DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

GUYANA

SUPPORT FOR COMPETITIVENESS PROGRAM

(GY-L1006)

LOAN PROPOSAL

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CONTENT

I. FRAME OF REFERENCE 1

- A. Introduction 1
- B. The Macroeconomic context 1
- C. Guyana at a crossroad 4
- D. Challenges for improving Guyana's competitiveness and economic growth 5
- E. The country's sector strategy 10
- F. The Bank's sector strategy 12
- G. Coordination with other Donors 12
- H. Program Strategy 13

II. THE PROGRAM 14

- A. Objectives and description 14
- B. Program Structure 14
- C. Cost and financing 24

III. PROGRAM EXECUTION 24

- A. The borrower, guarantor and executing agency 24
- B. Project execution and administration 25
- C. Procurement of goods and services 26
- D. Execution period and disbursement schedule 26
- E. Monitoring and evaluation 28

IV. VIABILITY AND RISKS 29

- A. Institutional viability 29
- B. Socioeconomic viability 30
- C. Financial viability 31
- D. Environmental impact 31
- E. Benefit and Beneficiaries 31
- F. Risks 31

V. POLICY MATRIX 33

ANNEX I – LOGICAL FRAMEWORK

APPENDIX –PROPOSED RESOLUTION

Electronic Links and References	
Basic Socioeconomic Data	http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata
Status of Loan in Execution & Loans Approved	http://portal.iadb.org/approvals/pdfs/GYen.pdf
Tentative Lending Program	http://opsgs1/ABSPRJ/tentativelending.ASP?S=GY&L=EN
Information available in the files of RE3/RE3	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=739618
Logical Framework	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=739563
Policy Letter	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=739564
Results Framework	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=739567
Detailed Budget	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=739569
Macroeconomic Assessment (confidential)	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=754029
IMF Guyana Fifth Review (confidential)	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=754009
Project Performance Monitoring Report	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=739928
Means of Verification	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=749188
Procurement Plan	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=739574

ABBREVIATIONS

ACP	African, Caribbean and Pacific Countries
AOP	Annual Operating Plans
BCI	Business Competitiveness Index
BOG	Bank of Guyana
CARICOM	Caribbean Community and Common Market
CDB	Caribbean Development Bank
CEO	Chief Executive Officer
CESI	Committee on Environment and Social Impact
CIDA	Canadian International Development Agency
CPCC	Consumer Protection and Competition Commission
CROSQ	Regional Organization for Standards and Quality
CSME	Caribbean Single Market and Economy
CST	Cabinet Subcommittee on Trade
DFID	Department for International Development
EPA	Environmental Protection Agency
ENC	Enhancing National Competitiveness
EU	European Union
FDI	Foreign Direct Investment
FSO	Fund for Special Operations
GCI	Growth Competitiveness Index
GDP	Gross Domestic Product
GOG	Government of the Cooperative Republic of Guyana
GNBS	Guyana National Bureau of Standards
GRA	Guyana Revenue Authority
GTIS	Guyana Trade and Investment Support
HACCP	Hazard Analysis Critical Control Point
HIPC	Heavily Indebted Poor Countries
ICS	Investment Climate Survey
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IPC	Investment Promotion Council
JAMPRO	Jamaica Bureau of Standards
MDRI	Multilateral Debt Relief Initiative
MINTIC	Ministry of Industry, Tourism and Commerce
MOF	Ministry of Finance
NACEN	National Advisory Committee on External Negotiations
NCC	National Competitiveness Council
NCS	National Competitive Strategy
NCSU	National Competitiveness Strategy Unit
NDS	National Development Strategy
NPV	Net Present Value
NGMC	New Guyana Market Corporation
OC	Ordinary Capital
PBL	Policy-Based Loan

PCR	Project Completion Report
PEU	Project Executing Unit
PSC	Private Sector Commission
PSIP	Public Sector Investment Program
PRGF	Poverty Reduction and Growth Facility
PROPEF	Project Preparation Facilities
PTI	Poverty Targeted Investments
SBC	Small Business Council
SC	Steering Committee
SEQ	Social Equity Enhancing
TWG	Trade Working Group
USAID	United States Agency for International Development
VAT	Value Added Tax
WTFP	World Trade Points Federation

PROGRAM SUMMARY
GUYANA
SUPPORT FOR COMPETITIVENESS PROGRAM
(GY-L1006)

Financial Terms and Conditions				
Borrower: Co-Operative Republic of Guyana Executing Agencies: Ministry of Finance (Policy Based Loan), Ministry Tourism, Industry and Commerce (Investment Loan)			Amortization Period:	40 years
			Grace Period:	10 years
			Disbursement Period:	5 years
Source	Amount	%	Interest Rate:	1% during grace period, 2% thereafter
IDB (FSO) Total	US$26.65 million	99%	Supervision and Inspection Fee:	1.00%
Policy-Based Loan	US$18 million			
Investment Loan	US$ 8.65 million			
Local	US$0.35 million	1%		
Other/Cofinancing		-	Credit Fee:	0.50%
Total	US$27.00 million	100%	Currency:	US Dollars

Program at a Glance

Program objective:
The Program's goal is to enhance Guyana's competitiveness and contribute to increased levels of private investment and exports. In order to achieve this goal, the program's specific objectives are: i) to strengthen the institutions for public-private dialogue on competitiveness and ii) to improve the business environment for private investment and export development.

Special contractual clauses: See paragraphs 3.11 and 3.12
For the *policy reform program*, disbursements will be made in three tranches according to the conditions described in the Policy Matrix (see Table V-1 in Chapter V). For the *investment loan program*, the conditions prior to the first disbursement are the following: (i) evidence that the Project Execution Unit has been created and staffed within the Ministry of Tourism, Industry and Commerce; (ii) evidence that the Steering Committee has been established; (iii) evidence that the Program Operation Manual has been adopted; and (iv) presentation of the first year AOP to the Bank.
Additionally, for the *Investment Loan Program,* prior to committing more than 50% of the resources of the financing allocated to the Investment *Loan Program*, the Borrower shall submit to the Bank evidence that it has allocated in its national budget, sufficient resources to cover expenditures relating to the staff assigned to Go-Invest and MINTIC who are financed with the resources of the Investment Loan of the Program, in the same proportion as the Bank's phasing out of the financing of such costs.

Exceptions to Bank policies: None

Program consistent with Country Strategy: Yes [X] No [ ]

Program qualifies for: SEQ[NO] PTI [NO] Sector [ ] Geographic[ ] Headcount [ ]

Procurement: See paragraph 3.6
Procurement for the proposed project will be carried out in accordance with current Bank policies for the procurement of works and goods and for the selection and contracting of consultants.

Verified by CESI on: March 17, 2006.

I. FRAME OF REFERENCE

A. Introduction

1.1 Recently, the Government of Guyana has sought to revitalize investment and growth by enhancing the transparency of the tax system and approving an Investment Act, a Small Business Bill, and a new public sector procurement law. However, due to institutional weaknesses and political tension, these legislative improvements have proved difficult to implement. Moreover, investment continues to be thwarted by high rates of corporate income taxes, significant red tape for business registration and customs clearance, poor enforcement of contracts, insufficient infrastructure, and rising rates of crime, among other issues. Past distrust and lack of communication between the public and the private sector have also made appropriate competitiveness policy difficult to formulate and to implement. This program aims to support policy reforms and investments that will reduce red tape and strengthen the functioning of key public institutions, thus contributing to a more enabling business investment climate.

B. The Macroeconomic context

1.2 **Economic Growth and Investment**. The macroeconomic context in Guyana changed substantially between the period 1991-1997 and 1998-2005. While economic growth averaged 7.1% per annum during 1991 to1997, it fell to an average of only 0.2% in 1998 to 2005. Domestic investment lost dynamism, falling by 12.8% of GDP during the same period, largely as a result of a decline in private investment by around 11% of GDP. FDI flows fell to 6.6% of GDP in 1998-2005, from the previous level of 19%. Public investment, however, has grown rapidly over the past few years, from 12.6% of GDP in 2002 to 24.5% in 2005, suggesting a possible crowding-out of private investment. The deterioration in the external environment is a key factor explaining Guyana's weaker economic growth since the late 1990s, in particular, adverse weather conditions and a significant deterioration in its terms of trade – reflecting declines in the prices of its main export commodities.[1] At the same time, the worsening of the domestic political and security conditions mark a critical difference between the period of strong and low economic growth. The situation worsened dramatically in 2005, when extensive flooding and high fuel prices had a significant negative impact on Guyana's agricultural sector, particularly sugar, and the rest of the economy. As a result, GDP is estimated to have decreased by 2.8% in 2005. Although the economy is expected to rebound from this low in 2006, the extent of growth will be limited by renewed flooding this January, continued high world oil prices and reduction in the preferential sugar prices of the EU.[2] Inflation is expected to remain at its current level. (See Table I-1: Selected Macroeconomic Indicators)

1.3 **Fiscal Policy and Debt Sustainability.** The country's fiscal position has deteriorated gradually over the last seven years, from a deficit of 1.7% of GDP in 1999 to 8.7% of

[1] The export sector is heavily concentrated in sugar, rice, bauxite and gold. The terms of trade declined sharply between 1999-2000 (19%) and 2004-2005 (11%).
[2] Sugar is Guyana's largest export, accounting for around one-quarter of total exports. From an average of 17% of GDP in 2002-2004, sugar exports are expected to drop to 13% by 2009-2010.

GDP in 2003 and -- despite improvement in 2004 -- the deficit reached 13.4% of GDP in 2005. In addition, the public external debt-to-GDP ratio rose to 148% in 2005 (from 137% in 2004). Increases in public sector wages, social spending and capital investments (particularly infrastructure projects and the Skeldon sugar factory) as well as 2005 flood relief all contributed to increased deficits, despite recent high levels of government revenues. Although the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief (MDRI) initiatives have already reduced the Net Present Value (NPV) of external debt-to-revenue ratio, peaking at about 205% in 2011, which is below the 250% indicative threshold, Guyana is still at moderate risk for debt distress.[3] Nevertheless, Guyana's debt service indicators remain below their respective thresholds, suggesting that debt service payments are manageable. Under the MDRI, debt service savings are expected to average almost US$10 million per annum over 2006-2010, equivalent to about 1% of GDP.

1.4 **External Financing Gap**. As a result of higher world fuel prices and the implementation of the Skeldon project, the external deficit will widen in 2006 relative to earlier IMF projections, leading to a larger external financing gap. At the same time, analyses of debt sustainability show that Guyana must take a cautious approach to additional borrowing in the near term, even after MDRI. According to IMF projections, the external financing gap will amount to US$46 million in 2006 (5.5% of GDP), but will decline to US$8 million by 2009 (around 1% of GDP). The current account deficit (before grants) will narrow to 14% of GDP by 2009 (from 26.5% in 2006) by means of fiscal adjustment, stronger economic growth and the phasing out of large capital imports related to Skeldon. In part, possible PRGF disbursements, MDRI debt relief, and additional balance of payment support from donors, would bridge the financing gap. For 2006, IMF's share of external support to cover the gap could be equivalent to almost 17%, while IDB's share could be roughly 28%. The remaining financing gap could be almost closed by MDRI debt relief (around US$8 million).[4]

Table I-2: Guyana's External Financing Requirements and Sources 1/

(US$ million)

	2006	2007	2008	2009
Financing Requirement	265	217	188	178
Available Financing 2/	219	188	168	169
Official Transfers	62	44	36	26
Nonfinancial Public Sector loans	88	82	79	94
GUYSUCO account 3/	22	21	7	0
Private sector (net) 4/	45	41	45	49
Financing Gap	46	29	20	8
Of which				
IMF disbursement	27	0	0	0
IDB PBLs in Pipeline	8	5	20	0
Other	11	24	0	8

1/ Based on the Fifth Review under the PRGF for Guyana (January, 2006) and IDB staff projections.
2/ Totals may not add up due to rounding.
3/ Refers to the sugar state company's retention and escrow accounts.
4/ Includes change of commercial banks NFA, short-term flows and trade credits, net fdi and errors and omissions of BOP.

[3] Guyana remains vulnerable to exogenous shocks such as exchange rate depreciation and less favorable terms of trade and borrowing.

[4] Guyana could also have access to potential fuel imports under the PetroCaribe Accord.

1.5 **Rationale for IDB Lending**. The revival of private sector investment is key to renew economic growth in Guyana. In addition to contributing to reducing Guyana's financing gap, this operation and others in the IDB's current program seek to improve the investment climate by supporting specific policy and institutional reforms. IDB-financed interventions will seek to address key bottlenecks to growth: private sector competitiveness; institutional conditions (especially in the justice sector); public sector efficiency; security; labor force training and physical infrastructure.

