

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

GUYANA

**PROGRAM TO STRENGTHEN PUBLIC POLICY AND FISCAL MANAGEMENT IN
RESPONSE TO THE HEALTH AND ECONOMIC CRISIS CAUSED BY COVID-19
IN GUYANA II**

(GY-L1083)

LOAN PROPOSAL

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ABBREVIATIONS	
CCB	Country Department Caribbean
COVID-19	Coronavirus Disease 2019
CRSAP	The Climate Resilience Strategy and Action Plan
CRF	Corporate Results Framework
DEM	Development Effectiveness Matrix
EA	Executing Agency
ECG	Evaluation Cooperation Group
EFT	Electronic Funds Transfer
FFF	Flexible Financing Facility
eGP	Electronic Government Procurement
GDP	Gross Domestic Product
GLDA	Guyana Livestock Development Authority
GPL	Guyana Power and Light Inc.
GRA	Guyana Revenue Authority
GTT	Guyana Telephone and Telegraph
GWI	Guyana Water Inc.
ICTU	Information Communication Technology Unit
ICU	Intensive Care Unit
IDB	Inter-American Development Bank
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
LCDS	Low Carbon Development Strategy
MOF	Ministry of Finance of Guyana
MoPH	Ministry of Public Health
MSEs	Micro and Small Enterprises
MSSC	Multi-Stakeholder Steering Committee
NCTF	National COVID-19 Task Force
NPTA	National Procurement and Tender Administration
NRF	Natural Resource Fund
OECD	Organization for Economic Co-operation and Development
OC	Ordinary Capital
OVE	Office of Evaluation and Oversight
O&G	Oil and Gas Sector
PAYE	Pay As You Earn
PBL	Policy-Based Loan
PBP	Programmatic Policy-Based Loan
PCR	Polymerase Chain Reaction
PEFA	Public Expenditure and Financial Accountability
PIM	Public Investment Management
PIMA	Public Investment Management Assessment
PPE	Personal Protective Equipment
P&RP	COVID-19 Preparedness and Response Plan
SARS-CoV-2	Severe Acute Respiratory Syndrome Coronavirus
SBB	Small Business Bureau
VAT	Value-Added Tax
WAL	Original Weighted Average Life
WB	World Bank
WEO	World Economic Outlook
WHO	World Health Organization

PROJECT SUMMARY
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Financial Terms and Conditions				
Borrower			Flexible Financing Facility ^(a)	
Cooperative Republic of Guyana			Amortization Period:	20 Years
Executing Agency			Disbursement Period:	1 year
Ministry of Finance (MOF)			Grace Period:	5.5 Years ^(b)
Source	Amount (US\$)	%	Interest rate:	SOFR Based
IDB (Ordinary Capital):	130 million	100	Credit Fee:	^(c)
			Inspection and supervision fee:	^(c)
Total:	130 million	100	Weighted Average Life (WAL):	12.75 Years
			Currency of Approval:	Dollars of the United States of America
Project at a Glance				
<p>Project Objective/Description: The general objective of the program is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by Coronavirus Disease 2019 (COVID-19), through the design and implementation of effective and fiscally responsible policy measures. The specific objectives of the program are: (i) to promote the availability and timely execution of public resources to respond to the effects of the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; (iii) to support the effective and continuous provision of essential goods and services through public policy and management measures; and (iv) to promote economic and fiscal recovery in the post-pandemic period.</p> <p>This operation is the second and last in a series of two Programmatic Policy-Based Loan (PBP) that are contractually independent but technically linked, with the deferred drawdown option, as per document “Policy Based Loans: Guidelines for Preparation and Implementation” (CS-3633-2).</p>				
<p>Special contractual condition prior to the first and sole disbursement of the second PBP: The first and sole disbursement of loan resources will be subject to the borrower’s fulfilment of the policy reform conditions in the Policy Matrix (Annex II), the Policy Letter, and any other conditions outlined in the corresponding loan contract (¶3.3).</p>				
<p>Exceptions to Bank Policies: None.</p>				
Strategic Alignment				
Challenges ^(d) :	SI <input checked="" type="checkbox"/>		PI <input type="checkbox"/>	EI <input type="checkbox"/>
Cross-Cutting Issues ^(e) :	GE <input checked="" type="checkbox"/>	and DI <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/> and ES <input type="checkbox"/>	IC <input checked="" type="checkbox"/>

^(a) Under the Flexible Financing Facility (FN-655-1), the borrower has the option to request modifications to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. In considering such requests, the Bank will take into account operational and risk management considerations.

^(b) Under the flexible repayment options of the Flexible Financing Facility (FFF), changes in the grace period are possible as long as the Original Weighted Average Life (WAL) and the last payment date, as documented in the loan agreement, are not exceeded.

^(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the Bank's lending charges, in accordance with the relevant policies.

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed and justification

- 1.1 This is the second of a series of two operations under the Programmatic Policy Based Loan (PBP) framework. The “Program to Strengthen Public Policy and Fiscal Management in Response to the Health and Economic Crisis Caused by COVID-19 in Guyana” ([5201/BL-GY](#) for US\$34 million) was approved in 2020 and focused on supporting policy measures undertaken during the COVID-19 pandemic period that promoted the availability and efficient execution of resources during the emergency, supported household income and business liquidity and began to define an economic and fiscal plan for recovery.
- 1.2 This second operation continues to support the Government of Guyana to ensure the availability and timely execution of resources to contain new waves of the pandemic and to promote economic and fiscal recovery in the medium term by implementing policies that enable a return to growth with equity and fiscal sustainability.

1. Macroeconomic context

- 1.3 **Macroeconomic and social context.** Guyana is a small, resource-rich economy, which sustained positive economic growth for over a decade. Guyana’s population is approximately 789,000 with Gross Domestic Product (GDP) per capita booming to US\$9,400 in 2021 following the start of oil production. This places Guyana 10th out of 26 countries in Latin America and the Caribbean (LAC), a significant improvement compared to GDP per capita in 2010, recorded at US\$3,800 and placed 20th in the region (International Monetary Fund (IMF) - World Economic Outlook (WEO) 10/2021).
- 1.4 In 2021, GDP grew by 19.9%, after growing by 43.5% in 2020, which was the first full year of oil production. Regarding the non-oil economy, it contracted by 7.3% in 2020 and then grew by 4.6% in 2021, even though heavy rain in May and June significantly impacted economic activity. In 2022, GDP is expected to grow significantly again due to the addition of a second oil production vessel expected for the first quarter of 2022. GDP is expected to grow by 47.5% in 2022, while the non-oil economy is projected to grow by 7.7%. With the introduction of oil production, the new economy has rebalanced as follows: Oil and Gas Sector (O&G) represents 44.7% of GDP in 2021, followed by services at 23.7% (down from 40%), agriculture at 14% (down from 25%), and gold production at 5.2% (down from 11%) (Budget Speech, 2022).
- 1.5 Formal poverty rates have not been measured recently. The last official measures indicate the poverty rate declined from 43.2% in 1992 to 36.1% in 2006. These measures were based on a poverty line of approximately US\$1.90 per day (Ministry of Finance, 2011). More recently, the poverty rate was estimated at 41.2%, using a poverty line of US\$5.50 per day with data from the Guyana Labour Force Survey of 2017. Although this suggests declining levels of poverty, the poverty rate in Guyana exceeded the Latin American and Country Department

Caribbean (CCB) regional averages of 26.5% and 25.2%, respectively (Beuermann and Schwartz, 2018).

- 1.6 As the pandemic significantly impacted the non-oil economy as outlined above, unemployment rates were higher in 2021. Unemployment rates increased from an average of 13.5% in 2019 to 15.2% for the first three quarters of 2021.¹ Employment loss disproportionately affected women since the unemployment rate of men increased from an average of 12.5% in 2019 to 13.1% in 2021 (Q1-Q3) while the unemployment rate of women increased from 15.1% to 18.3% over the same period (Bureau of Statistics, Guyana Labour Force Survey, 2021).
- 1.7 On the fiscal side, public finances had remained stable in the years before the pandemic with the fiscal deficit averaging 2.6% of GDP between 2015-2019 and public debt at 43.9% of GDP in 2019 (decreasing from a peak of 105% of GDP in 2002). The dynamic of falling revenues and growing expenditures (in terms of GDP) observed during the current pandemic contributed to a fiscal deficit of 8.0% of GDP in 2020 and an estimated deficit of 7.2% in 2021. Total revenues contracted by 6.1%, as the pandemic had a negative impact on tax collection (3.4% decrease), while total expenditure grew by 14.5% in 2020 and public debt increased to 51.4% of GDP. Estimates for 2021 show revenue and expenditure figures of 19.8% and 27% of GDP, respectively, with public debt falling to 38.7% of GDP (Table 1).
- 1.8 In the medium-term, it is projected that new incoming oil revenues² will be channeled to the Natural Resource Fund (NRF) to be held abroad and only a share of these revenues are expected to be transferred to the budget on an annual basis. As a result of this revenue stream, the fiscal balance is expected to return to a balanced budget, with an estimated fiscal deficit of 0.6% of GDP for the period 2022-2026.

Table 1. Selected macroeconomic indicators³

	2017	2018	2019	2020	2021	2022 (Est)
Real GDP growth (% change)	3.7	4.4	5.4	43.5	19.9	47.5
Inflation % (end of year)	1.5	1.6	2.1	0.9	3.4	2.8
(% of GDP)						
Total revenue	23.2	25.0	25.6	22.7	19.8	18.7
Total expenditure	26.5	27.8	28.4	30.7	27.0	20.8
Fiscal balance	-3.3	-2.9	-2.8	-8.0	-7.2	-2.1
Public sector debt	43.2	47.4	43.9	51.4	38.7	36.2
Current account balance	-4.9	-29.0	-54.4	-14.5	-16.8	13.8

2. The COVID-19 pandemic and the health crisis

- 1.9 The Severe Acute Respiratory Syndrome Coronavirus² (SARS-CoV-2), which causes COVID-19, was detected in China in late 2019 and quickly spread around

¹ The Guyana Labour Force Survey was conducted in 2020 Q1 and interrupted the rest of the year due to the pandemic and was resumed in 2021 Q1.

² Government oil revenues from the Liza 1 well are projected to rise to US\$872 million in 2026 after cost recovery, has been exhausted.

