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IMPLEMENTATION COMPLETION REPORT
(IDA-32900; PPFI-Q1590)

ON A

CREDIT

IN THE AMOUNT OF SDR 3.5 MILLION

TO THE

CO-OPERATIVE REPUBLIC OF GUYANA

FOR A

FINANCIAL & PRIVATE SECTOR INSTITUTIONAL DEVELOPMENT PROJECT

June 15, 2003

Caribbean Country Department
Finance, Private Sector & Infrastructure Department
Latin America and the Caribbean Regional Office

CURRENCY EQUIVALENTS

(Exchange Rate Effective May 31, 2003)

Currency Unit	=	Guyana Dollar
G$ 1.00	=	US$ 0.0056
US$ 1.00	=	G$ 179.00

FISCAL YEAR

April 1 to March 31

ABBREVIATIONS AND ACRONYMS

AGO	Attorney General's Office
CIDA	Canadian International Development Agency
ESAF	Enhanced Structural Adjustment Facility
ESOP	Employee Stock Ownership Plan
EU	European Union
FIA	Financial Institutions Act
FISBEC	Financial Sector and Business Environment Credit
FMS	Financial Management System
FPID	Financial and Private Sector Institutional Development Credit
GASCI	Guyana Association of Securities Companies and Intermediaries
GCFS	Guyana Cooperative Financial Service (Collection agency)
GEC	Guyana Electricity Company
GNCB	Guyana National Cooperative Bank
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
IDB	Inter-American Development Bank
MOF	Ministry of Finance
NBIC	National Bank of Industry and Commerce
ODA	Official Development Assistance
PAP	Public Administration Project
PIU	Project Implementation Unit
PRGF	Poverty Reduction Growth Facility
PRSC	Poverty Reduction Strategy Credit
PSDAC	Private Sector Development Adjustment Credit
SAC	Structural Adjustment Credit
SDR	Special Drawing Rights
TA	Technical Assistance
TAC	Technical Assistance Credit
USDA	United States Department of Agriculture
Y2K	Year 2000 (computer date conversion issue)

Vice President:	David de Ferranti
Country Manager/Director:	Caroline Anstey
Sector Manager/Director:	Danny Leipziger
Task Team Leader:	John Pollner

GUYANA
GUYANA FINANCIAL & PRIVATE SECTOR INSTITUTIONAL DEVELOPMENT CREDIT

CONTENTS

Project ID: P057272	*Project Name:* GY FINANCIAL & PRIVATE SECTOR
Team Leader: John Daniel Pollner	*TL Unit:* LCSFF
ICR Type: Core ICR	*Report Date: June 17, 2003*

1. Project Data

Name:	GY FINANCIAL & PRIVATE SECTOR	*L/C/TF Number:*	IDA-32900; PPFI-Q1590
Country/Department:	GUYANA	*Region:*	Latin America and Caribbean Region

Sector/subsector: Central government administration (73%); Banking (27%)
Theme: Regulation and competition policy (P); State enterprise/bank restructuring and privatization (P); Standards and financial reporting (S); Legal institutions for a market economy (S)

KEY DATES

			Original	*Revised/Actual*
PCD: 02/12/1999		*Effective:*	11/30/1999	12/09/1999
Appraisal: 06/18/1999		*MTR:*	09/15/2001	09/15/2001
Approval: 11/16/1999		*Closing:*	12/31/2002	12/31/2002

Borrower/Implementing Agency: MINISTRY OF FINANCE/MINISTRY OF FINANCE
Other Partners: U.K. DFID

STAFF	Current	At Appraisal
Vice President:	David de Ferranti	David de Ferranti
Country Director:	Caroline D. Anstey	Orsalia Kalantzopoulos
Sector Manager:	Danny M. Leipziger	Danny Leipziger
Team Leader at ICR:	John Pollner	John Pollner
ICR Primary Author(s):	Alvaro Covarrubias; John Daniel Pollner	

2. Principal Performance Ratings

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HL=Highly Likely, L=Likely, UN=Unlikely, HUN=Highly Unlikely, HU=Highly Unsatisfactory, H=High, SU=Substantial, M=Modest, N=Negligible)

Outcome: S

Sustainability: L

Institutional Development Impact: SU

Bank Performance: S

Borrower Performance: S

	QAG (if available)	ICR
Quality at Entry:		S
Project at Risk at Any Time:	No	

3. Assessment of Development Objective and Design, and of Quality at Entry

3.1 Original Objective:

Country background. Guyana has a small open economy with a population of 780,000. It is a low-income country with per capita income estimated at about US$750. It is thinly populated with about 4 persons per square kilometer. Most of Guyana's population and economic activities are concentrated on the narrow coastal strip, which lies below sea level at high tides and is protected by a series of sea walls. The interior is largely forested and uninhabited, except for scattered communities of Amerindians. It is well endowed with natural resources, with good agricultural land and abundant rainfalls, diversified mineral deposits, and large tropical forests. The economy is basically natural resource-based, with agriculture (mainly sugar and rice), mining (bauxite and gold), and timber accounting for most of the output in the productive sectors. Agriculture in the economy accounts for 37 percent of GDP, 40 percent of employment and about 41 percent of export earnings. With the possible exception of the potential for hydroelectricity, which remains unexplored, the country does not have energy resources and is dependent on oil imports to meet most of its energy requirements.

