

DELEGATION OF THE EUROPEAN COMMISSION
TO GUYANA, SURINAME, TRINIDAD & TOBAGO, ARUBA & THE NETHERLANDS ANTILLES

CO-OPERATION
BETWEEN
THE EUROPEAN COMMISSION
AND
THE CO-OPERATIVE REPUBLIC OF
GUYANA

COUNTRY STRATEGY PAPER
and
NATIONAL INDICATIVE PROGRAMME

For the period 2008 – 2013

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ACRONYMS

ACP	-	Africa Caribbean Pacific
BOP	-	Balance of Payments
BOT	-	Build Operate and Transfer
CAREC	-	Caribbean Epidemiology Centre
CARICOM	-	Caribbean Community
CARIFORUM	-	Caribbean Forum of ACP States
CARTAC	-	Caribbean Regional Technical Assistance Centre
CCJ	-	Caribbean Court of Justice
CDA	-	Centre for Development of Agriculture
CDB	-	Caribbean Development Bank
CDE	-	Centre for the Development of Enterprise
CEP	-	Country Environmental Profile
CFSC	-	Catalytic Fund Steering Committee
CIDA	-	Canadian International Development Agency
CRIP	-	Caribbean Regional Indicative Programme
CSME	-	Caribbean Single Market and Economy
CSS	-	Country Support Strategy
DFID	-	Department for International Development
EC	-	European Commission
EDF	-	European Development Fund
EFTI	-	Education Fast Track Initiative
EIA	-	Environmental Impact Assessment
EIB	-	European Investment Bank
EPA	-	Economic Partnership Agreement
EU	-	European Union
FDI	-	Foreign Direct Investment
FTAA	-	Free Trade Area of the Americas
GCC	-	Georgetown Chamber of Commerce
GDF	-	Guyana Defence Forces
GDP	-	Gross Domestic Product
GEPA	-	Guyana Environmental Protection Agency
GHRA	-	Guyana Human Rights Association
GoG	-	Government of Guyana
GPL	-	Guyana Power and Light (company)
GUYFLAC	-	Guyana Fire and Life Insurance Company
GuySuCo	-	Guyana Sugar Corporation
HDI	-	Human Development Index
HIES	-	House Incomes and Expenditure
HIPC	-	Highly Indebted Poor Countries
HIV/AIDS	-	Pre-AIDS and AIDS
IBRD	-	International Bank for Reconstruction and Development
ICC	-	International Crime Court
ICS	-	Investment Climate Survey

IDB	-	Inter-American Development Bank
JAR	-	Joint Annual Review
LCS	-	Living Conditions Survey
LEAF	-	Linden Economic Assistance Fund
LEAP	-	Linden Economic Advancement Programme
MAA	-	Ministry of Amerindian Affairs
MDRI	-	Millennium Debt Relief Initiative
MGD	-	Millennium Development Goals
MLG&RD	-	Ministry of Local Government & Regional Development
MOA	-	Memoranda of Agreement
MOFTIC	-	Ministry of Foreign Trade and International Cooperation
MOH	-	Ministry of Health
NAO	-	National Authorising Officer
NDS	-	(Guyana) National Development Strategy
NHP	-	National Health Plan
NPA	-	Non-performing Loan Asset
NPV	-	Net Present Value
NSA	-	Non-State Actors
NTAE	-	Non-traditional Agricultural Exports
OECD	-	Organisation Economic Co-operation and Development
PAHO	-	Pan-American Health Organisation
PNC/R	-	Peoples National Congress/Reform
PPP	-	Public Private Partnership
PPP/C	-	People's Progressive Party/Civic
PRSP	-	Poverty Reduction Strategy (Paper)
PSC	-	Private Sector Commission
PSIP	-	Public Sector Investment Programme
SFA	-	Special Facility of Assistance
TCF	-	Technical Corporation Facility
TSS	-	Transport Sector Study
UG	-	University of Guyana
UNDP	-	United Nations Development Programme
UNICEF	-	United National Institute for Culture, Education
US	-	United States (of America)
USAID	-	United States Agency for International Development
UWI	-	University of the West Indies
WHO	-	World Health Organization
WTO	-	World Trade Organization
WWF	-	World Wildlife Fund

The Government of the Co-operative Republic of Guyana and the European Commission hereby agree as follows:

(1) The Government of the Co-operative Republic of Guyana, represented by Dr. Ashni Singh, Minister of Finance, Ministry of Finance and the European Commission, represented by Mr. Geert Heikens, Head of Delegation, hereinafter referred to as the Parties, held discussions in Guyana from 25th May 2006 to 8th October 2007 with a view to determining the general orientations for co-operation for the period 2008 – 2013. The European Investment Bank was represented at these discussions by _____.

During these discussions, the Country Support Strategy and an Indicative Programme of Community Aid in favour of Guyana were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000 as revised in Luxemburg on 25 June 2005. These discussions complete the programming process in Guyana.

The Country Strategy Paper and the Indicative Programme are annexed to the present document.

(2) As regards the indicative programmable financial resources which the Community intends to make available to Guyana for the period 2008-2013, an amount of €51 million is earmarked for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and an amount of €4.4 million for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV to the ACP-EC Partnership Agreement.

(3) The A-allocation is intended to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The Indicative Programme under chapter V concerns the resources of the A-allocation as well as uncommitted balances of former EDFs, for which no projects and programmes have been identified under the respective National Indicative Programmes. It also takes into consideration financing from which Guyana benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.

(4) The B-allocation is intended to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-allocation will be triggered according to specific mechanisms and procedures and therefore is not yet constitute part of the Indicative Programme.

(5) Resources can be committed within the framework of the present Country Strategy Paper and Indicative Programme upon the entry into force of the 10th EDF multi-annual financial framework for the period 2008-2013 of the revised ACP-EC Partnership but not before 1 January 2008. Financing decisions for projects and programmes can be taken by the Commission at the request of the Government of Guyana within the limits of the A- and B-allocations referred to in this document. Financing decisions can also be taken on the basis of Article 15(4) in conjunction with Article 4(1)(d) of Annex IV to the APC-EC Partnership Agreement for support to non-State actors or¹ Article 72(6) to the ACP-EC Partnership Agreement for humanitarian and emergency assistance funded from the B-allocations. Financing decisions shall be taken and implemented according to the rules and procedures laid down in the EC Council regulations on the implementation of the 10th EDF

¹ In order to enable a direct support to the NSA, i.e. without prior NAO agreement (Article 15(4) of Annex IV), it is necessary to specify in more details in the NIP the types of NSA eligible for funding, the resources allocated and the type of activities to be supported (which must be not-for-profit) (Article 4(1)(d) of Annex IV).

and on the financial regulation applicable to the 10th EDF and in Annex IV to the ACP-EC Partnership Agreement.

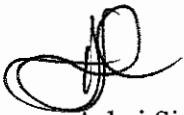
(6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Paragraphs 2(c) and 3 of Annex Ib to the ACP-EC Partnership Agreement regarding the 10th EDF multi-annual financial framework for the period 2008-2013.(7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Support Strategy Paper and the Indicative Programme in the light of current needs and performance. The mid-term review shall be undertaken in 2010 and the end-of term review in 2012. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in light of current needs and performance. Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased according to Article 3(5) of Annex IV in order to take account of special needs or exceptional performance.

(8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the ACP-EC Partnership Agreement and the 10th EDF multi annual financial framework for the period 2008-2013, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.

Signatures

For the Cooperative Republic of Guyana

Date: 5 Dec 2008



Ashni Singh
National Authorising Officer of the EDF



For the European Commission

Date: Dec 4. 2008



Geert Heikens
Head of Delegation
of the European Commission to
Guyana

EXECUTIVE SUMMARY

This 10th EDF Country Strategy Paper (CSP) and National Indicative Programme (NIP) for the period 2008 to 2013 articulates a strategic and programming framework to facilitate Guyana-EC cooperation on critical aspects of Guyana's development agenda. This agenda, since 2001, has been driven by the combination of a National Development Strategy (NDS) and Poverty Reduction Strategy Paper (PRSP). Recently, two additional "drivers" – the National Competitiveness Strategy (NCS) and a Sugar Action Plan – have been developed and added to this mix. This integrated portfolio of strategic interventions – which the EC and other donors endorse and support - is aimed at achieving and maintaining the following seven pillars of broad-based economic growth as expressed in the Guyana Poverty Reduction Strategy:

1. A sound macro-economic, trade, investment, and business environment;
2. Environmental protection;
3. Stronger and better governance;
4. Investment in human capital with emphasis on basic education and primary health;
5. Investment in physical capital with emphasis on better provision of safe water and sanitation services, farm-to-market roads, drainage and irrigation systems and housing;
6. Improved safety nets; and
7. Implementation of special intervention programmes in areas where poverty levels are still high.

Guided by these objectives, the 10th EDF CSP and NIP are based on a combination of 1) elaboration of the EU/EC-Guyana framework of relations; 2) a diagnostic assessment of the political, institutional, economic and social programmes and their implementation; 3) an appraisal of Guyana's development strategies and the viability of reforms, policies and medium term challenges; 4) consideration of the action plan to rationalise and enhance the competitiveness of the sugar industry and the non-traditional agricultural sector; 5) a review of the EC's recent experience regarding implementation of programmes initiated under the 8th and 9th EDFs; and 6) identification of lessons learned from the above points of reference.

One well-known observation is that inadequate institutional capacity and acute shortages/losses of human capital are slowing progress toward realisation of the PRSP goals. A second conclusion is that improving the depth of governance and its effectiveness is essential to engendering stronger ownership of the identification and implementation of development priorities. A third finding is that the expected impacts of the two new thrusts (the NCS and the Sugar Action Plan) will initially be incremental and, in the case of sugar, could have socioeconomic consequences for sugar-dependent areas over the short term. A fourth and final observation is that Guyana will have to broaden its growth model and pursue more ambitious targets than the projected 1% - 3% GDP growth annually in order to attain economic sustainability and realise its social goals over the long term.

The proposed EC response strategy will concentrate on 1) support to coastal protection and management to assist Guyana in defending its social and economic assets in the low-laying arable coastal zone to take account of climatic changes and 2) macro-economic support to the implementation of PRSP II, in particular focusing on the social sectors where gradual but commendable progress is being made. In addition, the strategy will support non-focal sector interventions aimed at advancing governance and unblocking bottlenecks to private sector investments. Finally, it will focus on improving institutional capacity, and initiate exploration of new potentially transformative opportunities that could eventually boost GDP growth to sustainable levels, in particular through the response to Guyana's sugar adaptation strategy.

To this end, under the 10th EDF NIP, Guyana will be allocated €51 million under the A Envelope and €4.4 million under the B Envelope. Of the €51 million, €14.8 million (29%) will be allocated to coastal protection, €30.2 million (59%) to macro-economic support and €6 million to non-focal interventions.

I. EU/EC – GUYANA FRAMEWORK OF RELATIONS

In accordance with Article 177 of the Treaty Establishing the European Community, community policy in the sphere of development co-operation shall foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

Europe should project a coherent role as a global partner, inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security.

The Union has developed a broad spectrum of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance as well as the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc).

EU external action including the Common Foreign and Security policy, common trade policy and cooperation with third countries provides a framework both for integrating all EU instruments and for developing gradually a set of common actions based on common positions in the broader sphere of political relations.

Enlargement has entrusted the EU with even greater responsibilities, as regional leader and as global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its neighbourhood and through its multilateral and bilateral policies which are mainly aimed at sustainable development and political stability. In this way, the EU will achieve genuine coherence between its domestic and its external agendas, contributing thereby to global security and prosperity.

The above objectives and principles when combined with the current Strategic Objectives of cooperation (Section I.1.2 below) and the national policy agenda articulated in Section II.2, Guyana's Development Strategy, are the starting points for the formulation of the present Country Support Strategy Paper (CSP).

I.1.1 Strategic Objectives of cooperation with Guyana

(a) Principles of the European Treaty and the Cotonou Agreement

The objectives of the Treaty establishing the European Community are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the Cotonou Agreement is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and Guyana shall pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of "ownership" of the strategy by the country and populations concerned, and the essential elements and fundamental aspects as defined in articles 9 and 11b of the Agreement.

While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted *European Consensus on Development* sets the general policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the international agenda,

and with particular attention for the Millennium Development Goals (MDGs). Human rights and good governance are recognised as other important objectives.

Better aid effectiveness is essential to achieving poverty eradication. The EU will therefore advance coordination, harmonisation and alignment. It will promote better donor complementarity by working towards joint multi-annual programming based on partner countries' strategies and processes, common implementation mechanisms, joint donor wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on new Member States' experience to strengthen their role as donors.

Policy coherence for development will advance in a number of areas. The purpose is for all EU non-aid policies to make a positive contribution to developing countries' efforts to attain the MDGs.

The principle of concentration will guide the Community's country and regional programming. This means selecting a limited number of priority areas of action, through the dialogue with partner countries, rather than spreading efforts in too many sectors. In this context the Community will be primarily active in the following nine areas, taking into account its comparative advantages in a number of these: trade and regional integration; the environment and the sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; social cohesion and employment.

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

(b) The European Consensus

The strategic objectives of EC cooperation with Guyana reflected in this Country Support Strategy Paper are closely aligned with the policy guidelines set out in the 2005 European Consensus on Development. *"The primary and overarching objective of EU development cooperation is the eradication of poverty in the context of sustainable development, including pursuit of the Millennium Development Goals (MDGs)"¹.*

The Consensus articulates the EU's/EC vision of development including the alignment with the eight MDGs. It emphasizes that sustainable progress involves good governance, human rights and political, economic, social and environmental aspects of development. The EU/EC commits to promoting policy coherence and the prioritizing of support to least developed and other low-income countries to achieve more balanced global development. Furthermore, the EU/EC's framework of relations emphasizes that combating poverty will only be successful if equal importance is given to investing in people and the empowerment of women, both of which are deemed key to all development. The EU/EC therefore encourages partner countries to ensure that gender equality be a core part of all policy strategies.

EU/EC partnership and dialogue with Guyana will promote common values of respect for human rights, fundamental freedoms, peace, democracy, good governance, the rule of law, solidarity and justice. Accordingly, Guyana will be encouraged to commit to 1) ownership of its development strategies and programmes; 2) in-depth political dialogue to advance development objectives to uphold the common principles noted in (1) above; 3) broad participation of civil society in issues relating to its development; and 4) promote gender equality. The EC will also 5) support the prevention of state fragility through governance reforms, rule of law, anti-corruption measures and the building of viable state institutions; 6) deliver more and better aid; and 7) improve coordination and complementarity by responding to Guyana's priorities; by promoting better donor coordination on programming assistance towards agreed poverty reduction strategies, and by taking a proactive role in implementing Paris Declaration commitments.

Furthermore the EU/EC is committed to taking action to advance Policy Coherence for Development (PCD) in the following areas: trade, environment, climate change, security, agriculture, fisheries social dimensions of globalization, employment and decent work, migration, research and innovation, information society, transport and energy. The Consensus reiterates the EU/EC's support for a rapid, pro-poor completion of the Doha Development Round and EU-ACP Economic Partnership Agreements (EPAs) and the adoption of policies and development support measures aimed at reducing insecurity and violent conflict within or amongst partner countries.

(c) Strategic Objectives

The EU/EC's strategic objectives of cooperation with Guyana are two-fold: 1) development of a strong mutually beneficial partnership on the international scene where the two partners will work together towards the shared ideals of democracy and human rights in the fight against poverty and global threats to peace, security and stability and 2) via EU assistance, enhancing Guyana's reform and development agenda to strengthen progress towards achievement of Guyana's national goals and objectives.

These objectives are encompassed in the 2006 Caribbean Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee which place emphasis on developing partnerships in a shared vision of the future and on addressing economic and environmental opportunities and challenges, promoting social cohesion and combating poverty and on being more effective in the delivery of aid. In enhancing Guyana's own reform and development agenda, the objectives of the EU's approach are based on three dimensions: 1) Shaping a political partnership based on shared values; 2) Addressing economic and environmental opportunities and vulnerabilities; and 3) Promoting social cohesion and combating poverty.

1.1.2 Main bilateral agreements with the EU/EC

Development cooperation between Guyana and the EC was effected under successive Lome Conventions and continues under the Cotonou Agreement through EDFs and related National Indicative Programmes (NIPs). Amounts allocated via NIPs and other EC financing modalities were €16.7 million under Lome I (1975 – 1980), €57.4 million under Lome II (1980 – 1985); €31.9 million under Lome III (1985-1990) via the 6th EDF; €73.9 million under Lome IV (1990 – 1995) via the 7th EDF and €60.4 million under Lome IVbis under the 8th EDF (1995 – 2000). The initial amount committed under the 9th EDF was €38.9 million which included €4.9 million of Sysmin resources carried over from the 8th EDF². Of these programmes only the 8th and 9th EDFs are on-going.

The overall objective of the 8th EDF (1995-2000) was to restore and improve Guyana's production capacity to enable the country to generate income in a sustainable way and to improve its competitiveness on external markets. The aim was to assist Guyana's gradual integration in the world economy and to help the country prepare for the challenges of the future including regional, hemispheric and global economic developments in the making. There were two focal sectors for EC funded actions: economic and social infrastructure (85-90 % of the total for sea defences, water and transport) and private sector development. These were the same sectors of concentration as those of the 6th and 7th EDFs.

The overall objective of the 9th EDF (2002 – 2007) is the reduction of poverty and the promotion of sustainable development. The two focal sectors are infrastructure (i.e. sea defences and coastal management) and macroeconomic support. Outside these areas of concentration, assistance was committed to: a transport sector study; strengthening the NAO office; a Technical Cooperation Facility and a micro-projects programme. In addition, the EC committed €1 million to support the holding of general and regional elections in 2006.

The 9th EDF and NIP maintained the EC/Guyana emphasis on infrastructure and support to the PRS as linchpins of sustainable development. In line with an EC shift towards budget support, PRS support was provided as non-targeted budgetary support which in the future could form the basic support mechanism in the social sectors, provided that Guyana's continued to be eligible for this aid instrument. Guyana also belongs to the 18 sugar protocol countries and will receive assistance for its

adaptation to the changes in the EC's sugar trade regime. In addition to its bi-lateral agreements with the EC, Guyana also benefits from the following regional EC/CARICOM (and CARIFORUM) agreements: the Development Programme for Caribbean Rum; the HIV/AIDS, Med-Labs; Support to Rice Sector Competitiveness and Trade.Com. Also, it is to benefit from disaster preparedness assistance from regional funds. Finally, as a member of CARICOM, Guyana is participating in the establishment of an Economic Partnership Agreement (EPA) with the EC.

II. COUNTRY DIAGNOSIS

II.1 Political, economic, social and environmental situation

Overall, Guyana is making progress on the political, economic, social and environmental fronts. There have been some setbacks since the 9th EDF Country Support Strategy was developed in 2002. Snapshots of the political, economic, social, and environmental situations are provided in sections II.1.1 to II.1.5 below.

II.1.1 Political and institutional situation

(a) Political situation

Guyana's two main political parties - PPP and PRN/C - have their constituencies in the East Indian and Afro-Guyanese communities respectively. The relationship between them is polarized. Both agree on the need for social and political stability, harmony and good governance. General and Regional elections took place on 28 August 2006 following an Amendment Act to the Constitution extending the period by one month. For the first time in its history since independence Guyana experienced elections, which were conducted in a peaceful manner. The elections were declared free and fair and to represent the will of the people by the various teams international observers. However, the ethnic divide is more deeply rooted and marginalisation of the Afro-Guyanese society is a continuing threat to the fragile peace in the country unless it is addressed through inclusive governance.

Reforms to liberalize the economy and strengthen public sector management (i.e. first generation reforms) were initiated after the 1992 free elections. Constitutional reforms were agreed after the unrest which followed the 2001 elections (Herdmanston Agreement). Some progress has been made, but the issue is abraded relations between the Opposition and the Government. In terms of institutional reforms, the Government of Guyana (GoG) is focusing on second generation reforms and is continuing to design and implement structural interventions in the economy; in institutional and social infrastructure; segregation of powers between the Parliament and the Executive and in the public administration and judicial system. Today, Guyana is a reliable partner in international bodies and affairs, and holds mutually appreciated consultations with the donor community. The GoG explicitly promotes gender equality.

(b) Good governance

Guyana has a working multi-party parliamentary democracy with free and democratic electoral processes. The Executive Branch consists of the President, the Prime Minister and the Cabinet. Legislative Parliament is a unicameral National Assembly of 65 members elected by popular vote. In addition, it includes a maximum of four non-elected non-voting ministers and two non-elected non-voting parliamentary secretaries appointed by the President; members serve five-year terms. The Judiciary Branch consists of the Supreme Court of Judicature: the High Court and the Judicial Court of Appeal, with right of final appeal to the Caribbean Court of Justice.

During the past 30 months, Parliament has acquired executive features, emerging from the pre-2001 Constitutional Reform Process, as follows:

First, reduction of presidential powers. Parliament guides the President on a number of appointments and decisions that were formerly made at the President's discretion. The power to dissolve Parliament

almost at will has been removed. The appointment of service commissions – Public, Police, Judicial and Teaching, which was formerly done by the President after consulting with the Leader of the Opposition, now follows a procedure in which the Parliamentary Appointive Committee (PAC) recommends nominees to the National Assembly for approval, which upon approval is forwarded to the President for swearing in. Parliament plays a key role in appointing constitutional post holders, including the Commissioner of Police, Judges, and the members of Constitutional Commissions – Ethnic Relations, Human Rights, Indigenous People, Gender Equality, Public Procurement, and Integrity Commission. Constitutionally the President is allowed four technocratic ministers, and other cabinet members come from the List of Candidates.

Second, critical role of the opposition. Following amendments to the Constitution, Government has become much more inclusive of the Opposition than in the past. For example, the main reason why police officers and public servants cannot be promoted and the Commissioner of Police-designate was unable to assume his post was due to the constitutional role of the National Assembly in these processes. The delays were due to the main opposition party's boycott of Parliament for about 11 months and extending its veto on movements in these areas.

Third, greater oversight of government. Parliament is no longer, in fact or appearance, an extension of the Executive. The role of the opposition is, sitting with the Government, to contribute meaningfully to national policies and programmes. Parliament has four sector Committees: natural resources, foreign relations, economic services and social services. The opposition sits on these Committees and holds the rotating chair for two of the four. The important Public Accounts Committee is chaired by the Opposition and performs its mandated role by using the Auditor General's Report which is presented directly to the National Assembly.

Fourth, new parliamentary management system. The above changes were accompanied by adjustments in the management of the National Assembly, e.g. through the Parliamentary Management Committee (PMC) comprising of representatives of all Parties in the National Assembly. The PMC determines the agenda of Parliament. There are special facilities for opposition business to be addressed by the National Assembly.

The GoG pursues a deepening of democracy through regular multi-stakeholder consultations between government and civil society, nationally, and at sector and regional levels, and seeks to foster social harmony and engender widespread understanding and ownership of the country's problems, strategies and solutions. Nevertheless, in its present top-down Government-initiated form, "good governance" is often perceived as a process of soliciting stakeholder support for strategies and programmes that have been first thought up by Government decision-makers.

