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IDB GROUP COUNTRY STRATEGY
WITH
THE CO-OPERATIVE REPUBLIC OF GUYANA
(2023-2026)

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Acronyms and Abbreviations

CCB	Country Department Caribbean
CS	Country Strategy
CIF	Caribbean Investment Facility
CIMA	Centro de información para la Mejora de los Aprendizajes (Center of Information for Improved Learning) – IDB
CRI	Cash Recovery Index
CSEC	Caribbean Secondary Education Certificate
EU	European Union
ESL	English as a second language
FPSO	Floating production and offloading vessel
GDP	Gross domestic product
GNI	Gross national income
GoG	Government of Guyana
GPL	Guyana Power and Light
IDBG	Inter-American Development Bank Group
ICPR	Independent Country Program Review
ICT	Information and Communication Technology
IFPG	Innovation, Firm Performance and Gender
IMF	International Monetary Fund
LAC	Latin America and Caribbean
LCDS	Low Carbon Development Strategy
LV	Low voltage
MDB	Multilateral Development Bank
MHSSS	Ministry of Human Services and Social Security
MTBS	Maritime & Transport Business Solutions
MOE	Ministry of Education
MSME	Micro, small and medium-sized enterprise
NCD	Noncommunicable diseases
NDC	Nationally Determined Contribution
NRF	Natural Resource Fund
NRW	Non-revenue Water
PBL	Policy-based loans
PEFA	Public Expenditure and Financial Accountability
PPP	Public-private partnerships
ppp	Purchasing power parity
PSA	Production-sharing agreement
SME	Small and medium-sized enterprise
SPAR	State Party Annual Report
TC	Technical Cooperation
TFFP	Trade Finance Facilitation Program
UNECLAC	United Nations Economic Commission for Latin America and the Caribbean
WEO	World Economic Outlook
WHO	World Health Organization
WSG	Work Services Group

EXECUTIVE SUMMARY

Socioeconomic Context. Guyana's macroeconomic context is one of a booming economy. The country's main challenge is how the government will manage the natural resource boom to promote sustainable development, inclusive growth, and execute infrastructure projects. Gross domestic product (GDP) is expected to expand by almost eight times over 2019–2026. Growing levels of GDP per capita led to Guyana's graduation from eligibility to IDB concessional resources in 2020, leading to a sevenfold expansion of Guyana's lending framework. Furthermore, the government began accessing oil revenue savings that had accumulated in the Natural Resource Fund in 2022, representing 29 percent of total revenues. The government plans to accelerate economic development by having a deeper and more concentrated engagement with the IDB and to proactively coordinate the support of other development partners. Public debt levels as a share of GDP are expected to decline, as GDP growth is expected to outpace growth in public debt.

The IDB Group in Guyana. The IDB Group is the country's largest foreign creditor. It accounts for 5 percent of GDP, 21 percent of total public debt, 50 percent of external debt, and 72 percent of multilateral debt, and is an important source of technical assistance. The Bank's sovereign guaranteed portfolio as of December 2022 amounts to US$361 million, comprising 10 active operations in the following sectors: Climate Change and Sustainable Development (CSD), Institutions for Development (IFD), Infrastructure and Energy (INE), Integration and Trade (INT), and the Social Sector (SCL). The Bank approved 10 operations for US$460.2 million and 32 technical cooperations (TCs) for US$18.5 million. Private sector engagement increased significantly in the 2017–2022 Country Strategy period, approving seven operations for a total of US$44 million, the first approvals since 2009.

Strategic Areas 2023–2026. The 2023–2026 Country Strategy (CS) aims to support the country's goal of sustained and equitable growth. The Government of Guyana has specifically requested that the IDB's engagement significantly deepen and narrow to specific sectors, and that IDB Invest continue to expand as it did in 2020–2021. The CS aims to continue supporting economic diversification of the non-oil economy in line with the country's Nationally Determined Contribution (NDC) and Low Carbon Development Strategy (LCDS) commitments and in a manner consistent with the objectives of the Paris Agreement, focusing on the strategic areas of (i) resilient infrastructure development, (ii) human capital development, specifically improving health and educational outcomes, and (iii) strengthening institutional capacity. Cross-cutting themes such as gender and diversity, climate change and biodiversity/natural capital, and digitalization will be streamlined into project design.

Indicative Lending Framework. The IDB Group estimates that sovereign-guarantee approvals will average US$138 million over 2023–2026, totaling US$550 million over the four-year period. Average annual disbursements will be around US$60 million, with average net cash flow of US$20 million. Based on these assumptions, Guyana's debt to the IDB is expected to amount to 3.2 percent of GDP and 63 percent of total multilateral debt by 2026.

Risks. The CS faces three main sources of risk. The first is macroeconomic risk. Oil production plans contemplate a steady increase, supporting higher levels of government revenues and spending. However, significantly increasing the government's rate of expenditure could contribute to macroeconomic imbalances and in the long-term engender risks related to global energy transition to renewable sources. The second source of risk is related to natural or man-made disasters and their attendant deep economic consequences, as both would lead to contracting output, negatively affecting revenue and employment in both the private and public sectors. The third source is operational. Expansion in the lending framework will increase pressure on institutional capacity and project execution, which could pose challenges to the size of the lending framework in the CS cycle. The CS anticipates proactive dialogue with technical assistance to lower all sources of risk.

I. SOCIOECONOMIC CONTEXT[1]

1.1 **Guyana is now a booming oil economy. Its economic prospects have improved substantially since the previous CS period, representing a great opportunity for the IDB Group's engagement.** Guyana has been the site of more than 30 oil discoveries since oil was first found in 2015. The most recent oil discoveries were in April 2023, and the current estimate of recoverable petroleum resources is 11 billion oil-equivalent barrels. With a population of approximately 789,000, this amount of reserves represents about 14,000 barrels per person, behind Kuwait, but ahead of the United Arab Emirates and Qatar.

1.2 **Guyana graduated from IDB concessional resources at the end of 2020, with the lending framework increasing fourfold in the new CS period relative to the original CS period of 2017-2021.** Guyana's gross national income (GNI) per capita reached US$6,630 in 2019, exceeding the cutoff of US$6,082, which was the income threshold that year over which any borrowing member country becomes ineligible for concessional resources, irrespective of its creditworthiness. In 2020, Guyana's GNI per capita increased to US$7,130, surpassing other ineligible countries such as Peru, Colombia, and Ecuador, ranking 12th out of 26 member countries. Guyana's graduation and improved creditworthiness has contributed to expanding Guyana's lending framework for the new CS period, which could continue in the medium-term contingent on the Government of Guyana's demand and absorptive capacity.

1.3 **The current context of a booming oil economy and expanded lending framework supports the government's approach to engaging the IDB and other multilaterals.** First, the government has shared that the new round of development support should allow Guyana to 'leapfrog' stages of development in specific sectors, moving from historically broad-based support in several sectors to narrower, more intensive support in key areas with higher levels of investment. Similarly, the government is coordinating the work of development support to avoid duplication or overlap. This would support closing infrastructure and human capital development gaps faster than would otherwise have been possible with small, incremental development projects. The IDB is expected to support resilient infrastructure development and improvements in social outcomes in health and education, which will contribute to higher levels of private sector investment, jobs, and income and inclusively improved standards of living. Similarly, the context represents a great opportunity for IDB Invest, which has significantly increased approvals recently. The government explicitly requested a greater presence of IDB Invest in Guyana.

1.4 **In 2020, the year of the global COVID-19 pandemic, oil production drove GDP growth, with the recovery starting in 2021.** GDP grew by 43.5 percent in 2020, Guyana's first full year of oil production, while growth in the other countries in the region contracted by 9.3 percent on average. However, the non-oil economy contracted by 7.3 percent. In 2021, GDP grew by 20.1 percent, driven by more oil production, while the non-oil economy grew by 4.6 percent. In 2022, GDP growth reached the highest rate ever—63.3 percent—with significant spillovers to the non-oil economy, which grew by 11.5 percent. Oil production is expected to drive GDP growth in the medium term, with an average annual growth rate of 33 percent from 2022 to 2026 (IMF-WEO, 10/2023). With the introduction of oil production, the new economy has rebalanced as follows: oil and gas represented 56.8 percent of GDP in 2022, followed by services at 19.3 percent (down

[1] In 2022, the IDB Group Country Strategy with Guyana 2017-2021 was extended one year beyond its transition period to November 2023. The Country Strategy with Guyana 2023-2026 will be in effect from its approval date until the last day of December 2026.

from 44.7 percent in 2019), agriculture at 10 percent (down from 17.6 percent in 2019), and gold production at 3.6 percent (down from 9.8 percent in 2019).[2] More oil production vessels are expected to come onstream in the medium term, with the third vessel expected to start production by the end of 2023 and six vessels operating by 2027. Furthermore, ExxonMobil sees the potential for 10 oil production vessels operating in Guyana in the long term.

1.5 **For Budget 2022, the government withdrew revenues that had accumulated in the Natural Resource Fund in 2020 and 2021.** The central government's expenditure increased from US$1.89 billion in 2021 to US$2.8 billion in 2022 in the revised budget, a 53 percent increase overall. The main driver of this increase was capital expenditure, which increased from US$500.7 million in 2021 to US$1.2 billion, by almost 150 percent, while current expenditures increased by 18 percent. Total revenues increased by 61 percent, with oil revenues (NRF inflows) representing 29 percent of total revenues. Central government expenditure is now projected to increase by 43 percent in 2023, with capital expenditure expected to grow by 82 percent and current expenditure by 13 percent. 2022 was the first time the government accessed the Natural Resource Fund (NRF), which had accumulated US$607.6 million through the end of 2021. The government completely transferred this amount to the budget for that year only, in accordance with the withdrawal rules governing the NRF.[3] The transfer in 2023 is budgeted to be US$1 billion. The fiscal deficit fell to 5.1 percent of GDP in 2022. Although public debt is increasing, the faster GDP growth is contributing to falling levels of the debt/GDP ratio, expected to decline from 47.4 percent of GDP in 2020 to 25.3 percent in 2023. In nominal terms, public debt is projected to increase from US$2.6 billion in 2020 to US$4.5 billion in 2023[4]. The reasons for Guyana's borrowing during the development boom could be related to the objective of leapfrogging stages of development, with IDB projects supporting planning frameworks and institutional capacity development through loans and technical cooperations.

1.6 **Although poverty has remained relatively stable, the unemployment rate increased in 2020.** The most recent measures of poverty are based on the Guyana Labour Force Survey and a poverty line of US$5.50 per day (ppp), which resulted in an average quarterly poverty rate of 45.9 percent in 2018, when the average for the LAC region was 22.6 percent[5]. Countries reporting higher levels of poverty than Guyana include Haiti, Guatemala, and Honduras. The poverty level has remained relatively stable in Guyana, averaging 42.3 percent in the first three quarters of 2021. However, unemployment rates increased from an average of 13.5 percent in 2019 to 15.2 percent for the first three quarters of 2021.[6] Employment loss disproportionately affected women; the unemployment rate of men increased from an average of 12.5 percent in 2019 to 13.1 percent in 2021 (Q1-Q3) while the unemployment rate of women increased from 15.1 percent to 18.3 percent over the same period (Guyana Labour Force Survey, 2021 – Bureau of Statistics). Finally, although women generally have higher levels of educational attainment than men, their labour force participation rates are much lower. Men's employment rate averaged 63 percent in 2021 compared to 38 percent for women, suggesting significant opportunities for supporting women's labour force participation.

[2] Guyana Bureau of Statistics, GDP at current prices.
[3] Future transfers are based on a schedule which varies with the level of government collections of oil sales, transferring 75 percent of the first US$ 500 million, 50 percent of the second US$ 500 million and so on until the transfers are limited to 3 percent of the amounts over US$ 2.5 billion.
[4] Ministry of Finance – Budget Speech 2023.
[5] World Bank – World Development Indicators.
[6] 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.

1.7 **Oil production in 2020 increases the urgency for addressing institutional capacity and legal and regulatory frameworks to support economic diversification and sustainable and inclusive growth in the non-oil sector.** Oil production introduces a new set of challenges since Guyana has never been an oil producer. The size of the expected oil-related windfall, in combination with existing development challenges, is expected to increase pressure on the current legal and regulatory framework, public finances, and potentially economic competitiveness in terms of price levels and the real exchange rate. The new economic dynamics are likely to contribute to increased migration inflows and increased demand for electricity and housing, leading to policy challenges for urban development, immigration policy, and environmental and climate risk management. The challenges can be grouped into the following four areas: (i) institutions and governance; (ii) resilient infrastructure development, (iii) human capital development in health and education, and (iv) crosscutting issues, including gender, Indigenous peoples, climate change, biodiversity/natural capital, and migration.[7] Addressing these challenges will be fundamental for streamlining public services and ensuring that Guyana's newfound wealth strengthens the non-oil economy and the business climate, fostering investment, private sector development, and employment opportunities for all Guyanese. The recently passed local content legislation is expected to support strengthening local linkages to the high value-added oil and gas sector.