Approximately 43 percent of the population lives in poverty, with 29 percent in extreme poverty. The majority of the poor live in rural areas and extreme poverty is concentrated in the interior regions. About 50 percent of the population is Indo-Guyanese, 36 percent Afro-Guyanese and 7 percent Amerindian, and the remaining of mixed races. The Indo-Guyanese are strongly represented in agriculture, professional services and distributive trade while the Afro-Guyanese live in urban areas and are strongly represented in government, police and mining.

After achieving independence in 1966, Guyana pursued a state interventionist policy of "cooperative socialism". Following two decades of declining investment and negative growth, real per capita income declined by over 60 percent by 1988. There was a massive out-migration of skilled workers and professionals mainly to North America and the United Kingdom. In 1988, the Government began a radical change process by initiating the economic recovery program that was supported in April 1989 by an IMF ESAF. The first democratic elections in over two decades were held in October 1992 when the PPP-Civic coalition took office.

The Financial and Private Sector Institutional Development Project (FPID) – the subject of this ICR – follows the Financial Sector and Business Environment Project (FISBEC) financed by IDA Credit 2669-GUA. The latter had became effective in July 1995 and by 1997 had shown limited but satisfactory achievements in the fronts of financial sector development, privatization of public enterprises, and public sector business services, as indicated next.

The banking sector regulatory framework had been endowed with the modernized Financial Institutions Act (FIA) covering banking institutions in line with Basle capital adequacy and credit exposure standards. Banking supervision and inspection capability had been strengthened and regular inspection cycle implemented. The Bank of Guyana Act had granted independence to the central bank and provisions for its recapitalization were effected. However, the FIA still needed to be reinforced with appropriate regulations and implementation procedures.

All state-owned financial institutions, except Guyana National Cooperative Bank (GNCB) --which had 18 percent of total deposits in the financial system-- had been brought to point-of-sale, privatized and/or liquidated. Improvement of the financial condition of GNCB had been initiated through a restructuring/management team contract signed with the Government. Also, drafts for Insurance and Securities Market legislation had been completed and presented to Cabinet and Parliament for approval.

Over the period of 1993-1998, the first phase of the privatization program had privatized about 60 percent of public sector assets held by the Government at the initiation of the process. It included: sectors/industries such as timbers, telephone/telecom, trade, leather, livestock, paint, transport, foods, fisheries, rice milling & marketing, and soaps/detergents and five state-owned financial institutions. And there was momentum for undertaking a second phase of the privatization program involving non-financial institutions in the agriculture, industrial and mining sectors.

Moreover, IDA had discussed with the Government a comprehensive set of measures aiming at modernizing the public sector business services. The measures comprised a reform of public procurement (based on a country-wide procurement assessment), a strengthening of the public audit function, and an upgrading of the Public Sector's Human Resource Payroll Budget System and Project Financial Management/Accounting System. Also, evaluation of potential consulting contractors had been carried out.

Taking into account all of the above, IDA and the Government defined the Financial & Private Sector Institutional Development Project (FPID project) to be financed mostly with an IDA Credit.

Original Project Objectives: The development objectives of the FPID project were to support the second phase of institutional reforms aimed at consolidating the measures taken under the previous structural adjustment and technical assistance programs, in particular under the Private Sector Development Adjustment Credit (PSDAC) and the Financial Sector and Business Environment Credit (FISBEC). The project's development objectives were to: (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 an 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, in order to provide an enabling transactional environment for private sector business.

The key project performance indicators included: (a) the implementation of a modernized broad financial sector regulatory framework resulting in the functioning of new regulatory bodies and evidence of improvement in the performance and strength of financial institutions in line with international bank accounting and Basle standards including prudential norms for commercial banks, merchant banks, trusts, and foreign exchange operators; (b) the transfer to the private sector of a critical mass of state-owned enterprises within an enabling business environment for both industrial and financial investors; and (c) the modernization of the public sector auditing and procurement framework to support the business environment, and implementation of Y2K compliant systems for public sector management and administrative systems.

Assessment: The project objectives were relevant, as they were to support the Government's efforts to move the country towards a private sector led economy having an adequate and efficient government regulatory structures to ensure an enabling business environment with socially friendly policies. The project objectives reflected the Bank's assistance to the Government as stated in the IDA's Country Assistance Strategy (CAS) of that time. They also were synchronous with the technical assistance being provided by multilateral and bi-lateral agencies (European Union, Inter American Development Bank, and Canadian International Development Agency) to complement the Government's policy reform. The project's main objective was to transfer to the private sector the state's assets of several productive enterprises which were inefficient and delivered low quality services. Private participation, to be sought under the form of either private ownership or management services, was appropriate since it was to be complemented with the establishing of an appropriate legal and regulatory framework and the strengthening of the public service function by building the capacity of the entities to accomplish their administrative and fiduciary functions.

3.2 Revised Objective:

The objective of the project was not revised.

3.3 Original Components:

(a) Financial Sector Development: This component was to involve funding of technical assistance expertise and technology upgrading to put in place a procedural framework for handling banks with structural or short term solvency and/or liquidity problems; implement uniform financial accounting reporting standards and a chart of accounts in the banking sector; update the regulatory framework to cover merchant banks, trust, foreign exchange traders, and other non-bank financial institutions; restructure and improve the financial condition of the remaining state-owned bank including an assessment of privatization options; and develop industry-specific regulations and directives to make operational the new legal framework and supervisory bodies for the insurance and securities sectors.

