

SOCIAL IMPACT AMELIORATION PROGRAM (SIMAP) - STAGE II

(GY-0025)

EXECUTIVE SUMMARY

BORROWER AND GUARANTOR: Government of Guyana (GOG)

EXECUTING AGENCY: Social Impact Amelioration Program (SIMAP)

AMOUNT AND SOURCE: IDB: US\$17.0 million (FSO)
Local counterpart funding: US\$1.9 million
Total: US\$18.9 million

FINANCIAL TERMS AND CONDITIONS: Amortization period: 40 years
Disbursement period: 3 years
Interest rate: 1% first 10 years,
2% remaining
Inspection and supervision: 1%
Credit fee: 0.5%

OBJECTIVES: The program has three objectives: (a) to improve the living standards and income-earning potential of lower-income households via the financing of small-scale community generated projects; (b) increase the capability of lower-income communities to identify, articulate and address their priority needs; and (c) provide a demonstration effect for other public agencies on procedures to more effectively and efficiently respond to local demand and implement investment programs.

DESCRIPTION: Given the continued high levels of poverty and continued weakness of other public institutions, a second SIMAP operation is needed to address the priority infrastructure needs of low-income communities, and to promote community development. SIMAP is the best vehicle for Bank assistance to meet these objectives efficiently in Guyana.

A midterm evaluation conducted between April and June, 1996 has demonstrated the relative efficiency and effectiveness of SIMAP's operational mechanisms and managerial capacity. Key lessons learned during the first phase of SIMAP include: (a) Guyanese low-income communities are willing and able to participate through local organizations in all phases of the project cycle, and greater participation tends to improve the effectiveness and sustainability of

projects; (b) SIMAP's ability to rapidly process applications has been hindered by its institutional structure and identification and selection mechanisms; and (c) the vast majority of beneficiaries have been low-income households, but targeting could be made more effective and consistent.

Incorporating lessons learned, the proposed program has been designed to build upon and improve SIMAP's demonstrated capacity to finance small locally-generated projects, while placing greater attention on community development efforts. SIMAP's effectiveness would be enhanced via: (a) greater community participation and contribution; (b) simplified and more transparent project identification and selection procedures including a project ranking mechanism; (c) a modification of SIMAP's institutional structure to better match its demand-driven project cycle and allow for improved management; and (d) improved targeting procedures with the use of a poverty map.

The program will include project financing (US\$16.2 million) in three areas detailed below, as well as institutional support to cover the salary costs of key managerial and technical personnel (US\$1.75 million) and technical assistance for training and evaluations (US\$0.2 million).

Social and economic infrastructure. The program will finance social and economic infrastructure rehabilitation or upgrading that: (a) benefit low-income households; (b) are sponsored by community groups, NGOs or local authorities; and (c) the beneficiary community or sponsor contributes a minimum level of support in cash or kind to finance the project. Detailed eligibility criteria are described in Annex III-3 Appendix 1.

The menu of social infrastructure project will include: day care centers, nursery and primary schools, community centers, old age homes, welfare institutions, health posts or centers, residential drainage and water systems in rural areas. Economic infrastructure projects would involve the rehabilitation or upgrading of local roads, bridges, markets, and small drainage and irrigation projects that focus exclusively on tertiary systems, which require less costly and sophisticated maintenance. Larger drainage and irrigation projects that include secondary systems would be eligible, once a new institutional and legal framework for drainage and

irrigation that is supported by the IDB Agricultural Sector Loan (965/SF-GY) is in place.

Emergency response mechanism. The program would also include a new mechanism designed to rapidly process and finance small (less than US\$5,000) self-help projects that address local emergency infrastructure repair needs. The mechanism follows SIMAP's project cycle, but in an accelerated manner. SIMAP should be able to provide financing for approved projects within two week of receiving the application. Under this mechanism the community would manage and execute the project, with technical assistance if requested.

Amerindian program. The program would support an expansion of the successful Amerindian pilot program which financed community-managed and designed projects, with significant levels of self-help. Eligibility criteria and specific project cycle have been established for the program to ensure effective management, sustainability and that the project's benefits are widely shared within the community. The maximum size of the Amerindian program project has been doubled from US\$10,000 to US\$20,000, and the annual number of projects is expected to increase from 12 to 60.

**ENVIRONMENTAL
CLASSIFICATION:**

The Environmental Management Committee, at its meeting of May 21, 1996, classified this as a Category III operation.

BENEFITS:

The benefits of the program are three-fold.

- a. Most importantly SIMAP projects will contribute to improved living conditions, social services and earning capacity for the lowest income communities of Guyana. As a result of measures adopted through this program that will increase the efficiency of SIMAP's processing capability, SIMAP should be able to execute over 200, albeit smaller, projects per year with IDB financing, compared to about 50 in the previous program. In addition, as the program will target resources better and include many more projects, a larger percentage of the most impoverished households will benefit from the program.
- b. The program will build the capabilities of lower income communities to identify and articulate their priority needs and to take actions to address them. This building of local community capabilities and ownership for projects should

also lead communities to hold public agencies more responsible for the quality of services provided.

- c. Finally, SIMAP is a complement to needed institutional reforms by serving as a model of how public institutions can improve their project execution effectiveness and efficiency.

RISKS:

Given the weak institutional capacities of the public agencies responsible for the operation and maintenance of SIMAP financed projects, there is a risk to their sustainability. This risk is addressed through a series of measures: (a) heightened community participation and contribution during the design and execution phase should increase the capability and willingness of communities to contribute toward the operations and maintenance of a project; (b) public agencies will be more involved in the development of the project which should allow for the design of more effective operations and maintenance programs and greater commitment from these institutions; and (c) for drainage and irrigation projects which are most susceptible to rapid deterioration without systematic maintenance, the program requires that the project sponsor which represents the beneficiaries demonstrate its willingness and capability to administer and finance the project's operation and maintenance.

Politization of the institution and its operations is a risk common to all social investment funds. The broad geographic distribution of SIMAP projects and effective focus on lower-income communities in the first phases indicates that political pressures have not greatly affected SIMAP's operations to date. In addition, the core technical and managerial staff are professionals who have demonstrated a high sense of commitment to and identification with SIMAP's goals. The possible threat of politization is minimized in the proposed program through some of the changes in operating procedures. The use of a transparent selection process with clear and objective selection criteria will work to eliminate political interference in the selection process, which is the key point of determining SIMAP resource flows. Moreover, specialized units will now be responsible for each phase of the project cycle, which should work to ensure decisions are made on technical and objective grounds.

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

The Bank's country strategy focusses on addressing three key development challenges: (a) the maintenance of a sound macroeconomic environment which requires a reduction of the debt burden and increasing the efficiency of the public sector; (b) improving the deteriorated education and health systems; and (c) rehabilitating the economic infrastructure. Given the weak project execution capacity of public institutions, primary emphasis is placed on strengthening the capabilities of the public sector. Before any substantial investments in other sectors are undertaken, government institutional weakness must be addressed both through structural changes and improved financial capabilities.

Given the limited institutional capacity of executing agencies that will require time to address, over the next 15-18 months, the Bank will concentrate in the social sectors on: (a) smaller operations in the education and health sectors which target resources on the design and implementation of measures which strengthen institutional capabilities and the definition of organizational changes and policy measures to improve these systems; (b) the execution of SIMAP II; and (c) the execution of the Urban Rehabilitation Program designed to increase the financial autonomy of municipalities and fund the rehabilitation of key infrastructure. Once progress has been made on strengthening their institutional capacities and the implementation of key policy changes, then larger investment programs would be feasible. The government has expressed its agreement with this strategy and to a procedure to monitor its implementation.

**POVERTY
TARGETING:**

The program meets the social reform and poverty reduction goals of the Eighth General Increase in the Resources of the Bank, as investments are geographically targeted to lowest-income communities.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

The borrower, acting through SIMAP, must submit the following as a condition precedent to the first disbursement of the loan:

- a. evidence that the operating regulations of the program have been approved by SIMAP's Board of Directors and have been put into effect (see paragraph 3.16);
- b. the institutional changes have been implemented as agreed (see paragraph 3.3); and

- c. evidence that SIMAP has instituted a transparent ranking and selection mechanism that gives priority to projects from the most impoverished communities and to those which have the highest level of community contribution (see paragraph 3.12).

Annual reviews of SIMAP will also monitor the implementation of the programs to improve overall social sector performance included in the Bank's social sector strategy (see paragraph 1.36). Commitments for the social and productive infrastructure rehabilitation component will be linked to the satisfactory implementation of these programs.

I. FRAME OF REFERENCE

A. Continued economic recovery

- 1.1 During the 1970s and 1980s Guyana experienced an almost continuous social and economic decline. Real per capita income fell by over 35% during the 1980s alone. This decline was due largely to economic mismanagement including increasingly statist and closed economic policies combined with a series of external shocks which reduced the price of key exports. By 1988 the government controlled over 80% of external trade and 85% of foreign investment.
- 1.2 In 1988 the Government of Guyana (GOG) began the implementation of a comprehensive stabilization and adjustment program, entitled the Economic Recovery Program (ERP), that represented a fundamental shift towards more open and market oriented economic policies. The stabilization policies included severe cuts in real public sector salaries and employment, both declining by almost 50% leading to a dramatic widening between public and private sector salaries. The present administration (which took office in 1992 after the first democratic elections in almost two decades) is continuing, albeit more cautiously, the market-oriented economic policies and reform measures initiated by the ERP.
- 1.3 The economy has responded very positively to this shift in policies. Since 1991, the economy has grown by an average of almost 7% per annum, fueled largely by export-oriented agricultural and natural resource sectors (mining and forestry). In addition, inflation has fallen from over 100% in 1990 to less than 10% per annum in 1996. Fiscal performance has also improved, as the deficit has fallen from over 23% of GDP in 1990 to less than 6% in 1996. Guyana's debt servicing capacity has strengthened significantly due its export-led economic recovery combined with debt relief and rescheduling. Payments on both external and internal debt will absorb over half of fiscal revenues in 1996 but should decline steadily over the medium term. As a result fiscal resources available for investment and operating expenses, while growing, still remain highly restricted.

B. Social context

1. Population and poverty

- 1.4 Over 80% of Guyana's population of about 750,000 is concentrated in a narrow coastal plain which totals less than 3% of country's area and comprises the primary sugar and rice growing areas. The coastal plain is below sea level and must be protected by an extensive system of walls, canals and drains. Guyana is primarily a rural nation with almost 70% of the population living in rural areas. The population level has been static over the past two decades due to a relatively low birth rate and increasingly high

levels of emigration in response to the lack of economic opportunities.

- 1.5 Guyana is ethnically diverse. The dominant ethnic groups are East Indians who comprise about half of the population, and Africans who make up about 35%, and who are more likely to live in urban areas and work in the public sector. The remainder is made up primarily of Amerindians (10%) who live in scattered communities within the interior and Guyanese of mixed origin (5%).
- 1.6 Poverty levels in Guyana are high, as one would expect given the country's longterm economic decline. In 1993, 43% of the population was poor, and 29% of the population was found to live in extreme poverty, defined as having consumption levels insufficient to purchase a basic food package. Poverty was found to be highest and most extreme amongst Amerindian communities due to their isolation and lack of economic opportunities, and also higher in rural areas, relative to urban areas.
- 1.7 The effects of the continued economic recovery on the level and distribution of poverty is not known, as a new round of the Household and Income Expenditure Survey is not planned until 1998. However, as growth has been exceptionally strong in the agricultural and construction sector, where many low-income household wage earners are employed, it is likely that poverty levels have declined moderately.

2. Social conditions and service delivery

- 1.8 Only limited progress has been made to restore the once high-quality social and economic infrastructure and institutional capabilities of public institutions from the extreme deterioration of the previous two decades. The deterioration of infrastructure and institutions results in a situation where the coverage of infrastructure and access remains high, but the quality and efficiency of service is poor. As a result of the broad coverage and legacy of past quality services, social conditions in Guyana remain relatively good compared to countries with similar levels of income (GNP per capita of US\$630 in 1995). However, they are by far the worse of all English-speaking Caribbean countries, and in many areas still below levels achieved 15 years ago. Rapid economic growth and concomitant rise in incomes combined with government efforts, have stopped the decline, but have yet to improve sharply social conditions.

