1. Project Data:

- **OEDID:** C2746
- **Project ID:** P007259
- **Project Name:** Private Sector Development Adjustment (PSDAC) Credit
- **Country:** Guyana
- **Sector:** Other Non-sector Specific
- **L/C Number:** C2746
- **Partners involved:** none
- **Prepared by:** David Greene (Consultant), OEDCR
- **Reviewed by:** Alice Galenson
- **Group Manager:** Ruben Lamdanay
- **Date Posted:** 07/30/1998

2. Project Objectives, Financing, Costs and Components:
The PSDAC was part of an integrated program of multilateral assistance including Bank operations, IDB loans, IMF programs and bilateral aid designed to support the Government’s Economic Recovery program, begun in 1988. The PSDAC provided SDR 10 million (which translated in US$ 14.4 million). An additional US$ 9.4 million in IDA reflows was disbursed. The IDB provided a parallel Financial Sector loan of US$ 35 million. The Bank and some bilateral donors provided funds for technical assistance to support the Government’s program. The program was designed to support maintenance of macroeconomic stability, improve regulation of the financial sector and merge or restructure key public sector banks, carry out a comprehensive privatization program, streamline trade procedures and harmonize tariffs with the Caribbean regional system, update laws governing corporate activity, create an agency to foster foreign investment, reform the taxation of business and eliminate discretionary investment incentives.

3. Achievement of Relevant Objectives:
Key objectives were achieved. Targets for privatization of SOEs were exceeded. Public sector ownership of financial sector assets was reduced. A new act for regulation and supervision of financial institutions was presented to parliament. Tariffs were brought into line with requirements of the regional common market and import and export licensing requirements were reduced. Several improvements were made in tax laws.

4. Significant Achievements:
The operation has helped establish the policy, legal and regulatory framework for private sector-led development in an economy formerly dominated by state ownership and intervention.

5. Significant Shortcomings:
Predictably, the merger and restructuring of the two state-owned cooperative banks, as an alternative to privatization or liquidation, has not resulted in improved financial operations. The proposed reduction of corporate tax rates had to be deferred because fiscal conditions did not permit doing so. Appendix Table 6 indicates a significant increase in the public sector deficit in 1997. Finally, the privatization program has not yet dealt with key state enterprises in the sugar and bauxite industries.

6. Ratings:

<table>
<thead>
<tr>
<th>ICR Review</th>
<th>OED Review</th>
<th>Reason for Disagreement / Comments</th>
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</thead>
<tbody>
<tr>
<td>Outcome</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
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<tr>
<td>Institutional Dev</td>
<td>Partial</td>
<td>Modest</td>
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<tr>
<td>Sustainability</td>
<td>Likely</td>
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<tr>
<td>Bank Performance</td>
<td>Highly Satisfactory</td>
<td>Highly Satisfactory</td>
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<tr>
<td>Borrower Perf.</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
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<tr>
<td>Quality of ICR</td>
<td>Satisfactory</td>
<td></td>
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7. Lessons of Broad Applicability:
1) Privatization is a politically sensitive process and should be handled in a transparent manner by an independent privatization unit domestically led and staffed, with support, as required, by international technical consultants. Close coordination of technical assistance financing and adjustment operations is essential.
2) The project demonstrates again the difficulty in reforming publicly-owned financial institutions.

3. Audit Recommended?  ☐ Yes ☒ No

3. Comments on Quality of ICR:
The ICR is satisfactory.