The Ministry of Local Government & Regional Development (MLG&RD) is responsible for devolving government to Regional Development, Neighbourhood Development and Municipality Councils. Progress is slow and local elections are over-due. Interim Councils operate in several towns and communities. The Integrity Commission, which commenced activities in 2005, has the task of recording and publishing the assets and interests of high-ranking officials. GoG works with UNDP under the auspices of a Social Cohesion programme to foster conflict prevention and cohesion on social and political issues. To prepare the 2006 General and Regional Elections, two conflict prevention measures have been put in place: 1) a Code of Conduct signed off by the media houses and 2) a Peace Pact between the political parties.

Progress towards more advanced levels of 'good governance' – also referred as the 'arm's length principle' is slow. Overall, there is reluctance by Government to relinquish/relax centralized control. Some examples include the sluggish de-concentration / de-centralisation of government itself and the hesitancy in providing financial resources to local government and giving them more autonomy in decision-making. Others include procurement decisions referred to Cabinet, the slowing down of full privatization; the tendency of the private sector to view governance as a top-down process; and the limited effective participation of the Non-State Actors (NSA). As a result, the private sector and civil society are underdeveloped and complacent, and "blame" these behavioural patterns on centralized and overbearing government decision-making.

(c) Non-state actors

Non-state actors (NSAs) are weak although there are signs of increasing participation on key national issues. A number of them participate in consultations, e.g. Private Sector Commission (PSC), Georgetown Chamber of Commerce (GCC), umbrella Labour Unions, Guyana Human Rights Association (GHRA), some environmental bodies and religious organisations. In order to be in the position to challenge the government in its policy formulation the NSAs need considerable institutional strengthening. Presently they are ambivalent about top-down methods, including what they see as obligatory and therefore ineffective “stakeholder” consultations.

(d) Human rights and crime

The Government’s commitment holds true for human rights in general and eliminating exploitation and abuse of children in particular. Freedom of press and opinion has been respected, but there is presently an incident of violence of this basic freedom. The Ministry of Amerindian Affairs (MAA), with UNDP assistance, addresses the rights of indigenous people and the sustainable development of Amerindian areas across the country. Also, Government is working with UNICEF to improve the rights of children. Crime rooted in poverty and in drugs, unemployment and limited opportunity, poses an increasing challenge. Justice and law enforcement are relatively ineffective - despite institutional strengthening. Crime rates (petty crime, organized and un-organized violent crime) are rising and are affecting security, mobility, and motivation. If unchecked this will exacerbate the brain drain. Guyana exempts US nationals from prosecution by the International Criminal Court (ICC). The British Government provides support for public order training and procedures for joint operations with the Guyana Defence Force (GDF). However, despite donor support and GoG policy statements, there is no comprehensive plan to address the crime issue.

(e) Summary

Overall, Guyana is well on its way towards ‘good governance’ from the points of view of 1) legitimacy of government, and 2) auditability. Enhanced transparency and accountability require revisiting electoral legislation. With regard to ‘fair judiciary’ which is an element of ‘good governance’, progress is slow and further improvement is necessary. The record from the point of view of ‘arm’s length management’ is weak. The record is also weak from the points of view of being safe from crime.

II.1.2 Economic situation

(a) Macroeconomic performance 2001 – 2005

Despite Guyana’s focus on prudent macroeconomic management, actual performance fell short of self-imposed targets between 2002 and 2005. They were also lower than the accomplishments of other well-managed CARICOM states (e.g. Trinidad and Barbados). Many indicators were noticeably better in 2001 than they were over the next four years. GDP growth, which was 2.3% in 2001, averaged less than 1% between 2002 and 2005. Imports rose by 20% to 152% of GDP in 2005 while exports remained relatively constant at about 107% of GDP. The external current account deficit climbed to \$167 million – an increase of 50%. There was an upwards trend in the rate of inflation from 2.8% in 2001 to 8.3% in 2005. Total debt showed a moderate decline from US\$1.2 billion in 2001 to \$1.1 billion in 2005, partly as a result of reductions in debts due to the IBRD and IDB³.

On the positive, side the overall balance of payments (BOP) improved from a deficit of \$43.1 million in 2004 to a surplus of \$8.1 million in 2005 because of higher capital inflows. This offset the deterioration of the current account caused by an exponential increase in oil prices, lower export volumes, and gradual but increasing consumerism. Although net international reserves contracted from US\$187 million in 2001 to \$136 million in 2004, they rebounded to \$160 million in 2005 – again reflecting the net effect of increased capital inflows from both public and private sources. These inflows helped to stabilize the exchange rate within the G\$199 - \$201/US\$1.00 range. Similarly, the real exchange rate has remained slightly below parity since 2003.

Interest rates are declining but remain at double-digit levels. Also, by 2005, the 91-day Treasury bill rate had fallen to 3.74% and the small savings rate to 3.38%. This should have led to a parallel reduction in loan rates but commercial banks' spreads widened from 7.43% to 10.06%⁴. The reasons: liquidity is still in excess of Central Bank reserve requirements by at least 50% and non-performing loan assets (NPA) are quite high. Nevertheless, private sector borrowings in 2005 grew by 9% compared with contractions in 2003 and 2004, signalling improvements in construction, manufacturing and real estate investment.

(b) Public finances

GoG and the donor community closely monitor public finance. Emphasis is placed on meeting agreed targets. Nevertheless, central government operations have not improved since 2001. The current primary balance deteriorated from G\$5.7 billion in 2001 to \$1.5 billion in 2004. It was eliminated in 2005 and is expected to be marginally negative in 2006. The overall deficit, inclusive of capital expenditures and net lending, exceeded total revenues by about 50%, averaging G\$20.8 billion/year between 2002 and 2004. This deficit was financed by grants (40%) and foreign and domestic financing (60%). The non-financial public sector operations mirrored the profile of central operations. As current balances for both operations are now negative, revenues are no longer contributing to PSIP budgets (see section c, below).

Guyana's debt to GDP ratio, which was 141% in 2003, remains persistently high. However actual e-HIPC adjusted debt service, at 7 – 8%, is low. Likewise, the effective interest rate is a modest 2% because of the concessionary nature of debt. The NPV of external debt to revenue ratio climbed from 195% to 217% in 2005 and is projected to peak at 238% in 2007, mainly because of planned increases in PSIP spending (see Section c, below). This is within the 250% indicative threshold under the joint World Bank/IMF debt sustainability framework.

Debt relief is helping to keep the lid on the overall level of debt financing. Since 2000 the European Commission has provided €14.88 million of relief under the original and enhanced HIPC initiatives. Guyana benefits from the Multilateral Debt Relief Initiative (MDRI). The IDB is considering a large debt write-off which could bring Guyana's external debt to 25% of the current NPV - equivalent to about 1% of GDP. Cash flow savings will be used to support Drainage and Irrigation (D&I) and other essential activities so there will be no actual net savings on the budget side. In June 2006, IDA decided on a further debt-relief amounting to USD322 million.

(c) Public sector investment programme (PSIP)

In 2004 the PSIP stood at US\$127 million. Investments will increase to an average of US\$188 million each year between 2005 and 2009 to accommodate planned initiatives in education, health, drainage and irrigation, transportation and sugar. Most of the increase will come from domestic financing, which, on average, is doubling from US\$55 million in 2004 to \$109 million annually between 2005 and 2009. External financing (loans and grants) will go up from \$72 million in 2004 to \$93 million in 2005, tapering off to 2004 levels by 2009.

In principle, boosting PSIP spending should help Guyana to both return to and support more positive GDP growth *if it is focused, and if private sector investment, skills retention and absorptive capacity are substantially improved*. The doubling of domestic financing should reduce the banking system's excess liquidity (est. G\$5 billion or US\$25 million). However, its potential crowding-out effect ought to be closely monitored given that, after 2004, Government's annual domestic financing needs will be twice what they were before.

(d) Exports, competitiveness, and FDI

Guyana's well-being continues to depend on the export performance of six commodities: gold and diamonds, sugar, rice, bauxite, forestry products, fish and non-traditional agricultural products⁵. Between 2001 – 2003, exports of goods and non-factor services remained flat, hovering around

US\$655 million - \$670 million annually. In 2004 they reached \$750 million. The turnaround was driven by price rather than by volume increases, productivity improvements, or value chain repositioning. Higher prices are attributed to robust demand for primary products in Asia and processed products in North America and the Caribbean.

The export momentum would have continued but was derailed in January and February 2005 by the severest flooding to hit the country in 100. Sugar and rice exports fell by 24% and 14% respectively. Also, closure of a major mining operation reduced gold exports by 26%⁶. Nevertheless, a combination of 1) flood recovery efforts, 2) continued construction and real estate investment, partly in preparation for Cricket World Cup in 2007, 3) a proliferation of new distribution and ICT related activity and 4) strong export demand for forestry products, mining products, and sugar are expected to help bolster real GDP growth from 2006 onwards.

In 2005, GoG spearheaded the formulation of an ambitious National Competitiveness Strategy (NCS). The strategy was endorsed by key stakeholders at a Presidential Summit on private sector development (PSD) in May 2006 and consists of 122 key activities including those of the NAS. It focuses on adding value, strengthening the support framework for exports, accelerating agricultural diversification and instituting key reforms. CARICOM markets will be targeted, especially for rice, sugar, forestry and non-traditional agricultural exports (NTAEs). Although emphasis is being placed on diversification, this will not be a major contributor to GDP growth in the near term given current institutional and infrastructure constraints and limited airfreight capacity. The IDB will provide US\$20 million in investment-related and policy support to the Strategy.

Recently, Guyana's investment promotion agency, Go-Invest, has intensified its promotion work with commendable success. Significant new FDI is being made in the mining and forestry sectors with lower levels of local investments in manufacturing, agriculture and real estate. After sugar, it is FDI that drives economic performance. Finally, there is growing overseas demand for skilled Guyanese workers - an unplanned "export"⁷. Their remittances are equivalent to 2% of GDP and help to alleviate poverty. But skills loss is compromising the broader competitiveness agenda because of the negative effects of brain drain on the economy. This had led to the planned action "from brain drain to brain gain" under the NCS. Priority will be given to a skills gap analysis and database, changes in immigration law, web-based recruiting, short-term retention programme, incentivising graduates and entrepreneurial training.

The National Action Plan for sugar is geared to increase sugar exports from 260,000 tonnes (estimation for 2006) to 455,000 in 2015. The increased exports and shift to value added products are expected to compensate for the loss affecting Sugar Protocol countries due to price cuts on the EU market⁸.

(e) Trade policy and management

Guyana has bilateral (trade) agreements with Venezuela, China, and Brazil. Discussions for a bilateral Guyana-Argentina agreement, as well as agreements with Jordan and Thailand are under way. Guyana is a beneficiary of the General System of Preferences schemes of Australia, Canada, the European Union, Japan, New Zealand, Norway, Russia, Switzerland, and the United States. Through the Caribbean Community (CARICOM) Guyana has (regional) agreements with Colombia, Costa Rica, Cuba, Dominican Republic, and Venezuela. It is a beneficiary of the Caribbean Basin Initiative (CBI) and the Canadian Programs for Commonwealth Caribbean Trade, Investment and Industrial Cooperation (CARIBCAN).

Through CARICOM, Guyana is negotiating a free trade agreement to replace CARIBCAN as well as a free trade agreement with MERCOSUR. Similarly, it is negotiating an Economic Partnership Agreement (EPA) with the EU through the CARIFORUM configuration. It is also involved in negotiations to form the hemispheric Free Trade Area of the Americas. Guyana is a founder Member of the WTO and grants at least MFN treatment to all its trading partners. It has GATS commitment in 19 sectors. It is committed to CARICOM's recently initiated Single Market and Economy (CSME) aimed at furthering region-wide liberalization.

The range and scope of these agreements will tax the country's already inadequate trade management capacity to its limits. Accepting these limitations, Guyana has adopted a pragmatic three-pronged approach to optimising its trade related opportunities. First, it is seeking to eliminate residual obstacles to accessing the CSME. Second, it is trying to protect market access to Europe and to secure the benefits of the established protocols. Third, it is fostering closer ties with three South American neighbours – Brazil, Venezuela and Surinam.

In terms of EPAs, Guyana has to address sensitive products, private sector best practices and the business environment. It must foster economic diversification if the business community is to take advantage of new market and investment opportunities emanating from the EPAs. To facilitate trade liberalisation GoG has initiated a number of related reforms (e.g. new investment codes, updated copy right law; revision of the government procurement status) and is introducing competition policy legislation and establishing a Competition Commission and Commercial Court. Although GoG is aware of its constraints and has therefore draw up a relatively small list of trade priorities, progress will be slow. One reason is the capacity limitations within MOFTIC as well as across relevant Government agencies. Another is that the private sector - whose interests GoG is seeking to protect and promote - is even less capable or committed than Government to contributing to the country's trade (management) initiatives.

(f) Infrastructure⁹

The World Bank's Investment Climate Survey (ICS) 2004 highlights *infrastructure and logistical bottlenecks* as the main concerns of investors¹⁰. Unreliable *electricity access, varied quality (and now cost), excessive red tape, and skills loss* are impinging on private sector productivity and growth.

Transport and logistical constraints increase costs and reduce profitability. Only 500 km of Guyana's 2,600 km road network are paved. The transport sector suffers from a cycle of neglect of maintenance, leading to failure, followed by rehabilitation, with intermittent periods of neglect and then, inevitably, by the need to rehabilitate again. The port of Georgetown handles general cargo, sugar, grains and petroleum products and consists of several private wharves on the east bank of the Demerara River. The port of New Amsterdam is used mostly for mid-stream trans-shipment of bauxite from river barges to bulk carriers. Dredging is irregular at Georgetown Harbour leading to sedimentation build up. During those times deep-sea vessels cannot dock at the port¹¹.

The international airport handled 206,000 - 210,000 passenger arrivals/departures in 2004 but is equipped to handle more. Only 3% of exporters use airfreight. Cargo throughput of around 7,000 tonnes is equivalent to 80% of aircraft "belly" space capacity. Therefore, there is little surplus space for new high value (fresh) commodity exports. Capacity could be expanded gradually via tourism growth and tangentially by upgrading the Ogle Airport near Georgetown. The latter would lead to an immediate increase in regional business traffic.

Overall, competitiveness is hindered by weaknesses in infrastructure. The absence of a national land use plan also impedes proper planning in terms of usage and related infrastructure requirements. On the positive side, Guyana has signed a road transport agreement with Brazil to facilitate commercial traffic flows on the 450 km Linden-Lethem road. The provincial Brazilian government is restarting construction of the main border bridge at Takutu and GoG is in the process of upgrading its port authority facilities at that location. This potentially lucrative logistical gateway, if combined with a deepwater port, would service northern Brazil's 80 million population base and transform Guyana's long-term development prospects¹².

(g) The National Action Plan on Accompanying Measures for the Sugar Industry.

In November 2005 the European Agriculture Council agreed to cut the EU guaranteed sugar price by 36% over 4 years starting in 2006. The impact of this price cut will be particularly severe in Guyana because the economy is highly dependent on sugar, as the following indicators show:

- The sugar industry accounts for 18% of GDP, 57% of agricultural GDP and 30% of merchandise exports. Judged by these indicators no other Sugar Protocol country is more dependent on sugar.
- Preferential sales of sugar to the EU market account for half of the production volume and 70% of industry revenues.
- The Guyana Sugar Corporation Inc. (GuySuCo) employs 18,000 permanent workers and 4,000 temporaries. In addition, there are 5,000 workers on independent cane farms and cooperatives. Around 125,000 persons, i.e. one sixth of the population, rely on the sugar industry for their livelihoods, as GuySuCo employees, private cane growers, input and service suppliers and their respective dependants.

The effect of the announced 36% price cut will be to reduce the landed export price received by Guyana from €523.7 per tonne to €335 per tonne by 2009/10. The reduction in the annual value of the present quota will be €31.5 million (US\$37 million) when the price cut fully comes into effect.

The value of that revenue loss will be equivalent to 5.1% of GDP and 5.4% of annual merchandise exports. Losses of such magnitude incurred over only four years will inevitably generate a shock to the economy. Most immediately this will be reflected in the balance of payments, and may significantly affect Guyana's reserves position, exchange rate and capacity to service debt, as well as weakening investor confidence. The other likely impacts will include (a) a decline in the contribution from sugar to government revenues via income tax, corporation tax, property tax, land rent, import duty and national insurance, (b) reduced social service provision, (c) reduced income and employment amongst suppliers and services used by sugar workers, and (d) increased social ills.

Guyana's access to external finance is restricted under the current IMF programme and owing to the country's E-HIPC status. In this context donor funding based on grants or concessionary loans will be essential to allow the industry to make the necessary investments and to enable the diversification within and away from sugar sector.

The Government submitted the National Action Plan on Sugar for 2006 to 2013 to the Commission on 16 March 2006. The Plan focuses on 1) improvement of sugar industry competitiveness, 2) promoting non-traditional agriculture such as fisheries, aquaculture, non-traditional crops, agro-processing, beef; 3) providing infrastructural and human resource development support to achieve 1) and 2) above, thereby ensuring the success of the economic regeneration programmes that are to be implemented in the sugarcane and non-traditional agriculture sub-sectors; and 4) un-lending US\$81 million of Government loans to GuySuCo's for PRSP use.

Total costs are estimated at US\$790 million of which \$640 million (80%) is earmarked for sugar industry competitiveness. Government is seeking financing, in addition to investments already funded, from grant and grant-in-loan funding. The exact amount of assistance in the period 2006 – 2013 under EC Regulation 266 is under discussion but, even if front loaded, will not be enough to bridge the financing gap. This fact highlights the need for the adaptation strategy to be multi-annual, multi-sector and multi-donor strategy.

It is axiomatic that sugar reforms need to involve substantial private sector participation. Bringing production costs to comparative global levels is not a "one off" solution. With world prices at their highest levels ever, leading producers like Brazil will continue to drive down costs to maximize profits and increase market share. Therefore an important question is: does Guyana have the "slack" and capacity to stay in the global sugar competitiveness race? This issue is not addressed (e.g. via sensitivity analyses, risk mitigation options) in the Action Plan. A synopsis of the EC Response Strategy can be found in Part 2 of this draft CSP and in a separate document annexed to this CSP.

II.1.3 Social situation and employment

(a) General

Guyana ranks 107th in the UNDP 2005 Human Development Report, with a Human Development Index value of 0.720. Barbados is ranked first in the region, with a value of 0.878. Since 1997, social sector spending has increased from 15% to 20% of total expenditure. Most of this increase occurred between 1997 and 2000. By 2004 Government had doubled the proportion of its social sector budget on education, increased health spending by 60%, and doubled expenditures on housing and water.

Progress reports and feedback from Ministries indicate weaknesses in the quality and availability of social statistics. The profile of poverty, and other target groups, is crude and therefore inadequate. The lack of profiles, absence of meaningful measurable indicators and limited M&E capacity prevent analytical work, hamper policy formulation and weaken implementation. For these reasons it is not possible to gauge, with realistic precision, the impact of current policies and interventions related to poverty reduction – especially for 1) pro-poor and pro-low income programmes, 2) achievement of the MDGs and 3) the poverty reduction strategy (PRS) dimension of economic growth.

Delays in data collection are affecting the formulation and implementation of PRS plans. The last poverty assessment, the Living Conditions Survey (LCS), dates back to 1999. The results from the Household Incomes and Expenditure Survey (HIES), originally due in 2004, are expected in the first half of 2007. Similarly, an IDB-funded programme to strengthen the capacity of the Bureau of Statistics and develop statistics units in ministries, due to start in 2005, experienced setbacks. In addition to IDB, action on social statistics with WB and UNICEF is in the pipeline.

(b) Population and employment

Guyana's population is stabilized at 750,000 people with out-migration off-setting a natural growth rate of around 1% per annum. Seventy percent of the population reside in the coastal Regions 3, 4 and 6. Region 4 alone is home to 40% of the national population. The African-Guyanese population stabilised between 1980 and 2002 at around 30% of the population; during the same period, the Indian-Guyanese population decreased from 52% to 44%, the Amerindian population increased from 5% to 9%, and the 'mixed' population increased from 11% to 17%.

Over the period 1980 – 2002 there was a modest increase in male labour participation, from 149,000 to 167,000. Female participation was more pronounced, rising from 44,000 to 70,000. The trend of greater female participation reflects similar patterns across the Caribbean. Current data do not substantiate an assessment of actual open and/or hidden unemployment. Numbers of people reportedly seeking work have been consistently low and therefore statistics are open to question. However, word-of-mouth reports point to considerable unemployment among the young, and hidden/low-income unemployment in rural areas and in the 'informal sector' in urban areas.

(c) Education

The education system has improved. Gross enrolment has reached 100% in primary education and 65% in secondary education. Entry at tertiary level education is around 6%¹³. Since 1990 enrolment in secondary education has almost doubled and in tertiary education almost quadrupled. Access to secondary education is lowest in Region 1 33% and highest in Region 3 70%. Nevertheless, functional literacy and numeracy are still problematic. Education quality suffers from high student to teacher ratios (50:1 in primary, 40:1 in secondary education). Also, 55% of all teachers are untrained despite significant efforts to improve quality. The Ministry has outlined remedial initiatives, including early literacy teaching and intensified and expanded teacher training.

The proportion of female students increases with the level of education: around 50% at primary, 54% at secondary and 67% at university level. Young males tend to prefer income earning jobs and seek little education after compulsory attendance. To counteract this GoG has started to adjust secondary

and tertiary level curricula to improve the national relevance and attractiveness of education to the young male population.

Guyana receives funding from the Education For All – Fast Track Initiative (FTI). Government's FTI programme covers 12 years and is valued at US\$45 million. The FTI request was approved in 2003 and US\$8 million has been allocated to cover 2004 – 2005 costs. During the 2005 Beijing meeting the Catalytic Fund Strategy Committee (CFSC) approved a grant of US\$4.0 million. In 2006 the EC granted €63 million from the EDF all-ACP funds to the CFSC. Guyana will continue to be one of the beneficiaries of the Fund.

(d) Health

The Ministry of Health (MOH) has spearheaded several reforms to ensure that National Health Plan (NHP) objectives for 2003 – 2007 are achieved. These include reform of sector governance and management, strengthening the human resource development effort, and the refurbishment and reconstruction of hospitals.

Primary health care is the main instrument for reducing infant and maternal mortality rates. To meet the benchmarks for EC budgetary support the Ministry of Health has continued to invest in immunization and primary health care infrastructure. Crude birth rates, death rates, maternal and infant mortality rates show a slow improvement over the last decade. HIV/AIDS levels are the highest in the region, at 3.5-5.5% of the adult population. The epidemic is generalised and not concentrated within specific groups. Several donors, such as USAID, CIDA and EU, are supporting Guyana's fight against AIDS and other epidemic diseases.

