Project Completion Report

PCR

Project Name: Fiscal and Financial Management Program

Country: Guyana

Sector/Subsector: Reform/Modernization of the State – Fiscal Reform

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Project Number:GY0053

Loan Number (s), TC(s): 1550/SF-GY 155/SF-GY

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Acronyms and Abbreviations

CARICOM	Caribbean Community
EDMX	Electronic Data Management System
E-HIPC	Enhanced High Indebted Poor Countries
ESC	Economic Services Committee
FSO	Fund for Special Operations
DIFID	Department of International Development of UK
GDP	Gross Domestic Product
GOG	Government of Guyana
GPL	Guyana Power & Light Co. Ltd.
GRA	Guyana Revenue Authority
IFMAS	Integrated Financial Management and Accounting System
IRD	Internal Revenue Department
ISP	Internet Service Provider
IT	Information Technology
MOF	Ministry of Finance
NPTA	National Procurement Tender Administration
O-HIPC	Original High Indebted Poor Countries
PAC	Public Accounts Committee
PPC	Public Procurement Commission
PSAR	Procurement System Assessment Report (PSAR)
PSIP	Public Sector Investment Program
SPS	State Planning Secretariat
TIN	Tax identification number
TRIPS	Total Revenue Integrated System
VAT	Value Added Tax

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I. Basic Information

BASIC DATA (AMOUNTS IN US$)	
PROJECT NO: GY0053	TITLE: Fiscal and Financial Management Program
Borrower: COOPERATIVE REPUBLIC OF GUYANA Executing Agency (EA): MINISTRY OF FINANCE Loan(s): 1550/SF 1551/SF-GY Sector: Reform/ Modernization of the State Fiscal Reform Lending Instrument: Policy Based Loan/Hybrid Operation Poverty Targeted Investment (PTI): No Social Equity (SEQ): No Environmental Classification: A, B, or C	Date of Board Approval: 09 June 2004 Date of Loan Contract Effectiveness: 30 Jul 2004 Date of Eligibility for First Disbursement: 08 Oct 2004 (INV) **Months in Execution** * from Approval: 57 * from Contract Effectiveness: 55 Disbursement Periods Original Date of Final Disbursement: 30 Jul 2008 Current Date of Final Disbursement: 08 May 2009 Cumulative Extension (Months): 9 months Special Extensions (Months): 0 Loan Amount(s) – * Original Amount: 28,000,000 * Current Amount: 23,000,000 * Pari Passu (if applicable): Disbursements * Amount to date: 23,000,000 100.00 (%) Total Project Cost (Original Estimate): 23000 ***Redirectioning*** *Has this Project?* *Received funds from another Project [no]* *Sent funds to another Project [no]* ***The third tranche of the PBL amounting $ 5,000,000 was cancelled*** On Alert Status Is project currently designated "on alert" by PAIS: No If yes then why is the project on alert (DO , IP Ratings and/or relevant PAIS indicators):

Summary Performance Classification				
DO	[ ] Highly Probable (HP)	[P] Probable (P)	[ ] Low probability (LP)	[ ] Improbable (I)
IP	[ ] Highly Satisfactory (HS)	[S] Satisfactory (S)	[ ] Unsatisfactory (US)	[ ] Very Unsatisfactory (VU)
SU	[ ] Highly probable (HP)	[S] Probable (P)	[ ] Low Probability (LP)	[ ] Improbable (I)

Although not all outcomes and outputs were achieved, the overall results are outstanding. This was a complex program, involving a cross section of major areas of public administration. Besides adopting a wide and ambitious tax reform program, by moving from manual to computerized procedures the country made a great leap forward in key public sectors, all done in a short period. Reforms helped to consolidate the auditing system and added instruments to facilitate and effective work of parliament. The project helped to maintain an active dialogue between the Bank and the government and was instrumental in opening new areas of cooperation.

II. The project

a) Project context

Four periods can be identified in the evolution of the economy in the last 25 years. A period of stagnation before 1988, a period of reforms and growth between 1988 and 1997, a new period of sluggish growth between 1997 and 2005 and a period of solid growth since then until 2008.

During the 1970s and the 1980s the economy of the country was practically stagnant, plagued by adverse factors typical of primary producing economies, and complicated by a state-led development strategy. GDP per capita in those years was one of the lowest of the region. Starting in 1988, the introduction of a series of policy reforms in several fronts stabilized the economy and generated conditions for the development of the private sector. The change from an inward looking economic model to a market oriented one in the early 1990s, put Guyana on a robust growth path.

During the period 1991-1997 the economy grew on average at a rate of 7.1 per cent per year, inflation was reduced from over 100 per cent in the late 1980s to 4.5 per cent in 1997.GDP per capita grew from US$ 482 in 1990 to an estimated US$ 1000 in 1997, which contributed to a decline in absolute poverty at the national level from 43% in 1993 to 35% in 1999.

The positive trends changed in 1997. From 1998 to 2004 the average rate of growth of GDP was less than 1.0%, well behind the Caribbean region and one of the lowest among highly indebted poor countries. Several factors contributed to this decline, in particular adverse movements in the terms of trade, large public sector wage increases, declining tax revenues, political instability, increasing rates of crime and slowing pace of structural reforms. A significant part of the slowdown is explained by slower growth - and even a decline - of factor availability. There was massive migration in the latter part of the 1990s and a considerable reduction in both foreign and domestic investment. But a better understanding of this decline is to be found in the political and institutional environment prevailing in those years, characterized, by a lack of political harmony, social unrest and increasing violence. Though inflation remained low, fiscal and external imbalances widened.

In 2003 the economy experienced a new turn; the country completed a process of debt reduction under HIPC initiatives and started a process of wide public sector reform spearheaded by FFMP. The net present value of debt to revenues went down from 470% of GDP in 1996 to 280% - 250% of GDP under O-HIPC and E-HIPC, which represented a total debt reduction of US$ 560 million in the net present value. With the implementation of these debt reduction programs, in 2007, the external debt represented 68.8 percent of the GDP, well below the level of 2002 which had then reached 182 per cent of GDP.

A dialogue between the two major political parties lessened tensions, made room for cooperation, paving the route for reform on policy and management issues, particularly, in much-needed structural reforms and infrastructure investment. In that climate the program was launched in 2004. Some setbacks occurred along the way, but the pace of reform was firm and had important effects on the development of the economy.

During project preparation much emphasis was placed on achieving agreements with major stakeholders on the contents of the reforms and the needs to enhance the institutional capacity for reform implementation. The Bank’s team intensively discussed the content, sequence and details of the reforms with GOG authorities and technical staff, as well as with parliamentarians, political leaders and key members of the donor community. Discussions were critical to ensure that the program focuses on fiscal and financial management issues that could be realistically resolved in the medium term, given the political and institutional set ups.

Project preparation activities included the provision of Bank’s technical support for drafting, reviewing and discussing the main legislative initiatives in the areas of financial management and fiscal oversight. In addition, the team agreed with the authorities a detailed list of objectives and deliverables for the investment component.

Furthermore, project preparation included careful coordination with other creditors and donors to ensure that the actions supported under the program were those that fit within the comparative advantage of the Bank. There has been a close cooperation with the World Bank , IMF- CARTAC , CDB, the GEMP3-CIDA project, UNPD, USAID and DFID.

At the inception of the programme the country faced the important fiscal challenges of attaining fiscal sustainability and increasing transparency. Fiscal sustainability required improving the working of the tax system and transforming financial management leading to rationalization of expenditures. Greater control and accountability was to contribute to that goal, by improving the conditions for a proper utilization of resources.

In 2006 an election with an unprecedented degree of acceptance, reaffirmed the commitment for reforms and gave a new impetus for the adoption of important policy and administrative changes in all the areas covered by this operation.

From 2006 to 2008 the country had three years of uninterrupted GDP growth at rates that averaged 4.5 per cent. The country now faces the challenges of the global crisis. For the time being, it has cast a vote for renewed attention to regional endeavors and greater integration, and on the financial side, for being alert to take any extraordinary measures that may be deemed necessary.

b) Project description

The program was made up of two interrelated components whose actions reinforced each other on the bases of a concurrent effort in (a) a policy-based loan and (b) an investment component, both aimed at supporting implementation of the reform program. The goal of the program was to contribute to fiscal sustainability and the development of stable public institutions for the transparent and effective management of public funds, in support of the country's sustained and equitable economic development.

1. Development Objective

The objective of the program was to assist the Government of Guyana in implementing a reform agenda aimed at improving the management of public finances, thereby providing a strong fiscal basis for sustained growth.

2. Components

The program was designed to work in three main areas (i) tax policy and administration reform (ii) public financial management and (iii) audit and fiduciary oversight. In all cases concurrent support came from the two components of the operation, which reinforced each other. These areas became the subcomponents of the investment component aimed at achieving and sustaining the reform benchmarks in the sector reform program and agenda[1]. The essentials of these subcomponents are presented below:

Tax policy and administration reform

The program was designed to help implement legislation for widening the tax base, making taxes better suited for competitiveness and improving fairness, eliminating government discretionary powers to grant tax exemptions and limiting tax holidays to specific regions and sectors for specified periods. In particular, the program sought to strengthen the tax and customs administration agency by granting it greater autonomy for human resources management, introducing organizational changes, enhancing information technology, giving greater legal support, capabilities and training.

Strengthening public financial management.

Following the enactment of a new Fiscal Management and Accountability Act the program aimed at providing complementary support for the modernization of public financial management systems focusing on three key institutional factors (i) issuing the regulations necessary to implement the new law (ii) strengthening of the MOF to enable it to comply and lead the implementation of the new framework, in particular supporting the preparation of a strategic institutional development plan, creation of macro fiscal projection unit, strengthening debt management and moving toward a multiyear expenditure scenario (iii) consolidating and expanding the implementation of a modern management information system that was recently adopted.

[1] Loan Proposal – Fiscal and Financial Management Program (GY -0053)

Enhancing fiscal and fiduciary oversight

The program was designed to substantially reinforce the work of the Audit Office and enhance the work of the Public Accounts Committee (PAC) and Economic and Services Committee (ESC) of the National Assembly by assisting in the modernization of procedures and operational policies, strengthening human resources endowments, training, and facilitating the establishment of a modern communications network. In addition, the program sought to support the work of a Public Procurement Commission (PPC) to be established by guiding on procedures, helping in investment, in equipment and information systems and supporting public outreach.

III. Results

The program succeded in meeting most of its expected goals. Although not all outcomes and outputs were achieved, the overall results are outstanding. This was a complex program, involving a cross section of major areas of public administration. Besides adopting a wide and ambitious tax reform program and reforming the government's financial management system,by moving from manual to computerized procedures the country made a great leap forward in key public management practices , all done in a short period. Reforms alos helped to modernize the external auditing system and added instruments to facilitate an effective work of parliament.

It should be noted that the third tranche of the policy based loan was cancelled at the request of the GoG due to scaling down of debt operations to facilitate the implementation of the HIPC debt relief initiative and to leave more space for FSO (Fund for Special Operations) financing; the request coincided with the difficulties faced in fulfilling one of tranche conditions, namely the appointment of members of the Public Procurement Committee (PPC). Except for this condition, the other third tranche conditions were complied. The postponement of operation of the PPC affected the expected developments of the procurement system, although the GOG latter adopted other measures that partially mitigated the adverse effects.

The project helped to maintain an active dialogue between the Bank and the government and was instrumental in opening new areas of cooperation. In particular, the program opened the door for other actions in related areas of government which facilitated the adoption of needed reforms. The interaction of the forces put in motion by the investment and policy loan componenets gave rise to appropriate synergies during the implementation phase.

a) Component I. Tax Policy and administration reform

1. Outcomes

Achievement of development objectives (DO)	
Thematic area /component: Tax policy and administration reform	
Development Objective(s) (Purpose)	**Key Outcome Indicators**
1. To reverse the deterioration in revenue flows, to improve the equity of the taxation system and to reduce or eliminate distortions generated by tax policy. *Classification: P*	
<u>Planned Outcomes</u>	**<u>Outcomes Achieved</u>**
Tax collection rises from 28.3% of GDP in 2003 to 29.6% by the end of the program	During the first years of the program tax collection improved mainly due to efficiency gains in tax administration. That situation was later consolidated with the introduction of the Value Added Tax (VAT) and other tax reforms that made it possible to compensate for losses from taxes on foreign trade resulting from the implementation of integration agreements. At the end of the program the tax collection was 33.1 of GDP which well exceeded the target for this indicator.(See Appendix, page 20) **ACHIEVED**
Tax exemptions (as measured by remissions) for imports, as a percentage of the total value of merchandise imports, decline from 14.5% in 2002 to 11% by the end of the program.	The question of exemptions received considerable attention in the policy-based component requiring the adoption of a system for controlling, recording and publishing the corresponding information. Conditions were fulfilled by the disbursement of the second tranche, including an estimate of tax expenditures. Tax exemptions as a proportion of imports declined from 14.5 per cent of imports in 2002 to less that 5 percent in 2004 and 2005. In the years 2006 and 2007 there was an increase in exemptions due to extraordinary events like the World Cup Cricket Tournament, a completion of an important sugar production project and floodings which required exceptional investments. Figures for 2008, based on provisional estimates, show an important increase in exemptions. GRA is checking for data inconsistencies. (See table in page 24). **NOT ACHIEVED**
The collection of the consumption tax rises from 10.5% of GDP in 2003 to 11.1% of GDP by the end of the program.	This tax was replaced in 2007 by the Value Added Tax and the Excise Tax. Comparisons are not possible, but good collection performance of these taxes implicitly confirms that this outcome was fulfilled, representing in 2008 15.5 per cent of GDP (See table in page 20). **ACHIEVED**
By 24 months after beginning of the program, the taxable income threshold is raised from G$ 240,000 (1.4 times de country's income per capita) to G$ 300,000. (1.8 times income per capita)	The taxable income threshold target, in nominal terms, was reached on time. Though as a proportion of income it moved from 1.39 in 2004 to only 1.482 in 2006, though it rose to 1.71 in 2008. (See table in page 24) **ACHIEVED**

Summary Development Objectives – Classification (DO)
[ ] Highly Probable (HP) [**P**] Probable (P) [ ] Low Probability (LP) [ ] Improbable (**I**)

2. Externalities

- The project brings about clear external effects on competitiveness, equity and tax awareness. On competitiveness the adoption of value added tax with zero rate for exports and the elimination of excises have put export activities in a better position to compete in the international markets than before. A move towards a more neutral tax system has contributed to the creation a better level field for internal competition thus leading to a better allocation of resources and rendering the economy with a higher degree of competitiveness.
- On equity grounds the adjustments in the minimum non-taxable income and a value added tax with zero rate for essential goods has contributed to a more equitable tax system facilitating society's harmony.
- The adoption of the value added tax with a wide coverage has increased the tax awareness of the population thus making citizens to become more interested and vigilant in the management of the public

sector. The project has facilitated the adoption of new tools to combat money laundering activities thus contributing to reduced crime

and improving fair competition.