³ Source: IMF - WEO (10/2021) and MOF - Budget Speech 2022.

the world. On March 11, 2020, the World Health Organization (WHO) declared the disease a pandemic. As of June 20, 2022, globally there have been 536,590,224 confirmed cases of COVID-19 and 6,316,655 deaths, according to the WHO. As of June 21, 2022, a total of 11,912,594,538 vaccine doses have been administered globally.⁴ While the spread of SARS-CoV-2 in LAC began later than in Asia and Europe, the number of cases in the region grew rapidly. As of June 21, 2022, the number of confirmed infections in LAC was 69,110,316, with a death toll of 1,692,228.⁵ In Guyana, as of June 20, 2022, the number of COVID-19 cases were 66,129 with 1,244 deaths.⁶

- 1.10 The Government of Guyana's health response was based on the COVID-19 Prevention and Control Plan, which outlined alert and pandemic phases, as well as the actions to be taken in each of the following five strategic areas: (i) planning and coordination; (ii) situation monitoring and assessment; (iii) prevention and containment; (iv) health system response; and (v) communication. Upon confirmation of Guyana's first case in March 2020, Guyana took a series of measures aimed at controlling the spread of the pandemic, among them borders were closed, schools and educational centres were shut, international airports were closed, large gatherings and assemblies were banned, a "stay at home" order was stated, and a mandatory curfew was established, reducing all activities considered non-essential. Additionally, on March 18, 2020, the President enacted a National Public Health Ordinance, asserting that COVID-19 constitutes an emergency that threatens national security and granting comprehensive powers to government, particularly the Ministry of Public Health (MoPH), to take the necessary measures to control the pandemic.
- 1.11 COVID-19 and its multiple variants are highly contagious. Since 2020, the high infection rates have caused sudden spikes in cases and in some countries and regions led to the collapse of healthcare systems given sick patients require specialized medical care.⁷ Vaccines and social distancing have been considered essential measures in the public health response, as they slow COVID-19.^{8, 9, 10}
- 1.12 The development of vaccines and the rollout of vaccination programmes has helped to contain the pandemic around the world. Vaccines can lower the risk of getting and spreading the virus that causes COVID-19 and can also help to prevent serious illness and death. However, there is still an important gap in the vaccination

⁴ [WHO, 2022.](#)

⁵ [IDB-Division of Health and Social Protection, based on European CDC data.](#)

⁶ [WHO Guyana COVID-19 dashboard](#) (Accessed June 21, 2022).

⁷ Briones-Claudett KH, Murillo Vásquez RA, Rivera Salas C del R, et al. Management of COVID-19 at the pandemic's first wave in Ecuador. SAGE Open Medical Case Reports. January 2021; Neyra-León, Jesús et al. "The impact of COVID-19 in the healthcare workforce in Peru." Journal of public health policy vol. 42,1 (2021).

⁸ Social distancing measures are very important when private decisions do not factor in the cost of not containing the contagion, although by restricting work and consumption, they deepen the economic crisis and increase the relevance of governments' fiscal performance. Eichenbaum et al. (2020) show that the value of lives saved can be greater than the economic cost of an effective and temporary distancing policy. M.S. Eichenbaum, S.Rebelo, and M. Trabandt. (2020). The Macroeconomics of Epidemics (No. w26882). National Bureau of Economic Research.

⁹ [J. Hellewell, S. Abbott, A. Gimma, N.I. Bosse, C.I. Jarvis, T.W. Russell, et al. \(2020\); T. Day, A. Park, N. Madras, A. Gumel, and J. Wu \(2006\); N. Ferguson, D. Cummings, C. Fraser, J.C. Cajka, P.C. Cooley, and D.S. Burke \(2006\); A. Dénes and A. Gumel \(2019\);](#) and Imperial College (2020).

¹⁰ Social Sector (SCL) (2020).

efforts in some regions and infection figures continue to increase in many parts of the world. In the case of Guyana, by June 17, 2022, a total of 913,682 vaccine doses have been administered.¹¹ Guyana has vaccinated over 82% of the adult population with at least one dose, while over 60% of the adult population is fully vaccinated.¹² The country is currently reporting 82 new infections on average each day, 8% of the peak.¹³

3. Public policy and fiscal management challenges during health crises

- 1.13 Public policy and fiscal management play a central role, ensuring availability, transparency and timely execution of resources. Good practices during emergencies highlight the importance of having strong institutions, policies, processes, and information systems that are efficient, reliable, transparent and encourage accountability. Nevertheless, in previous health crises (such as H1N1/9 Virus and Zika), fiscal management institutions and systems (particularly public procurement)¹⁴ had weaknesses and became bottlenecks, which reduced the public sector's response capacity in crucial areas by impacting the ability to deliver crucial health related supplies in a timely manner.¹⁵
- 1.14 In Guyana, the first operation ([5201/BL-GY](#)) supported the following policies regarding the availability of financial and material resources: (i) establishment of the National COVID-19 Task Force (NCTF) to enable interagency planning and coordination of pandemic preparedness and response actions; (ii) development and approval of the COVID-19 Preparedness and Response Plan (P&RP) that covers prevention, preparation and response; and (iii) design and establishment of a webpage providing critical information relating to COVID-19 (health and non-health responses) to target messaging to the population most vulnerable to the COVID-19 pandemic. Additionally, the policy measures to support the timely execution of public resources are: (i) issue a directive to ensure necessary budgetary resources to undertake emergency measures related to the pandemic; (ii) use of the Electronic Funds Transfer (EFT) system to pay health sector workers; (iii) establish a record of expenditure made for emergency from the Consolidated Fund to promote transparency; and (iv) remove the Value-Added Tax (VAT) on importation of COVID-19 related medical supplies.
- 1.15 As a result of these measures, financial and material resources were available to respond to the COVID-19 crisis, including an annual percentage change in the budget allocated to the health sector of 44% and 15% of health sector workers were paid using the EFT system, greater transparency as expenditure made for the emergency was recorded and the VAT on importation of COVID-19 related medical supplies was provided.
- 1.16 The arrival of the COVID-19 pandemic brought major challenges to: (i) the lack of budgetary and financial resources to respond to the crisis; (ii) the unavailability of funds for service delivery units and for timely disbursements, with due regard to

¹¹ [WHO Guyana COVID-19 dashboard](#) (Accessed June 21, 2022).

¹² [Guyana 2022 Budget Speech.](#)

¹³ [Reuters COVID-19 Tracker.](#)

¹⁴ [Corruption and Covid-19: Challenges in Crisis Response and Recovery](#) (United Nations).

¹⁵ [Delays in Global Disease Outbreak Responses: Lessons from H1N1, Ebola, and Zika](#) (Steven J Hoffman, Sarah L Silverberg).

controls; (iii) the lack of transparency in the use of resources deployed as part of crisis response and reporting; and (iv) problems with business continuity in the face of large-scale staff shortages.

- 1.17 One of the areas where the introduction of changes in applicable regulations is vital for crisis response is in public procurement systems. The response of countries affected by the Pandemic H1N1/09 Virus (Influenza A) in 2009 underscored the need to guarantee that administrative processes facilitate, and do not impede, the flow of public resources to the health sector.¹⁶ Immediate access to resources during a crisis is crucial to saving lives. However, traditional procurement processes in the LAC public sector, such as competitive bidding, can take between 20 and 135 days to reach the contract award stage.¹⁷ To encourage greater efficiency and transparency in public procurement processes during a crisis, examples of good practices include:¹⁸ (i) introducing guidelines for the use of expedited procedures for emergency procurement;¹⁹ (ii) identifying and introducing policies to unblock bottlenecks in the procurement system; and (iii) regulating the most appropriate procurement procedures for key purchases, including centralized procurement mechanisms.
- 1.18 A thorough analysis of goods and services critical for dealing with the health crisis is important to introduce policies that prevent shortages in that regard. Supply chains must be analysed, identifying reliable certified suppliers, authorized economic operators and alternative supply mechanisms. In countries where critical goods are mostly imported, streamlined customs procedures should be introduced. A reduction in tariffs and nontariff barriers may also be appropriate when importing such key goods to decrease the cost of these products, thereby contributing to the management of the crisis.
- 1.19 Lastly, given the restrictions imposed in connection with the health crisis, it was essential to adopt policy changes and introduce new procedures to ensure continuity in public services remotely. In terms of transparency, a good practice is the creation of websites to centralize information on the health crisis and local pandemic monitoring, as well as the development of digital tools for the State to communicate with citizens.
- 1.20 In Guyana, the latest Public Expenditure and Financial Accountability (PEFA) Assessment in 2019 found areas with important weaknesses and potential for improvement in public financial management, including aspects of risk management, multi-year budgeting and financial reporting. Weak procurement practices in Guyana are reflected in the low score (D) in the procurement indicator, which examines key aspects of procurement management including transparency of arrangements, open and competitive procedures, monitoring of procurement results and access to appeal and redress arrangements.²⁰ The public procurement law in Guyana from 2003, while ground breaking for its time as one of the first stand-alone public procurement laws in the Caribbean, it needs to be updated to

¹⁶ D. Hurst and S. Shapre (2017).

¹⁷ IDB (2016). Public Procurement in LAC and IDB financed Projects.

¹⁸ The National Association of County and City Health Officials (2013).

¹⁹ These types of procedures include the use of exceptional, faster procurement methods, such as single-source selection.

²⁰ PEFA 2019.

be in line with international best practices. Key areas that were recommended to be addressed include widening the scope of the legislation to include mandatory registration of bidders and the publication of procurement plans.²¹ These elements will be key to strengthen the public procurement system in the country and ensure financial discipline.

- 1.21 Since the 2019 PEFA that was carried out in the country, the PEFA Secretariat has developed a climate change module that provides an assessment of how a country's laws and regulations, institutions, systems, procedures and processes contribute to the implementation of climate change activities throughout the budget cycle. Having a climate change module implemented that encompasses the public financial management cycle would enable the government to have climate-informed macroeconomic analysis and planning, revenue, public investment, procurement, and expenditure management, critical to meeting the challenges of climate change. To that regard, the country is developing a PEFA Action Plan that will include the review of the climate change module as an activity.
- 1.22 For this second operation, the focus will be on increasing the allocation of resources to the health sector, to continue managing the health consequences of the pandemic, as well as strengthening the capacity of health services to contain potential surges derived from new variants of the virus.

4. The pandemic and its effects on household and business income

- 1.23 As anticipated before the pandemic, social distancing measures, necessary during the health crisis to save lives, had a negative impact on economic activity. To alleviate these issues, the Government of Guyana implemented the following measures: (i) extend the April 30 deadline for the filing of tax returns to 30 September 2020; (ii) suspend disconnection of services for late payment by Guyana Water Inc. (GWI); and (iii) suspend disconnection of services for late payment by Guyana Power and Light Inc. (GPL). In addition, the policy measures for increasing liquidity for businesses include: (i) establish a program from the Small Business Bureau (SBB) approving provision of grants to Micro and Small Enterprises (MSEs) to sustain operations, retain employees; (ii) defer payment of corporate and individual advance taxes and Pay As You Earn (PAYE) for businesses affected until June 30, 2020; and (iii) enable all affected businesses to pay advance taxes on the current year basis for the Year of Assessment 2021 (Year of Income 2020). These temporary policy measures helped protect the income of vulnerable households during the health crisis, preventing the disconnection of key services such as water and electricity and enabling small businesses to continue remain solvent.
- 1.24 Social distancing measures and other restrictions, necessary during the health crisis to save lives, led to higher unemployment and loss of household income due to the decrease in economic activities in key sectors such as the hospitality sector and the services industry. Unlike developed countries, which have consolidated social security systems, in LAC these systems are inadequate and inefficient partly due to the high levels of informal labour. Before the COVID-19 pandemic struck, the

²¹ Strengthening Guyana's Public Procurement Framework. IDB Report, October 2018.

informal sector in LAC was estimated to account for around 58%²² of the workforce (some 150 million workers)²³. This high degree of labour informality is heavily concentrated among poor and low-income households. Due to shortcomings in social security programs in LAC, the region's households depend on social protection programs other than the social security programs typically only available to formal workers to sustain their incomes in the face of labor shocks. In times of widespread crisis, existing social protection programs become overwhelmed, which is why governments tend to introduce new fiscal policies to meet the greater household support needs. Emergency plans in key sectors are also important to guarantee continuity in the delivery of public services, such as water, sanitation and electricity.²⁴