The quality of public tertiary health care is low, and morale, staff availability and facilities need strengthening. Recruitment of doctors and nurses is a persistent problem in the public system. Around 20% of the 190 doctors in the system are recruited under bilateral programmes, particularly with Cuba, China and India, and those numbers are increasing. An additional 500 nurses will be trained but turnover is still high. Increased wages have helped but staff losses will continue, albeit at a slower rate. On the positive side, the number of private hospitals is increasing. They provide better service but do not cater for low-income citizens.

Distribution of safe water distribution has improved markedly and is now reaching over 75% of the population. Access to both health care and safe water is unevenly spread, with the majority of services and greater access available in the coastal regions with a high population density.

(e) Shelter and housing

At least 4,000 to 6,000 homes need to be built every year for the next ten years to house the homeless, replace derelict stock, and ease over-crowding on the coastal zone. The EC and IDB have ongoing programmes, but progress is slow. Security of tenure is being given increased attention. Programmes are underway to title land and service plots to ensure that low-income owners have collateral to get access to funding to build their homes. It is not known how and where low-income families find shelter because these data are not collected. Squatting and already dense family-to-housing ratios are becoming more common. The HIES results should lead to better understanding of these problems, particularly amongst low-income families, when these data becomes available. Also, the Ministry has started data collection in preparation of the National Housing Plan, due to be presented in 2006. The TA intervention under the BS programme failed to produce these data as the NAO did not support the necessary study because of the proximity of elections and the fact that WB HIES was already there on the ground.

(f) Gender

Although female enrolment is passing that of males, and female labour participation is growing, the trend has not had a "knock-on" effect in terms of numbers of women in 'better' jobs. Approximate figures for female to male labour participation are 35% and 42% in 1990 and 2002 respectively. Girls

and women continue to have low levels of autonomy in and control over their sexual and reproductive lives. Domestic and marital violence is frequent and campaigns to discourage such behaviour have been launched by NSAs and Government.

In the National Assembly, 30% of the 65 members are women. To increase female involvement it is now a requirement that at least one third of a party's political candidates should be women. The issue of gender balance is acknowledged in most national policies, but Government has not yet drawn up a comprehensive gender strategy.

(g) Rural development

The rural areas are sensitive to drainage and irrigation conditions, more generally to the state of the sea defences. These are also sensitive and are likely to be adversely affected by the restructuring of the sugar industry. On the latter point, an estimated 15-18% of the national population are connected with the sugar industry, mostly in rural areas. Agricultural yields and incomes are low. Agricultural diversification forms part of the National Competitiveness Strategy and is included in the Sugar Action Plan. Off-farm employment for the rural population is related to construction and to a lesser extent to agricultural processing.

(h) Migration

The Caribbean as a whole has lost 12% of its labour force in the period 1965 – 2000, which makes the Caribbean Region the highest out-migration region in the world proportional to its population. This average hides major differences between the various Caribbean countries: around 10% and lower for Haiti, Dominican Republic, Bahamas, St. Lucia and Trinidad & Tobago. Other countries lose over 25% of their labour force, with Grenada highest at over 50%. Guyana ranks in the top-four at a loss of around 40%. This quantity is unevenly spread across the levels of schooling, as follows: 89% of tertiary education graduates, 43% of secondary education graduates, and 18% of primary education graduates.

Given that only 6% of graduates are educated to tertiary level, the 89% loss of this category of workers means that less than 2% of the resident population has tertiary level education. The relentless wastage of qualified professional and managerial capacity reported in every single sector of the economy seriously compromises the design and implementation of strategies and policies. Discussions and interviews by the CSS Mission indicate the following main reasons: 1) extremely low salary levels in Guyana relative to potential immigration countries; 2) professionally weak working environments in Guyana – organization and management, few colleagues for cross-fertilisation and exchange; and 3) increasingly, concerns about security.

The loss of out-migration has effects on several levels: 1) costs of education are wasted to the country; 2) the economy suffers direct losses by losing scarce professional and managerial capacity and capabilities; and 3) the weaknesses of the working environments are aggravated. The benefits from out-migration, e.g. remittances, are modest and do not off-set the losses. There was no Country Migration Profile (CMP) when this Strategy Paper was prepared. However, a summary of information relating to a CMP from a recent regional IMF "brain drain" study is attached as Annex 4.

(i) Indigenous population

Largely living in the remote areas, the indigenous population of approximately 70,000 people represents around 9% of the population. The Ministry of Amerindian Affairs (MAA) has recently been established to improve the social and economic conditions of the indigenous population, coordinated with the social ministries and the ministry of agriculture, and with the relevant Regional and Neighbourhood Development Councils. MAA has drafted a Strategy Plan and started to implement it; it is also supported by various donor agencies.

(j) Social safety net

The Ministry of Labour, Human Services and Social Security is charged with the providing a social safety net and with the development and implementation of employment policy. The Ministry responds to a wide variety of problems in the three fields of their area of responsibility, and is in the process of designing their Strategic Plan. At this stage the ministry is largely concerned with operational matters and "fire-fighting", and is spreading its resources over many different activities. Statistics on beneficiaries of the many activities of the ministry are scarce and weak, and do not permit an assessment of the effectiveness and efficiency of the operations.

II.1.4 Environmental situation

With over 80% of its landmass host to considerable bio-diversity, environmental management is one of Guyana's priorities. The Government entertains good relations with national agencies, international NGOs and conservation bodies. Guyana invites, is host to, and promotes bio-diversity research and takes part in mapping the ecology of the Guyana Shield Countries. The Environmental Protection Agency (EPA) focuses on degradation, management of renewable resources, agricultural and industrial pollution, public awareness and legislation. A Country Environmental Profile (CEP), financed by the European Union, was prepared in 2005 and updated with support from WWF in May 2006. The executive summary of this profile is attached as Annex 3.

Climate change is already having significant and serious impact on Guyana. These impacts will increase over years and decades to come and are projected to include an increase in extreme weather events such as the droughts and floods that already affect Guyana. Projected sea level rise will affect coastal areas where most of the economic activities are taking place. Climate change is a treat to development and diminishes the chances of achieving the Millennium Development Goals. In this context, adaptation to climate change becomes a pre-condition for sustainability development.

The National Biodiversity Action Plan (NBAP) of 1999, tasked with sustainable management of natural resources, is being implemented. To date, Memoranda of Agreement (MOA) have been concluded with state agencies like the Guyana Forestry Commission (GFC) and the Geology and Mines Commission (GMC). Efforts are ongoing to achieve more effective solid waste management and control of pollution/contamination. Environmental education and awareness are being promoted. The coastal floods of January 2005 exposed the importance of maintaining the country's drainage network to protect communities and economy from such devastating events. Nevertheless, topography and the interior's remoteness/restricted access from the coast are preventing implementation of a balanced approach to environmental management.

Despite the importance afforded the environment, management is less than satisfactory. The weaknesses lie in the EPA's limited capacity to carry out its own mandate, one of which is to effectively interact with, and help coordinate the extensive roles and responsibility of, numerous other agencies. These include the Ministry of Agriculture and the National Agricultural Research Institute (NARI), producer organizations, Neighbourhood Democratic Councils (NDC), the National Drainage and Irrigation Board (NDIB), and the Guyana Water Authority (GUYWA) and 15 related agencies under the policy direction of the Ministry of Public Works, Communications and Regional Development (MPWCRD)¹⁴. While donor support - including support from the EC - has been relevant in other sectors, it cannot be said that these initiatives have specifically focused on bringing about sustainable impacts on the environment. Finally, the absence of agreed environmental indicators for Guyana needs to be addressed to help pave the way for better decision-making and adaptive planning over the medium-to-long term.

II.1.5 Guyana in the international context

Guyana is committed to global integration and gradual movement towards most international conventions that are relevant to its sovereign, national and regional interests. It is also committed to international and regional obligations emanating from its geographic and environmental profile. It

emphasizes the overarching principles of democratic rule which are reflected in its Constitution, the rule of law and its National Development Strategy (NDS) and Poverty Reduction Strategy (PRS).

With the exception of trade-related issues, most of the country's international positions are closely aligned with those of the EU, the Western Hemisphere and South-South interests. Since ratifying the 1988 Vienna Convention on illicit traffic in narcotic drugs in April 1993, Guyana has been a member of all the major international agreements on cooperation against narcotics trafficking, and it cooperates closely with the U.S. law enforcement agencies. The country has signed but not ratified the following international agreements and conventions: Biodiversity, Climate Change, Kyoto Protocol, Desertification, Endangered Species, Hazardous Wastes, Law of the Sea, Ozone Layer Protection, Ship Pollution, Tropical Timber 83, and Tropical Timber 94.

Two neighbours have longstanding territorial disputes with Guyana. Since the 19th century, Venezuela has claimed all of Guyana west of the Essequibo River – equivalent to 62% of Guyana's territory. In 1966 the two countries agreed to receive recommendations from a representative of the UN Secretary General on ways to settle the dispute peacefully. Diplomatic contacts between the two countries and the Secretary General's representative are continuing. Neighbouring Surinam also claims the territory east of Guyana's New River, a largely uninhabited area of some 15,000 km² (6,000 sq. miles). Guyana regards its legal title to all of its territory as sound. Nevertheless, these anomalies are affecting investment that could lead to "high impact" growth. At least one international petroleum corporation has had to postpone its preliminary offshore exploration investigations pending resolution of territorial disputes.

Guyana is a member of the Caribbean Community (CARICOM) which is headquartered in Georgetown and the Caribbean Development Bank (CDB) based in Barbados. Guyana strongly supports the concept of regional integration and is pursuing increased ties with Trinidad and Barbados. It played an important role in the founding of CARICOM, but its position as the organization's poorest member by far limits its ability to exert leadership in regional activities. Successive administrations have sought to keep Guyanese foreign policy in close alignment with the consensus of CARICOM members, especially in voting in the UN, OAS, and other international organizations.

Guyana is committed to CARIFORUM and CARTAC, CCJ, the CARICOM Task Force, UWI and PAHO/CAREC, and ECLAC. These entities cover the spectrum of regional integration, regional capacity building and governance, trade dispute recourse, narcotics, crime and security, tertiary education, and HIV/AIDS interventions. The EC supports these efforts but is concerned about processes in enhancing the development dimension of the Regional and National EPAs. Guyana endorses the CSME, which is a potentially powerful regional development instrument. The CSME could help mitigate diseconomies of scale for smaller economies and lead to stronger Caribbean positions in regional, international and global negotiations.

Institutional deficiencies limit the extent to which Guyana can maximize the benefits from these relationships. For instance, GoG will be required to review and pass at least 40 pieces of new legislation to fulfil its CSME obligations – a daunting challenge given current legislative and judicial efficiency and skills capacity. Also, progress is highly dependent on other countries honouring their reciprocal commitments to integration. Most member states choose to opt out, postpone or seek exemption from at least some commitments. Therefore, it would be more appropriate to assess Guyana's progress within a broader regional context that is linked to CRIP-specific performance indicators.

II.2 Guyana's Development Strategy

First prepared in 1993 and then revised in 1998 and 1999, the National Development Strategy (NDS) underpins Guyana's growth agenda. In 2000, Government started the process of developing a poverty reduction strategy paper (PRSP) with the aim of halving poverty in Guyana by 2015. The PRSP took over from the NDS and is now the strategic framework upon which socioeconomic performance is pursued, reviewed and assessed by Guyana's stakeholders and by international donors. Although there

are numerous sector-specific actions plans and strategies, two other recently developed mechanisms, together with the PRSP, serve to articulate the country's medium term priorities: these are 1) the National Competitiveness Strategy and 2) the National Action Plan on Accompanying Measures for Sugar.

The objectives of the NDS are to achieve high economic growth rates that are sustainable fiscally, institutionally, socially and environmentally. Under the NDS, Government is committed to enhancing the private business climate; macro-economic and financial stability; social harmony; good governance; and fostering good international relations, regionally and otherwise.

The objectives of the PRSP are 1) sustained economic expansion within the context of a deepening participatory democracy; 2) access to social services, including education, health, water and housing; and 3) strengthening and, where necessary, expansion of social safety nets. The strategy to achieve these objectives rests on seven pillars:

1. Maintenance of a sound macro-economic, trade and investment framework so as to improve the business environment, which will lead to broad-based job-generating economic growth;
2. Environmental protection;
3. Stronger and better governance;
4. Investment in human capital with emphasis on basic education and primary health;
5. Investment in physical capital with emphasis on improved broader provision of safe water and sanitation services, farm-to-market roads, drainage and irrigation systems and housing;
6. Improving safety nets; and
7. Implementing special intervention programmes in those geographic areas where poverty levels are still high.

In the context of Guyana HIPC status and activities, it is expected that US\$329 million of debt will be relieved over a 20-year period (2001 – 2020). These amounts will be committed to poverty reduction priorities under the PRSP. Accordingly, the portion of government revenue that would have been spent on debt servicing will be spent instead on agreed social programmes - assuming that government is able to raise the revenue.

For the purposes of this diagnosis, the assessment of the efficacy of Guyana's development initiatives is focused on implementation of PRSP since 2001 (see section II.4, Viability of policies and medium-term challenges, below). No analysis of the NDS was carried out given that: 1) the actual development agenda and activities - both on-going and planned - are now covered by the PRSP, and the two new mechanisms - the NCS and the Sugar Action Plan and 2) the EU and almost all other donors have since tied their assistance programmes to the PRSP¹⁵.

On the capital investment level, Guyana's development agenda is guided by the five-year rolling PSIP with a three year plan and two-year projections. In addition, the Government is putting in place an Aid Strategy Task Force under the Office of the President. This Task Force will formulate strategies vis-à-vis donors in relation to the funding of the development programmes of the country, i.e. PRSP, PSIP, NCS and NAP on sugar. This Task Force might be the catalyst for improved Government-led donor coordination.

Section II.1.5 – "Guyana in the international context" - presents an assessment of the country's commitments within the framework of the regional integration process. Ties to the Diaspora are largely confined to public relations, information dissemination and briefings to Guyanese associations overseas. There are no other specific initiatives to foster involvement, to channel remittances, to promote economic emigration or to limit the impact of the brain drain.

II.3 Poverty Reduction Analysis

The PRSP was approved in 2001 and started to be implemented in 2002. The seven 'pillars' indicate the operational areas of the PRS. In addition, and as a partly overlapping commitment, Guyana has to meet the MDGs which have an impact on society as whole and positively affect the living conditions of the poor. The GoG have gradually raised the allocation of funds to the social sectors to around 20% of the national budget, and the proportion is set to increase further, in recognition of the social sectors as an important delivery mechanism of the objectives of the PRS.

The international discussion on poverty reduction and social equity supports the path taken by the GoG. The creation of wealth through growth does not necessarily result in improved social equity and the reduction of poverty, and specific policies and interventions may be necessary to meet these objectives. To do this, first, general indicators such as those connected with the MDGs and some specific indicators related to poverty reduction should be used to measure the extent to which growth affects poverty and social equity, and adjustment of policies and economic management may be undertaken based on the evaluation of this feed-back. Second, 'pockets' of poverty beyond the remit of growth need to be defined and profiled, with specific indicators being defined, interventions and policies designed and implemented, and impact monitored by means of measurement against these indicators.

Impact aspects of the PRS, particularly the "pockets of poverty" issue generally "fall through the gaps". The reasons are that target group profiles are insufficiently defined and therefore the indicators for assessing them are not appropriately defined either, plus the fact it is generally impossible to assess impact from the social statistics. The 'poverty pockets' may and will raise such questions as: What is the poverty profile of a country? Where do poor people live (e.g. rural areas, slum areas, areas where people have resettled due to displacement, etc.)? How do they make a living? How is poverty manifested: in different parts of the country and among different cultural and socio-economic groups, and taking into account differences in terms of gender, age and disability?

II.4 Viability of policies and medium-term challenges

II.4.1 Viability of macroeconomic reforms

(a) Macroeconomic policies and reforms

Government's ongoing macroeconomic policies and reforms focus on two medium-term challenges: 1) strengthening management of Public Finances and 2) returning Guyana to sustained economic growth

In line with commitments to the IMF under a Three-Year Agreement as part of the Poverty Reduction and Growth Facility (PRGF), Government will bolster public finances by 1) broadening the tax base; 2) strengthening tax administration by upgrading IT systems; 3) strengthening fiscal management; 4) improving transparency in tender procedures; 5) modernising the civil service; and 6) introducing VAT in 2007. However, the momentum is hampered by a combination of MOF staffing shortages and the continuing strains on implementation capacity caused by the departure of key personnel. Slippages will continue if plans to cap total expenditures at 45% - 50% of GDP actually result in limiting wage bill increases to 1% per annum as agreed under the PRGF. In May 2006 Government submitted a US\$10.2 million Threshold Country Programme (TCP) to the Millennium Challenge Corporation (MCC) to further improve the management of public finances via 1) improved revenue collection and reduction in corruption in Tax Administration, 2) improved expenditure, planning, management and control and 3) improved fiduciary oversight.

Implementation of the combined PRGF/TCP measures will strengthen management of public financing once the MOF's institutional capacity weaknesses are adequately addressed.

Government is increasing the annual PSIP substantially - by approximately 60% of the total programme between 2005 and 2009 compared with 40% in the preceding five-year period. GuySuCo's will receive about 40% of PSIP resources annually. Sugar industry competitiveness is the primary

reason why the PSIP is being expanded. However, apart from sugar, increases in PSIP reflect disbursements of funds committed prior to 2005 and do not signify any major new investments.

The external current account deficit will continue to widen because of lost sugar income and increased imports. This will put pressure on the foreign exchange rate and on public finances if FDI and remittances do not offset that deficit. Guyana's return to 2- 3% GDP growth between 2006 – 2009 is not expected to change the underlying macroeconomic picture over the medium term, even with substantial support from the international donor community (see Annex 1, Part 1, Table of Macroeconomic Indicators).

(b) Outlook for Economic Growth

Economically, Guyana's fortunes are mixed. Export growth will be restored, fuelled by strong demand for traditional commodities in major international and regional markets. However, success in the longer term will depend on the implementation of key reforms aimed at improving the investment climate and reducing red tape; diversifying agricultural production and exports to higher value added products; attracting higher FDI; rehabilitating and maintaining essential infrastructure; maximising CSME market access, and stemming the chronic outflows of human capital.

The investment climate should improve because Government is already in the process of updating or modifying key legislation on investment policy, land registration and tenure. FDI should expand partly because Guyana is becoming an increasingly attractive source of exportable products that are in strong demand globally. However, Government red tape will be more difficult to reduce given the fragility of Guyana's institutional and administrative systems and the microscope mindsets of regulatory authorities. Furthermore, momentum could be compromised by the lack of proper rehabilitation of infrastructure and the maintenance of transport and other infrastructure – both of which are critical to sustained private investment and productivity.

Mitigation strategies to avoid spiralling energy costs through hydroelectric power and renewable fuel have been endorsed by Government. Investments already in the pipeline are expected to produce positive impacts after 2010.

Increasing CSME market penetration should boost exports of some commodities. However, Guyana should not expect the CSME to be a significant source of sustainable growth because the market is small; some countries are logistically difficult to access; and exports will face increasing competition from entrenched, vertically integrated competitor networks. Overall, the IDB-funded NCS will have modest effects in the short term, but should lead to a more conducive investment and export environment by 2010.

As noted elsewhere in this CSS, the loss of endemic skills will seriously compromise productivity and therefore competitiveness. Skills retention is unlikely to be meaningfully advanced in the short term. One reason is that improving the retention rate requires both comprehensive cross-cutting reforms and measures and incentives that are still to be identified and agreed at national, sectoral and administrative levels. The NCS "brain gain" programme should help to ameliorate outflows, but that programme is still at a very early stage of development. Another reason is that there is a *growing* demand for Guyanese workers overseas partly because of investment opportunities relating to the 2007 Cricket World Cup and partly because of the buoyant economic fortunes of Guyana's Caribbean and Latin American neighbours and in North America. This demand will continue unabated over the short-to-medium term.

(c) Macroeconomic implications for PRSP

The above diagnosis and assessment of the viability of medium-term macroeconomic policies have dual implications for the PRSP. The thrust of reforms aimed at improving management of public finances has already resulted in the upgrading of financial management systems. It is equally likely that the PRGF and the TCP administrative and budget targets will be achieved and will have similar effects. However, in the absence of more stringent spending, inflation and PSIP targets, Guyana's

projected annual GDP growth of 2 – 3% will not be enough to facilitate even modest current account surpluses.

Mobilizing domestic capital will continue to be difficult. Interest rate spreads and therefore lending rates are unlikely to fall to single digit levels because of the banking system's excess liquidity levels and its reluctance to finance the productive sector. Implementation of the Sugar Adaptation Strategy will have a negative impact on rural employment and poverty reduction in the short to medium term. IMF insistence on capped wage rate policies will also inhibit any policies aimed at retaining emerging skills. Finally, according to GoG PSIP projections, the expected improvement in Guyana's performance over the 10th EDF period (2008 – 13) is unlikely to result in financial/fiscal sustainability over the medium term – unless annual GDP growth rates consistently exceed 3 – 4 %. These higher-end results are unlikely given the constraints and challenges that Guyana has to overcome.

II.4.2 Viability of social sector reforms

In education, the priorities are to reduce overcrowding, implement curriculum reforms, provide sufficient textbooks and train teachers. Past trends indicate that there is full access across the country to primary education, with completion rates of 89% in 2000, 91% in 2005, and gradually increasing to 95% in medium-term future. Female and male participation in primary education stands at equal proportions of 50% and will probably stay at those levels in future. Female participation in secondary and tertiary exceeds male participation, with 54% and 67% in 2005. These figures are projected to decline on the strength of confidence that the MoE will be successful in enhancing the interest of young males in continued education beyond the compulsory age. Key to success here will be 1) a thorough profiling of young males and the incentives required for them to extend education beyond the compulsory age, 2) design and implementation of corresponding curricula and adjustment of teaching methods, and 3) increasingly encouraging employment prospects.

In health, the focus will be on training professionals to continue to reduce infant and maternal mortality; on rehabilitating health care facilities; on improving access to healthcare in hinterland communities; and on containing and reducing the spread of HIV/AIDS. Past trends indicate a general improvement of access to and results of, particularly, primary health care services. The MoH is tightening health care organisation and management, and is increasingly coordinating public with private health care services. The outlook for further improvement is fairly positive. Troubling issues are high patient-to-doctor and patient-to-trained nurse ratios, a high concentration of health care services in Region 4 and limited availability of such services in the more remote areas, and the persistent loss of medical skills through out-migration. Key to success in this area will be 1) considerably stepping up the number of trained nurses capable of extending health care services of medical quality, particularly in operational primary health care, 2) increasing doctor services, 3) effectively increasing access to health care services in hinterland areas and in the less densely populated areas in the coastal regions, and 4) creating the conditions likely to increase retention of national medical skills.

As regards water, GoG will concentrate on expanding services in the interior and on increasing access of households to treated/safe water. Depending on what is measured, the figures indicate that between two-thirds to around 90% of the population has access to 'safe' water, with an indication that an improvement is required in most regions beyond Region 4. Past trends are positive and may be expected to hold for the future.