1.6 The fiscal balance is a continuing concern for Guyana. This operation will bolster the authorities' commitment to maintain a sustainable fiscal policy by including a consistent macroeconomic framework as part of its tranche conditions. On the other hand, Guyana plans to introduce a VAT on January 2007, which has been regarded as a key structural reform under the current PRGF.[5] The VAT will improve the efficiency of the tax system and broaden the tax base by including almost all services and adding the wholesale and retail sectors as taxpayers. Additional corrective policy measures, including prioritization of the public investment program, are also being supported through the programming process.[6] The IDB–financed investment program is already included in the reduced five year Public Sector Investment Program (PSIP) approved with Guyana's budget and medium term economic framework in January 2006. In addition, the scenario of disbursements for the 2006 IDB-financed investment program indicates that the bulk of resources would be disbursed after 2008, which coincides with an expected gradual improvement in the fiscal deficit (from 13.6% of GDP in 2006 to 2.7% of GDP in 2010). In this way, IDB financing will limit immediate fiscal pressures, which could have adverse effects on debt sustainability.

1.7 **The Poverty Reduction and Growth Facility (PRGF) Agreement with the IMF.** Guyana is currently engaged in a PRGF Arrangement with the IMF, which will expire in September 2006. Based on the Fifth Review under the facility, Guyana's program with the IMF is on-track.[7] The Sixth Review is expected to be completed in September 2006.[8] Preliminary findings of an ex Post Assessment of Longer-term Program engagement with the IMF suggest that weak implementation combined with adverse exogenous developments were the main causes of programs falling short of their objectives, although program design left room for improvement. At this point, it is unclear what will be the future form of engagement between the IMF and Guyana. The ex Post Assessment report considers that the most appropriate arrangement at the current stage seems to be a low-access PRGF, subject to certain conditions. Other alternatives for a continued relationship could be the Policy Support Instrument (involving no financial support) or intensive surveillance.

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[5] The IMF mission for the Sixth Review will be assessing progress toward implementing the VAT by January 2007.

[6] The IDB and Guyanese authorities are currently discussing measures to reduce public expenditures to offset any additional investment lending (approximately US$22 million) resulting from the 2006 FSO allocation.

[7] The report of the Fifth Review under the PRGF was published on January 2006.

[8] A mission to undertake this review is planned by early June 2006.

C. Guyana at a crossroad

1.8 **Insufficient investment and growth:** During the 1990s, growth and investment were fueled by reforms that led to the privatization of many state enterprises and to improvements in macroeconomic and political stability. However, since 1998 external events such as weak commodity prices, the El Niño weather phenomenon, and internal events such as a resurgence of political tension and issues associated with security have combined to deter both foreign and domestic private investment and to stimulate heavy migration and brain drain. These events have made it difficult to implement second-generation reforms needed to transform key public institutions and practices.

1.9 **A challenging environment for the traditional sectors:** In addition to the difficulties posed by scant private investment, Guyana's economy is heavily dependent on four commodities that face impending challenges: gold, sugar, rice and bauxite. Together these commodities generate 70% of Guyana's export revenue. Yet they face substantial difficulties. Gold extraction faces the imminent exhaustion of the main Omai gold mine and a regulatory framework not conducive to investment. Sugar and rice, which together account for about 15% of GDP and 35% of exports, lack competitiveness against global players (India and Asia), and face the end of preferential trade treatment.[9] The EU, the largest importer of Guyanese sugar, announced a plan to cut the price at which it imports sugar from African, Caribbean and Pacific countries (ACP) by 39% by 2009. Rice will be affected by similar treatment. Bauxite has brighter perspectives but it is a capital-intensive sector with very limited potential to create jobs and no significant linkages to the rest of the economy.

1.10 **Unrealized potential of non-traditional emerging sectors**: Guyana's abundance of land and water implies that the country could play a "bread basket" role for the Caribbean, while the forestry sector presents significant opportunities to improve productivity. Value can be added to these non-traditional sectors by strengthening supply chains and developing agro processing, tourism and forest product industries. Aquaculture in Guyana appears promising, and several companies could soon break through into systematic export production. However, some structural factors and bottlenecks constrain the competitiveness of Guyana to attract significantly higher levels of investment and promote the development of dynamic export-oriented sectors.

1.11 **Opportunities and challenges in the context of CARICOM:** Guyana has accrued benefits from regional economic integration and the implementation of the CSME.[10] The country has displayed a strong performance in intra-regional trade. Between 1997 and 2004, the growth of total merchandise exports to CARICOM partners grew

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[9] Guyana has initiated a process to restructure the sugar sector. Guysuco, the state sugar company, is in the midst of a $168m expansion and modernization plan, which involves mechanization and a new sugar factory (support is being provided by the World Bank, EU and DFID). It is expected that Guyana's sugar could still be profitable even with a lower EU price if the restructuring/modernization plan is completed. But the margins will be tight, and the industry vulnerable to a weaker euro or natural disasters.

[10] Guyana is one of the founding members of CARICOM, site of its Secretariat, and a full signatory to the CSME.

by almost 11 percent a year. As a result, Guyana now sends about one-fifth of its exports to CARICOM; doubling the share in 1997. While Guyana signed on to the CSME in December 2005, it continues to have a number of restrictions in place and requires additional institutional action for its full participation. Future actions required in the implementation of a CSME include, among others, the establishment of a national competition authority and the harmonization of laws dealing with matters such as competition and consumer protection. Over the long term, Guyana's natural resource endowment could position it to receive substantial benefits from CARICOM integration, and provide a springboard into more developed extra-regional markets.

D. Challenges for improving Guyana's competitiveness and economic growth

1.12 Guyana ranks towards the bottom of 117 countries evaluated by the World Economic Forum on issues of competitiveness. During 2005, the first year that Guyana was included in this evaluation, the country ranked 115th and 110th in the Growth Competitiveness Index (GCI) and Business Competitiveness Index (BCI) respectively. Guyana's weak performance in these rankings implies that its current macroeconomic environment, quality of public institutions and level of technological readiness are not strong enough to attract significant amounts of private investment to unleash a process of sustained economic growth. Guyana's low BCI rank reflects weaknesses in the micro foundations which sustain growth, particularly the sophistication of companies' operations and strategies, and the quality of the national business environment in which companies operate.

1.13 <u>Structural factors affecting Guyana's competitiveness</u>. The development of competitive non-traditional exports to adapt to Guyana's changing trade opportunities will require firms involved in these sectors and their suppliers to meet the price, high product and quality standards, and strict delivery deadlines of more demanding international markets. However, the following structural factors currently restrain Guyanese firms from attaining competitiveness:

a. *Unreliable and expensive electricity*: Guyana has the highest incidence of power outages with comparable countries in the region and charges the highest tariffs for electricity, due to limited power generating capacity and a high rate of distribution losses.[11]

b. *Deficiencies in telecommunications*: One out of every four firms surveyed in the 2005 Investment Climate Survey (ICS) in Guyana identified telecommunications as a major or severe obstacle to their business operation and growth, more than double the average in the region and four times the rates in El Salvador, Guatemala and Brazil. Guyana has one of the highest priced international phone charges in the Americas and Guyanese businesses face one of the longest delays in Latin America to obtain a fixed telephone line – 84 days on average, compared to an average of 67 days in the Latin American and Caribbean region as a whole.

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[11] Technical and commercial losses amount to 40% compared to 18% in Jamaica for instance.

c. *Deficiencies in transportation infrastructure*: poor conditions of roads, especially of feeder roads, and high trucking costs constrain firms' competitiveness. According to the ICS, more than 85% of internal feeder roads are unpaved and in poor maintenance, and firms lose 3% of their consignment value as a result of breakage, spoilage and leakage during domestic transport. The principal reasons for poor road conditions are believed to be vehicle overloading and neglect of maintenance, including in particular, poor drainage.

d. *Shortage of skilled labor*: despite good university education, over 40% of firms report that the lack of skilled labor is a severe constraint on growth. The factors underlying this problem are: (i) the mismatch between the skills produced in the educational system and those required by businesses, especially in industry, and (ii) the significant emigration of skilled labor (brain drain[12]). The problem is compounded by the emigration threat that significantly diminishes the incentives of employers to provide training to their employees. Firms surveyed for the ICS report that it is often necessary to train three or more workers to retain one.

e. *Difficult access to finance*: While the ratio of banking system deposits to GDP is in line with that of other CARICOM countries and is much higher than for other small, low-income, commodity-based countries, the bank private credit to deposit ratio for Guyana is low compared to those countries. The unwillingness of financial institutions to take credit risk is also evidenced by large interest rate spreads and excess liquidity, indicating that some form of bank credit rationing is taking place. This diagnostic is confirmed at the firm level. Guyanese firms are more credit constrained than firms in comparable countries. With less than one-third of the firms having loans, firms also have fewer financing alternatives to credit. Institutional deficiencies are part of the explanation for the low rate of transformation of savings into private credit. Due to the lack of credit information systems, audited financial statements, bankable business plans, and problems with collateral collection, banks impose high costs for finance and have stringent collateral requirements. The recent IMF-World Bank Financial Sector Assessment Program concluded that in the short run among key policies to address some the institutional deficiencies, the operation of a commercial court and a credit bureau could have a significant impact in fostering lending.

1.14 <u>The business environment factors affecting competitiveness</u>**.** Despite Guyana's comparative advantages in certain traditional and non-traditional productive sectors, private investment averaged 7.8% of GDP over the past 7 years. Given that the rate of replacement investment normally requires 4 to 5 percent of GDP, this implies that there has been very little new private capital accumulation in Guyana during the last decade. Higher and growing levels of private investment and a supportive environment for competitive enterprise development are critical to translate identified opportunities into nation-wide growth. The following are among the most important deterrents to business activity in Guyana:

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[12] The highest rate among the countries which are part of the survey conducted for the Global Competitiveness Report 2006.

a. *Incentive framework*: Guyana business taxes are high and complex. The high level of corporate income taxes and import duties restrain Guyana's ability to attract new investment. Guyana's 45% corporate tax rate for commercial companies is the second highest rate in a sample of 162 countries. The 35% corporate tax rate for other activities is in the highest tax quartile and the second highest in the Caribbean region.[13] Roughly the same is true for import duties and other charges for machinery and equipment. Although there are tax incentives, duty exemptions and tax holidays to compensate for high tax rates and the Government of Guyana (GOG) has made progress in improving the transparency and reducing discretion, the tax structure is still considered an obstacle for the investment climate. The Government of Guyana has enacted legislation for the introduction of a Value-Added Tax (VAT) to increase tax efficiency and broaden the tax base (Value Added Tax Act 2005). However, the implementation of this legislation has been delayed. Successful implementation of the VAT is a necessary condition to create fiscal room to facilitate reform of income taxes and customs duties.

b. *Red tape*: businesses spend a large amount of time and resources in bureaucratic government procedures. Two areas have been identified in which substantial progress could be made in terms of improving the business environment. According to the World Bank Doing Business report, it takes 42 days to process exports, and 54 days to process imports[14] (compared to 20 and 26 days in Jamaica respectively). Only in customs, the Investment Climate Assessment reports that exporters spend an average of 14 days with a maximum time of 23 days to clear goods. This contrasts with El Salvador, for example, where exporters take an average of 1.6 days to clear customs. In the same line the average and longest delays reported by importers were between 6 and 12 days. In terms of business registration, Doing Business reports that it takes 46 days to register a business compared to the 9 days it takes in Jamaica. Inefficient, duplicative and time-consuming procedures, in business registration and other procedures, distract the private sector from contributing to the economy. Also, an inefficient business registration system keeps companies in the informal sector. On the other hand, from an entrepreneur's perspective formalization (essentially registering as a legal business) can help ensure access to credit, and the purchase, for example, of the first piece of expensive equipment that can increase productivity.

c. *Contract enforcement and the judiciary*: in Guyana it takes on average 525 days to enforce commercial contracts according to the Doing Business database. This period of time is longer than that in a number of comparator countries such as Jamaica (202 days). This situation is worsened by firms' propensity for litigation (two to three times higher than in comparable Central American countries). The time to collect an overdue payment has become a standard measure of how well the court system functions. The longer the duration of a court case, the higher the costs to both parties – both monetary costs and opportunity costs. The duration of a

[13] Source: Heritage Foundation.

