**Environmental and Social Strategy (ESS)**

1. **Background**
   1. The proposed operation is the second in a series of two Programmatic Policy Based Loans (PBP). The first operation in this series (project GY-L1039, loan 3106/BL-GY) was approved in December 2013. The PBP supports GoG activities that seek to maintain low rates of deforestation and forest degradation caused by forest-dependent sectors such as mining and forestry, while at the same time fostering sustainable growth, reinforcing the long-term social and environmental objectives agreed upon by the GoG with the Government of Norway and spelled out as Enabling Indicators for their MoU.
   2. The first operation contributed to enhancing the sustainability of benchmarks attained under the Joint Concept Note signed between the Government of Norway and the Government of Guyana (JCN). In particular, the first operation focused on the following policy actions: (i) undertaking internal institutional arrangements to build up working networks to support the long-term implementation of the LCDS; (ii) strengthening the regulatory apparatus supporting the implementation of the LCDS; (iii) fostering the adoption of technologic tools to improve oversight of sector agencies and their activities; and (iv) progress in the execution of medium-term projects that would sustain the changes sought after by the Bank operation and the JCN.
   3. The second PBP operation is expected to build upon progress made on the first, to support: (i) expansion of the regulatory framework definition in the area of environment and natural resources; (ii) continuation of the institutional strengthening efforts, with emphasis on transparency in revenue management (support for the implementation of the Extractive Industries Transparency Initiative), supervision and impact management for law enforcement (incentivizing the use of clean technologies in the mining sector, land management information systems), support to market-based instruments (accreditation and certification with internationally recognized systems) to improve the environmental sustainability of extractive industries; and (iii) continuous reporting on the impacts of deforestation and forest degradation drivers as part of MRVS.
2. **Policy Directives**
   1. The proposed project is in compliance with directive **B.13. Noninvestment Lending and Flexible Lending Instruments** of theBank’s Environment and Safeguards Compliance Policy (OP-703). Directive B.13 foresees for **policy-based loans**, that the Bank will analyze during the design phase whether specific country policies and/or institutional changes supported by the operation will have significant and direct effects on the country’s environment and natural resources. The Directive also mandates that appropriate sequence of actions and conditions to ensure environmental sustainability be reflected in the corresponding action plan, as required.
   2. The proposed operation will also comply with **Operational Policy 765 Indigenous Peoples Policy,** under the objective of safeguarding indigenous peoples and their rights against adverse impacts and exclusion in Bank-funded development projects.
3. **Measures for compliance**
4. Under OP-703
   1. The Bank is preparing the present operation with the aim of strengthening the governance and policy framework to support the implementation of Guyana’s Low Carbon Development Strategy (LCDS), and supporting policy decisions that showcase the application of LCDS to the mining and forestry sectors combining adequate governance, regulatory guidelines, accompanied by a robust monitoring, reporting and verification system.
   2. Policy and institutional recommendations supported by the second PBP operation are expected to support the Government’s ability to apply the principles of the LCDS to specific projects and actions, in particular, to: (i) the design and implementation of investment projects and other interventions that mainstream sustainable environmental management; (ii) the application of institutional means to bring all government agencies in charge of environmentally-sensitive sectors –mining and forestry in particular—under unified and coherent regulations that ensure their sustained compliance with LCDS mandates and environmental management policy; and (iii) the operation of a well-developed monitoring, reporting and verification system that would allow the government and others keep track on progress –or lack thereof—in the implementation of these and other policies associated to the LCDS.
   3. Through these operations, the Bank is having significant positive impact on the country’s ability to provide for a coherent and robust environmental management system, with emphasis in two major extractive industries, closely associated to deforestation and forest degradation.
5. Under OP-765
   1. The Bank is making sure that any policy or institutional recommendation derived from the project or supported by the project complies with the objective of safeguarding indigenous peoples and their rights.
   2. Stakeholder consultations and adequate means of verification are included as part of the project’s policy matrix, in particular as they refer to indigenous groups and the associations that represent them. Policy-making processes targeted under the project are the processes of implementation of the LCDS and the Reducing Emissions from Deforestation and Forest Degradation (REDD+), currently underway with the support of various international agencies including the Bank itself.
   3. The second PBP operation includes in its Results Framework matrix the following indicators that will be used to evaluate progress in the implementation of policy directives aimed at benefiting indigenous groups: (i) minutes of the Multi-Stakeholder Steering Committee (MSSC) meeting minutes approving REDD+ Stakeholders Awareness Plan; (ii) Access & Benefit Sharing (ABS) regulations approved and in force; and (iii) 1 Opt In system in place, as approved by Stakeholders. An evaluation of progress in the attainment of these results, as well as those included in the first PBP will be available by mid-2015, when the final evaluation of the PBP series is completed.