Table 1-1 SOCIOECONOMIC INDICATORS				
INDICATOR	1980	1990	1996	JAMAICA
Life expectancy	65 years	65 years	66 years	73 years
Infant mortality rate	33.5 (1979)	47 (1988)	45	15 (1992)
Secondary school enrollment	55% (1984)	58% (1987)	56% (1991)	75% (1994)
Social sector spending (% of GDP)	10% (1986)	5% (1992)	10% (1996 budget)	9% (1993-94)
Sources: PAHO, World Bank, 1996 Budget Estimate, Ministry of Finance. Jamaica Economic and Social Survey, 1994.				

- 1.9 **Health.** Health conditions worsened in the 1980s and still remain below previous levels. For example, infant mortality rates remain almost three times higher than those of Jamaica, even though Guyana's extensive system of health clinics and district hospitals throughout the country assure access to health facilities. However, these facilities are usually in poor condition, lack basic inputs and materials and often staffed with insufficiently qualified personnel. With this deterioration in public facilities, the private sector has expanded, and is now estimated to provide about one-half of all health care.
- 1.10 **Water and sanitation.** About 84% of households have connections to piped water, but the quality and overall service reliability has deteriorated to the point where the system is almost non-existent in some communities. The lack of easy access to a reliable source of clean water is a major contributor to the relatively high rates of infant mortality. Major water improvement projects are underway which should improve the access to potable water over the medium terms. These include the IDB-funded Georgetown Water and Sanitation Authority rehabilitation program, that includes a twinning arrangement to boost institutional capabilities, and twinning arrangement, and a joint European Community-World Bank program with Guyana Water Authority (GUYWA) to rehabilitate water systems in secondary towns and to rehabilitate rural water systems. However, as in other sectors, weak execution capacity of the water authorities is delaying the rate of improvement.
- 1.11 **Education.** School enrollment levels remain quite high. Over 90% of children attend school through the age of 14, and 35% through secondary school ages. Dropout rates at the secondary level, however, steadily increased through the 1980s. A survey of schools revealed that about 70% of school facilities are in need of major repairs, close to half of teachers below the secondary level are considered to be untrained or unqualified, and there is insufficient teaching materials and textbooks. Not surprisingly, it is reported that test scores declined steadily through the 1980s. Even though there are indications of slight improvements in the

1990s, Guyanese secondary students still score lowest relative to other Caribbean nations on standardized graduation exams. The IDB is supporting the improvement of the primary school system via the Primary Education Loan (loan 827/SF-GY) approved in 1989, but execution of physical works has been slow - only 22% of loan funds have been disbursed. A World Bank secondary education program was recently initiated.

- 1.12 The slow improvement in the quality of social services and economic infrastructure can be attributed to three primary obstacles: (a) the deterioration of the institutional capabilities of line ministries and other public agencies responsible for social service delivery and economic infrastructure; (b) the previously noted tight fiscal constraints; and (c) the depth of the deterioration of physical infrastructure.
- 1.13 **Institutional capacity.** All public institutions suffer from extremely weak institutional capacity which limits their ability to effectively manage resources, plan, or design or implement policies. As a result, even when financial limitations are reduced through external support, project and program execution remains slow, as demonstrated by the slow implementation of most IDB and other externally supported programs. This low level of institutional capability is caused by a combination of factors.
- a. **A lack of qualified personnel.** Due to large scale migration combined with a civil service salary and incentive structure, the public sector has not been able to recruit or maintain qualified personnel. It is estimated that almost 30% of positions in the Ministry of Health (MOH) and the Ministry of Education are unfilled, primarily at technical and management levels.
 - b. **Ineffective organizational structure.** Responsibilities between central line ministries and regional authorities are not effectively delineated, nor are financial resources of different levels of government matched with operational responsibilities. As a result neither central ministries which are formally assigned with policy making, monitoring and quality control responsibilities, nor local authorities which are formally assigned with operational execution and budgeting can effectively carry out their mandates. In addition this overlapping organizational structure further strains the public sector's limited human resources.
 - c. **Inefficient management and procurement systems and procedures** inhibits timely and effective decision making and execution of programs and projects.

3. Community development

- 1.14 Until recently, local initiative was not encouraged and accordingly, the capabilities of communities to identify systematically their priority needs and translate them into actions is limited. Democratically-elected local government at the neighborhood or village level, apart from Amerindian communities, was only reestablished in 1994, after a two-decade absence of contested elections and formal dissolution in 1980, as part of a policy to centralize authority. It is current government policy to devolve responsibility for many local public services. However, given their recent re-establishment the local governments' capabilities are rudimentary and their financial resources limited. In addition, local non-governmental community organizations have few resources and therefore they have little experience in addressing local needs on their own. Apart from SIMAP, and a few national and internationally supported non-governmental organizations (NGOs), there are no mechanisms to channel resources to them.

4. Government social sector strategy

- 1.15 As reflected by the relatively high level of social spending (10% of GDP), social sectors are a priority of the government. The government's objective in all social areas is to ensure access for all Guyanese to higher quality social services and economic infrastructure in order that they will be better able to participate in and contribute to an expanding economy and improve their standard of living. A coordinated social sector strategy that does not yet exist, but one is being written as part of the development of the National Development Strategy (NDS). Sectoral plans were written earlier for the health and education sectors, but they detailed objectives and goals, rather than clear policy directions and priorities, and therefore have been difficult to implement or use as planning documents.
- 1.16 **Anti-poverty strategy.** The government's anti-poverty policy is better articulated. Its most important element is the continuation of strong economic growth, increased employment opportunities and rising incomes. The second element of the strategy is to improve economic infrastructure and access to quality social services. Due to aforementioned institutional weaknesses of line ministries and infrastructure agencies as well as financial constraints success in this area has been more limited. In response to these weaknesses and to have instruments that can effectively respond to the priority needs of lower-income communities, the government has encouraged the development of specialized social investment funds, of which SIMAP is the largest.

C. The Social Impact Amelioration Program (SIMAP)

- 1.17 SIMAP is the public agency charged with improving the living standards and earning capacity of low-income households by

financing and ensuring the effective design and execution of projects that meet the priority needs of low income communities. As explained in detail below, SIMAP has proven itself to be relatively effective and efficient vehicle to meet these objectives, and should become increasingly effective with the changes introduced through the proposed program.

1. Establishment of SIMAP and source of funds

- 1.18 SIMAP was established as an autonomous agency in 1990 with the assistance of two IDB non-reimbursable technical cooperations (ATN/SF-33343-GY and ATN/SF-3633-GY) in order to have a mechanism to mitigate the negative social effects of stabilization and structural adjustment policies. Building on the initial IDB assistance, the World Bank approved a US\$11.7 million loan program in 1992 to expand SIMAP's operation, which was followed by a US\$13.5 million loan by the IDB (912/SF-GY). These programs introduced several key measures to improve the effectiveness and efficiency of SIMAP, including the establishment of pay scales above civil service standards to attract and maintain capable staff, simplified but transparent and competitive procurement mechanisms, greater reliance on private contractors for project design and execution, and the establishment of cost parameters and more detailed eligibility criteria. In addition, SIMAP receives food from the World Food Program for community-based food for work programs. The World Bank program, which is scheduled to end in June, 1997, financed a nutrition program and water and sanitation investment projects. Unlike the IDB-financed programs, the World Bank program follows a top-down project cycle, where projects were identified, designed, and selected during project preparation based on a needs assessment.

2. Execution and results of current IDB loan (SIMAP I)

- 1.19 The IDB loan finances projects in four areas: 1/
- a. **Rehabilitation of social and productive infrastructure.** This includes schools, health clinics, day care centers, community centers, markets, drainage and irrigation (D&I), and farm-to-market and other rural roads. This area receive the vast majority of investment funds, accounting for 90% of project funding and almost 80% of the total number of projects approved.
 - b. **Amerindian projects.** This areas started as a pilot project in the loan to target resources to Amerindian communities which have the highest levels of poverty. Due to the remoteness of

1/ The loan also finances institutional support for the payment of salaries of key technical and managerial personnel, and for technical assistance to improve the effectiveness of SIMAP.

these communities, the projects are managed by local communities and use local labor and materials as much as possible. Productive projects are eligible for SIMAP financing in this area given the lack of economic opportunities.

- c. **Nutrition projects.** World Bank and the IDB jointly financed a nutrition program that provides nutritional supplements to pregnant and lactating mothers through primary health care clinics. Clinics are targeted by the level of infant malnutrition, and receive food supplements for one year. The sustainability of the project benefits depend on an educational component to be provided by MOH personnel that teaches beneficiaries how nutrition of their families can be improved through low-cost methods. The MOH has had difficulties in delivering this educational component. IDB financing for these projects has been discontinued, however, due to the failure of the GOG to develop and implement a sustainable nutrition policy which was a condition for continued funding.
 - d. **Technical and vocational programs.** Starting in 1996, financing is provided for in-plant training for 1,000 school leavers.
- 1.20 For almost all projects financed by the IDB, SIMAP follows a bottom-up community-driven project cycle, where community groups, NGOs or local authorities submit applications for projects which are selected by SIMAP based on meeting basic eligibility criteria. The project is then designed by consultants under contract to SIMAP; the project is appraised by SIMAP to ensure it meets technical, economic, social, and environmental criteria and guidelines, and then sent to the SIMAP board and IDB for approval or notification. Before approval SIMAP communicates with and receives a written commitment by the responsible public agency, that it will provide the resources necessary for the projects operation and maintenance. Project execution is conducted by private firms, chosen through a transparent tender process.
- 1.21 **Financial performance.** As of September 30, 1996, SIMAP, under the IDB program, had appraised and committed funds for 155 projects and technical vocational training, representing about US\$11.3 million (almost 99% of loan funds available for projects) or an average project size of about \$72,000. Fifty-five percent of the total loan amount has been disbursed. SIMAP currently has 735 applications for additional projects in its inventory.

Table 1-2 DISTRIBUTION OF SIMAP I PROJECTS					
PROJECT TYPE	PROJECTS		AMOUNT		AVERAGE PROJECT COST US\$
	NUMBER	% OF TOTAL	US\$ MILLION	% OF TOTAL	
Social and economic infrastructure	120	78	10.2	90.0	85,000
- schools	63	41	5.2	46.0	83,000
- roads and bridges	22	14	2.1	19.0	95,000
- D&I	19	12	1.2	11.0	63,000
- community center	14	9	1.1	10.0	79,000
- other	2	1	0.4	3.5	200,000
Amerindian	25	16	0.2	2.0	9,000
Nutrition	10	6	0.4	3.5	40,000
Technical/vocational	1,000 school leavers		0.5	4.4	
TOTAL	155		11.3		72,000

3. Midterm evaluation

- 1.22 In order to determine the effectiveness of SIMAP to develop and execute quality projects that meet the need of low-income households and to identify what changes would improve the effectiveness and efficiency of SIMAP to meet its objectives, a midterm multidisciplinary evaluation of IDB-financed SIMAP projects was conducted in April through June, 1996. The evaluation found that the vast majority of SIMAP's projects: (a) meet the priority needs of low-income communities; (b) are built to high technical standards and with cost-effective methods; (c) followed prescribed procedures in their development, including meeting project eligibility criteria and cost parameters and implementation; and (d) for economic infrastructure projects, the economic return is estimated to exceed significantly 12%. SIMAP also demonstrated an increasing ability to manage resources relatively efficiently, as administrative costs have steadily declined as a percent of total costs, falling from almost 16% in 1994 to about 10% in 1996.

a. Community participation and contribution

- 1.23 Evaluation results indicate that SIMAP has successfully encouraged the participation of local community organizations and agencies in the development of projects. Low-income communities have demonstrated their ability via project sponsor organizations to identify and articulate their priority needs. The evaluation also found that greater community participation and strength of organization are associated with greater project effectiveness. The few economic infrastructure projects that were estimated to have

low economic returns were also those with a low level of community participation. Amerindian community projects, which incorporated the highest degree of community participation and contribution in all stages of the project cycle, were generally rated to be amongst the most efficient projects in terms of meeting objectives at the least cost without sacrificing technical quality. The financial incentives created by community contribution encouraged the community to design and apply for projects that use their own resources efficiently.