1.8 **Guyana is rich in forest cover and is the first country to have been issued carbon credits, which have already been sold.** With a surface cover of approximately 83.9 percent of intact forest, Guyana has maintained a deforestation rate of less than 1 percent for decades. By opting to maintain its low rates of deforestation, Guyana is helping to reduce CO_2 emissions into the atmosphere, making it instrumental in mitigating climate change throughout the world. Guyana Natural Capital provide an array of goods and services necessary for the growth and development of the economy and the living standards of its citizens. In this context, the Architecture for Reducing Emissions from Deforestation and forest Degradation (REDD+) Transactions (ART) issued the world's first jurisdictional forestry carbon credits to Guyana, announced on December 1, 2022. Being issued carbon credits specifically designed for the voluntary and compliance carbon markets for successfully preventing forest loss and degradation was a milestone for the country. Guyana was issued 33.47 million TREEs credits for 2016–2030. Since then, Guyana signed an agreement with Hess Corporation for the sale of carbon credits for a total of US$750 million in the period 2022–2032. Part of the proceeds of the sales will go to support sustainable economic development in rural Hinterland communities.

[7] From 2018 to 2021, estimates indicate that Guyana received more than 15,000 immigrants from other countries of Latin America and the Caribbean. The number increased to nearly 25,000, presenting myriad challenges to the country's capacity to absorb and integrate them. The increase represents nearly 2 percent of the population of Guyana. (IDB Calculations based on UNDESA and R4V). At the same time, the population of Guyanese born in Guyana but living abroad amounts to 56 percent of the population living in the country. The Ministry of Foreign Affairs has created a Diaspora Unit in "recognition of the important role the diaspora can play as a contributor to Guyana's national development." This unit will, among other things, allow for "structured engagement aimed at strengthening relations and dialogue, to foster national development." According to the Ministry of Foreign Affairs, the unit's objectives also include creating and managing a database that will offer a profile of the Guyanese diaspora in different countries and regions and creating a one-stop shop for overseas Guyanese wishing to engage in investment, trade, business, or philanthropy or to make contributions to Guyanese communities. In parallel, the University of Guyana has established the Center for Caribbean Diaspora Engagement, with the aim of playing a leading role in outreach to Guyana's and the region's diasporas. See Government of Guyana, Ministry of Foreign Affairs and International Cooperation, "Diaspora Affairs Unit," accessed September 15, 2022.

II. THE IDB GROUP IN GUYANA

2.1 **The IDB Group continues to be Guyana's most active multilateral partner.** Currently, the IDB Group contributes around 50 percent of the country's external financing and approximately 72 percent of total multilateral financing. The IDB Group's support is predominantly focused on the public sector, with sovereign-guaranteed debt totaling US$735.9 million in December 2022. During the 2017–2022 CS period, 10 new loans and 32 TCs and investment grants were approved. Loan approvals totaled US$460.2 million, including US$175.6 million for policy-based loans (PBLs). Thirty-two TCs and investment grants were approved for a total of US$18.5 million. For non-sovereign guaranteed support, IDB Invest approved seven operations for US$44 million, the first since 2009, including Trade Finance Facilitation Program (TFFP) lines. In 2023, two additional operations were approved for US$25 million for a total of US$ 69 million,[8] signaling growing opportunities in the context of the oil boom and growing confidence in the Guyanese private sector. Of the total, 35 percent of IDB Invest's approvals seek to strengthen food security and climate action, 14 percent contribute to improving the logistics sector by increasing the country's capacity to handle international cargo, and 51 percent support the expansion of financial flows to the real sector through a financial institution. Since 2020, seven regional operations were approved for US$ 9.4 million taking total approvals in Guyana to US$ 78.4 million. Additionally, IDB Invest engaged in seven advisory services for a total of US$554,175, associated primarily with feasibility studies for solar photovoltaic panels, conducting energy audits, supporting green building certifications, and improving the capacity of potential and existing clients for successful private sector project implementation. IDB Lab approved eight operations for a total of US$4.3 million. During the 2017–2022 CS period, the IDB's activities focused on four priority areas: National Strategy and Planning Framework (14 percent of approvals), fiscal policies (36 percent of approvals), private sector development (3 percent of approvals), and critical infrastructure (47 percent of approvals).

2.2 **Over the CS period, significant progress was achieved in infrastructure and strengthening public administration capacities,** but slow project implementation limited results in other areas.

2.3 **Pillar 1, Establishing a Modern National Strategy and Planning Framework for undergirding the government's development strategy, which includes driving economic diversification efforts and pursuing modern industrial policies,** has promoted: (i) resilient neighborhood and road upgrading: 18.9 KM of roads were rehabilitated, including the East and West Canje Road, the airport access road and East Bank four lane. As a result, vehicle travel time (average journey/trip time indicator) was reduced from the baseline value of 10.5 minutes (2010) to 5.2 minutes, and vehicle operation costs were also reduced; (ii) upgrade of the electricity distribution network: 319 km of distribution network were rehabilitated by GPL where around 15,000 customers in targeted areas for rehabilitation received communications about efficient energy usage and the significance of payment. Losses in the low voltage (LV) network were reduced by 5.53 percent, the Cash Recovery Index (CRI) for the energy utility company has improved to 61, while 468 legal customers in the LV network benefited from network reconfiguration and rehabilitation; and (iii) in the social sector, an operation in maternal and child health contributed to the creation of a community health platform, training of health workers in Region 9, and the development of a Quality Improvement Strategy for health facilities. Four maternity waiting homes for Indigenous pregnant women were rehabilitated and equipped,

[8] Between 2017-2022 5 regional operations were approved for US$ 6.9 million and in 2023 two more regional operation were approved for almost US$ 2.5 million.

including one in the Hinterland and another in the Georgetown Waiting Home, which can accommodate 13 additional beds.[9] The Bank is collaborating with the government on the development of a secure transactions bill and electronic registry that will support the use of movable assets as collateral, contributing to improve access to finance and the business climate.

2.4 **Key results of Pillar 2, Strengthening Fiscal Policies and the Framework for Managing Natural Resource Revenues.** Given the dynamic nature of the energy sector in recent years, and the competing priorities that must be managed by sector stakeholders on an ongoing basis, several outcomes and outputs were achieved to support the country in the nascent oil and gas sector. First, (i) a Roadmap to develop Guyana's Oil and Gas management framework was produced. The Roadmap facilitated the decision-making process supporting the deployment of key government entities responsible for managing Guyana's oil and gas sector. This exercise sketched the main avenues that decision makers are likely to encounter along the path to developing public administration capabilities. Second, (ii) the Bank supported the government in preparing a model contract for production-sharing agreements (PSA), with protocols and mechanisms for contract management. This includes a PSA modeling toolkit which estimates the government's share of revenues from production in the Stabroek Block—specifically, Liza Phase 1—based on key inputs from the government PSA and ExxonMobil's project development plan for Liza Phase 1. The toolkit can also be used to conduct scenario modeling that considers the effects of price changes, cost overruns, and production disruptions. The model toolkit is robust enough to incorporate multiple projects under the Stabroek license area as well as other projects under development in other oil blocks. Finally, (iii) the Bank supported the government in creating a document on Depletion Policy Guidelines and Model. The depletion policy provides the legal framework and policy options to determine the optimal extraction rate for Guyana's hydrocarbon resources. The depletion policy considers: (i) resource recovery, (ii) ultimate effective economic value, and (iii) domestic capital formation or foreign asset accumulation as outlined under Guyana's development strategies and the Natural Resource Fund Act.

2.5 **Pillar 3, Facilitating private sector development to support the delivery of better services, mainly through enhancing the business environment.** Several actions were recently taken through operations that could generate future opportunities. These include: (i) the Electronic Single Window for trade facilitation, which is currently undergoing a review of the legal and regulatory framework governing trade; (ii) the National Quality Infrastructure policies and financing a Laboratory supporting small and medium-sized enterprises (SMEs) to meet international quality standards for exports, (iii) a study on the skills gaps in human capital as well as educational offerings as they relate to the oil and gas economy; and (iv) another study focused on linking local firms to the oil and gas economy. The magnitude of opportunities for SMEs associated with oil and gas development were evaluated for three areas: (a) direct and indirect procurement by the oil and gas sector, (b) increased investment by the Government of Guyana, and (c) general increases in local demand. The study further examined and proposed programs on how to support SME development. Additionally, IDB Invest conducted studies to analyze the feasibility of renewable energy self-generation projects, energy efficiency, and wastewater solutions for existing and potential private sector clients in the country. IDB Invest also promoted exports of local SMEs through the TFFP initiative for an amount of US$28 million.

[9] GY – L1027 Road Improvement and Rehabilitation Program, GY – L1030 East Bank Demerara Four Lane Extension, GY-L1031 Road Network Upgrade and Expansion Program, GY – L1040 Water Supply and Sanitation Infrastructure Improvement Program, GY – L1041 Power Utility Program Upgrade, GY – L1058 Support to Improve Maternal and Child Health, GY-L1066 Energy Matrix Diversification and Institutional Strengthening of the Department of Energy (EMISDE), and GY-L1067 Strengthening the Energy Sector

2.6 **Pillar 4, Delivering Critical Infrastructure to Facilitate Human and Private Sector Development.** The main outcomes include: (i) the construction of three water treatment plants at Sheet Anchor, Uitvlugt, and Diamond, with their respective storage tanks and achieving improvements in the water supply service for 55,300 households, (ii) the production of operation manuals for the new system and maintenance manuals for the new assets, (iii) installation of 14,709 meters to support non-revenue water reduction in three program areas (Cornelia Ida-De Kinderen; Diamond-Herstelling, and Goed Bananen Land (Sheet Anchor-No.19). Authorities are monitoring water consumption by metered customers to determine higher-than-average consumption, zero readings, and other anomalies to ensure 100 percent reading and billing for all legitimate customers in the respective district-metered areas. In Regions 1 and 9, 303 houses were completed and validated with water and sanitation facilities as well as 78 roofs along with water facilities. Community members designed their housing solutions during participatory workshops in each region.

2.7 **Challenges in project implementation.** Two challenges faced during project implementation were (i) exchange-rate issues related to projects co-financed with the European Union (EU), and (ii) challenges related to the evolution over time of the scope of projects and the implications for development effectiveness. First, the Bank co-financed two projects with the EU GY-L1040 Water Supply and Sanitation Infrastructure Improvement Program and GY-L1041 Power Utility Upgrade Program. The EU share of the projects was in euros, which depreciated over the life of the project, reducing the US dollar value of the projects. Several million US dollars were lost in both projects because of exchange rate fluctuations, which were covered by special contingency resources. When the scope of projects changes over time, the indicators stated in the results matrix on the project's origination become ineffective for measuring development effectiveness. For example, GY-L1028 Sustainable Housing for the Hinterland obtained results different from those of the original results matrix, translating into low effectiveness when evaluated, without capturing other important achievements. It would be useful to be able to review indicators in the results matrix during a project's mid-term evaluation.

2.8 **Social protection.** Although social protection was not identified as an area of work, the socioeconomic crisis caused by the COVID-19 pandemic highlighted the importance and the limitations of the existing safety net and created demand to expand the existing cash transfer programs. It also highlighted the importance of supporting the digital transformation of the Ministry of Human Services and Social Security (MHSSS) to increase the efficiency of implementation of its social protection programs. Through the operation GY-L1077 Support to Safety Nets for Vulnerable Populations Affected by Coronavirus in Guyana, IDB supported extraordinary cash transfers in the Old Age Pension Service and the Public Assistance, electricity bill credits for vulnerable households, the creation and operation of the Survivors Advocates Program for women victims of violence, and institutional strengthening of the MHSSS.