[14] Doing Business compiles procedural requirements for exporting and importing a standardized cargo of goods. For importing goods, procedures range from the vessel's arrival at the port of entry to the cargo's delivery at the factory warehouse. For exporting goods, procedures range from the packing of the goods at the factory to their departure from the port of exit.

simple debt collection case through court action in Guyana is among the longest in Latin America, and much longer than the same for Caribbean countries with an English common-law legal system. The cost of enforcing a contract is on average 24% of the debt.

d. *Crime and violence*: crime is a serious problem and imposes significant costs to businesses. Guyana ranks 113 out of 117 countries according to the World Economic Forum on crime posing significant costs to businesses. Crime constitutes a double drain. It imposes a substantial tax on business through ongoing security costs and requires significant investment by the private sector in security apparatus that does not increase their output. Guyanese firms spend a considerable amount on security, which reflects the losses they suffer due to crime. Medium and large firms (particularly exporting firms) are more frequently victims of criminal activities, and suffer higher losses as a result of such activities. Large firms lost on average US$12,578 a year as a result of crime and violence.

1.15 Public-private dialogue for competitiveness. In addition to the issues in the business environment, persistent divisions and mistrust between the public and the private sector have undermined an effective response to the challenges of generating increased investment and sustained export development. In the past, the private sector has perceived the government as highly bureaucratic, inefficient, insufficiently integrated, and disconnected from the sector's needs. The public sector has perceived the private sector organizations as weak; not readily willing to upgrade their enterprises, management practices, products and services; and unrepresentative of small firms, or of regional interests (outside Georgetown). In the last nine months an extensive partnership exercise has taken place, which has culminated with the signing of a Memorandum of Understanding (MOU) on May 4, 2006 between the Private Sector and Government and the hosting of a Presidential Summit (May 8, 2006). These efforts are widely seen as having delivered a significant improvement in public-private dialogue on public policy to boost competitiveness. Supporting this process by strengthening institutions for public-private dialogue could have an impact on investments, exports and growth.

1.16 Institutional capacity for investment attraction and export promotion. Although there are public institutions to attract investment and help firms become successful exporters, many of these institutions are ill equipped to perform those functions. Key public institutions to support a strategy of investment attraction and export development are: The Guyana Office for Investment (Go-Invest) and the Guyana National Bureau of Standards[15].

1.17 **The Guyana Office for Investment** is Guyana's investment attraction and export promotion agency, established in 1994 as a semi-autonomous body, under the direct purview of the Office of the President. It currently functions as the primary interface

[15] The New Guyana Marketing Corporation (NGMC) also plays an important role in terms of investment attraction and export development. NGMC is currently charged with the promotion of non-traditional agricultural exports. Go-Invest/NGMC collaboration on export facilitation and export promotion issues is quite high. Information on planned programs is shared and streamlined and solutions to producer and exporter problems are closely coordinated. The NGMC suffers from limited human and financial resources to perform its activities.

between investing and exporting firms, domestic or foreign, and government agencies.[16] Under its investment attraction mandate, Go-Invest serves as a primary contact for investors and liaising with government agencies throughout the investment process. Its main functions include encouraging and assisting investors in their efforts to launch enterprises; compiling and disseminating information on investment opportunities, indigenous raw material resources and local and external market opportunities for the benefit of investors; and monitoring and evaluating investment trends.

1.18 Go-Invest also supports current and potential exporters with the provision of trade information for interested firms; matchmaking between local exporters and foreign importers; assistance to exporters for participation in national and international exhibitions and trade missions; and development of seminars and training programs. Finally, Go-Invest also advises GOG on the formulation of national export policies and the implementation of such policies.

1.19 Despite very positive reviews by clients, Go-Invest presents several weaknesses: (i) inadequate charter: Go-Invest does not have its export promotion and policy advocacy functions included in its mandate; (ii) weak governance structure: although the CEO answers to a board of directors, the board meets infrequently and the representation of private sector actors in the board is limited; and (iii) lack of instruments and resources: Go-Invest has extremely limited resources to perform its investment and export promotion roles, with a technical staff of only 8 people, including the CEO.

1.20 The **Guyana National Bureau of Standards** (GNBS) is a semi-autonomous body constituted in 1984 to promote standards for the improvement of goods and services, processes and practices produced or used in Guyana; to promote quality control in industry; and to provide testing and calibration facilities for devices such as scales, weights and measures to determine their accuracy.[17] The GNBS is the only agency that provides support in ISO implementation for goods and services in Guyana. The GNBS currently works with minimal levels of technical staff, facilities and technical equipment.[18] Coordination among GNBS, Go-Invest and the NGMC is currently limited to sporadic work meetings. Overcoming these issues is important, given that safety insurance is becoming a basic requirement for importers, who are themselves under pressure from their clients. Furthermore, as of January 1, 2006 it is now

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[16] In 2000, the Guyana Export Promotion Council was merged with Go-Invest. As a result, Go-Invest is divided into two divisions, one responsible for Investment Facilitation and Promotion and the other for Export Promotion. Uniting the role of export promotion and investment attraction may seem to go against commonly shared best international practices in big countries. However the experience in Jamaica with JAMPRO shows that for small countries where foreign investment is closely related to export-related activities, the combination of these two functions under one agency may be successful.

[17] It complements the activities of different departments of the Ministry of Agriculture that cover standards related to food, drugs, plants and animals. The Food and Drugs Department has received support from the USAID GTIS Program.

[18] Guyana is included in a regional MIF project (MIF/AT-635-1) with the CARICOM Regional Organization for Standards and Quality (CROSQ) that seeks to build on the existing infrastructure of regional standardization and develop a model for technical standard setting in four pilot countries. The GNBS is an executing agency for this program. Only 4 firms have obtained ISO 9001 certification, in Guyana; and 10 additional ones are currently undergoing the implementation of ISO standards.

compulsory to apply Hazard Analysis Critical Control Point (HACCP) when exporting to the EU.

1.21 Firms' competitiveness for exports. It is estimated that the vast majority of enterprises in Guyana are small and micro-enterprises.[19] Based on household survey data there are approximately 58,000 micro-enterprises. Small and medium enterprises are estimated to be a number no greater than 400 units. According to Go-Invest there are over 200 exporting firms in Guyana, the majority of which are small and medium enterprises. Around 165 companies have attended Trade Expositions with GO-Invest in the last three years.

1.22 Guyana's non-traditional export sector is mainly composed of medium and small-scale firms that add little value to their products, export in low volumes, produce inconsistent quality that frequently does not comply with client requirements, lack management and marketing know-how, and possess low productivity levels and consequent high production costs. Despite these ailments, a handful of firms in the furniture, processed foods and other light manufacturing sectors have been able to successfully export, albeit inconsistently. These firms would need support in order to consolidate their foothold in international markets.

E. The country's sector strategy

1.23 The National Development Strategy (NDS), approved by Parliament in December 2005, sets priorities for the nation's economic and social development to the year 2010. The NDS sets guidelines for the desired policy framework with respect to the development of the private sector[20], and delineates two important national objectives in this regard: a) that the private sector play a leading role in the growth of the economy; and b) that the private sector be the major engine of growth and employment creation, thereby assisting materially with the alleviation of poverty. To achieve this, the NDS stresses the need to: improve the legal framework for private productive activities; improve the taxation system to minimize disincentives to production; improve the efficiency of governmental services and procedures; improve the nation's productive infrastructure; improve the educational and training system; improve the nation's capacity for industrial research and development; and continue the program of privatization of productive capacity.

1.24 The GOG in partnership with the private sector has recently finished and presented a draft National Competitiveness Strategy document at the Presidential Summit on May 8, 2006 aimed at addressing the challenges to growth over the next five years while implementing the national goals as set out in the NDS. This process has been led by the Ministry of Tourism, Industry and Trade (MINTIC) in close coordination with the Office of the President.[21] The Private Sector Commission[22] (PSC) has led

[19] Statistical information regarding the composition and size of the private sector at the firm level is very limited.

[20] National Development Strategy (2000), "Policy Framework for the Private Sector"; Chapter 36. (www.guyana.org/NDS).

[21] The MINTIC's objective is to formulate and provide effective mechanisms for the implementation, evaluation and improvement of policies, the aim of which is to facilitate economic and social improvement through coordinating actions in the areas of Commerce, Tourism, Industrial Development and Consumers

and coordinated the process of gathering feedback from the Guyanese private sector on the strategy documents under discussion. The current draft of the National Competitiveness Strategy called "Enhancing National Competitiveness: A National Competitiveness Strategy for Guyana" (ENC)[23] highlights these challenges within the context of the following four areas: a) the environment for private investment; b) enterprise competitiveness for export development; c) sector development; and d) public private dialogue for competitiveness. Early coordination between the GOG and IDB with regard to the Support for Competitiveness Program allowed the preparation stage of this program to enrich the content of the ENC document by researching these four areas, recommending policy options and investment alternatives to tackle them, and initiating the process of nation-wide consultations on the validity, priorities and feasibility of the recommended options that culminated in the recent Presidential Summit. Financial and technical support provided by the Project Preparation and Execution Facility for this Program (GY-L1010) have played a catalytic role in the described process.

1.25 The draft ENC document and the extensive consultation process have been fully endorsed by the President. The Private Sector Commission has stated that it represents the most significant public-private dialogue since the production of the NDS. By September 2006, this draft document will have incorporated relevant input provided under the preparation stage of the Program as well as subsequent consultation work and will become Guyana's National Competitiveness Strategy.[24]

1.26 In the context of the preparation of the National Competitiveness Strategy (NCS), the Government of Guyana and the PSC have signed a MOU specifying an institutional set-up for the coordination and implementation of the NCS. This institutional framework would involve the creation of the National Competitiveness Council (NCC) as the body, which will take ownership of the NCS and act as a central point of policy leadership for policy design and implementation supervision. The NCC would submit quarterly recommendations to the Cabinet Sub-Committee on Trade. The NCC will have twelve members, six private sector representatives elected from a widely representative organization of the private sector (four members), and from labor unions (two members) and six representatives from the government including the President, ministers and/or chairs of already existing public-private councils that work on specific areas of competitiveness policy, such as the Minister of Tourism, Industry and Commerce and the chairs of the National Advisory Committee on External Negotiations (NACEN), and the Investment Promotion Council. These public-private organizations would provide the NCC with high-level advice to steer competitiveness strategies, policies, and actions. (See Figure I-1)

Affairs. In addition, MINTIC has been designated to chair the Government Cabinet Steering Committee on Competitiveness and has provided key policy inputs and has been supporting many of the coordinating activities and public-private consultations required for developing the NCS

[22] The Private Sector Commission is an umbrella organization for private sector organizations.

[23] Enhancing National Competitiveness. A National Competitiveness Strategy for Guyana. (May 2006) (http://www.summit.org.gy/ncs.html).

[24] The consultation exercise has been conducted on a non-partisan basis in order to engage stakeholders from any political affiliation. The NCS document will be presented to the National Assembly as a Parliamentary White Paper. The Minister of Tourism, Industry and Commerce has spoken of this in Parliament.

F. The Bank's sector strategy

1.27 The 2002-2005 Country Strategy seeks to address three major development challenges: (i) achieving sustainable economic growth (including productive infrastructure, private sector development and environmental sustainability), (ii) improving governance and public sector efficiency, and (iii) strengthening social programs. At present, 50% of the Bank's portfolio is concentrated in infrastructure projects designed to promote economic growth. Social sector programs account for 41% while public sector modernization accounts for 9% of the portfolio. This program is fully consistent with the objective of promoting sustainable economic growth in the Country Strategy. In addition, the preparatory work of this program will feed into the process of developing the forthcoming Private Sector Development Strategy, the Action Plan for the Business Climate Initiative and the next Country Strategy for Guyana.

1.28 The pipeline for 2006-2007, in addition to the Support for Competitiveness Program (GY-L1006), includes an Agricultural Diversification Program (GY-L1007), the Justice Sector Strengthening Program (GY-L1009) and the Citizen Security Program (GY-0071) among others. In light of the constraints to business activity highlighted above, these programs, in addition to the public sector modernization operations in the Bank's portfolio (particularly the Fiscal and Financial Modernization Program), will strengthen Bank support for private sector development and competitiveness.