- 1.24 SIMAP, at the Bank's encouragement, introduced in 1996, a minimum level of community contribution for the few remaining social infrastructure projects to be approved under the current IDB loan. Communities via project sponsors were willing and able to meet this requirement. Building on these experiences and drawing on lessons learned from other social investment funds, a set of community contribution requirements has been included in the project eligibility criteria and greater community participation has been built into all phases of the project cycle of the proposed program. 2/ These measures are designed to build community ownership, and increase the effectiveness and efficiency of project resources. Communities will now have financial incentives and the capabilities to ensure that resources are used in the most cost effective manner. With greater community participation, communities will also be more likely to contribute in cash or kind to the operation and maintenance of facilities, and more likely to make efforts to hold public agencies accountable for effective service delivery and maintenance. Finally, communities' experience with SIMAP projects will build their capabilities to address effectively community needs in other areas.

b. Managing the project cycle

- 1.25 The evaluation found that once projects are approved, project execution is quite rapid, less than four months in 1995. However, due primarily to the large inventory developed before loan eligibility and the lack of an effective ranking mechanism, the time between initial application and approval has been too long. SIMAP is taking actions to accelerate project processing. These include: (a) a rationalization of its inventory; (b) a streamlining of the project cycle, including the use of a ranking mechanism upon which to base project selection; (c) better use of the management information system (MIS); and (d) modifications in the SIMAP's institutional structure so that it better matches the project cycle. The inventory rationalization is nearing completion and other measures are to be implemented before loan disbursement.

c. Coordination with and role of other government agencies

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- 2/ To create incentives for additional community contribution, the ranking mechanism of projects for selection includes the level of community contribution as a secondary factor.

- 1.26 In order to ensure that projects financed by SIMAP are operated and maintained adequately, SIMAP coordinates its activities with the public agencies responsible. A key step in the project cycle is the receipt of a letter from the responsible agencies indicating their concurrence with the project and their commitment to administer and finance operations and maintenance. Line ministries are involved to ensure that SIMAP projects are consistent with national plans and guidelines while local authorities are involved to ensure effective operations and maintenance for which they are responsible. In the proposed program these agencies will be involved earlier and more continuously in the project cycle and be able to suggest modifications that can be built into the design. This earlier involvement should improve project design and build greater ownership for SIMAP projects by these agencies, even though they originate with community groups.
- 1.27 In nutrition programs and the water projects of the World Bank line agencies had roles in the actual execution of the project. This has proven to be problematic. As noted in paragraph 1.19 the MOH has had difficulties in providing the educational inputs into the program which is thought to have diminished the sustainability of benefits. In water projects, the local water authority outside of Georgetown, GUYWA, is involved in the actual execution of components of projects and also in the supervision of projects. Their inability to meet program schedules has delayed the execution of projects. Based on this experience, water projects, which now will be eligible for IDB funding, will require that parts of the systems that need to be rehabilitated by GUYWA, such as the installation of water pumps, must be completed before the SIMAP financed component (distribution systems) is initiated. Moreover, SIMAP will only use contractors that have been approved by GUYWA to ensure that they meet GUYWA standards which will facilitate needed supervision by GUYWA.

d. Targeting

- 1.28 Except for D&I projects, the beneficiaries of SIMAP projects have been primarily lowest-income communities and households. ^{3/} Even including D&I programs, the average income of SIMAP beneficiary households is estimated to total G\$23,700 per month, compared to a poverty line based on a basic consumption package of about G\$25,000, and an IDB prescribed poverty threshold of US\$250 or G\$35,000 per month (see Annex I-2 for a table detailing the estimated income level of beneficiaries for different project types). A more effective targeting mechanism using a poverty map is included in the revised project cycle of the proposed program. This mechanism combined with revised eligibility criteria should

^{3/} When these D&I projects were selected they met the IDB poverty line threshold. However, the incomes of beneficiaries, primarily rice farmers, have risen sharply since then on account of both price increases and increased production.

ensure that the beneficiaries of all projects in SIMAP II, including D&I projects, are primarily low-income households and communities.

e. Sustainability

- 1.29 As the projects financed under the IDB loan have only been recently completed, it is not possible yet to measure the sustainability of benefits from observation. Given the institutional weaknesses of public agencies, the sustainability of projects is a concern. For buildings, such as schools, community centers and shelters, which have been the majority of projects, maintenance costs are relatively low once the rehabilitation is completed, if the building is secure. Moreover, project sponsors for these types of projects have demonstrated a willingness to contribute to maintenance costs. Accordingly, the sustainability of most social infrastructure projects is expected to be acceptable.
- 1.30 For D&I projects, however, the effectiveness of projects is rapidly lost if regular maintenance is not conducted. SIMAP eligibility criteria required that project beneficiaries be willing to contribute to a fund so that the responsible public agency would have the funds necessary required to conduct adequate maintenance. However, this system has not worked well due to the lack of clearly defined responsibilities in the institutional framework for D&I systems. Major policy reforms are underway to improve this institutional framework with the support of the Bank's Agricultural Policy Reform Loan (965/SF-GY), and the eligibility criteria for D&I projects have been revised to be consistent with these institutional reforms. For other economic infrastructure projects deterioration is not as rapid, and the greater involvement of local authorities in the design phase should help to develop more effective operations and maintenance programs, including increased fees.

f. Role of women

- 1.31 The midterm and earlier evaluations have assessed the role of women in SIMAP. They have found that women play an important role in the development of SIMAP projects, as they are key actors in community-based project sponsors. Women usually make up a majority of the boards of PTAs, which have been the primary project sponsor for all school projects which represents almost 50% of project funds. In addition to being key promoters of social sector projects, women have been involved in economic infrastructure projects, especially in Amerindian communities where a woman usually is one of the three members of project's management committee. NGOs focussing on women's issues, such as Red Thread have also played roles in assisting community-based organization develop applications and projects for SIMAP.
- 1.32 Within the SIMAP organization, women play an important role in its management. Women managers are in charge of the Amerindian, Food for Work Program, as well as the Planning Unit. Apart from

nutrition programs, women are not a targeted beneficiary from SIMAP projects. Rather, most SIMAP projects benefit the community as a whole, which women share equally. For example, the rehabilitation of a road or bridge improves women's access to services and commercial activities, or a school project improves the quality and access to education for young women and adult women's children. Women's rate of participation in the labor force is relatively low, about 35%, and women traditionally do not work in the construction sector. Accordingly, women generally do not benefit from employment during the construction phase of SIMAP projects.

D. Bank strategy

- 1.33 The Bank's programming strategy, as detailed in the Country Paper, focusses on addressing three key development challenges: (a) the maintenance of a sound macroeconomic environment which requires a reduction of the debt burden and increasing the efficiency of the public sector; (b) improving the deteriorated education and health systems; and (c) rehabilitating the economic infrastructure. Given the weak project execution capacity of public institutions, primary emphasis is placed on strengthening the capabilities of the public sector. Before any substantial investments in other sectors are undertaken, government institutional weakness must be addressed both through structural changes and improved financial capabilities. This strategy has been updated and refined for the social sectors to set an appropriate context for a second stage SIMAP operation.
- 1.34 **Social sectors strategy.** The primary objective of Bank operations in the social sectors should be on improving the quality and efficiency of social services, rather than broadening coverage. To achieve this objective, the top priority must be to improve the institutional capacity of the public agencies responsible for the provision and regulation of services. This will require public sector modernization, including further progress on human resource management, civil service reform, organizational changes and financing mechanisms. Second, investments should be concentrated on the rehabilitation of infrastructure and the provision of key inputs, rather than new construction or expansion into new areas. Finally, where possible and without limiting the access of the most vulnerable, cost-recovery efforts should be encouraged to reduce fiscal pressures, provide incentives for the more efficient use of resources, and to stimulate a more equitable distribution of public resources.
- 1.35 Given the limited institutional capacity of executing agencies that will require time to address, it is suggested and that over the next 15-18 months the Bank concentrate in the social sectors on: (a) smaller operations in the education and health sectors which target resources to the design and implementation of measures which strengthen institutional capabilities and the definition of policy measures to improve the effectiveness of these systems; (b) the

execution of SIMAP II; and (c) at the end of this period, the Urban Rehabilitation Program. Once progress has been made on strengthening their institutional capacities and the implementation of key policy changes, then larger investment programs in the social sectors would be feasible. The government has expressed its agreement with this strategy and to a procedure to monitor its implementation.

- 1.36 **Rationale for SIMAP II.** Given the continued high levels of poverty and continued weakness of other public institutions, a second SIMAP operation is needed as a bridging mechanism to address the priority infrastructure needs of low-income communities and as a vehicle to promote local community development. SIMAP is perhaps the only viable vehicle for the Bank assistance to meet these objectives efficiently in Guyana.
- 1.37 SIMAP II will also serve as an important complement to broader public sector modernization. Communities will assume more important roles in all phase of the project and thereby assume greater ownership for the projects. As a result of this greater ownership, it is expected that communities will hold public agencies more accountable for adequate operation and maintenance of the projects. In addition, the incentives of SIMAP mechanisms will lay the groundwork for broader greater community participation in the local management and operation of services. Finally, SIMAP also serves as an example of how institutional performance can be improved by using of streamlined contractual procedures, utilizing effectively a MIS, contracting services to the private sector, and providing competitive salaries to attract and maintain qualified personnel.
- 1.38 **Future role for SIMAP.** Even as line ministries and local authorities improve their capabilities, it is likely that SIMAP will be needed in the future, perhaps at a smaller scale, to serve as a promoter and financing vehicle for community initiatives. SIMAP is also likely to maintain a comparative advantage for the execution of small infrastructure structures. SIMAP could manage the implementation of these projects under contract to line ministries.

II. THE PROGRAM

A. Objectives

- 2.1 The program has three objectives: (a) to improve the living standards and income-earning potential of lower income households via the financing of small-scale community generated projects; (b) increase the capability of lower-income communities to identify, articulate and address their priority needs; and (c) provide a demonstration effect for other public agencies on procedures to more effectively and efficiently respond to local demand and implement investment programs.

B. Program description

- 2.2 Incorporating the lessons learned from SIMAP I and from experiences with other social investment funds, the proposed program has been designed to build upon and improve SIMAP's demonstrated capacity to finance small locally-generated projects, while placing greater attention on community development efforts. SIMAP's effectiveness would be enhanced via: (a) greater community participation and contribution; (b) simplified and more transparent project identification and selection procedures including a project ranking mechanism; (c) a modification of SIMAP's institutional structure to better match its demand-driven project cycle and allow for improved management; (d) improved targeting procedures; and (e) greater involvement of line ministries and local authorities during project design. These changes are described in detail in chapter III.

1. Projects

a. Social and economic infrastructure rehabilitation projects

- 2.3 The program will finance social and economic infrastructure rehabilitation or upgrading that: (a) benefit low-income households; (b) are sponsored by community groups, NGOs or local authorities; and (c) the beneficiary community or sponsor contributes a minimum level of support in cash or kind to finance the project, between 5% to 10%, depending on the type of project.
- 2.4 The menu of social infrastructure project will include: day care centers, nursery, and primary schools, community centers, old age homes, welfare institutions, health posts or centers, residential drainage and water systems in rural areas. Water systems have been included as eligible projects because the survey conducted during the midterm evaluation indicated that access to potable water was systematically rated as one of the highest priorities of low-income communities. Secondary schools will be eligible but would have a higher community participation requirement (10%) than other social projects, because the beneficiaries tend not to be as low income and project costs have been significantly higher. SIMAP's

financing complements the recently initiated World Bank Secondary Education Program.