(b) Private Sector Development: This component was to fund technical assistance, training and equipment to support the second phase of the privatization program to transfer approximately 15 additional state enterprises to the private sector. Besides technical assistance to carry out the financial, net worth valuation, and legal/contractual aspects of the program, the component was also to develop, in conjunction with the development of securities sector regulations, a framework for facilitating the public offering of shares of such enterprises on the market. It was also to fund work to value the financial accounts of the remaining state enterprises and consolidate them into a common holding company to facilitate future performance monitoring and readiness for privatization. The component was also to support the development of policies under the privatization program to protect laborers' and small investor's interests to ensure fair and socially equitable treatment of such interests during the privatization process, as well as environmentally sound safeguards.

(c) Public Sector Business Services: This component was to fund the development of revised public procurement procedures and regulations to facilitate the public bidding and contracting processes, and the establishment of a national contractor's registry. It was also to strengthen and update the public sector's external auditing capacity to improve standards and timeliness of audits undertaken for both multilateral investment project credits and public institutions, and to implement procedures for conducting operational and performance based audit work and training thereof, under the aegis of the Auditor General's office. The component was also to fund the modernization of the public sector's payroll budget system, ensure full Y2K compliance, and allow continuity and efficacy in this key public sector management function.

3.4 Revised Components:

The components were not revised.

3.5 Quality at Entry:

The quality at entry was satisfactory. The IDA, via a number of operations starting with the Structural Adjustement Credit (SAC) and the first Technical Assistance Credit (TAC), and followed by the FISBEC and the PSDAC, was committed to supporting financial sector, privatization, capital market development, and public services and policy issues. Since IDA had the best knowledge of the sectors to be covered by the project, in comparison with the other donors, it was a logical step for IDA to take leadership in these areas under a technical assitance operation rather than a sectoral adjustment operation. Since privatization of public assets was the main project objective, its design took into consideration the experience had in the first phase of the privatization program and the lessons learned from similar successful operations. Among these, the project design included measures needed to protect the interests of all stakeholders, particularly those of workers in the entities to be privatized and small investors interested in contributing to the domestic market. Thus, the project incorporated the development of policies to both protect workers' interests in the transistion of ownership of privatized entities, as well as financial market regulations which adequately were to protect the interests of small investors (the employees of the privatized entities or individual consumer investors). Regarding the financial sector, IDA took advantage of Government commitment to the reform of private and financial sector policies and focused the project on developing the institutional mechanisms which would allow future policy reforms and/or those that were underway to be implemented and enforced on the ground. The latter was to be assisted by the development of regulations applicable to securities trading and disclosure.

4. Achievement of Objective and Outputs

4.1 Outcome/achievement of objective:

The achievement of project objectives was positive with some variability across components, but overall it can be considered that the project met its goals substantially, as indicated below.

Objective (i): To 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. This objective was partially achieved. The regulatory framework of the financial sector was improved. The Insurance Act was put in force, the newly appointed Insurance Commissioner took office in October 2002, the Securities Act was implemented, and the entities responsible for oversight and self-regulation of the sector were established (namely the Securities Council and the Guyana Association of Securities Companies and Intermediaries, GASCI). In the insurance area, the future adequacy of budget resources will be essential for the new Insurance Commissioner to effectively monitor the sector (for instance through regular on-site examinations) and fully implement the Insurance Act. Under banking, selected amendments and/or added regulations under the Financial Institutions Act (FIA) were not completed, consequently, appropriate procedures for the efficient resolution of potential problem institutions are yet to be put in place. In the securities area, regulations will need to be adapted to the realities of Guyana's business environment given the embryonic state of its capital market (with trading yet to begin), and a self financing institutional model will need to be developed to ensure adequate future organizational and staffing capacity of the Securities Council. At a later stage, once securities trading has been active during a period of time, it would be advisable to make an evaluation of how the operation of the securities and financial sectors are being conducted and make any adjustments, if needed.

Objective (ii): To assist in the transfer of state-owned enterprises to the private sector to promote an enterprise led economy. This, the major objective of the project, can be considered as fully achieved. The project assisted the Government to promote an enterprise led economy by privatizing 10 public enterprises included in the original privatization program. Some enterprises were fully sold and others were divested through long term leases thus sharply reducing the role of the State in various economic sectors. Moreover, two of the largest public entities not originally included in the privatization program – Guyana Electric Company (GEC) and Guyana National Cooperative Bank (GNCB) – were also sold. Alternative solutions are being explored for privatizing the remaining 5 public entities already offered for sale at least once, and included in the second phase of the privatization program: Hope Coconut Industries, National Printers, Bermine, Linmine, and Wauna Palm Oil.

Objective (iii): To support the modernization of the public sector through improved service delivery in the areas of procurement, auditing, and public sector management.
This objective was substantially achieved. The public sector services delivery in the areas of auditing and public sector management has been significantly improved, though less in the area of procurement. The audit examiners and senior staff at the Auditor General's Office (AGO) underwent the first phase of an on-site training program covering performance and forensic auditing, and audit report writing. The training has resulted in a substantially improved quality of audit reports delivered by the AGO, including those under IDA financed projects. A second phase of the training program (including topics such as government financial management information systems audits, internal auditor training, and certification of fraud examiners) was not executed because the Government did not allocate the necessary funds to the Project Implementation Unit (PIU) in a timely manner.