2.9 **Portfolio in execution:** The active investment portfolio consists of 14 investment loans for an approved amount of US$242.2 million; two investment operations co-financed with Caribbean Investment Facility - European Commission (EU/CIF) grant resources for US$41.7 million; and one Investment Grant for US$5 million, representing a total approved amount of US$301.92 million. The total undisbursed balance stands at US$143.7 million. Undisbursed loan balances are concentrated in the transport, energy, housing, and social sectors, which support major infrastructure works in the country. At the end of 2021, 8 percent of the portfolio was classified as "alert," mainly for projects in the agriculture and trade sectors. Disbursements increased from an annual average of US$16 million in 2014–2016 to US$44.6 million in 2017–2021.

2.10 **IDB Invest:** IDB Invest portfolio represents US$15.0 million, to improve the country's logistics sector and facilitate trade to SMEs.[10]

2.11 **IDB Lab**: The portfolio is comprised of seven operations in execution that represent US$3.0m with disbursements of US$0.8m. The supported areas are related to ICT, Digital Skills, Innovation, Agriculture, Gender-based Violence, and Migration.

2.12 **Lessons learned.** The key lessons learned on CS implementation can be outlined as follows: First, contract management needs to be more robust in the execution of the portfolio to address challenges with Executing Units and Ministries not holding the contractors accountable. The national procurement system needs to be digitalized, along with training of local suppliers and contractors and effective packaging of infrastructural works to attract a wider market. Second, the opportunity to include solutions and digitalization in some projects becomes even more important in the context of the pandemic. The national strategy and planning framework is an area that needs to be strengthened to improve the governments capacity to absorb resources and execute infrastructure-related expenditures, especially in the context of growing budgets due to growing government revenues. At a higher level, some lessons that remain relevant include the significance of getting the project design right through robust institutional assessments revealing potential challenges to project execution and adjusting accordingly. Also, completing designs and technical studies during project preparation will save time during the implementation of infrastructure works. Regarding Non-Sovereign Guaranteed operations, two main lessons can be highlighted: (i) many clients and projects in small markets like Guyana require upstream support to build firm capacity, to structure projects, and to support the client through execution; and (ii) reducing the costs of structuring transactions is crucial to allow Guyana to benefit from more efficient operations with financial institutions, corporates, and financing of infrastructure assets. On the exchange rate challenges described the lesson learned was to commit to US dollars for future co-finance projects, bypassing exchange rate challenges. Regarding development effectiveness, the main lesson is to work carefully with the results matrix, monitor any changes to project scope, and review implications for the results matrix and development effectiveness. We plan to review the performance of legacy operations relative to the original results matrix and analyze the relevance of current the results matrix of current projects.

2.13 **Conclusions of the Independent Country Program Review (ICPR) 2017–2021.** The ICPR found that: the country program was strongly aligned with some Strategic Objectives of the previous strategy and partially aligned with others, and that the country program showed flexibility to support the country's response to COVID-19. The ICPR also recognized that lending to the private sector through IDB Invest increased significantly, and that the political context, the pandemic, and execution capacity affected project implementation. Finally, the ICPR found that evaluability of the CS was weak because most of the indicators proposed in its results matrix did not allow to adequately measure progress. These findings were considered in the preparation of this Country Strategy by creating strategic objectives aligned with the Government's requested areas of support to strengthen the country program's alignment with strategic objectives and considered measurement indicators that can be tracked overtime to improve evaluability. IDB Invest is expected to continue playing a significant role in the IDB Group's relationship with the government, and the Country Office plans to continue using the Project Executing Unit Commitment Portal to track signed procurement contracts. The Commitment Portal was developed to support project implementation. At the time of the ICPR, there were US$ 235 million in undisbursed balances from legacy projects, however 70 percent

[10] Comprises IDB Invest outstanding as of April 2023.

or US$ 167 million of undisbursed balances of approved projects were committed with signed procurement contracts using this portal, supporting project management and execution.

III. STRATEGIC AREAS

3.1 **The IDB Group's Country Strategy in partnership with the Government of the Cooperative Republic of Guyana 2022–2026 aims to support the country's goal of sustainable and equitable growth.** The Government of Guyana has specifically requested that the IDB's engagement significantly deepen and focus on narrow sectors, with a lending envelope that is expected to be almost seven times greater than in the previous cycle. In this context, the government would also like to see a much greater presence of IDB Invest, which has significantly expanded over 2020–2023. Finally, the government's leadership has requested support to understand the challenges to increase financial sector lending to the private sector, which will be key to leveraging new business opportunities stemming from Guyana's economic boom. The CS aims to continue supporting to Guyana pursue sustainable development and inclusive growth and supporting economic diversification of the non-oil economy. The CS will focus on the identified strategic areas of (i) resilient infrastructure development, (ii) human capital development focusing on improving health and education outcomes, and social services, and (iii) strengthening institutional capacity identified in the CDC Update 2019 as key development challenges. The overarching objective of the CS will be to support Guyana's development for the private sector to deepen links to the booming economic sector and improve the business climate in the non-oil sector through productivity-enhancing resilient infrastructure developments and a better trained labor force. The IDB's area of support will contribute to transforming Guyana's newfound wealth into an agent of economic transformation for the whole economy, generating more investment and employment, and ultimately lifting standards of living across the country. Strengthening gender and diversity, climate change and environmental sustainability, and digitalization will be cross-cutting themes for the CS. The new Country Strategy will support Guyana implement the Low Carbon Development Strategy and decarbonization objectives.

3.2 **The proposed IDB Group actions are aligned with the Second Institutional Strategy Update 2020–2023 on the three strategic priorities of improving productivity and innovation, regional economic integration, and improving social inclusion and equality, and Guyana's Low Carbon Development Strategy 2030.** The actions will contribute to the government's goals of supporting economic growth through institutional development, supporting private sector development and job creation, transitioning to cleaner and renewable sources of energy, and facilitate greater inclusion of Indigenous Peoples in income-generating activities. Guyana's Low Carbon Development Strategy 2030 includes an Investment Program to develop Guyana's human, financial, and physical capital which the Country Strategy will support. These strategic areas are also aligned with key aspects of the IDB Invest New Vision and Business Model, for example, providing upstream advisory services in coordination with the IDB Group (IDBG) for enhanced business climate and addressing market failures, taking on more risk, and maximizing mobilization.

A. Resilient infrastructure development

3.3 **Infrastructure challenges in terms of transportation, energy, telecommunications, water and sanitation and flood protection continue to represent key constraints to private sector development.** In the face of increasing climate change risks, the development of high-quality resilient infrastructure becomes fundamental. The estimated costs for resilient infrastructure through 2030 in Guyana vary between US$9.4 billion and US$23.8 billion. The estimates served as a baseline to estimate the cost of Guyana's infrastructure gap across multiple sectors such as electricity, transport, trade infrastructure, telecommunications, water and sanitation, and flood protection. The study analyzed four investment scenarios, varying by policy objective from low, medium, high, to aspirational, with low assuming Guyana partially achieves national policy targets by 2030 and aspirational assumes Guyana achieves the same level of infrastructure as global leaders in each sector. The infrastructure gap estimates for each individual scenario are US$9.4 billion, US$13.4 billion, US$18.1 billion, and US$23.8 billion over a period of 10 years, gradually increasing the quality and quantity of infrastructure, improving sustainability, and including a special focus on resilient infrastructure, given Guyana's high exposure to extreme weather events and the benefits of climate resilient planning. In this context, the infrastructure gap estimates by sector are between US$900 million and US$2.4 billion in electricity, US$6.2 to US$11.5 billion in transportation, US$532 to US$959 million in trade infrastructure, US$81 million to US$221 million for telecommunications, and US$474 million to US$783 million for water and sanitation, and US$417 million to US$680 million for flood protection. Total estimated resiliency costs across sectors ranged from US$823 million to US$1.6 billion (Infrastructure Gap Assessment and Investment Pathway Report, Castalia 2021).

3.4 **Improved transportation infrastructure inward to Brazil and Suriname and outward through the port of Georgetown may contribute to an upsurge in land-based trade and promote regional integration.** Guyana's internal integration is limited by sparse road networks of approximately 3,995 km of which approximately 735 km (18.4 percent) is paved (Gazetteer of Guyana, 2001). This limits movement within the country and to neighboring Venezuela, Brazil and Suriname—the latter of which depends on a ferry that runs once a day. Linking Linden and Lethem is part of a larger effort to connect Georgetown and Boa Vista in the Brazilian state of Roraima. Currently, the main transport link for Roraima and Amazonas (also in northern Brazil) is through Manaus by ship (MTBS, 2018), with a smaller amount of trade going through Venezuela. Guyana's economic growth will stimulate exports to Brazil, such as rice, and imports agro-processing and manufacturing opportunities. Traffic at the border crossing is expected to increase rapidly following the anticipated construction of the deep-water port and the linkage between Linden and Lethem. However, present controls, standards, infrastructure, and IT connectivity on Guyana's side are not at the same level as those of Brazil which require upgrading to support transportation and regional trade. The Government of Guyana is also in discussions with the Government of Suriname to address the construction of a bridge to connect the two countries to increase trade. More free-flowing movement of persons may also provide social benefits such as job opportunities. The Guyana-Suriname border also faces challenge related to border crossing as with Brazil, where the Bank can provide substantial value by addressing the issue with a focus on regional integration.

3.5 **In transportation, the government plans to improve connectivity in land and air travel.** Development projects include the recently completed upgrades to the main international airport and paving approximately 25 percent of the 450 km between Linden and Lethem, part of the proposed Brazil-Guyana transportation corridor. Other transportation projects include upgrading and developing new roadways linking Guyana's two international airports and within the West Coast of Demerara connecting to the East Coast and East Bank of Demerara (Parika, Bartica, Timehri), upgrading the Diamond to Timehri Highway, reconstruction of the Corentyne Highway from Palmyra to Moleson Creek, bridges across the Demerara and Corentyne Rivers, and a deep-water port. The GoG also referred to conducting feasibility studies for the reintroduction of a train (or light rail system) to Guyana. A reliable public transport system would be instrumental in reducing traffic congestion along the East Bank and East Coast transportation corridors, which can reduce travel time, and can likely reduce carbon emissions. This strategic area would improve economic productivity and support private sector development, a key government objective.

3.6 **The government has repeatedly stated its objective of reducing the cost of electrical energy and expanding access to electricity in the rural hinterland.** The Hinterland is the largest and least populated part of the country located away from the coast. To improve cost and increase access in the energy sector, the government proposes diversifying the energy mix to include natural gas from oil production and renewable sources such as hydropower, solar, and wind energy. High energy costs and reliability are impediments to growth. The average tariff for household electricity in Guyana is US$0.23/kilowatt hour (kWh), higher than the average for several Latin American and Caribbean (LAC) countries of US$0.16/kWh, though lower than The Bahamas, Barbados, and Jamaica (GlobalPetrolPrices.com, 2022). Furthermore, because of the system's low reliability, many Guyanese firms source power from generators, and many households use generators to supplement transmission, representing significant private costs to the economy. The power sector suffers from a high frequency and long duration of system interruptions in addition to a high level of losses of about 24.8 percent in 2022. Addressing the nation's electricity challenges would help reduce business costs and improve competitiveness in addition to improving the general welfare of the population. According to the 2020 Innovation, Firm Performance, and Gender Survey (IFPG), 63 percent of Guyanese firms reported high energy costs as a major or very severe obstacle to doing business. In addition, driven by a rural-urban divide, access to electricity is below regional averages. According to World Bank data, the share of the population with access to electricity increased from 73 percent in 2006 to 92 percent in 2018, while the LAC and Country Department Caribbean (CCB) averages were both 98 percent. The Bank's work in Guyana supports the Low Carbon Development Strategy given current projects supporting energy diversification, such as GY-L1066 Energy Matrix Diversification and Institutional Strengthening of the Department of Energy and GY-G1007 Guyana Utility Scale Solar Photovoltaic Program (GUYSOL).

3.7 **Expected increases in trade volumes and trade transactions will accentuate existing challenges in trade processes and logistics**. Challenges related to market and product diversification, while still relevant, will become less pressing in the near term. However, there are deficiencies in both the international economic connectivity "software" (regulatory and procedural frameworks) and "hardware" (physical infrastructure), with the principal constraints being: (i) limited port capacity and (ii) inadequate connectivity and border control processes. A deep-water port has been proposed, but short-term solutions are also needed. A new port would enable the accommodation of larger ships and the operation of port processes at a larger, more optimal economic scale. But because the construction of a greenfield port can take 5 to 10 years, interim upgrades are also needed at the existing port of Georgetown to reduce transaction costs and times with respect to spatial/operational solutions to enhance port operations, improve port-hinterland road connectivity, make regulatory/institutional improvements to facilitate trade and streamline administrative processes and modernize technology platforms and productivity tools.