- 2.5 Economic infrastructure projects would involve the rehabilitation or upgrading of local roads, bridges, markets, and small D&I projects that focus exclusively on tertiary systems, which require less costly and sophisticated maintenance. D&I projects that include secondary systems would be eligible, once a new institutional and legal framework for D&I that is supported by the IDB Agricultural Sector Loan (965/SF-GY) is in place. Economic infrastructure projects that have benefits which are largely private or are focussed on small set of the community, such as D&I and farm-to-market roads have higher community contribution requirements.
- 2.6 The average size of regular infrastructure projects is expected to be about US\$70,000, about US\$15,000 less than those financed in the current IDB loan program. This decline is expected due to: (a) financial incentives that encourage more efficient use of resources, including community contribution requirements and a new fee schedule for project design consultants; and (b) an expected lower number of larger D&I projects and secondary school projects, which were among the most expensive projects.

b. Emergency response mechanism

- 2.7 The program would also include a new mechanism designed to rapidly respond and finance small (less than US\$5,000) self-help projects that address local emergency infrastructure needs. The mechanism follows SIMAP's project cycle, but in an accelerated manner that should allow SIMAP to provide financing for approved projects within two week of receiving the application. ^{4/} Under this mechanism the community would manage and execute the project, with technical assistance if requested. In addition to technical assistance, SIMAP's financial contribution would be limited to equipment and materials and specialized labor not available in the community.

c. Amerindian program

- 2.8 The program would finance an expansion of the successful Amerindian pilot program financed in the current loan. Based on the lessons learned during the pilot phase, the program would finance community-managed and designed projects, with significant levels of self-help, such as school and community center rehabilitation, agricultural development, and transportation projects. Eligibility criteria and specific project cycle have been established for the program to ensure effective management, sustainability and that the

^{4/} In order to test the effectiveness and viability of this mechanism, an evaluation is scheduled as soon as 40 projects have been approved. Continued IDB financing will depend on the results of this evaluation.

project's benefits are widely shared within the community. The maximum size of the Amerindian program project has been doubled from US\$10,000 to US\$20,000, based on evidence that this expansion would allow the component to meet the majority of Amerindian community priority needs. It should be noted that the larger social and infrastructure program is also open to Amerindian communities. The Amerindian program is an instrument that focusses resources on these communities that tend to be the lowest-income, but have high level of community integration that facilitates local management and a higher degree of self-help activities.

d. Nutrition and technical/vocational training

- 2.9 The eligibility of these project areas for IDB financing under the proposed program will depend upon the completion of evaluations to assess their effectiveness and the submission of proposals by the GOG demonstrating the viability of these types of projects with SIMAP financing and management. In the case of nutrition the evaluation is on-going and expected to be completed in early 1997. In the case of technical/vocational training, the evaluation which is to be financed with funds from the proposed operation is scheduled for early 1998. Bank financing for nutrition programs under the proposed operation could total up to US\$2 million or 12% of undisbursed balances, and for vocational/technical programs up to US\$0.5 million.

2. Institutional support

a. Administration

- 2.10 The program will finance the remuneration of SIMAP staff regarded as critical to its execution. As the IDB will become the primary external funding source for SIMAP, the number of positions to be financed by the IDB will increase sharply to 41 from 17 in the current loan. A description of these positions is in the technical files. IDB financing for administrative expenses from the proposed loan, however, will not start until the second year of operations, as administrative costs for the first year can be financed from existing loans from both the World Bank and the IDB.

b. Technical assistance

- 2.11 The program will also finance approximately 11 months of technical assistance to provide training and conduct evaluations in the following areas (the TORs are included in the technical files).
- a. **Training to improve SIMAP's staff awareness and understanding of project eligibility criteria and procedures.** Improve community development officers (CDOs) understanding of SIMAP procedures and eligibility criteria, refresh other SIMAP staff's awareness and understanding of SIMAP procedures and

teach them about modifications in operating regulations (one and half person months).

- b. **Community development training.** Prepare CDOs for their enhanced role in the SIMAP project cycle. Increase awareness and understanding of other SIMAP technical staff of participatory project identification, design and execution techniques. Develop workshop and teaching material for the training of community leaders in project development (six and half person months).
- c. **Training for improved environmental management of SIMAP projects.** Increase awareness and knowledge of SIMAP technical staff, design consultants and contractors of basic environmental management principals and techniques (one person month).
- d. **Evaluation of emergency response mechanism.** Assess effectiveness of emergency response mechanisms and make recommendations of how it can be improved, including revisions in project eligibility criteria (one person month).
- e. **Evaluation of technical vocational training program.** Evaluate the effectiveness of SIMAP's technical vocational training projects; including their impact on meeting overall vocational/technical training needs of Guyana; and provide recommendations on how the project should be modified, including the possibility of another institution (other than SIMAP) assuming responsibility for the financing and supervision of the program (one person month).

C. Size of program

- 2.12 The GOG has asked the Bank for a loan of US\$17 million that, with the local counterpart of \$1.9 million, would account for a total program of US\$18.9 million. Analyses made during project preparation show that SIMAP institutionally, would be able to execute a program of this size in about three years, and that demand, as explained below, is more than sufficient.
- 2.13 SIMAP currently has an inventory of 735 registered projects that are awaiting processing. Since many of these projects have been in SIMAP's registers for an extended time, all project sponsors are being contacted to confirm their continued interest and to inform them of SIMAP's revised eligibility criteria. October 30 has been set as a cutoff date. It is estimated that approximately 50% of the projects will be confirmed and updated. Based on experience, and the expected effect of the revised eligibility criteria, approximately 65% (240 projects) would be eligible for funding. This would imply an inventory of about US\$16 million, from which SIMAP can initially select projects for the program. Also, since initiation of operations SIMAP has received an average of 200 projects per year. Therefore, SIMAP could expect up to 600 new

Funding requests during the execution of the proposed program, if SIMAP conducts widespread promotional activities.

2.14 Given implementation of the proposed organizational changes, revision of the project cycle, and improved use of the MIS as described in chapter III, it is estimated that program could process and finance 632 projects. The following breakdown is expected, in terms of types of projects per year of execution:

Table II-1 PROJECTS PER YEAR OF EXECUTION (excludes project preparation costs) (in US\$ thousands)									
TYPE OF PROJECT		YEAR 1		YEAR 2		YEAR 3		TOTAL	
		No.	US\$	No.	US\$	No.	US\$	No.	US\$
Emergency Response	84	420	480	96	480	108	540	288	1,440
	48	720	900	60	900	72	1,080	180	2,700
	48	3,360	3,920	56	3,920	60	4,200	164	11,048
Regular	180	4,500	212	5,300	240	5,820	632		15,620

D. Program cost and financing plan

1. Program cost

2.15 Total cost of the program has been estimated at US\$18.9 million. The following table presents a summary of the program's costs.

Table II-2 TOTAL PROGRAM COSTS (in US\$ thousands)					
INVESTMENT CATEGORY		IDB	LOCAL	TOTAL	% TOTAL
1.	Administration	1,100	650	1,750	9.3
2.	Project financing	15,478	709	16,187	85.6
3.	Technical assistance	100	100	200	1.1
SUBTOTAL		16,678	1,459	18,137	96.0
4.	Unallocated	152	75	227	1.2
5.	Financial costs	170	366	536	2.8
5.1	Interest	-	238	238	1.3
5.2	Credit commission	-	128	128	0.7
5.3	Inspection and supervision	170	-	170	0.9
GRAND TOTAL		17,000	1,900	18,900	100.0
		90	10	100	
		% per source			

2. Financing plan

- 2.16 The proposed Bank loan, for the equivalent of US\$17 million, would be from the Fund for Special Operations (FSO) and would finance 90% of the program's total cost. This percentage is consistent with Bank's policy, since the program will geographically target the poorest areas of the country, and low-income groups are a significant majority of the direct beneficiaries.
- 2.17 The local counterpart requirement of US\$1.9 million would be the responsibility of the GOG. They have requested that funds be drawn from Agricultural Rehabilitation Special Account (ARSA), established under loan 839/SF-GY and funded by repayments on agricultural credits to provide counterpart financing for the execution of Bank programs. The ARSA account balance, as of September 30, 1996, was equivalent to US\$17.7 million.

III. PROGRAM EXECUTION

A. The borrower and the executing agency

- 3.1 The borrower will be the Government of Guyana and the executing agency will be the Social Impact Amelioration Program (SIMAP). The government will transfer the funds on a grant basis from the loan and the local counterpart to SIMAP, to be used to finance small infrastructure and development projects. Existing accounts and procedures for disbursement of the loan proceeds and local counterpart will be used for the proposed program.

B. Organizational framework and program execution

1. SIMAP's organization

- 3.2 SIMAP has been operating with an organizational structure designed largely to meet the requirements of the World Bank program which focusses almost exclusively on project execution, as the projects were identified, selected, and designed during loan preparation. Under this structure, the Operations Department manages all steps of the project cycle from identification through execution. Three regional area units are responsible for the projects for a specific project area. This structure has operated adequately in terms of project quality. However, the time required for processing projects up to approval has been excessive, which is partially due to the lack of units and staff specializing on the earlier stages of the project cycle.
- 3.3 In order to improve the efficiency of SIMAP to manage the community-driven project cycle of IDB projects and to facilitate and encourage greater community participation in the project cycle, SIMAP will undertake some modifications in its organizational structure and staffing requirements. These changes will provide for greater accountability and specialization for each phase of the project cycle. It should be noted that IDB projects will represent the vast majority of SIMAP projects given the termination of the World Bank program in May, 1997, and therefore these changes will help to improve the overall effectiveness and efficiency of SIMAP (see Annex III-1 for a comparison of the revised and current organizational structures). 5/
- 3.4 The key change in the organizational structure is to transfer responsibility for project promotion, identification, selection and community development from the operations department to a new Project Development Department (PDD) and to establish within this department two new units - a Community Development and Promotion

5/ The implementation of this revised institutional structure is a condition prior to the first disbursement of the proposed loan.

Unit and a Project Selection Unit. The Community Development and Promotion unit will be responsible for assuring effective community participation in project development and for promotion at the community level. The Project Selection Unit will be responsible for determining the eligibility of projects based on established basic eligibility criteria and for ranking projects using a transparent and objective ranking mechanism.

- 3.5 **Management.** SIMAP will continue to be headed by a six-member board of directors that comprise three members appointed by the GOG, one member selected from the private sector, one from NGO's and one from the University of Guyana. The board is responsible for defining and overseeing SIMAP's policies, reviewing and approving the annual budget and action plan, and approval of sub-projects.
- 3.6 Executive supervision of day to day operations will continue to be the responsibility of an executive director who is accountable to the board for all of SIMAP's activities. To carry out the daily activities SIMAP will have a first level of management comprising three department managers: (a) an operations manager, who also acts as deputy to the executive director; (b) a finance and administrative manager; and (c) a project development manager. The second level consists of operative units, each headed by a qualified professional. Each unit is staffed both by professionals and support personnel.
- 3.7 **Staffing.** During project analysis an assessment was conducted of the human resources required to effectively and efficiently execute the proposed program. This assessment indicated that some new positions would be required, specifically a deputy operations manager, an enhanced role for CDOs, and slightly increased personnel in the Appraisal and Contracts Department. These new positions combined with reductions in other area results in the need for 49 professional positions which would represent no net change in SIMAP's overall staffing levels.