In housing, the goal is to complete minimum numbers of dwellings to meet the needs of the homeless and ease overcrowding in the coastal zone. Increasingly the MoHW is set to become pro-active in the planning of land servicing and locating such operations, completing the land registration and cadastre, and facilitating access to improved shelter for various target groups of affordability. The key to success here will lie in 1) profiling the target groups for the different target groups and tailoring shelter related programmes to these profiles, and 2) stepping up direct as well as indirect provision of decent shelter, and (3) continuing to build 4,000 to 6,000 houses annually.

Regarding social safety nets, related operations and employment policy, the MLHS&E will need to tighten up its organisation, working methods, systems and management, and rigorously formulate, appraise and select priority strategy and operations. The further challenge is for the Ministry to profile its target groups, define measurable and appropriate monitoring indicators, evaluate progress and impact, and act on feed-back evaluation. This is a tall order and will take time and concentrated effort.

Social sector investment will be around 6% of GDP – increasing only marginally from its 5% level during the preceding five years (2000 – 2004).

The viability of social sector reforms will depend on: 1) retaining skills; 2) reforming institutional and administrative support systems to give more authority and autonomy to those tasked with implementation. These are considerable challenges, although of a different order for the different sector ministries as indicated above. In all cases, the absorptive capacity for design and implementation of second generation reforms is limited at present. Viability is compromised further by a lack of strategic and operational focus at national and sector level, and organisational and managerial deficiencies in agencies charged to deliver public goods and services. Project and policy cycle management is inadequate. Mandates, organisational structure, procedures, methods and management are in their infancy in terms of rigorous formulation, appraisal, ranking and selection of policies, strategies and opportunities.

III OVERVIEW OF PAST AND PRESENT EC COOPERATION, COMPLEMENTARITY AND CONSISTENCY

III.1 Cooperation and results

EC cooperation has consistently complemented Guyana's development agenda and stated priorities in the NDS and now in the PRSP. The original A-envelope of the 9th EDF for Guyana amounted to €34 million and the B-envelope to €14 million. The End-of-Term Review proposes to increase funding of the A-envelope by an additional €12 million and allows unused balances to be recomitted up to €1.9 million. Thus, the final 9th EDF A-envelope will amount to €53.7 million, including earlier transfers from the B-envelope.

The NIP continued providing support to the Guyana Sea Defences (€19 million, focal sector 1) and introduced non-targeted budget support for the PRSP (€14.9 million from the A-envelope and €8.4 million FLEX from B-envelope). The additional funds granted through the ETR will be integrated into the general budget support programme.

The interventions in the non-focal sector consisted of support to the National Authorising Officer, a study to produce a transport sector strategy for Guyana, a Technical Cooperation Facility and support to the democratic processes, in particular the 2006 national and regional elections.

The non-targeted Poverty Reduction budget support which has been implemented in coordination with the Bretton Woods institutions has proven to be an efficient aid delivery mechanism and has so far given the expected policy guidance to the Government's spending in the project formulation phase. Following the EC's success, other donors in Guyana are considering moving over to this aid delivery mechanism.

III.1.1 Focal Sectors¹⁶

(a) Focal Sector I: Rehabilitation of social and economic infrastructure

The extensive flooding in January 2005 and the resulting loss of life and economic capacity underscore the continued importance of Sea Defences to sustainable development in Guyana. The 8th EDF Sea Defences programme is being implemented and about €18.6 million of the €20 million committed to these activities have been contracted.

Progress towards rehabilitation of social and economic infrastructure is one year behind schedule under the 9th EDF NIP because of typical delays associated with the direct project approach (failed

framework tenders, lengthy approval processes etc). Support for Sea Defences, originally budgeted at €19 million, accounts for 40 percent of the NIP. This allocation was later cut to €17.2 million due to allocations to the 2006 elections and the Transport Sector Study. Following a pre-feasibility study, the tender for the Sea Defences feasibility study was launched during the second half of 2005 and the Financing Proposal (FP) is being processed by AIDCO.

A critical issue is that, on average, one kilometre of sea defence reconstruction costs approximately €2.5 million. To reconstruct the 50 (or more) kilometres, which are currently classified as critical (20% of the total), would cost in the order of €125 million. Therefore, bearing in mind the financial appropriation of EC assistance to Guyana, continued support by the EC needs to be complemented by increased budgetary allocations from the Government and by similar support from other donors.

With respect to the National Sector Policy on Sea Defences, a policy document is being drawn up as part of the 8th EDF action. Significant progress is being made in building up the institutional linkages amongst the different bodies of government through the capacity building programme. To this end, the institutional capacity building activity continued in 2005 and a bridging phase between the 8th and 9th EDF programmes was endorsed. Furthermore, GoG has proposed to allocate more than half of the available 9th EDF sea defence appropriation to preventive maintenance, which is widely believed to be up to 2-3 times more cost effective than the cycle of neglected maintenance, disrepair and subsequent expensive re-construction.

(b) Focal Sector II: Macroeconomic support

The objective of the Poverty Reduction Budgetary Support Programme (PRBSP) is twofold. First, to achieve meaningful progress, confirmed by agreed, broad-based indicators that guide Government spending in sectors where improvement is essential to achieving both PRSP objectives and Millennium Development Goals. Second, to help GoG cover the budget deficit which, in turn, would reduce the need for external funding and free up potential repayment flows for development priorities. The assistance is guided by general conditions which call for continuous policy dialogue and coordination of macroeconomic measures with the Bretton Woods Institutions.

The EC approved the programme and signed the Financing Agreement in 2004. The €14.9 million budget was increased by €8.4 million from Envelope B FLEX funding. The total Envelope is divided 50:50 between fixed and variable tranches. Only €1.5 million of the variable tranche remain to be paid. The Programme will be fleshed out with the additional funding following ETR. It also includes €970,350 for related technical assistance. Except for the Bretton Woods Institutions, the EC is the only donor providing direct budget (grant) support for Guyana. The approach allows GoG to integrate EC assistance into its broader development agenda. Government has more discretion, but must also take full responsibility for its development agenda.

PRBSP reports indicate that progress - and therefore effectiveness - is mixed, but generally positive. For instance, GoG is meeting the general conditions (i.e. commitment) of the Bretton Woods Institutions (BWI) compliance with respect to macro-economic management and public sector reforms, and Government is involving the EC in dialogue on these issues. Similarly, Government has met or exceeded the targets for health and housing and the major part of the PFM indicators. However, there have been delays in meeting variable tranche indicators that relate to transparency (budget submission to Parliament) and to some parts of public finance management, namely a prioritized PSIP; a paper on fiscal projections for 2003 – 2008, and development of medium-term expenditure projections.

The EC has continued to release both fixed and variable tranche amounts in line with the agreed PRBS Disbursement Schedule partly because 1) some of these delays were due to delays in delivery of precursor technical assistance inputs by EC and 2) there are general indications that Government is committed to and is making progress on macro-level reforms, albeit at a slower pace than anticipated. So far the strategy of using indicators to guide spending in the health and housing sector is working effectively, given that both sectors have met the agreed budget and performance indicators. However,

effectiveness has not been as conclusive for public finances because of the severe constraints on institutional capacity experienced in that area of public administration.

III.1.2 Projects and programmes outside focal sectors of 9th EDF

There are four activities outside the 9th EDF focal sectors: 1) the transport sector study, (TSS); 2) the micro-projects programme (MPP); 3) a €670,000 Technical Cooperation Facility (TCF) and 4) €1 million of support to the NAO Task Force.

Completed in December 2005, the TSS is expected to pave the way for investment – by Government, other donors and the private sector - over the next ten years. It emphasises the need to promote private BOT schemes, a strategy that GoG is now actively endorsing. The five-year €4.5 million MPP is focusing on poverty reduction through Non-State Actors (NSAs). The project's purpose is to improve the socio-economic conditions of vulnerable groups by developing 75 sustainable micro-projects. It is aimed at eliminating pockets of poverty, with a special focus on enhancing employment and community cooperation, especially within Amerindian communities. The mid-term evaluation of the MPP concluded that, despite the delays in getting onto the field, the Programme is performing close to its expected results in terms of addressing community needs. However, the dialogue between the Government and civil society is coming up against inhibitions.

The purpose of the programme “Support to the NAO” is to ensure that the assistance made available by the EC is used effectively according to the principles of joint management as set out in the Cotonou Agreement. The allocated budget is €1 million for 5 years. The successful absorption of the 9th EDF financial envelope is testimony to the impact of this support programme.

In addition, the EC contributed by €940,000 to the 2006 National and Regional Elections. The joint evaluation should be finalised by end of May 2007.

III.1.3 Lessons learned from Focal Sector and Non-Focal Sector assistance

One lesson learned is that the keys to success in any budget support programme, whether it be sector policy or general macro-economic support, are 1) accurate and self-explanatory indicators for which the source of verification is agreed at the same time as the fixing of the indicator itself and 2) adequate capacity within the relevant government entities to implement their overall strategic and operational programmes. The non-targeted Poverty Reduction Budget Support, which has been implemented in coordination with the Bretton Woods institutions, has proven to be an efficient aid delivery mechanism and has, so far, provided policy guidance for Government's spending as expected in the project formulation phase.

A second lesson learned is that, outside the focus of a specific programme context, a lack of social statistics and the absence of measurable target group profiles makes it difficult to analyse the impact of GoG policies, interventions and donor assistance beyond aggregate macro-economic and financial indicators. In this regard, it is important to distinguish between performance (e.g. the respective Ministries meeting agreed operational targets) which has been effective/positive and impact (the effects of those operations on beneficiary stakeholders) which cannot be measured because of the lack of appropriate data.

A third lesson learned is that the amount, range, and complexity of (second-generation) reforms should be tempered by GoG's actual absorptive capacity. In Guyana there is a proliferation of new reforms that obviously require greater implementation capacity. This suggests that a significant portion of the reforms are currently "indigestible" or are not being implemented properly.

A fourth lesson learned is that “sustainable economic development” is not sustainable without an effective skills retention strategy. This pervasive problem is finally been recognised in the NCS. Government and donors have still to devise plausible strategies to deal with this issue.

It should be noted that the efficacy of most donor programmes and funding measures depends on the level and quality of institutional/operational capacity of recipient entities, i.e. their absorptive capacity and organizational and institutional development. Therefore, budgetary support is unlikely to be very effective if these conditions are not met – although BS is likely to create a stronger institutional focus on operational efficiency.

III.1.4 Utilization of A and B Envelopes

The 2005 Joint Annual Review (JAR) led to a joint submission by the NAO and the Delegation of a proposal to the Headquarters of additional funds being allocated to Guyana where such funds become free. The ETR Conclusions were positive and Guyana will receive additional funding of €12 million. These monies will be integrated into the PRBS by means of a Rider.

Guyana applied for and received €14.9 million in October 2002 under the FLEX procedure. €8.4 million was integrated in the non-targeted budget support programme, €4.9 million was transferred to the A-envelope and the residual balance of €700,000 was drawn upon by ECHO to address emergency needs caused by the January 2005 floods. It should be noted that, on top of the €700,000, Guyana received €2 million from ECHO's own budget as emergency aid assistance during the flooding.

III.1.4 Other instruments

Other EC development cooperation instruments used are Sysmin for the Linden Economic Advancement Programme (LEAP), the Caribbean Regional Indicative Programmes (CRIPs), and the European Investment Bank and Community Budget lines.

(a) Sysmin and LEAP

The €12.5 million LEAP programme was launched in January 2002, but was affected by delays until March 2003. An SME incubator was established and studies on the business environment and food security were initiated. Eligibility rules for an Infrastructure Incentive Scheme were finalised in 2005. The LEAF credit fund was launched in January 2005, but has been frustrated by conflicts with GUYFLAC, the financial institution. LEAP's chronology illustrates the challenges of the direct (project) approach.

(b) Caribbean Regional Indicative Programme (CRIP) assistance

Guyana received assistance under the 8th EDF from the Caribbean Tourism programme and is still using the €70 million grant to support rum producers in CARIFORUM countries. The country also accessed the Caribbean component of the all-ACP HIV/AIDS/STIs Programme. Under the 9th EDF Guyana is one of two leading beneficiaries of the Regional Programme in support of the competitiveness of the Caribbean Rice Sector. The inter-linkages on an operational level between the CRIP and the NIP should be strengthened in the future programming.

(c) European Investment Bank

The EIB has not made any direct commitments to Guyana under Cotonou I. In terms of direct operations, the current portfolio amounts to €30.2 million, with €6.5 million currently outstanding, all signed under LOME IV. The most recent operation was signed in 2004, also under Lome IV, and involved a €5 million facility for the setting up of DFLSA, a private sector bank focusing on SME lending and micro-finance operations. In terms of indirect financing, i.e. EIB funding channelled to projects in Guyana through financial intermediaries incorporated in other Caribbean ACP countries, in 2006 the EIB disbursed USD 7 million, of which USD 1 million in the form of equity, to projects in Guyana.

Under Cotonou I the EIB was unable to provide funding which would have complied with the E-HIPC conditions. Under the revised Cotonou Agreement, EIB will be in a position to meet these criteria by means of interest subsidies.

(d) Community Budget lines

Access to EC budget lines is taking much longer than anticipated. The Iwokrama Rain Forest Project applied for assistance from the Commission's Tropical Forestry Budget line in late 2004. A UNDP consortium proposal, named "Guiana Shield", has been in the pipeline since 2001 and was only approved in mid-2006. A project proposal for a chain of tropical rain forest research institutions, of which IWOKRAMA would be one, has been on the drawing board in EC HQ since early 2005 and was approved in early 2007. Similarly, University of Guyana (UG) submitted a proposal for a Masters Degree in Human Rights programme in April 2005, but the project did not pass administrative compliance checks. As noted earlier, Guyana benefits under the Education for All – Fast Track Initiative. The Commission will contribute €63 million to this facility, which is implemented through a Global Trust Fund managed by the World Bank. In November 2006, Guyana signed an agreement with PAHO as part of the EC funding for measures to prevent some infectious diseases (TB, malaria etc).

III.2 Guyana programmes and other donors

There is substantial division of labour between the donors. The IMF concentrates on Poverty Reduction and Growth Facility which is their official instrument for macroeconomic stability and public sector reforms. The World Bank is not very active in Guyana. However, there are currently negotiating the new Public Sector Technical Assistance programme. The IDB has a very broad envelope with Guyana mainly in the infrastructure and utility sectors and to a lesser extent in the agriculture and private sectors. CIDA contributes to the education and health sectors, while USAID focuses on private sector, security forces, narcotic-trafficking, and money laundering. The UK which is the only Member State present in Guyana through its programme execution unit DFID focuses on training of the security forces and has a small envelope for ad-hoc Technical Assistance. It is part of the international donor group as any other international organisation. Guyana also has bilateral links with India and China on some big infrastructure projects (Cricket Stadium – India and Conference Centre – China) on special arrangement.

An overview of the support provided by EU Member States other international donors, the amounts and their breakdown by intervention, sector and region is attached as a Donor Matrix in Annex 2. It highlights the division of labour and/or complementarity between these core groups and the types of instruments and aid measures being used. The matrix is both retrospective and prospective, covering both the past and the period 2006-2013, and refers to Guyana's development strategy and the PRSP.

IV. EC RESPONSE STRATEGY

IV.1 10th EDF priority areas

The proposed areas of concentration are:

1. Economic and Social Infrastructure: contribution to Government's Sector Policy on Coastal Management (support to Sea Defences as a final hand-over intervention);
2. Macroeconomic support to assist the Government in implementation of the PRSP II and to achieve the MDG objectives;

Outside of these areas of concentration, assistance is proposed for the following:

<u>Action</u>	<u>Main Issue</u>
1. Support to the democratic processes	Governance
2. Assistance to the NAO Office	Capacity Strengthening; M&E
3. Technical Cooperation Facility	Capacity building, programme preparation
4. Development of land-use master plan and comprehensive land-use register	Strengthening growth potential

The areas of proposed assistance are further defined in sections IV.5.1 to IV.5.3, below.

IV.1.1 Economic and Social Infrastructure: support to Coastal Management

(a) Objectives

The overall objective of the proposed support to the Sea Defences is to continue enhancing Guyana's protection against the vagaries of the sea, with benefits to the population and economic activities in low-lying parts of the coastal regions.

(b) Proposed actions

The proposed action under this focal sector will support GoG's increasing emphasis on a combination of 1) prioritizing investments needed to upgrade critical sea defence structures and locations, 2) supporting the preventive maintenance programmes - a strategy that is being increasingly emphasized under the 9th EDF NIP, and 3) institutional strengthening and capacity building.

The preferred approach is a sector budget support programme which will hand over the responsibility for and ownership of the maintenance of this important infrastructure, which the EC has been supporting since the 7th EDF, to the Government and the authorities in charge. The purpose of this arrangement is to improve the efficiency and effectiveness of the assistance.

IV.1.2 Macroeconomic support to PRSP II and MDGs

(a) Overall and specific objective

The overall objective of EC macroeconomic support is to continue to support the country in achieving its PRSP and MDG objectives. The programme will be implemented in coordination with the Bretton Woods institutions and will be subject to Guyana's continued eligibility to this aid arrangement. The specific objective is to increase the absorptive capacity of implementing entities to match the requirements of essential, second-generation policy reforms.

(b) Proposed Actions

It is proposed that the allocation for the social sectors be provided as a non-targeted budget support programme – essentially, a continuation of the PRBS mechanism used for programming 9th EDF funds to

those sectors. Subsequently, joint Government/EC reviews would look at both output and capacity indicators in assessing progress and the overall effectiveness of budget support. To avoid entering into additional M & E scenarios, the inclusion of capacity indicators will be agreed and harmonized with other donors¹⁷.

IV.1.3 Support outside areas of concentration of 10th EDF

(a) Support for advancing Governance

The EC will provide technical assistance to GoG, non-state actors and other critical stakeholder groups involved in promoting and advancing good governance to support national compliance with (good governance) indicators that would be associated with the 10th EDF incentive tranches. This may include support of the reform of local government systems and of local elections.

(b) Support to NAO Office: Task Force

The EC will continue to support the Task Force in the NAO Office. This assistance will serve to facilitate more effective implementation of EC-supported projects and programmes.

(c) Technical Cooperation Facility

The Technical Cooperation Facility will be continued in order to provide funding for studies to prepare for the implementation of the 10th EDF, to conduct audits and evaluations where these are not provided for in the Financing Agreements, to facilitate participation of the national authorities in seminars and conferences overseas and in training in their professions or in EDF and Budget line procedures; and to provide funding for any ad hoc technical assistance needs to support the implementation of the programme.

(d) Development of a Land-use Master Plan and of a comprehensive land register system

The aim of the intervention is to unblock some of the red tape which is hindering private sector investments, whether domestic or FDI, by developing a master plan of land-use for different purposes (urban planning, transport (Linden-Lethem road), environmental protection, etc. and to integrate the work done by DFID and IDB in some sub-sectors of land register (mainly for housing purposes) into a comprehensive land-use register. The register would possibly also be useful to the commercial court for collateral management.

IV.2 Sugar Response Strategy

The main objective of Guyana's Action Plan on sugar is to generate economic growth by bringing about sustainable improvements in the competitiveness of that industry and of the non-traditional agricultural sub-sectors. This approach is fully in line with the EC policy of private sector-led growth, with government creating the enabling environment to this end.

The components of the proposed Adaptation Strategy are based on three objectives:

1. To promote the expansion, profitability and diversification of the sugarcane industry;
2. To promote growth and development of non-traditional agriculture sub-sectors; and
3. To provide infrastructural and human resource development support to achieve the two objectives above, thereby ensuring the success of the economic regeneration programmes that are to be implemented in the sugarcane and non-traditional sub-sectors.

Objective 1 embodies the main thrust of the Plan, namely the commercial rationalization and expansion of the sugarcane industry. The industry is at a critical point where its ability to adapt to rapidly changing conditions will depend on successful implementation of a large scale investment programme over the next eight years. These planned adjustments were devised and agreed prior to the announcement of the changes to the EU Sugar Protocol. The IMF and WB encouraged Government to investigate the sustainability of

the sector and to identify the measures necessary to enhance competitiveness in anticipation of expected changes in trading conditions. The subsequent studies and consultations were therefore part of a preemptive and systematic process of creating a comprehensive Action Plan. 80% of the cost of the Plan is committed to investments for sugarcane rationalization and expansion.

Objective 2 consists of diversification to other agricultural sectors that have been identified for potential expansion based on a series of consultations and studies conducted as part of the formulation of the NCS. The studies, commissioned inter alia by the Ministry of Agriculture and funded by the Inter-American Development Bank, focus on Guyana's natural endowment and products selected for development under the Regional Transformation Programme for Agriculture.

There are good opportunities for a multi-donor sector programme approach as IDB, CDB, CIDA, USAID and DFID¹⁸ are interested in taking over components of the NCS including the agricultural components.

It is expected that overall the NCS will 1) make a major contribution to growth and poverty reduction over the longer term, and 2) bring about shifts in Guyana's economic structure that will facilitate more diversified patterns of development. In particular the agricultural component, which is directly targeted at the needs of rural workers, is expected to create job opportunities in non-traditional agricultural exports, such as beef, fruit and vegetables, fisheries and aquaculture products.

Objective 3 will require funding for training and infrastructural support. However, the Plan does not incorporate a component to address the social impact of the adaptation strategy.

The Guyana National Action Plan on Accompanying Measures for Reform of the EC Sugar Trade Regimes formulates a sector policy which the Government intends to implement as part of the National Competitiveness Strategy. The EC will support this sector policy through the SPSP mechanism, as long as Guyana remains eligible for non-targeted budgetary support programmes. The progress of the implementation will be monitored through a set of indicators to be agreed with the Government in the context of the 2006 assistance.

IV.3 Conditions and risks

IV.3.1 Conditions and risks – 10th EDF

The conditions relevant to this strategy will be drawn up between government and the EC. However, in order to continue with the non-targeted Budget Support, Guyana should continue to be eligible for this aid delivery instrument in terms of public finance management and to implement sound macro-economic policies, supported and monitored either through an IMF programme, if such a programme is in place, or through the EC's monitoring mechanisms, which will draw upon but be not limited to IMF's Article IV reviews.

In terms of budgetary support, the absorptive capacity risk is equally fragile given Guyana's institutional constraints and problems of skills retention. Also, planned improvements can be derailed by domestic anomalies (political instability, rising crime) and/or by exogenous factors (persistent CSME demand for skilled Guyanese labour at increasingly higher prices). The risk of failure on the absorptive capacity issue can be mitigated by a combination of cautious and rather more radical measures. In the case of the former, GoG could choose to limit the rate at which it agrees to and adopts second-generation reforms to ensure that the reforms it does introduce remain reasonably viable. A more radical measure would be to contract turnkey performance services from within Guyana and the CSME. Furthermore, the public service reform needs to be speeded up in order to increase efficiency in the production of public services with the aim of creating scope for competitive remuneration packages in the sector.