3.8 **The telecommunications sector is a challenge in Guyana.** The coverage of information and communication technologies and their utilization (by government, businesses, and individuals), are amongst the lowest in the region, hindering productivity, competitiveness, and innovation. Between 2010 and 2021, broadband subscriptions in Guyana increased, but the country remains below both averages at 11.8 subscriptions per 100 population compared to 16.7 in LAC and 21.3 in the CCB. Considering that only 28 percent of the households are connected, there is a clear gap in terms of digital infrastructure. These low levels of internet utilization and technology adoption partially explain the country's limitations in productivity, competitiveness, and innovation. However, in October 2020, the government announced the end of the 30-year monopoly in the telecommunications sector by implementing key liberalization measures of the Telecommunications Act 2016. This is expected to contribute to better quality communications services, lower prices for consumers, and expanded coverage to unserved and underserved areas. According to IDB estimates, connecting 100 percent of public institutions would require an investment of US$77 million. Similarly, connecting 118,925 households requires 25.673 kms of fiber and a total investment of US$527 million. The IDB estimates that closing this gap may have a gross value-added impact of US$863 million and may generate over 2,400 direct jobs.

3.9 **Flooding and drainage.** Historically, Guyana has been exposed to flooding due to low-lying land and protected from high tides and rainfall flooding via a system of sea defenses, drainage infrastructure comprising a network of dikes, conservancy dams, and sluices. Because of the dynamics at play between high tides and heavy rainfall, and challenges maintaining the drainage system infrastructure, coastal areas remain at high risk of flooding. The floods of December 2005–February 2006 were amongst the most devastating events in Guyana's recent history, causing damages in excess of US$465 million (equivalent to 59 percent of Guyana's GDP), and affecting 275,000 people (37 percent of the Guyanese population) (UNDP, 2009). More recently, in 2021 the government announced a national disaster as river levels rose significantly, affecting 30,000 households, livestock, and farmlands.

3.10 **The focus on sustainable infrastructure highlights the significance of developing high quality and efficient projects, consistent with Guyana's environmentally aware development plans.** Sustainable infrastructure refers to infrastructure projects that are planned, designed, constructed, operated, and decommissioned in a manner that ensures economic, financial, social, environmental (including climate resilience), and institutional sustainability over the entire life cycle of the project (IDB, 2019). In this regard, infrastructure investments in the region are estimated to be between 1.0 and 5.5 percent of GDP (DIA, 2020).[11] In this context, preparing resilient infrastructure projects means designing projects that are of high quality and that mitigate the risks of climate change and sea-level rise. Guyana is exposed to heavy rains, floods, and rising sea levels, all of which will be considered in the planning and design phase.

3.11 **The business climate remains relatively challenging for conducting economic activities and facilitating investments.** The World Bank's regulatory quality percentile rank reflects perceptions of the government's ability to formulate and implement sound policies and regulations that permit and promote private sector development. On this indicator, Guyana's

[11] A 2019 report by the World Bank and the Global Facility for Disaster Reduction and Recovery (GFDRR) estimated that net benefit on average of investing on resilient infrastructure in low- and middle- income countries was US$4 in benefits for every US$1 invested (*Lifelines: The resilient infrastructure opportunity*).

percentile rank has been volatile, falling from 37.5 in 2017 to 28.9 in 2019, then rising to 33.2 in 2020. The 2020 figure remains below the LAC and CCB averages of 44.5 and 46.5, respectively. A large share of private sector firms that participated in the IFPG survey in 2020 identify the following challenges as major or very severe obstacles to doing business in Guyana: electricity and tax rates (63 percent), customs and trade regulations (52 percent), access to finance (51 percent), an inadequately educated workforce (50 percent), cost of finance (46 percent), and the political environment (45 percent). Similarly, the highest-mentioned very severe obstacle to doing business was electricity (25 percent), followed by tax rates (21 percent), and access to finance and an inadequately trained workforce, both with 17 percent.

3.12 **Access to finance in Guyana is relatively low compared to the regional average.** While the number of loans per 1,000 adults in Guyana increased from 38 in 2004 to 91 in 2021, the CCB region's comparative average was 387 in 2021. Similarly, another measure characterizing business activity is financial sector lending as a share of GDP (Financial Access Survey, IMF, 2022). On this measure, Guyana's private sector credit-to-GDP ratio has been steadily growing, increasing from 21 percent of GDP in 2008 to 39 percent of GDP in 2020, with lending expected to continue growing, spurred by the oil boom, but not at the same rate as GDP growth, which suggests that this ratio can stagnate or decline in the medium term. In fact, domestic credit to the private sector fell to 31 percent of GDP in 2021. The LAC and CCB averages in 2020 were 60 percent and 48 percent, respectively (World Bank, WDI). This suggests there is significant potential for improvement, especially in Guyana's context of booming economic growth. The main challenges to accessing finance in Guyana include high interest rates, collateral requirements, low levels of innovation in financial instruments (factoring, leasing, etc.), and banking sector preference for immovable assets for collateral.

3.13 **Food security and Vision 25 by 2025.** Guyana is leading Caricom's Vision 25 by 2025, which has the policy objective of reducing food imports into the Caribbean by 25 percent by 2025. This objective enhances opportunities for both public and private investment in the agricultural sector to strengthen regional food security, increase food production, and leverage investments in logistics supporting regional trade. The government has identified several potential projects as well as production opportunities and constraints in several Caricom countries. The Bank could support them by creating knowledge through value chain studies, infrastructure and logistics planning, and supporting projects in both the public and private sectors using modern agricultural technologies. There is also a willingness on the part of Guyana to form a national plan for organic agriculture, to integrate aquaculture with rice crops, to recover the practices of creole gardens, and to regulate and control inputs.

3.14 **The oil and gas sector is expected to have a significant impact on the local private sector and migration flows.** New opportunities are expected for Guyana SMEs and workers directly and indirectly related to the oil and gas value chain and other sectors impacted by the influx of people and investment.[12] These sectors in the non-oil economy include construction, housing, tourism, agriculture and food, and business services, all of which contribute to economic diversification. These developments could be encompassed under an environmentally sustainable framework. In the short run, however, foreign companies and workers are streaming into Georgetown, setting up operations in Guyana and out-competing local SMEs, despite

[12] Hansen, Eric. Positioning Guyana's Enterprises for Success in New Era of Oil and Gas Development.

pressures on oil and gas companies to use local content. This is occurring because most Guyanese local SMEs and workers lack the technology, skills, capacity, and certification levels to meet international procurement, safety, and production standards. The labour market situation is exacerbated by the overall low level of human capital formation in Guyana. To mitigate this situation, the government has promulgated local content legislation which reserves special areas for local businesses, in addition to intensified investment in technical and vocational training aimed at meeting the needs of the oil and gas sector.

3.15 **This CS proposes to support sustainable, resilient infrastructure development**. Specifically, it aims to (i) support the development of the road network and improve the quality of existing roads, particularly the 25 km stretch along the East Bank Demerara corridor between Diamond and Timehri and 85km on the border with Suriname (ii) support the paving of secondary and tertiary road networks, improving accessibility and paved road coverage, with priority for roads improving access to government health and education services; (iii) support other areas of resilient infrastructure to support private sector development such as energy, telecommunications, water and sanitation, and flood protection; (iv) strengthen institutional capacity by carrying out an Institutional Capacity Assessment (ICAP) for project implementation of the Work Service Group (WSG), the agency in charge of infrastructure projects, given the considerable expected increases in number and value of projects; (v) strengthen institutional capacity by supporting the development of a new Transport Infrastructure Master Plan over a 15-year time horizon; (vi) strengthen social safeguards by promoting road safety management and efficiency by introducing mobile equipment and fixed cameras for speed limit enforcement and awareness-raising campaigns for behavioral change and road safety education; as well as supporting the development/improvement of the legal framework governing road safety (vii) for climate change resilience, the Bank will initiate the development of a climate change vulnerability assessment of the area of influence of the road, informing expected levels of rainfall under climate change scenarios; (viii) strengthening flood protection and drainage systems supporting climate resilience (ix) support the business climate by evaluating the challenges to doing business and promote policy measures to address them; and (x) support the government's agenda to strengthen food security and regional integration.

3.16 **IDB Invest will seek to contribute to the achievement of the following strategic objectives:** (i) increased access to resilient transport and water and sanitation infrastructure, as well as renewable energy generation assets to foster decarbonization efforts; (ii) increased connectivity and digital transformation through the deployment of fixed and mobile broadband networks; (iii) economic diversification and growth by facilitating the participation of local producers to domestic, regional, and global supply chains, including through trade finance facilitation mechanisms; (iv) increased availability of long-term funding for the productive sectors in emerging and established economic activities (i.e., sustainable tourism); (v) wider adoption of technology, climate-smart practices, and credit solutions for sustainable agriculture projects to address food security concerns, as well as for the manufacturing sector; and (vi) improved access to financial services by traditionally excluded households and businesses in Guyana, deepening financial inclusion. IDB Lab will support (i) the expansion of ed tech, digital, and other skills development to increase employment, particularly of women; (ii) natural capital and climate-smart interventions in accordance with the LCDS; (iii) access to finance and support for micro, small, and medium-sized enterprises (MSMEs); and (iv) strengthening innovation ecosystems via programs that target startup and early-stage enterprises and innovation for inclusion. The focus continues to be on supporting the poor and vulnerable population through investment in resilient infrastructure, to improve access to high- quality affordable products and to create income-generating opportunities that meet environmental and social safeguards and promote inclusion.

B. Human capital development with a focus on health and education, including social services

Health

3.17 **The government has highlighted its objectives of addressing the COVID-19 pandemic, strengthening health care services, and developing a world-class education system, including more resources for training and technology in the classroom.** The LCDS states that one of its objectives is that Guyanese citizens achieve better health, education, and other social outcomes. The pandemic response has progressed, leading to hospital infrastructure development and vaccination coverage for the whole population over age 12. In the broader health sector, the government seeks to improve the quality of health care by purchasing medical supplies and equipment and developing hospital infrastructure. Some specific programs on the government's agenda include immunization programs, the HIV/AIDs program, chronic non-communicable diseases (NCDs), and mental health. For education, the pandemic has exerted strains on the educational system because of regional inequities. The government seeks to ensure equal access to quality education, at all levels, for all children, and increase the use of innovation and technology to improve education delivery and learning outcomes. For 2022 the government allocated about 14 percent of the national budget to both the health sector and education sectors, increasing their allocations by 14 percent and 30 percent in 2023, respectively. Given the current context of the oil boom, the government is seeking to obtain profound changes supporting better life and employment opportunities in the long term.

3.18 **Guyana's health profile is characterized by a double burden of disease, with non-communicable diseases (NCDs) increasing while communicable diseases remain a challenge.** In 2017, NCDs represented 72.7 percent of the total causes of death in Guyana, with ischemic heart disease (16.4 percent), stroke (12.4 percent), and diabetes mellitus (7.6 percent) representing the highest mortality rates of all NCDs. Communicable, maternal, neonatal, and nutritional diseases (Group I) made up 15.2 percent of total causes of death. HIV represented 3.5 percent, and lower respiratory infections represented 4.5 percent. Malaria remains endemic in the interior regions of the country, affecting mostly Indigenous and mining communities. Other vector-borne diseases, such as dengue and chikungunya, also continue to affect people's health. Accidental deaths and injuries were not far behind Group I in total causes of death, at 12.1 percent, with self-harm at 3.4 percent, road injuries at 2.1 percent, and violence at 2.3 percent.

3.19 **Maternal and infant mortality rates remain a challenge**. The maternal mortality ratio improved from 127 per 100,000 live births in 2016 to 112 in 2020, which is still above the LAC and CCB averages of 88 and 75 in 2020, respectively. The infant mortality rate improved from 26.7 per 1,000 live births in 2016 to 23.2 in 2021, compared to 13.6 in LAC and 14.4 in CCB.[13] Similarly, the mortality rate of children under 5 was 27.7 per 1,000 live births in 2021, compared to 15.9 in LAC and 16.5 in CCB. The main causes of maternal mortality are post-partum hemorrhage and pregnancy-induced hypertension, while 70 percent of neonatal deaths are caused by prematurity, followed by respiratory illness (20 percent).[14] The prevalence of anemia

[13] These improvements were supported by the Banks project in maternal health, GY-L1058 Support to Improve Maternal and Child Health.
[14] Chief Medical Officer Report 2014.

among pregnant women is relatively high, reaching 33 percent in 2019 compared to 22 percent in LAC and 22.6 percent in CCB. Pregnancy in adolescence (10–19 year of age) is also high (about 20 percent of all live births),[15] representing a higher risk for both mothers and newborns.[16] The adolescent fertility rate (births per 1,000 women ages 15–19) was 67.8 in 2020 compared to 54.7 in LAC and 44 in CCB.