- The introduction of the VAT meant an increase in tax collection that exceeded the target indicator and probably what the government expected. A reconsideration of the macro economic implications of this change warrants an analysis.

3. Outputs

Implementation progress (IP)	
Thematic area / component: Tax policy and administration reform	
Components (Outputs):	
1. Component 1: Tax policy and administration reform Classification: S,	
Key Output Indicators:	
Planned Outputs	**Outputs Achieved**
The legal framework is consistent with the objectives of an efficient, effective and equitable tax system	This general objective was also made part of the requirements for the disbursement of the first and second tranches of the policy based-component. During the execution of the project, important tax changes took place: a new tax on value added together with an excise tax replaced six pre existing taxes; additional legislation helped to broaden the tax base and limit the government's discretionary power to grant tax exemptions and restricted income tax holidays. [2] The Value Added Tax Act was passed in 2005, but the tax became effective on January 2007. Several advantages are seen in the new legislation: it simplifies the tax system, avoids "cascade" effects, and is a good instrument to avoid taxing exports. The system works on the bases of tax receipt and tax payments. At the end of each billing period each establishment presents a report of their tax position and pays what is due or claims a refund if it has a favorable balance. Registration and invoicing regulations are key aspects to consider for a proper application of the tax. Each business has first to obtain a tax identification number (TIN) and then a specific registration for the tax. The value added tax rests on a modern piece of legislation with clear definitions about subjects, registration and computation methods. The law gives GRA substantial power to access record, computers, goods and vehicles. An excise tax was imposed on specific imported and home-produced goods including petroleum and tobacco products, alcoholic beverages and motor vehicles. To make the tax system more equitable the income tax base was broadened reaching professionals and tourist activities. To facilitate tax administration the government adopted presumptive methods, based on the use of certain fixed factors, to determine the taxable income of the self-employed. **ACHIEVED**
• *The tax reform legislation is in effect as evidence by issuance of the regulations and collection of new taxes.*	All tax reform instruments are in operation, specific regulations related to new taxes have been issued and administrative actions to collect the taxes have been taken. **ACHIEVED**
• *An amendment to the current Customs Act or a new Customs Act based on CARICOM is approved and its regulations issued by 12 months after Program startup.*	A legal instrument (Customs Duties (Amendment) Order 2005) which makes effective the Caricom-Costa Rica Free Trade Agreement was published in the Official Gazette on September 21st, 2005, modifying The Customs Act 82:01 whose revised edition was published in May 2004. This legal instrument defines rules of origin and specifies goods that are excluded from the Tariff Elimination Schedule and those that are subject to a phased tariff reduction for some goods originating in Costa Rica. **ACHIEVED**

[2] Taxes that were eliminated included Consumption on imported and locally produced goods, Service Tax, Hotel Accommodations tax, Entertainment tax and Purchases and Telephones taxes

The GRA is an autonomous organization, using new information technologies and staffed with trained personnel.	The GRA is now an autonomous organization counting on modern electronic system of data processing, having trained their employees to handle the new system and the new procedures designed to modernized customs and tax administration. **ACHIEVED**
• *Legislation granting the GRA autonomy for the management of its human resources is approved and regulated (by the end of 2003).*	This output is consistent with the policy-based component having been attained by the time of disbursement of the first tranche. The GRA Act was amended in October 2003 – ahead of schedule- granting full autonomy for human resources management including decisions for hiring and lying off employees and a substantial leeway to establish salary scales. All appointments follow a well defined procedure. Each position is announced, applications are screened and a short list is submitted to a selection panel. Decisions on higher grade vacancies are resolved by the Governing Board and the rest by the Commissioner General. There are no automatic promotions between grades.[3] Salaries for GRA are on average 100 per cent higher than those for the rest of the of public service administration. For higher grades a salary premium, called gratuity, of 22.5 per cent is given subject to satisfactory performance, though in practice everybody gets the gratuity. A performance system has been developed but not implemented at EOP. **ACHIEVED**
• *By 12 months after program startup the GRA is working with a new organizational structure, that avoids overlapping between the CED and the IRD*	The adoption of tax policy reforms meant some changes in the GRA organizational structure. A streamlining of operations took place, an effort was made to eliminate duplications, but a substantial part of the restructuring, rested on specialization along tax lines: value added and excise taxes, internal revenue administration for individual and corporate income tax, customs and trade administration for all taxes on foreign trade. An in-depth assessment of the organization that took place in 2006 uncovered the lack of strategic and business plans, an absence of a human resources plan and a lack of a clear definition of processes. Most of these problems were addressed, a strategic plan was adopted, and processes were revised and defined more precisely, in part forced by the development of computerized system called TRIPS (Total Revenue Integrated Processes System). The human resources department developed a strategic plan that is updated regularly. Since then the GRA organizational structure has shifted from a tax type approach to a functional approach that is leading to a more service-oriented, customer driven organization. The re-engineering of its business processes across functional lines resulted in strengthening of the areas of debt management, communication and tax advisory services, intelligence/risk management, law enforcement/investigations and tax analysis. Meanwhile the valued added tax department and the internal revenue department were merged to form the tax operations and services department. As a result, GRA now has two main business departments: this department and customs and trade administration. At the same time, prompted in part by the adoption of TIN, a central data processing and registration section has been established consolidating resources previously scattered around the organization. **ACHIEVED**
• *Customs procedures compatible with implementation of the new computerized system*	Customs procedures have been synchronized with the new computerized system called TRIPS. Changes in procedures have, to some extent, been driven by the TRIPS rather than streamlined before computerization. Procedures require further adjustment to contribute to the overall efficiency and to take full advantage of capabilities offered by TRIPS. **ACHIEVED**

[3] The Governing Board is made up of representatives of the Ministry of Finance, the State Planning Secretariat, the Bureau of Statistics and the Bank of Guyana plus the Commissioner General.

GRA is equipped with modern and efficient procedures and information technologies for tax and customs administration as evidenced by	
• *The adoption of new procedures for Customs administration by the end of 2005. By the end of 2005 100% of foreign trade transactions follow those procedures.*	New procedures were adopted for Customs Administration with changes being mainly the result of the introduction of the new computerized system. The number of steps for the clearing of imported goods has been reduced. The system in place makes for each operation a risk assessment and on that basis determines a proportion of goods to be inspected, thus replacing the previous system in which 100% of imports had to be inspected. Computerized procedures start with the declaration, which is manually fed from the manifest. Linking manifest and declaration is being considered, but there are no firm plans yet. Controls have not reached a good level of confidence; a relevant addition would be a system of auditing auditors. **ACHIEVED**
• *The adoption of improved procedures for the IRD by the end of 2005.*	The internal revenue department experienced some changes during the execution of the project. It is now part of the tax operations and services department. With the change in the organizational approach, i.e. moving from tax specific to functional lines some procedures for collecting and processing internal revenues have changed and limited simplification has taken place. A manual of the organization of the department is in the preparatory phase. Compliance costs borne by tax payers are basically the same as before the FFMP was executed, though it is expected that when the TRIPS is consolidated new modules could be added which will render substantial savings to taxpayers. **ACHIEVED**
• *The implementation of an expanded and updated taxpayer registry with a single taxpayer identification number (by the end of 2004).*	Progress in this area was in part induced by the policy-based component which included a similar provision for the second tranche. A unique tax identification number system (TIN) was created by Act 15 of May 2, 2006. TIN is a unique computer-generated nine digit number which identifies persons, business and anybody which has to make tax transactions and replaces all previously issued numbers for taxes. TIN was an important pillar in the implementation of VAT. GRA has made substantial efforts to sensitize potential taxpayers about the convenience and need to obtain a TIN. The system still requires stricter controls to check for multiple registrations, a recourse used sometimes to elude payments in arrears or negative notes on individual profiles by abandoning a previous number and registering again. **ACHIEVED**
• *The implementation and full operation of a new computerized system to support the customs control, and the implementation of a modern tax administration IT system for the IRD (by the end of 2006).*	This area of reform received substantial support from the policy-based component which included for the second tranche the requirement to procure and implement a computerized information system. An important change in tax administration was the introduction of a modern information system for management of revenues. The system includes two major components: one for taxes and one for customs, results from a solution administered by a private consulting firm that has been applied to a number of tax and customs reform programs around the world. The replacement of manual operations by a computerized system allows for better controls, a reduction in administration costs and better follow up and reporting procedures. The program was introduced in 2006 and was ready when the value added tax and other major policy changes were put in operation. The essence of the system is in place and working now. It presupposes a change of management approach, which requires organizational changes. GRA has been gradually responding although with training lagging behind. GRA has seen significant improvements in its operational procedures and revenue collection Auditing is more effective and the availability of new tools permits the Authority to keep track of lack of compliance, payments in arrears, and inconsistencies in reporting. Customs controls have been improved and moving goods at points of entry have gained in efficiency. Capabilities for improved revenue accounting, customs controls, intelligence and risk management, audit and assessment, debt management and management information are currently functional. The system permits the production of performance indicators and reporting of a different nature of which GRA is gradually taking advantage. Plans exist to incorporate in the near future modules on electronic submissions of declarations, electronic payments, and access to public information and status queries on transactions submitted. **ACHIEVED**
• *The execution of a comprehensive training program in the areas of customs control and operation. By the end of the program, 100% of the professional and technical staff will be trained.*	Training has been provided to nearly 100 per cent of users of the computerized system. The preferred method was through short seminars designed for various levels of users. Other training was provided in managerial subjects including public relations. But overall, training fell short of what was needed to accompany the reform process and in particular to take advantage of the new computerized system, in particular, in auditing. A factor in the lack of implementation of a comprehensive training program was a failed attempt to use funds apparently available from two different international sources. The starting of negotiations delayed the design and start of training activities under FFMP, but

Summary implementation progress – Classification:
[ ] Highly Satisfactory (HS) [**S**] Satisfactory (S) [ ] Unsatisfactory (U) [ ] Very Unsatisfactory (VU)

b) Component II. Modernizing and strengthening financial administration

1. Outcomes

Achievement of development objectives (DO)	
Thematic area /component: Modernizing and strengthening financial administration	
Development Objective(s) (Purpose)	**Key Outcome Indicators**
To make the budget an effective tool for improving the allocation of public resources, by reducing the potential for the misuse of funds.	
Planned Outcomes The deviation between budgeted and executed total expenditures is reduced from 6.4% in 2002, to an average of 3.2% for the 2004-2008 period (indicator refers to central government expenditure)	**Outcomes Achieved** A reduction of the deviation between budgeted and executed expenditures, on average, did take place. The reduction was clear in current expenditures, which largely exceeded the indicator target. But capital expenditures experienced notable fluctuations: 2007 shows an important difference between budget and execution. A budget reduction of 12 per cent was anticipated for that year in view that several major projects had been completed. However, capital expenditures exceeded the budget estimate by 16.8 per cent, which was largely due to increased expenditures in a major sugar production project. A closer relation between budgeted and actual expenses has been facilitated by the strengthening of a division on macroeconomic projections that took place during the life of the project. A summary of budget and execution for the available years is shown in the following table. **ACHIEVED**
The budget is a reliable guide to the planning process of public agencies: proportion of public officials who expect that the resources they actually receive will fall short of those budgeted declines from 70% in 2000 to 40% in 2008.	There are no figures available to examine this indicator. The base line relies on a survey conducted by the World Bank in 1999, but the exercise has not been repeated. A possible guide to shed light on that perception can be found in the differences between budget and execution for different programs or different ministries/agencies. An examination of such differences was made for the years 2005 to 2007 (see appendix). Of the 39 ministries/agencies of the institutional classification, 23 had a difference of plus /minus 5 per cent on average over the three years considered. Ten showed a systematic bias, four receiving 10 per cent or more than the budget amount and 6 receiving less than budget. The rest does not show a clear pattern. As expectations are in part formed by experience, these figures suggest that the proportion of disappointed officials now must be lower. **ACHIEVED**
Budget formulation and execution effectively incorporate public investment, consistent with the new Financial Administration Act (with only one chart of accounts), starting with 2005 Budget.	Public investment forms part of the general budget, but different accounts, not entirely compatible, are used for current and capital expenditures. There have been some efforts to integrate them in particular in the decision-making process as it is explained in the Outputs section of this component, but the total integration remains to be done. **NOT ACHIEVED (PROGRESS MADE)**
The Budget is submitted to the Parliament no later than 30 days before the commencement of each fiscal year, starting with the Budget of 2005. Baseline on average since 1998, the budget was submitted with a delay of at least 2 months.	Budgets for the years 2005 to 2009 were not presented before the commencement of the fiscal year. Efforts have been made to reduce the lag, although constitutional rules establish that the budget can be presented during the first quarter of the year. The average delay for that period was 1.33 months. (Presentation dates were: 2005 February 21, 2006 January 23, 2007 February 2, 2008 February 22 and 2009 February 9.) **NOT ACHIEVED (PROGRESS MADE)**

Summary Development Objectives – Classification (DO)
[ ] Highly Probable (HP) [**P**] Probable (P) [ ] Low Probability (LP) [ ] Improbable (I)

2. Externalities

Changes introduced in legislation and in practice allow different stakeholders to have a better perspective for the medium term and plan accordingly.

The budget has gained in transparency thus inviting greater collaboration from everyone in the political process and encouraging greater participation of the citizenry.

A better budgetary system gives a more desirable base for attracting and using technical assistance from different sources. The adoption of a computerized scheme has paved the way for moving to a program based budgeting and, with additional efforts, to a simplified version of the accrual approach.