Finally, there is the overarching risk of social instability if Public Finances continue to be constrained by lacklustre macroeconomic performance. If such a scenario materialises, political polarisation will continue unabated and rising crime will become insurmountable. Both anomalies would derail the country's efforts to 1) advance social harmony and 2) improve the investment climate - especially for critically needed FDI.

IV.3.2 Conditions and risks – Sugar Adaptations Strategy

As stated above, the total of the Guyana Action Plan amounts to USD 790 million, including the Government's request for recovery of the USD 81 million. Funding has been secured for USD 168 million, leaving USD 622 million to be sourced; the bulk of this amount, USD 472 (€368) million, relates to GuySuCo's investment plan.

Bearing in mind the constraints on external borrowing and the fact that the EC funding will not cover the entire funding need, the main risk is the Government's capability to source the additional funding on the concessionary terms as required and in accordance with the indicative time schedule of the investment plan.

The future profitability of the sugarcane industry is based on the assumption that the action plan will be able to cut the estate production cost from the average of 17 US cents/lb in 2005 to 12 US cents/lb in 2010 and that the average world market price will stay at the EU price level of 18 US cents/lb after the cut becomes fully effective. As stated in the National Adaptation Strategy, the margins are tight. Considering the volatility of world commodity prices, and competition from the big producers like neighbouring Brazil, that strategy may fail to achieve the expected results.

As for the political risks, the General and Regional Elections in 2006 confirmed the incumbent government in its position and even increased the party's majority in the National Assembly. Unless inclusive governance is introduced on national and local level, marginalisation of important social and ethnic segments of the society may lead to application of other channels being used to express feelings, such as increased violent crime, insecurity and enhanced out-migration.

IV. 4 Intra-ACP funds

The Joint ACP-EC Council took a decision on the allocation of remaining Intra - ACP funds of the 9th EDF, which includes €13 million to support sugar cane related research in the ACP. This was a pressing ACP demand. It comes in addition to the accompanying measures funds. The precise programme still has to be defined. It will have to be implemented at all-ACP level, and will need to be consistent with research support under national strategies.

IV.5 European Investment Bank

Access to EIB resources will continue to be available under the Cotonou Agreement, notwithstanding lukewarm interest to date under the 9th EDF. Private sector demand for loan capital may not be as strong as it was in the past, partly because of excessive levels of liquidity in Guyana's banking system. Also, the financial sector is beginning to increase its productive sector portfolios, albeit quite cautiously. On the other hand, there could be considerable demand for infrastructure-related investment funds from the utility, energy and transport sectors. In the case of revenue generating public sector infrastructure, the EIB should now - under the revised Cotonou Agreement - be in a position to assist with financing that meets the concessionality criteria under HPIC. Such assistance will be closely coordinated with that of other donors.

European Investment Bank has in its portfolio concessionary loans, subordinated loans and other semi-capital instruments which will prove a good fit with the IMF conditions for external soft borrowing. These instruments should be used to part-finance the National Sugar Action Plan and the related investment programme.

V. NATIONAL INDICATIVE PROGRAMME 2008 – 2013

V.1 Introduction

On the basis of the cooperation strategy presented in Part IV and in accordance with Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up as a set of tables showing the intervention framework for each sector, the financial programming timetable and a detailed chronogram of activities for all listed programmes over a rolling three-year period.

Amounts mentioned in this chapter indicate the overall breakdown of funds between the focal sectors, macro-economic support and other programmes. The breakdown may be adjusted in the light of the operational, mid-term, final or ad hoc reviews. However, a formal decision in the form of an addendum will be required for any adjustment resulting in a substantial change to the structure of the response strategy.

V.2 Financial instruments

The implementation of the EC's cooperation strategy with Guyana will be financed from several financial instruments. The following is an indication of their mobilization as currently envisaged.

V.2.1 10th EDF, A Envelope €51 million, initial tranche

This envelope/appropriation/amount will cover long term programmable development operations under the strategy, and in particular

Focal Section 1	~€ 14.8 million.	29 %	sea defences /coastal management
Focal Section 2	~€ 30.2million.	59 %	macro-economic support to PRSP+MDG
Other programmes	~€ 6.0 million	12 %	project support
of which:			
- Governance			€1 million
- NAO Task Force			€1 million
- Technical Cooperation Facility			€1 million
- Development of a land-use master plan and comprehensive land register system			€3 million

V.2.2 10th EDF, B envelope € 4.4 million

This envelope will cover a) unforeseen needs such as emergency assistance where such assistance cannot be financed from the EU budget, b) contributions to internationally agreed debt relief initiatives and c) support to mitigate adverse effects of instability of export earnings. In accordance with Article 3(5) of Annex IV to the Cotonou Agreement this amount may, if necessary, be increased in the light of the operational or ad hoc reviews.

V.2.3 Investment Facility

In addition to the financing instruments mentioned above, of which the A envelope is the main programmable basis for the NIP, the 10th EDF also includes an Investment Facility which is an instrument managed by the European Investment Bank. The Investment Facility is not part of the NIP. Some specific activities may be supported by the Centre for the Development of Enterprise (CDE) and the Centre for Development of Agriculture (CDA).

V.2.4 10th EDF Caribbean Regional Indicative Programme

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This allocation will cover long-term programmable development operations under the regional strategy for the CARIFORUM region. The allocation is not part of Indicative Programme but may have repercussions at national level depending on whether Guyana participates in the programmes proposed under the regional framework.

V.2.5 Accompanying measures for National Adaptation Strategies on sugar

The full financial envelope for the EC assistance to the National Adaptation Strategies is still under negotiation with the EU Member States. However, the 2006 allocations have been specified and Guyana's share of the total € 40 million amounts to €5.663.000. For 2007-13, the total budget for Sugar Protocol countries amounts to € 1,244 billion.

The Guyana National Action Plan on sugar formulates a sector policy which the Government intends to implement as part of the wider National Competitiveness Strategy. In keeping with the endorsed EC Response Strategy, the EC will support the implementation of the GNAP through the SPSP mechanism, as long as Guyana remains eligible for non-targeted budgetary support programmes. The progress of the implementation will be monitored through a set of indicators to be agreed with the Government in the context of the 2006 assistance.

V. 2.6 Outline of the focus of the 2006 assistance to the Sugar Adaptation Plan

The 2006 envelope attributed to Guyana amounts to €5,663,000. The assistance will be delivered by means of a non-targeted Sector Policy Budget support Programme. The disbursement is divided in two tranches, a fixed tranche and a variable tranche. The fixed tranche will amount to €3,270,000 and the variable tranche to €1,630,000. In addition, €763,000 have been set aside to prepare for the multi-annual financing package, in particular to agree on the indicators for monitoring the progress in implementing the GNAP, to conduct a study to the social impact of the GNAP, to monitor and report on the progress made in the reform of the Public Finance Management and, in the event of discontinuation of an IMF programme, to assess the macro-economic policy performance, as well as for audit and evaluation of the programme.

The disbursement of both fixed and variable tranches will be subject to meeting the general conditions. Moreover, two indicators pertaining to the release of the variable tranche have been agreed with the Government, namely Government's support for the next steps in the implementation of the investment plan in the sugarcane sector and agreement on the indicators to monitor the performance of the sector policy in future years.

V.2.7 Other financial instruments

Specific activities may be supported by external actions funded by the general budget of the European Community carried out under the financial framework for 2007 – 2013 subject to special procedures and availability of funds, and out of the own resources of the EIB. Actions funded by the general budget include, among others, programmes funded under the Development Cooperation Instrument such as the thematic programmes "investing in people", "non state actors in development", "migration and asylum", "environment and sustainable management of natural resources" and "food security" and the programme for accompanying measures for ACP Sugar protocol countries, as well as actions funded from other instruments such as the stability instrument, the instrument for the promotion of human rights and democracy or the instrument for humanitarian and emergency assistance.

For the Sugar Protocol countries benefiting from accompanying measures, the actions envisaged in that context shall be complementary to above financial instruments.

V.2.8 Monitoring and evaluation

Monitoring of results and evaluations of impact of individual activities (programmes, projects, sectors) under this CSP will be undertaken in line with the Technical and Administrative Provisions that are attached to each individual Financial Agreement prepared to implement this CSP.

The results and impact of the Community's cooperation with Guyana implemented through the NIP and through other external actions funded by the general budget of the European Community, will be assessed by means of an independent external evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.

V.3 Focal sector(s)

V.3.1 Focal Section 1, Social Infrastructure/Sea Defence

The following specific objective will be pursued: protection of economic and social assets in low lying coastal areas. As an indicative amount, approximately €14.8 million will be set aside for this field. The proposed action under this focal sector will support GoG's increasing emphasis on a combination of 1) prioritizing the investments needed to upgrade critical sea defence structures and locations and 2) supporting the preventive maintenance programmes, a strategy that is being increasingly emphasized under the 9th EDF NIP. A specific target of the 10th EDF programme will be capacity building within sea defence administration to prepare for final hand-over of responsibility for the maintenance of this crucial infrastructure from the EC to the national authorities.

The main implementing instrument will be non-targeted sector budget support. A sector policy document is being drafted under the 8th EDF intervention. The main sectoral policy measures to be taken up by Government are the continuation of institutional reforms and the strengthening of existing policies and strategies aimed at achieving PRSP objectives. The main commitments by the Government to ensure the maintenance of cross-cutting issues are to be defined in the financing proposal and agreed under the 10th EDF. A Strategic Environmental Assessment of this focal sector will be included in the 10th EDF Programme.

V.3.2 Focal Sector 2, Macroeconomic Support

The following specific objectives will be pursued: to cover part of the current balance deficit in order to help the Government to release funds for recurrent expenditure in social sectors and to contribute to strengthened PRSP effectiveness, whilst maintaining macro-economic stability and debt sustainability. As an indicative amount, approximately €30.2 million will be set aside for this field.

This allocation is direct non-targeted budget support. Disbursement will be triggered by agreed milestones in the form of general conditions and variable tranche indicators as required for EC disbursements. These conditions will be specified in the 10th EDF PRSP financing agreement

The main sectoral policy measures to be taken by Government as a contribution to the implementation of this aspect of the response strategy are the continuation of reforms and the strengthening of existing policies and strategies aimed at achieving PRSP objectives. The main commitments by the Government to ensure that cross-cutting issues are maintained will be defined in the financing proposals and agreements under the 10th EDF NIP¹⁹.

V.5 Other programmes

V.5.1 Support for advancing Governance

The EC will provide technical assistance to GoG, non-state actors and other critical stakeholder groups involved in promoting and advancing good governance to support national compliance with (good governance) indicators that would be associated with the 10th EDF incentive tranche. This intervention

will also continue the EC's support to the democratic process, local government reform and assist the organisation of local elections.

V.5.2 Support to NAO Office: Task Force

The EC will continue to support the Task Force in the NAO Office, with the aim of facilitating the implementation of EC-supported projects and programmes.

V.5.3 Technical Cooperation Facility

The Technical Cooperation Facility will be continued to provide funding for studies to prepare for the implementation of the 10th EDF, to conduct audits and evaluations where they are not provided for in the Financing Agreements, to facilitate participation by the national authorities in seminars and conferences overseas and in training in their professions or in EDF and Budget line procedures; and to provide funding for any ad-hoc technical assistance needs to support the programme implementation.

V.5.3 Development of Land-Use Master Plan and of a comprehensive Land-Use Register

The aim of the intervention is to unblock one of the bureaucratic obstacles to private sector investments, whether domestic or FDI, by developing a master plan of land-use for different purposes (urban planning, transport, e.g. Linden-Lethem road), environmental protection, etc) and to integrate the work done by DFID and IDB in some sub-sectors of land register (mainly for housing purposes) into a comprehensive land-use register. The register would also help the commercial court in the area of collateral management.

V.6 Intervention Framework & Performance Indicators

V.6.1 First Focal Sector: Sea Defences

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Overall Objectives	Protection of economic and social assets in low lying coastal areas			
Programme Purpose	Support to implementation of Government's policy in coastal management	Impact: decrease in crops lost due to flooding Outcome: Improved infrastructure in targeted areas; enhanced institutional capacity of the administration to prioritize, rehabilitate and maintain the said infrastructure, Output: 6-12 km of sea defences rehabilitated; integrated maintenance strategy of infrastructure in implementation	Production reports by Ministry of Agriculture Progress and Project completion reports by Government; staffing levels and rotation statistics of the permanent staff, completion of an integrated maintenance strategy of the sea defences infrastructure	Sea level rise does not jeopardise the protective effects of improved infrastructure
Results	Critical sea defences rehabilitated; ownership of interventions handed over to national authorities, government effectively coordinating donor inputs	Sector policy in place and being implemented, 6 – 12 km of critical sea defences rehabilitated	Spot checks and completion certificates	

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V.6.2 Second focal sector – Macroeconomic Support: Poverty Reduction Budgetary Support

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
Overall Objective	To alleviate poverty in Guyana	Prevalence of poverty as measured by commonly used poverty indicators	WB's Poverty Assessment reports	
Programme Purpose	To assist the Government in meeting its budgetary objectives as set out in the PRSP and to achieve more effective implementation of the PRSP within a framework of macroeconomic stability	Impact: increased cohorts of population ascend wellbeing and contribute to productive labour force Outcome: decreased poverty levels Output: Increased number of poverty affected cohorts of population having access to health, education and housing	Data collected by line ministries, Ministry of Finance and Bureau of Statistics Distribution of wealth statistics; health, housing, education and employment statistics, migration statistics	Reasonably adequate absorptive capacity in social sectors exists; successful completion of PRSP II drafting process

by

Results	<p>PUBLIC FINANCE MANAGEMENT</p> <ul style="list-style-type: none"> • PEFA conducted and progress made in further reform of PFM • Retain of skilled professionals in the sector • Adequate budgetary allocations to social sectors in keeping with PRSP targets • Stability oriented macro-economic policy implemented <p>HOUSING</p> <ul style="list-style-type: none"> • Government meeting housing targets (4000 to 6000 new accommodations annually) • Medium-term policy and expenditure framework for the Ministry developed • Retain of skilled staff <p>HEALTH</p> <ul style="list-style-type: none"> • Update of the sector policy (present 2002-2007) and supplemented by MTEF • Retain of professionals in the sector • Improved health service coverage in the regions • Improved results in HIV/AIDS/TB/Malaria and other poverty linked diseases • Reduced mother-to-child transmissions • Reduced mother & child mortality • Increased life expectancy in the regions 	<p>Detailed outcome indicators to be negotiated in the formulation phase of the Financing Agreement</p>	<p>Data collected by the line ministries, Ministry of Finance and Bureau of statistics</p>	
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V.7 Indicative timetable for commitments and disbursements

V.7.1 Indicative timetable of global commitments

	Indicative allocation	2008		2009		2010→	
		1	2	1	2	1	2
1st FOCAL SECTOR – Sea Defence Infrastructure	M €						
- Project 1: Sea Defence rehabilitation	M €			14.8			
2nd FOCAL SECTOR – Macroeconomic Support	M €						
- Project 1: PRBS tranches	M €			30.2			
NON FOCAL SECTORS	M €						
- Governance	M €			1.0			
- Technical Cooperation Facility	M €		1.0				
- Assistance to NAO Office	M €		1.0				
- Land-use master plan	M €			3.0			
Total Commitments:	M €		2.0	49.0			
Total Cumulative Commitments :	M €		2.0	51.0			

V.7.2 Indicative timetable of disbursements

	Indicative allocation	2008		2009		2010→	
		1	2	1	2	1	2
1ST FOCAL SECTOR – Sea Defeuce Iufrastructure	M€						
- Project 1: Sea Defence rehabilitation	M€				2.0	3.0	2.0
2nd FOCAL SECTOR – Macroeconomic Support	M€						
- Project 1: PRBS tranches	M€			5.0	5.0	5.0	5.0
NON FOCAL SECTORS	M€						
- Governance	M€			0.5	0.5		
- Assistance to NAO Office	M€			0.2	0.2	0.2	0.2
- Technical Cooperation Facility	M€		0.5	0.2	0.1	0.1	0.1
- Land-use master plan	M€				1.5	0.5	0.5
Total Commitments :	M€		0.5	5.9	9.3	8.8	7.8
Total Cumulative Commitments :	M€		0.5	6.4	15.7	24.5	32.3

€18.7 in years 2011-2013

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V.8 Chronogram of activities

1 st FOCAL AREA (14.8M €)	Indicative allocation	2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Project 1	M €14.8			FS	FP	FD	Ξ	Ξ	Ξ	Ξ	Ξ	Ξ	Ξ
2 nd FOCAL AREA (30.2 M €)		2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Project 1	M €30.2			FS	FP	FD	Ξ	Ξ	Ξ	Ξ	Ξ	Ξ	Ξ
NON FOCAL AREAS (6 M €)		2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Governance	M €1			FS	FP	FD	Ξ	Ξ	Ξ	Ξ	Ξ	Ξ	Ξ
- Technical cooperation facility	M €1	FS	FP	FD	Ξ	Ξ	Ξ	Ξ	Ξ	Ξ	Ξ	Ξ	Ξ
- Assistance to NAO Office	M €1	FS	FP	FD	Ξ	Ξ	Ξ	Ξ	Ξ	Ξ	Ξ	Ξ	Ξ
- Land-use master plan	M €3			FS	FP	FD	Ξ	Ξ	Ξ	Ξ	Ξ	Ξ	Ξ

FS: Feasibility Study
 FP: Financing proposal
 FD: Financing decision
 ζ : Project implementation

Note: this table is to be completed by EC Delegation and NAO office when timelines are negotiated and agreed for specific focal and non-focal sector activities.

ANNEXES

ANNEX 1

"Country at a glance" table

<u>Land Area</u>	<u>Population</u>	<u>Population Density</u>	<u>Population: Main Town</u>
214,999 sq.km	751,223	3.5 per sq.km	213,705
<u>Population Growth per year (%)</u>	<u>1999</u>	<u>2002</u>	<u>2005</u>
Growth rate	not known	3.00%	to be measured
<u>Labour Force</u>	293,844	271,728	to be measured
<u>Life Expectancy at birth (yrs.)</u>	63	63.2	63.5 (est.)
<u>HDI Value and Ranking:</u>			
HDI Value	0.708	0.72	0.72
HDI Ranking (of 177 countries)	103	103	107

Economic Summary						
Indicator	2000	2001	2002	2003	2004	2005
BASIC DATA						
1. GDP (US \$ millions)	596.9	602.5	617.8	631	652.7	644.6
2. GDP per capita (US \$)	804.4	810.2	822.9	840.2	868.6	857.3
- annual change %	4.4	0.7	1.6	2.1	3.4	-1.3
3. Real GDP growth (annual %)	-1.4	2.3	1.1	-0.6	1.6	-3
4. Gross fixed capital formation (% of GDP)	46.3	45.8	44.7	40.9	38.3	41
5. Foreign direct investment (G\$ millions)	19,829	22,371	21,694	14,559	#####	35,303
6. External debt (% of GDP)	199.9	199.6	201.7	171.8	163.9	169.2
7. Total debt service (% of GDP)	5.6	2.7	2.1	2	2.7	1.7
8. Inflation rate (CPI)	6.2	2.6	7.1	4.9	5.5	8.3
9. Real effective exchange rate	181.09	187.11	190.63	195.34	199.79	200.64
STRUCTURE OF THE ECONOMY						
10. Agriculture (% of GDP)	22.3	21.2	22.3	22.7	22.6	21
11. Industry (% of GDP)	8.2	8.3	8.8	9.2	9.6	8
12. Services (% of GDP)	44.8	45.8	45.3	46.4	46.9	51.2
PUBLIC FINANCE						
13. Revenues (% of GDP)	41.1	38.9	37.7	39.1	44.3	46.7
14. Expenditures (% of GDP)	56.3	56.4	53.7	55	57.8	73.3
15. Current budget balance (% of GDP)	1.4	-1.2	-1.2	0.2	5.9	3
TRADE						
16. Exports of goods and services (% of GDP)	113	109.9	108	106.1	114.9	107.8
17. Imports of goods and services (% of GDP)	130.4	128.9	122.8	117.9	130.9	152.2
18. Current account balance/GDP	18.3	21.4	17.3	9.6	10.7	25.8
Note: Date prepared and provided by Guyana National Bureau of Statistics						

Part 2: Guyana, 10 Key Poverty Indicators for the MDGs							1990	2000	2001	2002	2003	2015
Type	Indicator											
Impact	1. Proportion of population below \$1 a day (%)					...	35	32	32	32		26
	2. Prevalence of underweight children < 5yrs (%)					...	15	13	11	9		< 5
	3. < Under 5 mortality rate (per 1000 live births)					...	5.7	5.6	5.4	5.4		< 3
Outcome	4. Net enrollment ratio in primary school (%)					...	92	92	92	92		97
	5. Primary Completion Rate (%)					...	83.5	84	84.6	85.7		95
	6. Proportion of girls to boys (%)					..						
	a. primary education					..	50	50	50	50		50
	b. secondary education					..	54	54	54	54		50
	c. tertiary education					..	67	67	67	67		60
	7. Proportion of births attended by skilled health personnel (%)					..	86	88	90	95		97
	8. Proportion of 1 year old children immunised against measles etc					..	88.9	90.2	93.3	95.5		> 97.0
	9. HIV prevalence among 15 - 24 yr old pregnant women (reported)					..	95	112	100	98		< 100
	10. Population with sustained access to treated water source (%)					..	35.4	36.2	44.7	45.1		67%
Notes:												
1. Data for 1990 difficult to obtain and pre-date establishment of MDGs												
1. Data excerpted from PRSP Progress Report 2005												
2. MOE estimates that the proportion of males in secondary and tertiary education will increase												
3. All numbers beyond 2003 are extrapolated estimates only.												

ANNEX 2

**DONOR MATRIX:
Approximation of Donor Commitments 2006-2013**

This matrix summarises the known interventions of other donors, including the Member States and multilateral donors. It transparently reflects at least the results of the donor coordination/harmonisation in Guyana. To the extent that information is available it highlights the division of labour and/or complementarity. The matrix reveals ongoing and forward commitments for the period 2006-2013. It reflects the commitments made by donors and by GoG to implementation of the NDS and the PRSP.