3.20 **The incidence of self-harm is high in comparison to other parts of the world**. In 2017, self-harm was the cause of 3.4 percent of all deaths in the country. According to the Pan American Health Organization, "the adjusted suicide rate is estimated at 16.04 per 100,000 population, 1.5 times the world rate and three times the rate in LAC's middle- and low-income countries, with rates four times higher in men than in women" (PAHO, 2017).[17] For unadjusted figures, the rate was 40.3 per 100,000 in 2019, compared to the LAC and CCB averages of 6.2 and 8.1 (excluding Guyana), respectively. One of the main causes of self-harm is mental illness.[18]

3.21 **Climate change will impact the population's health**. It is projected that the impacts of climate change on the health sector will result in a higher incidence of both vector-borne diseases such as malaria and dengue and water-borne diseases, including cholera and diarrhea (GoG, 2012). Estimates of direct and indirect costs due to the increased occurrence of these diseases are projected to increase over time under different climate change scenarios (UNECLAC, 2011). Biodiversity can play a pivotal role in preventing future pandemics. Biodiversity loss, ecosystem degradation, and other human-driven disturbances are increasingly linked to the occurrence, risk, and spread of zoonotic and vector-borne diseases. In many instances, climate change acts as a threat multiplier.

3.22 **Rising rates of migration may also affect population's health**. The recent increase in the number of migrants has put additional pressure on the country's health care system, particularly in Regions 1 and 7. This rise also increases the risks of outbreaks of infectious diseases, demanding a concerted response from the health care system.

3.23 **Indigenous communities are being disproportionally affected by NCDs, communicable diseases, and other health conditions**. Rapid lifestyle changes, lack of information or support in managing changes, and higher levels of poverty and geographic isolation are having a negative impact on the health status of Indigenous communities. Indigenous populations have limited awareness about the nutritional content, dietary habits, and health ramifications of non-traditional food consumption. Alcoholism, drug consumption, domestic violence, suicide rates, and HIV/AIDs incidence have grown, challenging Indigenous peoples' traditional way of life and social cohesion.[19,20,21]

3.24 **There are geographic inequities in access to health care, particularly in the rural interior, and quality of care remains a challenge.** For instance, despite 92.4 percent of all births nationwide being attended by a skilled birth attendant, the figure is only 47 percent in the

[15] MDG Acceleration Framework, Government of Guyana 2014.
[16] Adolescent Pregnancy: A review of Evidence. UNFPA. 2013 http://www.unfpa.org/sites/default/files/pub-pdf/ADOLESCENTpercent20PREGNANCY_UNFPA.pdf
[17] PAHO. (2017). Guyana. *Health in the Americas.* https://www.paho.org/salud-en-las-americas-2017/?page_id=129&lang=en
[18] Idem.
[19] "HIV Stagma Forum Hears." Guyana Chronicle. October 8, 2014. http://guyanachronicle.com/hiv-stagma-forum-hears/
[20] Baramita village in Region 1 is a village of less than 1,000 inhabitants and has recorded 73 suicides from 2007. "Baramita mourns the loss of another life to suicide". Guyana Chronicle. June 6, 2016. http://guyanachronicle.com/baramita-mourns-the-loss-of-another-life-to-suicide/
[21] Ministry of the Presidency. "Five-member authority to oversee, monitor implementation of decisions of Toshaos Council". August 22, 2016. http://www.motp.gov.gy/index.php/1289-five-member-authority-to-oversee-monitor-implementation-of-decisions-of-toshaos-council.

Hinterland Region 9 (Figure 2.5). In terms of quality, in the postpartum period, merely 47.8 percent of check-ups occur less than four hours after delivery and 52 percent of newborns do not receive a postnatal care visit following birth.

3.25 **The Ministry of Health is the steward of the system, responsible for policy-setting, health intelligence, and regulation and supervision.** Regional Democratic Councils are responsible for service provision, under the guidance and oversight of the Ministry.[22] The health care network is organized along five levels, including health posts, health centers, district hospitals, regional hospitals, and national referral hospitals. The main national referral hospital is Georgetown Public Hospital Corporation.

3.26 **There are significant limitations related to human resources in health**. In 2008, Guyana had the lowest number of public sector physicians and the second-lowest supply of nurses in the LAC region.[23] The estimated ratio of the total number of physicians and nurses per 10,000 people in 2010 was 7.25. Even if all public and private physicians, nurses, midwives, and nursing assistants are included, Guyana's ratio increases to only 17.7 (see Figure 2.27). The comparable figure for the non-Latin Caribbean is 21.7, while the current recommended World Health Organization (WHO) target ratio is 25 per 10,000 members of the population. The situation was attributed to high rates of outward migration of nurses and doctors trained in the country and the concentration of remaining health professionals in or near to the capital city of Georgetown.[24] The critical shortages are concentrated in primary care nursing staff and midwives. In 2010, a Health Human Resources Gap Analysis determined that Guyana requires an additional 309 nurses and that over 7,450 Guyanese nurses work abroad, with an expatriation rate of 81.1 percent.[25] A more recent analysis suggests important gaps related to professional midwives.[26] Since 2020, the government has made a concerted effort to increase medical training for both doctors and nurses, and more recently has made tremendous progress in addressing salaries and conditions of service for medical personnel, including frontline workers' benefits during the COVID-19 period.

3.27 **A nationwide assessment of the health care network evaluated the infrastructure conditions of the health facilities' buildings.** In total, 330 health facilities were surveyed. The following criteria were weighted and analyzed: structural integrity, architectural integrity, operational integrity by room, and operational integrity of services. The health facilities' buildings were divided into three categories: (i) gold, indicating that the building only requires routine maintenance; (i) silver, indicating that the building will require rehabilitation within 2-5 years; and (iii) bronze, indicating that the building requires immediate rehabilitation and/or construction. Out of the 330 health facilities, 24 were classified as bronze, 99 as silver, and 207 as gold. In this context, the facilities were assessed for the availability of electrical power supply, water, waste management, and communications services to determine the extent of the social infrastructure gap.

3.28 **Road traffic injuries are a growing public health problem, particularly affecting children and generating significant economic losses.** According to the 2019 Global Burden of

[22] Health care provision was decentralized to Regional Development Councils in 1986. In 2005, Regional Health Authorities (RHAs) were established to assume responsibility for service provision in the regions. RHAs boards are appointed by the Minister of Health, and they have service contracts with the MoPH. So far, one RHA has been implemented (Region 6) and it is expected that another four will be established by 2020.
[23] Pan American Health Organization, Health Information and Analysis Project. Health Situation in the Americas: Basic Indicators 2010. Washington, D.C., United States of America, 2010.
[24] Region 4 employs 73.6percent of Guyana's total physician workforce (Health Human Resource Action Plan for Guyana, PAHO 2010).
[25] Implementing Guyana's Package of Publicly Guaranteed Health Services (PPGHS): Bridging Health Human Resource Gaps. PAHO. Dubois, Carl A., Ingabire, M-G. February 2010.
[26] Rapid healthcare system diagnostic.

Disease study,[27] road traffic injuries are among the top 10 causes of death and disability combined in Guyana, measured in disability-adjusted life years.[28] More than 170 people die each year due to transport accidents, which corresponds to a mortality rate of 22 per 100,000 population, higher than the average for the LAC region (17 per 100,000 population).[29,30] Transport injuries account for 2.6 percent of all deaths in the country and 11.2 percent of deaths in children between 5 and 14 years old, making them one of the three leading causes of death in this age group.[31] In addition to the pressure on health spending that road traffic injuries generate, these events result in productivity losses for the country, as well as significant economic burdens for families due to premature death or disability.[32]

3.29 **Guyana continues to have important capacity gaps in preparedness against future pandemics.** According to the State Party Annual Report (SPAR) that countries submit to WHO regarding their capacities for preventing and responding to emerging health issues of international concern, Guyana reported for 2022 low scores (40/100) in indicators related to infection prevention and control, food safety, zoonotic diseases, chemical events, and radiation. The areas related to epidemiologic surveillance and laboratories were better evaluated, but weaknesses were identified specifically in the early warning function and sample referral systems. In 2022, the overall SPAR score for Guyana was 54 (in a scale that ranges between 0 and 100), lower than the average for Caribbean countries (58.5).

Education

3.30 **The government aspires to have a world-class education system, which will require more resources for training and technology in the classroom.** The pandemic has strained the educational system because of regional disparities in access to training and technology. The government seeks to ensure equal access to quality education at all levels for all children, and to increase the use of innovation and technology to improve educational delivery and learning outcomes. Rural interior regions with limited access to technology were severely challenged during the pandemic. The government addressed these challenges by updating the Guyana Learning Channel Trust and distributing printed worksheets for students in remote areas. Other government plans include the improvement and construction and equipping of nursery, primary, and secondary schools across the country with resources, teachers, updated curricula, and laboratories comparable to international standards. In the context of the LCDS, the government plans to support capacity development in low-carbon services and align institutions and programs to low-carbon development such as the University of Guyana and technical and

[27] The burden of disease estimates are from the Global Burden of Disease Collaborative Network - Institute for Health Metrics and Evaluation (IHME) - Burden of Disease Study 2019 (GBD 2019). https://vizhub.healthdata.org/gbd-results/

[28] Disability-adjusted life years are the sum of years of life lost due to premature death and years lived with disability (YLDs). In this sense, one disability-adjusted life year represents one year of healthy life lost due to mortality and disability associated with specific diseases.

[29] Mortality caused by road traffic injury (per 100,000 population) in 2019. World Health Organization, Global Health Observatory Data Repository. https://data.worldbank.org/indicator/SH.STA.TRAF.P5?locations=GY-ZJ

[30] The Guyana Police Force reported that 50 people died on Guyana's roadways between January and April 2023, and in February the Police reported a 100 percent increase in road fatalities compared to the same period last year. Guyana Times "Guyana records 50 road fatalities between January and April 2023," April 27, 2023 (accessed on June 12, 2023) https://guyanatimesgy.com/guyana-records-50-road-fatalities-between-january-and-april-2023/

[31] Leading causes of death among 5-14 year old children: (i) unintentional injuries (23.9 percent of total deaths); (ii) transport injuries (11.2 percent); (iii) other non-communicable diseases (10.9 percent); (iv) neoplasms (9.5 percent) y (v) self-harm and violence (7.3 percent). Global Burden of Disease Collaborative Network, Institute for Health Metrics and Evaluation. https://vizhub.healthdata.org/gbd-compare/

[32] While no economic estimates are reported for Guyana, a recent *Lancet* study, conducted for 166 countries, estimates that in LAC countries, road injuries will cost the equivalent of 0.116 percent of GDP, according to estimates between 2015 and 2030. Chen et al. (2019). The global macroeconomic burden of road injuries: estimates and projections for 166 countries. *The Lancet Planetary Health*: 3(9), September: e390-e398 https://pubmed.ncbi.nlm.nih.gov/31538624/

vocational institutions. The government has allocated 16.5 percent of the total budget to the education sector.

3.31 **Guyana has achieved good and equitable levels of school enrolment in pre-primary and primary levels but records lower enrolment in secondary and tertiary levels.** To date, the country has increased its gross enrolment rate at the pre-primary level from 95 percent in 2015 to 115 percent in 2018. Pre-primary students are children between 3 and 5 years old. At the subnational level, only Region 1 presents a rate below 100 percent (84 percent).[33] The net enrolment rate in primary education is 92 percent, with no differences between boys and girls (92.7 and 91.5 percent respectively). Completion of primary education is also high: 93 percent of children entering the first grade of primary school eventually complete the last grade.[34] However, in secondary education, the net enrolment rate falls to 61 percent and presents significant differences in enrolment by sex, with 59 percent for males and 65.6 percent for females. In terms of tertiary education participation, the country records a 16.9 percent gross attendance rate compared to 42 percent in the LAC region (CIMA, 2017). Notwithstanding, the literacy rate among young people (aged 15–25) is high: 98 percent for women and 97.7 percent for men (MICS, 2014).[35]

3.32 **One of the main challenges of the Guyanese education system is providing the same learning opportunities to all students**. The results from both national and regional assessments show that learning outcomes differ among student groups by region, with students from coastal areas scoring higher than students from the Hinterland. In addition, girls consistently perform better than boys.[36] In the National Grade Six Assessment, student performance improved in mathematics across all regions over time; nevertheless, the majority of students continue to do poorly in math, as well as science and social studies. Over the last five years, the proportion of students gaining passes in the assessment has notably improved.[37] However, more than 50 percent of students still do not pass (i.e., attain 50 percent and above) in some core subjects. Regional differences in test scores are significant; 42 percent of students in the coastal areas scored above 50 percent, compared with only 18 percent of students in the Hinterland. In 2019, only 48 percent of students in riverine areas and only 36 percent in the Hinterland achieved the Ministry of Education standards (defined as achievement of at least 30 out of 60 points) in English, compared with 61 percent of 6th graders in the coastal areas.