- 1.25 An effective policy protecting household income during crises is to support the businesses where the individuals from those households' work, as a way of preventing widespread job losses and bankruptcies. While the economic crisis caused by COVID-19 tends to affect most of the economy, some sectors are harder hit than others, including tourism, recreation and food services, caused by the powerful impact that social distancing and isolation measures have on them.
- 1.26 In Guyana, informal workers are estimated to account for about 48% of the total labor force. As in other countries, workers in the tourism, accommodation, food service, retail and wholesale sector are expected to be among the most affected by the pandemic. The COVID-19 outbreak is also impacting formal workers and other vulnerable groups. The latest socioeconomic survey carried out by the Bank²⁵ revealed that, among respondents, the percentage of households earning less than the minimum wage increased from approximately 13% in January 2020 to 45% in April 2020. These reductions were maintained across all income levels though those in lower income groups were affected the most. Additionally, 60% of households earning less than the minimum wage suffered job losses while around 16% of those in the highest income group reported suffering job losses. Finally, women are also exposed to the risk of domestic violence given the context of stress and confinement. Given this context, the government has implemented some measures to support household income during the pandemic, including tax measures and guarantee continuity in the delivery of some public services.
- 1.27 In terms of business income, the sharp fall in sales creates liquidity problems, in many cases exacerbated by the destruction of the payment chain. These liquidity problems tend to affect micro, small and medium sized enterprises more acutely given their limited access to financing. In LAC, this liquidity problem may be more severe than in developed countries considering the high rates of informal business, which makes access to financing difficult. Small and Medium-Enterprises (SMEs) comprise 99.5% of firms in the LAC region and generate 60% of formal productive employment.²⁶ The latest available data indicate that there are over 10 million MSEs (with 50 or fewer employees). These businesses employ 47% of

²² [IDB, 2021.](#)

²³ [IDB, 2021.](#)

²⁴ The Bank is supporting social protection programs through an investment loan, which is under preparation.

²⁵ An online survey was implemented in April 2020, with about 1,700 respondent households.

²⁶ [OECD, 2019.](#)

the region's workforce. In the case of Guyana, most businesses are SMEs.²⁷ It is estimated that 85% of businesses are SMEs²⁸ contributing to around 28% of GDP.²⁹

- 1.28 Prior to COVID-19, the private sector in Guyana already faced various challenges, including small market size, access to and high cost of electricity, an inadequately educated workforce, crime and violence, inefficiency of domestic markets and access to and cost of financing, among others. This is particularly the case for SMEs, which are more likely to have limited access to financing, face a high cost of borrowing, inadequate advisory services, business training and management capacity. The government has established policy changes that would also provide relief to the private sector, particularly small businesses, including a program of grants to MSEs and tax measures. For the second operation, the temporary measures were reversed as planned, as they are no longer relevant to the current stage of COVID-19.

5. Public policy and income protection

- 1.29 Public policy and fiscal management can play a crucial role in economic crises such as the one caused by COVID-19, protecting household income during the restrictions and social distancing period and supporting the survival of businesses to keep jobs safe. Proper fiscal policy design and implementation for these purposes during the pandemic presents significant challenges. In order to maximize intervention efficiency, the fiscal measures introduced must benefit those individuals and sectors that need it most, when they need it most. With respect to the issue of selecting beneficiaries for both tax benefits and subsidies, targeting difficulties arise mainly due to the absence or lack of reliability of integrated systems containing information about individuals, owing to the fact that such systems generally contain partial, often outdated information, particularly in the case of individuals in informal labour situations. This incomplete information leads to both intentional and unintentional targeting errors, reducing efficiency in the use of public resources. To address this challenge, public policy design must focus on better public financial management and procurement systems to manage these public resources, to increase accountability of executing agencies and reduce room for misuse.
- 1.30 To that regard, the government implemented the following measures during the first operation: (i) establish mechanisms to streamline and centralize the procurement of goods and services related to the pandemic; (ii) approve administrative measures to mitigate price gouging and supply chain disruptions in public procurement of goods and services related to the pandemic; (iii) action plan for Electronic Government Procurement (eGP) approved by the Ministry of Finance of Guyana (MOF); and (iv) develop business continuity plan for public financial management, approved including measures related to the Integrated Financial Management Information System (IFMIS). These policy and management measures resulted in the country being able to provide essential goods and services during the pandemic.

²⁷ [IDB, 2018](#).

²⁸ IDB. Productivity, Technology, Innovation Survey (2014).

²⁹ Guyana: An enterprise development diagnostic (1998).

- 1.31 As a result of these measures, the income of vulnerable households was protected and the liquidity for businesses increased during the health and economic crisis, including 74% of taxpayers who benefited from the extension of the deadline to file tax returns from April 30 to September 30, 2020; 19% of businesses that benefited from the deferral of corporate advance tax payments until June 30, 2020 and 20% of MSEs benefited by the Small Business Bureau (SBB) grants programme to sustain operations and retain employees.
- 1.32 Fiscal policies that support households are also usually difficult to reverse, especially if the benefit duration is prolonged. This is because individuals begin to consider such benefits as acquired rights, which raises the political cost of withdrawing them. One of the main lessons of the fiscal policy response in LAC to the 2009 global financial crisis was that various programs introduced during the crisis to mitigate its effects ended up becoming permanent programs that were not reversed once the economic shock had subsided. This ended up eroding fiscal fundamentals in the medium term. Thus, to encourage efficient use of public resources, time bound provisions were considered in household and business support policies from the outset so that the policies did not become recurrent costs.

6. The economy and public finance during recovery from the pandemic

- 1.33 The pandemic has taken a heavy toll on countries' economies and public finances. Guyana has not been an exception as the COVID-19 crisis negatively affected the living standards of nearly all people. In April of 2020, the Bank conducted an online survey of 1,691 households to measure the socioeconomic effects of the COVID-19 crisis.³⁰ This revealed that 71.6% of the households reported an income loss. The percentage of households with total income under the minimum wage increased from 13.9% in January 2020 to 44.7% in April 2020. The employment³¹ Vulnerable groups include low-income families,³² the elderly (the most vulnerable to the health consequences of COVID-19) and individuals with disabilities (for whom social isolation can imply the loss of care services in addition to income).³³
- 1.34 To address this issue and support economic and fiscal recovery, the first operation ([5201/BL-GY](#)) focused on a series of measures designed to provide short-term flexibility while reinforcing medium-term economic growth and fiscal sustainability following measures: (i) establish Task Force that will address recovery; (ii) enactment of Telecommunications Act;³⁴ (iii) approval of the Appropriation Act and Estimates for Revenue and Expenditure for Budget 2020; and (iv) publication of Budget Speech which includes Economic Recovery measures. These measures were key for economic recovery. As a result of these measures from the first operation, 85% of the recovery measures in the Guyana COVID-19 National Action

³⁰ The survey was conducted online for a period of two weeks. IDB-DT-45. IDB.

³¹ See Garavito et al. (2020). "The Caribbean Crisis: Results from an Online Socioeconomic Crisis". IDB.

³² Persons with disabilities have high risk of mortality, morbidity, and poverty in the face of COVID-19. See: IDB, 2020. Key measures to face the impacts of COVID-19 on people with disabilities: differences approach in times of pandemic.

³³ Persons with disabilities have high risk of mortality, morbidity, and poverty in the face of COVID-19. See: IDB, 2020. Key measures to face the impacts of COVID-19 on people with disabilities: differences approach in times of pandemic.

³⁴ This ended the 31-year monopoly held by Guyana Telephone and Telegraph (GTT), setting a framework for competition across all segments of the telecommunications sector in Guyana.

Plan were achieved, including maintenance of surveillance, availability of testing capacity, vaccination campaign, availability of medications and continued health awareness.

- 1.35 Given the severe impact of the COVID-19 health crisis on economic activity, the post pandemic period will require structural reforms to rebuild the economy and sustain fiscal performance. Government revenues decreased from 23.2% to 19.8% of GDP between 2017 and 2021. Total expenditure rose from 26.5% to 27.0% of GDP during the same period, decreasing the fiscal balance (Table 1). The COVID-19 pandemic created short-term pressures on the country's fiscal position, with an increase of the fiscal deficit to 7.2% of GDP in 2021.³⁵ However, Guyana's public finances are expected to strengthen in the future, as oil-related revenues are projected to become the largest source of income for the government in the medium term, equaling the government's current budget by 2024. This development will contribute to easing public finance pressures but must be accompanied by improved fiscal planning and a strengthened medium-term fiscal framework. To that regard, Guyana is currently carrying out a medium-term fiscal framework internally where projections of fiscal aggregates are proposed; however, it is necessary to advance the design of the strategy and analyze fiscal risks.
- 1.36 In the case of public investment, the 2018 Public Investment Management Assessment (PIMA) carried out by the IMF in collaboration with the IDB and World Bank, found that Guyana's Public Investment Management (PIM) system has weaknesses in the areas of planning, budgeting, appraisal, selection, procurement and implementation of capital projects. The assessment found that Guyana's PIM system is 1.5 times less efficient than in comparator countries.³⁶ In the area of telecommunications, Guyana is behind the region, with 8.3 broadband subscriptions per 100 population compared to 12.7 average in the Caribbean and 19.3 in Latin America, well below the Organization for Economic Co-operation and Development (OECD) average of 31.4 in 2018. In terms of mobile subscriptions per 100 population, Guyana had 14.9 in 2019, compared to 23.8 average in the Caribbean.³⁷
- 1.37 The post-pandemic period requires policies to enhance a sustainable fiscal path, manage oil-revenues and use public resources efficiently. Particularly important will be strengthening macro fiscal policy and debt management and building public investment institutions.³⁸ This is especially important to build fiscal buffers that make it possible to mitigate economic fluctuations. In addition, given the gender gap in economic participation and opportunity in Guyana,³⁹ tracking expenditure

³⁵ MF - WEO (10/2021) and MOF - Budget Speech 2022.

³⁶ IMF, Public Investment 2017.

³⁷ IDB. Caribbean Quarterly Economic Bulletin: Volume 10: Issue January 3, 2022: Digital Infrastructure and Development in the Caribbean. January 2022.

³⁸ The new investment framework will address all those areas.

³⁹ According to the [World Economic Forum's](#) 2021 Global Gender Gap Index Report, Guyana ranks 105th out of 156 countries in terms of gender parity in economic participation and opportunity and specifically in terms of labor participation rate, it ranks 117th, with a participation rate of 46.4% for women compared to 70.7% for men.

for gender is a priority and Guyana has insufficient good quality sex-disaggregated data to address gender inequalities.⁴⁰

- 1.38 The objective of the debt policy is to strengthen Guyana's macroeconomic framework, allowing it to transition from concessional to more market-based sovereign loans mechanisms. This would allow the country to have access to both official and private financing, important to finance projects that promote growth and close social gaps. Additionally, a debt policy is consistent with the component of promoting the medium-term fiscal framework for the management of sustainable public finances.
- 1.39 Gender budgeting has shown to be effective at ensuring that social benefits are considered in public expenditure decisions. Another key topic in the post-pandemic period will be climate change. Given that fiscal accounts will be weakened, optimizing policy responses to climate change and its associated fiscal risks will be critical (i.e., climate change is increasing the frequency and intensity of natural disasters). In Guyana, 56% of the national population lives in low elevation coastal zones and is exposed to sea-level rise.⁴¹ In that regard, indigenous peoples⁴² in particular are inherently vulnerable to climate change,⁴³ due to dependence on ecosystem services and agriculture and the isolation of major infrastructure and transport networks.⁴⁴ An important step will be to align climate change and fiscal

⁴⁰ [UN Women points out that in December 2020, only 35.2% of indicators needed to monitor the SDGs from a gender perspective were available.](#)

⁴¹ Nagy, G. J. et al., 2019: Climate vulnerability, impacts and adaptation in Central and South America coastal areas. Regional Studies in Marine Science, 29.