The public procurement legal framework was substantially modified. A new Procurement Law approved in May 2002, was a significant improvement. Based on additional comments by IDA, despite some delays, agreement was reached with the government to amend the Procurement Law and substantially improve the efficiency and transparency of public procurement procedures. This is expected to be passed by mid 2003. Other key features are the establishment of the independent National Procurement Tender Board, which would report directly to the Parliament, and the preparation, approval and enforcement of procurement regulations and procedures.

Regarding public sector management, the project assisted the Government in the preparation and successful implementation of a modern Government Payroll System that is helping to automate processing, eliminate duplication of records, and incorporate payroll data for the Government budget planning exercises. Additionally, the Government funded the preparation of a Project Financial Management System (FMS). Initial implementation difficulties due to the unavailability of a consultant systems designer to correct specific software technology related problems, were overcome, and the system was subsequently re-designed and adapted under alternative software packages.

Assessment. The project intervention made a significant contribution to the privatization of public assets and an important contribution in setting up a functional institutional framework for privatization and the management of State properties. Although the project fell short of reinforcing some banking sector regulations it achieved the implementation of the Insurance and Securities Acts, the establishing of the Secutities Council, the Association of Dealers and Brokers, and the nomination of the Insurance Commissioner. Moreover, the project improved the quality and procedures in public services such as payroll and auditing, and supported changes to public procurement legislation which will modernize procurement practices and increase both transparency and efficiency. In sum, taking into account the major achievement in the privatization progran done under the difficult conditions prevailing in the small and poor economy surrounding the project execution, the outcome of the project is considered satisfactory.

4.2 Outputs by components:

The output of the three major project components supporting privatization and regulatory and institutional development is presented below.

Financial Sector Development: The technical assistance expertise and technology upgrades funded by the project delivered some of the expected outputs in the insurance and securities sectors. However, specified regulations for the banking system were not undertaken. These are detailed below:

Strengthening of the supervisory function for banks and non-banks. The Central Bank is currently relying on Grant funding from the IDB and the IMF to strengthen its procedures and to draft amendments to existing regulations. In this context, the Government has financed the preparation of a uniform financial accounting reporting standards and a chart of accounts in the banking sector, and a regulatory framework to cover merchant banks, trust, foreign exchange traders, and other non-bank financial institutions, outputs which will require subsequent technical reviews to assess their compliance with international standards. It is recommended that this effort be undertaken based on a comprehensive diagnosis of the financial system, including a banking vulnerability diagnostic. A concrete draft amendment to the FIA and associated implementing procedures is yet to be completed. In the meantime the banking system lacks a fully modernized procedural framework for handling banks with structural or short term solvency and/or liquidity problems.

Restructuring the Guyana National Cooperative Bank (GNCB) and preparation of privatization options. This was one of the major activities of the project marks a key turning point in Guyana's financial sector history, as the sale of GNCB to a suitable investor will create a fully privatized financial system. The Government overcame previous difficulties given the fragile state of GNCB's finances and put the bank up for sale, this time successfully. A serious bid submitted by the largest private bank in Guyana (NBIC, owned by Republic Bank of Trinidad) was negotiated and a sale contract concluded. This agreement included, *inter alia*, the transfer of assets and deposits, as well as an interest bearing Government bond to cover the balance sheet gap. A loan recovery agreement for part of GNCB's remaining good portfolio is expected to be negotiated with NBIC under a separate asset management contract. The bulk of the non performing loans will be transferred to Guyana Cooperative Financial Services (GCFS), the Government collection agency, and expected to be administered under a private asset management contract. This indeed

*Insurance sector supervision***.** The Insurance Act, which had previously been approved by Parliament, was put in force. After some delays, a new Insurance Commissioner was appointed in October 2002, and has taken office. The Commissioner has demonstrated strong technical skills. There are some remaining concerns, given the scarcity of budget resources in Guyana, regarding the need to support the new Insurance Commissioner's Office with adequate staffing, in order to effectively monitor the insurance sector through regular on-site examinations and draft additional regulations to implement all necessary provisions of the Insurance Act. As a first step towards relieving the resource constraints, the regulatory fees to be charged to insurance companies allowed by the new law should be implemented. This would contribute to a sustainable and better funded budget for the Commissioner's Office.

Securities market. The Securities Act is being implemented and the entities responsible for oversight and self-regulation of the sector have been established, namely, the Securities Council and the Guyana Association of Securities Companies and Intermediaries (GASCI). However, trading of securities is still to be initiated and there is the need to develop, based on analysis of market potential, a stronger self financing institutional model funded by industry participants, to ensure the sustainability of a future capital market and its supporting infrastructure. The limited organizational and staffing capacity of the Securities Council could become a source of concern, because, unless the Council can count on additional resources, this could result in an emerging capital market, once activated, being operated without sufficient oversight to mitigate potential trading risks.

Private Sector Development: In terms of project funding, this was the largest component of the project and was implemented satisfactorily. The technical assistance expertise funded by the project led to the privatization of 10 state enterprises included in the second phase of the privatization program and to the privatization of GNCB and GEC, two of the largest enterprises which were not originally included in that program. A team of international and local experts carried out the financial, net worth valuation, and legal/contractual aspects of the privatization program, and developed policies under the privatization program to protect laborers' and small investors' interests to ensure fair and socially equitable treatment of such interests during the privatization process, as well as environmentally sound safeguards. A notable effort was made by the project to improve the performance of GNCB by hiring an international firm to restructure and manage it in order to improve its finances up to the point of making the privatization of GNCB attractive to private investors. This component also funded work to value the financial accounts of all the remaining state enterprises and consolidate them into a common holding company to facilitate the monitoring of their future performance and the evaluation of their readiness for privatization.