GRANTS									
Economic & productive		Social		Infrastructure		Governance		Thematic/Cross cutting issues	
	€ mill		€ mill		€ mill		€ mill		€ mill
European Commission									
Linden Economic Advancement Programme (LEAP) 2002-2009	12.5	Low Income Housing (2003-2008)	9.1	Sea Defences (8 th EDF) (2000-2008)	20.0	Support to Guyana's Election (2006-2007)	0.94	Strengthening NAO's office (2004-2009)	0.82
Guyana Training Agency (ended July 2004)	1.8	Direct Budget Support (2004-2007)	35.4	Transport & Communication (ended)	1.8			Technical Cooperation Facility (2004-2009)	0.605
Support to the Competitiveness of the Rice Sector (Guyana Component of total 24 mill)	13.0	Regional: Caribbean Knowledge and Learning Network		Sea Defences (9 th EDF)	17.9			Micro Projects (2004-2009)	4.0
Caribbean Anti-Money Laundering	4.0	Caribbean Regional HIV/AIDS	17.0	Transport Strategy Study (2004-2008)	0.9			Support to Cariforum	0.7
Regional: Caribbean Tourism	8.0	Regional: Medical Laboratories	7.5	Regional Radar Warning System	13.2			Regional Technical Cooperation Facility	2.0
Caribbean Regional Rum Programme	70.0	Institutional Support to Disaster Management	3.4	Dominica Air Access	12.0			Caribbean regional Integration	40.5

		(regional)						Programme	
Caribbean Regional Trade and Private Sector Development	2.6							Guyana Shields (Budget Line)	1.7
Guyana Sugar Action Plan, 2006 Programme (Budget Line)	5.7							New Technical Cooperation Facility (2007-2011)	0.71
DFID									
CARICOM support to CSME, CARTEC & Trade Programme II	0.4	Support to Secondary Education	19.0	Forestry sector	0.0	Good Governance	1.3	PRSP Support	0.3
Economic Growth/ Privatisation/PSC	0.0	Regional Support to HIV/AIDS	1.9	Iwokrama	0.3	Social Cohesion	0.2	Flood Relief	2.2
		Water Programme	8.0			Police Reform (2005)	0.018		
		Land Administration	7.2			Support to Elections 2006	0.7		
CIDA									
Private Sector Commission – Economic Policy Unit	0.781	Guyana Basic Education Teacher Training	1.40			Municipal Governance Management Programme	3.19	Guyana Environmental Capacity Development Programme	1.76
Private Sector Support Programme (2008)	5.21	Public Health Strengthening in Guyana (STD/AIDS/TB)	3.44			Building Community Capacity Project II	3.26	Canada Fund for Local initiatives	0.06
						Support to elections 2006	0.7	Guyana Elections Support	1.40
		Support to the establishment of a family court	0.288			Gender Component of WB Poverty Survey	TBD	Caribbean Gender Equality	0.84
						Governance Prog. (2008-2012)	13.02	Regional (CARICOM) Programs:	

							Social Infrastructure Projects	7.01
							CAREC	6.0
							Enhanced Support HIV/AIDS in the Caribbean	14.03
							CARICOM Capacity Development Project	3.13
							Regional Trade Policy	3.30
UNDP								
Poverty/Disaster reduction			Environment/Energy		Governance and elections			
EMPRETEC	0.408	Poverty Reduction in Rural Communities	Cap. Building Renewable Energy	0.12	Support to Elections 2006	0.2		1.95
Disaster Risk Reduction and Recovery		0.30	Capacity Building Environment and Natural Resources Management	0.40	Support to Electoral Process	0.11	Strengthening Elections Commission	1.402
			Caribbean Renewable Energy Programme	3.5				
			Sustainable Land Management	0.5				0.027
			Second National Communication to UNFCCC	0.4				0.267
			Guyana Biodiversity Add-On	0.25				0.029
			Guiana Shield Initiative	1.7				0.102
			Phase-out Plan for Ozone Depleting Substances	0.001				0.009
								0.181
							Benchmarks to Monitor PRS , MDG	0.143
							Mainstreaming	0.04

								Disaster Management	
								Gender Equity in Governance	0.004
								Reducing Electoral Tension	0.926
								Building Social Cohesion	0.495
									0.04
								Development of Institutional Social Statistics Capacities	0.48
UNICEF (2006-2010)									
		Early Childhood Education and Quality Basic Education	2.0					Public policy and social statistics	0.5
		Adolescent Health and Development (incl. PMTCT and prevention among Young People on HIV/AIDS)	1.5					Promotion of children's rights (2007-2010)	1.21
		Protection of children from violence, abuse, exploitation and neglect	2.5						
OTHER UN									
		UNESCO various educational, culture, communication and science	0.311						
		ENFPA HIV/AIDS Project	0.45						
		ILO/USDOL HIV/AIDS workplace education programme	0.25						
		UNAIDS: Support to	0.34						

		national HIV/AIDS response							
		PRSP DISSC Project	0.567						
USAID									
Economic Growth	8.7	AIDS Programme	24.5			Democracy and Governance Programme	7.56		
PL 480 commodities import programme (5 M US /year)	32.66					Support to Elections 2006	1.0		
Millennium Challenge Account	19.52								
IDA									
		HIV/AIDS Program	8.17					Poverty Reduction and Public Management Programme	7.68
		Water Sector Reform	8.7						
		Education for All	6.3						
IMF									
								PRGF (ends in 9/2006)	56
WB									
		PRSP Gender Assessment Study (2007)	0.038						
		Poverty Reduction & PM Operations	7.257						
Japan									
Construction of CARICOM	1.4	Rehabilitation of New Amsterdam Hospital (2	3.6						

Headquarters		phases)							
LOANS									
Economic & productive		Social		Infrastructure		Governance		Thematic/Cross cutting issues	
	€ mill		€ mill		€ mill		€ mill		€ mill
EIB									
DFL Global facility	5.0			Power Projects	20.0				
IPED	0.5								
IDA									
								Public Sector Technical Assistance	3.6
CDB									
		Basic Needs Trust Fund	2.2	Drainage & Irrigation	5.6				
		Guyana Water Rehabilitation	9.7	Linden Highway	11.4				
		Poor Rural Communities Support	5.6	Barbican Sea Defence	8.2				
IDB									
Agriculture Support Services Programme (2005-2010)	17.01	SIMAP III	10.10	Georgetown Solid Waste Management	16.06	Citizen Security Programme (2007-2013)	15.12	Social Statistic and Policy Analysis	2.42
Enhancing Competitiveness (2007-2013)	20.41	BEAMS Basic Education	14.64	Bridge Rehabilitation	9.63	Justice Administration System Prog. (PBL)	11.71	Strengthening Statistics and Social Policy Analysis Training in the UG (TA)	0.4
Agriculture Diversification Programme (Approved in 2007)	11.71	Basic Nutrition Program	3.06	Mahaica-Rosignol Road Rehabilitation	3.28	Justice Administration System Prog.	7.81	Financial Sector Strengthening Supervision (2002-2007)	0.491
Support to the	5.47	Health Sector	17.96	Transportation	18.98	Public	4.23	Strengthening of the	0.756

Competitiveness Programme		Programme		Infrastructure Rehab Programme*		Management Modernisation Programme (2006-2009)		Public Investment Management System (MoF) (2003-2007)	
		Social Protections Action Plan *	7.80	Georgetown II Water Supply & Sewer System	18.48	Fiscal & Financial Management Program (2002-2007)	22.68	Financial Sector (PBL)*	7.80
				TC Grant to EPA (2002-2006)	0.968	Strengthening of the Office of Auditor General (2007-2009)	0.491		
		Youth Development and Empowerment *	3.6	Urban Development Programme	15.12	Establishment of a Commercial Court (2003-2007)	0.378		
				Un-served Areas Electrification	16..50	Justice Modernisation Programme (2007-2013)	18.90		
				New Amsterdam to Moleson Creek Road Rehabilitation Program	29.13				
				Low Income Settlement	5.06				
				Improvement of the Regulatory Framework Electricity Sector (2003-2008)	0.378				
				Electricity Sector (PBL)*	15.61				
WB									
		Public Sector TA Credit (PSTAC) (2003-2007)	3.477	Institutional Strengthening of the Water Sector (2006-	0.227				

				2010)					
		Poverty Reduction Prog. Management OP (2006- 2007)	6.803						

Source of data: Discussions with the British High Commission, CIDA, USAID, IDA, UN, WB, UNICEF and IDA

* Pipeline programmes

In addition China, India and Cuba provide TA and Scholarships, but the Ministry of Finance has not allocated amounts to this aid. The Government of Guyana has negotiated a combination of concessional loans and grants amounting to €19.52 million to build a cricket stadium which meets World Cup standards.

Exchange rate used: US\$1 = 0.7559 Euros, Canadian \$1 = 0.65108 Euros and UK£ = 1.4843 Euros

Summary of Country Environmental Profile

Guyana Country Environmental Profile

Project Number: ACP GUA 005

Final Report, December 2005

State of the Environment

Guyana consists of four main natural regions. The coastal zone is a narrow, alluvial belt consisting mainly of clay and is about 2 m below sea level. To the north-east of the country, sandy rolling plains stretch inland and gently undulates with altitudes vary from 5 m - 120 m above sea level. The hilly sand and clay region is found just inland of the coastal zone, and is mostly covered with vegetation. The area occupies about 25% of the total area of the country.

The interior savannahs account for almost 11% of the country's area and are the vegetation cover is mostly grasses, scrub and low trees. The savannahs extend in the west from the southern part of the sandy rolling plains to the Rio Branco savannahs of Brazil. The main grasslands are known as the Rupununi savannahs, characterised by intense dry periods. The forested highlands make up approximately 64% of the country's landmass. There are four major mountain ranges in this region; Kanuku, Pakaraima, Imataka and Acarai. The interior is very sparsely populated, principally by native Amerindian communities.

Numerous rivers flow into the Atlantic Ocean, generally in a northward direction. The Essequibo, the country's major river, runs from the Brazilian border in the south to a wide delta west of Georgetown. The groundwater system reportedly comprises three aquifers and most potable water is obtained from the two deep aquifers. Guyana is endowed with extensive and diverse mineral resources. These include gold, diamonds, semi-precious stones, bauxite, manganese, copper, molybdenum, tungsten, quartz, kaolin and other clays, and a range of aggregates (such as stones and silica sand). This gives the mining sector a prominent role in any development plan for the country. Guyana experiences an equatorial climate characterised by two wet seasons (May to mid- August and mid-November to mid-January) and two dry seasons (January to April and mid August to mid November).

The country is subject to drought and floods (the most recent flood was in January 2005). Earthquakes and cyclones are not prominent. Guyana's topography renders it vulnerable to natural risks since most of the country's key investments are in low-lying areas and are protected by sea defences. There is no formal bio-geographical classification of the national territory. Much of the original vegetation of the coast has been removed during the activities of colonizers who cleared and filled the land to make it suitable for cultivation. However, today, numerous species of hardy wild plants are evident. In addition, there are various trees that are both indigenous and introduced. The coastal mangrove population is under threat as some coast dwellers view it as a source of firewood, and mangrove is also used in the leather tanning industry.

There are two legally designated protected areas (Kaieteur National Park and Iwokrama Rainforest Reserve), as well as five other non legally designated conservation areas. These have been identified as Shell Beach, Kanuku Mountains, Mount Roraima, Orinduik Falls and an area still to be defined in Southern Guyana. There are over thirty animals listed on the IUCN Red List for endangered species. The animals are threatened by human activities such

as trafficking, mining, logging, settlement, and hunting. Key faunal species of international economic importance include over 20 species of parrot (macaws, parrots, parakeets and parrotlets – *Psittacines*), toucans, songbirds, 38 species of non-CITES reptile species, yellow spotted river turtle, spectacled caiman, 6 species of frogs, primates, ornamental fish and arapaima.

Ninety percent or more of the population live in the coastal area where most of the economic activity takes place. The indigenous peoples of Guyana (collectively known as Amerindians) are also major inhabitants of the hinterland, forest, savannah and highland. There are nine remaining tribes left, the Wapishiana, Akawaio, Arekuna, Macushi, Carib, Warrow, Patamona, Arawak and the Wai Wai. One issue of primary concern among Amerindian communities is land rights. Only half of the communities hold clear title to their land, despite a landtitling programme in place since 1969.

The country's population is aging and since 1970, there has been a decline in the numbers of those in the youngest age groups (0 – 9years), indicating a lowering of fertility rates. Additionally, the out-migration of Guyanese is also contributing to this phenomenon and remains a key concern for the future. Many Guyanese are employed in, or depend indirectly on, the agriculture industry (including agro-processing).

The main fruit crops include bananas, mangoes, West Indian cherries, watermelons, papaws and citrus. Other significant crops include peanuts which are cultivated in fields of sandy soil away from the coastal region as well as pineapples which conversely, are cultivated in coastal regions. Sugar and rice are major contributors to the Guyanese economy. Private farmers cultivate rice, mainly on a medium scale, while the Guyana Sugar Corporation (GUYSUCO) cultivates most of the sugar. Other crops are cultivated on a relatively smaller scale and are often traded locally as cash crops. Alternative activities include cattle rearing, rum/molasses, poultry farming and, to a lesser extent, fish farming. The poultry industry is growing and is a significant part of the livestock sector in Guyana.

In modern Guyanese history, minerals have been very important to the economy. The gold and diamond industries have enjoyed an almost uninterrupted period of success, particularly since 1990. With respect to some other minerals, there is an extensive reserve base of high-quality bauxite. Quarrying is also carried out on varying scales and involves extraction of white sand as well as stone. Other operations take place which involve the mining of rock, sand and precious stones such as agate, topaz and zircon. Additionally, there are vast deposits of shells, clay, kaolin and iron. Offshore oil exploration is gathering pace, although no oil is currently produced.

The forestry sector is another major economic contributor to the national economy, accounting for a significant portion of the national gross domestic product. Forests cover over 16 million hectares of Guyana land surface. Forest products comprise only a comparatively small percentage (about 4%) of annual export earnings. In addition to their economic importance, Guyana's forests provide habitat and food for native Guyanese.

Unemployment is intrinsically related to poverty and remains a serious challenge as unemployment is increasing. Generally, unemployment is higher among women (19.6%) than men (9.04%). There is also a geographic dimension to unemployment in Guyana. At the regional level, it is highest in regions 10, 9, 7, 4 and 6. Moreover, whereas men and women of Region 10 are affected equally by this problem, more women face unemployment in both Regions 6 and 4. Between the 1950s and the 1980s, life expectancy increased slowly (from 52.3 years in 1950 to 60.7 years during 1975-1980). In 1985, it reached 70 years, but declined dramatically to 65 years in 1990. This has been attributed to economic stress. Guyana also has some of the worst health indicators in the hemisphere.

Malaria is a major health problem in Guyana, and is largely endemic in the interior regions 1, 7, 8, 9 and 10. Guyana has a high level of coverage for water supply in the capital city and coastal strip where the majority of the population resides. Although water resources are generally abundant, there are problems related to reliability of water services, water quality and, consequently, the spread of water-borne disease (urban and rural issues). Sewerage services are supplied only to a limited number of households in Georgetown. The rest of the country relies on septic tanks and pit latrines. Disposal of collected waste is an issue of tremendous concern in Georgetown. Solid waste disposal practices in Guyana have not kept pace with the demands imposed by increases in population and waste generation. Municipal solid waste management in Georgetown, more than elsewhere, suffers from years of underfunding and public neglect. At present there are no data on the generation of hazardous waste. Also, Guyana currently does not have the capacity to dispose of hazardous waste.

National Parks, botanic gardens and recreational areas are situated close to the urban areas of Guyana. The National Parks Commission manages the National Zoological Park Botanical Gardens in Georgetown and the National Park. The majority of the tourist activities are situated away from the city of Georgetown. There are no formal environmental indicators within the country. Instead, indicators are primarily focused on economic, financial and more recently social investments.

Environmental Policy and Legislation

The National Development Strategy (NDS) represents the highest level of national planning. This sets out a clear vision to promote the sustainable management of natural resources and preserve a healthy environment in coastal, urban and hinterland regions. The focal point of legislation that protects the environment in Guyana is the Environmental Protection Act, promulgated in 1996. This Act established the Environmental Protection Agency on June 5 1996, giving it overall responsibility for the management of the environment. The purpose of the Act is to provide for the management, conservation, protection and improvement of the environment, the prevention and control of pollution, the assessment of the impact of economic development on the environment and the sustainable use of natural resources. Currently there is no law requiring a Strategic Environment Assessment (SEA). Land-use planning plays an important role in the conservation and wise use of natural resources by creating a suitable framework within which these uses can occur. A National Land Use Policy is in existence and provides the policy context for all land uses, including conservation land uses.

A range of sectoral policies and legislation apply within Guyana to agriculture, fisheries, mining, forestry, wildlife, drainage and irrigation, water supply, sewerage and waste disposal, sea defence, navigation, tourism and protected areas. Guyana has developed a number of sectoral policies, strategies and action plans. The vehicle to promote the NDS Environmental Policy is the National Environmental Action Plan (NEAP) 2001–2005. Within this, the Government of Guyana unequivocally declared its commitment to sustainable development, including sustainable human development, as a major pillar of the country's socio-economic programme. In this context, Guyana seeks to integrate economic, environmental and social values during planning and to distribute benefits equitably across socio-economic strata and gender upon implementation. It also seeks to ensure that opportunity for continued development remains undiminished for future generations. This approach also defines the need for environmental protection to be treated as a cross-sectoral issue that is applied to all aspects of the development process.

The process adopted for the development of National Strategies and Action Plans within Guyana ensures the involvement of all key stakeholders. Typically, stakeholders and the public have had more than one opportunity to contribute to the formulation of these documents as consultations were generally held at several stages in their development. For instance, the National Strategy for the Conservation of Biological Diversity (NSCBD), evolved out of several consultations at various phases of its formulation. The same approach was used for the development of the National Biodiversity Action Plan (1999) and, more recently, for the Poverty Reduction Strategy Paper (PRSP – 2002).

Enforcement and implementation of strategic actions and policies remains problematic. Compliance monitoring involves planning, developing and executing assessment programmes based on criteria and indicators, the collection and analysis of samples and the interpretation of data measurements. Strong regulatory compliance monitoring and enforcement institutions require not only expenditure, but also major financial resources to support the independence and integrity of those involved in carrying out these mandates. Consequently, the issue of legislation enforcement remains a critical one, and requires urgent attention if the sound sentiments presented in the NDS and NEAP are to have any meaning.

Five cross-sectoral issues of environmental concern have been identified. They integrate environmental concerns into the economic context and potentially influence the delivery of both the NDS and the PRS in the future:

- Management of Natural Resources (Minerals, agriculture, forestry, trade in wildlife, fisheries);
- Climate Change and Vulnerability Assessment (Sea level rise, flood forecasting and warning);
- Water Management (Water supply, distribution, wastewater disposal, drainage and irrigation);
- Solid Waste Management (Solid waste collection, disposal (landfill), recycling, environmental health/pollution); and,
- Socio-economic Impacts of Land Use Change (Agriculture change, demand for housing, development of ecotourism).

Environmental Institutional Framework

Public agencies have a duty to promote and facilitate the development of policies, programmes and plans relating to the biological resources and ecosystems for which they have responsibility. These agencies are expected to take legislative and administrative steps to ensure that the environment and biodiversity conservation as an objective is met, and to facilitate the creation of an enabling environment for other parties to play their part. Public institutions also play an important role in the area of monitoring and enforcement.

Rather than creating a single organisation to address sustainable development issues in Guyana, the Government has established a number of mechanisms to achieve a similar goal. Chief among these, and at the highest decision making levels, are the appointment of an Advisor to the Executive President on Sustainable Development and the establishment of (a) the Guyana Parliamentary Sector Committee on Natural Resources with responsibility for monitoring the operation of spheres of operations of ministries, as well as their administrative structures; and (b) a Cabinet sub-committee on Natural Resources and Environment which is chaired by the Head of the Presidential Secretariat.

At a lower level, there exists a Natural Resources and Environment Advisory Committee (NREAC). The NREAC is a high-level committee comprising directors of natural resource institutions (for example, forestry, mining, water, agriculture, land use, energy) and the Guyana Environmental Protection Agency (EPA). This committee has been tasked with examining environmental and resource policy prior to submission to the Guyana Cabinet for approval. At the regional administrative level there is the North Rupununi District Development Board, which was legally established as an NGO in 1996, and has since become the 'voice' of, and the decision-making mechanism for, communities surrounding the Iwokrama Rainforest. This NGO also promotes people's participation and involvement and accesses financial resources for community development.

It is clear that strategic decision making on the environment is mostly a "top down" approach in Guyana. Devolved environmental powers have not yet been given to the ten Administrative Regions. Education, social services and the delivery of health and local environmental health issues (e.g. waste disposal) are granted a regional mandate through the Local Government Act. The implication of this is that the visibility of understanding strategic environmental management remains a head office, "Georgetown" issue. The private sector plays a key role in delivering environmental management in Guyana. There are clear signs of interest from the Guyanese private sector in helping to deliver sustainable development. In mining, agriculture, forestry, drainage/irrigation, the water sector and the growing tourism market, the role of the private sector could be critical in terms of helping with financing, institutional and human resource capacity building, research-information and monitoring, and also incentive measures.

The range of NGO groups in Guyana (large and small, international and nationally based) play a key role in promoting action (through public awareness measures) towards conservation and wider poverty reduction actions. Their role is critical in supporting GoG or non-governmental action, conservation advocacy and public awareness. The level of environmental awareness amongst the general public appears to vary, depending upon the region. Local Amerindian groups and communities of the interior are, on average, more environmentally aware than urban populations in the coastal zone.

The public is the largest stakeholder group and has a powerful voice, which can be very effective in achieving the goal of conserving biodiversity.

The EPA is the institution tasked with coordinating environmental management and provides for the management, conservation, protection and improvement of the environment, the prevention or control of pollution and the assessment of the impacts of economic development activities on the environment. The EPA as an organization has a total of 46 staff in four Divisions. The institutional framework for the agriculture sector is made up of various agencies ranging from the Ministry of Agriculture and the National Agricultural Research Institute (NARI) to the producer organisations and Neighbourhood Democratic Councils (NDC).

Although there is a Ministry of Fisheries, Guyana has no adequate institutional framework, national standards or codes of practice to govern the administration and management of the marine/fisheries resources of the country. Overall responsibility for drainage and irrigation in Guyana is vested in the National Drainage and Irrigation Board (NDIB). Regional Democratic Boards (RDB) are responsible for maintenance of the conservancies, water allocation from the conservancies, operation of the reservoirs, and maintenance of the dams and head regulators. Local authorities are required by the Drainage and Irrigation Act to assess the level of the drainage and irrigation rates on DDIA's and levy charges on landowners.

There are some fifteen agencies administering the legislation relating to water, and their functions often overlap either directly or indirectly. Historically, the Guyana Water Authority (GUYWA), under the policy direction of the Ministry of Public Works, Communications and Regional Development, has provided water supply services for the whole country with the exception of Georgetown, New Amsterdam and Linden, where the systems are run by municipalities. The Ministry of Health monitors water quality and has the responsibility for sewerage and sanitation activities, whereas the municipalities are responsible for the construction, operation and maintenance of urban drainage systems. The Hydrometeorology Service of the Ministry of Agriculture has responsibility for the monitoring and assessment of surface and groundwater resources and for providing basic meteorological information. Waste management implementation is the responsibility of the MoLGRD under whose administration is the Regional Democratic Councils (RPC), Neighbourhood Democratic Councils (NDC). The Sea and River Defence Board has responsibility for management and maintenance of the nation's sea defences. They have joint responsibility (with GFC and EPA) for the management of mangroves and the delivery of the Mangrove Management Plan.