3. Outputs

Implementation progress (IP)	
Key outcome indicators	
Planned Outputs	**Outputs Achieved**
The Organic Budget and Financial Management Act is in force by the end of 2003 with regulations issued and applied by the end of 2004, incorporating the following aspects:	Expected synergies between the policy-based and the investment components were clearly delineated. The policy-based component required that a new Fiscal Management and Accountability Act be enacted and implemented in steps explicitly defined as conditions for the first, second and third tranches.
• *Consolidation of current and capital expenditures*	Current and capital expenses classifications are converging, substantial changes have been made along the years, though they are not, yet, totally integrated. Current and capital expenditures are still handled by separate processes: one under the budget office and the other under Public Sector Investment Program (PSIP) but coordination has improved in the last two years. Since 2007, the budget negotiations with substantive ministries are made with the joint participation of officials from these two areas of budgeting. **NOT ACHIEVED**
• *International standards*	There has been a detailed consultant's report on procedures and rules about accounting; these recommendations are being implemented for most of the changes introduced in the new act. Accounting implicitly follows international standards, but there are no regulations in place to establish the observance of such principles. **ACHIEVED**
• *System for monitoring actual and budgeted expenditures*	Monitoring of expenses is done regularly by the budget office, which produces detailed internal monthly reports that are checked with each agency and sent to the Bank of Guyana to make funds available and to manage liquidity. A semi annual budget execution report is being published and will be formally presented to Parliament. **ACHIEVED**
• *Guidelines for public debt*	Debt management takes place within a well defined legal and organizational framework. A division within the Budget Department, that counts on well trained staff and is well equipped to perform its duties, serves as focal point for recording all debt (including public and publicly guaranteed loans and contingent liabilities for the Central Government, Bank of Guyana and Parastatals), initiating the servicing of all external and domestic loans, compiling and producing reports, debt statistics and analysis. The division also prepares debt and new financing strategies, to ensure that the debt sustainability analysis, based on IMF/World Bank Sustainability Framework, is conducted and presented to the Ministry of Finance for approval, and the coordination of debt management activities among various international institutions. The division has been involved in reviewing new loan proposals and participating in other forms of bilateral debt negotiations including on-lending agreements, export credits and non-concessional credits. The division coordinates its work with the Fiscal and Monetary Division of the Office of the Budget in charge of macro-projections, the Accountants General's Department and the Bank of Guyana. **ACHIEVED**
• *Procedures for prioritizing projects*	Reforms in this area are consistent with the requirements of the policy-based component (third tranche)

	The capital budget as well as the general budget is set in a 5-year development plan and in a three-year development framework. While the 5-year development plan has not been updated there is a revision being prepared for the three-year framework. The capital budget, presented every year as part of the national budget, shows for each program a narrative about strategies, expected impact and the enunciation of a reduced number of indicators, though not quantified. Each program contains the list of projects and a code number but detailed information about costs is only for internal use. Midterm tables provide information on capital expenditures for the budget year plus three more years, classified by sector, type of financing, administrative classification and very broad categories of a functional classification. There is a structured flow of information and documentation requirements. Basic guidelines issued in May 2005, supplemented by annual budget circulars instruct each ministry and agency about the preparation of the capital budget. Each ministry/agency sends to the State Planning Secretariat (SPS) the capital budget proposal that is made up of an analytical section, a prioritization matrix, budget tables and project profiles. Each project is presented with detailed and summary scores. Criteria are based on impact (linkages, importance for solving a specific problem and targeted population), financing (already secured funds, expected resources and proportion of agency's capital budget), and development policy (contribution to poverty reduction strategy, millennium development goals, and critical areas of sectoral development plans). There are three types of matrices according to the different types of projects: social, infrastructure and production. SPS checks the information but there are no cross-sector comparisons or regrouping for ranking purposes. **ACHIEVED**

An expanded and modern, integrated financial management system developed and implemented	The policy- based component reinforced the adoption of crucial reforms in this area requiring that a new information system be in operation in all ministries of the Central Government.(Third tranche) The adoption of a financial information system meant important progress in accounting and control. In the first quarter of 2004, with funds provided by CIDA (Canadian International development Agency) the GoG contracted the services of a Canadian firm to install and provide support for software to handle information processing needs. The system adopted was expected to connect any government agency, perform across the board changes, simulate different scenarios and so facilitate the analysis of budget solutions. Several modules were available to cover a wide range of public administration needs. The information system that was put in place called IFMAS (Integrated Financial Management and Accounting System) is in operation and now covers the whole central government administration, and geographically the whole territory. Problems of communications to integrate offices located in two regions were recently solved. Already installed and functioning are the modules for expenditures, revenue, and treasury – including bank account reconciliation- and control, plus the general ledger. The module for budget has not been fully integrated. Two other modules: purchases and assets are installed but not in use. To improve the working of the whole system and to facilitate the integration of the budget module a change in platform is being considered. The unit in charge of the system has trained about 500 employees per year on handling information and using the software through two 3- day short courses, plus additional on the job training for those with liaison or supervisory functions. **ACHIEVED**
Modern comptrollership functions and streamlining treasury and budgetary processes and procedures, developed and implemented.	Budget processes are well regulated, qualified professionals run the system, a calendar is being observed, budget circulars are clear and give adequate guidelines to prepare the budget. The setting up of internal control at the Ministry of Finance has not been completed yet. A unit exists in the organization chart, and though vacancies have not been filled, funds are available for that purpose and are planned to be used soon. Only three ministries and GRA have an internal audit function which in all cases focus on compliance. The management of funds is relatively simple. The budget office prepares an estimate of funds needed by each budget institution (ministries or agencies), according to the level of execution and seasonal or extraordinary factors. This estimate is sent to the Bank of Guyana that authorizes global amounts of funds subject to availability. Each ministry/agency processes its own payments using the computerized system in place. The Bank of Guyana manages the central government's liquidity. **ACHIEVED**
A training program in the area of budgeting, accounting, cash management, internal control and auditing, developed and implemented	Training has been concentrated on users of the IFMAS. Practically everyone that has to use the system received adequate training. Limited training has been offered for budget related activities. This is an important drawback that has put constraints to the potential of a more intense use of the facilities, offered by the new computerized system. This is holding back progress in relation to the incorporation of new IFMAS modules. **PARTIALLY ACHIEVED**

Summary implementation progress – Classification:
[ ] Highly Satisfactory (HS) [S] Satisfactory (S) [ ] Unsatisfactory (U) [ ] Very Unsatisfactory (VU)

c) Component III. Enhancing fiscal and fiduciary oversight

1. Outcomes

Achievement of development objectives (DO)	
Thematic area / component: Enhancing fiscal and fiduciary oversight	
Development Objective(s) (Purpose)	**Key Outcome Indicators**
Public Audit and Parliamentary Oversight become effective instruments for control over the use of public funds. *Classification: P*	
Planned Outcomes	**Planned Outcomes**
The perception of corruption in public entities is reduced: the percentage of public officials who feel that corruption is significant in the public sector declines from 93% in 2000 to 50% in 2008.	This indicator rests on a survey conducted in 1999 by the World Bank with the support of the Bank of Netherland Partnership Program (BNPP). It is not possible to compare the situation in 1999 with that of any later year since no new survey of similar characteristics has been made. **NOT EVALUATED**
By the end of the scheduled program execution the overall acceptance and implementation rates for OAG recommendations increased by at least 20% in relation to the 2001 levels.	The last report available for the Audit Office is that for 2006, whose format is completely different from that of 2001. For 2001 the Audit Office did full reporting, while for 2006 it showed a move towards current and international practices of exception reporting, highlighting only key findings. This makes it difficult to estimate from the reports alone the proportion of recommendations made that have been accepted and implemented. Further research and review of paper files would be very time consuming. An Audit Office's estimate on the overall recommendation acceptance and implementation ratio is 45 per cent, and likely better than in previous years. This estimate is a reasonable medium to suggest that the target value indicator was reached. **ACHIEVED**

Summary Development Objectives – Classification (DO)
[ ] Highly Probable (HP) [P] Probable (P) [ ] Low Probability (LP) [ ] Improbable (I)

2. Externalities

The products/results of this component have lasting consequences that affect many areas of the economic and political life of the country. At the interior of government: a strong Audit Office leads to the development of internal control arrangements in executing agencies. Improved conditions of the working of Parliament will permit legislation to be considered in a more detailed fashion and shorter time and will facilitate relations with the other branches of government. Both a better auditing function and a higher quality of Parliament's work lead to a higher degree of trust in governmental institutions thus reinforcing democracy, paving the way for further reforms and facilitating negotiations with donor agencies and international financial institutions.

3. Outputs

<table>
<tr><th colspan="2">Implementation progress (IP)</th></tr>
<tr><td colspan="2">Key outcome indicators</td></tr>
<tr><td><u>Planned Outputs</u></td><td><u>Outputs Achieved</u></td></tr>
<tr><td>A legal framework compatible with the constitutional mandate of the OAG

The new Audit Act is approved and regulated by end March 2004, covering the following key aspects:
i) Greater institutional autonomy
ii) Independent budget
iii) Direct reporting to the Legislature
iv) Observance of constitutional mandates</td><td>A law for the OAG, compatible with the Constitution, was passed by the National Assembly on April 13th 2004, regulated by Auditor General with the approval of the Public Accounts Committee on May 30th 2005 and confirmed by the National Assembly on July 21, 2005
Changes in this area were reinforced by the policy-based component requiring the adoption of a new Audit Law and new rules, policies and procedures for the Office of the Auditor General.
The Constitution grants the Office of the Auditor General (later renamed as the Audit Office) budget and human resources management independence. The Auditor General is appointed by the President under the advice of the Public Service Commission. According to the Constitution, "the Auditor General shall not be subject to the direction or control of any other person or authority". The position is permanent, ending only because of retirement age as prescribed by Parliament; by removal from office because of physical inability, or by the President with a cause and acting under recommendations of a tribunal whose appointment, composition and procedures are established in the Constitution.
The approval of the Audit Office budget follows a special procedure. The Audit Office prepares its budget and submits it to the Public Accounts Committee of Parliament, which in turn sends it to the Ministry of Finance for inclusion in the general budget within the allocations of the Parliament Office.
The Audit Office can select, promote, discipline and terminate employees and applies its own remuneration policies. The appointment and discipline of senior employees require the approval of the Public Accounts Committee.
This office audits all ministries and public bodies of the central government - including revenues - the Central Bank, the Judiciary, the Parliament, Neighborhood Democratic Councils, trade unions, accounts of projects with international organizations and public enterprises. In most cases, public enterprises' accounts are audited by private auditors who report their findings to the Audit Office. The Ministry of Finance may request that the Public Accounts Committee submit to additional audits different from those carried out by the Audit Office
Internal auditing in the central government is, as yet, not well structured. In most cases, the officer in charge of accounts exercises internal control functions. Only three ministries have put in place an internal auditing function.
The Audit Office has complete discretion to request from any person or bank, information and documentation when there are reasons to believe that any wrongdoing is present. It can impose penalties for violations to existing laws and regulation, which affect the state's financial and physical resources, but cases of criminal offenses are referred to the Director of Public Prosecutions. A forensic audit unit has been put in place. The Audit Office has substantial power for money laundering controls.
For the time being audit is strictly of a financial and compliance nature. The Constitution and regulations have created enough room for 'value for money' studies, and in fact, the office has undertaken four pilot studies and plans to extent the use of this approach in the near future.
The Office publishes a comprehensive report with detailed recommendations, including an inventory about the persistence of problems identified in previous year's recommendations.
The publication of the annual reports has experienced some delays. The last available one is for 2006. 2007 would be ready in September 2009. Although the backlog has been gradually reduced, a delay still persists in the final approval of the government's audited financial statements by Public Accounts Committee. The corresponding approval steps have been taken up to 2003. Annual reports for years 2004 and 2005 are being considered by the PAC, while the one for 2006 will be examined soon. The AR for 2007 is expected to be sent to the PAC by the end of April 2009.
In 2006 the Ministry of Finance, after a prolonged absence of more than two decades, resumed sending to Parliament, a Treasury Memorandum providing responses to the comments, observations and recommendations made in the Auditor General's Report and sanctioned by the PAC. The issuing of the Treasury Memorandum by the Ministry of Finance was made part of the conditionality of the policy-based component (third tranche).
The PAC has an approved establishment strength of 223 employees of which, at the end of 2008, budgetary provisions were made for the filled 106 positions. In the 2009 budget, 35 new positions might be approved for inclusion.
Budgetary resources as a proportion of the Central Government Budget rose by 20 per cent between 2003 and 2009. Though there is not a firm trend, the average of the last three years of the period 2003-2009 was greater than the average for the first three years by 25 per cent. ACHIEVED</td></tr>
</table>

Parliamentary committees on (i) Economic Affairs and Public Accounts, and (ii) the Procurement Commission established and strengthened.	The policy-based component made disbursement of the second tranche conditional to the adoption of new rules, procedures and operational policies for the Economic Affairs and the Public Accounts Committees.There has been a significant improvement in the working conditions of Parliament. A system of efficient communications is in place, physical facilities can now accommodate the simultaneous work of three committees, instead of only one before the FFMP. Hansard is being upgraded considerably. While the necessary equipment has been procured, the appointment process of 15 new staff members to work on it is under way and expected to be completed in three months. A substantially improved public outreach program is in place counting on several initiatives to show how parliament works, including guided tours to the Parliament building - in particular for schools – the publications of a regular newsletter, broadcasting of main activities and a TV program open to public questioning. **ACHIEVED**
• *PPC members are appointed and the Committee starts operating by June 2005*	The appointment of PPC members requires a special majority of the National Assembly, which given the actual distribution of seats makes it necessary to have the cooperation of the Opposition. In this relation, many attempts and long discussions have been held between the two main political parties but no agreement was reached. The disbursement of funds for the third tranche, which included the integration of the PPC as a condition, was cancelled to keep total debt in line with HIPIC agreements. Thus, total disbursements were kept in line with conditionality, but this was due to coincidental circumstances rather than a deliberate sequence of decisions. Nevertheless, the country has made a very important progress in strengthening the procurement framework as witnessed by the 2007 Procurement System Assessment Report (PSAR). The government adopted standard bidding documents, uniform operating procedures and evaluation criteria and established a modern information system for procurement tracking, set up and staffed national and regional tender boards and a secretariat. The government also completed an annual audit of Government procurement. That report indicates positive measures in terms of greater opportunities for suppliers to compete for public bids and quicker resolutions of bids by the National Procurement Tender Administration (NPTA). **NOT ACHIEVED**
• *The rules, procedures and operating policies underlying the work of the ESC are designed and approved following the PSTAC recommendations (by the end of 2004*)	The rules, procedures and operating policies were adopted in July 2004 and are being observed. A session for the final approval of the corresponding documents was scheduled for December 2008, but the deadline was not met because the final draft for consideration was not ready on time due to difficulties in the reproduction of documents. The consideration of the text, expected to take place soon, may bring about minor changes. **ACHIEVED**
Training programs for the Parliamentary committees and their secretariat, as well as a training program in the area of public procurement have been developed and implemented. • *During program execution, training is provided to all members of the PAC and ESC, and to 100% of the staff of the secretariat of the committees and Parliament. Training is also provided to 100% of the staff of the Public Procurement Commission.*	Members of parliament and all staff received training about management and work methods of modern legislative bodies in other countries and other skills closely related to their function, typically through short seminars, which in some cases included trainers from the UK and Trinidad y Tobago. (This comment does not apply to PPC members who as explained above were not appointed). **ACHIEVED**

Summary implementation progress – Classification:
[ ] Highly Satisfactory (HS) [**S**] Satisfactory (S) [ ] Unsatisfactory (U) [ ] Very Unsatisfactory (VU)

IV. Project implementation

a) Analysis of Critical Factors

- **Environmental and Political Influences**

The execution of the program took place in a difficult environment with a weak public administration, passive resistance to changes and limited availability of adequately trained human resources. There was a justifiable need to take a bold decision consisting of swift move from traditional manual and seriously cumbersome ways of doing things to a new approach based on modern information and communication technologies.