The Privatization program. The Table below shows the enterprises privatized. Some entities were fully sold or divested through long term leases. In addition to the privatization of the entities included in the privatization program, the Government sold GNCB and the Guyana Electric Company (GEC) which constitute key players in the banking and electricity sectors, respectively. As described above, the sale of GNCB was finalized in early 2003. However, in spite of the numerous attempts and advertisements for sale having been conducted, five enterprises are still pending to be privatized: Hope Coconut Industries, National Printers, Bermine, Linmine, and Wauna Palm Oil. In these cases, alternative solutions are being explored. In the case of Linmine, one of the largest remaining mining entities, the Government recently entered into an arrangement with Canadian CAMBIOR Mining Co. which is expected to close a purchase deal shortly.

Entities under the Privatization Program

Enterprises	Sector	G$ millions		
		Assets	Liabilities	Equity
Privatized 1999-2003:				
Guysuco Dairy	Agri-based	46	--	46
Quality Foods	Commercial	n.a.	--	n.a.
Ruimveldt Indust. Park	Industrial	23	--	23
Guyana Pharmaceuticals	Commercial	393	279	113
Guyana Stores Shares	Retail	1,342	600	742
Seals & Packaging	Commercial	1,391	736	655
Surapana Farm	Agriculture	n.a.	n.a.	n.a.
Guyana Airways	Transport	1,554	757	797
Glassworks Indust. Park	Industrial	431	--	431
Bauxite Industrial. Dev.	Real Estate	40	--	40
GNCB	Banking	16,200	13,600	n.a.
Guyana Electric Co.	Power	11,634	10,733	901
Not yet Privatized:				
Bermine	Mining	2,339	2,226	113
Linmine	Mining	5,242	1,983	3,259
National Printers	Commercial	140	60	80
Hope Coconut Indust.	Agri-based	11	5	6
Wauna Palm Oil Estate	Agri-based	86	8	78

Public Sector Business Services. The technical assistance expertise and technology upgrading funded by the project delivered most of the expected outputs in the auditing, payroll system and financial management system. But it failed to implement the public procurement reform in full.

Training of the Auditor General. The audit examiners and senior staff at the Auditor General's Office (AGO) underwent an on-site training program designed and implemented by USDA officials and which covered performance and forensic auditing, and audit report writing. As a part of this training, new auditing procedures and policy manuals were also elaborated. The training resulted in a substantially improved quality of audit reports delivered by the AGO, including those under IDA financed projects. Unfortunately, only the first phase of the training program could be completed because project funds needed to carry-out this second phase of the training were never allocated by the Ministry of Finance. The second phase of the training program, including important topics such as government financial management, information systems audits, internal auditor training, and certification of fraud examiners, is expected to be executed under a follow up IDA Credit.

Payroll System. The Government payroll system was implemented and is now being used to administer monthly payments for public sector employees and retirees (for pension payments). The system was designed to be Y2K compliant. The system has to still incorporate non-regular contracts such as those requiring daily or bi-weekly payments, and all employees from decentralized territorial offices of the government (although this represents a very small percentage of all government employees). The new payroll system has helped to automate processing and eliminate duplication of records. As a next step, the budget office will incorporate salary payroll data for its annual budget planning exercises and integrate such data with government accounting systems, activities which will be supported under a follow up public sector technical assistance credit.

Procurement Reform. Internal country policy differences, as well as initial lack of agreement with the multilateral institutions with respect to all the issues to be covered by the proposed public procurement reform, delayed the enacting of a new Procurement law. Eventually the law was approved in May 2002 with an additional set of amendments effected in December 2002 following Government's consultation with IDA. However, in February 2003, IDA pointed out that the law required additional changes to make it fully compliant with IDA's and IMF's procurement conditions. IDA and the Government have reached agreement on the substantive changes to be incorporated and the new law is expected to he passed in mid 2003. With the passage of the law, the legal framework would be substantially completed, and the preparation and implementation of the subsequent regulations and procedures, as well as the establishing of the independent National Procurement Tender Board which would report directly to the Parliament, will take place under a new IDA project recently approved.

Project Financial Management System (FMS).
Additionally, but not part of the public sector business services, a database and a FMS system was developed but not fully implemented under the original software package developed, because some information technology related issues needed to be corrected by a highly specialized consultant who was not available after a second version was being tested. Instead, towards the

end of the project, a complete excel-based reporting system was developed by the project PIU. It met the IDA's LACI reporting requirements and included expenditure by type, special account balances, procured contracts, disbursement transactions, and sources and uses of funds. The PIU has also recently implemented a Quick Book Pro package which has been successfully adapted for use in new multilateral and IDA projects.

4.3 Net Present Value/Economic rate of return:

Not available because this project is a technical assistance operation.

4.4 Financial rate of return:

Not available because this project is a Technical Assistance operation. Nevertheless, it is worth to note that the privatization of public entities yielded close to US$ 11 million in current value terms, which compares well with the US$ 10.9 million estimated at appraisal and more than covered the full costs of the project and the credit.