G. Coordination with other Donors

1.29 The Bank's Program has been coordinated closely with other donors and international organizations to seek options that will complement their operations, as well as those of the IDB. In particular, the Bank's Program will continue close coordination with USAID's Guyana Trade and Investment Support Project (GTIS). GTIS provides support to enterprises, private sector organizations, and government institutions to help Guyana become more competitive and exploit emerging export market opportunities arising from international trade agreements.[25]

1.30 The Bank's team has also been coordinating with the Canadian International Development Agency (CIDA) given their recent designation of Guyana as one of the 25 development partners in which the Canadian agency will concentrate the bulk of its country-to-country assistance. Private sector development would be one sector in which CIDA would target its efforts. CIDA's program (in early stage of preparation)

[25] GTIS has been focusing its interventions in strengthening the human and institutional capacity for trade negotiations and implementation. In addition GTIS has been working to support the formation of business clusters in four areas: tourism, agro-processing, non-timber forest products and seafood. The GTIS program finances mainly technical assistance activities, and does not focus comprehensively on the challenges to growth identified earlier. GTIS plans to stimulate non-traditional exports by helping up to 30 targeted firms and supply chains to develop the systems, standards and capability to grow and be competitive in an increasingly liberalized market via various firm-level interventions. However, the project is not planning to provide direct assistance in export promotion in 2006 and the scale of its programs will be relatively small (e.g. US$10,000 per intervention) because of its limited budget.

is expected to focus its resources in areas of Guyana's National Competitiveness Strategy not covered by IDB program.[26]

1.31 Finally, in the context of the continuous efforts to enhance coordination during program preparation, the donor partners (including the IDB) in Guyana have started a dialogue to coordinate interventions to support the NCS. As a result of this dialogue, it is expected that a formal Donor NCS Harmonization Coordination Group will be formed to begin participating more widely in ensuring greater harmonization in the scope, volume and timing of assistance to support development and implementation of the NCS.

H. Program Strategy

1.32 The sluggish levels of private investment in Guyana are to a significant extent due to structural and business environment factors affecting Guyana's competitiveness (¶1.14-¶1.22). The Government of Guyana has made progress in addressing some of the issues by strengthening the environment for private investment, approving an Investment Act, a Small Business Bill, an amended Tax Law, and a Competition and Fair Trading Bill. However, there is progress to be made in implementing these legal reforms and tackling other pressing challenges for competitiveness as acknowledged in the draft NCS. The Program strategy is to provide support for the completion and implementation of Guyana's National Competitiveness Strategy. Building on current reform momentum, the Program intends to support a subset of policies, institutional reforms and investments that will have a critical impact on the business environment, have strong government and private sector support, and create the basis for a sustainable public–private process to improve Guyana's competitiveness.

1.33 **Strategic areas**. The selection of areas, policy conditions and technical assistance activities in the Program is the result of a long consultation process. Selection was based on the following principles: (i) building on current reform momentum, by supporting reforms that are already ongoing and which have strong government and private sector support; (ii) supporting public-private dialogue as a key tool for the policy making process which is expected to result in a longer-term impact over the quality of public policies; (iii) encouraging local ownership of the process and consensus building by supporting an extensive consultation and public-private partnership exercise to identify priority policy measures, including some of those to be funded through this Program, which have crystallized in the crafting of the current stage of Guyana's National Competitiveness Strategy; and (iv) complementing and/or leveraging related and on-going initiatives by the IDB Group and other donor agencies in order to maximize impact and provide a comprehensive and integrated support for competitiveness in Guyana.(See Table I-3: Main Factors Affecting Guyana's Business Environment).

1.34 **Lessons learned and Bank instruments**. The Support for Competitiveness Program has incorporated lessons from previous Bank operations into Program design. These include: (i) the development of a formal public-private institutional mechanism to formulate and monitor the implementation of competitiveness related reforms; (ii);

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[26] The EU would also support the NCS with technical assistance for vocational training and the sugar diversification plan. Assistance is also expected from the Millennium Challenge Account.

the construction of a joint vision and agenda with other donors to support the National Competitiveness Strategy, especially necessary in a country like Guyana, given the multiplicity of donor initiatives to support different aspects of private sector development; and (iii) the design of a program aimed at supporting exporting firms based on a transparent demand driven mechanism that provides co-financing for technical assistance.

1.35 Additionally, lessons learned from past PBLs approved in Guyana have been included, such as: (i) complementing the policy component with an investment loan or technical cooperation to pave the way for compliance with the policy conditionalities; (ii) including built-in incentives (i.e. back-loading) into the PBL to ensure the reform process is pushed forward; and (iii) setting up relatively simple institutional structures given the institutional capacity and staffing limitations prevalent in Guyana. In order to leverage the incentive structure towards the implementation of ongoing reforms and new reforms in the agenda of the NCS, the PBL considers a three-tranche scheme in which resources are concentrated in the third tranche. The investment and technical support component will assist the GOG in achieving the competitiveness benchmarks identified in the sector reform program, thereby contributing to an environment more supportive of competitiveness. In addition, the Program builds on existing institutions and processes, providing institutional strengthening as needed for the implementation of the Program and for the development of the National Competitiveness Strategy.

II. THE PROGRAM

A. Objectives and description

2.1 The Program's goal is to enhance Guyana's competitiveness and contribute to increased levels of private investment and exports. In order to achieve this goal, the program's specific objectives are: i) to strengthen the institutions for public-private dialogue on competitiveness and ii) to improve the business environment for private investment and export development.

2.2 These goals are to be realized by means of a Hybrid Program composed of two loans: a Policy Based Loan (PBL) in three tranches; and an Investment and Technical Support loan aimed at supporting implementation of policy reforms.

B. Program Structure

1. Policy-based loan (US$18 million)

2.3 The PBL is divided in two components: A) Strengthening the institutions for public-private dialogue on competitiveness; and B) Improving the environment for private investment and export development. The first component aims to support the GOG in setting up the institutional framework to implement a long-term strategy to improve competitiveness based on public-private dialogue. The second component aims to support GOG in the implementation of a subset of critical reforms to significantly improve the business environment in order to mobilize private investment and realize Guyana's export potential.

2.4 **A. Strengthening the institutions for public-private dialogue on competitiveness**: the objectives of this component are: i) to obtain far-reaching agreement on the policies and activities necessary to enhance Guyana's competitiveness; and ii) to ensure that the institutional framework for the implementation of the National Competitiveness Strategy incorporates the appropriate public private dialogue. This component will build upon the public-private sector consultation started in September 2005 regarding the first draft of the ENC document with a wide cross-section of stakeholders.

2.5 **B. Improving the environment for private investment and export development**: the objectives of this component are: i) to enhance Guyana's attractiveness to investors through a business friendly tax structure that does not compromise government revenue; ii) to improve Guyana's capacity to boost and maintain significantly higher levels of private investment, both domestic and foreign, and exports; iii) to facilitate business activities through improvements in customs and business registration processes; iv) to improve firms' access to finance. This sub-component will build upon the current reform momentum in those areas.

2.6 The financial support provided under this PBL component will be disbursed in three tranches. The selection of a three-tranche approach and disbursement structure (i.e. back-loading) has been made following lessons learned in previous operations (¶1.34) and in order to mitigate execution risks under the current conditions (¶4.13). The first tranche acknowledges the progress made in each area of interest and prepares reforms that move the agenda forward. The second tranche focuses on the implementation of reforms designed in the first tranche, and further actions that will help define the policy agenda for the future. The third tranche will focus on providing incentives to ensure the sustainability of the reform process.

2.7 **First tranche (US$3 million)**: The disbursement of the first tranche will be conditional on adherence to a sound macroeconomic framework as set forth in the objectives of the program and in the sector policy letter, and compliance with the following conditions:

a. **Strengthening the institutions for public-private dialogue on competitiveness**: i) a draft National Competitiveness Strategy completed and discussed with stakeholders in the first Presidential Summit on Competitiveness; ii) a Cabinet decision has set up the National Competitiveness Council (NCC) to function as a high-level public-private advisory council to the Government on competitiveness policy issues.[27]

b. **Improving the environment for private investment and export development**: i) implementing regulations for the VAT (Value Added Tax Act 2005) and Excise Tax (Excise Tax Act 2005) legislation have been enacted and agreement on Terms of Reference of a tax study to assess the rationale behind the current tax structure

[27] The Cabinet decision will include at least: i) the NCC composition with 4 representatives from the expanded PSC Trade Investment Subcommittee, 2 representative from labor, and 6 representatives from the government ii) the NCC functions and operational procedures. Each representative will have one vote. A memorandum of understanding with the PSC that defines the criteria for the designation of private sector representatives to the NCC has been signed.

of Reference of a tax study to assess the rationale behind the current tax structure and recommend formulas to address at least the following topics: corporate income tax, export taxes, import duties and tax incentives in a way that boosts investments but does not unduly compromise the government revenues; ii) an expanded Go-Invest charter that includes new functions and governance structure has been approved[28]; iii) the Ministerial Order for the implementation of the Deeds Registry Authority Act has been signed; iv) Agreement has been reached on the Terms of Reference for the trade transaction study to reduce the time to clear exports and imports; and associated costs v) the operational guidelines for commercial courts have been issued; and vi) agreement has been reached on the Terms of Reference for a study to revise the legal and institutional framework for gathering and sharing credit information among financial institutions in order to allow for the creation of a credit bureau/registry.

2.8 **Second tranche (US$5 million):** The disbursement of the second tranche will be conditional on adherence to a sound macroeconomic framework as set forth in the objectives of the program and in the sector policy letter, and compliance with the following conditions:

a. **Strengthening the institutions for public-private dialogue on competitiveness**: i) A National Competitiveness Strategy approved by the NCC and Cabinet and ii) the NCC is fully operational.[29]

b. **Improving the environment for private investment and export development**: i) GRA is continuously collecting revenues from the VAT and excise tax; ii) agreement has been reached on measures and a tax action plan to address at least the following topics: corporate income tax, export taxes, import duties and tax incentives in a way that boosts investments but does not unduly compromise the government revenues;; iii) Go-Invest's implementation of the revised operational procedures and a performance based remuneration system for officers; and approval of a four year action plan[30]; iv) the Deeds Registry is fully operating as a semi-autonomous agency[31]; and agreement has been reached on an action plan to simplify the registration and incorporation of firms; v) agreement has been reached on measures and an action plan to implement recommendations from the trade transaction study; vi) a Commercial Court is fully operational; and vii) agreement

[28] The expanded Go-Invest charter will include: i) the functions of investment facilitation, image building, policy advocacy and export promotion; ii) a revised governance structure, including a mechanism to select private sector representatives of its board. This mechanism should be endorsed by the expanded PSC Trade and Investment Subcommittee and by the GOG, as reflected in a Memorandum of Understanding.

[29] Fully operational will require evidence that at least: (i) All NCC members have been designated; (ii) The NCC has met on a quarterly basis and is following the yearly work plan; (iii) The NCC has submitted recommendations to the Cabinet Subcommittee on Investment and Trade for consideration and (iv) The NCC is monitoring progress in the implementation of the competitiveness related reforms through the consideration of the progress reports presented by the NCSU.

[30] The action plan will include at least: i) annual targets for each of its four functional areas of the expanded charter; ii) financial plan that identifies sustainable funding sources required to achieve the annual targets; and iii) human and physical resources required to achieve the annual targets.

[31] This will include a new organizational structure, new salary scales, and a new schedule of fees and services.

has been reached on an action plan to introduce the necessary changes in the legal and regulatory framework for gathering and sharing credit information among financial institutions in order to allow for the creation of a credit bureau/registry.

2.9 **Third tranche (US$10 million):** The disbursement of the third tranche will be conditional on adherence to a sound macroeconomic framework as set forth in the objectives of the program and in the sector policy letter, and compliance with the following conditions:

a. **Strengthening the institutions for public-private dialogue on competitiveness**: i) an external evaluation of the progress in the implementation of the National Competitiveness Strategy has been presented to stakeholders at a Presidential Summit on Competitiveness; and ii) the NCC is fully operational.[32]

b. **Improving the environment for private investment and export development**: i) GRA is continuously collecting revenues from the VAT and excise tax; ii) satisfactory implementation of the agreed measures in the action plan to reduce and unify the corporate income tax, import duties, and tax incentives, and reduce or eliminate export taxes; iii) satisfactory implementation of Go-Invest's operational procedures and action plan; iv) the Deeds Registry is fully operating as a semi-autonomous agency and implementation of the action plan to simplify the registration and incorporation of firms has been completed; v) the agreed measures in the action plan to implement recommendations from the trade transaction study have been implemented; vi) the Commercial Court is fully operational; and vii) the legal framework to create a credit bureau is in place, and guidelines to develop a formal system of exchange of credit-related client information among financial institutions issued by the Bank of Guyana.

2. Investment and technical support loan (US$5.88 million)

2.10 The activities included in the investment and technical support loan will assist the GOG in achieving the competitiveness benchmarks identified in the sector reform program and will finance key complementary investments in order to enhance the country's competitiveness, contributing to increased levels of private investment and exports. Resources included in this investment loan will finance training, long and short-term consultancy services, and the procurement of computer software and hardware.