The program started with substantial support and sense of ownership from Government, in particular from the Ministry of Finance. However, the program was ambitious and the time allowed for the reforms appears to be short since many of the changes had cultural implications.

Though the political climate has improved in the country in the last few years, there is still substantial tension between the two main political parties, which made it difficult to get necessary consensus in integrating the Public Procurement Commission, a difficulty that appears not to have been fully anticipated.

- **Resistance to change**

Only in the case of Customs, bureaucratic resistance to change was greater than presumed. Resistance did not take the form of obstructing implementation of reforms, but were evident in the reluctance to accompany them. For the rest of the program activities government staff attention and collaboration was an important ingredient for success. The program focus on capacity building activities in the institutions in charge of implementation of the reforms helped to substantially reduce resistance to change..

- **Stakeholder relations**

Relations between the borrower and the bank were harmonious and a climate of entire cooperation was always present. Bank representatives and government officials in charge of the project gave each other advance notice when it was considered necessary and were always available to discuss issues and actions requiring attention.

Coordination with other agencies, in particular with the World Bank avoided overlapping and allowed synergies to play effectively. Good coordination with MCC/USAID program that will continue the reforms in specific areas tax policy, tax administration and in auditing of the FFMP assures a smooth transition and good use of forthcoming resources. Inconveniencies were minor, in most cases caused by shifting priorities in the other agencies.

- **Implementation Sequence**

A central and controversial issue lies in the sequence of reforms. An orthodox or more traditional view would say that more training and preparation should have preceded the adoption and development of the computerized systems. The alternative view, which was the one chosen for-the project sought to accelerate, in this aspect, the reform process, by introducing computerization, leaving employees with little choice but to adjust to a different work methodology, thereby ensuring the institutionalization of this change. The risk of having to do things over again was present, but its expected value was minor compared to the costs of maintaining the inefficient and very costly existing routine. The adopted method was not a jump in the vacuum but rather a way of accelerating changes

b) Borrower/Executing Agency Performance

The Ministry of Finance was the Executing Agency, responsible for implementing the program and accountable to the Government of Guyana and the IDB. A Steering Committee was appointed to perform an oversight role, review and approve annual operating plans and related budgets, follow up execution and interface with different agencies.[4] In each of the subcomponents, there was a person in charge who was the principal 'point of reference' in the day-to-day execution of the project. In the case of tax administration, there was the Commissioner General of GRA; for the public financial management component - the Head of the Office of the Budget; for the oversight component the Auditor General and, the Speaker of the House in the case of Parliament. A program coordinator, reporting to the steering committee and to the Ministry of Finance was responsible for execution of the project.[5] As such, he ensured compliance with the appropriate procurement process for the selection of consultants, approved requests of funds and authorization of payments, submissions of project reports by the program managers in charge of the subcomponents. Other responsibilities included ensuring that the -procurement plan was executed on time, following up on consultants work/deliverables, on-going reporting to the Ministry and the Steering Committee and coordination with other international agencies.

The program coordinator was supported by a central project execution unit (PEU) and subsidiary project execution units for each of the subcomponents. These PEUs were responsible for accounting, procurement, payments, and reporting on project progress. Project execution units prepared annual operating plans designed to establish specific short term performance objectives and work plans, detailing outputs, budget and resources matrices. Each annual operating plan had to reflect the lessons learnt during the execution and to generate an evaluation feedback. There were quarterly reports showing the progress achieved in each case in relation to the annual operating plan. The plans are supported by resource needs acquisition plans.

The institutional arrangements for project implementation monitoring were quite satisfactory. A strong commitment from government kept the objectives of the project on track. A high degree of transparency was kept all along execution. Project records of operations conformed compliance to both Government of Guyana and IDB regulations.

Procurement followed well synchronized government and IDB rules and procedures. Every six months a procurement plan was prepared which was approved by the steering committee and submitted to the Bank for the "no objection" provision. The whole process was fully carried out by the PEU and monitored by the National Board of Procurement and Tender Administration; the Bank intervening at each step under the "no objection" procedure.

The chart of accounts and codes for the project are the same as those of the central government, but though efforts have been made to attain convergence, project and government accounts are not integrated. Careful selection of consultants, good work organization, excellent political and technical networking of the Project Coordinator and the permanent support from the Ministry of Finance contributed a great deal to the success of the project.

c) Bank's Performance

The Bank monitored implementation through regular supervision missions. The IDB office in the country took an active role in seeing that actions were implemented properly. The Policy Loan tranches were a matter of detailed evaluation and checks before approval. The last tranche was cancelled at the request of the GoG due to scaling down of debt operations to facilitate the implementation of the HIPIC program and to leave more space for FSO (Fund for Special Operations) financing, that being coincidental with the difficulties faced in fulfilling one of its conditions namely the appointment of members of the Procurement Committee.

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[4] The Steering Committee consisted of the Minister of Finance, Speaker of the National Assembly, Chairman of the PPC, Chairman of GRA and the head of the Policy Management Unit of the Office of the President.

[5] A technical committee contemplated in the project plan was not put in place.

Output indicators were checked by the specialist allocated to the operation every six months, which allowed keeping resources well aligned with targets. The mid/term review consisted of an Administrative Mission from the Bank and an exchange of information on the status of the performance benchmark. The Bank responded promptly and efficiently to all requests made by the government.

The Bank – without deviating from the established goals of the program – showed a great deal of flexibility supporting reforms that were not contemplated at the inception of the program as was the case of the introduction of the VAT and the provision of a complete operational framework for parliament.

Bank Performance			
[**HS**] Highly Satisfactory (HS)	[ ] Satisfactory (S)	[ ] Unsatisfactory (U)	[ ] Very Unsatisfactory (VU)

V. Sustainability

a) Analysis of Critical Factors

Retaining adequate number of trained personnel

It is important to construct a more solid bureaucratic base to maintain and deepen the reforms already in place. A diagnostic in motivational factors is appropriate, followed by the development of selected monetary incentives and well designed training programs. Serious barriers will have to be overcome, and a solid human resources policy be put in place. To reaffirm the reforms the country needs to increase the sense of public trust on the administration.

Reaffirming confidence in the areas of administration covered by the project

The program has successfully helped to increase confidence in the Audit Office and in Parliament, and this type of improvement should be extended to other areas. The government should perhaps exaggerate the work in those areas that in the past have been more criticized, such as customs reaffirming a policy of zero tolerance on public sector norms transgression, and even if it appears redundant, making frequent auditing on audits.

Keeping close follow up with other technical cooperation programs to avoid duplications

There are several technical assistance operations that have close relations with the FFMP program, in particular, a program with the MCC/USAID that contemplates further reforms in the some of the areas of work of this project. A process of consultation has been established between representatives of the MCC/USAID program and the coordination unit of this project and results are very good. Care is being taken to address duplication issues and to take advantage of the experience of the FFMP. The government wants to continue improving the tax system. A study to determine what further tax reforms should be adopted has been completed.

Macroeconomic implications

Although aggregate monetary and fiscal policies are being discussed in other frameworks, in particular with the IMF, changes in the aggregate level of taxation resulting from actions supported by this program invites some reflections. An important target of the tax reform was to increase tax collections to permit the government to address critical poverty alleviation and infrastructure needs. Results show an overachievement of that goal. Is this where the government wants to go? Should the level of taxation be revised to better respond to demands for improved competitiveness and development of the private sector?

Extended support after program completion

It has critical importance the fact that the Bank continues supporting the Executing Agencies after the Program has been completed, specially in in the areas of financial management and fiscal oversight. Extended support after program completion in these type of Programs, is critical to ensure the continuation of the reforms.

b) Potential Risks

The most important risk lies in the future work of the two main computerized systems. IFMAS is undergoing a substantial review and most likely will require a platform change. TRIPS will have very limited support once the involvement of the supplier ceases. TRIPS will soon have only 'on line' support, i.e. if a problem comes out a

technician will have to be sent from abroad. Few days with central systems down may have disastrous consequences. Is this a case where at EOP, no provision was made for the operational phase in terms of the availability of an adequate number of trained personnel as has been shown by the difficulties in handling personnel turnover in the area of IT.

Security is an important issue and efforts have been made to address it. The program was extended for two months to establish anchors that will keep the reforms in place, in particular security measures for the working of the two major existing computerized systems including the implementation of a remote site back up.

No labor union problems are anticipated, though pockets of resistance or protest under a public cause label may arise. The government is mitigating this risk by increasing out reach efforts, in particular in tax administration, the Audit Office and Parliament.

Budget cuts may exist in the future but many changes brought about by this project are basically irreversible.

c) Institutional Capacity

The timely delivery of technical assistance by the international community has been and remains critical to making sufficient progress in the public sector reform in Guyana.

A more flexible remuneration system could help keep key people in key areas.

Institutional capacity was weak but the government with training and support of consultants was able to keep the project on track and to maintain a reasonable good quality of the products being delivered. The reforms in place, though, require a continuity of a timely delivery of technical assistance by the international community in order to sustain the end-of-project level of performance.

With various technical assistance programs on the horizon and the confirmed government determination for reforms, a gradual increase in the institutional capacity should be expected, but a strong concentration on reforming human resources management is an obligatory step.

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Sustainability Classification SU:			
[ ] Highly Probable (HP)	[**P**] Probable (P)	[ ] Low Probability (LP)	[ ] Improbable (I)

VI. Monitoring and Evaluation

a) Information on Results

Monitoring indicators were well targeted, in all cases they were relevant and in practically all cases offered reasonable means of verification. IFA has contributed to an intermediate evaluation of progress and accomplishment of the project actions.

b) Future Monitoring and Ex-Post Evaluation

The general goal established for the project was "to contribute to fiscal sustainability and the development of stable public institutions for the transparent and effective management of public funds, in support of the country's sustained and equitable economic development"

Five years following program completion, according to the Project's log frame, it is expected that

G.1 All provisions guaranteeing the independence of agencies overseeing the proper use of public funds are maintained in effect

G.2 Measures taken to improve the equity and effectiveness of the tax system remain in effect, and no contradictory measures are introduced

G.3 Tax collection and control agencies have adequate resources to perform their functions: current and capital expenditures (as a percentage of total tax collection) are maintained at 2.5%

G.4 There are no economic crises clearly attributable to the fiscal imbalances.

G.5 The annual non financial public sector deficit is maintained at sustainable levels consistent with targets agreed with the IMF. The ratio of the present value of public debt to central government revenues remains below 250%

All these indicators and the planned means of verification (independent consultant's report, national statistics and IMF reports) are reasonable and will permit an adequate evaluation a few years from now. It would be highly illustrative to briefly appraise the degree of progress in the implementation and use of the two major computerized systems introduced with the project. The adoption of these systems was a sort of a breakthrough from a manual to a computerized approach in processing key tax and expenditure data. It will be valuable for the Government and for the Bank, in terms of choice, implementation progress and sustainability to take stock of this major change. However, there are no funds reserved for any monitoring or ex post evaluations.

VII. Lessons Learned

1. This operation has served to confirm how important ownership is for the successful implementation of any project, especially complex programmes such as the FF MP. Besides the design, management and effective monitoring during project execution, the success of the project, to a large extent, is the result of a permanent involvement of the Ministry of Finance and other high-level officials.
2. The hybrid nature of the operation gives grounds to consider a wider use of this approach. In this case, substantial reforms have been achieved because of a good combination of tools. This approach accentuates the convenience of reforms with a medium time horizon sometimes difficult to implement when the perception of the benefits of a given program is materialized beyond the term limits of those responsible for execution.
3. The human resource aspect is an ever present problem in technical cooperation operations on public sector reform. A profound revision of approaches applied in training interventions might be required. Questions of motivation and management of incentives, so much proclaimed in training and management courses for the private sector, have failed to find a translation for the public sector of the lower income countries.
4. The program adds an interesting example about the possibilities to consider reform approaches somewhat outside an orthodox view. Sometimes it is difficult to have a clear field to land technical reforms, as it is the case of the adoption of computerized systems. Some weight can be given to the induced reforms that the development of these systems could provoke.
5. Providing room for adjustments during execution to include new actions within the goals of the project and the policies of the bank, though not contemplated in the original design, proved to be very beneficial to sustain the reforms envisaged by the operation. The project team was flexible in redesigning the Project, as many times it was needed; the team was able to add new concepts and inputs from other institutions and people that contributed to the operation success It is worth mentioning, for example, that the adoption of the value added tax not foreseen at the inception of the program, and a keystone of the tax reform process, was greatly facilitated by the resources made available by the FFMP. Another example lies in the reforms about procedures and working conditions of parliament, which went beyond original plans, and now provide a substantially improved environment for the discussion the laws of the country.
6. A good coordination between the Design Team and the Execution Team was a key factor to facilitate Project Execution.
7. The objectives and strategic outputs of the operation should be clearly stated during the project design stage. Clarity of the program objectives was another key factor to guide a successful Project implementation.