2. The project cycle

- 3.8 The project cycle will be revised and streamlined in order to:
(a) facilitate and encourage greater community participation;
(b) improve coordination with line agencies and local authorities;
and (c) increase SIMAP's efficiency in processing projects. The revised version follows the basic phases of promotion, application and registration, selection, preparation, evaluation, approval and execution (monitoring); however, the steps, and functional responsibility within each phase have been more clearly defined and where necessary procedures modified or added to improve effectiveness. It is expected that as a result of these changes the time required between application and execution will fall from over two and half years currently to eight months (Annex III-2 lists the steps of the project cycle and the expected times required to complete each phase).

a. Promotion and identification

- 3.9 SIMAP will initiate the proposed program with a large updated project inventory for regular social and economic infrastructure project, and therefore active promotion for these projects areas will not be necessary until the inventory is substantially reduced. However, it is expected that because of the contacts made during the updating of the inventory, a channel of communication between the sponsor of each project and SIMAP will have been reestablished and continued through CDOs, one of which will be assigned to each project.
- 3.10 CDOs will also take the lead for project promotion and identification for Amerindian and emergency response mechanism projects. CDOs will visit Amerindian communities to help them in identifying needs and preparing financing requests. In addition, CDOs will publicize at the village level, the availability of financing under the emergency response mechanism, explain its eligibility criteria, and assist in the development of applications. Broad and transparent dissemination of eligibility criteria, procedures and achievements of SIMAP will be further enhanced through announcements in the local media.

b. Application and registration

- 3.11 All applications submitted for SIMAP's financing will be registered in the MIS. Registration will be conducted by the executive director secretariat, within a week of receipt of application. Registration will initiate the internal processing of the project application and automatically generate a letter of notification of receipt to the project sponsor. The system will also automatically sent letters to line agencies and local authorities to inform them that an application has been received, and if it meets basic eligibility criteria that SIMAP will be contacting them further to discuss the design and operations and maintenance of the project.

c. Selection and ranking

- 3.12 A revised selection process will be used for the proposed operation in order to have an objective and effective mechanism by which to select projects from SIMAP's large inventory and to target resources better to lowest-income households and communities. This process will be conducted in two steps by the Project Selection Unit.
- 3.13 First, applications are reviewed to determine whether the proposed project meets three basic eligibility criteria: (a) the majority of project beneficiaries must be amongst the poorest half of Guyanese households, as established by a geographically detailed poverty map that allows for the rapid identification of the poverty level of beneficiaries; (b) project sponsors must be committed to meet the minimum community contribution; and (c) project type and sponsor must be one of those established as eligible in the

proposed program's operating regulations. Second, the eligible projects are ranked using a point system that give highest weight to the poverty level of beneficiaries, and a lower weight to the level of community contribution in excess of the minimum required for the specific project type. The scoring is done by a computerized procedure, and the results registered in the electronic files of the MIS. Description of the selection mechanism is presented in the technical files. 6/ Periodically, the PDD would produce an updated list of the projects scored to that date, from which the Management Review Committee (MRC) would then determine how many of the top ranked projects could be selected to move to the preparation phase, based on the processing capacity of SIMAP at that time.

d. Preparation

3.14 During execution of the previous program, SIMAP established a effective procedure for project preparation that will continue to be used by the proposed program. Private firms or individuals will continue to be contracted to design the project under the supervision of a technical officer who is responsible for the development of the project. 7/ SIMAP has developed significant experience in this procedure and has an extensive register of proven consultants. The consultants will be hired once a SIMAP officer has visited the site with the purpose of doing a technical verification of the project and to establish the scope of the consultant's work. In the proposed program, line ministries and local authorities will be contacted by the design consultant to discuss the project's design, including effective operation and maintenance for which they are largely responsible.

3.15 Since Amerindian projects are smaller, and technically more straightforward, they will be prepared in house by the CDO in charge of the project with the assistance of a technical officer. As emergency response projects are also small, simple and mostly self-help, they will only require a project profile that would be prepared by a technical officer using the information obtained during an initial site visit.

e. Appraisal

3.16 Based on the operating regulations and eligibility criteria, SIMAP has developed standard project appraisal guidelines and manuals for each of the different types of projects that it has financed. Eligibility criteria and cost parameters have been updated and

6/ Implementation of this ranking and selection mechanism is a condition prior to first disbursement of the proposed loan.

7/ The fee schedule for the design consultants has been revised to eliminate financial incentives to design larger projects. The revised fee schedule as set in the Operating Regulations provides a declining percentage of the estimated project cost.

revised based on current economic conditions and experience from the current operation to ensure that projects are cost-effective, efficient, well-targeted, and sustainable. In addition, more specific technical guidelines have been developed to further enhance the environmental benefits and mitigate the negative environmental impacts. The Operating Regulations that include revised eligibility criteria and environmental guidelines are presented in Annex III-3 and the technical files. 8/

- 3.17 In addition to using updated appraisal criteria, appraisal will be conducted in a slightly different manner. Previously, appraisal was conducted by one technically oriented professional. It will now be done by two officers. The technical appraisal of the project, including design and costing, will be conducted by a technical appraisal officer who will have an engineering background, while the economic, financial and institutional appraisal will be conducted by a socioeconomic appraisal officer, with a economics background. A site visit will be made by a SIMAP team that will be comprised of the two appraisal officers and the CDO, who is the link between SIMAP and the community sponsoring the project. Jointly, they will produce an appraisal report that will be reviewed by a MRC who would determine whether project should be presented to the board for approval.
- 3.18 Emergency response mechanism projects would follow a slightly different procedure in which the head of the PDD would review the project profile and determine if the project meets the criteria established for this type of project.
- 3.19 To ensure that the project design has fully incorporated the community's contribution and that it meets the community's needs and requirements the proposed program also requires that the project sponsor submit a letter committing the project sponsor to meet an agreed level and type of community contribution by a specific point in the project's execution, specifying its role in the project's subsequent operation and maintenance, and stating the project sponsor's agreement to the design of the project. This letter must be included in the project file which goes to the Board for approval. In addition, a letter must be received from the public agencies responsible for a project's operation and maintenance that states their concurrence with the project and their commitment to administrate and finance the projects operations and maintenance.

f. Board approval

- 3.20 As in the current program, after appraisal, projects that fully meet the eligibility criteria will be periodically presented by the

8/ The approval by the SIMAP board and the implementation of the revised Operating Regulations is a condition prior to the first disbursement of the proposed loan.

MRC to the board of directors for their consideration. After the project has been approved by the board, the IDB is either notified if the project cost is less than US\$80,000, or asked for concurrence if the cost of the project is over this amount. The commitment of funds (which must take place within two and half years after loan effectiveness) will be deemed to take place once valid notification from SIMAP has been received by the IDB's Country Office according to the operating regulations.

g. Contracting (procurement procedures)

- 3.21 SIMAP has established effective procurement procedures that are open, competitive and in full compliance with Bank policy. SIMAP maintains a register of pre-qualified contractors, categorized by regions and scale of work experience; it is permanently open for registration and updates are made through semiannual invitations advertised in local media. For the execution of each project, SIMAP requests tenders from at least six pre-qualified contractors in the specific region of the project. A specialized unit evaluates the tenders and submits recommendations to an internal tenders board who reviews them and decides the adjudication of the contract. ^{9/} Contracts that exceed US\$80,000 are submitted for the Bank's review and approval. Contracts under that amount are decided internally by SIMAP, however, the Bank must be notified, after board approval, of the intentions of using loan proceeds for their financing. The Bank reserves the right to do an ex-post review.
- 3.22 Amerindian and emergency response projects, which are community managed and executed, require a different procedure for procurement. In these projects, SIMAP's financing is primarily for materials. Accordingly, SIMAP seeks three bids for the materials from local suppliers and selects the lowest bidder.

h. Managing project execution

- 3.23 The midterm evaluation has demonstrated that project execution is one of SIMAP's strengths. Accordingly, no changes will be made in the proposed program. The projects approved for SIMAP's financing are executed by private contractors selected as described above in paragraph 3.21. To ensure that these contractors execute the projects effectively, SIMAP hires an independent project supervisor who provides periodic reports on the progress of the works and of the compliance of the contractor with the terms of the contract. In addition, SIMAP has monitoring officers who are assigned to the projects who must make periodic site visits and verify that works have been carried out as contracted before progress payments can be made. A third level of supervision is provided by the project

^{9/} For project design services, SIMAP requests bids from its register of pre-qualified individuals and firms, with a minimum of three bids.

sponsors who have a direct incentive in ensuring that works are carried out on schedule, and that errors are corrected on time. Project sponsors and the responsible line agency or local authority must confirm that the project has been completed appropriately before a final payment to the contractor is approved.

i. Assuring project operation and maintenance

- 3.24 The concurrence of the line ministries and local authorities is fundamental for assuring that the project will have operational resources and will be adequately maintained. During execution of the previous program, the practice of requesting official and specific interventions of the participating agencies or ministries was established. The midterm evaluation showed that, although this mechanism seemed adequate, improvement was needed. As a result, in the proposed program the responsible public agencies are more involved in different steps of the project cycle, especially at the design phase to allow for the design of an effective operations and maintenance program. In addition, the potential role of project sponsors and their communities in the operations and maintenance of projects has been enhanced. In most economic infrastructure projects the project sponsor's involvement in operations and maintenance is required by the eligibility criteria, and for social projects it is encouraged.

C. Financial aspects

1. Sources and uses of funds

- 3.25 SIMAP's yearly volume of operations has increased steadily from its inception in 1990 reaching a high plateau by 1995, when US\$7.1 million were disbursed. A similar level of disbursements is expected in 1996. Without financing from the proposed program, disbursements will fall precipitously in 1997 in spite of extensive demand, as the World Bank program is scheduled to end in June, 1997 and the current IDB loan and the World Food Program by the end of 1997. As shown in the Table III-1, in the last two years, the IDB's importance as a source of funds has increased, from 32.9% in 1994 to 65.4% in 1996. During the execution of the proposed loan with the termination of the World Bank and World Food Program, the IDB would be SIMAP's almost exclusive external source of funds.
- 3.26 Project financing has absorbed most of the funding, representing 89% of SIMAP funds in the first semester of 1996. Operating expenses have been consistently diminishing in relation to the volume of operations, falling from 30% of total expenditures in 1992, the year that SIMAP reached full operational level, to about 10% in 1996. Further increases in administrative efficiency are expected during the proposed program as a result of the organizational changes, streamlining of the project cycle and the enhanced use of the MIS. It is expected that this ratio will fall to about 8% or 9% which is consistent with similar programs financed by the Bank.

Table III-1 SIMAP. ANALYSIS OF SOURCES AND APPLICATIONS OF FUNDS (in US\$ equivalent)						
	1994		1995		First semester 1996	
	US\$	%	US\$	%	US\$	%
SOURCES						
GOG	556,243	16.9	753,953	10.6	440,611	12.7
IDB	1,082,286	32.9	3,646,673	51.3	2,264,588	65.4
World Bank	1,638,991	49.8	1,680,463	23.7	751,320	21.7
World Food Program	4,741	0.1	985,633	13.9	0	0.0
Other donors	5,632	0.2	36,776	0.5	6,123	0.2
TOTAL	3,287,893	100.0	7,103,499	100.0	3,462,642	100.0
APPLICATIONS						
Project costs	2,694,100	81.9	6,266,645	88.2	3,082,777	89.0
Operational expenditures	512,985	15.6	850,982	12.0	353,969	10.2
Others	80,809	2.5	-14,128	-0.2	25,896	0.7
TOTAL	3,287,893	100.0	7,103,499	100.0	3,462,642	100.0

2. Execution and disbursement schedule

- 3.27 The resources of the program will be committed within a period of two and half years from the effective date of the loan contract, and are expected to be disbursed within three years from the same date. Commitment of resources is defined as the signing of the agreement to finance a project, by SIMAP, the sponsor, and the contractor. The six-month difference between commitment and disbursement termination dates should provide sufficient time for the completion of all projects contracted. The following table contains the disbursement schedule for the program:

Table III-2 DISBURSEMENT SCHEDULE (thousands of US\$)					
SOURCE	YEAR 1	YEAR 2	YEAR 3	TOTAL	%/SOURCE
IDB	4,667	5,978	6,356	17,000	90
Local	315	693	892	1,900	10
Total	4,982	6,671	7,248	18,900	100
% / year	26	35	38	100	

3. Advance of funds

- 3.28 Given the current rapid pace of execution achieved in the existing program, and taking into account that SIMAP advances funds to its contractors, SIMAP may need an advance of funds to ensure the continuity of its operations. Accordingly it is recommended that

an advance of funds up to 10% of the loan (US\$1.7 million) be made available upon loan eligibility, if the Country Office determines it is necessary.