The Agency responsible for mining is the Guyana Geology and Mines Commission (GGMC). It is responsible for the recognition of small mining claims and the distribution of medium-scale permits. Large-scale exploration, prospecting and mining agreements are prepared by the GGMC but negotiated by the Minister of Mines. The Guyana Forestry Commission (GFC) is responsible for the administration and management of the forest resources of Guyana under the Forest Act. The GFC has successfully collaborated with the EPA to implement and maintain programmes for the strict environmental management and monitoring of the forest resources of Guyana. The new energy legislation in 1997 (Guyana Energy Agency Act) paved the way for the establishment of a new Guyana Energy Agency with overall responsibility for coordination among the various energy-related departments and units. The Guyana Power and

Light Co. (GPL) is responsible for the generation, transmission and distribution of electricity.

The Ministry of Public Works and Communications (Communications and Transport) and the Roads Division are the key GoG Departments tasked with delivering transport policy. The Ministry of Tourism, Industry and Commerce (MTIC) is responsible for delivering the National Tourism Development Strategy for Guyana. The Guyana Tourism Authority has the remit, through the Guyana Tourism Authority Act, to deliver this. The National Parks Commission (NPC) is the overarching GoG organisation tasked with the management of Guyana's protected areas. Guyana is currently finalising a project document for the establishment of the Guyana Protected Areas System (GPAS), which is a component of the National Protected Area System (NPAS).

EC Co-operation

The EC undertakes separate evaluations on most of its projects. A common feature of most donor-funded projects is their lack of clarity. Data and information are critical aspects of effective decision making, and attention should be placed on the "management" of information to achieve the goals of the project, as opposed to setting up a system (e.g. a geographical information system) that is subsequently "hijacked" for research and special interest purposes.

EC interventions have been relevant in relation to the environmental context (e.g. the habitats are worth conserving), and the community interest, where the actions are aligned with the NDS and the PRS. To achieve total sustainability (environmental and financial) takes time. Most EC assisted environmental projects in Guyana cannot genuinely claim that their presence has contributed to the sustainability of the wider environment; this is far too ambitious. The good work that has been carried out now (e.g. Shorezone Management Programme; Iwokrama etc) needs to be enshrined within a robust, governance plan for the GoG to engender the confidence that future projects will continue to be relevant.

On balance, the individual costs of any given project cannot totally justify the benefits that they generate. This is because the implementation style of the government is unnecessarily unwieldy and long-winded. Further reform is necessary to capture all the project benefits. Any technical work contracted out to specialist services should be restricted to as few as possible to maximise consensus and simplify implementation. The key lesson is efficient planning (business and resource) at the start of a project. This needs to come both from the donor and the recipient, but also with assistance from a dedicated staff officer from the donor agency in the country office.

Undoubtedly the donor projects have contributed to the overall objectives of GoG regarding the NDS and the PRS. While there has been good communication externally with stakeholders on the whole, the main issue is that of continuity of good practice once the project/programme funds expire. The EC projects have been well supported and enjoyed considerable goodwill, although perhaps they have lacked the visibility in the media that other donors' projects have attracted. Currently, there is often no financial sustainability and further EC support will be needed during the next ten years to ensure that the project benefits and outcomes are not lost. The technical contributions of the projects have fitted well with existing needs, culture and tradition; however, guaranteeing sustainability is a long term commitment.

The absence of agreed environmental indicators for Guyana needs to be addressed to help pave the way for better decision-making and adaptive planning over the medium to long term.

Co-operation Funded by Other Donors

In addition to the EC, other key international donors operating in Guyana include:

- United Nations Development Programme (UNDP);
- UNEP/UNESCO/UNICEF;
- Worldwide Fund for Nature (WWF);
- World Bank/GEF;
- Dept for International Development (DFID);
- Inter-American Development Bank (IDB);
- Caribbean Development Bank (CDB);
- Canadian International Development Agency (CIDA);
- US Agency for International Development (USAID); and,
- Voluntary Services Overseas (VSO) – staff assistance instead of donor assistance.

Conclusions

A series of key conclusions relating to environmental issues in Guyana can be reached. These are related to main issues presented within the report:

Conclusion 1: Pressure on the Management of Natural Resources.

Conclusion 2: Improvements in Strategic Policy and Institutional Reform.

Conclusion 3: Need for Environmental Indicators.

Conclusion 4: Establishing Sustainability within International Donor Co-operation Projects.

Recommendations

Recognising the key environmental pressures that have been highlighted, the following recommendations (leading to potential further study areas) are made.

Six thematic headings are proposed for future implementation:

- Creating environmental accountability across all sectors (Priority 1);
- Improving environmental governance (Priority 2);
- Co-ordinating the delivery of environmental management (Priority 3);
- Communicating benefits of sustainable development to end users (Priority 4);
- Better engagement of all end users in the sector (Priority 5); and,
- Ownership of the eventual environmental outcome (Priority 6).

Information relating to a country migration profile

Guyana does not have a Country Migration Profile (CMP). Therefore most of the information below has been extracted from IMF supported research reported, *IMF Working Paper WP/06/25, January 2006, titled 'Emigration and Brain Drain: Evidence from the Caribbean', by Prachi Mishra.*

The Caribbean as a whole has lost 12% of its labour force in the period 1965 – 2000, which makes it the region with the highest out-migration in the world proportional to its population. The average figure hides considerable differences between the various countries. Migration is around 10% and lower for Haiti, Dominican Republic, Bahamas, St. Lucia and Trinidad & Tobago. The others have lost over 25% of their labour force, with Grenada the highest at over 50%. Guyana ranks in the top four with a loss of around 40%.

The loss figures also hide the fact that the out-migrants represent not only scarce skills and experience, but also non-average mobility and dynamics.

The 40% loss experienced in Guyana is unevenly spread across the levels of schooling as follows: 89% of tertiary education graduates out-migrate, 43% of secondary education graduates, and 18% of primary education graduates. Over two-thirds of those emigrating go to the USA.

Skills loss is especially endemic in Guyana: *Since only 6% of the educated population is tertiary-trained and the country's out-migration of all trained personnel is 80%, this means that less than 2% of those trained at tertiary level are actually working in Guyana.* This underscores the relentless loss of qualified professional and managerial capacity reported in each and every sector of the economy and in the public administration, which seriously compromises the identification and design of strategic and operational measures and policies as well as their implementation.

The IMF research does not analyse the reasons for out-migration. The discussions and interviews conducted by the CSS Mission suggest the following: 1) Salary levels in Guyana that are massively lower than in OECD countries and in most other Caribbean countries; 2) Working environments that do not allow most trained professionals to take control of their full tasks, responsibilities and/or opportunities for cross-fertilisation and exchange; and 3) Increasingly, concerns of security. With regard to salary levels some migrants point out that they earn in the CSME region at least 6 to 8 times what they earn in Guyana. With reference to 2) above, the perceived limitations of local working environments are attributed to highly centralized control of decision-making and responsibilities embedded in existing institutional frameworks. With regard to crime, there is a general perception that too little is being done to protect the lives of ordinary Guyanese citizens.

Losses due to out-migration are well known: 1) The costs of education are wasted to the country; 2) The economy suffers directly by losing scarce professional and managerial capacity and capabilities; and 3) The weaknesses of the working environment are aggravated. Out-migration also has benefits, particularly concerning remittances. Remittances as a percentage of GDP increased for the Caribbean region as a whole from 4% in 1980 to 13% in 2002, with an average of 5.2% throughout the period. The 5.2% average figure hides

considerable differences between the countries. The highest figures, over 10%, are recorded for Haiti and Grenada, and the lowest figures, below 1%, for Surinam and Trinidad & Tobago. Guyana occupies the third lowest place at 1.9% - indicating that there is little compensation for the 40% loss of the labour force over the period 1965 – 2000, and the virtually total loss of tertiary level graduates during that period. The IMF study concluded that there were no real net economic benefits associated with severe out-migration, but the study excludes downstream investment benefits that emanate from Diaspora networks, examples of which have been identified in Ireland and India.

CSP drafting process including involvement of NSA and local authorities

During the process of drafting the CSP, two public workshops were held, one on the social sectors and poverty reduction and one on infrastructure, both attended by major public and civil society stakeholders. The workshops were aimed at validating early findings and tentative conclusions during the Diagnostic Phase of the assignment, and gaining first impressions as to possible priority areas for the EC Response Strategy. The final public consultation workshop on the full document was held on 26 June 2006. A wide range of NGOs and NSAs, including the Press, were invited to the event; however, as can be seen from the list of participants, only very few attended:

FINAL PUBLIC CONSULTATION WORKSHOP ON DRAFT COUNTRY SUPPORT STRATEGY PAPER ON 26 JUNE 2006; LIST OF ATTENDEES	
Ritva Sallmén	EC Delegation
Pauline Lucas-Cummings	EC Delegation
Celine Anselme	EC Delegation
Sergio Varas	IDB
Margareth Berger	IDB/HQ
Homa Fatouhi	WB
Felix Girard	NAO Task Force
Adèle Clarke	NAO Task Force
John Townend	TA to NAO Task Force
Jonny Baxter	DFID
Ann Anderson	Clerical and Commercial Workers' Union
Thomas McArthur	Guyana Human Rights Association
Leon Rutherford	Guyana Lands and Mining Survey Commission
Myrna Pitt	Central Housing and Planning Authority
Azaad Hussein	Guyana Sea Defences
Geoffrey Vaughn	Sea Defences PMU
Newburn Amsterdam	Guyana Sea Defences
George Howard	Guyana Sea Defences
Kenneth Joseph	National Association of Agricultural, Commercial and Industrial Employees
Chandrawattie Persaud	Guyana Public Service Union
Roger Rogers	UNDP
Press	

In addition to the workshops and public consultation, the drafting team met with representatives of NSA for face-to-face interviews.

It should be noted that the drafting of the CSP took place in a pre-elections period. The implications of this are highlighted by the absence of the NAO or DNAO from the public consultation sessions.

Annex 3B – List of Government's Commitments

	Governance area	Prospective Commitments
I.	<p>Political Democratic Governance</p> <p>Strengthening Human Rights and Enhancing Ethnic Relations Strengthening rights of vulnerable groups- women, children and indigenous peoples.</p> <p>Strengthening the Parliament and Constitutional Democracy</p>	<ul style="list-style-type: none"> • Institutional strengthening of the Ethnic Relations Commission (on going) • The Human Rights Commission; the Women and Gender Equity Commission; the Indigenous Peoples Commission and the Rights of the Child Commission are nominated and appointed in accordance with the Constitutional provisions. • Establish the Appointment Committee of the National Assembly (December 2006) • Appointment Committee to nominate members of the Women and Gender Equity Commission (December 2007) • Establish Secretariat of the Women and Gender Equity Commission (May 2008) • Appointment Committee to nominate members of the Indigenous Peoples Commission (May 2008) • Establish Secretariat of the Indigenous Peoples Commission (August 2008) • Appointment Committee to nominate members of the Rights of the Child Commission (December 2007) • Establish Secretariat of the Rights of the Child Commission (June 2008) • Implementation of the agreed-on recommendations from the Report of the Special Select Committee on the Needs Assessment of Parliament (dated April 2006) Reference Davies/Bradford reports and studies commissioned by the Government of Guyana.
	Maintaining Press Freedom	<ul style="list-style-type: none"> • Develop a broadcast policy and table broadcast legislation in the National Assembly (2008)
	Strengthen Office of the Ombudsman -	<ul style="list-style-type: none"> • Protect freedoms guaranteed by the constitution (on going)
	Electoral process	<ul style="list-style-type: none"> • The Government is committed to reconvening the Multi-party Task Force on Local Government Reform, with a view to achieving consensus on the electoral system mandated by the revised constitution. • To hold Local Government Elections in accordance with the new electoral system

2	Political Governance – rule of Law Judicial and law enforcement system:	<ul style="list-style-type: none"> • The Government is pursuing a process of comprehensive judicial and security sector reform as reflected in the IDB funded Justice Sector and Citizen Security Programmes. (2006 – 2011)(detailed project documents are available). These aim to: <ul style="list-style-type: none"> ◆ Enhance the capacity of the justice sector to deliver services efficiently and effectively. ◆ Strengthen linkages between justice institutions and improve access to justice, especially for the poor and vulnerable ◆ Enhance citizen security and public safety ◆ Strengthen law enforcement systems and modernize the police force ◆ Improve community participation in crime prevention and violence reduction.
3	Control of Corruption Integrity Commission reform	<ul style="list-style-type: none"> • The Government is committed to strengthening the Integrity Commission to improve preventive, investigative and enforcement capabilities. (December 2007) .
	Procurement reform	<ul style="list-style-type: none"> • Modernize and strengthen public procurement systems through implementation of the new Procurement Act and accompanying regulations (March 2008).
4	Government Effectiveness Institutional capacity	<ul style="list-style-type: none"> • Implement the IDB funded Public Management Modernization Programme over the period 2005 – 2009 (detailed project documents are available).
	Public finance management	<ul style="list-style-type: none"> • Strengthen the Audit Office in accordance with the new Audit Act and with the support of the IDB funded Technical Cooperation. (December 2008). • Expand the computerization of government financial management • Implement provisions of Fiscal Management and Accountability Act (on going).
5	Economic Governance Private sector/market friendly policies	<ul style="list-style-type: none"> • Appoint members of the National Competition Commission. • Launch the National Competitiveness Strategy to provide an enabling and conducive environment for economic growth. • Implement the IDB funded Competitiveness Programme 2007 -2011(detailed project document and Government of Guyana's Competitive Strategy available).
	Management of natural resources	<ul style="list-style-type: none"> • Government will continue to maintain its sound environmental management in the extractive industries.

6	Internal and External Security	
	Internal stability conflict	<ul style="list-style-type: none"> • See judicial reform and law enforcement initiatives
	External threats and global security.	<ul style="list-style-type: none"> • Submit to Parliament a new Anti Money Laundering and Countering the Financing of Terrorism Act and strengthen Financial Intelligence Unit to enforce Act. • Government will seek bi-lateral and multi-lateral support from the development agencies to fight narco-trafficking, gun running and terrorism.
7	Social Governance	
		<ul style="list-style-type: none"> • Support the Women's Affairs Bureau in association with NGOs with the implementation of the Domestic Violence Act (June 2007). • Pass legislation and support for the implementation of a new Family Court Act (September 2007). • Create a Child Protection Agency, and, pass legislation and implement the Children's Bill (June 2008). • Strengthen administrative mechanisms to counter Trafficking in Persons (October 2007).
8	International and Regional Context	
	Regional integration -CARICOM single Market and Economy	<ul style="list-style-type: none"> • Support the continued implementation of CSME and its initiatives with the provision of appropriate legislation and administrative reforms: <ul style="list-style-type: none"> ◆ Free movement of Goods (Ongoing) ◆ Free Move of Skilled Nationals (Ongoing) ◆ Free Movement of Services, and (Ongoing) ◆ Free Movement of Capital (Ongoing)
	Involvement in regional peer review mechanisms (eg APRM)	<ul style="list-style-type: none"> • Not Applicable
9	Quality of Partnership	
	Programming Dialogue	<ul style="list-style-type: none"> • Enhance donor coordination and development effectiveness within the context of the Paris Declaration and improving the functioning of sectoral thematic groups.
	Non-State Actors	<ul style="list-style-type: none"> • Government will continue to engage non-state actors and civil society in consultation on major issues at national, sectoral, regional and community levels.

**GUYANA
EC MULTIANNUAL ADAPTATION STRATEGY
FOR THE PERIOD
2006-2013**

In support of the National Action Plan

**Under the Accompanying Measures
for Sugar Protocol Countries**

SUMMARY

Since independence in 1966 the sugar industry has continued to play a dominant role in Guyana's development. The sugar industry accounts for 18% of GDP, 57% of agricultural GDP and 30% of merchandise exports. Judged by these indicators, no other Sugar Protocol country is as dependent on sugar.

The National Action Plan as presented by the Government in March 2006 includes three overall objectives:

- Market oriented expansion of the sales, profitability of the production and structural diversification of the sugar cane industry in Guyana – investment budget € 499 million
- Promotion of the growth and development of specific non-traditional agriculture sub-sectors – budget € 29 million
- Provision of infrastructural and human resource development support to achieve the above – budget € 24 million

Notwithstanding the weaknesses in certain areas, e.g. in financial and economic analysis, and the lack of strength in the social component, the submitted Adaptation Strategy provides a solid basis for the onward planning of the accompanying measures and assistance by the European Commission to alleviate the impact of the EU sugar reform. Provided Guyana remains eligible for budget support, the delivery mechanism will be mainly budget support, with the appropriate indicators relating to the four areas which have been earmarked for EC support, being:

- Structural adjustment of the sugar cane industry
- Diversification to non-traditional agriculture
- Training and infrastructure
- Mitigation of social impact

The Action Plan totals to €615 million of which €484 million is unfunded as present. Other donors including in particular IDB and CIDA are currently in negotiations with the Government on funding arrangements, IDB focusing on agricultural diversification and ethanol production and CIDA on some elements of training. Guyana is an E-HIPC country with constraints on new borrowing.

An initial financing proposal for the 2006 allocation (€ 5 663 000) has been prepared.

Since it is indispensable that there is a single EU strategy for each ACP country, the EC Multiannual Adaptation Strategy will be incorporated into the Guyana CSP and subject to the system foreseen for the CSP monitoring and review process under the Cotonou Agreement.

1. EU/EC – GUYANA FRAMEWORK OF RELATIONS

1.1 GENERAL OBJECTIVES OF THE EC'S EXTERNAL POLICY

In accordance with Article 177 of the Treaty establishing the European Community, Community policy in the sphere of development co-operation shall foster:

- the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- the smooth and gradual integration of the developing countries into the world economy;
- the campaign against poverty in the developing countries.

The Union has developed a broad spectrum of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance as well as the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc). (if needed, could be shortened)

1.2 STRATEGIC OBJECTIVES OF COOPERATION WITH GUYANA

The Treaty objectives are confirmed in Article 1 of the ACP-EU Partnership Agreement signed in Cotonou on 23 June 2000 and revised on 25 June 2005. The central objective of the Cotonou Agreement is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy.

In this context, through the EU Action Plan for Agricultural Commodities adopted in April 2004, the EU is engaged in helping economies dependent on commodities, such as sugar, to address the challenges related to these sectors. In this context, the Commission produced an "Action Plan on Accompanying Measures for Sugar Protocol Countries by the Reform of the EU Sugar Regime". The Commission committed itself to offering both trade measures (via Economic Partnership Agreements) and development assistance to help the Sugar Protocol countries to adapt. Regulation No 266/2006 provides the legal basis for the latter assistance.

2. COUNTRY DIAGNOSIS

2.1 POLITICAL SITUATION

During the last general elections of 28 August 2008, the PPP-C retained the absolute majority in parliament winning 36 of the 65 seats. PNC got 22 seats a decrease by 5 seats. A newcomer, the AFC, which tries to bridge the racial divide, won 5 seats. Jagdeo was sworn in for a new term in office. Calm prevailed before, during and after the elections which were observed as free and fair. The (ethnic) factor, although for the time being underground, will continue to be a central factor in politics.

Crime, rooted in poverty, unemployment and limited opportunity, is a growing challenge. Justice and law enforcement are relatively ineffective, despite a strengthening of the institutions. Crime rates (petty crime, organized and non-organized violent crime) are rising and are affecting security, mobility and motivation. If unchecked, this will exacerbate the “brain drain”, which is a serious challenge also in retaining qualified staff in the sugar sector.

2.2 ECONOMIC AND SOCIAL SITUATION

Despite Guyana’s focus on prudent macro-economic management, actual performance fell short of the self-imposed targets between 2002 and 2005. In 2004, the economy grew by a modest 1.6 % but then contracted by 3% in 2005, mainly as a result of the devastating floods of January 2005. Growth of 4.3% is budgeted for 2006. Inflation was at 5.5% in 2004 but rose to 8.3 % in 2005. Guyana is a E-HIPC country and as such has been receiving debt relief. It has recently won praise from the IMF for its reform performance within the framework of the Poverty Reduction Strategy (PRSP) in macro-economic terms. Quality of budgeting, accounting and auditing systems is being upgraded via assistance from the Inter-American Development Bank and the EC under the budget support programme for public finance management.

Guyana is ranked 107th in the UNDP 2005 Human Development Report, with an HDI value of 0.720. A household survey, carried out in 1999, showed that 35% of the population lived below the poverty line, with 19 % living in conditions of extreme poverty. Gross primary school enrolment stands at 100%, 96% has access to safe potable water. Life expectancy is 65 years. The biggest challenge facing Guyana in the health sector is AIDS. HIV/AIDS levels are estimated to be the highest in the region after Haiti, at 3.5-5.5 % for the adult population.

Guyana is member of Caricom. Its participation in the Caribbean Single Market and Economy will increase opportunities for Guyana on the Caricom market.

Guyana’s economy is little diversified, hence vulnerable. Rural infrastructure, access roads and drainage in particular is deficient but Guyana has nevertheless great and historically proven agricultural potential.

2.3 ENVIRONMENTAL SITUATION

Guyana has made notable progress in environmental management since the enactment of the National Development Strategy. The National Biodiversity Action Plan (1999) is being implemented. Memoranda of Agreement have been concluded with state agencies responsible for natural resources exploitation. The January 2005 floods on the coast emphasised the need to continuously maintain the country’s drainage network in order to prevent a recurrence of that scale of flooding, even in the event of above average rainfall. A local Civil Defence Commission has been established to coordinate planning for disaster relief. Guyana is adopting a CEP. Water management and virgin land are important environmental issues (especially relevant in the context of the sugar plan).

2.4 THE ROLE OF SUGAR IN THE ECONOMY

Since independence in 1966 the sugar industry has continued to play a dominant role in Guyana's development. The sugar industry accounts for 18% of GDP, 57% of agricultural GDP and 30% of merchandise exports. Judged by these indicators, no other Sugar Protocol country is as dependent on sugar.

Guyana's quota under the Sugar Protocol amounts to half of production volume (Protocol quota 167,000 tonnes) and 70% of revenues. The Special Preferential Sugar agreement is expected to come to an end in 2006 (but replaced by the "Complementary Quantities", at least until 2009 – check AGRI). The quota amounted to 40 000 tonnes in the 1990s.

In November 2005, the European Agriculture Council agreed to cut the EU institutional sugar price by 36% over 4 years starting in 2006. Under the reform, the intervention price of €523.7 per tonne at present will decrease to a reference price of €335 per tonne by 2009/10, within a less stable EU market. This affects directly the value of Guyana's sugar exports, if export volumes remain constant within the Protocol quota. The annual loss in value will be equivalent to around 5.1% of GDP and 5.4% of merchandise exports. This will have an adverse impact on the balance of payments and a significant effect on Guyana's reserve position; it will increase pressures on the exchange rate and debt sustainability. Other likely impacts will include, if no remedial measures are taken: (a) a decline in sugar's contribution to government revenues via income tax, and through corporation tax, property tax, land rent, import duty and national insurance, (b) reduced social service provision, considering the role of Guysuco in this field, (c) reduced income and employment amongst suppliers to the sugar industry and services used by sugar workers, and (d) increased risks in terms of social ills.