Annexes

1. Supporting Tables
2. Project Costs
3. Minutes from the Exit Workshop

ANNEX I:

SUPPORTING TABLES

Guyana: Selected Macroeconomic Indicators

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Real GDP growth %	1.7	3.0	-1.3	12.3	1.1	-0.6	1.6	-1.9	5.1	5.4	3.1
Inflation (annual average %)	4.6	7.5	6.1	2.7	5.3	5.6	7.2	8.3	4.2	14.0	6.4
Exchange rate	150.5	177.7	182.4	187.3	190.6	193.8	198.3	199.9	200.9	202.5	203.6
Public sector deficit (before grants)	-6.8	-6.1	-14.0	-15.2	-14.0	-13.1	-13.4	-21.6	-23.0	-12.5	-13.3
Curr.acc.deficit (%GDP, before grants)	-13.7	-10.8	-15.9	-18.5	-14.8	-8.2	-8.9	-19.1	-27.6	-18.1	-21.3
External debt/GDP	210.1	174.3	167.4	172.0	187.2	161.6	151.2	147.0	114.8	68.8	71.5

Source: Bank of Guyana Statistical Bulletin

Tax collection 2002-2008 (*)

	2002	2203	2004	2005	2006	2007	2008
Total tax collection	40.8	41.6	48.4	53.0	58.5	77.3	79.1
Internal revenues	22.1	22.4	24.8	27.2	30.5	32.5	34.5
Customs and trade adm.	18.7	19.2	23.6	25.8	28.0	8.1	7.5
Value added and excise taxes						36.7	37.1
GDP market prices	138.4	144.1	156.2	164.9	183.1	217.6	238.7
Ratios							
Total tax collection/GDP	29.5	28.8	31.0	32.1	32.0	35.5	33.1
Internal revenues/GDP	16.0	15.5	15.9	16.5	16.7	14.9	14.5
Customs and trade Adm./GDP	13.5	13.3	15.1	15.6	15.3	3.7	3.1
VAT and excise taxes/GDP						16.9	15.5

Source: GRA Annual reports and direct information
(*) In billions of GY dollars.

Budgeted and actual revenue collection for the period 2004-2008 - Internal Revenue

	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Income tax self employed	997,916	872,427	958,153	919,332	993,200	1,019,885	1,094,846	1,243,814	1,241,087	1,652,740
Private sector	822	973	456	871	900	2,742	900	341	-	303
Corporation tax:	8,677,504	8,926,857	9,409,291	10,016,401	10,742,800	11,915,043	12,541,154	13,087,997	13,228,285	14,159,232
Private sector	7,037,456	8,132,996	8,542,991	9,356,888	10,087,800	10,703,755	11,394,554	11,980,060	11,953,786	13,556,690
Public sector	1,640,048	793,861	866,300	659,513	655,000	1,211,288	1,146,600	1,107,937	1,274,499	602,542
Withholding tax	1,372,009	1,368,137	1,399,300	1,562,446	1,570,500	2,051,480	2,110,200	2,127,418	2,160,910	2,755,333
Income tax others	9,608,730	10,068,846	10,252,963	11,194,968	10,291,800	11,708,867	11,440,300	12,831,617	10,327,527	12,673,968
Net property tax	902,200	729,513	748,700	806,916	1,151,500	842,898	930,300	942,911	1,062,652	1,253,785
Process fee	22,553	19,436	19,200	21,291	21,300	22,549	24,600	19,277	23,044	27,608
Entertainment duty	3,851	3,760	3,700	2,377	2,800	1,942	0	596	-	-
Travel tax	442,575	478,044	535,950	498,528	521,200	483,741	600,066	540,688	556,865	514,784
Capital gains tax	139,323	172,293	192,100	133,403	139,600	161,220	170,500	228,745	267,199	218,252
Premium tax	81,937	70,418	68,800	60,467	60,000	64,278	65,700	66,761	73,915	90,155
Professional fees	4,288	7,815	7,800	5,945	6,900	5,805	6,494	4,910	5,623	6,300
Travel voucher tax	722,188	667,888	725,850	665,234	708,000	598,517	661,334	571,092	588,181	628,743
National development tax	276	149	191	56	100	58	100	17	-	44
Hotel accommodation tax	97,675	97,017	107,900	99,058	107,800	102,329	0	10,338	-	-
Service tax	7,151	90,176	95,242	99,549	108,300	103,816	0	25,062	-	-
License motor vehicles	249,069	257,325	271,859	274,001	292,500	289,034	307,839	305,795	330,882	336,545
License other vehicles	144	255	241	234	300	153	261	163	176	195
License - trading	12,300	15,803	15,985	12,222	14,400	12,019	15,414	12,886	14,756	10,600
License miscellaneous	8,089	7,387	8,725	6,563	7,600	6,864	8,063	7,944	9,097	8,873
Purchase tax - cars	445,262	718,204	574,300	643,593	632,100	828,061	0	158,883	-	7,458
M/ vehicles & rd traf act	170,451	174,924	206,690	165,765	193,300	196,502	210,529	205,623	235,475	202,828
Total	**23,966,313**	**24,747,647**	**25,603,396**	**27,189,220**	**27,566,900**	**30,417,803**	**30,188,600**	**32,392,878**	**30,125,674**	**34,547,748**

Budgeted and actual revenue collection for the period 2004-2008 - Customs and Trade Administration

	2004		2005		2006		2007		2008	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
Import Duties	3,454,300	3,684,596	3,741,400	3,638,145	3,898,500	4,114,979	4,400,100	6,004,467	5,914,148	6,602,453
Warehouse Rent & Charges	10,724	13,539	11,495	12,700	12,400	16,046	17,392	20,438	19,871	19,760
Export Duties	12,200	13,136	3,400	6,845	5,600	7,116	6,900	8,748	8,265	8,629
Licenses-Liquor	16,235	15,949	16,993	14,404	15,700	13,459	0	0	-	-
Miscellaneous	23,940	23,213	20,895	129,879	133,800	42,838	58,524	57,913	56,308	90,493
Consumption Tax	16,515,959	19,407,732	19,189,158	21,391,419	22,572,900	23,271,845	667,200	1,401,055	-	-
- Oil Imports	4,819,957	6,131,901	5,723,000	6,012,050	6,978,700	6,765,282	0	385,337	-	-
- Non-Oil Imports	7,565,037	8,946,096	8,580,000	10,350,682	10,408,800	10,966,858	0	311,240	-	-
- Alcoholic Beverages	1,902,270	2,110,627	2,481,400	2,549,819	2,476,400	2,789,424	396,200	388,020	-	-
- Other Local Goods	1,581,121	1,484,409	1,644,563	1,655,329	1,809,300	1,818,341	181,955	190,947	-	-
- Overseas Telephone Bills	638,469	725,481	750,474	814,474	889,700	923,425	88,079	125,368	-	-
- Betting Shops	9,094	9,223	9,721	9,065	10,000	8,515	966	143	-	-
Overtime Fees	54,466	54,320	42,420	71,398	73,400	76,563	76,780	97,621	94,919	96,505
Departmental Fines	42,348	46,379	47,969	12,896	24,200	54,012	66,730	55,638	54,098	37,787
Stamp Duties	6,090	6,472	6,328	8,506	9,100	9,915	10,088	10,343	10,124	12,548
Environmental Tax	357,851	273,426	288,000	494,152	483,400	421,839	474,200	513,580	490,888	605,879
Sundries	-	-	0	825	800	312	0	290	-	-
TOTAL	**20,494,102**	**23,538,767**	**23,368,058**	**25,781,169**	**27,229,800**	**28,028,924**	**5,777,914**	**8,170,093**	**6,648,621**	**7,474,054**

Budgeted and actual revenue collection for the period 2004-2008 - Value Added and Excise Taxes

	2004		2005		2006		2007		2008	
	Budgeted	**Actual**	**Budgeted**	**Actual**	**Budgeted**	**Actual**	**Budgeted**	**Actual**	**Budgeted**	**Actual**
Value Added Tax										
Imports							7,950,151	13,389,438	15,105,361	15,346,878
-Goods							7,950,151	13,376,328	15,074,731	15,197,129
- Services								13,110	30,630	149,749
Domestic Supply							4,161,181	9,091,273	9,946,008	10,945,003
-Goods							4,161,181	9,091,273	9,946,008	10,945,003
Miscellaneous VAT:							-	9,953	11,227	23,414
-Interest							-	2,847	3,211	8,829
-Penalties							-	7,106	8,016	14,585
Sub-Total							**12,111,332**	**22,490,664**	**25,062,596**	**26,315,295**
EXCISE TAX										
Imports							**10,375,093**	**13,819,627**	**14,587,976**	**11,123,610**
-Motor Vehicles							2,202,425	4,540,323	5,122,187	5,832,706
-Petroleum Products							6,749,363	8,040,301	8,068,002	3,869,785
-Tobacco Products							751,309	899,385	1,014,647	860,932
-Alcoholic Beverages							671,996	339,618	383,140	560,187
Domestic							2,350,575	1,564,390	1,764,874	1,979,750
-Alcoholic Beverages							2,350,575	1,564,390	1,764,874	1,979,750
Miscellaneous Excise:							0	0	-	10
-Interest							0	0	-	-
-Penalties							0	0	-	10
License Fees							16,186	13,863	14,259	10,299
-Liquor License							16,186	13863	14,259	10,299
Sub-Total							**12,741,854**	**15,397,880**	**16,367,109**	**13,113,669**
TOTAL							**24,853,186**	**37,888,544**	**41,429,705**	**39,428,964**
Refunds Paid							**0**	**1,161,502**	**-**	**2,316,950**
Net VAT & Excise							**24,853,186**	**36,727,042**	**41,429,705**	**37,112,014**
GRAND TOTAL	**44,460,415**	**48,286,414**	**48,971,454**	**52,970,389**	**54,796,700**	**58,446,727**	**60,819,700**	**77,290,013**	**78,204,000**	**79,133,814**

Tax exemptions and imports (*)

	2002	2003	2004	2005	2006	2007	2008(**)
Value of Imports	106,580	107,395	147,400	160,400	178,900	283,109	329400
Total exemptions	15,486	15,771	7,305	7,835	25,595	40,687	88914
Conditional exemptions	3,890	4,063	6,048	1,333	9,334	24,816	68796
Unconditional exemptions	11,597	11,709	1,257	6,502	16,261	15,871	19938
Total exempt/imports %	14.53	14.69	4.96	4.88	14.31	14.37	26.89
Conditional exempt/imports %	3.65	3.78	4.10	0.83	5.22	8.77	20.81
Unconditional exempt/imports %	10.88	10.90	0.85	4.05	9.09	5.61	6.03

Source: Guyana Revenue Authority Annual Reports and direct information
(*) In millions of GY dollars
(**) Provisional figures. GRA is checking for inconsistencies.

Taxable income thresholds

Year	Threshold	GDP f.c. (in million) GY $	Population (mid year)	GDP f.c. Per capita (in housand) GY$	Threshold/ GDP per capita
2004	240,000	130,405	755,685	172,565	1.391
2005	240,000	137,633	758,183	181,530	1.322
2006	300,000	154,000	760,989	202,368	1.482
2007	336,000	171,190	763,203	224,304	1.498
2008	420,000	188,225	766,183	245,665	1.710

Source: Guyana Revenues Authority Annual Reports

Salary Scales of GRA and Public Service

	G R A		Public Service		GRA/Public Service		
Grade	**Minimum**	**Maximum**	**Minimum**	**Maximum**	**Minimum**	**Maximum**	**Midpoint**
1	41,464	70,488	29,836	34,045	1.39	2.07	1.75
2	50,159	85,267	32,551	37,718	1.54	2.26	1.93
3	58,820	99,996	35,184	40,983	1.67	2.44	2.09
4	67,738	115,150	36,790	43,016	1.84	2.68	2.29
5	84,944	144,402	41,452	52,198	2.05	2.77	2.45
6	108,250	184,025	47,715	60,127	2.27	3.06	2.71
7	113,827	193,502	54,950	81,277	2.07	2.38	2.26
8	135,532	230,404	67,001	100,442	2.02	2.29	2.19
9	147,881	251,400	81,105	126,035	1.82	1.99	1.93
10	174,648	296,895	100,301	164,184	1.74	1.81	1.78
11	242,555	412,341	126,147	209,772	1.92	1.97	1.95
12	267,993	455,590	155,291	273,470	1.73	1.67	1.69
13	498,532	847,193	196,562	346,144	2.54	2.45	2.48
14	575,777	978,822	239,188	444,069	2.41	2.20	2.28
15	669,277	1,137,769	n/a	n/a			
	Average of ratios GRA/General Administration				**1.93**	**2.29**	**2.13**

Source: Budget and GRA

Expenditures: differences between budget and execution

Year	Total expenditure			Current expenditure			Capital expenditure		
	Budget	Execution	Dev %	Budget	Execution	Dev %	Budget	Execution	Dev %
2004	75,611	72,606	-3.97	51,667	50,189	-2.86	23,944	22,417	-6.38
2005	86,432	91,808	6.22	54,708	56,664	3.58	31,723	35,143	10.78
2006	102,922	103,991	1.04	60,908	62,184	2.10	42,014	41,806	-0.49
2007	99,962	107,504	7.54	63,265	64,627	2.15	36,698	42,877	16.84
Average Deviation 2004-2007			**2.71**			**1.24**			**5.19**