4.5 Institutional development impact:

The overall impact of the project on institutional development was substantial: the project contribution to privatization of state-owned entities, the development of institutions and capacities in the financial, private, and public services sectors was as expected, though the supervisory bodies require further strengthening. On the one hand, the creation of a highly technical Privatization Unit in the Ministry of Finance made possible the transfer of a significant number of state assets to the private sector; the implementation of the Securities Act led to the establishing of the Securities Council and the Guyana Association of Securities Companies and Intermediares (GASCI); the enforcing of the Insurance Act led to the appointment of the Insurance Commissioner. On the other hand, the trading of securities is still to be initiated and a self financing business plan ensuring the sustainability of its supporting infrastructure is yet to be developed, in order to avoid continued reliance on government resources. Currently, the scarcity of resources has limited the organizational and staffing capability of the Securities Council and the performing of oversight functions by the Insurance Commissioner through more frequent on-site examinations.

The audit examiners and senior staff at the Auditor General's Office (AGO) were trained on performance and forensic auditing, and audit report writing, and manuals on auditing procedures and policy manuals were elaborated. The training improved the quality of audit reports delivered by the AGO, including those under IDA financed projects. Training of AGO's staff on Government financial management, information systems audits, and certification of fraud examiners is pending until resources are made available to the AGO.

Regarding public services, the timing and accuracy of monthly payments of salaries of public sector employees and pensions of retirees was improved thanks to a Y2K compliant payroll system implemented by the project. The budget office will use said payroll system to incorporate salaries payroll data in its annual budget planning exercises.

Public procurement is being done under the old institutional set up while the new Public

Procurement law, approved in 2002, is awaiting final amendments after a first round of amendments also approved in late 2002 to make it fully compliant with the procurement conditions of IDA and IMF. The body to enforce it and report directly to the Parliament is yet to be established and provided with corresponding regulations. However, a major step in this direction was the political accord reached between the two parties in Spring 2003, which will now allow Parliament to function, and bodes well for the institutionalization of the new procurement framework.

5. Major Factors Affecting Implementation and Outcome

5.1 Factors outside the control of government or implementing agency:

Uncertain trends in international demand for and prices of mining products (such as bauxite) and agricultural products (such as rice) were an important obstacle that delayed the privatization of mining and agricultural enterprises and affected the performance of GNCB's portfolio. The agriculture loans of GNCB which comprised more than 40 percent of GNCB's portfolio were rescheduled to accommodate the loan re-payment capability of borrowers affected by depressed demand and low international prices of rice.

5.2 Factors generally subject to government control:

Insufficient allocation, non- allocation or delay in the allocation of resources to Project Units have postponed significantly the implementation or execution of some project components or actions. For example, the lack of resources postponed the second phase of training of the Auditor General Office, and the Government's preference to seek and use grants to complement counterpart funds for the financing of consultants delayed the amendment of financial regulations. Also, the setting of low thresholds for deciding the award of public contracts at the Secretary levels has introduced unnecessary bureaucracy and excessive Cabinet control over public procurement of goods and services. In fact, the Executive Branch – mainly the President – controlled the priorities and pace of project execution.

5.3 Factors generally subject to implementing agency control:

The design of the privatization contracts included measures to protect workers and minority investors. These measures, included in the contracts by the Privatization Unit, captured the support of labor unions and public at large and helped the privatization of public enterprises significantly.

5.4 Costs and financing:

At appraisal the total project cost estimate was US$5.6 million. At formal credit closing date December 31, 2002, the project cost estimate was also US$5.6 million of which US$ 4.6 million equivalent were disbursed from the IDA credit to finance consultant services, training, office technology equipment, project administration and the project preparation advance. The credit was disbursed at a rate faster than expected early in project implementation and asymptotically towards the original credit closing date. Part of the un-disbursed amount, equivalent to US$0.15 million on December 31, 2002, was used to pay for eligible services and goods delivered before

December 31, 2002 (the credit closing date) and claimed from the IDA credit no later than April 30, 2003. The balance of US$0.14 million left in the credit will be canceled. The Government contributed the equivalent of US$0.45 million to project financing.

6. Sustainability

6.1 Rationale for sustainability rating:

The sustainability of the project achievements is deemed to be likely. Government, Parliamentary or political attempts to return the privatized enterprises to state control, retract achievements reached with the new auditing procedures and payroll systems despite their benefits, or reverse already approved financial legislation, are considered highly unlikely to occur during the current Government and in the medium term. As a matter of fact, the current Government has restated its commitment to maintain its policies towards the financial sector reform and restructuring. Also, after the new owners and management of GNCB begin operations, and the amendment of the FIA materializes, it is likely that confidence on the financial market will be instilled on private investors and active trading of securities will be initiated. Moreover, the infrastructure and staff capacities of the General Auditor Office, the Securities Council, and Insurance Commissioner are fairly well prepared to carry out the oversight of the financial sector, unless a significant shortage or complete lack of resources in their annual budgets impede them to do it. Also, there is no doubt about the likely permanence of the improvement achieved or soon to be achieved in some critical public services areas such as the payroll system, the auditing of the public sector, and the public procurement based on sound procurement structure – the latter once the National Procurement Tender Board is in full operation.

6.2 Transition arrangement to regular operations:

The recently approved Technical Assistance Project provides a base for a regular operation of the public administration institutions and mechanisms created by the FPID, and for completion of unfinished components/business: Amendment of the Procurement Law; training of the Guyana Auditor General Office; resolution of some issues in the privatization of GNCB; completion of FMS systems for public projects, and completion of the budgeting and planning systems.

