



Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 06-Dec-2018 | Report No: PIDISDSC24473

**BASIC INFORMATION****A. Basic Project Data**

Country Guyana	Project ID P166730	Parent Project ID (if any)	Project Name Guyana Petroleum Resources Governance and Management Project (P166730)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date Dec 17, 2018	Estimated Board Date Feb 14, 2019	Practice Area (Lead) Energy & Extractives
Financing Instrument Investment Project Financing	Borrower(s) Cooperative Republic of Guyana	Implementing Agency Department of Energy	

Proposed Development Objective(s)

The project development objective is to enhance legal and institutional frameworks and strengthen the capacity of key institutions to manage the oil and gas sector in Guyana

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	20.00
Total Financing	20.00
of which IBRD/IDA	20.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	20.00
IDA Credit	20.00

Environmental Assessment Category

Concept Review Decision



B. Introduction and Context

Country Context

1. The Cooperative Republic of Guyana (“Guyana”) lies in the northeast of South America. It is bordered by Suriname, Brazil and Venezuela and, to the north and east, extends to the North Atlantic Ocean. Forests cover approximately 87 percent of Guyana’s total surface area¹. Nearly all of Guyana’s 741,400 multi-ethnic inhabitants (90 percent) live in a fertile plain along the Atlantic Coast, around 25 km wide and 1–1.5 meters below sea level². Following decades of extensive emigration, the estimated population of the Guyanese diaspora is close to 461,000³.
2. **Guyana is one of the Caribbean’s small states and it is highly exposed to natural disasters. Guyana’s economy is small and benefits from resource wealth, but a lack of public investment is holding back growth despite Heavily Indebted Poor Countries (HIPC) debt relief.** With an estimated GDP per capita of US\$4,693 in 2017 and a GDP of about US\$3.6 billion, Guyana’s economy is characterized as being small. The natural resource wealth was estimated to be almost US\$4,000 per capita in 2014, the highest in the Caribbean even before the discovery of oil. Merchandise exports account for 40 percent of GDP and six commodities – gold, rice, sugar, bauxite, shrimp and timber - account for 90 percent of exports⁴. Despite average growth of 4 percent during the decade up to 2018, it remains one of the poorest countries in the English-speaking Caribbean⁵. Data on income distribution and the incidence of poverty is outdated⁶, but it appears that years of robust growth did not translate into commensurate levels of human development in Guyana or an improved environment for the private sector, including as it relates to delivering essential infrastructure and services for both.
3. **While Guyana has made noticeable progress in reducing the overall gender inequality gap in the past decade, continued efforts are needed, especially regarding women’s economic participation and opportunities.** Part of Guyana’s success in addressing gender inequality in political and electoral system can be attributed to it being the first country in the Anglophone Caribbean to enact a gender quota law in 2000.⁷ Despite these signs of progress, Guyana’s 2015 Gender Inequality Index (GII) score of 0.508 ranked it 117 out of 159 countries, and it ranks 124 out of 145 countries when it comes to women’s economic participation and opportunity sub index.⁸

¹ Revised National Forest Policy Statement 2018, Guyana Forestry Commission, 2018.

² Guyana Bureau of Statistics, 2018.

³ Bilateral Estimates of Migrant Stocks in 2017, World Bank, 2018.

⁴ Guyana Bureau of Statistics, 2018.

⁵ World Bank and Guyana Bureau of Statistics, 2018.

⁶ The most recent data is from 2009, when 7.8 percent of the Guyanese population was multi-dimensionally poor and 18.8 percent live near multidimensional poverty (UNDP, 2016). The Government of Guyana, with technical assistance from the Inter-American Development Bank (IDB), is currently undertaking a household survey to assess current poverty rates, among other indicators. The results will be available later in 2018.

⁷ United Nations Gender Equality Observatory. Guyana’s Representation of People’s (Amendment) Act 2000 (Section 11B, Articles 5-7) provides for gender representation as an eligibility criterion for political parties wishing to contest national and regional elections. It states that each political party must have at least one-third women on the list of representatives submitted to the Guyana Elections Commission (GECOM).