D. Program monitoring, evaluation and controls

- 3.29 Program monitoring and evaluation will be used to identify problems and needed changes in program implementation and/or targets. Program supervision will be done by the Bank's Country Office, with the support of the project team.

1. Annual review and programming

- 3.30 Every year SIMAP and the Bank will hold follow-up meetings to review program execution. Tentatively, the reviews will include three items: (a) review of program execution during the previous year, including execution and expenditure; (b) monitoring of specific program achievements against detailed benchmarks specified in the monitoring tables; and (c) review of the effectiveness of project cycle and MIS application. The annual review will also monitor the implementation of the programs to improve overall social sector performance included in the Bank's social sector strategy (see paragraph 1.36). As an additional source of information for the annual review, SIMAP will conduct a minimum of ten evaluations of completed projects annually using an evaluation methodology previously agreed to with the Bank. In the review of the first year, special attention will be given to the results of the evaluation report of the nutrition component in the present loan. The annual reviews will serve as the basis for the programming of the following year's execution.

2. Benchmarks and reports

- 3.31 During program execution, SIMAP will present, to the Bank, semi-annual progress reports that will summarize: (a) the number of projects processed; (b) number and type of beneficiary reached; and (c) financial highlights of the period. Data will be presented according to the monitoring indicators presented in Annex III-4.

3. External audits

- 3.32 During the execution of the loan, SIMAP will present to the Bank the program's yearly financial statements audited by a firm of independent auditors acceptable to the Bank. They will be presented to the Bank within 120 days following the close of the governments fiscal year, starting with the year in which the program's execution begins.

4. Internal controls

- 3.33 SIMAP's operations are submitted to two systematic control systems. An internal audit unit provides a basic accounting and procedural follow-up. It also monitors the performance of the contractors and

sponsoring agencies executing projects with SIMAP funds. The unit was established as a condition of the current IDB-financed loan, and has operated effectively. The unit will continue to be staffed with a head auditor, an assistant auditor and two support staff.

- 3.34 Improved operational management of projects will be supported by an enhanced MIS. SIMAP established a computerized information system intended to work "on-line"; however, the system was used as a support tool only. Most of the entering of data and reporting has been done only by MIS staff, thus, negating the basic advantage of an on-line system to provide the most current information rapidly. During project preparation, a revised version of the MIS was developed, and SIMAP management is working to ensure that it is actively used throughout the institution, as planned. Additional equipment has been purchased and the project control systems have been revised to respond better to the needs of the modified project cycle. The system will facilitate management's capability to monitor and enforce responsibility for each aspect of project development and execution.

IV. LESSONS LEARNED, FEASIBILITY, BENEFITS AND RISKS

- 4.1 The performance of SIMAP since its initiation in 1990 demonstrates its increasing effectiveness to identify, design, appraise and execute infrastructure projects in low-income communities of high technical quality that meet the priority needs of these communities. This capability can be attributed to a great extent to the institutional capabilities and processing procedures of SIMAP, but equally importantly to the demonstrated willingness and capability of local communities via their project sponsors to participate actively in the development of these projects. Greater community participation and strength of local organizations was found to enhance the effectiveness and sustainability of projects. This lesson has been incorporated into the design of SIMAP II, as greater community participation is encouraged in all phases, including a minimum community contribution to the project costs. In addition, to place greater focus on local communities and their development, project sponsors have been limited to community organizations, NGOs and neighborhood democratic councils, the smallest administrative units in Guyana.
- 4.2 Other key lessons have also been incorporated into the design of this second stage operation. These include: (a) a greater than expected demand for SIMAP projects lead to a large inventory which has required the development of a selection mechanism that objectively ranks projects at an early stage of the project cycle; (b) the beneficiaries of SIMAP projects have been primarily lower-income households, but targeting will be more effective and consistent with the use of a poverty map; (c) institutional frameworks for some project types, especially D&I systems, needed to be modified to ensure sustainability via required beneficiary contribution to the operations and maintenance; and (d) involvement of responsible public agencies in project development has been limited, greater involvement during project design will help to ensure better operations and maintenance.
- A. Institutional feasibility
1. SIMAP
- 4.3 SIMAP has demonstrated its relative effectiveness in administering and managing resources. The proposed operation will significantly enhance these abilities through the series of institutional and procedural modifications detailed in Chapter III. As a result of these modifications, combined with increased financial resources, it is estimated that SIMAP will be able to expand the number of approved and executed projects financed by the IDB from about 50 per year to about 200 per year.

2. Community development and organizations

- 4.4 Local organizations and communities have demonstrated a willingness and capability to assume the heightened responsibilities required in the proposed program. Parents Teachers Associations which have been the project sponsors for most school projects, already often contribute to the operation and maintenance of schools. Moreover, for the last five school projects approved by the IDB, these sponsors rapidly accepted requests by SIMAP to contribute 5% of the project costs. The poverty level of communities does not appear to pose an obstacle to meet these financial contributions, as Amerindian projects have had community contributions up to 80% of project costs, even though they are amongst the poorest of Guyanese communities. Finally, to facilitate and encourage this enhanced role by community project sponsors, CDOs will be trained to assist communities meet these responsibilities.

B. Socioeconomic feasibility

- 4.5 The economic return of economic infrastructure projects has been consistently high. Only in the two cases where there was a low level of community participation and organization which led to both poor project design and a lack of willingness of beneficiaries to participate in the project did the evaluation find that the economic return was less than 12%. The eligibility criteria and cost parameters of the current program have proven successful in selecting economically viable projects.
- 4.6 For social infrastructure projects, it is more difficult to quantify the benefits, especially since most projects evaluated were only recently completed. Nevertheless, there is strong evidence that the majority of projects are meeting objectives. It is found that once rehabilitation is completed for school projects, which make up about 75% of all social infrastructure projects, enrollment increases by 10%-20% primarily from neighboring catchment areas, but also from reductions in dropout rates. The increased enrollment is a strong indicator that the project has increased the quality of the institution.
- 4.7 The evaluation also found that projects were executed in cost-effective manner. This was due primarily to the competitive contracting process and effective application of eligibility criteria and cost parameters. However, in a few cases, it was found that projects were somewhat overdesigned including components that were not necessary to meet project's objectives. To avoid these exceptions and to increase the cost-effectiveness of projects, several changes have been introduced. First, the introduction of a community contribution requirement gives project sponsors a strong financial incentive to insist on the most cost-effective approach. Second, the fee schedule paid to SIMAP design consultants has been revised to eliminate an incentive to design larger projects. Finally, the eligibility and cost parameters for projects have been adjusted and established for newly eligible

projects based on the cost data of SIMAP and other project execution units to ensure that only the more cost-effective and economically viable projects are approved.

C. Operational feasibility

1. Project execution

- 4.8 Projects executed by SIMAP have been found by the evaluation to have a consistently high technical quality. This high quality is a function of the use of competitively selected qualified contractors who are supervised and monitored in a complimentary fashion by independent project supervisors, SIMAP staff, the project sponsor, and the responsible public agencies.

2. Operations and maintenance

- 4.9 The effective operations and maintenance of SIMAP projects is an area of concern, given the weak institutional capacities and lack of fiscal resources available to social sector line ministries, local authorities and other public agencies responsible for the operations and maintenance of social and economic infrastructure. Measures are included in the proposed operation to ensure that operations and maintenance of SIMAP projects will be adequate.
- 4.10 First, responsible public agencies will continue to provide SIMAP with a formal agreement of concurrence to the project and a commitment to provide and finance the operations and maintenance of the project. While this letter by itself does not guarantee high quality operations and maintenance, it does seem to work to assure acceptance of the facility. Evaluations show that for all SIMAP-financed social infrastructure facilities authorities were providing services. Moreover, as the upgraded facilities need less maintenance, the weak management capabilities of the regional democratic councils to provide systematic maintenance is not critical in the short to medium term, especially since project sponsors are likely to contribute to minor maintenance costs.
- 4.11 Second, in the revised project cycle public agencies will be more involved to build ownership for the project with them and thereby attain a more genuine commitment to operate and maintain the facility adequately. Responsible public agencies will now receive notification that SIMAP is considering the project once an application has been received, and the project design consultant will meet with responsible officials to discuss the project and how the operations and maintenance will be conducted. This greater involvement should be of special assistance for the maintenance of road projects and residential drainage projects, as local authorities will have time to prepare and implement increased fee schedules for beneficiary households to finance maintenance. Anecdotal evidence indicates that Guyanese households are willing to pay increased rates, if a service is improved.

- 4.12 Third, SIMAP procedures requires that beneficiaries finance or assume responsibility for the operations and maintenance of some types of economic infrastructure projects, where the benefits are largely private such as for D&I and markets.
- 4.13 In D&I systems, maintenance is especially critical, as has been previously explained. In the current project, SIMAP required that beneficiaries agree to pay tariffs to local authorities to cover the costs of operations and maintenance. However, there was no clear legal foundation to ensure payment, and a complicated institutional framework for D&I left it unclear whether local authorities or the National Drainage and Irrigation Board was responsible. In order to rationalize and improve the effectiveness of the institutional framework for D&I system, the government, with IDB support, is moving to establish a system where the operations and maintenance of tertiary and secondary drains would be responsibility of water users association made up of the farmers in a specific D&I system. To support this policy, D&I projects which include secondary work and exceed US\$40,000 will now require that the project sponsor be a water users association. Since the legal framework for water users association is still being finalized, it was agreed that smaller works that focus on tertiary works for which maintenance is simpler and less costly would be eligible, if the project sponsor assumes responsibility to ensure the maintenance of the tertiary systems.

D. Environmental impact

- 4.14 The CMA classified the program as Category III. An Environmental Summary was reviewed and approved by the CMA on October 1, 1996. The summary found that the environmental impact of SIMAP is largely positive due to the rehabilitative nature of most projects and the use of technical environmental guidelines. Negative impacts are quite small, given the small size of the projects and largely limited to the construction phase of the projects. To further improve the environmental management of SIMAP projects, more detailed environmental guidelines have been prepared to better guide project design, appraisal and execution (see technical files). Additional technical work will be conducted to provide effective guidance for all project types. Funding also is included in the proposed program for training to improve the awareness and understanding of SIMAP officials, design consultants and contractors about basic environmental management principals and techniques. Finally, to mitigate the potential negative impacts of the agricultural development projects in Amerindian areas, it is required that these projects include technical assistance on sustainable agricultural practices and that a management plan be prepared and reviewed by SIMAP that demonstrates how these practices will be implemented over the medium term.

E. Benefits

- 4.15 The benefits of the program are three-fold. Most importantly SIMAP projects will contribute to improved living conditions, social services and earning capacity for the lowest income communities of Guyana. As the program will target resources better and include many more projects, a greater percentage of lower-income households will benefit from the program. In addition, the number of beneficiaries should increase substantially given the expansion in the number of projects to be executed under this operation. Secondly, the program will build the capabilities of lower income communities to identify and articulate their priority needs and to take actions to address them. This building of local community capabilities and ownership for projects should also lead communities to hold public agencies more responsible for the quality of services provided. Finally, SIMAP is a complement to needed institutional reforms by serving as model of how public institutions can improve their effectiveness and efficiency.