2.11 This loan is structured in four components, one for each area of intervention. Through Component 1 of the investment loan, the Program will provide support to strengthen the institutions that are involved in the definition, coordination, implementation and monitoring of the NCS. Component 2 of the investment loan includes the provision of technical assistance to support reforms aimed at improving the business environment for private investment and export development. Component 3 of the

[32] Fully operational will require evidence that at least: (i) All NCC members have been designated; (ii) The NCC has met on a quarterly basis and is following the yearly work plan; (iii) The NCC has submitted recommendations to the Cabinet Subcommittee on Investment and Trade for consideration and (iv) The NCC is monitoring progress in the implementation of the competitiveness related reforms through the consideration of the progress reports presented by the NCSU.

investment loan will support activities to upgrade the services provided by the export and investment promotion agency, Go-Invest and the Guyana National Bureau of Standards; and finally, Component 4 of the investment loan will seek to improve the competitiveness of exporting firms in Guyana through matching grants to co-finance training and technical assistance for firms in the process of accessing international markets.

2.12 **Component 1: Strengthening the institutional capacity to formulate and implement the National Competitiveness Strategy (US$1.55 million):** The *Investment Loan Program* will provide support for the development of an effective public-private institutional framework to define and monitor competitiveness policy, with a focus on supporting the public-private advisory bodies, the NCC and the National Competitiveness Strategy Competitiveness Unit (NCSU).

2.13 Support for public-private councils. During the first three years, the resources of the *Investment Loan Program* will finance technical assistance to the NCC and to the public-private councils NACEN, SBC, and the IPC in order to strengthen their capacities to analyze, discuss and present policy proposals to the NCC. Support will be provided through the hiring of an international consultant with experience in the field of public-private partnerships and competitiveness, who will support: (i) the drafting of internal procedures and first year action plans for the NCC and each council; (ii) the commissioning and analysis of technical proposals for policy reform to be submitted by the councils to the NCC; (iii) the mediation between each council and the National Competitiveness Strategy Unit; and (iv) the decision-making process at the NCC, by sitting as a non-voting member and acting as facilitator for the first three years. Going forward, these functions will be internalized by the NCSU.

2.14 Support fort the National Competitiveness Strategy Unit. The *Investment Loan Program* will support the setting up and initial launching of operations of the NCSU within MINTIC. The NCSU will have the following functions: (i) coordinate and monitor the implementation of the competitiveness policies and programs included in the NCS; (ii) provide technical support to all the public-private advisory bodies to ensure top-quality economic policy analysis and draft policy formulation is provided to the NCC; (iii) function as the Secretariat to the NCC; and (iv) prepare and carry out communication campaigns, including stakeholder consultations, the creation of a website, and the organization of the periodic Presidential Summit on Competitiveness.

2.15 The *Investment Loan Program* will support the setting up of the NCSU, including recurring costs for the hiring of the staff and the basic office equipment and supplies for them to carry out their work. Funding for these items will be provided on a decreasing scale, with 100 percent coverage for the first two years of the Program and 75 percent, 50 percent and 25 percent for the third, fourth and fifth respectively. Additionally, the Program will support the introduction of a performance and evaluation system to monitor progress in the implementation of the NCS and performance against targets. The Program will also provide technical assistance for: (i) training of the NCSU staff; (ii) funding of short term consultancies for the preparation of competitiveness policy proposals undertaken by the public-private

advisory bodies (including the NCC), which will be administered by the NCSU. Finally, as part of the support for the communication campaign, the Program will fund the development of a website and will give additional support for the organization of the Presidential Competitiveness Forums.

2.16 **Component 2: Improving the business climate (US$1.06 million)**: Activities under this component will be aimed at providing support for the implementation of several initiatives to improve business climate in Guyana. The *Investment Loan Program* will finance activities in the following areas: (i) corporate taxes and investment incentives reform; (ii) strengthening of the Deeds Registry to enable the agency to function semi-autonomously and reduce time for business registration and incorporation; (iii) revision of trade transactions to reduce the time to clear exports and imports and undue associated costs; (iv) drafting of the legal and institutional framework to allow for the creation of a credit bureau and a formal system for client-credit information sharing among commercial banks; and (v) support for the creation of the Consumer Protection and Competition Commission and (CPCC).

2.17 <u>Tax reform</u>. The resources of the *Investment Loan Program* will finance technical assistance to undertake a comprehensive tax study to assess the rationale behind the current tax structure and recommend formulas to, among others, reduce and unify the corporate income tax, import duties, and tax incentives, and reduce or eliminate export taxes in a way that boosts investment and does not unduly compromise government revenue. In a second stage, after recommendations of the study have been discussed between the GOG and the Bank and consulted with the IMF, the consultants will prepare an action plan for implementation of the agreed recommendations.

2.18 <u>Business Registration and Incorporation</u>. In order to support the modernization and greater autonomy of the Deeds Registry, the resources of the *Investment Loan Program* will finance technical assistance for a consultancy that will put together a four-year action plan for the Registry. The final action plan will be based on previous work of consultants and will include at least: (i) a financial plan with a new schedule of fees and services, forecasts of fee revenues and the proportion of revenue to be used by the new agency; and (ii) the definition of a new organizational structure for the Registry, new salary scales and a human resource plan for the new status of the Registry. As intermediate inputs, the consultancy will produce: (a) an updated business process review to measure service delivery time and costs, accounting and administrative procedures, with a proposal of new procedures and a new fee structure based on the results; and (b) an updated assessment of the existing organizational structure and workload at the Registry, evaluate present job functions, assess training needs, and propose the new organizational structure and human resource plan. Additional support will be provided for the implementation of the training plan in the new procedures and additional areas.

2.19 Additionally, an expanded use of Information Technology at the Deeds Registry is expected to result in shorter turnaround times for registration, improved quality of operations and increased staff productivity. In order to support the improvement of the computerized business registration system at the Registry, the resources of the *Investment Loan Program* will finance technical assistance for: (i) the digitalization

of historical records and the creation of a database for business names and companies; (ii) the establishment of linkages between all the registries offices and the review of the compatibility of the system with the recently upgraded computerized tax system at the GRA in order to establish linkages with other government agencies such as the GRA.

2.20 Expediting exports and imports. The resources of the *Investment Loan Program* will finance technical assistance for MOF to commission a trade transactions analysis with the objective of rationalizing the external processes along the export and import supply chains. The study will make recommendations on how to solve specific issues related to process inefficiencies, redundancies, susceptibility to corruption, and high costs of execution and will include an action plan to reduce the time and costs involved in going through all the necessary steps to export and import. Additional funds will be available to implement the recommendations agreed between the Bank and GOG which will be included in an action plan. This action plan will be designed to complement ongoing reforms at the Customs Authority included in the Fiscal and Financial Modernization Program (GY-0053).

2.21 Credit information sharing. In order to support the improvement in the availability of credit information, the resources of the *Investment Loan Program* will finance technical assistance to the Bank of Guyana (BOG) to commission the following products: (i) a study that will include the drafting of a legal and regulatory framework for gathering and sharing client credit information among financial institutions, which contemplates the creation of a credit bureau; ii) a report with alternatives and recommendations on the different institutional set-ups for a formal system of gathering and sharing information among financial institutions and a budgeted action plan for the implementation of these recommendations; and iii) the guidelines to develop a formal system of exchange of credit-related client information among financial institutions. The resources of the *Investment Loan Program* will finance the preparation of a workshop to discuss the recommendations on institutional set-ups with the participation of the Bankers Associations, Bar Association, BOG, MOF, and consumer associations. Results from this workshop will be useful for gathering inputs to design the said guidelines and to advance the discussion on the next steps to implement the action plan, previously agreed with the Bank.

2.22 Consumer Protection and Competition Commission (CPCC). The resources of the *Investment Loan Program* will finance support for the creation of the CPCC in the following areas: (i) hiring of legal consultancy services to review the consistency of the Competition and Fair Trade bills with the commercial legislation in Guyana, after both bills are enacted and draft necessary changes accordingly; (ii) procurement of office equipment, and supporting training and internship programs for the staff of the CPCC in Jamaica and Barbados; (iii) awareness raising activities to facilitate the implementation of the newly developed legislation and policy, including training and an online toolkit for the strengthening of consumer associations; (iv) data collection and management of statistics at the market, sector and business level in order to increase the availability of statistics to use as inputs for the production of material for case resolution and information diffusion; (v) workshops to open dialogue on specific issues at the national level (M&A regulation, anti-dumping legislation, future role of Public Utilities Commission); and (vi) participation in CARICOM policy

coordination process to ensure harmonization of regional and national consumer protection and competition policies.

2.23 **Component 3: Enhancing investment attraction, export promotion and raising production standards (US$2.33 million):** The objective of this component is to support the strengthening and increased coordination the key agencies and that are involved in supporting firms in their export and investment activities in Guyana.[33]

2.24 Strengthening of Go-Invest. The resources of the *Investment Loan Program* will finance technical assistance, training, hardware and software for Go-Invest so that it can improve its effectiveness and efficiency, and fulfill its expanded charter of investment promotion, facilitation, image-building and export promotion. Areas to be financed include the following: a) assistance to restructure and strengthen the organization in line with its new mandate; b) assistance to upgrade Go-Invest's instruments for export promotion and investment attraction; and c) connection to market intelligence software, computer equipment and training material geared to provide export market information to businesses.

2.25 The *Investment Loan Program* will support Go-Invest in its institutional restructuring by financing technical assistance for: (i) a consultancy to develop a four year action plan which includes at least: a) annual targets for each of its four areas of responsibility, b) human and financial resources required to achieve the annual targets, and c) an organizational strengthening plan in order to effectively fulfill the new mandate; (ii) a consultancy to develop new operational procedures including a performance based remuneration system for officers; (iii) the development and implementation of a performance management system to monitor progress made by account managers, including an investor tracking system that will allow to track current and prospective investors at all stages of the investment process and to monitor performance benchmarks; and (iv) the development of a regular client survey by an independent party as part of Go-Invest's renewed efforts to increase transparency and accountability.

2.26 Additionally, the resources of the *Investment Loan Program* will finance staff strengthening activities at Go-Invest including: (i) four investment/export officers, two administrative officers and the basic office equipment and supplies for them to carry out their work[34]; (ii) an Investment Promotion advisor during two years to counsel the CEO and staff on best practice in investment generation and facilitation,

[33] While during project preparation there was consideration for merging or reallocating functions between Go-Invest and NGMC, Government and stakeholders disregarded these ideas in consideration at this opint in time in consideration that these two institutions play different and valuable roles. In particular, in addition to the sector approach, NGMC has more of a grass-roots focus compared to Go-Invest and a greater potential presence outside of Georgetown. In this context, the consultant recommended to strengthen coordination to improve the performance of these agencies. Although the Program will not provide direct support to NGMC, it will support the institution indirectly. NGMC specialists will participate in the Go-Invest export promotion team trainings; in the development of the export-readiness diagnostic tool; and the institution will have links to the market intelligence software introduced in Go-Invest.

[34] Funding for these items will be provided on a decreasing scale, with 100 percent coverage for the first two years of the Program and 75 percent, 50 percent and 25 percent for the third, fourth and fifth respectively. This is also the case for the subscription to the market intelligence software.

and to design and implement a successful, pragmatic investment promotion strategy; and (iii) training for Go-Invest staff in specific topics to be determined in the organizational strengthening plan, including regional study tours to good practice investment promotion agencies for five staff in year one and five in year two.

2.27 The resources of the *Investment Loan Program* will finance assistance for upgrading Go-Invest's export and investment promotion instruments, including the development and implementation of: (i) a system to develop indicative investment attraction and export targets and a system for developing and updating annual export plans; (ii) in-country image-building and product promotion activities in regional markets; (iii) proactive integrated investment attraction program to promote FDI; and (iv) an export-readiness tool for private sector firms in order to diagnose the main bottlenecks they face in their export activity.

2.28 To improve access to trade and export market requirements information for the private sector, GO-INVEST will apply for membership in the World Trade Points Federation (WTFP) and establish Trade Point Guyana. The resources of the *Investment Loan Program* will fund: (i) the membership to the WTPF; (ii) the subscription to market intelligence software accessible to Government agencies and entrepreneurs and related training; (iii) the hiring of a consultant to develop and submit the membership proposal and design the business plan and operational manual for the center; (iv) the procurement and placement of five computer terminals in a new facility to offer private sector access to export-related information; and (v) the hiring of one technical staff to run the center.

2.29 <u>Strengthening of the GNBS.</u> Complementing the activities to support the process of standardization and certification by the Caribbean Regional Organization of Standards and Quality, this subcomponent will provide strengthening in specific areas for the Guyana National Bureau of Standards (GNBS) and will seek to increase coordination among key agencies involved in export development. Support will include: (i) the development of the Strategic Plan for Standardization in Guyana, in coordination with key agencies and stakeholders; (ii) the procurement of equipment upgrades for the laboratories and other facilities at GNBS and the development of a training plan for GNBS staff, including training on ISO 9001, 14001 and 22000, ISO/IEC 17025 standards, auditing of standards, and scientific metrology training; (iii) a communication campaign to raise awareness among firms on the need to comply with specific international standards for exports; and (iv) the strengthening of the training program for consultants and firms, already on-going at GNBS, to support the implementation of ISO and HACCP systems. All these activities will be undertaken in close coordination with other agencies involved in product and service standardization in Guyana.