⁴² Guyana's indigenous people number 78,492, or 10.51% of the total population, according to the 2012 population census and reside primarily in the rural interior or hinterland, which comprises 92.5% of the country's land mass (BID, 2019). There are nine indigenous tribes settled across the ten administrative regions of Guyana, which are part of the many ethnic groups that make up the people of Guyana. Each tribe has its own cultural identity, language, heritage and traditional economic activities, often integrated with the natural environment. (Climate Resilience Strategy and Action Plan (CRSAP), 2016). Much of Guyana's indigenous population in the interior, given their isolation, faces lack of access to public education. However, due to the scarcity of disaggregated data, the magnitude of the challenges faced by Guyana's Amerindian population is unclear (BID, 2016).

⁴³ The CRSAP identified that climate change will create severe and high magnitude risks for all 15 sectors assessed in Guyana. The severe risks are spread across 13 different sectors and there are four with the combination of catastrophic consequences and near certain probability, one of which is to indigenous peoples (Government of Guyana, 2021). The risks identified for indigenous people are clustered towards the higher magnitude end of the scale; over half the risks identified were deemed serious, with the remainder viewed as high magnitude. The highest magnitude risks for indigenous peoples' communities are linked to decreases in agricultural production due to changes in water resource availability, with consequences for livelihoods food and health. To mitigate these risks the CRSAP identified sectoral resilience objectives and actions and actions to address all the highlighted risks that are relevant now and into the 2030s (Government of Guyana, 2021).

⁴⁴ Many indigenous peoples' communities are found in the forested interior of Guyana, there are an estimated 187 villages, communities or settlements belonging to indigenous peoples. These communities are often in remote locations and concentrated in the hinterland, primarily within regions 1, 2, 7, 8 and 9 and are highly dependent on the provisioning ecosystem services provided by the forest, and on small-scale agriculture, and are highly dependent on the provisioning ecosystem services provided by the forest, which are sensitive to climate change, and are also found along waterways (e.g. Santa Mission, Orealla, Siparuta, Moraikabai, St. Cuthbert's Mission) and on the low coastal plain. Riverine communities are sensitive to increased rainfall, as they are already vulnerable to flooding during rainy seasons. However, in all seasons and time periods, there is uncertainty about rainfall amounts and distribution. Communities located near the coast may be exposed to flood damage related to sea level and storm surge. Sea level is projected to rise in Guyana by up to 26 cm by the 2030s, 43 cm by the 2050s, and 51 cm by the 2070s. Under the maximum storm surge scenario, at least 139,000 hectares of land may be inundated by the 2030s, and at least 140,000 hectares by the 2070s (CRSAP, 2016).

goals, in order to develop a coherent, long-term, and robust policy framework, consistent with the global transition to net zero emission economies that includes policies that support development opportunities for women and indigenous peoples.

- 1.40 This second operation complements the policies of the first operation, as it continues to support the government efforts to ensure the availability and timely execution of resources to manage the health and social challenges caused by new waves of the COVID-19 pandemic, while putting in place policies to promote economic and fiscal recovery in the medium term. For this operation, however, the focus will shift more heavily towards measures supporting medium-term economic growth and fiscal sustainability. For instance, there are measures included that strengthen Guyana's medium-term fiscal planning and support the climate change and the gender and diversity agendas (¶1.61).

1.41 **Bank operational work, technical support in the country and lessons learned.**

The Bank has ample knowledge of fiscal policy and management, which will be used for providing technical advice to guide the implementation of the country's reform program. The Bank's intervention brings additionality to this operation, given its continued and ongoing support to fiscal reform in Guyana. Through a strong technical assistance program, for over a decade, the Bank has assisted in the development of building blocks of an effective fiscal framework. For example, the technical assistance program Public Procurement Modernization and Financial management Strengthening ([ATN/OC-14815-GY](#), approved in 2014, for US\$740,000, Client Support) supported the government with activities such as the development of the electronic government procurement action plan, inputs for the update of the procurement legislation and training. The technical assistance program Fiscal Management Modernization ([ATN/OC-15939-GY](#), approved in 2016, for US\$745,000, Client Support) supported capacity building activities for the Guyana Revenue Authority. Finally, [ATN/OC-18478-GY](#) (approved in 2020, for US\$1 million, Operational Support) to support the country in the areas of the policy-based loan, including public procurement, public financial management, public investment.⁴⁵ Since approval, the Technical Cooperation (TC) has supported a number of activities related to the Policy-Based Loan (PBL) measures, particularly in the area of public financial management and public procurement, including training and the conceptual design for electronic government procurement. The IDB Group has supported the region through various types of crises (macroeconomic crises, health crises, and natural disasters) to mitigate their immediate effects and to design reforms for the recovery period.⁴⁶ The lessons learned from these experiences and applied to the design of this operation include: (i) the need for effective coordination with the donor community; (ii) simplification of operation design and approval processes; and (iii) the coordinated use of different financial instruments to support the country. Amid the pandemic, the Bank has already approved 14 operations for US\$2.825 billion, including emergency and

⁴⁵ The Bank participated in the PIMA, carried out by the IMF in 2018 and in the PEFA assessment carried out by the European Union in 2019.

⁴⁶ The Bank's main ex ante financial instrument for natural disasters and climate change is the Contingent Credit Facility (CCF). The Bank provides coverage for approximately US\$3.5 billion to 17 countries in the region for earthquakes, hurricanes and floods, among others. The instrument was also successfully deployed as part of the Bank's response to the COVID-19 emergency, providing coverage to the Dominican Republic, Ecuador, and Guyana for a total of US\$202 million.

fast-disbursing operations for public policy and fiscal management. In the area of fiscal policy and management, this program's design will benefit from lessons learned during the execution and implementation phases, from other operations such as the one that was carried out with the Government of Ecuador that focused on re-establishing macroeconomic stability, restoring fiscal sustainability and safeguarding social spending in support of the vulnerable population Emergency Program for Macroeconomic Sustainability and Prosperity ([4771/OC-EC](#), approved in 2019) as well as the Emergency Program for Macroeconomic Sustainability and Social Protection ([5403/OC-EC](#), approved in 2021), Support for Vulnerable Populations Affected by Coronavirus ([5312/OC-EC](#), approved in 2021), and Social Expenditure Protection and Employment Recovery Support Program - Phase II ([5520/OC-EC](#), approved in 2022).

- 1.42 Similarly, lessons have been gathered from the Macroeconomic Emergency Program to Protect Economic and Social Progress ([4656/OC-BA](#), approved in 2018) in Barbados that supported the government in re-establishing macroeconomic stability and fostering a sustainable fiscal balance in the short and medium term, protecting social spending to safeguard the social progress made.^{47, 48, 49}
- 1.43 **Coordination with other Bank projects.** This program is consistent with the proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (GN-2996), as it forms part of the Bank's support to its borrowing member countries in the adoption of fiscal policies to mitigate the effects of the health crisis and alleviate the economic impacts. The program has significant complementarity and synergy with the Contingent Loan for COVID-19 Public Health Emergency ([5186/BL-GY](#), approved in 2020, for US\$22 million and fully disbursed), Support to Safety Nets for Vulnerable Populations Affected by Coronavirus in Guyana ([5180/BL-GY](#), 5180/BL-GY-1, 5180/BL-GY-2, approved in 2020, for US\$30.4 million, disbursing, 69%) and a loan under preparation to support Health Care Network Strengthening in Guyana.
- 1.44 As part of the Bank's response to the pandemic, the IDB granted non-objection of US\$1.2 million to provision the procurement of medical equipment and personal protective gear via on demand service orders through third party agents that was funded through the Support to Maternal and Child Health Loan ([3779/BL-GY](#), approved in 2016, for US\$8 million) in the portfolio. In addition, Contingent Loan for COVID-19 Public Health Emergency ([5186/BL-GY](#), ¶1.43) was approved to contribute to the country's immediate public health response to the COVID-19 and increase the country's availability and efficiency of financing to cover extraordinary public expenditures related to the COVID-19 emergency. An additional Polymerase Chain Reaction (PCR) machine was purchased for the Guyana Livestock Development Authority (GLDA) as a back-up laboratory, with support from the operation Enhancing the National Quality Infrastructure for Economic Diversification and Trade Promotion ([3824/BL-GY](#),

⁴⁷ The most recent policy reform support programmes include the Programme to Deepen Fiscal Reform in Colombia (4552/OC-CO), the Programme to Support Fiscal Sustainability in Costa Rica (4819/OC-CR), and the Finances for Sustainable Development Programme in Paraguay (4667/OC-PR).

⁴⁸ The most recent support includes the Sustainable Management of the Underground Resources and Associated Infrastructure (4889/OC-EC).

⁴⁹ This function is key, particularly due to the difficulty in balancing short-term emergency needs and long-term fiscal sustainability goals during the transition created by such an event.

approved in 2019, for US\$9 million, disbursing, 25%) and Establishing an Electronic Single Window for Trade ([4659/BL-GY](#), approved in 2018, for US\$6 million, disbursing, 24.42%), which financed the acquisition of Personal Protective Equipment (PPE) in this case masks for custom's personnel. The Bank is also supporting the Ministry of Human Services and Social Security through the Technical Cooperation grant, The Institutional Strengthening of Guyana Social Safety Net ([ATN/JF-16525-GY](#), approved in 2017, for US\$600,000, Client Support).⁵⁰ This set of operations supports the availability, efficient management and rapid deployment of resources to respond to the health emergency, which complement the measures in the PBL that respond to the effects of the health crisis caused by COVID-19.