⁸ World Economic Forum. The Global Gender Gap Report 2015. World Economic Forum. Geneva, Switzerland. 2015. This is the most recent Global Gender Gap Report that Guyana participated.



4. **The current Government of Guyana** is the first ever multi-ethnic coalition government ending 23 years of rule for the previous administration. Since coming to power in July 2015, the government has tried to address challenges hindering social advancement and private sector development. The Government of Guyana is in parallel preparing for the country's anticipated structural transformation, following the discovery of significant oil and gas (O&G) resources offshore Guyana in 2015.

B. Sector and Institutional Context

5. **Guyana remained largely un-explored, with no significant O&G discoveries until 2015, but it is now among the 30 largest reserve-holders in the world.** Guyana is on the brink of a major expansion of its O&G sector to world-class scale, with first oil expected in March 2020. Exploration results— with an unprecedented success rate of 82 percent – have confirmed estimated gross recoverable resources of over 4 billion barrels of oil as of July 2018 (just above Indonesia's and Malaysia's). The size of the discoveries presents an historic opportunity for Guyana to leverage the revenues generated from oil production into sustainable development and inclusive growth. A well-managed O&G sector can bring huge positive and sustainable impacts to Guyana, including socio-economic growth and positive economic externalities. The main economic impact of the oil sector on Guyana is expected to take place through oil revenues. The O&G sector is also expected to impact the economy through the sector's demand for services and infrastructure, job creation⁹, and the potential access to cheaper and cleaner electricity.
6. **Guyana has never been an oil and gas producer, and as such lacks the policy, legal and regulatory frameworks and institutional capacity needed to maximize the benefits and minimize downside risks associated with the sector.** The O&G sector affects multiple layers of the economy, impacts the livelihoods of present and future generations, the environment and local communities. If poorly managed, the development of O&G resources can be economically and socially costly for a country. Based on experience in resource countries such as Botswana and Canada, positive impacts on overall poverty levels are achievable while mitigating risks with good governance, investments in the quality and capacity of public and private institutions, investments in skills and technological capacities, efficient and transparent revenue collection and management, and sound macroeconomic and fiscal management policies. The Government of Guyana is keen to follow the example, by investing in the strengthening of its institutions and building capacity to manage O&G resources.

Sector governance

7. **Guyana's legal and regulatory framework for the O&G sector needs to be reviewed and updated with a view towards: maximizing benefits to the country and affected communities; managing the technical, environmental, social, financial risks linked to the sector; and building capacity to engage effectively with investors.** At present, O&G sector activities in Guyana are subject to the legislation, which was drafted when Guyana was a frontier oil country. The Government of Guyana (GOG) intends to modernize its legal and regulatory framework in preparation for developments in the sector. Preliminary drafts of key legislation have been prepared and an in-depth review of the legal and regulatory framework is currently on-going with the support from various partners, including the Commonwealth Secretariat, the World Bank and the Inter-American Development Bank (IDB).
8. **Institutional capacity to oversee and manage the O&G sector is limited.** There is a large capacity gap at political and technical levels responsible for the management and oversight of Guyana's nascent O&G sector. This includes a shortage of O&G experts in the relevant Ministries and Departments. **The buildup of institutional capacity is crucial to**

⁹ O&G production is highly capital intensive, generating few permanent direct jobs. Considering Guyana's relative small workforce, however, the O&G sector could become an important source of employment.



improve the Government of Guyana’s bargaining power vis-à-vis investors in situations of negotiations, oversight, and enforcement.

9. **Guyana has been a natural resources-dependent country for decades, but it never established resource management and planning tools such as a Sovereign Wealth Fund (SWF). The oil finds however have prompted the country to pursue the establishment of a SWF.** The Green Paper *Managing Future Petroleum Revenues and Establishment of a Fiscal Rule and Sovereign Wealth Fund* issued by the Ministry of Finance on August 8, 2018 proposes that the oil resources will be used to (a) finance public investment, (b) stabilize public expenditure and safeguarded in a sovereign wealth fund for use by future generations. Weak government capacity and governance are key obstacles to a successful implementation of the SWF legislation currently being considered.
10. **Starting in 2017 Guyana has made strides towards enhanced transparency in natural resources.** First, on October 25, 2017, Guyana was admitted as an Extractive Industries Transparency Initiative (EITI) candidate country, an internationally recognized and credible transparency and oversight mechanism of extractives. Second, the Government has published online nine Production Sharing Agreements (PSAs). These are important steps towards enhanced transparency, the promotion of dialogue among key stakeholders based on reliable information, and the responsible and effective governance of the O & G sector in the pursuit of sustainable development.