3.33 **Regionally, Guyana performs below neighboring Caribbean countries**. Based on historic data from CSEC's results from 2007 to 2015, analyses and conclusion can be drawn by comparing Guyana's student achievement with the rest of the Caribbean region. These results show that Guyana has the lowest percentage of passing rates in both math and English when compared to neighbors such as Barbados, Jamaica, and Trinidad and Tobago. However, since 2007, Guyana has consistently shown an increase in the percentage of students who passed the CSEC in math, reporting 50 percent in 2018. Moreover, Guyana has consistently made the most improvement in passing rates in English compared to its Caribbean neighbors, increasing from 44 percent in 2013 to nearly 70 percent in 2018. Despite this progress, further improvements are needed.

3.34 **More support services are required for students at risk.** There are 1,740 immigrant students in the school system, mostly from Venezuela. They lag in learning as they are not proficient in English, and the system has few qualified teachers and materials to teach English as a second language. In addition, young students in remote schools are not systematically screened for

[33] Ministry of Education, Guyana. Education Sector Plan (ESP) 2019-2023.
[34] Ministry of Education, Guyana. Education Sector Plan (ESP) 2019 – 2023.
[35] UNICEF. 2014. Multiple Indicator Cluster Survey. Guyana.
[36] Ministry of Education, Guyana. Education Sector Plan (ESP) 2019-2023. Page 55.
[37] The assessment is a high-stakes examination that is used as a tracking tool for students transitioning from primary to secondary school.

hearing and eyesight problems: undetected, these problems often contribute to learning difficulties.

3.35 **These challenges were exacerbated during the COVID-19 pandemic, as were the digital and infrastructure gaps in the sector.** In the first two years of the pandemic, 183,000 students did not attend school. Schools only reopened in January 2022. The main elements affecting service delivery include unequal distribution of qualified teachers and limited in-service teacher training, insufficient pedagogical resources, limited support services for students at risk, low connectivity, deteriorated infrastructure, and weak sector governance. Furthermore, the pandemic revealed the gaps in digital infrastructure for online learning and the need to upgrade energy and water systems for the safe reopening of schools. According to a 2018 infrastructure survey of the 450 primary schools, 33 percent need general repair, 53 percent require an upgrade or replacement of their sanitation and water systems, and 44 percent need a source of power. Regarding connectivity, 195 schools (43 percent) have internet connectivity but insufficient bandwidth, limiting the use of technology in classrooms, and 200 schools have no connectivity. Finally, existing schools need retrofitting to become more climate resilient and sustainable. This situation has improved significantly since 2021.

3.36 **Sector governance needs to be strengthened for efficient and effective management**. The Ministry of Education has started to implement an Education Management Information System (the OPEN EMIS) and is working on expanding it throughout the education sector. As not all schools have reliable internet yet, the use of the EMIS will take some time throughout the system. Once fully operational, the system will enable the MOE to identify early students at risk and provide a comprehensive inventory of infrastructure and maintenance needs.

3.37 **The context of the oil boom raises the urgency for developing human capital**. Considering the growing level of oil reserves continuously being discovered in Guyana, GDP growth is expected to continue, along with high levels of capital expenditure, foreign direct investment, and migration inflows. The oil production horizon in Guyana is projected to last at least 30 years, suggesting that investing in improving the level of education now will prepare Guyanese citizens for growing job opportunities, both within and outside the oil and gas sector. Major investments in resilient infrastructure, renewable energies, logistics and mobility, and sustainable use of natural resources—all related to the strategic areas of the CS—can provide significant employment and income opportunities. The IDB will support economic diversification and sectors contributing to climate change mitigation and adaptation.

Social Services

3.38 **Vulnerable groups in Guyana.** Social safety nets in Guyana include a range of non-contributory social intervention programs, most under direct responsibility of the Ministry of Human Services and Social Security (MHSSS) and others under the Ministries of Education, Indigenous People's Affairs, and Public Health. The MHSSS has developed a "womb-to-tomb" approach for providing services. Their largest programs are Old Age Pensions, benefitting approximately 73,000 senior citizens with a monthly stipend of US$158, and the Public Assistance Programme, benefitting 29,000 people with permanent disabilities or financial needs, with a monthly stipend of US$77. Other areas of support include survivors of domestic and sexual abuse, persons in conflict with the law, neglected and abused children, teenage mothers and single parents, and survivors of trafficking in persons. Some of the challenges facing the social services programs include incomplete coverage, as some vulnerable people are unaware of the program or live in areas making access difficult; challenges targeting beneficiaries; and evaluating the cost effectiveness of programs. Non-contributory cash transfers in Guyana have relatively low coverage of the population living in poverty. They reach 27 percent of the population in extreme poverty, 20 percent of the population in moderate poverty, and 19 percent of the population in a situation of vulnerability (Stampini et al., 2021, Table 1). To promote the wellbeing of the population living in poverty, the IDB will support the strengthening of non-contributory cash transfer programs and related social and human services, supporting senior citizens, gender empowerment, and persons with disabilities. To increase the efficiency of their implementation, the IDB will support the digital transformation of the MHSSS.

3.39 **This CS proposes to** (i) strengthen the hospital health services network by improving the quality and services of regional hospitals, reducing pressure on the main national reference hospital supporting underserved populations predominantly in rural areas; (ii) strengthen digital health supporting the Ministry of Health's telemedicine initiatives seeking digital transformation in health and strengthening mental health services, supporting underserved populations; (iii) improve health sector management and efficiency by promoting health services packages, laboratory networks, and strengthening human resources; (iv) support the expansion of the stock of health infrastructure and quality of services, including through financing sustainable and technology-intensive projects by the private sector that benefit underserved populations; (v) support educational development in all areas of opportunity including infrastructure, curriculum, information systems, training, and inequitable access to education due to geographical and technological challenges, by both the public and private sectors; (vi) contribute to educational recovery by reducing dropout and learning losses caused by the COVID-19 pandemic; (vii) lay the foundations for a transformation of the educational sector in the medium to long term, ensuring that all students develop the skills needed for success considering that a highly skilled and educated population will be required in Guyana's booming economy, especially among the underserved population; and (viii) support strengthening social services serving vulnerable groups. The Group's support will incorporate crosscutting themes such as gender and diversity inclusion, climate change resilience, and biodiversity/natural capital in reducing greenhouse gas emissions.

C. Strengthening Institutional Capacity

3.40 **Guyana's booming economic context raises the importance of strengthening institutional capacity.** The government has repeatedly stated its objective of leveraging the oil boom to transform the economy by implementing policies to support the business climate, human capital development, and economic diversification. This would contribute to creating more jobs and achieving higher levels of income, benefitting all Guyanese. The high volume of development actions the government seeks to implement is expected to add pressure on the current legal and regulatory framework, public financial management, and public services in general.

3.41 **Institutional capacity.** In terms of public financial management, some opportunities for improvement include incorporating medium-term perspectives in expenditure budgeting, public investment management, procurement, and in-year budget reporting, among others. The procurement framework could represent a challenge for executing the capital expenditure budget. An ongoing area of collaboration is electronic government procurement, which received support for its design through a fiscal management PBL. Finally, capital projects are also challenged by weak capacity in the Ministry of Public Works Work Service Group. Strengthening contract management would contribute to streamlining infrastructure project development. All of these areas represent important challenges to the government's resource absorptive capacity, considering that the government more than doubled its capital expenditure program in 2022 after budgeting the balance of the NRF of US$608 million.[38]

3.42 **Guyana has made improvements over the last few years in both public financial management and public procurement.** For PFM, technology was incorporated, which helped increase efficiency to their operations. In terms of procurement, the legal and regulatory framework is relatively sound even though there is a need to strengthen and deepen procurement capacity and capability to achieve fuller objectives of fairness, transparency and best value. An important step was the establishment of the Public Procurement Commission (PPC) which came into effective existence with the approval of its Commissioners by Parliament in October 2016, and their swearing-in later that same year. Another important advance was the passing of the Procurement (Amendment) Act 2019 which mandates the Tender Authority's implementation of a vendor registry, small business set-asides, and mandates procurement plans to be submitted by all procuring entities in the country.

3.43 **Gaps remain in public financial management.** The latest PEFA Assessment in 2019 evidenced some areas of improvement. The comparison of the assessments indicates that between 2013 and 2019 budget credibility has improved as revenues are now well in line with budget estimates and budgets are executed within available resources. On the other hand, the Chart of Accounts has not been modernized to comply with Government Finance Statistics (GFS) standards. There have been some improvements in fiscal planning, the budget calendar, and medium-term expenditure. The main area of declining performance is in the oversight of aggregate fiscal risk from other public sector entities and the timeliness of in-year budget execution reports.

3.44 **This CS proposes to support the government in the areas of** (i) public administration, (ii) project management and implementation, (iii) the introduction of technology/information systems to improve efficiency in public services, and (iv) support legal and regulatory frameworks to strengthen the business climate for private sector development.

3.45 **Synergies within IDB, IDB Invest, and IDB Lab**. The IDBG will continue to seek more strategic coordination among IDB, IDB Invest, and IDB Lab to increase its impact in the country. Specific areas for collaboration include resilient and sustainable infrastructure (including health and education), renewable energy, digital economy, financial inclusion, human capital (including upskilling of the workforce), integration and regional trade, and agribusiness and food security. Synergies and deeper coordination will focus on (i) combining the knowledge generated across the 3 institutions to optimize technical design, that is, leveraging the regulatory and market expertise from IDB, structuring and financing capabilities from IDB Invest, and the use of technology tested and piloted by IDB Lab; (ii) piloting new solutions or models that can be scaled by IDB or IDB Invest; (iii) connecting entrepreneurial innovations with the public sector; (iv) undertaking reforms and regulatory updates that foster a supportive enabling environment for private investment and market development, including through public-private partnerships (PPPs); (v) stronger support for MSMEs and the success of emergent economic activities; and (vi) enhanced client services and solutions.

[38] The withdrawal of the balance of the NRF in 2022 is part of the amended NRF Bill 2021, which allows the balance of the NRF to be withdrawn on the first year, then follows a special schedule, where savings begin to be deposited into the NRF when annual oil revenues are higher than US$500 million.

Cross-cutting Issues

3.46 **Climate change and environmental sustainability.** Guyana is exposed to major climate change risks. The challenges posed by rising sea levels and floods on the coast combined with intensive urban development pose considerable risks to the country's development. Demand for new housing units in Georgetown is expected to increase by 50 percent by 2040 (Vivid Economics, 2019). A Climate Change and Vulnerability Assessment produced for Georgetown (2019) shows that, under business-as-usual urban growth, future flood risks increase significantly in various scenarios of sea level rise, leading to expected annual damages increasing from US$5 million today to US$12–13 million in the 2050s as well as the loss of important ecosystems. Further planning can reduce Guyana's vulnerability to climate change. Smarter land use can play a crucial role in resilience for Guyana through two primary mechanisms. On the one hand, planning processes should prioritize coastal ecosystem protection, particularly mangroves, which play a critical role in protection against both coastal and inland flooding, as well as preserving land suitable for high-yield agriculture. Blue carbon ecosystems are of increasing interest for climate change mitigation strategies and offer a compelling opportunity to attract national and international funding, such as carbon offsets and REDD+, in addition to the carbon credits Guyana has already sold. Similarly, support for the bioeconomy will continue in support of climate change adaptation and mitigation. On the other hand, medium- and long-term development strategies should curb current low-density urban expansion patterns parallel to the coastline, which are exacerbated by insufficiently articulated housing and infrastructure upgrade schemes, coupled with an inefficient land market that is the legacy of plantation estate-based tenure. Guyana's revised intended Nationally Determined Contribution was submitted to the UNFCCC in 2016, stating that Guyana could increase its share of renewable energy by 100 percent by 2025. Since then, this has been revised, and the Low Carbon Development Strategy 2030 reflects that the energy mix powering electricity is expected to transition to nearly 100 percent renewable by 2041.[39] The current context of a global transition toward renewable sources of energy and the decarbonization objectives of the Paris Agreement lead to uncertainty about the future demand for fossil fuels, prices, and associated public revenues. The government would benefit from conducting assessments on potential impacts to future oil exports and revenues under various scenarios (Delgado, Eguino, and Lopes, 2021). Mitigating factors for these challenges are Guyana's relatively low cost of production and the quality of its oil.