7. Bank and Borrower Performance

Bank
7.1 Lending:

The performance of IDA at the front end of the project cycle was satisfactory. As a logical next step from the previous FISBEC Credit and dialogue with the Government, IDA identified correctly the relevant objectives to be achieved and components to be implemented by the FPID technical assistance project, namely, to continue the strengthening of the regulatory frameworks and institutions supporting an integrated policy approach towards private sector development by linking the financial sector, privatization and public sector service delivery. IDA gave proactive support to Guyana in project preparation through a series of studies and reports assessing the standards and capabilities of the banking system supervisory procedures, the GNCB, the second phase of the privatization program, the country procurement system, and the environmental procedures associated with privatizations. The supervision of previous Credits and dialogue with the Government provided IDA with valuable information for project preparation and appraisal.

Following a participatory approach, IDA interviewed the primary beneficiaries and groups affected by the privatization and took into consideration their views about the project in project preparation and appraisal: Private Sector Commission, Guyana Manufacturer's Association, Labor Unions – Guyana Labor Union – and Government Agencies (Privatization Unit, Bank of Guyana, Go-Invest, Ministry of Finance, Auditor General). It also interviewed other donors intervening in Guyana programs: European Union (private sector skills survey and development program); CIDA (private sector human resource strengthening); IDB (private sector technical and management training program); IMF (private sector structural reform measures); and USAID (investment promotion program). The project benefited of all these programs in progress while not duplicating other donors' programs.

Project appraisal was sound and very well documented in the Project Appraisal Document. It included: a comprehensive analysis and evaluation of the technical and institutional capability of the privatization unit, the Central Bank, the Ministry of Finance, and the procurement and auditing functions; the project management by the Project Implementation Unit of the Ministry of Finance; and the evaluation of social implications of the privatization program and options/measures to mitigate negative impacts on the workers (severance payments, continuity of contracts, re-training and/or employee stock ownership). The project was assigned Environmental Category B, mainly because the privatization program included mining companies and pharmaceutical industries that represent potential hazards for the environment. It was agreed that the privatization legal agreement between the Government and the investors would include environmental clauses for maintaining environmental safeguards in place and clauses whereby the investor would accept any cost of environmental clean up. Also the Guyana Environmental Agency would provide or veto environmental permits for newly privatized industries.

Finally, IDA satisfied itself that the Government of Guyana was indeed committed to and had ownership of the project as demonstrated by the successful execution of the first phase of the privatization program, its strong policy performance observed in the areas of private sector and financial sector development – areas in which targets were met on or ahead of schedule in most cases by resorting to international technical experts to ensure quality institution-building results. Also, in the public sector area, the Government had shown progress in fostering a reform of the public procurement framework and establishing a stronger Auditor General's Office.

Although economic cost/benefit and financial analyses are not required for a technical assistance operation, the project appraisal document included a rough estimate of the IRR and NPV of the privatization program to demonstrate that these indicators of expected project performance were reasonably acceptable.

7.2 Supervision:

Over a period of four years, IDA fielded six supervision missions comprising sufficient number of staff and appropriate mix of specialists, and performed close desk follow up of actions agreed. It also provided the Government agencies with sound advice on how to address issues that emerged during project implementation and put pressure on the Government, aimed at expediting the execution of components that were lagging in the implementation plan (developing a weak bank resolution framework, restructuring of the financial sector, and improving of the Procurement law) or were not delivering the expected outcome (restructuring and improving the finances of GNCB and training of the Auditor General Office). Also, IDA was diligent in processing the requests for no-objection to procurement matters and applications for credit disbursements. In sum, IDA supervision is judged as satisfactory.

7.3 Overall Bank performance:

Based on the above, overall IDA performance is rated as satisfactory.

Borrower

7.4 Preparation:

Since the FPID project was a follow up project to complement the achievements reached by the FISBEC, all the results of the latter and identification of follow up actions can be considered as relevant Government preparation work for the FPID. Consequently, Borrower preparation of the project can be judged as satisfactory.

7.5 Government implementation performance:

The Government, through a Project Implementation Unit (PIU) in the Ministry of Finance, was responsible for overall project implementation and coordination of those components delegated for execution by other technical units of the Government (implementation units). The MOF, and the Central Bank, lacking qualified staff for effective and timely project follow up – and having a recognized past history of weakness in project implementation – were assisted by international consultants in key advisory positions that helped to make an effective implementation of some key project components. This had a noticeable impact on the performance of the Privatization Unit and its successful work, and on GNCB where the consultants assumed managing positions and carried out a restructuring of the bank. Notwithstanding, the implementation of some components were delayed (enforcing the Insurance and Securities Acts and appointing the Insurance Commissioner) and other components were either partially implemented (training of the Auditor General Office, improving GNCB finances, amending the procurement law, commissioning of the public projects financial management system) or not implemented at all (amending the FIA and preparing and upgrading specific financial sector regulations). As pointed above, the decision making power, highly concentrated on the Executive Branch – mainly the President – set the priorities and pace of project implementation. The Government complied with the credit covenants. All things considered, Government implementation performance can be considered satisfactory.

7.6 Implementing Agency:

The performance of the Implementing Agencies (implementing units) was uneven.
The Project Implementation Unit (PIU) centralized and handled well and on a timely basis all project contracting, procurement, auditing of accounts and applications for credit disbursement. It had a fair performance in implementing the public sector services component (the payroll system was commissioned and the full enforcement of the Procurement law was delayed beyond the

credit closing date). The PIU delivered satisfactory technical, procurement and accounting project progress reports and credit disbursement information in a format equivalent to that of LACI. It has also recently implemented a Quick Book Pro package which has been successfully adapted for use in new multilateral and IDA projects. The PIU claimed that it was not cost effective to re-load all of the FPID project's contract data in the Quick Book Pro package with only a couple of months left for credit closing. However, the recently approved IDA Technical Assistance project will make use of this useful project management tool.

