



1. Project Data:		Date Posted : 08/14/2003	
PROJ ID: P057272		Appraisal	Actual
Project Name: Gy Financial & Private Sector	Project Costs (US\$M)	5.6	5.1
Country: Guyana	Loan/Credit (US\$M)	4.8	4.65
Sector(s): Board: PSD - Central government administration (73%), Banking (27%)	Cofinancing (US\$M)		
L/C Number: C3290; CQ159			
	Board Approval (FY)		00
Partners involved :	Closing Date	12/31/2002	12/31/2002
Prepared by :	Reviewed by :	Group Manager :	Group:
Michael R. Lav	John H. Johnson	Kyle Peters	OEDCR
2. Project Objectives and Components			
a. Objectives			
(i) improve the regulatory framework of the overall financial sector to support private sector activity and achieve synergies among the banking, insurance, non -banking, and securities sectors; (ii) assist in the transfer of state-owned enterprises to the private sector to promote a private -enterprise led economy; and (iii) support the modernization of the public sector through improved service delivery in the areas of procurement, auditing, and public sector management.			
b. Components			
(1) Financial Sector Development (US\$1.5 million): funding of technical assistance to (a) implement a procedural framework for handling banks with structural or short term solvency and /or liquidity problems; (b) implement uniform financial accounting reporting standards and a chart of accounts in the banking sector; (c) update the regulatory framework to cover merchant banks, trusts, foreign exchange traders, and other non -bank financial institutions; (d) restructuring and improving the financial condition of the remaining state -owned bank including an assessment of privatization options; and (e) developing industry-specific regulations and directives to operationalize the new legal framework and supervisory bodies for the insurance and securities sectors . (2) Private Sector Development (US\$2.3 million): fund technical assistance, training and equipment to support the second phase of the privatization program to transfer approximately 13-16 additional state enterprises to the private sector . (3) Public Sector Business Services (US\$ 1.8 million): (a) fund the development of revised public procurement procedures and regulations to facilitate the public bidding and contracting processes, and the establishment of a national contractors registry; (b) strengthen and update the public sector's external auditing capacity to improve standards and timeliness of audits; and (c) modernize the public sector's payroll budget system to ensure full Y 2K compliance.			
c. Comments on Project Cost, Financing and Dates			
The project cost US\$ 5.1 million, financed by an IDA credit for US\$ 4.65 million and the Government, US\$ 0.45 million. The project was appraised in June, 1999, approved by the Board on November 16, 1999, became effective on December 9, 1999, and closed on schedule on December 31, 2002.			
3. Achievement of Relevant Objectives:			
(1) (a) The improvements foreseen in the implementation of a procedural framework were not achieved (see Significant Shortcomings, below); (b) the Government has financed the preparation of a uniform financial accounting reporting standard and a chart of accounts; (c) a regulatory framework was implemented to cover merchant banks, trusts, foreign exchange traders, and other non -bank financial institutions, but technical reviews will be needed to assess compliance with international standards; (d) the Guyana National Cooperative Bank was reorganized and, later, brought under contract for sale; and (e) the Insurance Act, previously approved by Parliament, was put into force, and a new Insurance Commissioner appointed . However, adequate staffing is still uncertain, and additional regulations will be needed to implement the provisions of the Act . The Securities Act is being implemented and entities responsible for oversight and self -regulation of the sector have been established . Again, adequate financing and staffing are yet to be assured . 2. The project funded technical assistance expertise which led to the privatization of a total of 12 state enterprises, including two large enterprises (the Guyana Cooperative National Bank, already noted under 1 (d) above and the Guyana Electric Company) which had not been on the original list . 3. A new public			

procurement act was approved in May 2002 and supplemental amendments approved in December 2002 following the Government's consultation with IDA. Further improvements are needed and expected in Mid-2003. The newly established National Procurement Tender Board, which will report directly to the Parliament, has been established. (b) The audit examiners and senior staff at the Auditor General's Office (AGO) underwent on-site training implemented by US Department of Agriculture official. Only the first phase of this training program was implemented because funds for the second phase were not allocated by the Ministry of Finance. (c) The improved Government payroll system was implemented, was Y2K compliant, and helped to automate processing and eliminate duplication of records.

4. Significant Outcomes/Impacts:

Twelve state-owned enterprises were privatized, including the GNCB and Guyana Electric Company, the two largest SOEs, which had not been in the original target group for privatization. Procurement, auditing, and public sector management have been improved, though in each of these areas follow-up reforms in legislation, procedures, and in staffing will be required if these improvements are to be consolidated.

5. Significant Shortcomings (including non-compliance with safeguard policies):

The procedural framework for handling banks with structural or short-term solvency and/or liquidity problems was not implemented as foreseen. Specifically, a concrete draft amendment to the Financial Institutions Act and associated implementing procedures is yet to be completed. Therefore, Guyana still lacks appropriate procedures for the efficient resolution of potential problem institutions, which was an important objective of the project. The ICR contains no mention of the national contractors registry which was to be implemented to help improve public investment processes. The second phase of training program for Auditor General Office staff has not been implemented but is expected to be executed under a follow-up IDA credit.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	Despite the shortcomings noted in section 5 above, the project achieved important progress in privatization, procurement, auditing, and public sector management which merits an overall outcome rating of satisfactory.
Institutional Dev.:	Substantial	Substantial	
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Satisfactory	Satisfactory	
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

1. Complex operations need strong coordination at the agency level for each component. This was the case in the privatization component of this project, which generated much of the progress achieved by this project. Bank staff need to provide timely and targeted support to each implementing agency and department, especially those which lack capacity. Building trust and working relationships is time consuming but essential to project implementation in these circumstances. 2. The design of a privatization program in a socially sensitive manner is a key factor for its successful implementation. In this project, the Privatization Unit obtained political, labor union, and public support for privatization. While in this project, clauses to protect minority investors and employees were important in building such support, care needs to be taken to allow the new owner sufficient leeway to allow the newly privatized enterprise to be profitable.

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

ICR is clearly written with a good overview of the project and all the details needed for a good evaluation.