- 1.45 In the fiscal area, there are two technical assistance programs that support activities related to the operation. In the area of public procurement, Guyana is one of the six countries participating in the Bank's Regional Public Goods program ([ATN/OC-17031-RG](#), approved in 2017, for US\$666,700, Client Support) that supports the strengthening of public procurement in the Caribbean by promoting private sector development and innovation, which will in turn support with economic recovery measures that the government is undertaking. In the case of Guyana, [ATN/OC-17031-RG](#) supported the development of the public procurement legislation, the electronic government procurement action plan and training. The other program ([ATN/OC-18478-GY](#), approved in 2020, for US\$1 million, Operational Support) was approved to support the series and has been supporting key related activities such as the conceptual design for public procurement and training.
- 1.46 **Financial support to respond to the pandemic.** In terms of international financial assistance to address the unprecedented financial demands of COVID-19, the Government of Guyana is seeking financial support from multilateral institutions for a total amount of US\$130 million.
- 1.47 **Coordination with other donors.** The Bank is in continuous communication with the World Bank (WB), the IMF, the Caribbean Development Bank, the European Commission, and the U.S. Agency for International Development and other partners concerning requests for support from Caribbean countries and exploring potential areas for collaboration. In Guyana, development partners, including bilateral donors, meet monthly for a Donor Coordination meeting to discuss and coordinate work in the country and in the response to the current pandemic. During the preparation of this operation, the Bank consulted with the IMF and the WB to share information and coordinate technical and program support in the country: (i) in public financial management; (ii) public investment; (iii) public procurement; and (iv) macro fiscal management, in order to avoid duplication of efforts. Examples of assessments that were carried out in collaboration that underpin the reforms in this PBP series include the 2017 PIMA which was prepared by the IMF in partnership with the IDB and the WB and the 2018 PEFA, which was carried out by the European Union in collaboration with the IDB. During the program's

⁵⁰ The main deliverables are: (i) assessment of alternative payment systems (social protection); (ii) poverty map methodological report; (iii) social protection expenditure review; (iv) social safety net reform strategy; and (v) Guyana institutional and organizational capacity strengthening plan. All of them under review of the new government.

execution, a collaborative process with multilateral and donor entities will be implemented, which will include technical coordination dialogue as well as senior-management meetings of senior staff from donors.

- 1.48 **Pending challenges and gaps.** After this programmatic series ends, it will be necessary to strengthen capacity in the Ministry of Finance and line ministries to successfully implement the policies support by the PBL series. To ensure the sustainability of the reforms, the IDB will continue to provide support through the technical assistance program [ATN/OC-18478-GY](#) (¶1.45) in the areas of public procurement, public financial management and macro-fiscal management. In the case of public procurement for example, a series of trainings on best practices in public procurement and public procurement planning are currently being organized for 2022. Other pending fiscal areas include tax policy and administration and audit.
- 1.49 **Strategic alignment.** The program is consistent with the Second Update to the Institutional Strategy (AB-3190-2) and is aligned with the development challenge of Social Inclusion and Equality, through measures to ensure the maintenance of essential health services to overcome the health crisis. The program is also aligned with the cross-cutting issues corresponding to: (i) Institutional Capacity and Rule of Law since it will strengthen transparency, particularly in the area of public procurement through the conceptual design for electronic government procurement and the updated procurement legislation; (ii) Gender Equality, through measures supporting gender equality through sustainable economic opportunities; (iii) Diversity through measures supporting indigenous peoples through sustainable economic opportunities; and (iv) Climate Change, specifically the IDB Group Climate Change Action Plan 2021-2025 (document GN-2848-9), by supporting electronic systems that will decrease the use of paper, including a commitment in the PEFA action plan to carry out a climate change module and by approving a medium-term fiscal framework (2021-2024) that identifies climate change risks. According to the joint Multilateral Development Banks approach on climate change tracking⁵¹, it is estimated that the project has 19.23% of climate finance due to five policies that will enhance the country's resilience and environmental and climate change governance.
- 1.50 The operation will also contribute to the Corporate Results Framework 2020-2023 (GN-2727-12) through the indicators: (i) beneficiaries receiving health services; (ii) households with improved access to water and sanitation; (iii) households with improved access to energy services; (iv) micro/small/medium enterprises financed; (v) countries with strengthened tax and expenditure policy and management; (vi) agencies with strengthened digital technology and managerial capacity; and (vii) agencies with strengthened transparency and integrity practices.⁵² The program is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (GN-2996). It is also aligned with the Sector Strategy Institutions for Growth and Social Welfare (GN-2587-2) as concerns strengthening public sector management, and it is consistent with the Fiscal Policy and Management Sector Framework Document (GN-2831-8), which highlights the importance of macro-fiscal management and

⁵¹ [2020 Joint MDB Report on Climate Finance](#).

⁵² Seven CRF level indicators have been identified in the Annex I summary. See Annex I.

institutional strengthening to improve public expenditure quality as well as fiscal equity and social inclusion. It is also consistent with the Gender and Diversity Sector Framework Document (GN-2800-8), by supporting the promotion of gender equality and the empowerment of women through sustainable economic opportunities; and the Climate Change Sector Framework Document (GN-2835-8), by supporting electronic systems that will decrease the use of paper and by approving a medium-term fiscal framework (2021-2024) that identifies climate change risks. Additionally, the program is aligned with the IDB's Vision 2025, under the following priority areas: COVID-19 response, particularly as it will strengthen macro-fiscal institutions to limit the impact of the crisis and ensure fiscal sustainability, gender equality and diversity and climate change and digitalization. Lastly, the project aligns with the IDB Group Country Strategy with the Cooperative Republic of Guyana 2017-2021 (document GN-2905), through the objective of strengthen fiscal policies and the framework for management of natural resource revenues.⁵³

B. Objective, components and cost

- 1.51 The general objective of the program is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives of the program are: (i) to promote the availability and timely execution of public resources to respond to the effects of the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; (iii) to support the effective and continuous provision of essential goods and services through public policy and management measures; and (iv) to promote economic and fiscal recovery in the post-pandemic period. The program is organized into the following components:
- 1.52 **Component 1. Macroeconomic stability.** The objective of this component is to ensure that a macroeconomic context consistent with the program objectives as set forth in the Policy Matrix and the sector [Policy Letter](#) is maintained.
- 1.53 **Component 2. Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19.** The objective of this component is to promote the availability and timely execution of financial, material and public resources to respond to the effects of the health crisis caused by COVID-19.
- 1.54 For the second operation, the government will implement measures promoting the availability of financial and material resources, including: (i) publish a report on the NCTF activities and achievements on the website; (ii) implementation of key elements of the plan including a P&RP on supply of PPE, equipment inventory, testing and contact tracing; and (iii) publish a report that compiles practices and lessons learned regarding emergency communications to the population for COVID-19 pandemic.

⁵³ The current strategy is in transition period until November 2022. The new Country Strategy with the Republic of Guyana is expected to be approved in Q4 2022.

- 1.55 In addition, the government will implement measures to support the timely execution of public resources, including: (i) improve resource planning for disaster response by documenting the procedures to access funding in the event of disasters, including those related to climate change; (ii) use of EFT system to pay central government workers; (iii) publish a report, by agency, on expenditure made for the Pandemic from the Consolidated Fund using pandemic code; and (iv) draft administrative circular consistent with existing legislation to allow for contingency purchase planning.
- 1.56 **Component 3. Strengthening public policy and fiscal management to respond to the economic crisis.** The objectives of this component are to strengthen the countercyclical effect of public policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis.
- 1.57 For the second operation, the conditions that are no longer relevant given the current situation of the COVID-19 epidemic will be discontinued as expected, including the following measures for households: (i) reversal of the policy determination regarding the deadline and late filing of tax returns in 2021; (ii) reversal of the policy determination regarding suspension of disconnection policy for late services for GWI; and (iii) reversal of the policy determination regarding suspension of disconnection policy for late services for GPL. In addition, the government will reverse the following measures for businesses: (i) reversal of the policy determination regarding the 6 months moratorium under the Credit Guarantee Programme by the SBB and Republic Bank offered to small businesses ending December 31, 2020; (ii) reversal of the policy determination regarding the deferral of payment of corporate and individual advance taxes and PAYE for businesses in 2021; and (iii) reversal of the policy determination regarding allowing affected businesses to pay advance taxes on the current year basis.
- 1.58 **Component 4. Institution-strengthening for the execution of public spending and delivery of essential services.** The objective of this component is to support the effective and continuous provision of essential goods and services through public policy and management measures.
- 1.59 For the second operation, the government will implement the following policy measures: (i) suspend emergency mechanisms to streamline and centralize the procurement of goods and services;⁵⁴ (ii) publish list of procurement opportunities and contract awards under COVID-19 on the National Procurement and Tender Administration (NPTA) website; (iii) approve conceptual design of eGP; (iv) utilize and verify by internal audit IFMIS commitment functionality; (v) approve Procurement Amendment Act and associated regulations for supplier registry; and (vi) approve of PEFA Action Plan, including a review of the Climate Change Module and attaching the Post Disaster Public Financial Management Assessment.

⁵⁴ This policy measure is being suspended as expected. The emergency measures were put in place in order to enable the government to streamline the acquisition of goods and services needed to address the health crisis (for example the purchase of PPEs). This measure has been suspended, given that it is no longer relevant to the current state of the COVID-19 pandemic.

- 1.60 **Component 5. Economic and fiscal strengthening for the post-pandemic period.** The objective of this component is to promote economic and fiscal recovery in the post-pandemic period.
- 1.61 For the second operation, the government will implement the following measures: (i) implementation of recovery measures included in the Guyana COVID-19 National Action Plan;⁵⁵ (ii) enactment of telecommunications regulations; (iii) approval of medium-term fiscal framework for 2021-2024, including: (a) revenue, expenditure and fiscal balance projections and (b) identification of fiscal risks, including those associated to climate change;⁵⁶ (iv) approval of external debt policy coherent with fiscal framework; (v) approval of the institutional framework for public investment management, including project appraisal, selection criteria and transparency; (vi) strengthen the budget planning process quality by including in budget call circular policy guidelines for data disaggregation by gender; and (vii) measures supporting gender equality⁵⁷ and indigenous peoples, including the development of economic opportunities through support to entrepreneurship, agribusinesses, tourism and manufacturing, sent to national consultation.⁵⁸
- 1.62 **Changes in the conditions agreed for the second operation.** For this second operation in the programmatic series, the majority of the indicative policy conditions identified at the start of the series will remain the same. The condition 2.2 i had additional text added to include a reference to climate change; conditions that were related to addressing the immediate COVID-19 emergency, including 3.1 i, 3.1 ii, 3.1 iii, 3.2 i, 3.2 ii, 3.2 iii and 4.1 i were changed to reflect that they have all been reversed by the government, in accordance with lessons learned and best practices in fiscal and management policy, as they are no longer deemed relevant at this stage of the pandemic; 4.1 v was strengthened to include the approval of regulations to support implementation and ensure sustainability of the measure; 4.1 vi was strengthened to include a reference to climate change; 5.1 iii was updated to include a reference to climate change; 5.1 v related to public investment was clarified to reflect that the measure refers to an investment framework; conditions 5.1 vi regarding the drafting of the petroleum commission bill and 5.1 vii, regarding the update and approval of a new local content policy to

⁵⁵ This measure refers to the subsidiary legislation that were issued including those for: (a) Licensing and Frequency Authorization; (b) Spectrum Management; (c) Universal Access and Universal Service; (d) Pricing; (e) Competition; (f) Interconnection and Access; and (g) Consumer Protection.

⁵⁶ This will include a public investment framework that operationalizes the recommendations from the 2017 PIMA including indications for project appraisal, selection criteria and transparency.

⁵⁷ The LCDS includes among the measures in favor of women, the development of activities and the inclusion of women in decision-making as well as the diversification and expansion of the tourism offer, which creates opportunities for women and rural/remote communities to participate in the economy, and rural/remote communities to participate in the economy. One of the main priorities of the LCDS will be to support women's and other vulnerable groups' businesses and facilitate access to seeds and seed funding for entrepreneurial activities. In addition, access to accurate, timely and accessible information that takes into account the needs of women and girls, children and vulnerable groups, including hinterland communities, will be promoted.