In addition to its preferential access to the EC market, Guyana currently sells sugar duty-free to the USA under a tariff rate quota which is generally set at 12 000 tonnes per annum dependent on the stock/use ratio established by the United States Department of Agriculture. On the Caricom market prices are higher than world market prices, with increasing demand.

The sector experienced strong growth until the early 1970s. Production reached a peak of 382 648 tonnes of sugar in 1971. In 1976 the sugar industry was nationalised with the creation of the Guyana Sugar Corporation Inc. (GuySuCo). The 1970s and 1980s saw a major contraction in the sugar sector. The imposition of the Sugar Levy starved the sector of funds for reinvestment and modernization. By 1990 sugar production had declined to 132 000 tonnes. The Government recognized the need to change course and launched a series of reforms that gave GuySuCo greater management autonomy. *Inter alia*, the Sugar Levy was progressively phased out, a management contract was concluded with Booker Tate and development of a strategic plan was launched in 1998 to increase profitability, cost efficiency, added value to products and diversification of markets. In addition, a competitiveness study was commissioned by the Government in 2000 to assist in reforming the industry.

As a result of above positive developments, by 2002 production had recovered and reached 330 000 tonnes. The heavy floods in January 2005 had a strong impact and the production fell to 220 000 tonnes. It is expected that the knock-on effects and the exceptionally heavy rains at the beginning of 2006 will prevent production from making a quick recovery. Increases in production are scheduled from 2007 onward from 380 000 tonnes to 477 000 tonnes in 2015.

Guyana's sugar sector is at present average in terms of production costs, compared to world standards, but the positive tendencies highlighted above show it has the potential to improve

this situation. Its main weaknesses are still - low market diversification, some inefficiencies in field and factory operations, deficient infrastructure maintenance and qualification of staff and retention of qualified staff.

GuySuCo currently employs 18,000 permanent workers and 4,000 temporaries. In addition, there are 5,000 workers on independent cane farms and cooperatives. Around 125,000 persons (16.6% of the population) rely on the sugar industry for their livelihoods, whether as GuySuCo's employees, private cane farmers, input suppliers and service providers and their respective dependents. Some info on provision of social services by Guysuco. The Company provides a wide range of social services for its workers, *inter alia* health, education, housing, water, community and sporting facilities. Many of the GuySuCo workers regard themselves as a privileged group.

3. THE NATIONAL ADAPTATION STRATEGY OF GUYANA

3.1 THE NATIONAL ACTION PLAN

The National Action Plan on Accompanying Measures for Sugar Protocol Countries Affected by the Reform of the EU Sugar Regime was submitted to the EC Delegation by Hon. Clement Rohee, Minister of Foreign Trade and International Cooperation, on 16 March 2006.

The Adaptation Strategy is based on the conviction that the sugar industry can remain profitable despite the cuts in preferential EU prices, if it implements key reform steps. The country also recognizes its need for a more diversified production basis, to reduce trade vulnerability and to offer opportunities for redundant labour from the sugar sector. The development of all economic sectors, whether sugar or diversification sectors, requires to strengthen the country's infrastructure and human resource basis.

Based on these aims, and on the specific analyses of the strengths and weaknesses of the sugar sector and the economy, the Strategy is built around three global objectives:

- 1. Market oriented expansion of the sales, profitability of the production and structural diversification of the sugar cane industry in Guyana** – investment budget € 499 million (USD 640,350,00), the main features of which are:
Add value by investing in branding and packaging, invest in refinery for white sugar, increase sales to Cariforum, achieve benefits of scale by expanding production, upgrade factories, implement an Agricultural Improvement Plan, improve energy efficiency by investing in co-generation, prepare for ethanol production. Regarding co-generation and Ethanol production, special attention will be paid to ensuring that the appropriate energy policy is in place.
- 2. Promotion of the growth and development of specific non-traditional agriculture sub-sectors** – budget € 29 million (USD 36,940,000), the main features of which are:
Support growth of fruit and vegetables sector, and growth and export orientation of the beef sector, develop plant and animal health systems, enhance fishery and aquaculture, support exports of the new sectors through export credit facility, intensify marketing.
- 3. Provision of infrastructural and human resource development support to achieve 1) and 2) above, thereby ensuring the success of the economic regeneration programmes that are to be implemented in the sugarcane and non-traditional**

agriculture sub-sectors – budget € 24 million (USD 31,500,000), the main features of which are:

Maintenance of Drainage and Irrigation structures to prevent flooding in the settlements adjacent to the cane fields, construction of all-weather farm access roads, technical training programme to correspond to the demands for skills in the upgraded factories, a general training programme for career development.

In addition, the Action Plan makes a pledge to return to the Government the USD 81 million of its contribution to the Skeldon Sugar Modernization Project, already implemented. This appears as Objective 4 in the Strategy. The funds liberated from the government's loan repayment obligations are to be used to strengthen the implementation of the Poverty Reduction Strategy in education, health, water, housing and road infrastructure and to allow the Government to meet its commitment towards Millennium Development goals.

The implementation period of the Strategy is 2006-2012. The investment budget is frontloaded, with most of the expenditure concentrated on the first 4 years.

The total cost of Adaptation Strategy amounts to € 615 million (USD 790 Million) including the Skeldon Modernization Project. The total unfunded expenditure is USD 622 Million equivalent to approximately EUR 484 million.

3.2 ANALYSIS OF THE NATIONAL ACTION PLAN

The Government of Guyana initiated the reform of the sugar sector well before the EU's plans for reform of its sugar regime became more concrete. The need for the reform in Guyana was made more acute by the sharp decline in the production of sugar and consequently in the export earnings of the country. Given, on one hand, the importance of the sector to the national economy of Guyana and, on the other hand, the high indebtedness of the country, the reforms were also encouraged by the Bretton Woods Institutions. The present reform plan has been preceded by several studies funded by both multilateral and bilateral donors present in the country. This longer-term background explains why Guyana is well prepared to face the challenges of the EU sugar reform. It also explains why the thrust of the National Adaptation Strategy is directed at the structural adjustment of the sugar cane industry. The reforms were necessary and would have been implemented even without the EU sugar reforms, but their timely and efficient implementation is now urged by the weakening of the conditions of the trade with the EU. The EU sugar reform is primarily an unavoidable internal market reform that brings the sugar sector into line with the reform that has been taking place for other agricultural products (i.e. moving towards sustainable production for the market). It will reduce the price paid to ACP countries by 5% in 2006 and by a total of 36% by 2009.

The Action Plan is a well reasoned structural adjustment plan of an industrial sector prepared with the support of several studies on economics, trade, agronomics, environment and even social impact. As for the sugarcane sector, the objective of the plan is its focus on market diversification, recognising the need to break the dependency from the EU market. The Strategy does, however, not incorporate financial estimations to the profitability, sensitivity and return on investment of the Plan. As regards enhanced access to the EU sugar market, it is yet to be negotiated in the context of EPAs. It can hence not be guaranteed, but the EU's trade policy will also contribute positively to the country's adaptation process.

The Plan does not incorporate an assessment of the environmental impact of the reforms in sugarcane sector and a Strategic Environmental Assessment (SEA) for the sector policy should be developed through the EC funding.

The Plan incorporates investments in co-generation of electricity and possibly in ethanol depending on the outcomes of feasibility studies. An adequate energy policy and regulatory framework should be put in place.

The Action Plan shows some weaknesses in the two other components of the Strategy, namely in planning to diversify away from sugar dependency and in dealing with the social impact of the structural adjustment. The agricultural diversification plan needs further feasibility studies to bring the strategy closer to the practical reality, to enhance the market orientation of the individual sub-components and to critically evaluate the sustainability and economic profitability of the measures. The strategy and action plan to address the social impact of the structural adjustment of the sugar cane industry is barely mentioned in the Adaptation Strategy document and would require elaboration.

Notwithstanding the weaknesses in certain areas, the submitted Adaptation Strategy provides a solid base for the forward planning of the accompanying measures and assistance by the European Commission to the alleviation of the impact of the EU sugar reform.

4. LESSONS LEARNED FROM EC COOPERATION

There is a good track record of cooperation between the EC and the Government of Guyana, both in successive EDFs and Budget Lines. A limiting factor is the human resource capacity in Government, caused by the brain drain. For this reason, substantial support is given to the office of the National Authorising Officer.

Under the 9th EDF a € 23.3 m Budget Support programme is successfully implemented.

5. THE EC RESPONSE STRATEGY

5.1 OBJECTIVES OF EC SUPPORT

The general objectives of EC support in Guyana relate to the reduction of poverty and the promotion of sustainable development. This is translated in the 10th EDF CSP into macro-economic support to enhance the Government's capacity to implement its PRSP and in continued rehabilitation of sea defences and coastal management, the latter directly relating to the sugar industry, which is located behind the sea defences in the coastal area.

The recommend strategic focus of the EC response to the changes in the sugar trade regime is build around the three components of the National Adaptation Strategy, and will seek:

- to support the Government's policy to ensure that the sugar sector in Guyana will be viable and competitive even after the downward adjustments of the preferential prices for access to EU markets;
- to support the implementation of the National Competitiveness Strategy, in particular its agricultural diversification components;
- to introduce mitigating measures to alleviate the social impact of the adaptation strategy of the sugar sector.

The response strategy forms part of the the overall policy of the Government as expressed in the National Development Strategy (NDS), the Poverty Reduction Strategy (PRSP) and even more so in the National Competitiveness Strategy (NCS). It buys into the implementation of the different components of the NCS and places the assistance to the sugar sector within this wider economic policy context.

5.2 THE OVERALL EC SUPPORT STRATEGY 2006-13

5.2.1 General approach

Under the 9th EDF programming period Guyana has been eligible for general non-targeted budget support. Provided the eligibility conditions are maintained, the EC response strategy should build on Sector Policy Support Programme (SPSP) and use as aid delivery mechanism Sector Budget Support (SBS). To this effect the implementation of the Response Strategy will be guided through benchmark indicators, which are based on the policy objectives of the adaptation strategy as presented in the NAS. The general conditions of BS will require continued discussion with the Government on the sector policy. This will facilitate adaptation and revisions of the strategy in line with the progress of the implementation. A major review of the feasibility of the Response Strategy will be carried out at Mid-term Review in 2010.

The Commission has started negotiations on cooperation options with the European Investment Bank (EIB) to support the implementation of the NAS. The Bank has expressed its interest to develop of Guyana a pilot country case for the teamwork between the two European Institutions. The idea is to combine the grant funding from the EC with concessionary loan funding from the Bank in order to meet the borrowing conditions of Guyana's E-HIPC status.

5.2.2 Structural Adjustment of the Sugarcane Industry

The primary component and major thrust of the Action Plan is to support the structural adjustment of the sugarcane industry. The sugarcane industry is at a critical point where its ability to adapt to rapidly changing conditions will depend on whether it can undertake a large scale investment programme over the course of next eight years.

5.2.3 Diversification

The second objective of EC support, in line with the National Action Plan, aims at the diversification of the economy into other agricultural sectors that have been identified for potential expansion on the basis of a series of consultations and studies conducted as part of the National Competitiveness Strategy. In particular for the agricultural component, which is directly targeted at the needs of agricultural workers, is expected to respond to the needs of job creation and of a certain degree of stabilisation of export revenues, strengthening non-traditional agricultural exports, such as beef, fruit and vegetables, fisheries and aquaculture products.

5.2.4 Training and Infrastructure

The third component of the Action Plan attributes funding for training and infrastructural support. The EC support strategy will pay special attention to this component of the action plan, which is especially crucial in a country affected by "brain drain".

The training component consists of two sub-components. GuySuCo runs its own technical and vocational training centres in Port Mourant and Enmore. The company has developed a new Human Resource programme to prepare for the changes in the skills requirements of the work force when implementing the strategic plan. The intention is to develop company-based training courses to upgrade the skills of the employees to meet the new operational requirements. It is further intended that the training centres could be used for specific curricula for agricultural workers in the non-traditional agriculture sector. The estimated cost of the technical and vocational training amounts to € 3 million.

The second sub-component of training offers more basic education in literacy, numeracy, computer and book-keeping skills for workers in the sugar industry and individuals engaged in agricultural activities. It will be implemented by the Ministry of Education through local partners. The estimated cost over the period of 2007-2010 amounts to € 5,4 million.

The infrastructure component also consists of two major sub-components, namely maintenance of drainage and irrigation structures and improvement of all-weather farm access roads. The drainage and irrigation sub-component aims to reduce flooding amongst the settlements and farmlands adjacent to the sugar estates by increasing regular maintenance work on the structures. Because of the interconnecting nature of the D&I coastal network, flooding in adjacent areas causes severe problems with drainage in the sugarcane cultivations. On the other hand, there is a general need to improve access to sugarcane cultivations and farms in backlands neighbouring the sugar estates. A programme of all-weather road construction and improvement is proposed to assist producers in accessing their lands and reducing transport costs and post-harvest losses by more timely delivery to the market place.

5.2.5 Mitigation of Social Impact

The efficiency improvements required in the sugar sector will also require a certain degree of reduction of labour costs, especially in field operations. Projections in the national plan are of limited negative impact on employment. The national action plan addresses the needs of the affected persons through the development of alternative economic sectors (non traditional agriculture), and by enhancing the general skills basis of the concerned agricultural population. EC support will in addition complement this approach by supporting the elaboration and implementation of a response strategy to deal with the social impact of the structural adjustment of the sugar cane industry, including targeted social safety-nets. The Household Income and Expenditure Survey conducted by WB will provide information for development of response strategies in this respect.

5.3 OUTLINE OF THE 2006 FINANCING PROPOSAL

The 2006 financing proposal for 5 663 000 will be prepared mainly in the form of a Sector Budget Support. In addition, the Financing Proposal will include funding for studies to develop a programme for mitigation of the social impact of the reform, TA to design indicators relating to the National Action Plan for the future years, for the preparation of the financing proposal for the follow-up period, and for monitoring the macro-economic stability and progress in Public Finance Management.

5.4 IMPLEMENTATION ARRANGEMENTS

In case Guyana maintains its eligibility for budget support, the EC assistance under the sugar response strategy would be delivered mainly by means of sector budget support to the Government's Consolidated Funds (i.e. national budget). In addition to the general conditions for sector budget support, the programme will specify separate indicators for each of the policy components as described above. Funds will be released partially in form of annual fixed tranches provided the general conditions for sector budget support are maintained and partially as variable tranches based on proof that particular performance indicators are met. The indicators would be agreed with the Government in the negotiations on the Financing Proposal. A lead as regards this approach has been taken from the 9th EDF Poverty Reduction non-targeted Budget Support programme which has proved successful.

The Sugar Action Plan Steering Committee, which was established to guide the development of the National Adaptation Strategy, will be maintained during the period of implementation in order to monitor performance and to advise on strategic direction. The Steering Committee will be chaired by the Ministry of Agriculture and will include representatives of GuySuCo, the Office of the President, Ministry of Finance, Privatisation Unit, National Agriculture and Research Institute and Lands and Survey Commission, as well as the Advisor to the President on the Environment and a representative of the Delegation of the European Commission. An important role of this Committee will also be to coordinate the synchronised intervention of the different sources of finance that will intervene in the implementation of the national strategy.

Close coordination with other donors to the sugar industry will be established. The EC will seek, if and where appropriate, to develop synergies with the EIB, in contributing to the country's adaptation process.

The NAO will be responsible for submitting regular annual reports on the progress made in the implementation of the NAS, its individual components and in particular on the EC support in the overall context of the NAS. In addition, the NAO will be responsible for monitoring and submission of all analytical data, statistics, contracts, reports or any other documents necessary to assess whether the benchmarks of the individual indicators have been met in order for the EC to decide on the release of the funds according to the jointly agreed targets.

In accordance with the principles of its development policy, the EC will elaborate with the government a Strategic Environmental Assessment (SEA) for the sector's policy, and to take into account its recommendations in the future design of EC assistance. Where adequate, an environmental impact assessment for individual projects will be carried out.

Consideration should be given to the drafting of guidelines for sustainable sugar cane cultivation and processing to the attention of cane growers and businesses.

Since it is indispensable that there is a single EU strategy for each ACP country covering all Community instruments, the EC Multiannual Adaptation Strategy will be incorporated into the Guyana CSP and subject to the system foreseen for the CSP monitoring and review process under the Cotonou Agreement. The EC support strategy will be reviewed in 2010, as an integral part of the MTR of the CSP. Ad hoc earlier revisions may be required depending on the annual monitoring of the implementation of the strategy.

The EC will also encourage research and development institutions in Guyana to participate in the 7th Research Framework Programme, namely in theme 2: Food, Agriculture and Biotechnology, building the knowledge based bio-economy.

Description of the dialogue with Government and the Non-State Actors on the National Adaptation Strategy and the EC Multiannual Adaptation Strategy

1. Ownership by the Government

Throughout the preparation of the Guyana Action Plan, the Government preferred to maintain its ownership of the process. Though the EC Delegation has been active in its communications to the Government since early spring 2005, in the course of the actual preparation the Delegation was invited only to a few meetings to receive clarifications or interpretations of the Generic Terms of Reference or on the draft Regulation. This strict line taken by Guyana does not seem, however, to be unique amongst the Sugar Protocol countries, but is likely to be more a joint policy of the 18 ACPs concerned. Since Guyana holds the agriculture file within CARICOM, it was particularly important for the country to stick to a common policy decision.

Despite the clear demarcations, the line of communication between the Government and the Delegation has stayed open and the meetings have taken place in a constructive atmosphere of mutual understanding about the roles the partners have to play. On this positive note, it is regrettable to have to state that the Government chose not to submit the additional information requested by the Delegation in its assessment note on the National Adaptation Strategy. Lacking this additional, mainly financial, information it was not possible for the Delegation to prepare a more detailed or time-scheduled financial plan for the response strategy than the list of investment projects including estimated costs incorporated in the NAS; nor was it feasible to make an assessment of cost efficiency on the basis of the information available in the NAS.

2. Preparation of the Plan and consultation process undertaken by the government

The preparation of the Guyana Action Plan was steered by three committees:

- ✓ Cabinet sub-committee chaired by the Head of the Presidential Secretariat. This Cabinet sub-committee worked with the Guyana Sugar Corporation to formulate the broad approach and priorities of the Action Plan.
- ✓ Steering Committee chaired by the Minister of Agriculture, which included representatives of GuySuCo, Office of the President, Ministry of Finance, Ministry of Agriculture, Privatisation Unit, Institute of Applied Science and Technology and Lands and Surveys Commission, as well as the Advisor to the President on the Environment. The Steering Committee was tasked with the technical work of preparing the elements of the Action Plan.
- ✓ Inter-Agency Working Group chaired by the Minister of Foreign Trade and International Cooperation, which included members of the Steering Committee and representatives of the trade unions.

Consultation on the draft Action Plan was held with the private cane farmers at Wales and Skeldon estates, with the Chamber of Commerce, with all levels of the GuySuCo

workforce and Trade Unions and, finally, a wider consultation session was organised with other stakeholders.

As can be concluded from the above focus of the preparatory and consultative process, the emphasis in the development of the Action Plan has been placed on the structural reform of the sugarcane industry. However, since all the components of the Sugar Action Plan also form part of the National Competitiveness Strategy, which was framed through several workshops and a wide consultation process, it can be concluded that the NAS has indeed been the subject of national public consultation, including the non-state actors.

3. Dialogue with the government on the EC response strategy and public consultation

The assessment of the National Adaptation Strategy was submitted to the Government on 3 May 2006. GuySuCo invited the Delegation and DfID to a meeting on 22 May 2006, seeking clarification and dialogue on the points raised in the assessment. Representatives of the Ministry of Agriculture attended the meeting. Comments made by Government are reflected in the Strategy as feasible.

The time schedule for the preparation of the multi-annual response strategy has not made allowance for public consultation. However, the response strategy will form part of the overall Country Support Strategy of the 10th EDF, on which a public consultation and workshop took place.

¹ Note to the Heads of Delegations and Offices in Third Countries: The European Consensus on Development- the new Development policy statement of the European Union. DEV/B/1*3 (05) D/8086. 14th December 2005.

² Source of information:

http://ec.europa.eu/comm/development/body/country/country_home_en.cfm?cid=gy&lng=en&status=old. The amounts included NIP, EIB loans, structural adjustment support, budget line, Sysmin, debt relief, food aid and allocations from Regional Funds. The amounts under the 9th EDF are NIP and reallocated Sysmin funds only.

³ The projected stock of external debt is expected to contract to \$889 million in 2006 mainly as a result of expected IDA and IMF debt write offs.

⁴ Prime lending rates in Guyana are at least twice as high of those of Trinidad and Tobago (around 4.7%), the Caribbean best performing economy.

⁵ Exports are equivalent to 92% of GDP.

⁶ The IMF has estimated that GDP growth would have reached 4.5% if the natural disaster had not occurred.

⁷ Migration to other CARICOM states (and OECD countries) has become a Damocles' sword for Guyana. Other CARICOM states recognize the benefits but are sensitive to rising xenophobia in their countries.

⁸ The Sugar Action Plan was prepared by Government of Guyana and reviewed by the EC Delegation to Guyana and can be obtained from those sources.

⁹ This section of the Country Support Strategy provides an "overview assessment" of Guyana's infrastructure from a private sector perspective because of its importance to export-led growth. A review of broader infrastructure activities emanating from the 8th and 9th EDFs is summarised in section III.1.1, Focal Sector I (a), Rehabilitation of Social and Economic Infrastructures.

¹⁰ Caribbean Infrastructure Report No. 29680, World Bank Caribbean Country Management Unit, 2004

¹¹ GOPA / E & A Consultants (2005): 9th EDF-financed Guyana Transport Sector Strategy Study, Main Report.

¹² Such a strategy is not new: The Rotterdam port, the largest in the world, functions as Germany's main port although it is located in the Netherlands. IDB is launching a new feasibility study on the Linden-Lethem road taking a different approach (all-weather road) following the EC funded study which did not show sufficient IRR.

¹³ Tertiary level education is 70% in Europe and 80% in North America. The average in the Commonwealth Caribbean is about 8%. CARICOM set a Year 2005 target of 13% but this has not been achieved to date.

¹⁴ A full list can be gleaned from the Annex 3, Executive Summary of the CEP.

¹⁵ Assessments of the NCS and the National Action Plan for Sugar (Strategy) are limited to their expected implications only given that they are new – having been formulated in early 2006.

¹⁶ Detailed reviews of progress on the 7th, 8th and 9th EDF NIPs are documented in the 2005 JAR. Therefore only brief overviews on the two focal sectors are provided in this CSS paper.

¹⁷ Government and the international community would have to question the efficacy of continued budget support and the longer term viability of Guyana's development plans if the two most critical constraints on development: absorptive capacity and skills retention – are still unresolved by 2010.

¹⁸ DFID's interest in the NCS is in supporting the harmonisation process behind the implementation of the NCS.

¹⁹ The policy measures and commitments will be articulated once 1) GoG has defined the new version of the PRSP and 2) the BWIs and Government agree on revised policy framework to support any (PRSP) modifications to Guyana's development agenda, i.e. the new version of the PRSP.