F. Risks

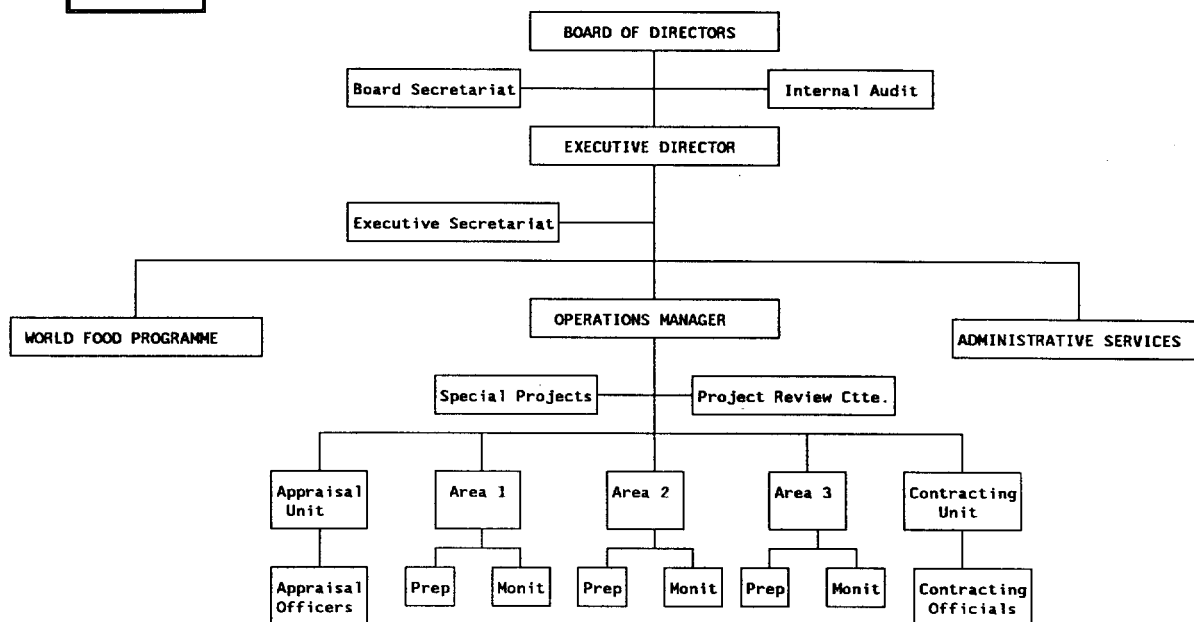
- 4.16 Apart from the risks of ineffective operations and maintenance, and the possible difficulties for communities to assume the enhanced roles and responsibilities addressed above, the primary risk to the program is the possible politization of SIMAP and its operations. Politization is a risk common to all social investment funds. The broad distribution of SIMAP projects and rather effective focus on lower-income communities in the first phases indicates that political pressures did not greatly affected SIMAP's operations to date. In addition, the core technical and managerial staff are professionals that have demonstrated a high sense of commitment and identification with SIMAP's goals. The possible threat of politization is minimized in the proposed program through some of the changes in procedures. The use of a transparent selection process with clear and objective selection criteria will work to eliminate political interference in the selection process, which is the key point of determining where SIMAP resources will go. Moreover, specialized units will now be responsible for each phase of the project cycle, which should work to ensure decisions are made on technical and objective grounds.

MIDTERM EVALUATION RESULTS					
NAME OF PROJECT	TYPE	ECONOMIC VIABILITY 1/	COMMUNITY PARTICIPATION 2/	SUSTAINABILITY 3/	COST (US\$000)
ECONOMIC INFRASTRUCTURE					
No. 63 & 65 Drainage & Irrigation	D&I	High	Medium	High	101.0
No. 4 Crabwood Creek	D&I	Low	Very Low	Very Low	41.0
Garden of Eden	D&I	Medium	Medium	Low	32.0
Victoria West Sideline	D&I	High	Medium	Medium	187.0
Ithaca	D&I	Medium	Medium	High	127.0
Eastern Hogg Island	D&I	High	Low	Medium	156.0
West Canje Road	Roads	Medium	Medium	Low	173.0
Patentia/Georgia	Roads	Medium	Medium	Low	190.0
Cane Grove	Roads	Medium	Low	Medium	168.0
Anna Regina Market	Market	Very low	Very low	Very low	225.0
SOCIAL INFRASTRUCTURE					
Seafield	Drainage	Medium	Medium	Low	55.0
New Market Primary School	School	Medium *	Medium	High	128.0
Martindale Primary School	School	Medium *	Medium	High	50.0
Better Hope Primary School	School	Medium *	Medium	High	62.0
Western Hogg Island Primary School	School	Low *	Medium	Medium	41.0
Zeeburg Secondary School	School	Medium *	Medium	High	220.0
Grove School for the Disabled	School	Low *	Medium	High	78.0
Enterprise Primary School	School	Medium *	Medium	High	132.0
AMERINDIAN PROGRAMS					
Waramuri Para Bridge	Bridge	High	High	High	2.5
Curimeru Bridge	Bridge	High	High	High	19.0
Aratak Mission Agriculture	Agr. Dev.	High	High	High	8.1
Seven Miles Farming	Agr. Dev.	High	High	High	6.4
Jacklow Nursery School	School	High *	High	High	10.0
St. Cuthbert's Nursery School (new)	School	High *	High	High	10.0
Paramakatoi Health Center	Health	High *	High	Medium	9.9
Paramakatoi Sewing Project	Productive	N/A	High	High	5.3
Morucupha Culture Center	Com.Ctr.	High *	High	Low	3.1
<p>1/ Economic Rate of Return. High: greater than 20%. Medium: greater than 12%, less than 20%. Low: greater than 6%, less than 12%. Very low: less than 6%. For * projects, Cost Effectiveness: High: cost/beneficiary less than US\$150. Medium: greater than US\$150, less than US\$300. Low: greater than US\$300.</p> <p>2/ Evaluators' estimates of community involvement in project development. If there was no contribution towards the investment costs in either cash or kind, the maximum that could be obtained is medium.</p> <p>3/ Evaluators' estimates of the viability of institutional and financial framework for operations and maintenance. Considerations include whether there exists a viable local organization committed to raising funds for these purposes.</p>					

EFFECTIVENESS OF SIMAP TARGETING ESTIMATED INCOME OF BENEFICIARIES (in Guyana dollars)	
TYPE OF PROJECT	AVERAGE INCOME OF BENEFICIARY HOUSEHOLD ^{1/}
Schools	23,700
Roads and bridges	28,700
D&I	39,400
Other	18,600
Amerindian	9,000
Average (weighted by value of commitments for each project type)	23,700
Excluding D&I projects	21,560
IDB low-income threshold	35,000
Guyana poverty line 1996 ^{2/}	26,700
^{1/} Based on evaluations estimates of beneficiaries income in 30 IDB projects. ^{2/} Guyana poverty line is updated for 1996, based on inflation of 35% since 1993, when the level was originally estimated based on a household survey and using average low-income houlshed size of five persons.	

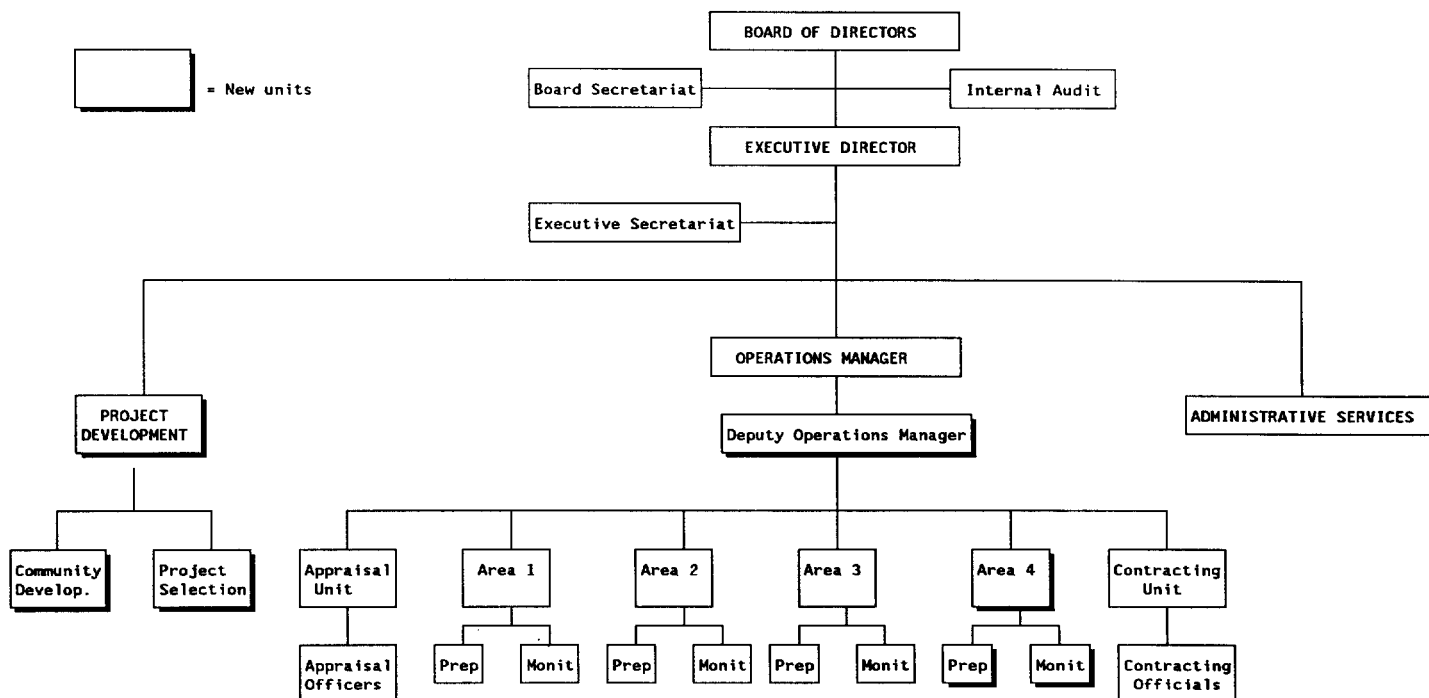
SOCIAL IMPACT AMELIORATION PROGRAM
(GY-0025)
COMPARATIVE ORGANIZATIONAL CHARTS
CURRENT AND PROPOSED LOANS

CURRENT CHART



REVISED CHART

= New units



SUMMARY OF PROJECT CYCLE COMPARATIVE TIMES PER PHASE (all types of projects)						
PHASE OF PROJECT CYCLE	REGULAR		AMERINDIAN		EMERGENCY RESPONSE	
	TIME PER STAGE	ACCUMULATED PER PROJECT	TIME PER STAGE	ACCUMULATED PER PROJECT	TIME PER STAGE	ACCUMULATED PER PROJECT
Application			1 week	1 week	3 days	3 days
Registration	1 week	1 week	1 week	2 weeks	2 day	5 days
Selection and ranking	2 weeks	3 weeks	1 week	3 weeks	1 day	6 days
Project preparation	8 weeks	11 weeks	1 week	4 weeks	2 days	8 days
Project appraisal	2 weeks	13 weeks	2 weeks	6 weeks	1 day	9 days
Management Review Committee	1 week	14 weeks	1 week	7 weeks		9 days
Board approval	2 weeks	16 weeks	2 weeks	9 weeks		9 days
Review by funding agency	1 week	17 weeks	1 week	10 weeks		9 days
Contracting	4 weeks	21 weeks		10 weeks	5 days	14 days
Board review (when applicable)	2 weeks	23 weeks		10 weeks		14 days
Review by funding agency	1 week	24 weeks		10 weeks		14 days
Monitoring (execution)	24 weeks	48 weeks	24 weeks	34 weeks	45 days	59 days

OPERATING REGULATIONS FOR PROJECT RELATED EXPENDITURES

I. GENERAL

- 1.1 Projects to be partially financed with Bank resources will be handled in strict conformity with the regulations detailed below and procedures and criteria laid down in SIMAP's Operating Manual. If there is some conflict with the provisions of these regulations and the Operating Manual, then these regulations will apply.
- 1.2 Bank resources can be used to partially reimburse expenditures incurred for project preparation and for project execution.