3.47 **Gender equality and diversity.** Women in general are vulnerable to health challenges that could be affecting economic outcomes, such as labour force participation. Women in Guyana have high fertility rates and the fourth-highest maternal mortality rate in the region (112 per 100,000 live births), suggesting that they face important barriers to participation in the labour force. While women have overtaken men in educational attainment, economic opportunities remain skewed against women. In 2019, 70.9 percent of women had at least some secondary education while only 56.4 percent of men had the same level of educational attainment. However, men have a labour force participation rate of 68.4 percent compared to 44.1 percent for women.[40] Similarly, women remain exposed to discrimination and domestic violence, which were exacerbated during the pandemic.[41] Women also face challenges accessing finance,

[39] https://unfccc.int/sites/default/files/NDC/2022-06/Guyana%27s%20revised%20NDC%20-%20Final.pdf, and https://lcds.gov.gy/wp-content/uploads/2021/10/LCDS-2030-Final-DRAFT-for-consultation-min.pdf

[40] All values from UNDP, 2018 HDI statistical update for Guyana.

[41] Unemployment rates increased from an average of 13.5 percent in 2019 to 15.2 percent for the first three quarters of 2021. Employment loss disproportionately affected women since the unemployment rate of men increased from an average of 12.5 percent in 2019 to 13.1 percent in 2021 (Q1-Q3) while the unemployment rate of women increased from 15.1 percent to 18.3 percent over the same period (Guyana Labour Force Survey, 2021 – Bureau of Statistics).

hindering entrepreneurship. Indigenous people remain the most economically disadvantaged and vulnerable ethnic group in Guyana. Indigenous people comprise around 10 percent of the country's population and reside mostly in the interior. Disparities disproportionally impact Indigenous peoples in the areas of education, health, basic services, housing, land rights, and economic development. The government plans to focus interventions on rural communities, contributing to leapfrogging stages of development and supporting sustainable and inclusive economic growth.

3.48 **Areas of opportunity**. The areas of opportunity include supporting women's entrepreneurship and participation in the labour market and boosting their financial inclusion. Similarly, there is an opportunity to continue strengthening reproductive health services to mitigate maternal mortality and prevent adolescent pregnancy. For indigenous people, there is an opportunity to reduce disparities in health and education services through the development of infrastructure and technology in rural communities. Renewable energy projects, corporate sectors, and financial markets present high potential to achieve them.[42] Similarly, the Amazonia Forever Program will be leveraged to support development projects in both the public and private sectors focusing on supporting Indigenous communities, considering the necessary sequencing of interventions including knowledge and advisory. These resources could support sustainable agriculture production and agro-processing, favoring linkages to regional food security and regional integration. There are also opportunities to strengthen regional integration efforts in the Caribbean, both through the IDBG's Amazonia Forever Program, and the forthcoming Program for the Caribbean.[43] Under climate change, the main planned activities include supporting a climate vulnerability assessment for infrastructure development and the development of low carbon and energy efficiency assessments. Finally, digitalization efforts will support further development of information systems for public financial management, and cross-sector investments by the private sector that improve operational efficiency or amplify the scope of beneficiaries, as well as strengthen connectivity and communications in the health and education sectors.

3.49 **Dialogue Areas.** The Bank will engage in strategic dialogue with the government on citizen security and justice, considering new territorial investments, access to finance, and expanding access to credit, public sector, financial management, and transparency and accountability, which are part of the portfolio in execution for further implementation supporting the sustainability of the interventions.

IV ESTIMATED LENDING FRAMEWORK

4.1 **The IDB projects a sovereign guaranteed scenario of US$550 million.** This represents a fourfold increase in level of approvals compared with the original five-year period (2017–2021) of US$125.4 million. This scenario is the result of Guyana's having graduated from access to concessional resources for the biennial beginning in 2021. Maintaining access to the same level

During the early part of the pandemic, women reported an increase in domestic violence based on information collected from an IDB online survey (Arteaga et al., 2020).

[42] IDB Invest's support in the gender and diversity crosscutting area will seek greater access to funding for companies led or owned by women, through an increased provision of financial products (such as loans through financial institutions) and non-financial products such as training, creation of business networks, and the expansion of market access for women entrepreneurs.

[43] This program, to be launched soon, defines a set of priority lines to accelerate growth in the Caribbean region through region-wide action.

of financing after 2022 is contingent on strengthening public financial management systems and the procurement framework to maximize efficient spending and support the government's development objectives. The framework assumes that Guyana will request US$120 million in lending in 2023, then gradually decline to US$100 per year through 2026, potentially due to lower demand for lending as Guyana's oil revenues ramp up. It relies on increasing transfers to the budget from the Natural Resource Fund. In this scenario, net cash flows to Guyana will average US$20 million per year and total US$78 million in 2023–2026. The outstanding debt to the IDB will grow to US$951 million, or 3.2 percent of GDP, by the end of the period.

V STRATEGY IMPLEMENTATION

5.1 **Portfolio Performance.** During the preceding CS period (2017–2021), the Bank enhanced its supervisory work by transferring and creating capacity to support execution and closely monitoring procurement through the commitment portal and contracts securing future disbursements.[44] Implementation challenges considered in the ICPR related to low execution capacity and difficulties in procurement processes, challenges that were already identified in the previous Country Program Evaluation. In the current strategy, the IDBG plans to strengthen capacity for priority activities by (i) improving capacity in project management and contract administration; (ii) supporting GoG efforts through centralized coordination and execution of MDB-financed projects to minimize redundancies; (iii) creating an action plan for electronic government procurement (eGP); (iv) supporting environmental and social safeguards for resilience; and (v) improving coordination across the IDBG to maximize investments synergies. The government has recognized the importance of allocating loan resources to strengthen management capacity and increase staffing. In this context, the IDB is in dialogue with the Ministry of Finance about the merits and demerits of contracting the services of a project management and planning company.

5.2 **Country Systems:** The IDB continues to use the country's budgetary financial management system for all loans, and the increased use of country systems remains a priority. Guyana has taken steps to strengthen its financial management and procurement systems with support from the IDB.[45] However, public procurement country systems are not used in Guyana for IDB-financed projects. There are many opportunities for the Bank to support the GoG in the modernization and streamlining of its national procurement system. A strategic dialogue between the IDB and GoG can address the main findings of a sectoral report to address areas such as: (i) the use and strengthening of the information systems; and (ii) the use of price comparison/shopping in accordance with applicable thresholds under IDB-funded Loans. Finally, the Bank has been providing extensive training in procurement management, including: (i) FIDIC contracts, modules 1 and 2; (ii) Contract Management and Monitoring; (iii) and the evaluation of tenders. Under Technical Cooperation (GY-T1173) and policy-based loan (GY-L1083) approved by the Bank, several consultancies are expected to be carried out to strengthen and modernize public procurement, including (i) a conceptual design for electronic government procurement, (ii) inputs for the update of the legal and regulatory framework; (iii) a public procurement planning training program (iv) drafting of bidder registry regulations; and (v) the development of a tailored public procurement certification program for GoG procurement officials.

5.3 **Donor Coordination and Resource Mobilisation**. While the government is coordinating the efforts of multilateral and bilateral development partners by dividing the areas of support,

[44] To enhance executing capacity, the IDB also conducted extensive training in project management, procurement, and financial administration. Coordination with the local procurement body increased, as well as stronger collaboration between agencies involved in execution and oversight.

[45] A computer accounting system is in use to streamline treasury and budgetary processes and strengthen the institutional capacity of the Audit Office.

development partner meetings between multilaterals and official donors will continue in the new CS period. The most significant contribution currently with the IDB is Norway's (Norwegian Agency for Development Cooperation) non reimbursable investment operation to diversify Guyana's energy matrix for US$83.30 million (GY-G1007). Members of the international community participate in the Development Partners meetings, with the United Nations Development Programme facilitating inter-donor networking.[46] The IDB is in constant communication with the United Nations, the World Bank (WB), and other partners, including the Islamic Development Bank. During this CS, parallel programs are in negotiation in the areas of transport, health, education, justice and citizen security, among others. The IDB participated in missions conducted by the International Monetary Fund and the Caribbean Development Bank. With support from the Office of Outreach and Partnerships (ORP), the country office will continue identifying co-financing opportunities to leverage resources from development partners, as well as grant opportunities with the European Commission, among others. ORP will also seek to lead the mobilization of non-financial resources such as technical knowledge, expertise, and capacity building from international partners, private sector companies, universities, NGOs, and others. Finally, the Country Office will work closely with the Amazon Coordination Unit and ORP to tap into the different financing vehicles funded by donors available for Guyana. The Bank is currently in dialogue for co-financing opportunities with the government. Furthermore, other development partners are including special areas of interest in the portfolio. The EU is supporting the protection of mangroves and sea defences as a measure for flood prevention, while the World Bank is supporting pandemic preparedness and secondary education.

VI. RISKS

6.1 **Macroeconomic risks.** Despite the current context of the global pandemic and increasing international oil prices, Guyana’s economy has remained stable and faces relatively low macroeconomic risk. Oil production has driven high levels of growth over the past two years. The main risk of continued expansion of oil production is macroeconomic. The Consortium has announced plans to have six Floating Production Storage and Offloading vessels (FPSOs) in operation by 2027. The risk of macroeconomic imbalances from an overvaluation of the real exchange rate is mitigated by the existence of the Natural Resource Fund. However, the recent amendment to the NRF in 2020 frontloads transfers from the NRF to the budget, which reduces its mitigation effect. Significantly higher government spending levels could contribute to higher inflation and real exchange rate appreciation. Macroeconomic risks will be mitigated and monitored by close supervision of economic performance and policies to continue supporting corrective measures. There are also long-term risks related to global decarbonization efforts which would reduce demand for oil. A mitigating factor for this risk in Guyana is the relatively low cost of production and the quality of oil. Finally, there is also the latent risk of an oil spill, which would have far-reaching political and economic consequences.

6.2 **Climate risks and natural/man-made disasters**. Guyana is exposed to a wide range of natural hazards and climate-related events (such as extreme rainfall and flooding due to sea level rise) and is also exposed to seal-level rise itself, which poses risks to low-lying urban areas in the capital Georgetown. In fact, heavy rains caused flooding along riverbanks across of Guyana in 2021, affecting more than 29,000 households prompting the president to declare a national disaster. In 2005, floods caused damages valued at approximately 60 percent GDP. A natural

[46] For example, the IDB Guyana Country Office leads the “Oil & Gas Donor Group” meetings and participates in the “COVID-19 coordination meetings” led by the UN.

disaster of significant proportions could undermine potential for growth and employment and contribute to the transmission of water-borne diseases, in the case of flooding. As an oil producer Guyana faces the risk of an oil spill that would carry significant clean-up cost for the Consortium. With respect to climate change mitigation, the country has committed to diversifying its energy matrix as outlined in the LCDS 2030, significantly increasing energy production from less than 2,000 GWh per year currently to over 9,000 GWh per in 2041, with heavy fuels-based energy declining to 2 percent to total production in 2040 and replaced by natural gas and renewable sources of energy such as hydro, solar, and wind energy. In 2022 the government planned to start implementing Guyana's Climate Resilience Strategy and Action Plan, which will include sea defence enhancement, drainage and irrigation systems. For oil spill risk mitigation, the Environmental Protection Agency has required the Consortium to have high coverage insurance, which the Consortium stated meets international standards for all its petroleum activities in Guyana. For disaster risk management, the government is undertaking comprehensive monitoring of river systems, developing early warning systems, de-silting water courses regularly to maintain navigation channels, designating flood risk zones and taking measures to protect exposed assets.

