



<b>1. Project Data :</b>		<b>Date Posted :</b> 07/06/2000	
<b>PROJ ID:</b> P034605 <b>OEDID:</b> C2669		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name :</b> Financial Sector & Business Environment Credit (FISBEC)	<b>Project Costs (US\$M)</b>	3.5	3.5
<b>Country:</b> Guyana	<b>Loan/Credit (US\$M)</b>	3.5	3.5
<b>Sector, Major Sect .:</b> Financial Sector Development, Finance	<b>Cofinancing (US\$M)</b>		
<b>L/C Number:</b> C2669			
	<b>Board Approval (FY)</b>		95
<b>Partners involved :</b>	<b>Closing Date</b>	06/30/1999	
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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**2. Project Objectives and Components**

**a. Objectives**

The overall objectives of the project are to implement sustainable institution building mechanisms supporting the financial and private sectors, and to facilitate the effective implementation of policy measures supported by the Private Sector Development Adjustment Credit (PSDAC). To do so the project provided technical assistance to (i) Strengthen regulation and supervision of financial institutions, to improve the solvency and efficiency of financial intermediation (merging, restructuring, reforming the Guyana National Cooperative Bank (GNCB) and the Guyana Cooperative Agricultural and Industrial Development Bank (GAIBANK), and develop the Bank of Guyana's (BOG) capacity to conduct open-market operations and foreign exchange trading; (ii) assist to implement the Government's privatization strategy including bringing public enterprises to the point of sale or liquidation; and (iii) help assist and promote both domestic and foreign investment

**b. Components**

The project provided technical assistance to (1) support central bank management of monetary policy through improved procedures and training; banking supervision through regulatory advice and training; and the restructuring of two large state-owned banks (GNCB and GAIBANK) through advisors in credit policy, accounting systems, financial controls, and rationalization; (2) support public enterprise privatization through development of prospectuses, pre-qualification, title searches, and environmental audits; and (3) support strengthening of the business environment through creation of a new public investment promotion agency (GO-INVEST) and the development of regulations under the Companies Act.

**c. Comments on Project Cost, Financing and Dates**

The FISBEC was approved on December 15, 1994, in the amount of SDR 2.4 million (US\$3.5 million equivalent), which was fully disbursed on October 30, 1999. There was no co-financing.

**3. Achievement of Relevant Objectives :**

The project's support to the central bank substantially improved staff capacity to conduct monetary policy, and the central bank's supervision capacity was considerably strengthened . 17 public companies were brought to the point of sale (out of 24 eligible for privatization under government policy, and representing about 60% of the value of government holdings in public enterprises prior to the PSDAC ), and most of these were sold . Strengthening the Banking Supervision Department of the Bank of Guyana was a highly successful project component . The ICR notes that the BOG implemented open-market and T-Bill operations and supporting institutional infrastructure, and mechanisms for foreign exchange operations, and that the IMF found that satisfactory progress had been made in this area.

**4. Significant Outcomes /Impacts:**

The central banking capacity was substantially enhanced . A significant tranche of publicly-owned companies was privatized. The project helped Guyana reorient the program to encourage private sector investment, turning away from the past give-aways and trying to provide information and facilitate investment by helping entrepreneurs

navigate the investment approval system .

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

The restructuring of the two large state-owned banks (GNCB and GAIBANK) did not proceed well. Lack of government commitment to a real change constrained progress, and the compromise taken to merge the two banks turned out not to be productive. The original proposal to liquidate one bank and privatize the other would have been more productive. The new private sector investment promotion agency (GO-INVEST), while more effective than its predecessor, was not very effective in simplifying the numerous government rules and regulations which severely limited investment, although it did help investors work within the system. However, GO-INVEST was remiss in providing critical information on its services to investors, so that the assessment of the projects outcome is less precise than would have been desirable.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome:</b>	Satisfactory	Marginally Satisfactory	Although the privatization and BOG components were successful, the lack of progress by GO-INVEST will be an unfortunate constraint on private investment, and the problems with GNCB and GAIBANK have not been adequately addressed.
<b>Institutional Dev.:</b>	Partial	Modest	
<b>Sustainability:</b>	Likely	Likely	
<b>Bank Performance:</b>	Satisfactory	Satisfactory	
<b>Borrower Perf.:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR:</b>		Satisfactory	

**7. Lessons of Broad Applicability :**

Broad government commitment to a project is critical for success. While this project benefited from commitment by some agencies, project implementation suffered from lack commitment, especially concerning privatization. However, the privatization program succeeded in spite of this because of the efficiency of the consultants engaged under this project. In privatization, open consideration of social and environmental issues are critical: labor continuity, severance arrangements and employee stock ownership options are aspects of privatization which can greatly enhance the effectiveness of privatization programs. Attracting and retaining qualified staff, with adequate compensation, is essential. Project design should be kept simple. This project comprised a number of components which might have been better handled in separate projects.

**8. Audit Recommended?**  Yes  No

**9. Comments on Quality of ICR :**

The ICR is clearly written, covers the materially succinctly yet with sufficient detail to enable the reader to grasp many dimensions of this technical assistance project. However, the ICR should have included more details of privatization program to enable the reader to understand the importance of the 17 enterprises brought to the point of sale. The ICR also develops a number of thoughtful lessons.