II. PROJECT PREPARATION

- 2.1 Expenditures incurred by SIMAP in contracting professional services to prepare projects (including completing project reports, engineering designs, plans and specifications, bills of quantity, cost estimates, and other information required to appraise projects) will be eligible for reimbursement only if:
 - a. The project corresponds to one of the project types listed as eligible for financing in Appendix 1 of this annex (see technical files); and the components to be prepared correspond to the components listed in this Appendix for the relevant project type. The project has been selected following the ranking and selection mechanism detailed in Appendix 2 (see technical files).
 - b. The total cost of the professional services incurred in preparing the project do not exceed 5% of the amount of projects less than US\$50,000, plus 4% of the amount greater than \$50,000, plus 3% of the amount greater than \$80,000.
 - c. The selection of the provider of the professional services follows the procedures detailed in Appendix 3 (see technical files).

III. PROJECT EXECUTION

- 3.1 Expenditures incurred by SIMAP in contracting the execution of works or services will be eligible for reimbursement only if:

- a. For projects whose total execution cost is less than US\$80,000, SIMAP sends notification of its intention to use Bank resources for partially financing the project, after the SIMAP Board has approved the project. To be valid the notification must be accompanied by a project file (see paragraph 3.2).
- b. For projects selected and approved under the emergency response mechanism, a project file is not required. Instead, SIMAP should send a table on quarterly basis to the Bank listing the projects approved. The table should include the following information note for each project: (i) location and poverty level of beneficiary community; (ii) emergency problem addressed; (iii) project description; (iv) amount of SIMAP financing; and (v) value of community contribution.
- c. For projects whose total execution cost is equal to or greater than US\$80,000, SIMAP requests Bank concurrence in its intention to use Bank resources for partially financing the project, after the SIMAP Board has approved the project. To be valid the request must be accompanied by a complete project file (see paragraph 3.2 below).
- d. The project corresponds to one of the project types and components listed as eligible for financing in Appendix 1 (see technical files) of this annex; and project cost parameters are no greater than the limits specified in Appendix 1 (see technical files) for the relevant project type.
- e. The selection of the contractor follows the procedures laid down in Appendix 3 (see technical files) of this annex.
- f. The total cost of the supervisory services incurred in supervising the project does not exceed 3% of the cost of executing the project.
- g. The total cost of execution of projects, excluding community contribution, should not exceed \$5,000 for projects approved under the emergency response mechanism, \$20,000 for Amerindian program projects, and \$250,000 for all other projects.

3.2 A project file must include the following documents:

- a. A completed project report following the format contained in SIMAP's Operating Manual, and including the relevant information indicated in Appendix 4 (see technical files).
- b. A site visit report from the SIMAP officer responsible for appraising the project, describing the nature of the problem to be addressed, and verifying that the proposed project adequately resolves the problem so that the facilities or services can be properly used. The site visit report must be signed and dated by the responsible officer. A brief

description of the contacts and discussions held with the sponsoring agency and beneficiaries should be included.

- c. Values for the relevant project appraisal parameters as set out in Appendix 1 (see technical files).
- d. Account of actions to be taken to ensure compliance with the environmental guidelines set out in Appendix 5 (see technical files).
- e. A copy of a letter of intent or similar document from the project sponsor to SIMAP committing the project sponsor to meet an agreed level and type of community contribution by a specific point in the project's execution, specifying its role in the project's subsequent operation and maintenance, and stating the project sponsor's agreement to the design of the project.
- f. A project management schedule, that specifies the dates of the following events:
 - (i) Receipt by SIMAP of financing request
 - (ii) Completion of project preparation (project report, final designs, bills of quantity)
 - (iii) Appraisal (identifying responsible officer)
 - (iv) Approval by SIMAP Board
- g. An institutional agreement with the relevant ministry/local authority (or other responsible entity) for the post-project operation and maintenance of the facility rehabilitated/upgraded by the project. The institutional agreement in relation to the eligible sub-project types will take the following form and substance:
 - (i) **Schools:** Concurrence by the Ministry of Education and regional authority and a guarantee to finance its operation and maintenance costs.
 - (ii) **Health centers/posts:** Concurrence by the Ministry of Health and Regional Authority to the project and a guarantee to finance its operation and maintenance costs.
 - (iii) **Roads/markets:** Concurrence by the local authority, municipality or other responsible entity to the project and a guarantee to finance its maintenance costs.

- (iv) **Drainage & irrigation:** Concurrence by the local authority and Drainage and Irrigation Board to the project.
 - (v) **Water projects:** Concurrence by GUYWA to the project and a guarantee to finance its operation and maintenance costs.
- 3.3 When submitting a request to the Bank for reimbursement of expenditures for the execution of projects, the first request on a particular project must be accompanied by:
 - a. A tender summary indicating how many tenders were received, and the amount of the tenders. If the lowest tender was not accepted, a brief explanation should be included.
 - b. An updated project management schedule including the dates of the following events:
 - (i) Tender adjudication;
 - (ii) contract signing; and
 - (iii) expected date of completion
- 3.4 When submitting a request to the Bank for reimbursement of expenditures for the execution of projects, the final request on a particular project must be accompanied by:
 - a. A report from the project sponsor agency verifying that the works and services have been carried out in a satisfactory manner following the agreed project contract.
 - b. An updated project management schedule including the dates of the following the actual date of completion.
- 3.5 Once SIMAP has complied with the requirements specified in a. or b. above, the resources required to finance the cost of the project will then be considered as having been "committed".
- 3.6 An evaluation of the emergency response mechanism will be conducted once 40 projects have been approved. No further projects will be financed by the Bank under this mechanism until: (a) the evaluation has been completed; (b) a proposal has been made by SIMAP to the Bank for the continuation of the eligibility of this mechanism, including revisions of the eligibility criteria and cost parameters, if necessary; and (c) the Bank has given its concurrence to the proposal.
- 3.7 An annual review of SIMAP's activities will be conducted at the end of each year with the participation of SIMAP and the Bank's Country

Office. The review will include but not be limited to the following topics:

- a. the number, type and cost of projects "committed" during the preceding year;
 - b. organizational developments and changes, weaknesses and strengths;
 - c. technical assistance received and implemented;
 - d. results of previous years evaluation study of a sample of projects; focal issues for upcoming year's study; and
 - e. proposed changes in project management procedures or criteria.
- 3.8 After the review the Country Office will prepare a brief memorandum setting out the principal conclusions and agreements.
- 3.9 These Operating Regulations may be amended by SIMAP on receipt of official written concurrence by the Bank.
- 3.10 Additional project types may be declared eligible for Bank financing, after SIMAP has proposed corresponding eligibility criteria and cost parameters, and has received the Bank's concurrence.
- 3.11 In the case of vocational training projects SIMAP will undertake an evaluation of the projects being executed under the first stage loan program (912/SF-GY) three months before their expected completion. Based on the results of this evaluation which would include an assessment of whether SIMAP is the appropriate institution to finance and manage this type of program, then SIMAP could propose to the Bank for additional IDB financing up to \$500,000 for in-plant training. The proposal would also include recommendations for revised eligibility criteria and cost parameters. A copy of the evaluation will be submitted to the Bank, when SIMAP makes its proposal.
- 3.12 In the case of nutrition programs, renewed eligibility for IDB funding will depend on the GOG submission of a proposal to the IDB based on the evaluation scheduled to be completed in early 1997. The proposal should demonstrate the viability of the proposed program, include an assessment of whether SIMAP is the appropriate institution to finance and manage a nutrition program, and provide institutional and financial options for the project. Based on IDB acceptance of the proposal and the implementation of the long-delayed sustainable nutrition policy and protocol by the Ministry of Health, the IDB would consider up to US\$2 million for nutrition projects from SIMAP funding. A copy of the evaluation will be submitted to the Bank when the GOG makes its proposal.

LOGICAL FRAMEWORK			
PROGRAM SUMMARY	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
GOALS			
1. To improve the living standards of the poorest strata of the population.	1.1 Indicators of poverty in communities receiving SIMAP assistance are reduced.	1.1 Comparison of Household, Income and Expenditure surveys for different years.	1.1 Projects financed by SIMAP will increase capability of communities to improve their situation.
2. Increase the capability of low-income communities to identify, articulate, address their priority needs.	2.1 Number and quality of applications presented to SIMAP and other organizations. 2.2 Increased community participation in SIMAP projects. 2.3 Number of communities with active community based organizations.	2.1 SIMAP's records, survey of local and national organizations. 2.2 Comparison of project evaluations. 2.3 Survey of communities.	2.1 The experience with SIMAP's projects will enable communities to organize for other purposes.
3. Provide demonstration effect for other public agencies on how to improve efficiency.	3.1 Public organizations using SIMAP's systems and procedures.	3.1 Survey of ministries and other public agencies.	3.1 Experience with SIMAP is useful and can be replicated.
PURPOSE			
1. To assist in the development and financing sustainable and effective projects that respond to the priority needs of low-income communities.	1.1 Projects have been sponsored by local organizations and coordinated with relevant public agencies. 1.2 Beneficiaries are low-income households. 1.3 Projects are executed on schedule and within budget during the three years of program execution. 1.4 Projects are operating at expected levels and adequately maintained.	1.1 SIMAP's records in the MIS and in physical files. 1.2 Project files and annual evaluations of completed projects. 1.3 Certification of completion of works. Disbursement records. 1.4 Survey of completed projects, records in corresponding ministries and agencies.	1.1 Communities are capable of identifying needs and organizing themselves to request assistance and to contribute to the execution and operation of the projects. 1.3 SIMAP's past experience will continue to have efficient project execution. 1.4 SIMAP and community coordination with related ministries and agencies is effective.

LOGICAL FRAMEWORK			
PROGRAM SUMMARY	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
RESULTS			
1. Emergency response projects are financed and executed in an efficient manner.	1. <u>Emergency response projects:</u> Year 1 84 Year 2 96 Year 3 108 Time between application and execution (see Annex III-2).	1. SIMAP's MIS records and completion reports.	1. Emergency response projects are easy to design and build, and low-income communities are willing and able to organize substantial local contribution.
2. Amerindian projects are financed and executed in an efficient manner.	2. <u>Amerindian projects:</u> Year 1 48 Year 2 60 Year 3 72 Time between application and execution (see Annex III-2).	2. SIMAP's MIS records and completion reports.	2. Amerindian projects are easy to design and build, and community is willing and able to contribute toward cost and participate in operation and maintenance.
3. Social infrastructure projects are financed and executed in an efficient manner.	3. <u>Social infrastructure projects:</u> Year 1 48 Year 2 56 Year 3 60 Time between application and execution (see Annex III-2).	3. SIMAP's MIS records and completion reports.	3. Low-income communities and public agencies are willing to work together in project operation and maintenance. Communities are willing and able to contribute toward project costs.
4. Institutional strengthening at communities and at SIMAP is implemented.	4.1 Training courses are completed. 4.2 MIS is operating on line, all required workstations are functional.	4. SIMAP's records and disbursement schedules	4. Communities are open to receiving training and assistance. SIMAP employees are receptive to training.
INPUTS			
1. Administration	1. US\$1.750 million used for 1,176 person-months, and to cover regular operating expenses.	1. SIMAP's accounting records	For all inputs, SIMAP will keep updated records and will be available on a timely basis. Yearly review meetings will take place consistently.
2. Project financing	2. US\$16.2 million, to finance 632 projects.	2. SIMAP's records, MIS and accounting	
3. Institutional strengthening	3. US\$200,000 to finance training and evaluation of selected program components.	3. SIMAP's records	
4. Other costs	4. US\$227,000, to be used as contingency fund.	4. SIMAP's records.	

PROPOSED RESOLUTION

GUYANA. LOAN /SF-GY TO THE COOPERATIVE REPUBLIC OF GUYANA
Social Impact Amelioration Program (SIMAP) - Stage II

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such Representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Cooperative Republic of Guyana as Borrower, for the purpose of granting it a financing to cooperate in the execution of a Social Impact Amelioration Program (SIMAP) - Stage II. Such financing will be for the amount of up to US\$17,000,000, or its equivalent in other currencies, except that of the Cooperative Republic of Guyana, which are part of the Fund for Special Operations of the Bank, and will be subject to the "Special Contractual Conditions" and the "Terms and Financial Conditions" of the Executive Summary of the Loan Proposal.