C. Relationship to the Government and the WBG’s Strategies

11. **The proposed project will contribute to achieving the World Bank’s global twin goals of eliminating extreme poverty and boosting shared prosperity** by helping the Government of Guyana enhance the management and institutional underpinnings of the O & G sector needed for the O & G projects to contribute to the country’s economy in a resilient, pro-poor and sustainable way. The Guyana - Country Engagement Note for the period FY16-18 (CEN) (Report No. 94017, 03/23/2016) outlines the Bank’s strategy for strengthening the relationship with Guyana for 2016-2018. The CEN highlights the importance of laying the ground for private sector development. It discusses assistance to the government and the private sector in adopting sustainable standards and natural resource management best practices. As such, the proposed project is fully aligned with and complementary to the CEN.

C. Proposed Development Objective(s)

12. The project development objective is to enhance legal and institutional frameworks and strengthen the capacity of key institutions to manage the oil and gas sector in Guyana.

Key Results (From PCN)

13. **Key outcome indicators** to be used to measure progress on the project development objective over its lifetime will be:
 - (a) legal and regulatory acts, prepared under the Project, approved and in force;
 - (b) staff of O&G sector management institutions – Department of Energy, Environmental Protection Agency (EPA), Guyana Geology and Mines Commission/Petroleum Commission (once established) – acquire core competencies to regulate, manage and monitor compliance in the sector.



- (c) national petroleum data repository established, equipped and capacity strengthened; and
- (d) EITI reports produced and made publicly available.

D. Concept Description

14. **The proposed Project has three main components plus a separate component for project implementation.** Discussions have taken place with various stakeholders including government institutions, development partners, private sector and civil society representatives to inform the components and sub-components to be included in the project. It is important to note that the activities under the proposed project, as described below, will be performed at the central government level.
15. **Component - A. Enhancement of Legal Frameworks and Stakeholder Engagement.** Component A aims to support the update of Guyana's legal and institutional frameworks for the management and oversight of the oil and gas sector. This component is comprised of two sub-components: A.1. Update the legal and regulatory frameworks for the oil and gas sector; and A.2. Support stakeholder engagement and transparency.
16. **Component – B. Capacity Building of Key Institutions.** Component B aims to build institutional capacity and acquire the third-party expertise needed to enhance the Government of Guyana's capacity to effectively manage its O&G sector. This component is comprised of sub-components which include the following: B.1. Support immediate technical and legal needs at key O&G institutions; B.2. Support critical training needs at key O&G institutions; B.3. Build up Petroleum Data Management; and B.4. Strengthen Environmental and Social Management.
17. **Component – C. Enhancement of Fiscal Management.** Component C aims to enhance GOG's public finance management, macroeconomic and fiscal analytical capacity, and support to the operationalization of the Natural Resource Fund Act.
18. **Component - D. Project Management.** Support the GOG in managing and coordinating the proposed Project and building its procurement, financial management, safeguards management, monitoring and evaluation capacity through the provision of technical advisory services, training, acquisition of goods, and operating costs.
19. **A Project Preparation Facility (PPF) of up to US\$1.6 million was mobilized for IDA project preparatory activities.** The Government of Guyana submitted to the WB an official request for a PPF on March 20, 2018 to assist in the set-up of the Project Implementation Unit (PIU) and in the further definition of capacity building activities and commencement of Project procurement. The PPF was approved by the Bank in July 2018 and became operational in August 2018.
20. **The proposed Project will also leverage and be coordinated as needed with other donors.** In the context of a rapidly expanding and new O&G sector, several donors such as the IMF, the IDB, the Commonwealth and the government of the US, Mexico and Canada, are providing support to various government institutions in Guyana. Through constant engagement of GOG's Department of Energy and other donors, the Project aims to avoid duplication and leverage existing/planned donor support to maximize its contribution towards enhancing Guyana's legal and institutional frameworks and the capacity of its key O&G institutions.



SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

Currently petroleum exploration activities are being conducted primarily offshore, in the Atlantic Ocean. There is no petroleum production, but it is expected to begin during project implementation, with first oil in 2020. The marine habitats of the coast and the deep sea areas of Guyana are not as well known as the terrestrial habitats. The marine fishery including artisanal fishery, is composed mainly of prawns and shrimp (sea bob) and it is an important contributor to the national economy comprising just under 6% of GDP. The potential for onshore Exploration and Production (E&P) activities as well as concerns over potential oil spills in the future may raise some issues related to social safeguards, in particular for indigenous populations in Guyana.

The proposed support from the Bank will finance technical assistance and capacity building activities aimed at building the capacity of the GoG to manage and regulate the sector. And although all oil and gas related activities are currently offshore, the proposed project will support the development of institutions, policies, laws and regulations relevant to the entire sector (onshore and offshore). The project will not finance any large physical investments, nor will it directly finance O&G E&P activities. Project safeguards are therefore focused on supporting the government in strengthening their role managing environmental and social risks associated with the sector, through 1) direct support in the form of technical assistance and capacity building to the Environmental Protection Agency (EPA); 2) the preparation of a Strategic Environmental and Social Assessment (SESA) and support towards the implementation of the associated recommendations.

B. Borrower’s Institutional Capacity for Safeguard Policies

There is a large capacity gap at political and technical levels responsible for the management and oversight of Guyana’s nascent O&G sector, including environmental and social safeguards. The Environment Protection Agency (EPA) is beleaguered by the complex and outdated environmental licensing and permitting process; concerned with the mismatch between its actual human/financial/technical (equipment/laboratories) capacity and the broad responsibilities afforded to it through the Environmental Protection Act. However, activities financed through the proposed project are not expected to result in an increased safeguards risk, as it focuses on technical assistance and capacity building activities and will not finance any major physical investments and infrastructure.

C. Environmental and Social Safeguards Specialists on the Team

- Gibwa A. Kajubi, Social Specialist
- Elizabeth Joana Graybill Do Nascimento Brito, Environmental Specialist
- Nyaneba E. Nkrumah, Environmental Specialist
- Christopher Mays Johnson, Social Specialist

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The Project mainly consists of advisory services and training and does not contemplate large civil works.



The Project will support under Component B setting up of a National Data Repository (NDR), which may include rehabilitation or expansion of existing facilities to store the large volumes of oil and gas information and data that are being generated and shared by companies, as required by their contract/license. Thus, minor civil works may be needed for which an Environmental Management Plan (EMP) will be prepared, taking into consideration the WB Environmental, Social, Health and Safety (ESHS) Guidelines for the rehabilitation and/or expansion of facilities. Likewise, Component B might require the acquisition of new computers or technologies, and the disposal of the old ones, in which case the Project will include an E-Waste Management Plan for the disposal of old equipment. The strategic environmental and social implications and impacts of the proposed oil and gas legal and regulatory framework will be examined and assessed in the Strategic Environmental and Social Assessment (SESA). At this stage the Project is classified as Category B.

Performance Standards for Private Sector Activities OP/BP 4.03	No	This policy should not be triggered since the project will not finance private sector activities.
Natural Habitats OP/BP 4.04	Yes	Even though the project activities are only of institutional, legal and regulatory nature, the TORs for the SESA to be prepared under the project will address the principles and provisions of OP 4.04, including marine biodiversity assessments, coral reef protection plans, etc.
Forests OP/BP 4.36	No	This policy should not be triggered since there is no indication that the minor civil works that may be required for setting up the Data Repository will be located in forest habitats. Most likely it will be expansion of facilities in existing buildings.
Pest Management OP 4.09	No	This policy should not be triggered as there is no indication that pesticides will be required for pest control in existing buildings.
Physical Cultural Resources OP/BP 4.11	No	At the current stage there is no indication that the minor civil works for setting the Data Repository will affect physical cultural resources. Most likely it will be expansion of facilities in existing buildings.
Indigenous Peoples OP/BP 4.10	Yes	The proposed Project will support the development of institutions, laws and regulations relevant to the entire O&G sector (onshore and offshore) and stakeholder consultations. The project will not finance any physical investments, nor will it finance oil and gas exploration