Current expenditures: differences between budget and execution 205-2007

co		2005			2006			2007		
	Agency	**Budget**	**Exec.**	**% dif**	**Budget**	**Exec.**	**% Dif**	**Budget**	**Exec.**	**% Dif**
1	Office of the President	1,316	1,313	-0.22	1,365	1,530	12.06	1,476	1,505	1.98
2	Office of the Prime Minister	48	48	-0.99	94	88	-6.39	95	103	7.80
3	Ministry of Finance	11,275	15,469	37.20	12,782	14,087	10.22	12,940	16,483	27.38
4	Ministry of Foreign Affairs	1,736	1,707	-1.63	1,941	1,914	-1.41	2,163	2,126	-1.70
7	Parliament Office	298	311	4.29	512	492	-3.79	676	684	1.22
8	Office of the Auditor General	153	139	-8.90	33	30	-8.95	0	0	
9	P & Police Service Commission	38	38	-0.99	42	40	-4.57	43	38	-11.64
10	Teaching Service Commission	43	42	-3.86	45	44	-0.74	48	45	-6.45
11	Elections Commission	1,141	535	-53.06	1,488	2,472	66.08	1,393	909	-34.76
13	M of Local Government	141	136	-3.49	173	158	-8.36	195	185	-4.78
14	Public Service Ministry	138	141	2.05	152	185	21.76	211	208	-1.58
15	M.of Foreign Trade	0	0	-100.00	0	0	-100.00	0	0	
16	Ministry of Amerindian Affairs	0	0	-100.00	122	139	13.52	185	189	2.13
21	Ministry of Agriculture	1,149	1,110	-3.43	1,323	1,492	12.79	1,482	1,752	18.21
23	M.of Tourism	241	241	-0.37	264	257	-2.72	343	344	0.29
31	M. of Public Works	478	628	31.53	609	742	21.85	501	525	4.65
41	Ministry of Education	4,706	4,542	-3.49	4,739	4,666	-1.55	4,997	4,945	-1.03
44	Ministry of Culture,	549	544	-1.00	571	804	40.81	782	780	-0.14
45	M.of Housing and Water	355	803	126.40	359	957	166.65	486	479	-1.40
46	Georgetown Pub Hospital	2,066	2,182	5.61	2,252	2,249	-0.12	2,427	2,468	1.70
47	Ministry of Health	2,176	2,109	-3.11	2,355	2,351	-0.15	2,667	2,891	8.41
48	Ministry of Labour,	1,543	1,432	-7.23	2,375	2,318	-2.41	2,509	2,788	11.14
51	Ministry of Home Affairs	3,995	4,070	1.87	4,319	4,675	8.26	4,810	5,127	6.58
52	Ministry of Legal Affairs	237	223	-5.76	193	173	-10.44	143	139	-2.79
53	Guyana Defence Force	2,946	3,148	6.87	3,267	3,618	10.74	3,523	4,299	22.01
55	Supreme Court	551	544	-1.26	580	589	1.53	577	616	6.77
56	Public Prosecutions	52	49	-5.37	67	51	-24.56	63	50	-19.82
57	Office of the Ombudsman	13	4	-65.78	13	4	-68.41	12	3	-75.35
58	P. Service Appellate Tribunal	18	10	-42.98	17	7	-58.97	17	7	-57.96
71	Region 1: Barima/Waini	553	576	4.13	608	621	2.06	698	693	-0.76
72	Region 2: Pom.Supernaam	1,013	989	-2.34	1,097	1,073	-2.16	1,135	1,130	-0.40
73	Region 3: Esseq /W. Demerara	1,459	1,440	-1.33	1,590	1,556	-2.14	1,704	1,678	-1.57
74	Region 4: Demerara/Mahica	1,503	1,516	0.82	1,628	1,633	0.29	1,766	1,776	0.53
75	Region 5: Mahica/Berbice	777	762	-1.84	861	859	-0.30	951	933	-1.91
76	Region 6: E Berbice/Corentyne	1,675	1,658	-1.03	1,906	1,898	-0.43	2,082	2,078	-0.17
77	Region 7: Cuyuni/Mazaruni	570	570	-0.05	626	623	-0.56	698	689	-1.23
78	Region 8: Potaro/Siparuni	239	239	0.00	257	255	-0.90	303	304	0.21
79	Region 9: Up Takatu/Up Esseq.	453	468	3.46	492	492	-0.07	567	551	-2.77
80	Region 10: Up Demer./Up Berb	977	956	-2.16	1,014	998	-1.61	1,081	1,063	-1.65
90	Public Debt	8,087	6,542	-19.10	8,776	7,937	-9.56	7,517	6,345	-15.59
	TOTAL CURRENT EXPENDITURE	54,708	57,233	4.62	60,908	64,077	5.20	63,265	66,928	5.79

Source: Ministry of Finance

Budgetary resources of the Audit Office
As a proportion of the Central Government Budget

Year	Audit Office	Central Govt. Budget	Percentages
2003	144	72,946	0.1919
2004	173	75,611	0.1957
2005	196	86,432	0.2152
2006	216	102,922	0.2099
2007	249	99,642	0.2499
2008	323	119,255	0.2708
2009	298	128,882	0.2312

Source: Guyana Estimates of the Public Sector 2002-2009

In millions of GY Dollars

ANNEX II:

PROJECT COSTS

FISCAL AND FINANCIAL MANAGEMENT PROGRAMME (1550/1551 SF-GY)

STATUS REPORT AS AT FEBRUARY 27TH 2009

Code	Budget Category	Contract budget	Amounts committed to date by way of contracts	Amounts projected to be committed but not yet contracted	Total commitment projected at the end of the project	Expenditure to date	Payments pending on existing contracts
1.01	Comp.1 GRA	8,163,001	8,176,469	11,000	8,187,469	8,170,991	5,479
1.02	Comp. 2 - Financial Management	2,658,217	2,634,853		2,634,853	2,524,867	109,986
1.03	Comp. 3 - National Assembly	544,102	543,933		543,933	514,657	29,277
1.04	Program Management	1,225,065	1,197,597	7,800	1,205,397	1,196,073	1,524
1.05	Audits and Evaluation	114,615	98,903		98,903	44,903	54,000
1.06	Financial and Ins.Visits - IDB	130,000	130,000		130,000	130,000	-
1.07	Contingencies	165,000			-		
	TOTAL	**13,000,000**	**12,781,755**	**18,800**	**12,800,555**	**12,581,489**	**200,266**
	PBLoan					**10,000,000**	
	TOTAL					**22,581,489**	

ANNEX III:

MINUTES FROM EXIT WORKSHOP

FISCAL AND FINANCIAL MANAHGEMENT PROGRAMME

MINUTES OF THE EXIT WORKSHOP

April 23, 2009

1 Introduction

The participatory project evaluation workshop for the Fiscal and Financial Management Project was held on the 23rd April, 2009 at the Grand Coastal Inn, Le Ressouvenir, East Coast Demerara. Forty one (41) persons were invited from the participating agencies, namely, Ministry of Finance, Guyana Revenue Authority, the National Assembly, the Project Execution Unit and the Inter American Development Bank. Of this number, thirty four (34) persons including the Minister of Finance, senior officials, the IDB Resident Representative and several other key officials from the Bank, attended the Opening Session. The persons who remained to interact in the workshop's participatory evaluation numbered twenty six(26). Details of the attendance are captured in Annex A of this document.

The objectives of the Workshop were:

- Assess the results of the program in keeping with its key performance indicators as well as the appropriateness of the project design
- Identify the challenges to the sustainability/ institutionalization of project outputs and early impacts.
- Identify lessons learnt that can be applied to the design of future similar projects.
- Determine whether an ex-post evaluation should be carried out 2 – 5 years post project completion.

The participatory evaluation was addressed at two levels: at the group level where participants were organized into four working groups and tasked with the responsibility of assessing the program in terms of achievements, sustainability, project design and management, identification of lessons learnt and the consideration of the need for an ex-post evaluation. Secondly, at the wider workshop level, groups were given the opportunity to present their conclusions to the entire workshop stimulating discussions among all participants that led to additions to the ideas that were presented, clarifications, and finally consensus.

In order to encourage informed and meaningful interactions, and in accordance with the Bank's guidelines for such project 'close out' activities, a copy of the draft Project Completion Report (PCR) was circulated to all of the invitees, prior to the workshop. In addition, Guide Questions were provided for each evaluation element in order to better focus the group discussions. These questions are listed in Annex B of this document.

The following represents the conclusions of the workshop:

2. Assessment of Project Results: The Opening Session – Main conclusions

At the opening session the assessment from both the Minister of Finance, Dr. Ashni Singh and the IDB's Resident Representative was that the FFMP was one of the most successful operations in several years, having successfully completed execution within time and budget. The Bank declared the project to be a signature one as a result of its achievements, when compared with similar programs in the Region, and its contribution to the Bank's Country Strategy. The GOG and participating agencies were commended for their hard work and commitment that obviously contributed to the successful outcome.

The Minister of Finance outlined how this project had consolidated and expanded on earlier initiatives aimed at building / strengthening fiscal and financial probity. He identified a number of outputs and outcomes that he described as 'revolutionary' in terms of their innovative characteristics, and the corresponding significant achievements that were realized within this area of public policy, particularly in the overall context of the regional financial management practices. Both parties were unanimous as to the outcome of this program, each identifying key points of achievement at the end of the project.

2.1. Participatory Group Assessment – Assessment of Project Results: Component 1 –Tax Policy and Administration Reform

2.1.1. Outcomes and Outputs

The workshop agreed that the key project outcomes that relate to tax and policy administration were as follows:

- Organization autonomy- the operationalization of the G.R.A. as an autonomous body.
- Legal framework-reforms that resulted in the enactment and implementation of VAT & a new excise tax together with the new taxpayer registration mechanism – TIN - all aimed at simplifying the tax system while broadening the tax base.
- Restructuring & re-engineering to streamline operations, leading to a more effective and efficient utilization of the GRA's human resources.
- Improvement of ICT through(a) the introduction of a new organization wide computerized system called TRIPS (Total Revenue Integrated Processes System), (b) the adoption of TIN (Taxpayer Identification Number) and its inclusion within the new IT system, (c) the acquisition of computers, training and benefits that emerged from the consultancies undertaken in this project.
- Adoption of new and improved revenue procedures that enhanced operations in this area.

2.1.1.1. Critical influencing factors

The workshop agreed on the following key factors that influenced the final results in this component:

- **Lack of technical staff & a performance management system**. Inadequate numbers of sufficiently trained technical staff that was necessary to make the transition to the new organization presented some delays during project execution. Participants felt, that notwithstanding the positive results at EOP (End of Project), with sufficient technical staff in place, there could have been even more gains realized and the pace of adaptation to the new routines faster.
- **The several initiatives that were occurring concurrently contributed to the project's inability to carry out needed reforms in revenue legislation at EOP.** Participants believed that these reforms were necessary in order to eliminate the fragmentation that now exists with the existing related legislation. It was posited that such a move would be very beneficial since the existence of a more consolidated set of laws would better support the restructured GRA, allowing for consistency in, e.g. the type and levels of penalties that were available.
- **The procurement process which at times can be overly bureaucratic** and which, in some instances, does not allow for the choices that can be most suited to the needs of the organization. The example chosen was a single instance where a batch of computers proved to be unsuitable largely in terms of quality, resulting in an unusually short life span.
- Strong leadership, the commitment and experience of senior management staff contributed to the steady and successful progression of project interventions.

In order to deal with similar challenges in future projects the workshop recommended that:

- The Procurement process needs to be more flexible and expeditious.
- A greater availability of resources (human and equipment) to support the reform initiatives during project execution.
- Greater diligence should be given to the recruitment of consultants, the preparation of their terms of reference and in general the management of consultancies, since in some cases deliverables were found to be wanting.

2.1.2. Externalities

Participants identified the following unexpected results following project execution:

- Increased demands on staff who had to perform regular duties in addition to the project work. As a result of these pressures, staff were placed under a lot of stress and anxiety.
- Resistance to change emerged covertly within the organization as well as overtly from the public. Persons, accustomed to doing things one way found it difficult to adapt to the new procedures. The view was expressed that the magnitude of the program was underestimated with little

consideration being given to the incorporation of change management strategies during project implementation. It was felt that if the reasons for the change and the related benefits were articulated continuously before and during execution, the resistance could have been reduced or at least made more manageable.

- From the public domain, there was initial and continued resistance to VAT, largely regarding the percentage applied.
- On the positive side, the implementation of TRIPS resulted in the unexpected discovery of a number of inconsistencies in the manual system. Additionally, the new system has enabled an easier identification of duplications within the tax system.

2.2. Component 2: Strengthening of Public Sector Financial Management

2.2.1. Results

The workshop identified the following key results from the project execution of Component 2:

- Introduction and implementation of FMAA (Fiscal Management Accountability Act). A key result of this implementation is the closer collaboration between current and capital budgetary processes through joint budget hearings.
- Presentation of the annual current and capital estimates. Both current and capital expenditures would be programmized by 2010. This process has already started under FFMP and the current and capital estimates are currently presented as an annex to vol. 3 under the Annual Estimates of Expenditure (Annual Budget Publications).
- Introduction and implementation of IFMAS has had the following results:
    - All budget agencies and regions, except Region 8, conduct their financial transactions online thus creating a harmonized information system.
    - Regional Administrations at remote locations, namely Regions 1, 7, & 9 have shifted from a manual system to the new automated online system.
    - MOF now has instantaneous access to up-to-date public expenditures statistics and reports from all Government Ministries, Agencies, and Regional Administrations across the country.
    - There has been a notable reduction between budgeted and executed expenditures in many government ministries, regional administrations and agencies.
    - The system in place now allows for more ready forecasting and closer monitoring by MOF Current and Capital Budget officials.

Participants felt that the implementation of the activities under this component, while not fully achieving the desired integration between the capital and current budgets, has brought about the following benefits:

- Greater transparency in the budgetary process and outcomes.
- Greater efficiencies.
- Institutional strengthening of the entire public financial management system was realized from the training interventions, in particular, for the IFMAS.

2.2.1.1. Critical influencing factors

Participants identified the following critical factors that influenced the results of this component:

- **Worldwide practices** - the search for economies of scale, the need to maximize output through better planning /allocation of resources, and better reporting in financial management thereby leading to good governance, greater transparency.
- **The need for a coordinated approach to resource allocation**.

  Scare financial resources in Guyana continue to demand a more effective way of resource management / allocation. The previous practice of separate budgetary hearings with LMs resulted, in some instances, in a disconnect between current and capital budgetary allocations, especially as development projects moved to the operational stages, where funds for maintenance becomes imperative. In addition, LMs had more leverage in bargaining for resources that, in several instances, did not benefit from coordinated decision-making.

- **Service failure by the ISP (Internet Service Provider) and GPL Guyana Power & Light Co. Ltd)** during project implementation affected the ability of regions 1, 7 & 9 to communicate with the centre, resulting in some delays in the updating of the country's public expenditure and the provision of related reports at specific points in time. These delays were, however, short lived.

Participants felt that in order to deal with similar challenges in future projects, there should be:

- A transfer / adaptation of best practices, from both external and internal sources, throughout the sector.
- Implementation of back up systems to minimize disruptions to the effective functioning of the IFMAS.

2.2.2. **Externalities**:

The workshop participants identified a number of emerging externalities, at end of project:

- Some degree of underutilization of staff since the introduction of IFMAS had implications for a reduced workforce in some functional areas.
- The IFMAS's total dependence on the ISP and GPL resulted in public officials from remote locations / regions being compelled to travel to Georgetown to input their financial transactions in order to meet deadlines as a result of periodic failures in the essential services provided by these entities.
- The System has not fully met all reporting needs and at this point cannot change because of the limited flexibility of the software. Further changes to reports, for instance, may require a revision of software.

On the positive side,

- The joint approach to budget reviews has resulted in the completion of budget well within the stipulated time frame, although this can also be attributed to the MOF's accumulated experience born from its long association with this process.
- The overall IT capacity in the discharge of the public financial management system has been enhanced as the transition to the new IFMAS was basically well accepted by MOF and other finance personnel in the ministries and regions. These technological advancements are now widely embraced across the participating Ministry and agencies.
- Staff Capacity has increased in an overall sense, since personnel who were involved in the manual system, have been encouraged to retrain and to upgrade themselves academically in related disciplines so that they may be eligible for redeployment to other departments in the Ministry at an appropriate time.