6.3 **Portfolio execution risk**. As a new oil and gas-producing 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. The expansion of capital project and the implementation of multiple infrastructure projects in transportation, health, and education, along with infrastructure projects planned by other multilateral or bilateral organizations are expected to provide additional challenges to procurement and project implementation systems. There is a high risk that the increased number of projects that must be administrated could hinder the timely progress of infrastructure projects. These risks are all related to governance and technical capacity challenges of numerous agencies. Similarly, the higher number of bank and non-bank projects could contribute to (i) economic and social disruptions in the lives and livelihoods of citizens and migrants, and (ii) environmental impacts affecting the country's diverse natural ecosystems. To mitigate these risks, the IDB Group will (i) provide technical assistance at all levels of public financial management, with a focus on strengthening planning and procurement, two key areas affecting all capital projects in Guyana; (ii) support GoG through further training and increasing outsourcing opportunities, improving efficiencies and reducing bottlenecks, such that contract management and public works supervision is streamlined; (iii) coordinate closely with other development partners also embarking on public works projects, leveraging economies of scale and technical capacity and strengthening the management of infrastructure projects, including environmental and social safeguards; (iv) leverage opportunities to digitize administrative processes in planning, procurement, and project execution; and (v) look to outsource project management and planning services to private sector companies as the government is looking for further support due to the number of large infrastructure projects. An additional strategy to mitigate these risks is by streamlining governance and rule of law components as a cross-cutting theme across all new projects.

Annex I: Results Matrix

Strategic areas	Strategic objectives	Expected results	Indicators	Baseline and year
1. Resilient Infrastructure development	1.1 Improved quality of resilient infrastructure	Improved resilient road coverage	Number of days flooding prevents vehicles from safely traversing the length of the road in one continuous journey	80 (2022) MPW Report
			Paved roads coverage (Paved km/ 1000 Km^2)	735/215 = 3.7 (2019) IDB Estimate Note: An update of this indictor will be obtained at the beginning of the CS.
		Greater diversification of the energy matrix	Share of Utility-scale solar photovoltaic generation in the electricity matrix	0 (2021)[47] Report from the Executing Agency, Guyana Power & Light Inc.
	1.2 Promote private sector development	Improved access to finance	Private sector credit (percent of current 2021 GDP)	16.9% (2021) Bank of Guyana - Annual Report Private sector credit from Monetary Survey (G$ 286.8 billion 2021)
		Greater economic diversification	Non-oil GDP as share of 2021 GDP (current)	67.4% (2021) Bank of Guyana - Annual Report
2. Human capital development	2.1 Strengthened health care network	Improved access to health services	Maternal mortality ratio (modeled estimate, per 100,000 live births)	112 (2020) World Bank - WDI
			Risk of premature deaths from NCDs (% of total)	29.2 (2019) WHO

[47] This refers to areas of influence of the program and utility owned systems (Demerara Berbice Integrated System, Essequibo Coast Isolated System, and Linden).

			Beneficiaries receiving health care services[48]	0 (2022) MOH Statistics
	2.2 Support the primary education system	Improved quality of primary education	Expected years of schooling	12.5 (2021) UN - Human Capital Development Index
			Share of students scoring more than 30% on National Grade 6 Assessment English and Math	53% of students made more than 30 marks in English (2020) 37% of students made more than 30% in math (2020 Education Statistical Digest 2019–2020
	2.3 Improve efficiency of MHSSS cash transfer programs	Improved capacity to efficiently implement the social safety net and promote gender empowerment.	Percentage of beneficiaries of Beneficiaries of social safety net and promote gender empowerment included in a unified management information system	0% (20230) Report by the Ministry of Finance and MHSSS
3. Strengthening Institutional Capacity	Support public administration and project management	Maintain project implementation effectiveness	Budgeted capital expenditure / Actual capital expenditure	101% 2021 Budget Speeches and Mid-Year Reports, MOF.
			Government effectiveness estimate	-0.24 2021 World Bank Governance Indicators
		Improved efficiency in public services through the introduction of technology/information systems.	UN e-Government Development Index	0.5233 UN e-Government Index 2022

[48] Refers to beneficiaries of 4 hospitals to be rehabilitated/reconstructed in rural areas: Moruca, Kamarang, Kato, and Lethem.

Annex II: Country Systems Matrix

Use of country systems	Baseline 2021	Estimated use 2025
Financial management		
Budget	100%	100%
Treasury	100%	100%
Accounting and Reporting	0%	0%
Internal Control	0%	0%
External Control	70%	85%
Procurement		
Information System	0%	0%
Price comparison/ shopping	0%	0%
Individual Consulting	0%	0%
Partial NCB	0%	0%
Advanced NCB	0%	0%

Annex III: Main Economic and Social Indicators

	2017	2018	2019	2020	2021	2022	2023F
Real Sector							
Real GDP growth (percent)	3.7	4.4	5.4	43.5	20.1	62.3	37.2
Nominal GDP (US$ billions)	4.75	4.79	5.17	5.47	7.66	14.52	16.31
GDP per capita (USD)	6,104	6,121	6,594	6,953	9,703	18,342	20,540
Inflation (percent)	1.51	1.64	2.06	0.95	5.67	7.22	6.01
Fiscal Sector	(Percent of GDP)						
Revenue and grants	23.2	25.0	25.6	22.8	18.7	15.4	18.2
Transfer from NRF						4.2	6.1
Total expenditure	26.3	27.6	28.1	30.5	26.0	20.6	23.1
Current expenditure	20.3	22.0	22.0	23.9	19.5	12.0	11.7
Capital Expenditure	6.0	5.5	6.1	6.7	6.5	8.5	11.4
Overall balance	-3.1	-2.5	-2.5	-7.8	-7.3	-5.2	-5.0
Debt indicators	(Percent of GDP)						
Central government debt	42.9	47.0	43.6	51.1	43.2	27.8	29.8
External sector	(Percent of GDP)						
Current account	-4.89	-28.97	-62.96	-16.32	-25.56	27.27	27.86
Exports	34.05	32.05	34.64	51.02	60.60	79.32	81.36
Oil exports	0.00	0.00	0.00	19.45	38.85	68.72	71.16
Imports	45.86	71.79	108.95	77.48	94.45	51.07	52.19
Trade Balance	-11.81	-39.74	-74.32	-26.47	-33.86	28.25	29.18
Labour/Investment income	-0.24	-0.58	-0.90	-1.98	-5.09	-7.96	-7.67
Current transfers	7.16	11.35	12.26	12.12	13.39	6.98	6.36
International Reserves	12.30	11.04	11.13	12.44	10.59	6.47	9.37
Social indicators							
Unemployment Rate	12.1	14.1	13.5	12.8	14.9	12.36	
Poverty Rate	45.7	45.9	45.6	44.1	42.3		

Source: IMF, WEO (04/23), Ministry of Finance – Budget Speech 2023, Guyana Labour Force Survey. Poverty rate is based on GLFS data using a poverty line of US$ 5.50 a day.

Annex IV. Indicative Financing Scenario

(Figures in US$ millions, unless otherwise specified.)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Average 2023-2026	Total 2023-2026
Approvals	40.0	-	38.8	-	86.6	-	335.0	120.0	230.0	100.0	100.0	138	550
Loan disbursements (target)	8.6	26.1	36.1	36.3	21.8	80.0	162.8	80.0	60.0	50.0	50.0	60	240
…PBL disbursements	-	-	5.8	5.8	-	34.0	130.0	50.0	50.0	40.0	40.0		
Repayments (principal)	10.0	12.0	14.5	15.0	16.0	3.6	18.3	13.0	20.3	20.5	22.3	19	76
Net loan flow	(1.4)	14.1	27.4	27.1	5.8	76.4	144.5	67.0	39.7	29.5	27.7	41	164
Subscriptions and contributions	22.7	4.7	-	-	-	-	-	-	-	-	-		
Net capital flow	(24.1)	9.4	27.4	27.1	5.8	76.4	144.5	67.0	39.7	29.5	27.7	41	164
Interest and charges	9.4	9.6	10.6	11.2	11.3	2.6	11.5	14.5	24.2	23.7	23.1	21	86
Net cash flow	(33.5)	(0.1)	16.9	15.9	(5.4)	73.8	133.0	52.5	15.5	5.8	4.6	20	78
IDB Debt	488	503	525	546	552	643	787	854	894	923	951		
IDB Debt (% of Multilateral Debt)	70.3	69.4	66.6	67.0	66.9	70.6	71.5	71.2	68.7	65.9	63.4		
Public External Debt (% of GDP)	29.1	27.2	28.1	24.3	22.8	19.3	12.0	14.3	11.6	11.6	9.1		
IDB Debt (% of GDP)	10.9	10.6	11.0	10.6	10.1	8.4	5.4	5.2	4.1	4.1	3.2		

Source: IDB staff estimates.

Annex V. Country Strategy Development Effectiveness Matrix

COUNTRY STRATEGY: DEVELOPMENT EFFECTIVENESS MATRIX
In August 2008, the Board of Directors approved the Development Effectiveness Framework (GN-2489) to increase the evaluability of all Bank development products. **The Development Effectiveness Matrix for Country Strategies (DEM-CS) is a checklist of the elements that are necessary to evaluate a country strategy. It is based on the evaluation criteria developed by the Evaluation Cooperation Group (ECG) of the Multilateral Development Banks in the "Good Practice Standards for Country Strategy and Program Evaluation."**

COUNTRY STRATEGY: Guyana

STRATEGIC ALIGNMENT

Refers to the degree to which the design and objectives of the CS are consistent with the country development challenges and with the government's development plans and priorities.

EFFECTIVENESS

This measures whether the country strategy is likely to achieve its intended objectives, through an examination of three dimensions: (i) the quality of the diagnostics on which Bank action is based in each area of work; (ii) the quality of the results matrix for the strategy; (iii) the use and buildup of country systems.

Effectiveness dimensions	
I. Country Diagnosis - Country Development Challenges (CDC)*	
- The CDC is comprehensive / holistic / complete	Yes
- The CDC clearly identifies the main development challenges	Yes
- The CDC presents magnitudes of the main development challenges that are based on empirical evidence	Yes
II. Priority Areas Diagnostics	%
- That clearly identify and dimension, based on empirical evidence, the **priority area's** specific constraints and challenges	100%
- That clearly identify and dimension, based on empirical evidence, the **main factors** or causes contributing to the specific constraints and challenges	100%
- That provide corresponding **policy recommendations**	100%
III. Results matrix**	
- The strategic objectives are clearly defined	100%
- The expected outcomes are clearly defined	100%
- The strategic objectives and expected results that are directly related to the main constraints identified in the diagnosis	100%
- The indicators are outcome indicators and are SMART	100%
- The indicators have baselines	100%
IV. Vertical logic	
- The CS has vertical logic	100%

* This analysis includes any potential diagnostic document used to inform the CS.

** The Results Matrix is composed of indicators that are meaningful to, and capture progress toward, the expected results. The expected results stem from the strategic objectives.

CS Diagnostic: As part of the Country Strategy with Guyana 2032–2026, the Team presented an analysis of development challenges under the title "Guyana: Country Development Challenges Update, 2019." The diagnostics therein are comprehensive and based on empirical evidence. With this analysis, as well as the process of dialogue with the country as a basis, the Country Strategy supports two strategic areas of engagement: (i) resilient infrastructure development, (ii) human capital development focused on improving health and educational outcomes, including social services and (iii) strengthening institutional capacity. Diagnostics identify and dimension 100% of the priority area's specific constraints and challenges, while noting the main factors or causes contributing to these specific constraints, based on empirical evidence.

– Diagnostics provide corresponding policy recommendations derived from empirical evidence.

Results matrix: The results matrix has six strategic objectives for IDB action and fourteen indicators to measure progress toward proposed objectives.
-100% of strategic objectives are clearly defined.
-100% of expected outcomes are clearly defined.
-100% of strategic objectives and expected results are directly related to the main constraints identified in the diagnosis.
-100% of indicators are outcome indicators and are SMART.
-100% of indicators have a baseline.

Vertical logic: the Country Strategy has vertical logic.

Country Systems: The use of country systems in Guyana is progressing. The IDB Group continues to encourage its member countries to use the country's budgetary, treasury, accounting systems, and reporting and external audit system for all loans.

Vertical logic: The CS has vertical logic.

Risks: This measures three dimensions: (i) identification of factors that actually do or might affect attainment of the proposed objectives; (ii) definition of mitigation measures; and (iii) monitoring mechanisms.

The CS identifies three types of risk: (i) macroeconomic risk; (ii) natural/man-made disaster risk, and (ii) portfolio execution risk. Mitigation and monitoring measures have been identified for all risks.