

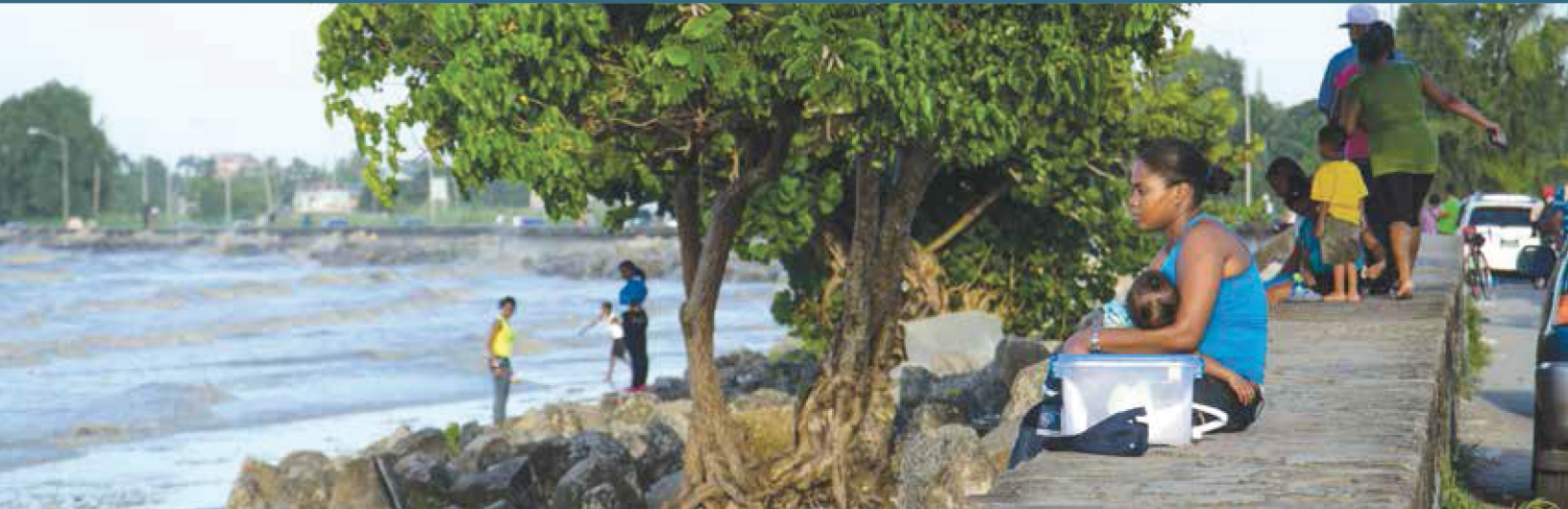


IDB

Country Strategy

with the Cooperative Republic of Guyana
2012-2016





The IDB is the main source of multilateral financing and expertise for sustainable economic, social and institutional development in Latin America and the Caribbean.

We support efforts by Latin America and the Caribbean countries to reduce poverty and inequality. We aim to bring about development in a sustainable, climate-friendly way.

Established in 1959, we are the leading source of development financing for Latin America and the Caribbean, with a strong commitment to achieve measurable results, increased integrity, transparency and accountability. We have an evolving reform agenda that seeks to increase our development impact in the region.



Country Overview



Guyana's economic outlook remains strong on the back of its seventh year of economic growth in 2012. The country has maintained consistent economic progress since 2006 with real Gross Domestic Product (GDP) growth of 4.8% in 2012 and an average of 4.6% from 2006 to 2012.

The economy continues to expand at a steady pace, sustained by high prices for commodities, increased inflows of Foreign Direct Investment (FDI) and sound macroeconomic management undertaken to enhance governance and improve the business climate.

The primary drivers of Guyana's economic growth since 2005 have been commodities produced by the agricultural (rice, sugar), mining(gold) and services sector. Guyana is also an open, energy-intensive economy that relies heavily on fuel imports.

Guyana's Challenges

In order to maintain economic growth Guyana must address the following challenges:

Remove infrastructure bottlenecks, especially in the energy, transportation and communication sectors.

Facilitate product diversification and lessen dependence on a small number of and food subject to market volatility commodities (including fuel).

Modernise traditional sectors, particularly rice and sugar.

Manage threats to the environment created by economic activities that depend on natural resource exploitation.

Create an environment to promote the private sector and attract FDI.

Enhance transparency, efficiency, and effectiveness of public sector management.

Increase access to high quality social services that improve quality of life.

The IDB and the Debt Relief



Improvements in the economic performance can be attributed in part to the sustained and competent management of the economy and the reforms undertaken to enhance governance and improve the business climate. The Government of Guyana used the debt relief responsibly to boost stability and growth.