2.30 **Component 4: Supporting private enterprise competitiveness for export development (US$ 0.93 million):** In order to support export development at the firm level, the resources of the *Investment Loan Program* will support the launching of a pilot program that will provide co-financing of business development services to

improve the capacity of Guyanese firms to compete in global markets.[35] As a complementary objective, the pilot program will also seek to generate more information on the demand and supply for enterprise development services and the institutional mechanisms to implement a longer term program to support export development.[36]

2.31 Firms will have to undertake an export-readiness assessment which will help to determine the kind of support each firm needs to access their target export market. Additionally, in order to be able to provide services under the program, consultants (individual or firms) will have to pre-register in a database that will be compiled and updated by Go-Invest. The database of consultants will include national regional and international consultants. Support for the development of the diagnostic tool, training of consultants and for the compilation of the consultant database is being provided for Go-Invest under component 3 of the *Investment Loan Program*.

2.32 The pilot program will be accessible to firms and groups of firms in two different stages. The first stage involves the export readiness assessment, for which firms will have to comply with the minimum eligibility criteria,[37] and support for business plan preparation. For the second stage of funding for project implementation, firms will have to present a business plan and a detailed description of the specific activities for which they require funding. It is expected that the Program will support up to 40 firms in the first stage and up to 25 firms in the second stage.

2.33 Eligible activities under the program will include technical assistance and training in the areas of: (i) process and product development; (ii) improvement of quality and design of products and services; (iii) improvement in commercial, financial, environmental and strategic management; (iv) assessment and implementation of quality systems; and (v) access to markets and market intelligence, including assistance to international fairs and participation in international missions. The Program will co-finance a maximum of 50% of the project implementation cost for

[35] This demand driven matching grant program will define eligibility criteria and operational guidelines that ensure no overlap with the support mechanism devised under the Agricultural Diversification Program (GY-L1007) and USAID's Guyana Trade and Investment Support Project.

[36] A feasibility study undertaken by a consultant during the preparation of this program concluded that technical assistance to support private enterprise development would have a significant impact in increasing the competitive profile of Guyanese firms. However, the following pre-conditions were considered necessary to launch a successful program: (i) better tools to diagnose specific needs to be addressed by private sector firms in order to access international markets; (ii) increased information on availability of national and regional providers of business development services; (iii) increased information among private and public sector actors related to standards for exports; and (iv) increased support to the National Bureau of Standards to support compliance with these standards. Support to meet these requirements was considered to be provided under this Program. A demand driven matching-grant program (initially, in a pilot phase), accompanied by the aforementioned actions was recommended as an appropriate scheme for facilitating access to technical assistance to improve firms' capacity to export.

[37] Eligible firms will have to: (i) be formal private enterprises with under 100 employees; (ii) be in operation for at least one year; (iii) with exporting experience or almost ready to start exporting and (iv) willing to pay in cash the amount not covered by the program.

individual firms and 60% for groups of firms, with a cap for individual firms of US$ 25.000 and of US$ 120.000 for groups (or US$ 30,000 per firm), [38]

2.34 Projects eligible for financing will be selected by a public-private board of seven members, with one representative of each of the following organizations: Go-Invest; GNBS; NGMC; the Private Sector Commission, the Small Business Association and the Guyana Manufacturer Association, and MINTIC as the chair. Funding will be awarded in a batch and queue mechanism, on a first-come, first-serve basis. The management of the matching grant program (one program director and one program official) will be housed in MINTIC under the National Competitiveness Strategy Unit in order to maximize coordination with other initiatives.

C. Cost and financing

2.35 The total cost of the Hybrid Program is estimated at US$27 million. The Bank will finance US$26.65 million with resources of the Fund for Special Operations (FSO) through a US$18 million Policy Based Loan and a US$8.65 million Investment Loan as shown below. The GOG will finance US$0.35 million in counterpart funding from its own resources and contributions from donors.

Table II-1: Cost and Financing (US$ Million)

Categories	IDB	GOG	TOTAL	%
I. Policy Based Loan	**17.69**	**0.00**	**17.69**	**65.5%**
II. Investment and Technical Support Loan	**8.39**	**0.35**	**8.74**	**32.4%**
2.1 Component I.	1.31	0.24	1.55	
2.2 Component II.	1.06	0.00	1.06	
2.3 Component III.	2.22	0.11	2.33	
2.4 Component IV.	0.93	0.00	0.93	
2.5 PROPEF	0.80		0.80	
2.6 Project Management	1.30		1.30	
2.7 Audit and Evaluation	0.24		0.24	
2.8 Contingencies	0.53		0.53	
III. Financial Cost*	**0.57**	**0.00**	**0.57**	**2.1%**
3.1 FIV	0.27		0.27	
3.2 Credit Fee	0.30		0.30	
TOTAL	**26.65**	**0.35**	**27.00**	**100.0%**

* Calculations for financial costs include both Policy Reform and Investment and Technical Support Program

III. PROGRAM EXECUTION

A. The borrower, guarantor and executing agency

3.1 The borrower and guarantor of the loans will be the Co-operative Republic of Guyana (GOG). The Ministry of Finance (MOF) will be the executing agency for the Policy-Based Loan (PBL) and the Ministry of Tourism, Industry and Commerce will be the executing agency for the Investment Loan. A single Project Execution Unit (PEU)

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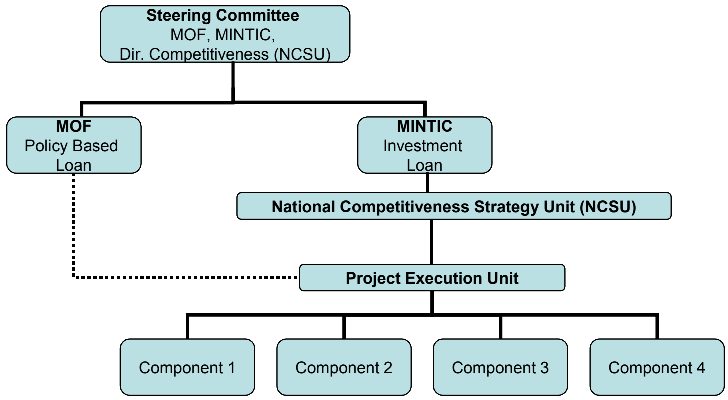
[38] For additional operational details on the Program, see the Draft Operating Regulations for the Matching Grant Program.

will coordinate execution of the program components under the National Competitiveness Strategy Unit housed in MINTIC.

Figure 2: Execution Mechanism Diagram



B. Program execution and administration

3.2 The *Investment Loan Program* will be executed on the basis of annual operating plans (AOPs) that will identify specific activities, beneficiaries, budgeted costs, and expected outputs. The PEU will provide technical support to the Ministry of Finance for the execution and administration of the Policy Based Loan. A steering committee (SC) composed of representatives of MOF, MINTIC and the Director of the NCSU will bear the main responsibility for the strategic direction of the Program. The SC will report to the NCC via the NCSU Director. This will ensure that a broad-based consultative approach is maintained. The SC meets on a semi-annual basis. Their responsibility includes reviewing annual operating plans (AOPs), procurement plans and budgets for the *Investment Loan Program* , evaluating the progress made by the *Investment Loan Program*, and recommending possible changes to the PEU to ensure that the program's objectives are met.

3.3 The PEU's main responsibility will be to monitor compliance with the policy conditions under the PBL Program and performance benchmarks of the *Investment Loan Program*, to coordinate the Investment Loan Program with beneficiary institutions, and to serve as the single point of contact with the Bank on all administrative matters regarding compliance with procurement, disbursement, reporting, financial statements and evaluation. In particular the PEU will be responsible for: i) monitoring the compliance of conditionality and performance benchmarks set out in the policy and verification matrix of the *Policy Based Loan Program*; (ii) reporting on compliance progress to the MOF and the Bank (iii) coordinating program execution with beneficiary institutions; (iv) preparing, revising and presenting the annual operating plans (AOPs), the semiannual, midterm and final reports, and any other reports requested by the Bank during the program; (v) monitoring execution performance; (vi) conducting procurement and processing contracts required for the implementation of the different components; (vii) preparing and presenting disbursement requests and justification of the use of funds to the Bank's satisfaction, as well as the semiannual reports on the use of the revolving fund; (viii) preparing the annual progress reports on execution performance for

submission to the MOF and the Bank; (ix) maintaining financial and accounting records related to the use of financed resources, demonstrating at any time that the funds are used for the purpose intended by the loan; (x) keeping adequate documentation to support disbursements received (this information shall be made available for review by Bank personnel and/or external auditors); and (xi) preparing and presenting financial statements of the program to the Bank, duly certified by eligible external auditors.

3.4 The PEU will be headed by a Coordinator, who will be a qualified professional appointed by the Minister of MINTIC with the Bank's no objection. The PEU will also be staffed with two program management officers, a finance/accounting officer, a procurement officer, a financial assistant, and an administrative assistant.

3.5 To regulate execution of the activities, fund transfers and administrative matters agreements will be signed between MINTIC and the beneficiary agencies in the terms set out in the Program Operational Manual (technical files).

C. Procurement of goods and services

3.6 The procurement of works and goods for the *Investment Loan Program* will be done in accordance with the provisions set out in documents GN-2349-4 ("Policies for the procurement of works and goods financed by the IADB"), dated 19 January 2005. International competitive bidding will be used when the cost is greater than US$1,000,000 equivalent, for works, and US$100,000 equivalent, for goods. National competitive bidding and other procedures outlined in the Bank's policy will be used for procurement involving amounts below those thresholds, according to the procurement plan agreed upon with both Executing Agencies. The selection and contracting of consultants will comply with the provisions established in document GN-2350-4 ("Policies for selection and contracting of consultants financed by the IADB"), dated 19 January 2005. For the contracting of consulting services, the quality-and-cost based selection procedure will be used, as established in the Bank's policy for consultants. The procurement of works and goods, as well as the selection and contracting of consultants, will be implemented according to the procurement plan, which will be reviewed annually. For each contract, Bank supervision will be ex-ante.

D. Execution period and disbursement schedule

3.7 The execution period for the Program is five years. For the *Policy Based Loan Program*, disbursements are programmed for 2006, 2007 and 2008. Tranche release will depend on the satisfactory implementation of agreed upon policy reforms and institutional changes, as described in the Policy Matrix (see Table V-1 in Chapter V). For each tranche, the GOG will be required to submit a report to the Bank, which demonstrates that the conditions precedent to each tranche have been fulfilled, and an appropriate macroeconomic policy framework has been maintained. This report will be sent to the Bank at least 45 days prior to the disbursement date.

3.8 The Investment Loan will be disbursed over a period of 60 months, beginning on the date on which the loan contract enters into effect. For the *Investment Loan Program,* a revolving fund of 10% of the proceeds of the investment loan will be established for

program disbursements. The tentative disbursement schedule for the *Investment Loan* is shown in the following table.

Table III-1: Investment Loan. Projected Annual Disbursements (US$ Million)							
Source	**Year 0**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**TOTAL**
IDB (FSO)	**0.8**	**2.67**	**2.16**	**1.40**	**1.04**	**0.57**	**8.65**
GOG		**0.00**	**0.00**	**0.05**	**0.11**	**0.16**	**0.33**
TOTAL	**0.80**	**2.67**	**2.16**	**1.46**	**1.15**	**0.74**	**8.98**
% Total	9%	30%	24%	16%	13%	8%	100%

3.9 **External audits**. The external audit of the *Investment Loan Program* will adhere to the Bank's contracting procedures, terms of reference and procedures stipulated in documents AF-200, AF-400, and AF-500, and will cover the entire program. The external audit will involve annual reports submitted to the Bank by the PEU within 120 days following the close of each fiscal year. The final audit will be delivered within 120 days after the last disbursement. The terms of reference of the audit must have Bank approval and the auditors must be selected in accordance with Bank policy. The cost of the audit will be paid with the loan proceeds. For the Policy Based Loan Program, the borrower will furnish to the Bank, upon request, a financial statement for each disbursement under the financing, duly certified by a firm of independent auditors acceptable to the Bank, hired in accordance with terms of reference and procedures previously approved by the Bank. The cost of the audit will be paid with the loan proceeds.