2.3. Component 3: Audit & Fiduciary Oversight

2.3.1. Results

The activities of this component were directed at strengthening the main bodies involved in exercising oversight of public financial management, namely, the Audit Office, the National Assembly and the Public Procurement Commission. It was the view of participants, that during project execution, activities focused on the strengthening of the National Assembly since a strengthened PAC, for instance, would allow for enhanced oversight over the Audit Office. While the benchmark for a restructuring of the Audit Office was included in the FMMP's Log frame, participants were of the view that direct institutional strengthening to the Audit Office was provided through complementary and simultaneous activities that were being funded by the Bank and DIFID (Department of International Development of UK). The planned activities for the Public Procurement Commission never got on the way as a result of several external factors outside the control of the Project that restricted the operationalization of the Commission. Notwithstanding these observations, the participants identified the following results under this component:

- Revision of the standing orders to improve the financial oversight role of the National Assembly, e.g. MOF, is now required to submit treasury memorandum in response to the PAC reports and has since complied with this provision; opposition parties now have more involvement in the work of the National Assembly and the work of parliamentary committees has significantly improved.
- A new manual on operational procedures for parliamentary committees was finalized thus enhancing the work of committees.

- A Manual on conventions and procedures of the assembly was finalized and is available to MPs and other personnel.
- A Handbook for Members of Parliament as well as an historical document on the Parliament of Guyana was printed and is now available.
- A new parliamentary website was developed and is accessible online; populating / updating the site with information on the proceedings of parliament is on going.
- An electronic document and management system (EDMS) was operationalized.
- The Hansard section has been re-established and is now enhanced with the procurement of computers and the refurbishment of office space.
- There has been improvement of the physical environment of parliament office; two (2) committee rooms were outfitted with furniture and equipment as well as the speaker's ceremonial office.
- The Library in parliament has been refurbished, complete with a computerized catalog system that has already been implemented, a number of books and reading material were acquired and on the physical side, the library space has been carpeted.
- Strengthening the capacity of parliamentary committee's members (PAC and ESC).
- MPs were sent on study visits to the USA. to observe the operations of parliamentary committees. In addition, staff from the Parliament Office visited Jamaica to observe the operations of that country's committee system. The observation made by the participating staff however, was that the systems in Guyana were more advanced.
- The IT capacity of the Parliament Office was enhanced through the training of the IT Officer in the configuration of network systems.
- Public outreach programmes helped in sensitizing the Public to the reforms in the National Assembly. These messages will soon be available in print and electronic media.

2.3.1.1. Critical influencing factors

The participants highlighted the following factors, which proved critical to the final results that were realized in the component:

- The strong Leadership of the National Assembly, specifically, the Speaker of the House and the Clerk of the National Assembly, provided the required champions for this component. Their belief in the project was constantly shared with staff and MPs and their continuous efforts to build awareness of the benefits of the interventions, engendered stakeholder/beneficiary 'buy-in' and a resolve to cooperate that was largely sustained throughout the life of the project.
- Continual monitoring by these key decision-makers, and the determination to make full use of the financial resources that were available within the project's timelines contributed to the completion of most activities within the scheduled time frame.
- A negative factor that impinged somewhat on the project outcomes was the sometimes lengthy decision-making process within parliamentary committees, presenting some delays in the institution's responses. These delays were, however, closely monitored and in the final analysis did not have a significant impact on the results of this component at EOP.

2.3.2. Externalities

The following unexpected positive outcomes from the execution of this component's activities were identified within the workshop deliberations:

- The National Assembly is receiving more donors funding to continue what was started in the FFMP because of the positives realized from this project.
- MPs have more confidence in the parliamentary process and in their own abilities to play a more meaningful role.
- Wireless internet access is now available to MPs and staff.
- The entire chamber is now air-conditioned, providing greater comfort when parliament is in session.

3. Assessment of project management / implementation:

The participants identified the following factors that, in their opinion, constituted key challenges during project implementation:

1. Procurement
   - The Process was not as timely and responsive as was expected. One example that stood out was the single batch of computers that was delivered to the GRA and was found to be inconsistent with the requested specifications; this resulted in delays and additional costs.
2. Disbursements
   - The Bank's procedures in some areas were thought to be too stringent and this it was felt contributed to some of the delays that occurred during project execution; participants felt that in some cases, the Bank could have exercised a bit more flexibility. No clear examples were however offered.
3. Coordination
   - At times bottlenecks emerged, created as a result of cumbersome bureaucratic procedures, poor planning and coordination (unplanned meetings with no advance notice of agenda).
   - Apart from performing regular duties, staff was also tasked with project work that proved to be sometimes burdensome and rather stressful.
4. Communication
   - The public awareness program designed to deal with problems associated with the introduction of VAT was well executed. It may also have helped to dispel some of the public's apprehensions associated with the introduction of the new tax.
   - They were internal communication problems associated with the implementation of the VAT (e.g. among Vat Staff, FFMP staff and consultants who were recruited) however, there was no significant impact on the achievements of project benchmarks since the various groups eventually managed to work together towards common goals.

Human Resource Issues

- It was opined that insufficient consideration was given to the human resource implications prior to the project's implementation. For example, participants felt that Technical staff necessary to ensure the optimum performance of TRIPS was inadequate.
- Participants also insisted that the technical staff in the IT section was inadequate to meet the total demands of the new system.

4. Assessment of Project Design

The workshop concluded that THE project design – the activities as well as related key performance indicators in the log frame - were sufficient to meet the articulated objectives. The single concern expressed related to the issue of physical infrastructure. Participants agreed that this was an element that should have been included in the design in order to determine the extent to which the existing infrastructure needed to be modified to accommodate proposed changes resulting from project initiatives.

A FFMP official, in response, indicated that a study conducted by Price Waterhouse had included this organizational element but recommendations became irrelevant after the restructuring proceeded along functional lines.

5. Sustainability of Project Achievements: Challenges, Next Steps

5.1. Component 1 - Tax Policy and Administration

The participants identified the key challenge that could present a risk to the sustainability of the enhanced level of performance at EOP:

5.1.1. Challenge

1. Availability of sufficient financing to meet critical costs associated with the operational phase of the project. Examples of such costs were identified as (a) retraining and continuous training of staff; (b) maintenance and periodic upgrading of IT infrastructure; (c) Improvement of IT infrastructure of several

local offices; (d) gaps that were not addressed under the FFMP; (e) licensing fees for software (TRIPS, Oracle, Citrix, Windows)

The participants agreed on the next steps needed to increase the sustainability of the EOP results for this component. These were as follows:

5.1.2. Next Steps

- Continued institutional capacity strengthening through training; recruitment; development of competitive remuneration packages from a review of what now exists; development of performance incentives for IT staff; adaptation of best practices from similar agencies elsewhere.
- Implementation of a Change Management Strategy, aimed at sustaining 'buy-in' through continued sensitization of changes and benefits.
- Continued tax reform to create a unified system and promote a harmonization in tax legislation penalties.
- Public, community support & engagement; outreach programs to enhance organizational image; partnerships and collaboration with stakeholders including continued support from the MOF.
- FFMP to transfer institutional knowledge to GRA.
- The need to develop and systematically implement a comprehensive sustainability plan for the outputs of this component.

5.1.3. Future related required support from the Bank

The priorities for continued Bank support were identified as follows:

- Additional specialist training.
- Consultancy support for further priority reforms.
- Specialist equipment and improvements to physical infrastructure.

5.2. COMPONENT 2: Financial Management

The key challenges to the sustainability of this component's outputs were identified as follows:

5.2.1. Challenges

- Adequate budgetary provision for human resource needs and equipment (purchases and maintenance).
- The capacity of MOF to provide continuous training and development to ministries, agencies and regions.
- The retention of specialized skills e.g. IT personnel.

5.2.2. Next Steps / Required Further Support from the Bank

The group identified the next steps which they felt were critical to sustaining the level of performance achieved in this component and which they felt required support from the Bank. These were:

- Provision of a back up/ protection system for the IFMAS.
- A review of the existing software – IFMAS - to respond to the changing reporting needs of the sector since system flexibility remains a key concern.
- The need to focus on the maintenance of the IFMAS and TRIPS since they are the main props to the financial and tax systems of the country. A maintenance needs assessment is required as the basis for determining the level budgetary provision to be put in place.

5.3. Component 3: Audit and Fiduciary Oversight

The participants, while not specifically identifying explicit challenges to the sustainability of this component's outputs, never-the-less highlighted a number of issues which they stated were critical to sustainability. These are listed below:

5.3.1. Critical Issues for sustainability

- Revision of standing orders to reflect emerging needs.

- Regular updating of operational manuals/handbooks and library material.
- Maintenance of the EDMS including the electronic catalog.
- Recruitment of a consultant to supervise the completion of the re-establishment of the Hansard section.
- Implementation of a planned preventative maintenance program for buildings and equipment.
- Timely maintenance and upgrade of the IT infrastructure together with the implementation of a continuous training program for IT staff.
- Maintenance of an active public relations policy to inform the public of the work of Parliament.

5.3.2. Future Required Support from the Bank

The following were the key areas that the participants identified as required support from the Bank in order to improve the sustainability of the advances realized from this component:

- Further enhancement of the Library and the EDMS.
- Institutional Strengthening for the Committees' Secretariat.

6. Lessons learnt

The workshop identified a number lessons learnt from the execution of this project and which they believe is worthy of consideration in the design of future similar projects both within and without the country. These are presented under the following themes:

- The prior development of a knowledge base / infrastructure and the recruitment of technical competent staff are absolutely essential in complex multi-faceted projects where transformation change driven by technological advancements is indicated. Such capacity would facilitate the rapid building and maintenance of the momentum that accompanies such projects and which is needed to support the changes.
- Provision should be made well in advance of project completion to ensure that post project implementation support is identified in order to improve the sustainability of project. Such provision should include adequate budgetary provision for the continued operation of project results.
- In projects that will produce significant levels of IT infrastructure, procurement practices should be flexible, ensure adequate lead-time for equipment acquisition; enable the development of criteria that would engender quality choices in order to avoid delays and bottlenecks that could reduce the reliability, responsiveness and cost effectiveness of the procurement process.
- In complex projects strong demonstrated leadership, as established in clear lines of communication, transparency and accountability, is critical for employee engagement, commitment and 'buy-in' since the workforce that is undergoing rapid and transformation change, needs to experience the on-going confidence and support of senior management.
- In revenue-oriented programs, the design should reflect a comprehensive approach to the issue of risk management in such institutions. Key areas for reform can be importers' under invoicing challenges, valuation database upgrades, post audit mechanisms and staff training.
- In projects where there are multiple participating institutions, stakeholder commitment can be better assured through formal arrangements that encompass information sharing, structured meetings, working committees (where necessary), and clear mechanisms for coordination purposes. Such approaches would enhance relations across institutions and engender a more cohesive approach to the overall implementation of the project.

7. Ex-post Evaluation

The consensus of the workshop was that there should be an ex-post evaluation that focuses on both impact and outcome, two years after project 'close-out'; i.e. in 2012. It was recommended that both the Bank and the EA – the MOF- should be the responsible parties. Dependent on the outcome of the evaluation further funding may be necessary.

The logical framework should provide the indicators for the evaluation. Data could be had from work plans, agency or international reports.

8. Conclusion

The workshop established that while thought has been given by the various principals of the participating agencies to the critical imperatives for sustainability of the several project outputs, a comprehensive sustainability plan with indicative costs has not, yet, been developed for this program. However, in some cases, initial budgetary requirements have been identified to address basic operational costs. In such instances, the relevant participants indicated that these estimates were intended to be included in the next annual Budget.

Notwithstanding the above, there has been forward thinking by the key decision makers of this project in collaboration with relevant Bank officials. The PEU's Program Comptroller advised the workshop that the project was extended by nine months during which time a number of activities, such as security and back up for the two computerized systems (deemed critical to the project's sustainability) were undertaken.

The Official further indicated that the critical next steps should be to determine - (a) the operating cost of the IT systems; (b) required staffing levels; (c) cost to maintain and update the systems and the (d) maintenance cost of the WAN (Wide Area Network). This information is needed to ensure that agencies secure the necessary, adequate budgetary allocations in order to implement the essential measures to ensure the continued operation of the systems.

The IDB Specialist informed the workshop that discussions with the M.O.F. are already on going. He stated that financing is available and that the Bank and the MOF would be looking at the recommendations coming out of the workshop deliberations to further articulate the required support. He further advised that support was already committed in the form of a Technical Cooperation Grant to advance the achievements from this operation. He added that great emphasis would be placed on training with a special focus on TRIPS. With regards to the tax reform laws, a consultant has already been identified to provide support in this area.

The participatory workshop concluded on schedule. The level of interest and involvement that was displayed indicated unquestionable commitment on the part of these key officials to advance the gains realized from this program. To the extent that the entire agenda was addressed with no dissenting voices regarding the results, sustainability issues and lessons learnt, it could be concluded that the objectives of this workshop were achieved.

FFMP Exit Workshop – April 23, 2009
Annex A
List of Participants

Senior Government Officials:

Dr. Ashni Singh, MP, Minister of Finance
Mr. Neermal Rekha, Finance Secretary
Mr. Khurshid Sattaur, Commissioner General, GRA
Dr. Cecil Rajana, Project Coordinator
Mr. Tarachand Balgobin, Head PCMD, MOF

Bank Officials:

Mr. Marco Nicola, Resident Representative
Mr. Alexandre Veryat-Pontet, International Specialist
Mr. Roy Parahoo, Procurement Specialist
Ms. Derise Williams, Administrative Officer
Mr. Humberto Petrei, Evaluation Consultant

Representatives of Participating Institutions:

Ms. Delma Nedd, Head of Department, PCMD
Ms. Ronette Hetsberger, Planner, PCMD, Ministry of Finance
Mr. Bernard Lord, Planner, PCMD, Ministry of Finance
Mr. Michael De Jonge, Procurement Specialist, NPTA, MOF
Ms. Michele Ward, Procurement Specialist, NPTA, MOF
Mr. Trevington Bowen, Deputy Head, Operations
Mr. Ron Simboo, Act. Head, Debt Management
Ms. Hema Khan, Head (ag.) Tax Operations & Services Department
Ms. Wendy Willabus, Head, Project Management Coordination Unit
Mr. Jameel Baksh, Deputy Head, PMCU
Ms. Ingrid Griffith, Act. Head, Customs and Trade Administration
Ms. Archana Joshi, Head, HR
Mr. Francis Simmons, Head, IT
Ms. Fiona Holder, Acting Head of IT
Ms. Hermina Gilgeous, Assistant Clerk, National Assembly
Ms. Bibi Baldeo, Chief Administrative Officer, National Assembly
Mr. Deo Deokie, Systems Manager, National Assembly
Ms. Michele Singh, Audit Supervisor, Audit Officer
Ms. Audrey Badley, Audit Manager, Audit Office
Ms. Nalini Shiwram, Program Comptroller
Mr. Mahendra Bethune, Finance Manager
Ms. Jennifer Daziel, Finance Officer
Ms. Anna Benjamin, Secretary

Workshop Consultant: Ms. Leila Parris
Assistant Facilitator: Mr. Gladwin Tait

IN REPLYING QUOTE DATE HEREOF AND No....................