⁵⁸ LCDS will support a program involving Government, civil society, private sector, and indigenous people and local communities in advancing research and development in ecosystem services and functions and is committed to strengthening support for Indigenous communities as they continue the stewardship of their lands and, inter alia, the benefits that accrue from any REDD+ activities from these lands. It also indicates that the designated allocation of 15% of all earnings for Indigenous villages and forest-based communities, earned under a forest carbon financing mechanism, will be administered through a separate mechanism under the management of the Ministry of Finance and advice of the Multi-Stakeholder Steering Committee (MSSC).

increase the participation of the local companies along the value chain of oil and gas sector were removed as it is not possible to assess their full consistency with the Paris Agreement at this time.⁵⁹ To compensate, measures that were previously indicative 2.2 i , 4.1 vi, and 5.1 iii have been strengthened to reflect the inclusion of key climate change actions, laying the foundation for a transition to green and resilient economies; and finally, indicative policy condition 5.1 vii. was enhanced to include measures supporting gender equality and indigenous peoples. A detailed explanation of the changes to the indicative policy matrix is available in the [Comparative Matrix](#). The changes made do not affect the achievement of the development objectives of this operation neither the programmatic series.

C. Key results indicators

- 1.63 The expected program results are included in the Results Matrix (Annex III). The results indicators are: (i) central government workers (including retired workers) paid using the EFT system; (ii) taxpayers who benefited from the extension of the deadline to file tax returns from April 30 to September 30, 2020; (iii) businesses that benefited from the deferral of corporate advance tax payments until June 30, 2020; (iv) measures in the ICTU business continuity plan in support of the IFMIS that have been implemented; and (v) recovery measures prioritized included in the Guyana COVID-19 National Action Plan that have been implemented.
- 1.64 **Economic analysis.** Based on the recommendations by the Office of Evaluation and Oversight (OVE) in its 2011 Evaluability Review of Bank Projects and on the findings of the review of evaluation practices and standards for PBLs conducted by the Evaluation Cooperation Group (ECG), which comprises the independent evaluation offices of the multilateral development banks), as provided for in paragraph 1.3 of document GN-2489-5 Review of the Development Effectiveness Matrix (DEM) for Sovereign Guaranteed and Non-Sovereign Guaranteed Operations), which indicates that an analysis of efficiency in the use of financial resources is unnecessary, it was determined that an economic analysis would not be performed for this type of loan, as reported to the Board of Executive Directors. Accordingly, this loan operation does not include an economic analysis and no such analysis is considered for purposes of measuring the evaluability score in the program's DEM.
- 1.65 **Beneficiaries.** The direct beneficiaries of the second operation in the programmatic series are the citizens of Guyana, particularly those in the most vulnerable sectors, due to the positive social effects of the policy measures intended to increase available resources for responding to the health crisis will support the delivery of better public health services. Additionally, the protection of household income and business liquidity, as well as the measures to reactivate the economy will help reduce the impact of the crisis on the well-being of the country's citizens, particularly low-income individuals. Finally, the government will also

⁵⁹ The Paris Agreement is a legally binding international treaty on climate change adopted by 196 Parties in Paris in 2015 and which entered into force in 2016. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. To achieve this long-term temperature goal, countries aim to reach global peaking of greenhouse gas emissions as soon as possible to achieve a climate neutral world by around mid-century.

benefit from this operation, as it will have more resources available to implement public policies to mitigate the impact of the health and economic crisis.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This operation has been structured as a PBP and is the second and last operation of a programmatic series consisting of two contractually independent but technically linked loans, with the deferred drawdown option,⁶⁰ in line with the guidelines for the preparation and implementation of PBP set forth in document CS-3633-2. The programmatic modality was chosen because: (i) it promotes ongoing policy dialogue between the Bank and the country with the aim of providing continuous support during the pandemic and in the post-pandemic period; (ii) given the uncertainty regarding the length and severity of the crisis caused by the pandemic, this instrument leaves room for adaptation to evolving circumstances and monitoring of the program's scope; and (iii) it facilitates the development, fine-tuning and implementation of economic and fiscal recovery plans, with a view to resuming growth with equity and fiscal sustainability in the post-pandemic period.
- 2.2 **Dimensioning.** The amount of this operation will be US\$130,000,000 from the Bank's Ordinary Capital (OC) resources. The cost of the operation is justified by the public sector's financial needs and has no direct relationship to the cost of the program's reforms, in accordance with document CS-3633-2 paragraph 3.27 (b). Gross financing needs for the country in 2022 are estimated as the sum of debt amortization (US\$111 million) - and the fiscal deficit (US\$446 million)⁶¹ at US\$557 million or 6.13% of GDP.⁶²

B. Environmental and social safeguard risks

- 2.3 The operation supports the development of policies, standards, management tools and other institutional strengthening actions. Therefore, no significant or direct adverse environmental and natural resources impacts are anticipated in the country. For this reason, this operation falls outside the scope the Environmental and Social Policy Framework (ESPF) (GN-2965-23) of the Bank, according to paragraph 4.7 of the ESPF.

C. Fiduciary risk

- 2.4 No fiduciary risks associated with the operation have been identified. The operation's proceeds will go directly to the National Treasury in order to meet the government financing needs. To that end, the Executing Agency (EA) has the necessary financial management tools and supervision systems. The resources

⁶⁰ The original drawdown period will be three years from the date of eligibility for disbursements, with an option for a one-time renewal of another three years.

⁶¹ WEO October 2021.

⁶² MOF Finance Budget 2022.

will be disbursed once the policy measures set forth in the loan contract are fulfilled.

D. Other risks

- 2.5 **Economic and financial environment (Medium-High).** If unexpected external economic shocks such as sudden changes in commodity prices occur, there is a risk that the country's economic growth could be significantly affected, which would have a negative impact on fiscal accounts. This risk is mitigated by the fact that Guyana has a Natural Resource Fund, which contemplates withdrawals to finance national development priorities and emergency financing in the event of the occurrence of a major natural disaster. Also, this risk will be mitigated by establishing a policy dialogue with the government and supporting efforts to strengthen Guyana's macro fiscal framework, including its medium-term fiscal framework, as well as its debt and risk management.
- 2.6 Additionally, there is the risk that there could be uncertainty in global oil demand due to the deployment of alternative technologies and measures to tackle climate change, as well as the global implementation of the Paris Agreement, can negatively affect the development of Guyana's oil sector, which can cause volatility in the fiscal accounts in the short term and negative impacts in the medium and long term. This risk will be mitigated by establishing a dialogue with the government and with the provision of technical assistance to identify such risks and policy options to manage them, especially through mechanisms that make it possible to control persistent fiscal imbalances, such as the medium-term fiscal framework and debt policy management instruments. This risk will also be mitigated by support from technical assistance programs under implementation in the areas of sustainable development of the energy sector and to continue the dialogue from different sectors, including for example Renewable Energy Actions in the Energy Matrix in Guyana (ATN/NG-19116-GY, approved in 2021 for US\$1.5 million, Operational Support) and Guyana Economic Development Strategy (ATN/OC-18997-GY, approved in 2021 for US\$1.8 million, Client Support).
- 2.7 **Institutional (Medium-High).** There is a risk that if technical capacity and coordination issues will prevent the Government of Guyana from carrying out the ambitious and complex measures proposed, it will not be possible to implement these measures within the planned period, which could affect the timing and maturity of the outputs supported by this operation. This risk will be mitigated by providing technical assistance to support all measures included in the program, through a technical cooperation under preparation. As a new O&G producer country, Guyana requires management and planning interventions that are implemented in accordance with its evolving sector needs. The country will require extensive and widespread consultation with stakeholders, rapid deployment of administrative reforms, utilization of technology to increase transparency and a commitment from the highest levels of government. Efforts will be undertaken jointly by the government authorities and the Bank to work with all stakeholders and manage expectations accordingly. The Bank, through different instruments under execution, including PBLs, and technical assistance (¶1.41 and ¶1.42) will ensure the sustainable construction of the nascent sector architecture and capabilities. In addition, this risk will be mitigated with support from the Regional

Public Goods program (ATN/OC-17031-RG) that supports the Caribbean by promoting private sector development and innovation (¶1.45).

- 2.8 **Natural environment (Medium-High).** If climate change increases the frequency and/or intensity of natural disasters in Guyana, there is a risk of significant impacts due to flooding and other climate-related disasters, which would have a negative impact on economic growth and the fiscal accounts. If this scenario occurs, the country can mitigate the potential negative fiscal impacts through its Natural Resource Fund, which contemplates withdrawals for emergency financing in the event of the occurrence of a major natural disaster. This program is also supporting measures to improve resource planning for disaster response (¶1.56). Additionally, the Bank will continue its policy dialogue with the government and supporting the efforts to strengthen Guyana's macro fiscal framework, including its medium-term fiscal framework, as well as its debt and fiscal risk management.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and Executing Agency.** The borrower is the Co-operative Republic of Guyana. The Executing Agency will be the MOF, which will have technical responsibility for program execution and agrees to: (i) act, on its own or by means of a designee, as the official liaison with the Bank and submit reports and evidence of fulfilment of the operation's conditions, as well as any other report that the Bank requires, according to the agreed deadlines and terms; (ii) promote actions to achieve the policy objectives defined in the program; and (iii) collect, record and submit to the Bank all data, indicators and metrics that help the government and the Bank monitor, measure and evaluate the program's results.
- 3.2 **Coordination mechanism.** The MOF will maintain an ongoing dialogue through a committee to coordinate the response to the health emergency. This Committee would include the Guyana Revenue Authority, GPL, GWI, the MoPH and other agencies involved in the emergency response. This ongoing dialogue with government agencies will be carried out with support from resources from the technical assistance program ATN/OC-18478-GY (¶1.45), as will the monitoring of the compliance of the policy measures that were included as part of this programmatic series.
- 3.3 **Special contractual condition prior to the first and sole disbursement of the second PBP. The first and sole disbursement of loan resources will be subject to the borrower's fulfilment of the policy reform conditions in the Policy Matrix (Annex II), the [Policy Letter](#) and any other conditions outlined in the corresponding loan contract.**

B. Summary of arrangements for monitoring results

- 3.4 **Monitoring.** Program monitoring consists of verification of the agreed policy measures ([Monitoring and Evaluation Arrangements](#)). The executing agency and the Bank will meet regularly to monitor the operation's results and anticipate and resolve technical difficulties related to the operation's execution. The executing

agency will submit to the Bank all information required for measuring fulfilment of program targets and will provide timely information on progress toward those targets.

- 3.5 **Evaluation.** The evaluation strategy will consist of: (i) a before and after analysis of the outcome and impact indicators performance included in the Results Matrix; (ii) a review of the intervention's theory of change; (iii) a literature review of evidence on the effectiveness of similar interventions in comparable contexts; and (iv) a qualitative evaluation that provides complementary information on how the achieved results can be attributed to the program. The evaluation's main questions will address whether the policies implemented helped achieve the program objectives (Monitoring and Evaluation Arrangements). Additionally, a program completion report will be prepared. Both the ex-post evaluation and the program completion report will be conducted at the end of execution of the programmatic series.

IV. POLICY LETTER

- 4.1 The [Policy Letter](#) reiterates the country government's commitment to the objectives and actions envisaged in the program. Additionally, the Bank and the government agreed on a Policy Matrix that identifies the policy actions under this operation.