The IDB, as part of the Highly Indebted Poor Country (HIPC) debt relief initiative, cancelled US\$356.5 million of Guyana's outstanding debt in 2007.

This debt relief has contributed to improving the country's debt profile and helped Guyana to increase its capital expenditure, which in turn supported the higher growth rates and increased levels of spending focused on Guyana's poorest and most vulnerable people and increased the levels of expenditures in education, health and housing.

The IDB is Guyana's main development and multilateral partner and has provided US\$187.4 million of concessional resources from 2008-2012.

The IDB plays a critical role in helping Guyana access a wide range of concessional resources from other donor countries and agencies.



The Low Carbon Development Strategy

The Government of Guyana (GoG) has made the Low Carbon Development Strategy (LCDS) its main development strategy.

The strategy aims to create a **low deforestation, low carbon, climate resilient** economy.

The LCDS promotes **low deforestation** by avoiding increased forest-based emissions produced from the exploitation of forested land.

Also, the LCDS will enable Guyana's economy to pursue a **low carbon path** to development through:

- Investing in strategic low carbon economic infrastructure.
- Promoting investment in low-carbon sectors with high potential.
- Reforming existing forest-dependent sectors.
- Expanding access to services and new economic opportunities for indigenous people.
- Enhancing consumer service to people in Guyana through support for private sector entrepreneurship and development of the workforce required for a modern economy.

To create a **climate resilient** economy, Guyana will invest in climate adaptation infrastructure and improve the capacity for risk management (including flood risk management) in the agriculture sector.



The 2012-2016 IDB Country Strategy



The aim of the 2012-2016 IDB Country Strategy will be:

To address infrastructure bottlenecks with specific focus on the energy sector.

To improve the capacity of the country to manage its vast natural resources within the context of a more robust natural disasters and climate change framework.

To promote import and export diversification and to support policy reforms addressing market and institutional challenges towards private sector development.

To support transparency and improvement of public sector financial management.

The IDB Country Strategy supports the goals set out in the LCDS.

“... to maintain continued economic growth led by the private sector, while at the same time promoting the sustainability of the country’s natural resource endowments.” ¹

¹IDB Country Strategy with Guyana, 2012-2016. Inter-American Development Bank (2012).



Priority Areas



The four priority areas of the IDB Country Strategy are:

- Sustainable Energy
- Natural Resource Management
- Private Sector Development
- Public Sector Management



The needs of Guyana's Indigenous population will be addressed as a cross cutting priority.

Sustainable Energy



Most of Guyana's power generation capacity is thermal-based, using heavy-fuel oil or diesel. The cost of electricity in Guyana is among the highest in the Caribbean region, with tariffs ranging from US\$0.28 to US\$0.32 per kWh. The high cost is not only a burden for residential customers, but also an obstacle for growth in the commercial and industrial sector.

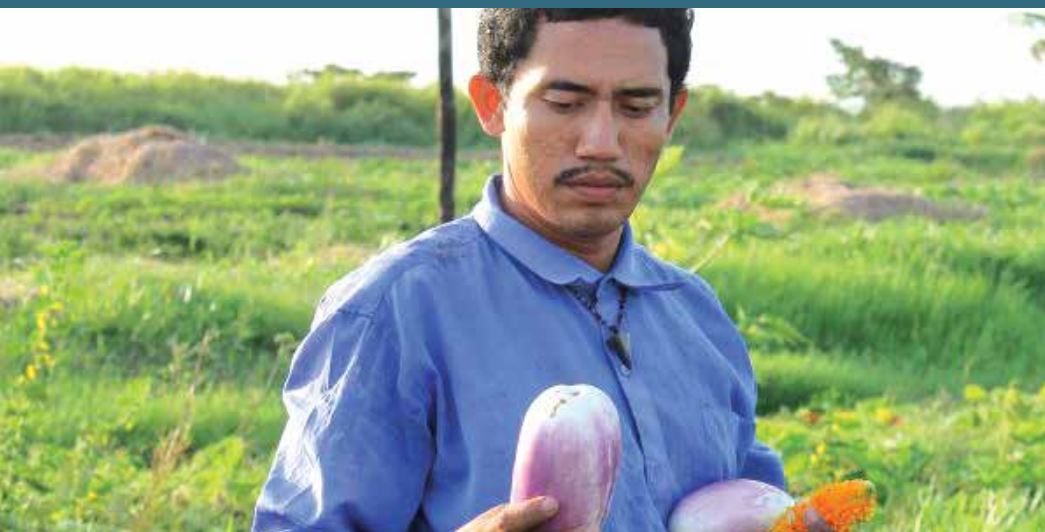
Sustainable Energy

IDB will support the implementation of a sustainable low-carbon energy framework for reducing the cost of electricity and increase coverage, through the following activities:

- Continue capacity building of GPL to reduce technical and commercial losses.
- Increase generation capacity and promote the development of a more sustainable and greener mix of energy supply.
- Improve electricity coverage.
- Enhance institutional, legal, and regulatory measures and support the agencies involved in the sector.