3.10 **Finances and account management**. The MINTIC will manage the program's finances and accounts for the *Investment Loan Program*, realizing the accounting corresponding to the activities under each of their responsibilities. To that end, the PEU must: (i) maintain an effective administrative, financial, and internal audit system; (ii) keep separate accounts for the proceeds from the Bank loan, pursuant to Article 7.01 of the General Conditions of the Loan Contract; (iii) keep detailed information for the preparation of the consolidated financial reports, in accordance with Bank procedure; (iv) keep supporting information on the use of program funds in an accessible filing system; and (v) keep proper records of the disbursement requests. Regarding the revolving funds, the PEU will be responsible for: (i) preparing the biannual revolving fund statements; and (ii) requesting revolving fund replenishments.

3.11 **Loan conditions**. For this operation, conditionality is conceived as part of a cycle that includes policy dialogue (through the *Policy Based Loan Program*) and capacity building (through the *Investment Loan Program*). For the policy based loan program, disbursements will be made in three tranches of US$3 million, US$5 million and US$10 million, respectively, according to the conditions described in the Policy Matrix (see Table V-1 in Chapter V). For the *Investment Loan Program*, the conditions to the first disbursement are the following: (i) evidence that the Project Execution Unit has been created and staffed within the Ministry of Tourism, Industry and Commerce; (ii) evidence that the Steering Committee has been established; (iii) evidence that the Program Operation Manual has been adopted; and (iv) presentation of the first year AOP to the Bank.

3.12 Additionally, for the *Investment Loan Program,* prior to committing more than 50% of the resources of the financing allocated to the *Investment Loan Program*, the Borrower shall submit to the Bank evidence that it has allocated in its national

budget, sufficient resources to cover expenditures relating to the staff assigned to Go-Invest and MINTIC who are financed with the resources of the Investment Loan of the Program, in the same proportion as the Bank's phasing out of the financing of such costs.

3.13 For the *Investment Loan Program*, a draft AOP for the first year, the Program Operational Manual and Operating Regulations for the Pilot Matching Grant Program (Component 4) have been agreed with the beneficiary agencies and are available in the technical files of the program.

E. Monitoring and evaluation

3.14 The Bank will monitor the overall progress of the program. The project team will have the overall basic and technical responsibility for the Policy Based Loan Program and the technical responsibility for the technical support components of the Investment Loan Program. Monitoring and control of the operation will be based on the indicators identified in the Logical Framework of the Investment Loan and in the Results Framework of the Policy Based Loan (see Annex I and II)[39]. Additionally, a monitoring and evaluation system will be installed at the PEU in order to monitor the progress of the different subcomponent activities. This monitoring system will be compatible with the one developed for the NCSU which will monitor the progress in all the competitiveness related initiatives included in the National Competitiveness Strategy.

3.15 **Program reports**. The PEU will submit semi-annual program reports combining the financial and technical elements of the program and evaluating the following: (i) progress on program's objectives; (ii) achievement of agreed upon performance indicators; (iii) overall progress made on implementation of investment loan components; and (iv) problems encountered during the implementation and adopted solutions. If, in light of the reports submitted, the Bank finds the status of program execution to be unsatisfactory, the PEU will have 30 days to present a proposal with measures to correct the situation.

3.16 For its part, the Bank will conduct monitoring missions for the Investment Loan Program and the Policy Based Loan Program. The PEU will meet with the Bank to discuss: (i) program implementation progress; (ii) supervision and control mechanisms; (iii) implementation-related problems; and (iv) possible changes that, by mutual agreement, could be introduced to help the program better achieve its objectives.

3.17 **Midterm and final evaluations**. When 50% of the resources of the financing allocated to the *Investment Loan Program* have been committed, independent consultant services will be hired to provide sufficient information for a midterm evaluation that the Bank and GOG will conduct jointly. Similarly, after 95% of the resources of the financing allocated to the *Investment Loan Program* have been committed, consulting expertise will be hired to conduct a final evaluation to be presented to the GOG and the Bank. The main objectives of these evaluations are: (i)

[39] Pending impact indicators in the results framework will be defined before second disbursement of the Policy Based Loan. Pending baseline calculations for Go-Invest will be completed during the initial monitoring and evaluation activities in the first six months after first disbursement of the investment loan.

to analyze the results of the various components; (ii) to review compliance with the program's performance indicators, as described in the Logical Framework (see Annex I); and (iii) to review the functioning of the mechanisms for analysis and approval of loan proceeds. Additionally, for the Pilot Matching Grant Program (Component 4) a midterm and final program evaluation and audit will help to obtain lessons learned in order to assess the convenience of up-scaling or replicating the export development support program going forward.

3.18 **Other evaluations.** The Borrower and the Executing Agencies will collect, store and retain information, indicators and parameters, including the annual plans, the mid-term review, and final evaluations, to help the Bank prepare the Project Completion Report (PCR).

IV. VIABILITY AND RISKS

A. Institutional viability

4.1 Institutional viability is an important challenge for all Bank projects in Guyana. As a result of one of the highest rates of emigration in the hemisphere, the human resource base and institutional capacity of the country have been eroded. This shortfall of skills affects both private and public sectors, but its greatest impact is upon the higher-skilled groups of public employees, who receive low salaries. This is reflected in a lack of adequate human resources, frequent staff turnover, and weak management systems across the public sector. Rising crime rates have accelerated the trend.

4.2 Considering the challenges posed by institutional weakness in Guyana, the proposed operation has designed a two-tiered approach to the task of program execution. The MOF that counts with ample experience executing Bank programs will be the executing agency for the PBL Program, and MINTIC will be the executing agency for the *Investment Loan Program*. A single PEU will ensure coordination at the execution level and a Steering Committee will facilitate inter-agency coordination during program execution.

4.3 During the past year, MINTIC has played a key role in leading nation-wide discussions about competitiveness strategy and policy, and in coordinating the action of the executive body in that regard within a "Competitiveness Steering Committee". Their role as program executors is a natural progression from the role they have played in stewarding and coordinating the competitiveness strategy. However, to compensate for MINTIC's modest experience as executing agency, the proposed operation intends to strengthen its institutional capabilities by setting up a strong internal PEU in charge of Program management, and by directly addressing weaknesses detected during program design[40]. Furthermore, a strong Steering Committee with MOF participation should facilitate the transfer of execution know-how between MOF and MINTIC and provide constant supervision to the activities of the PEU to ensure that the program's objectives are met.

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[40] An institutional analysis (SECI), has provided an assessment of MINTIC's execution capacity and recommendations for institutional strengthening. Those recommendations have been considered for program design and execution and in the definition of the Program Operation Manual.

4.4 Three factors should mitigate the complexity faced by the PEU in managing the investments across different institutions proposed in this operation.

4.5 The first is that most of the beneficiary agencies already have experience managing IDB and/or other donor funds. In the past, the MOF, the Deeds Registry, Go-Invest, the Ministry of Legal Affairs and the Bank of Guyana have benefited from similar types of technical cooperation to those proposed by the program. Secondly, with the exception of Go-Invest, the funding for each beneficiary agency is relatively small, with very specific expected results, and is expected to be disbursed in a short span of time. Also, the disbursement schedule will allow for the sequencing of activities by the PEU. In the case of Go-Invest, the more complex activities included in the Program start on year 2, when most of the other agencies should have completed their work. Thirdly, because the program expects increased efficiency of beneficiary organizations as an outcome, investments emphasize institutional strengthening activities, such as training and/or improvement in processes and accountability.

4.6 Finally, the extensive consultation process with stakeholders about key policy measures and investments during program preparation has instilled a sense of ownership and coherence that should facilitate program execution. The private sector in particular has been very active in the discussions, and should play a beneficial leadership role in monitoring the execution of the proposed operation through their participation in the NCC.

B. Socioeconomic viability

4.7 By making Guyana an easier place to do business, the program is expected to contribute to higher levels of investment, economic activity, and growth, with all the positive spill-over effects that this should have on the economy (i.e. increased employment, foreign exchange, government revenue and improved social services). It is difficult to assess what specific policy or investment will have the most direct impact. Rather, it is the combination of policy measures and investments to make them possible that is expected to yield the envisioned results.

4.8 Given Guyana's very high rates of corporate income tax, tax reform, in terms of revenue neutral measures that will unify and reduce corporate income tax rates, import tariffs and export taxes, could be a very potent tool for reactivating investment in Guyana. Moreover, this measure could have the added benefit of eliminating the current system of tax incentives, which puts undue administrative strain on the already limited human resources available in the public sector. If these resources were freed for other activities, many of the institutions in the public sector concerned with economic development could substantially improve their services.

4.9 Reducing red tape by streamlining the functions at the Deeds Registry and at customs could also have a boosting effect on private economic activity, and particularly on exporters. Improved and/or expanded investment and export promotion services at Go-Invest would further stimulate business expansion. A functioning commercial court system supported by this program would provide assurance to businessmen and other relevant agencies (i.e. banks) that the rule of law will be upheld in an expedite manner, reducing current disincentives to investment, and making borrowing easier. Finally, the development of an effective public-private institutional framework to

define and monitor competitiveness policies in Guyana should be able to continuously enhance the business environment by supporting policies that will support an expansion of private economic activity.

C. Financial viability

4.10 This Program includes the financing of recurrent costs for the institutional setting up of the NCSU at MINTIC and for the institutional reorganization of Go-Invest. In both cases, the recurrent costs are destined to finance staff expansion directly attributable to the project, necessary for the project's objectives, as permitted by the Guyana Country Financial Parameters (CP-2402-8). The capacity to sustain the benefits generated by these investments after the Bank financial support has concluded, is ensured by the inclusion of a regressive scale of Bank funding by which the Program will only fund 100 percent of the costs for the first two years, and will there on decrease its proportion of funding to only 25 percent for year 5. This scheme is expected to smooth the transition to a fully funded GOG program by the end of the Bank Program.

D. Environmental impact

4.11 The operation supports policy reforms and institutional strengthening actions not directed at promoting specific economic sectors or activities. For this reason, no direct environmental and social impacts on the country's environment are expected.[41] The CESI reviewed this operation on March 17, 2006[42], and agreed that the program will not have direct environmental and social impacts. Therefore, the program will not require an Environmental Assessment and corresponding mitigation plan.

E. Benefit and Beneficiaries

4.12 By contributing to remove significant problems to doing business in Guyana, the Program is expected to boost the levels of private investment and business activity in the country. This should bring about increased levels of economic activity and job creation, which in a small economy like Guyana, should have an immediate impact on poverty. In addition, the Program's support for mechanisms of public-private dialogue at the highest levels should contribute, on the long run, to economic policies that are more conducive to economic growth. Finally, the Program will aid export diversification by assisting sporadically exporting firms in non-traditional sectors to become steadfast exporters.

F. Risks

4.13 The main risks for the execution of the program are the following: i) <u>Political tensions</u>: Guyana's elections are expected to take place in September 2006.

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[41] The pilot matching grant program (Subcomponent 4) operational manual will define selection criteria that require compliance with Guyanese environmental laws and Bank policies, and the program managers will adequately coordinate with the EPA in order to evaluate and monitor the environmental aspects of the proposed projects.

[42] Based on the new Environment and Safeguards Compliance Policy, which will enter into force on July 19th, 2006.

Regardless of the results, the elections may cause delay or halt compliance with the reform program contained in the Policy Matrix. The Program has mitigated this risk by: a) intensive preparation work during 2005 and first half of 2006 leading to high degree of compliance with the conditionalities; b) supporting the generation of a broad consensus on the program by public and private sector parties; and c) strengthening incentives under the program by backloading the tranche structure. ii) Guyana's limited institutional capacity: The program mitigates this risk by allocating resources from the investment and technical assistance component to strengthen the institutional capacity of the ministries and agencies involved in the program. iii) Fragility of the public-private dialogue process: The program has been mitigating this risk throughout the preparation phase by supporting an intensive process of consultation between the public and the private sectors. Additionally, by supporting the creation and operation of the NCC and other instances of public-private dialogue the Program will contribute to maintain a constructive and effective dialogue between the public and private sector during program execution. iv) Institutional coordination risks due to the participation of multiple agencies in the execution of the Program. The Program mitigates this risk by supporting the design and implementation of an institutional coordination mechanism for the implementation of Guyana's NCS (The National Competitiveness Strategy Unit) and including the PEU under this mechanism. Additionally, the Program will strengthen the key institutions that will participate in the design and implementation of the NCS.[43]

[43] An ongoing Risk Assessment exercise according to the practices of Region 3 will identify additional risks and mechanisms to mitigate those risks.