Development Effectiveness Matrix		
Summary		GY-L1083
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	<div>-Social Inclusion and Equality</div> <div>-Gender Equality and Diversity</div> <div>-Climate Change</div> <div>-Institutional Capacity and the Rule of Law</div>	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	<div>-Beneficiaries receiving health services (#)</div> <div>-Households with improved access to water and sanitation (#)</div> <div>-Households with improved access to energy services (#)</div> <div>-Micro / small / medium enterprises financed (#)</div> <div>-Countries with strengthened tax and expenditure policy and management (#)</div> <div>-Agencies with strengthened digital technology and managerial capacity (#)</div> <div>-Agencies with strengthened transparency and integrity practices (#)</div>	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2905	Strengthen fiscal policies and the framework for management of natural resource revenues.
Country Program Results Matrix		The intervention is not included in the 2022 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.2
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.2
3.3 Results Matrix Quality		3.5
4. Ex ante Economic Analysis		N/A
5. Monitoring and Evaluation		8.3
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		4.3
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium High
Environmental & social risk classification		N.A.
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Treasury.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Technical assistance was provided by ATN/OC-18478-GY. The general objective of this Technical Cooperation is to strengthen the institutional capacity for fiscal management.

Evaluability Assessment Note:

The program is structured as a PBP. This is the first of two operations whose policy actions aim to support the country in the adoption of activities to respond to the main challenges generated by the health and economic crisis due to COVID-19. The operation GY-L1083, for US\$130 million, is part of the Bank's operational response to the COVID-19 Pandemic. The general objective of the program is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives of the program are: (i) to promote the availability and timely execution of public resources to respond to the effects of the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; (iii) to support the effective and continuous provision of essential goods and services through public policy and management measures; and (iv) to promote economic and fiscal recovery in the post-pandemic period.

The loan proposal presents a solid diagnosis of the problem, reviews the government's response to the economic and health crisis caused by COVID-19, and the support that the IDB has given in this process. The new operation focuses on two types of policies: (i) Those that give sustainability to the reforms undertaken during the pandemic in areas such as public procurement, public financial management and macro-fiscal management; and (ii) policies that discontinue extraordinary fiscal measures adopted during the pandemic. The proposed solutions are appropriate to respond to the problems identified and their contributing factors. The results matrix is consistent with the vertical logic of the project, presenting adequate indicators at the level of results and impacts. Outcome and impact indicators are appropriately defined. The team will evaluate the possibility of including additional indicators that capture the improvements in the public procurement and macro-fiscal management processes associated with specific objectives 3 and 4 respectively.

The monitoring and evaluation plan proposes to carry out a reflexive analysis of the results and impact indicators included in the results matrix, complemented by a review of the theory of change, an updated review of international evidence, and qualitative studies.

POLICY MATRIX

Objectives: The general objective of the program is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives of the program are: (i) to promote the availability and timely execution of public resources to respond to the effects of the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; (iii) to support the effective and continuous provision of essential goods and services through public policy and management measures; and (iv) to promote economic and fiscal recovery in the post pandemic period.

Components Policy Objectives	Policy Conditions Programmatic Loan I	Policy Conditions Programmatic Loan II	State of Compliance with Policy Conditions Programmatic Loan II ¹
Component 1. Macroeconomic stability			
Ensure a macroeconomic context consistent with the programme objectives as set forth in the Policy Matrix and the sector Policy Letter is maintained	1.1 Ensure a macroeconomic context consistent with the programme objectives as set forth in the Policy Matrix and the Policy Letter is maintained.	1.1 Ensure a macroeconomic context consistent with the programme objectives as set forth in the Policy Matrix and the sector Policy Letter is maintained.	Fulfilled
Component 2. Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19			
Promote the availability and timely execution of financial and material resources to respond to the effects of the health crisis caused by COVID-19	2.1 The borrower will implement the following measures:	2.1 The borrower will implement the following measures:	
	i. Establishment of the National COVID-19 Task Force (NCTF) to enable interagency planning and coordination of pandemic preparedness and response actions.	i. Publish a report on the NCTF activities and achievements on the website.	Fulfilled (1 st trimester 2022)
	ii. Development and approval of the COVID-19 Preparedness and Response Plan (P&RP) that covers prevention, preparation, and response.	ii. Implementation of key elements of the plan including P&RP on supply of Personal Protective Equipment (PPE), equipment inventory, testing and contact tracing.	Fulfilled (1 st trimester 2022)
	iii. Design and establishment of a webpage providing critical information relating to COVID-19 (health and non-health responses) to target messaging to the population most vulnerable to the COVID-19 pandemic.	iii. Publish a report that compiles practices and lessons learned regarding emergency communications to the population for COVID-19 pandemic.	Fulfilled (1 st trimester 2022)

¹ This information is merely indicative as of the date of this document. As set forth in document CS-3633-2 (Policy-Based Loans: Guidelines for Preparation and Implementation), compliance with all the conditions specified for disbursement, including the maintenance of an appropriate macroeconomic policy framework, will be verified by the Bank at the time of the request for the corresponding disbursement made by the Borrower and duly reflected in the Disbursement Eligibility Memorandum.

Components Policy Objectives	Policy Conditions Programmatic Loan I	Policy Conditions Programmatic Loan II	State of Compliance with Policy Conditions Programmatic Loan II ¹
Promote the timely execution of public resources to respond to the effects of the health crisis caused by COVID-19	2.2 The borrower will implement the following measures:	2.2 The borrower will implement the following measures:	
	i. Issue a directive to ensure necessary budgetary resources to undertake emergency measures related to the pandemic.	i. Improve resource planning for disaster response by documenting the procedures to access funding in the event of disasters, including those related to climate change.	Fulfilled (1 st trimester 2022)
	ii. Use of the Electronic Funds Transfer (EFT) system to pay health sector workers.	ii. Use of EFT system to pay central government workers.	Fulfilled (1 st trimester 2022)
	iii. Establish a record of expenditure made for emergency from the Consolidated Fund to promote transparency.	iii. Publish a report, by agency, on expenditure made for the Pandemic from the Consolidated Fund using pandemic code.	Fulfilled (1 st trimester 2022)
	iv. Remove the Value-Added Tax (VAT) on importation of COVID-19 related medical supplies.	iv. Draft administrative circular consistent with existing procurement legislation to permit contingency purchase planning.	Fulfilled (1 st trimester 2022)
Component 3. Strengthening public policy and fiscal management to respond to the economic crisis			
Strengthen the countercyclical effect of public policy through the temporary introduction of measures to protect the income of vulnerable households, during the health and economic crisis	3.1 The borrower will implement the following measures:	3.1 The borrower will implement the following measures: ²	
	i. Extend April 30th deadline for the filing of tax returns to September 30 th , 2020.	i. Reversal of the policy determination regarding the deadline and late filing of tax returns in 2021.	Fulfilled (1 st trimester 2022)
	ii. Suspension of disconnection of services for late payment by Guyana Water Inc. (GWI).	ii. Reversal of the policy determination regarding suspension of disconnection policy for late services for GWI.	Fulfilled (1 st trimester 2022)
	iii. Suspension of disconnection of services for late payment by Guyana Power and Light (GPL).	iii. Reversal of the policy determination regarding suspension of disconnection policy for late services for GPL.	Fulfilled (1 st trimester 2022)
Strengthen the countercyclical effect of public policy through the temporary introduction of measures to increase liquidity for businesses during the health and economic crisis	3.2 The borrower will implement the following measures:	3.2 The borrower will implement the following measures:	
	i. Establish a program from the Small Business Bureau (SBB) approving provision of grants to MSEs to sustain operations, retain employees.	i. Reversal of the policy determination regarding the 6 months moratorium under the Credit Guarantee Programme by the SBB and Republic Bank offered to small businesses ending December 31 st , 2020.	Fulfilled (1 st trimester 2022)
	ii. Defer payment of corporate and individual advance taxes and Pay As You Earn (PAYE) for businesses affected until June 30 th , 2020.	ii. Reversal of the policy determination regarding the deferral of payment of corporate and individual advance taxes and PAYE for businesses in 2021.	Fulfilled (1 st trimester 2022)

² COVID-19 measures 3.1 i, 3.1 ii, 3.1 iii, 3.2 i, 3.2 ii, 3.2 iii and 4.1 i have all been reversed by the government as they are no longer deemed relevant at this stage of the pandemic.

Components Policy Objectives	Policy Conditions Programmatic Loan I	Policy Conditions Programmatic Loan II	State of Compliance with Policy Conditions Programmatic Loan II ¹
	iii. Enable all affected businesses to pay advance taxes on the current year basis for the Year of Assessment 2021 (Year of Income 2020).	iii. Reversal of the policy determination regarding allowing affected businesses to pay advance taxes on the current year basis.	Fulfilled (1 st trimester 2022)
Component 4: Institution-strengthening for the execution of public spending and delivery of essential services			
Support the effective and continuous provision of essential goods and services through public policy and management measures	4.1 The borrower will implement the following measures:	4.1 The borrower will implement the following measures:	
	i. Establish mechanisms to streamline and centralize the procurement of goods and services related to the pandemic.	i. Emergency mechanisms to streamline and centralize the procurement of goods and services suspended.	Fulfilled (1 st trimester 2022)
	ii. Approve administrative measures to mitigate price gouging and supply chain disruptions in public procurement of goods and services related to the pandemic.	ii. Publish list of procurement opportunities and contract awards under COVID-19 on the National Procurement and Tender Administration (NPTA) website.	Fulfilled (1 st trimester 2022)
	iii. Action plan for Electronic Government Procurement (eGP) approved by MOF.	iii. Approve conceptual design of eGP.	Fulfilled (1 st trimester 2022)
	iv. Business continuity plan for public financial management, approved including measures related to the Integrated Financial Management Information System (IFMIS).	iv. IFMIS commitment functionality is utilised and verified by internal audit.	Fulfilled (1 st trimester 2022)
		v. Approval of the Procurement Amendment Act and associated regulations for supplier registry.	Fulfilled (1 st trimester 2022)
		vi. Approval of Public Expenditure and Financial Accountability (PEFA) Action Plan, including a review of the Climate Change Module and attaching the Post Disaster Public Financial Management Assessment.	Fulfilled (1 st trimester 2022)
Component 5. Economic and fiscal strengthening for the post-pandemic period			
Promote economic and fiscal recovery in the post-pandemic period	5.1 The borrower will implement the following measures:	5.1 The borrower will implement the following measures:	
	i. Establish Task Force to address economic recovery.	i. Implementation of the recovery measures included in the Guyana COVID-19 National Action Plan. ³	Fulfilled (1 st trimester 2022)
	ii. Operationalization of Telecommunications Act	ii. Enactment of telecommunications regulations.	Fulfilled (1 st trimester 2022)
	iii. Approval of the Appropriation Act and Estimates for Revenue and Expenditure for Budget 2020.	iii. Approval of medium-term fiscal framework for 2021-2024, including: (a) revenue, expenditure	Fulfilled (1 st trimester 2022)

³ The recovery measures that were implemented include expanding access to vaccines, investing in infrastructure and the productive sectors.