MINISTRY OF FINANCE
49 Main & Urquhart Streets,
Georgetown,
Guyana.

June 19th, 2009

Mr. Marco Nicola
Resident Representative
Inter-American Development Bank
47 High Street
Kingstown
Georgetown

Dear Mr. Nicola,

Re: Borrower's Evaluation - Project Completion Report – Fiscal & Financial Management Programme

I forward herewith for your attention the Borrower's Evaluation of the Project Completion Report in respect of the Fiscal & Financial Management Programme.

Yours sincerely,

Ms. Jennifer Webster, MP
Hon. Minister within the Ministry of Finance

FISCAL AND FINANCIAL MANAGEMENT PROGRAMME (FFMP)
BORROWER EVALUATION REPORT

The Successful implementation of the Fiscal and Financial Management Programme is yet another achievement in the Government of Guyana's progress towards sound fiscal and financial management, accountability and transparency. The objective of the Program was to assist the Government in implementing a reform agenda aimed at improving the management of public finances thereby providing a strong fiscal basis for sustained growth.
At the end of the program major benefits were evident in the following Sub-component of the Program

At the Guyana Revenue Authority (Sub-component 1) there was an obvious increase in the revenues collected as well as reduced operation cost. This was largely due to the introduction of the computerized system (TRIPS) and a unique TIN number for all tax payers and persons conducting business with the GOG thereby broadening the tax base. With the implementation of the WAN and the Intranet for the entire GRA, management of wharves, airport and out of town locations, communications were made much easier. A significant amount of refurbishment was done to the buildings with respect to new electrical installation, network drops, and ups backup system. This will no doubt reduce the risk of damages for the numerous equipment within those buildings. Almost all of the GRA locations were fitted with cubicles, desk, chairs and new computers and this has greatly improved the working environment and productivity.

At the Ministry of Finance (Sub-Component 2) the FFMP has supported the Integrated Financial Management Accounting System (IFMAS). It has ensured complete installation and full functionality of the system and its successful rolling out to all the other Ministries. With the advent of this system the processing time for transaction was cut by more than half. Financial management, accountability and transparency were significantly improved with the implementation of this system especially with the audit trail the system provides. The system also facilitates an efficient supply of information which aids decision making at all level. Staff throughout the government ministries benefited from training and can now perform better on the job.

At the national Assembly (Sub-Component 3) there has been significant improvement in the working conditions of Parliament. The FFMP has put in place as efficient communication system and has fully refurbished physical facilities, the Parliament building can now accommodate the simultaneous working of three committees, instead of only one before the FFMPs intervention.

With the upgrading of the Hansard system by the FFMP, recording of Parliament's sessions are now made easier. Information now flows more freely and referencing is almost instantanous. FFMP has also made possible the preparation of a revised Standing Order, manual for committee and a manual on norms and practices of Parliament and a handbook on Parliament. The public can now review legislation, hansards and other

documents with the implementation of a dynamic website which is linked to a state of the art Elecronic Document Management System(EDMS).

It is evident that the very design of this Program constituted a key pillar within the Government's reform agenda for fiscal probity within the critical financial sector. Fours years after implementation, despite the many challenges, FFMP has manage to put into service an extremely complex operation from which stakeholders are already benefiting, and it has without doubt set the stage for modernization of the fiscal sector within the Region.

Inter-American Development Bank Project Completion Report – Borrower's Evaluation	
Project Name: Fiscal and Financial Management Program	
Executing Agency(ies): Project Coordination Unit, Ministry of Finance	
Borrower: Government of Guyana, Ministry of Finance	
Date of Project Approval: June 9,2004	Date of Contract Effectiveness: July 30,2004
Date of Borrower Evaluation: June 18, 2009	Expected Date of Exit Workshop: Aril 23, 2009

Borrower Project Performance Ratings

Probability on Achieving its Development Objective(s):

[X] Highly Probable (HP) [] Probable (P) [ ] Low Probability (LP) [ ] Improbable (I)

Project Implementation:

[X] Highly Satisfactory (HS) [ ] Satisfactory (S) [ ] Unsatisfactory (US) [ ] Very Unsatisfactory (VU)

Sustainability of Project Results:

[ ] Highly Probable (HP) [X] Probable (P) [ ] Low Probability (LP) [ ] Improbable (I)

Comments:

Borrower Project Performance During Project Preparation

Please rate your own performance during Project Preparation:

[X] Highly Satisfactory (HS) [ ] Satisfactory (S) [ ] Unsatisfactory (US) [ ] Very Unsatisfactory (VU)

Comments:

Borrower Project Performance During Project Execution

Please rate your own performance during Project Execution:

[X] Highly Satisfactory (HS) [ ] Satisfactory (S) [ ] Unsatisfactory (US) [ ] Very Unsatisfactory (VU)

Comments:

Bank Performance During Project Preparation

Please rate the Bank's performance during project preparation. Factors to be considered include the extent to which the Bank facilitated a participatory design, proposed adequate technical solutions to be the problems identified, and responded to the needs of the Borrower (timeliness, selection of instrument type).

[ ] Highly Satisfactory (HS) [X] Satisfactory (S) [ ] Unsatisfactory (US) [ ] Very Unsatisfactory (VU)

Comments:

Bank Performance During Project Supervision

Please rate the Bank's performance during project supervision. Factors to be considered include technical assistance (including formal and informal training) to Executing Agency, timeliness of Bank response and the Bank's flexibility to respond to emergency situations during project implementation.

[ ] Highly Satisfactory (HS) [X] Satisfactory (S) [ ] Unsatisfactory (US) [ ] Very Unsatisfactory (VU)

Comments:

Additional Suggestions for Improving Bank Performance

Additional comments / suggestions for improving Bank performance in the future.

NOTES / GUIDES TO ASSIST IN THE EVALUATION FOR THE ABOVE FORMAT.

The following factors can be considered to lend better focus to the final assessments in the formats above.
The tables below can be considered as Working papers. They should NOT be included in the final submission.

1. Borrower / Executing Agency Performance

In assessing the performance of both the Bank and the Executing Agency, cognizance was paid to both quantitative and qualitative data derived from project's statistical records and project staff perceptions; with special attention to where areas of congruence were discerned.

1. Participation and quality of its contributions during project design	Low ← 1 2 3 4 → High	3
2. Organization for project execution (Executing/Coordinating Unit's staff, infrastructure, coordination, communication, etc.)	Low ← 1 2 3 4 → High	3
3. Coordination and integration of the project executing/Coordinating Unit with the Executing Agency	Low ← 1 2 3 4 → High	3
4. Establishing a monitoring and results framework (baseline data, systems, procedures, data analysis and reporting, etc.)	Low ← 1 2 3 4 → High	3
5. Executing/Coordinating Unit's management and decision-making capacity	Low ← 1 2 3 4 → High	3
6. Timeliness in the fulfillment of the Bank's policies, procedures and contractual clauses	Low ← 1 2 3 4 → High	3
7. Financial management (securing counterpart resources, disbursements, quality and timeliness of AFS, etc.)	Low ← 1 2 3 4 → High	3
8. Timeliness and efficiency for procurement of goods, works and consulting services	Low ← 1 2 3 4 → High	3
9. Executing Agency top-level management's leadership, ownership and support to project execution	Low ← 1 2 3 4 → High	3
10. Concrete actions to secure project sustainability	Low ← 1 2 3 4 → High	3

Borrower / Executing Agency			
[ ] Highly Satisfactory (HS)	[X] Satisfactory (S)	[ ] Unsatisfactory (U)	[ ] Very Unsatisfactory

4.3. Bank Performance

1. Extent to which the Bank facilitated the project design in a participatory manner with the Borrower and Executing Agency	Low ← 1 2 3 4 → High	3
2. Technical assistance and training as well as consistent follow-up provided so that the Executing Agency follow the Bank's policies and procedures	Low ← 1 2 3 4 → High	3
3. Technical assistance and training provided to the Executing Agency to improve project management	Low ← 1 2 3 4 → High	2

Bank Performance

[ ] Highly Satisfactory (HS) [X] Satisfactory (S) [ ] Unsatisfactory (U) [ ] Very Unsatisfactory

4. Benefits of the Bank's supervision and assistance to improve project management	Low ← 1 2 3 4 → High	2
5. Timeliness in the Bank's response to the needs of the Executing Agency during project implementation	Low ← 1 2 3 4 → High	4
6. Bank flexibility to respond to emergencies during project implementation	Low ← 1 2 3 4 → High	4

FISCAL AND FINANCIAL MANAGEMENT PROGRAM

(1550/SF-GY; 155/SF-GY) (GY0053)

QUALITY AND RISK REVIEW
Results and Procedures Report

A. QRR PROCEDURE:

The Project Completion Report and its corresponding Annexes were distributed for comments to the QRR on Thursday, June 18, 2009. A meeting was held on June 25, 2009, where Marco Nicola (CCB/CGY); Laura Profeta (LEG/SGO); Leslie-Ann Edwards (CCB/CCB); Katharina Falkner-Olmedo (VPC/PDP); Carlos Herrera (FIN/FSV); Carola Alvarez (SPD/SDV); Cristian Santelices (SPD/SMO); Stephen Quick (OVE/OVE); Mario Marcel (ICF/ICF); Antoni Estevadeordal (INT/INT); Eduardo Lora (RES/RES); Alicia Ritchie (CAN/CAN); Carlos Hurtado (CSC/CSC); Gina Montiel (CID/CID); Dora Currea (CCB/CCB); Xavier Comas (ICF/ICS); Rafael Hernández (ICF/ICF); Mario Sangines (ICF/ICF); María Mercedes Mateo (ICF/ICF); Leandro Alves (INE/ENE); José Agustin Aguerre (INE/TSP); Federico Basañes (INE/WSA); Héctor Malarín (INE/RND); Juan Pablo Bonilla (INE/ECC); Marcelo Cabrol (SCL/EDU); Michael Jacobs (SCL/SPH); Flora Painter (SCL/SCT); Kei Kawabata (SCL/SCL); Jacqueline Mazza (SCL/LMK); Vicente Fretes (ICF/FMM); Kurt Focke (ICF/CMF); Karen Mokate (KNL/KNM); Graciela Schamis (KNL/KNL); Gonzalo Afcha (ICF/ICS); Marcio Cracel (ICF/FMM); Adrienne Pratt (CCB/CBA); Gabriel Castillo (CCB/CTT); Fernando Cuenin (ICF/FMM); Javier Reyes (ICS/CEC); Diego Buchara (LEG/SGO); Patricia Sadeghi (OVE/OVE); Alexandre Veyrat-Pontet (ICS/CGY); Derise Williams (CCB/CGY) y Nathalie Hoffman (ICF/ICS).

The meeting was attended by Leslie-Ann Edwards (CCB/CCB); Diego Buchara (LEG/SGO); Fernando Cuenin (ICF/FMM); Humberto Petrei (Consultant); Gonzalo Afcha (ICF/ICS); Rafael Hernández (ICF/ICF); Nathalie Hoffman (ICF/ICS); and Xavier Comas (ICF/ICS) who chaired it. Marco Nicola (CCB/CGY); Alexandre Veyrat-Pontet (ICS/CGY); José Manuel Ruíz (CCB/CGY) and Leila Paris (Consultant), participated in the meeting connected by videoconference and Javier Reyes (ICS/CEC) participated by teleconference.

The comments received, as well as recommended next steps, have been documented in this Results and Procedure Report.

B. NON-RESOLVED ISSUES:

N/A

C. COMMENTS:

Name and Division	Topic	Comments	Answers
Diego Buchara **LEG/SGO**	**Section II.**	Section II of the document (page 5) subsection (b)(a) should read "a policy-based component" instead of "a policy-based loan".	The change will be included in the document.
	Program Outcomes	The document identifies some of the many outcomes of the program that have not been achieved without explaining or providing the reasons as to why those outcomes were achieved, therefore we recommend explaining in the document those reasons or externalities that did not allow the achievement of some of the outcomes of the program.	There were only a few outcomes that were not achieved and explanations have been provided whenever it was possible. An expanded explanation of the outcomes will be included in the second section of the document.
	Bank's Performance	Page 18, section (c) of the document states that the last tranche of the policy-based component was cancelled but no explanation is provided as to whether such cancellation had a negative impact in the achievement of the outcomes of the program as well as the implementation of the policy reforms corresponding to that tranche. Therefore, we recommend the following: (i) a reference to the cancellation of the third tranche of the loan should be made up-front in the document instead of making such a reference at the end of the document; and (ii) to add in the document (even if it is briefly) an explanation regarding the impact (if any) of the cancellation of the tranche on the overall objective of the program as well as its outcomes.	A reference to the cancellation of the third tranche of the policy based loan component will be included at the beginning of the document.

D. MAIN TOPICS DISCUSSED DURING THE MEETING AND RECOMMENDATIONS:

Topic	Recommendation
Program Nature	The document should indicate, that due to the nature of this Program, which corresponds to a Hybrid Operation (Policy Based Loan / Investment Loan), it; its execution was more fluent than with other type of Programs. Relate the policy and investment components when the program outputs and outcomes are described.
Project Context	It has to be reflected in the document that the actions undertaken during project design were critical to facilitate the execution of the Program.
Critical Factors	There is a need to amend the section corresponding to "Resistance to Change" in order to better reflect what happened in this regard during Project execution.
Sustainability	It has critical importance the fact that the Bank continues supporting the Executing Agencies after the Program has been completed, especially in the areas of financial management and fiscal oversight. Extended support after program completion in these type of Programs is critical to ensure the continuation of the reforms.
Evaluation Ex-Post	Due the Program nature and its success, the QRR recommend to have an Ex-Post Evaluation in 2012.

Lessons learned	- A good coordination between the Design Team and the Execution Team is a key factor to facilitate Project Execution. - The objectives and strategic outputs of the operation should be clearly stated during the project design stage. Clarity of the program objectives was a key factor to guide a successful Project implementation. - Flexibility. In this case, it is interpreted in how the team was flexible in redesigning the Project, as many times it was needed; they were able to add new concepts and inputs from other institutions and people that contributed to the Operation success.

Concur: ___***(Original Signed)***____
Xavier Comas
Division Chief, ICF/ICS