V. POLICY MATRIX

5.1 The disbursement conditions for each tranche of the policy-based component are detailed in the following table.

SUPPORT FOR COMPETITIVENESS PROGRAM
Policy Matrix

Area/Goal	Policies		
	First Tranche (US$ 3 Million)	**Second Tranche (US$ 5Million)**	**Third Tranche (US$ 10 Million)**
I.- Macroeconomic Framework			
Macroeconomic Stability	The Macroeconomic framework of the borrower is consistent with the objective of the program and guidelines set forth in the sector policy letter.	The Macroeconomic framework of the borrower is consistent with the objective of the program and guidelines set forth in the sector policy letter.	The Macroeconomic framework of the borrower is consistent with the objective of the program and guidelines set forth in the sector policy letter.
II.- Strengthening the Institutional Framework for Competitiveness			
A) Improve the quality of public private dialogue on business and economic policy issues **Objective 1** Obtain far-reaching agreement on the policies and activities necessary to enhance Guyana's competitiveness and ensure that the institutional framework for the implementation of the National Competitiveness Strategy incorporates appropriate public-private dialogue.	A.1.1. A draft National Competitiveness Strategy completed and discussed with stakeholders in the first Presidential Summit on Competitiveness. A.1.2. A Cabinet decision has set up the National Competitiveness Council (NCC) to function as a high-level public-private advisory council to the Government on competitiveness policy issues (as defined in ¶2.7 b)	A.1.3. A National Competitiveness Strategy discussed by the NCC and approved by Cabinet. A.1.4. The National Competitiveness Council is fully operational (as defined in ¶2.8 b).	A.1.5. An external evaluation of the progress in the implementation of the National Competitiveness Strategy has been presented to stakeholders at a Presidential Summit on Competitiveness. A.1.6. The National Competitiveness Council is fully operational. (as defined in ¶2.9 b).
III.- Improving the Framework for Private Investment and Export Development			
B) Complex and Discretionary System of Incentives **Objective:** Enhance Guyana's attractiveness to investors through a business friendly tax structure that does not compromise government revenue.	B.1.1. Enactment of the implementing regulations for the VAT and Excise Tax legislation	B.1.3. GRA is continuously collecting revenues from the VAT and excise tax.	B.1.5. GRA is continuously collecting revenues from the VAT and excise tax.
	B.1.2. Agreement on the Terms of Reference for a tax study (as defined in ¶2.7 b).	B.1.4. Agreement has been reached on measures and an action plan for a tax reform (as defined in ¶2.8 b).	B.1.6. Satisfactory implementation of the action plan (as defined in ¶2.9 b).
C) Weak Framework for Private Investment and Export Development **Objective:** Improve Guyana's capacity to boost and maintain significantly higher levels of investment, both domestic and foreign, and exports.	C.1.1. Approval of an expanded Go-Invest charter that includes: i) the functions of investment facilitation, image building, policy advocacy and export promotion; ii) a new governance structure, including a mechanism to select private sector representatives of its board. (as defined in ¶2.7 b).	C.1.2. Go-Invest's implementation of the new operational procedures, a performance based remuneration system for officers; and approval of a four-year action plan. (as defined in ¶2.8 b).	C.1.3. Satisfactory implementation of the operational procedures and the action plan.

SUPPORT FOR COMPETITIVENESS PROGRAM
Policy Matrix

Area/Goal	Policies		
	First Tranche (US$ 3 Million)	**Second Tranche (US$ 5Million)**	**Third Tranche (US$ 10 Million)**
D) Red Tape: Firms face long delays to register and operate businesses **Objective:** Facilitate business activities through improvements in customs and business registration processes.	D.1.1. The Ministerial Order for the implementation of the Deeds Registry Authority Act has been signed.	D.1.3. The Deeds Registry is fully operating as a semi-autonomous agency (as defined in ¶2.8 b) and an agreement has been reached on an action plan to simplify the registration and incorporation of firms.	D.1.5. The Deeds Registry is fully operating as a semi-autonomous agency and implementation of the action plan to simplify the registration and incorporation of firms has been completed.
	D.1.2. Agreement has been reached on the Terms of Reference for the trade transaction study to: i) reduce the time to clear exports and imports; and ii) reduce associated costs.	D.1.4. Agreement has been reached on measures and an action plan to reduce the time to clear exports and imports; and associated costs.	D.1.6. The agreed measures in the action plan have been implemented.
E) Limited Access to Finance **Objective 1**: Improving firms' access to finance and lower cost by improving Bank's ability to realize collateral	E.1.1. The operational guidelines (i.e. Commercial List) for commercial courts have been issued.	E.1.3. The Commercial Court is fullyoperational.	E.1.5. The Commercial Court is fully operational.
Objective 2: Improve firms' access to finance by developing a legal and institutional framework for gathering and sharing credit information among financial institutions, thereby reducing asymmetries of information and the risk of lending.	E.1.2. Agreement on the Terms of Reference for a study to revise the legal and institutional framework for gathering and sharing credit information among financial institutions in order to allow for the creation of a credit bureau/registry.	E.1.4.Agreement has been reached on an action plan to introduce changes in the legal and regulatory framework for gathering and sharing credit information among financial institutions in order to allow for the creation of a credit bureau/registry.	E.1.6. The legal framework to create a credit bureau is in place, and guidelines to develop a formal system of exchange of credit-related client information among financial institutions issued by the Bank of Guyana.

ANNEX I: Guyana Support for Competitiveness Program (GY-L1006)
Investment and Technical Support Component
Draft Logical Framework

Narrative	Impact indicators	Sources of verification	Assumptions
Goal and Purpose			
Goal: To enhance Guyana's competitiveness and contribute to increasing levels of private investment and exports.	5 years after last disbursement: a) Increase of 10% in the Global Competitiveness Index of the Global Competitiveness Report. Baseline: The Global Competitiveness Index of the Global Competitiveness Report 2005-2006 is 3.27. b) Private investment over the past five years is on average 12% of GDP. Baseline: Average private investment in the 2001-2005 period of 7% of GDP. c) Annual average of non-traditional export growth over the past five years is not smaller than 12%. Baseline. Annual average export growth in 2001-2005 period of 6.8% in real terms.	a) Global Competitiveness Report (World Economic Forum) b) IMF statistics. c) IMF statistics.	The macroeconomic environment is stable Citizen security does not deteriorate The political environment is stable
Purpose 1: To develop an effective public-private institutional framework to define and monitor competitiveness policies in Guyana.	2 years after last disbursement: a) 70% of the members of the public-private committees involved in the definition of the National Competitiveness Strategy (NCS) consider the framework to be an effective mechanism for policy reform. Baseline: There is no formal framework in place. b) The NCC is meeting quarterly and on average 2 NCC proposals per year, with technical inputs from the advisory institutions, have been approved by Cabinet. Baseline: There is no formal mechanism for the advisory groups to present reform proposals in a coordinated fashion.	a) Survey to the representatives of the committees that are part of the NCS framework. b) NCC operational reports	Continued interest from the public and private sectors to engage in dialogue for competitiveness policies.
Purpose 2: To improve the business environment for private investment and export development	2 years after last disbursement: a) The Business Competitiveness Index (WEF) has improved by 10% from the 2006 score. Baseline: BCI score 2006	a) Business Competitiveness Index, Global Competitiveness Report (WEF).	Continued interest from the public agencies involved in implementing the policy reforms.
Purpose 3: To improve the effectiveness and efficiency of investment and export promotion related agencies.	2 years after last disbursement: a) At least 80% of respondents to quality of service questionnaire find Go-Invest's service satisfactory. Baseline[1]: To be defined.	a) Client survey and Performance monitoring system.	Go-Invest and GNBS have commitments for future funding and human resource capacity to offer and sustain improved

[1] The survey will include exporting firms and domestic and foreign investors. The baseline study will be undertaken as part of the initial performance monitoring activities in the first six months after first disbursement.

	b) Go-Invest supports on average 100 materialized investment projects and 80 exporters per year. Baseline: 75 materialized investments supported in 2005 and 40 exporters on average during the 2002-2005 period. c) GNBS is an accredited ISO certifier; and at least 20 firms have obtained ISO certification. Baseline: GNBS is not an accredited ISO certifier and there are 4 firms with ISO certification in Guyana. d) There is a consolidated experience with a public-private demand-driven mechanism to support export development for private enterprises; Baseline: Currently there is no public-private mechanism to provide support to exporting firms. e) Average increase in exports of 20% in firms with business plan supported by the program; Baseline: To be defined as firms register for participation in the program.	b) Go-Invest Operational reports and Performance monitoring system. c) GNBS operational reports. d) Matching Grant Program operational reports; evaluations and financial audits.	services The macroeconomic and the political environment are stable There is interest from the public and private sector to participate in such a program
II. Components and activities			
C1. Strengthened institutional capacity to formulate and implement competitiveness policy.	C1a1. Six months after first disbursement, the NCSU is fully staffed, has launched its website and has a monitoring program in place to follow implementation of competitiveness policy. C1.a2. Six months after first disbursement the public-private advisory institutions for competitiveness have defined workplans, internal procedures, and mechanisms for coordination. C1.a3. 20 months after first disbursement the NCSU has been trained and they are giving support to the advisory bodies in the preparation of policy reform proposals.	The competitiveness implementation unit monitoring program; operational reports and website. Annual workplans, internal procedures and mechanisms for coordination produced by the NCC, NACEN, N-TNC, SBC, IPC. NCSU operational reports, and annual work plans.	

C2. Improved business climate	<u>20 months after first disbursement:</u> C2.a1. The MOF has completed a tax study. C2.b1. The Deeds Registry has implemented its human resource plan, has been computerized and has streamlined business registration and incorporation procedures. C2.c1. The MOF has completed a trade transaction study to simplify export and import procedures. C2.d1. The Bank of Guyana has completed a study on legal framework and has held a workshop. C2.e1. The Consumer Protection and Competition Commission (CPCC) has proposed amendments to commercial legislation and has recruited and trained staff. <u>By the end of the Program</u>: C2.c2. Recommendations from the trade transaction study have been implemented. C2.d2. The Bank of Guyana has drafted a legal framework that permits the exchange of credit-related client information among financial institutions; and has issued appropriate guidelines. C2.e2. The CPCC has developed business and consumer association outreach and advocacy programs.	Tax study. Streamlining of registration and incorporation procedures study; training program. Trade transaction study. Credit-related client information exchange study; invitees, minutes, next steps. Staff positions, training program curriculum and reports, legislation review study and amendment proposals. Trade transaction study; NCSU and PEU operational data. Draft of legal framework; Guidelines for the formal exchange of credit-related client information. Business and consumer association outreach programs	
C3. Enhanced ability of Go-Invest for investment attraction and export promotion.	<u>20 months after first disbursement:</u> C3.a1. Go-Invest has: ▪ completed the definition of its business plan for the next 4 years ▪ restructured its organization and recruited staff ▪ initiated in-house training program C3.a2. Go-Invest has developed and implemented the following information systems: ▪ indicative investment attraction and export target systems; ▪ performance management and investor tracking system (baseline study to be completed 6 months after first disbursement) C3.a3. Go-Invest: ▪ has posted performance related to investment attraction and export promotion targets on-line ▪ has developed in-country image-building and product	Business Plan; Organizational strengthening study; training programs; staff payroll. Information systems in place. Go-Invest annual operating reports; Trade-point and market intelligence software connection; Export-readiness assessment	

	promotion programs in CARICOM countries ▪ has set up the Guyana Trade Point and has provided export market information to 150 businesses through its market intelligence software connection ▪ has developed an export-readiness assessment tool to diagnose the needs of export-ready firms; and has trained all its export officers and 20 consultants to apply the tool ▪ has developed a database of local, regional and international BDS providers C3.b1. The Strategic Plan for Standardization in Guyana has been completed and the communication strategy has been implemented C3.b2. Training: ▪ at least 15 GNBS officials have received training in ISO standards and auditing ▪ at least 30 firms and consultants have been trained in relevant ISO and HACCP standards C3.b3. Equipment upgrades have been completed at the GNBS	tool; training program; Strategic Plan for Standardization in Guyana; local media and newspaper advertisements Training materials; courses agenda and participants list; operating reports of the GNBS. Operating reports of the GNBS and budget expenditures.	
C4. Private enterprise competitiveness for export development supported.	By the end of the program: C4.a1. The matching grant program to support exporting firms gain access to business advisory services has been launched, and at least 40 firms have had access to an export-readiness diagnostic and 25 firms have had access to support for the implementation of export-development business plans.	Fund brochures and yearly reports.	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/06

Guyana. Loan ____/SF-GY to the Co-operative Republic of Guyana
Support for Competitiveness Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Co-operative Republic of Guyana, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the Support for Competitiveness Program. Such financing will be for an amount of up to US$26,650,000, or its equivalent in other currencies, except that of Guyana, which are part of the resources of the Bank's Fund for Special Operations ("FSO"), and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

LEGIII/GY-736968-06
GY-L1006