Components Policy Objectives	Policy Conditions Programmatic Loan I	Policy Conditions Programmatic Loan II	State of Compliance with Policy Conditions Programmatic Loan II ¹
		and fiscal balance projections; and (b) identification of fiscal risks, including those associated with climate change.	
	iv. Publication of Budget Speech which includes Economic Recovery measures.	iv. Approval of external debt policy coherent with fiscal framework.	Fulfilled (1 st trimester 2022)
		v. Approval of the institutional framework for public investment management, including project appraisal, selection criteria and transparency.	Fulfilled (1 st trimester 2022)
		vi. Strengthen the budget planning process quality by including in budget call circular policy guidelines for data disaggregation by gender.	Fulfilled (1 st trimester 2022)
		vii. Measures supporting gender equality and indigenous peoples, including the development of economic opportunities through support to entrepreneurship, agribusinesses, tourism and manufacturing, sent to national consultation.	Fulfilled (1 st trimester 2022)

RESULTS MATRIX

Program Objective:	The specific objectives of the program are: (i) to promote the availability and timely execution of public resources to respond to the effects of the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; (iii) to support the effective and continuous provision of essential goods and services through public policy and management measures; and (iv) to promote economic and fiscal recovery in the post-pandemic period. The general objective of the program is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures.
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GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline value	Baseline year	Target (2022)	Means of verification	Comments
Government primary balance.	Percentage	-0.8	2021	-0.07	Official letter of the Ministry of Finance (MOF).	Primary fiscal balance as a percentage of Gross Domestic Product (GDP). Data source: Budget Estimates (Volume I), MOF.

SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measure	Baseline value	Baseline year	Target (2022)	Means of verification	Comments
SPECIFIC DEVELOPMENT OBJECTIVE 1: Promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19						
Central government workers (including retired workers) paid using the Electronic Funds Transfer (EFT) system.	Percentage	1.2	2020	90.1	Official letter from the MOF.	Formula: (Workers paid using EFT) / (Total number of workers on central government electronic payroll). <u>Baseline (2020):</u> Workers paid using EFT: 623. Total central government workers (including retired workers): 51,041 (of which 10,153 are pensioners).
SPECIFIC DEVELOPMENT OBJECTIVE 2: Strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis						
Taxpayers who benefited from the extension of the deadline to file tax returns from April 30 to September 30, 2020.	Percentage	90.5	2021	0	Official letter from the MOF/ Guyana Revenue Authority (GRA).	The percentage will be calculated based solely on individual (natural persons) taxpayers. The priority focus of the extension of deadlines will be income tax.

Indicators	Unit of measure	Baseline value	Baseline year	Target (2022)	Means of verification	Comments
						Formula: (Benefited taxpayers*) / (Number of taxpayers expected to file tax returns). * Individual taxpayers include self-employed sole-traders.
Businesses that benefited from the deferral of corporate advance tax payments until June 30 th , 2020.	Percentage	40.6	2021	0	Official letter from the MOF/GRA.	The percentage will be calculated based solely on taxpayers who are legal entities. Formula: (Benefited taxpayers) / (Number of businesses expected to pay corporate advance taxes).
SPECIFIC DEVELOPMENT OBJECTIVE 3: Support the effective and continuous provision of essential goods and services through public policy and management measures						
Measures in the Information Communication Technology Unit (ICTU) business continuity in support of the public financial management that have been implemented.	Percentage	16.7	2019	83.3	Official letter from the MOF documenting the progress in the implementation of the measures set out in the business continuity plan.	Percentage of all measures set out in the business continuity plan that have been implemented. Formula: (Measures implemented) / (Total number of measures in the business continuity plan). <u>Baseline (2019):</u> Measures implemented: 1. Total number of measures: 6.
SPECIFIC DEVELOPMENT OBJECTIVE 4: Promote economic and fiscal recovery during the post-pandemic period						
Recovery measures included in the Guyana COVID-19 National Action Plan that have been implemented.	Percentage	0	2020	85	Official letter from the MOF documenting the prioritised actions and the progress in their implementation.	Percentage of all actions prioritised by the government that have been implemented. Formula: (Actions implemented) / (Total number of actions prioritised by the government). Final target year: December 2022.

OUTPUTS

Outputs	Unit of measure	Baseline value	Baseline year	Target (2022)	Means of verification
Component 2: Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19					
Report on the National COVID-19 Task Force (NCTF) activities and achievements, prepared and published.	Report	0	2021	1	Letter from the MOF, attaching a report on the NCTF activities and achievement on the website.
Report on the implementation of key elements of the COVID-19 Preparedness and Response Plan including P&RP on supply of Personal Protective Equipment (PPE), equipment inventory, testing and contact tracing, prepared.	Report	0	2021	1	Letter from the MOF, attaching a report that details the implementation of key elements of the plan including P&RP on supply of PPEs, equipment inventory, testing and contact tracing.
Report that compiles effective practices and lessons learned regarding emergency communications to the population for COVID-19 pandemic, prepared and published.	Report	0	2021	1	Letter from the MOF, attaching a report that compiles effective practices and lessons learned regarding emergency communications to the population for COVID-19 pandemic.
Procedures to access funding in the event of disasters, including those related to climate change, prepared.	Report	0	2021	1	Letter from the MOF, attaching a report that documents the procedures to access funding in the event of disasters, including those related to climate change.
Directive to ensure the use of the EFT system to pay central government workers, issued.	Guidelines and Instructions	0	2021	1	Letter from the MOF, confirming that the EFT system is paying government workers.
Reports on expenditure made for the Pandemic from the Consolidated Fund using pandemic code, prepared.	Report	0	2021	1	Letter from the MOF, attaching a report, by agency, on expenditure made for the Pandemic from the Consolidated Fund using pandemic code.
Administrative circular consistent with existing procurement legislation to permit contingency purchase planning, prepared.	Administrative Circular	0	2021	1	Letter from the MOF, attaching administrative circular consistent with existing procurement legislation to permit contingency purchase planning.
Component 3: Strengthening public policy and fiscal management to respond to the economic crisis					
Policy determination regarding the deadline and late filing of tax returns in 2021, reversed.	Policy	0	2020	1	Letter from the MOF, attaching a copy of letter from the Commissioner General of the GRA confirming that no waivers were issued in 2021 and 2022.
Policy determination regarding suspension of disconnection policy for late services for Guyana Water Inc (GWI), reversed.	Policy	0	2020	1	Letter from the MOF, attaching a copy of letter from GWI confirming the resuming of disconnections for late payments.
Policy determination regarding suspension of disconnection policy for late services for Guyana Power and Light (GPL), reversed.	Policy	0	2020	1	Letter from the MOF, attaching a copy of letter from GPL that confirms that disconnection activities for defaulting accounts have been resumed.

Outputs	Unit of measure	Baseline value	Baseline year	Target (2022)	Means of verification
Policy determination regarding the 6 months moratorium under the Credit Guarantee Programme by the SBB and Republic Bank offered to small businesses ending December 31st, 2020, reversed.	Policy	0	2020	1	Letter from the MOF, attaching a copy of Letter from the Small Business Bureau that confirms that the moratorium for small business has been discontinued.
Policy determination regarding the deferral of payment of corporate and individual advance taxes and Pay As You Earn (PAYE) for businesses in 2021, reversed.	Policy	0	2020	1	Letter from the MOF, attaching a copy of letter from the Commissioner General of the GRA confirming that no waivers were issued in 2021 and 2022.
Policy determination regarding allowing affected businesses to pay advance taxes on the current year basis, reversed.	Policy	0	2020	1	Letter from the MOF, attaching a copy of letter from the Commissioner General of the GRA confirming that no waivers were issued in 2021 and 2022.
Component 4: Institution-strengthening for the execution of public spending and delivery of essential services					
Suspension of emergency mechanisms to streamline and centralize the procurement of goods and services, issued.	Policy	0	2020	1	Letter from the MOF that confirms that the emergency mechanisms to streamline and centralize the procurement of goods and services have been suspended.
List of procurement opportunities and contract awards under COVID-19 published on the National Procurement and Tender Administration (NPTA) website, published.	Procurement list	0	2020	1	Letter from the MOF, attaching list of procurement opportunities and contract awards under COVID that has been published on the NPTA website.
Conceptual design for electronic government procurement (eGP), approved.	Report	0	2020	1	Letter from the MOF, attaching conceptual design for eGP.
Integrated Financial Management Information System (IFMIS) commitment functionality utilised and verified by internal audit.	Audit Report	0	2020	1	Letter from the MOF, attaching internal audit verifying utilization of IFMIS commitment functionality.
Procurement Amendment Act and associated regulations for supplier registry, approved.	Legislation	0	2020	1	Letter from the MOF, attaching amended public procurement legislation published in the official Gazette of Guyana and associated regulations for supplier registry approved by the MOF.
Public Expenditure and Financial Accountability (PEFA) Action Plan, including a review of the Climate Change Module and attaching the Post Disaster Public Financial Management Assessment, approved.	Approved Plan	0	2020	1	Letter from the MOF, attaching approved PEFA Action Plan including a review of the Climate Change Module and attaching the Post disaster Public Financial Management Assessment.

Outputs	Unit of measure	Baseline value	Baseline year	Target (2022)	Means of verification
Component 5: Economic and fiscal strengthening for the post-pandemic period					
Recovery measures included in the Guyana COVID-19 National Action Plan, implemented.	Report	0	2020	1	Letter from the MOF, attaching a report that details the implementation of the recovery measures for the COVID-19 National Action plan.
Telecommunications regulations, enacted.	Regulations	0	2020	1	Letter from the MOF, attaching the telecommunications regulations.
Medium-term fiscal framework for 2021-2024, including: (a) revenue, expenditure and fiscal balance projections; and (b) identification of fiscal risks, including those associated with climate change, approved.	Medium-term fiscal framework	0	2020	1	Letter from the MOF, attaching the medium-term fiscal framework for 2021-2024, including: (a) revenue, expenditure and fiscal balance projections; and (b) identification of fiscal risks, including those associated to climate change.
External debt policy coherent with fiscal framework, approved.	Policy	0	2020	1	Letter from the MOF, attaching the external debt policy.
Institutional framework for public investment management, including project appraisal, selection criteria and transparency, approved.	Report	0	2020	1	Letter from the MOF, attaching a report that details the institutional framework for public investment management.
Budget call circular policy guidelines for data disaggregation by gender, included.	Budget call circular	0	2020	1	Pro-Gender. Letter from the MOF, attaching budget call circular that includes policy guidelines for data disaggregation by gender.
Measures supporting gender equality and indigenous peoples, including the development of economic opportunities through support to entrepreneurship, agribusinesses, tourism and manufacturing, sent to national consultation.	Low Carbon Development Strategy 2030	0	2020	1	Pro-Gender and Pro-Ethnicity. Letter from the MOF, attaching copy of the Low Carbon Development Strategy 2030 including measures supporting gender equality and indigenous peoples that was sent to national consultation.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

Guyana. Loan ____/OC-GY to the Co-operative Republic of Guyana
Program to Strengthen Public Policy and Fiscal Management in
Response to the Health and Economic Crisis Caused by
COVID-19 in Guyana 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 Co-operative Republic of Guyana, as borrower, for the purpose of granting it a financing to cooperate in the execution of the Program to Strengthen Public Policy and Fiscal Management in Response to the Health and Economic Crisis Caused by COVID-19 in Guyana II. Such financing will be for the amount of up to US\$130,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2022)