Natural Resource Management



Guyana is considered one of the best conserved biodiversity hotspots in the world, with an estimated 90% of the country's forest resources still intact. The economy largely depends on the use of its natural resources and the management of these assets is critical for sustainable and inclusive growth. The challenge for the country is to be able to benefit from the use of these resources while preserving its unique natural qualities.

The country also is highly vulnerable to the risk of natural disasters such as flooding and faces serious risks related to climate variability and climate change impacts, in particular the projected sea-level rise that would affect coastal areas.

Natural Resource Management

IDB will support the development of productive use of the country's natural resources, while addressing the challenge of sustainable management of the natural resources at stake by ensuring that the sector:

- Boost sustainable growth in the natural resource sectors.
- Strengthen institutional capacity for natural resource management that supports the implementation of the LCDS while meeting international standards of ecological sustainability.
- Mitigate disaster risk by prioritising risk management (including the impacts of climate change) into natural resource management.

Private Sector Development



Private Sector Development

IDB will support the following activities to increase competitiveness and innovation levels in Guyana:

- Improve the business climate by enhancing access to credit, as well as expanding the training and retention of skilled labor.
- Enhance government's institutional and regulatory capacity to promote and enforce standards of quality and investments in quality control.
- Strengthen capabilities of local firms to facilitate the adoption of new production technologies and encourage product and export diversification.

For Guyana to attract investment and promote the participation of the private sector, key constraints to doing business have to be removed. Although improved, Guyana's regulatory framework still contains some bureaucratic procedures for business operation (including registering property, paying taxes and resolving insolvency among others).

Guyanese firms indicate that credit is an important constraint compared with other countries. Moreover, the pursuit of diversification through innovative products requires suitable human capital both in terms of quantity and quality.



Public Sector Management



With the support of the IDB and the international donor community, Guyana engaged in a series of governance reforms during the period 2003-2011, yielding a significant improvement in the quality of public expenditure. The GoG plans to build on these gains with the implementation of the LCDS, which involves ambitious investments in infrastructure, private sector development, and responsible management of natural resources.

However, in order to sustain growth, the government has to significantly transform the way it conducts business, helping to improve the quality of public expenditure.

Public Sector Management

IDB will support the following activities to improve public sector management, including the efficiency of the tax administration, quality and transparency of public spending and capacity for monitoring and evaluation:

- Improved tax administration.
- Design of an adequate M&E institutional architecture and legal framework to ensure sustainability of these systems and their use by decision makers.
- Development of the e-Government system and the design and implementation of an institutional framework to manage the deployment of Information and Communications Technologies (ICT).

Cross-cutting theme: Working with Guyana's Indigenous Communities



The Bank --through technical cooperation and in activities within investment loan operations-- will coordinate its efforts to ensure that the following topics are addressed with indigenous communities during the implementation of the Country Strategy.

Sustainable energy: improving access to electricity in the hinterland and consultation with Amerindian communities regarding infrastructure projects financed by the Bank.

Natural Resources Management: protecting land rights, sustainable forest exploitation by hinterland communities and community-based disaster risk reduction and adaptation measures.

Private Sector Development: supporting the development of sustainable income generation activities, increasing access to affordable financial services for households in hinterland communities and developing knowledge and skills to save and invest surplus financial assets.





Areas for continued dialogue between the GOG and the IDB



Water and Sanitation: the Bank will explore alternatives for further improvements in efficiency, quality, sustainability and coverage of the potable water supply and sanitation services, along with solid waste.

Transport: the Bank will support restructuring the sector to improve its efficiency with the shift from rehabilitating the road system to expand its capacity and the improvement of urban transportation in a sustainable manner.

Citizen Security: the Bank will address principal risk factors to community safety and provide support to the capacity building efforts of the Guyana Police Force to promote community empowerment.

IDB & the Private Sector



Under the LCDS, the private sector is expected to play a more active role to deliver strategic economic infrastructure, create employment and opportunities in new productive sectors, and to enhance the nation's human capital.

The IDB is committed to explore opportunities --within the priority areas-- to finance operations with the private sector.

IDB will primarily support technical assistance and training to Small and Medium-sized Enterprises (SMEs). In addition, the Bank will look for opportunities in the energy, natural resources and infrastructure sectors.

The Bank will also explore incorporating the banking sector into the Trade Finance Facilitation Program (TFFP) to assist SMEs in gaining better financing terms for their import needs.







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website: www.iadb.org/en/countries/guyana

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