and production activities. Project safeguards are therefore focused on supporting the government in strengthening their role in managing environmental and social risks associated with the sector, through: (i) provision of technical assistance and capacity building to the Environmental Protection Agency, and (ii) the preparation of a Strategic Environmental and Social Assessment (SESA) and the implementation of associated recommendations. The SESA will include an IPPF with social analysis covering issues under OP/BP 4.10, including identification of areas with potential presence of indigenous peoples, identification of potential risks and possible mitigation measures and actions that Government may wish to consider in the future.

Involuntary Resettlement OP/BP 4.12

No

The project is a TA that does not envisage any land taking or preparation of future investments by the project. Thus, involuntary land acquisition is not expected under the project. However, the SESA will include an analysis of socio-economic aspects of typical oil and gas operations, including areas for strengthening of involuntary resettlement policies, guidelines and practice standards in Guyana, which can complement the local policies associated with resettlement.

Safety of Dams OP/BP 4.37

No

This policy should not be triggered given that the project will not support the construction or rehabilitation of dams nor will support other investments which rely on the services of existing dams.

Projects on International Waterways
OP/BP 7.50

No

This policy should not be triggered because the project will not affect international waterways as defined under the policy.

Projects in Disputed Areas OP/BP 7.60

No

This policy should not be triggered because the proposed project will not affect disputed areas as defined under the policy. More specifically, the Project will not support physical investments nor have a footprint in disputed areas. The nature of the proposed activities - primarily advisory services and training -, which are entirely aimed at technical assistance, are not considered to be harmful to the interests of Guyana and any of the neighboring countries.



E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Dec 14, 2018

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

Terms of Reference to undertake a SESA for the O&G sector will be prepared as part of project preparation, to identify the social and environmental impacts (including for indigenous peoples), which could be generated by O&G sector development, evaluating the scope and probability of these impacts due to increased activities offshore and potentially onshore; to develop recommendations to avoid, manage and/or attenuate these impacts; to facilitate the integration of these measures into a coherent set of legal and regulatory proposals and ensure its implementation; to identify the gaps between Guyana's ESHS Safeguards and the Bank's safeguards, thus helping in identifying areas for capacity building and training of Government officials. The ToRs were disclosed on December 5, 2018.

The objectives of the SESA will be to (a) identify the E&S strategic impacts that could be generated by the development the O&G sector , (b) identify key institutional, legal, and regulatory deficiencies in the countries' framework to ensure the environmental and social sustainability of the sector; (c) propose the appropriate recommendations to enhance the institutional, legal, and regulatory aspects and avoid, manage and/or attenuate the key impacts; (d) propose integration of these recommendations into a coherent sector policy and regulatory body, and ensure its Implementation; and (e) raise awareness and promote capacity building and training.

The key stakeholders will be identified during the first stage of the SESA preparation — the scoping phase —, which includes a stakeholder analysis to identify the key stakeholders to participate throughout the SESA preparation and consultations. The key stakeholders in the oil and gas sector that should be consulted will be mapped, and their interests, concerns and incentives will be analyzed. A work plan for consultations will be prepare ensuring that the stakeholders' interests, concerns and advice are properly considered in the SESA.

Depending the final scope for activities related to O&G Data Management – Setting up of a National Data Repository (NDR), and if confirmed that rehabilitation or expansion to adequate the facilities are necessary to store the large volumes of oil and gas information and data that are being generated and shared by companies, a generic Environmental Management Plan (EMP) will be prepared commensurate to the risk of the activities. The generic EMP will be prepared by appraisal.

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APPROVAL

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