVE REPUBLIC OF GUYANA
Agricultural Sector 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 Cooperative Republic of Guyana as Borrower, for the purpose of granting the latter a financing to cooperate in the execution of an Agricultural Sector Program. Such financing will be for the amount of up to US\$34,000,000, or its equivalent of in other currencies, except that of the Cooperative 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.

PROPOSED RESOLUTION

**GUYANA. TECHNICAL COOPERATION LOAN NO. /SF-GY
AGRICULTURAL SECTOR PROGRAM**

The Board of Executive Directors

RESOLVES:

1. 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 agreements as may be necessary and to adopt such other measures as may be pertinent for the execution of the plan of operations referred to in Document AT-_____ with respect to a technical cooperation with the Cooperative Republic of Guyana, the purpose of which is to support the implementation of the Agricultural Sector Program.

2. That up to the sum of US\$4,100,000 or its equivalent in other currencies, except the currency of Guyana, is authorized for the purposes of this resolution, chargeable to the Fund for Special Operations.

3. That the above mentioned amount is to be provided on a reimbursable basis, in accordance with the respective conditions which shall be set forth in the agreement to be signed for this operation.

PROPOSED RESOLUTION

**GUYANA. NON-REIMBURSABLE TECHNICAL COOPERATION NO. /SF-GY
AGRICULTURAL SECTOR PROGRAM**

The Board of Executive Directors

RESOLVES:

1. 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 agreements as may be necessary and to adopt such other measures as may be pertinent for the execution of the plan of operations referred to in Document AT-_____ with respect to a technical cooperation with the Cooperative Republic of Guyana, the purpose of which is to support the implementation of the Agricultural Sector Program.

2. That up to the sum of US\$2,500,000 is authorized for the purposes of this resolution, chargeable to the net income of the Fund for Special Operations.

3. That the above mentioned amount is to be provided on a non-reimbursable basis.