The Privatization Unit successfully managed the technical consultancy that privatized most of the entities included in the second phase of the privatization program. This Unit also succeeded in initiating the privatization and attracting investors interested in GEC and GNCB, the latter whose privatization contract was concluded in early 2003.

The Central Bank did not succeed in amending the FIA for improving certain aspects of the banking regulation related to procedures to handle troubled banks. GNCB, managed with the assistance of international consultants, improved its structure and maintained its finances afloat up to the point of privatization.

All things considered, the implementing agencies/units had a satisfactory performance.

7.7 Overall Borrower performance:

Based on the above, overall Borrower performance is rated as satisfactory.

8. Lessons Learned

The following are important lessons learned from this project:

Lesson 1.
Although the Government was committed to fully implement the project, its preference for carrying out some key components of the project using counterpart grant funds which were not initially available to supplement IDA funds (for example the upgrading of specified financial sector regulations and executing actions needed to trigger the operation of the capital market, it delayed the implementation of those grant financed components while it took its time obtaining grants). The lesson is that IDA should consider including in its legal covenants, provisions which would avoid delaying IDA project components if the government chose to substitute certain project activities with grant funds which had not yet been approved or received. In this way the lack of grant money will not be a factor delaying the execution of important project components.

Lesson 2.
It is obvious, but not sufficiently emphasized, that appropriate reputable international consultancy (firms or individuals) – not always welcome by borrowers – assigned to assist Government agencies/units in areas where lack of or shortage of implementation capacity needs strengthening, plays an important role in making a project component succeed. For example, in this project, the participation of independent apolitical international consultants was of paramount importance in assisting the Government in the managing and restructuring of GNCB, and the operation of the

Privatization Unit in the execution of the second phase of the privatization program.

Lesson 3.
In a small developing country striving to emerge from poverty with very limited capacity, it is very difficult to achieve the transformation of the financial sector along a modern paradigm of institutional framework enabling private sector investment, in a relatively short timeframe. To expect this to occur in a period of three years it may be over optimistic. More time is needed to achieve that objective.

Lesson 4.
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 unions and public at large support for privatization by including in enterprise sale contracts, clauses to protect workers and minority investors.

Lesson 5.
A technical assistance Credit can be effective and quickly disbursed if a previous lending operation or set of actions had already laid the ground for its prompt implementation. For example, this occurs if a program needing technical support is already underway (in this project there was an on-going privatization program) or if critical needs require to be immediately addressed (in this project it was badly needed to address the restructuring of the GNCB).

Lesson 6.
Client ownership and commitment is critical to project success. In the case of this Guyana FPID project, the task team worked to ensure a consistent level of involvement of the Government in project supervision and monitoring. The project enjoyed continued strong support when the main counterpart, the then Minister of Finance, became President of the Republic. The PIU was moved to the President's office and the the President himself was directly involved in determining the pace of implementation for most project components. This level of ownership contributed to the fact that the implementation of the project went remarkably smoothly, with practically all funds disbursed without delay, especially when compared to other ongoing IDA projects.

9. Partner Comments

(a) Borrower/implementing agency:

GOVERNMENT ASSESSMENT

PROJECT COMPLETION REPORT

FINANCIAL AND PRIVATE SECTOR INSTITUTIONAL DEVELOPMENT PROJECT

Summary and Conclusions

This Implementation Completion Report (ICR) is an evaluation of the Financial and Private Sector Institutional Development Project (FPID). The purpose of the credit was to support second generation institutional reforms aimed at creating a environment for private sector led

growth.
Since the decade of the 1990s, the Government has been implementing fundamental reforms with the objective of improving the (i) financial sector; (ii) good governance; and (iii) public infrastructure.

Project Objectives

Consistent with the medium-term growth strategy of the government, the FPID project sets out to achieve the following objectives: (i) improving the regulatory framework of the overall financial sector; (ii) assisting in the transfer of state-owned enterprises to the private sector; and (iii) supporting the modernization of the public sector through improved service delivery in the areas of procurement, auditing and public sector management. To achieve these objectives, the following components were identified: (i) financial sector development; (ii) private sector development; and (iii) public sector business services.

Overview of Project Achievements

Based on the performance indicators as set out in the project, the FPID was a tremendous success as it (i) supported the implementation of a modernized broad financial sector regulatory framework resulting in the operationalisation of new regulatory bodies and evidence of improvement in the performance and strength of financial institutions in line with international bank accounting and Basle prudential standards; (ii) facilitated the transfer to the private sector a critical mass of state-owned enterprises within an enabling business environment for both industrial and financial investors; and assisted in the modernization of public sector auditing and procurement framework and implementation of Y2K compliant systems for public sector management.

Assessment of Financial Sector Development

The FPID project through technical assistance provided support in the privatization of GNCB. In particular, expatriate management consultants and legal experts were recruited to first restructure the Bank and thereafter offer it for sale. Restructuring led to cost containment through rationalization of staffing and streamlining of the bank's activities. The bank was brought to the point of sale in September 2002 and privatized in March 2003.

The project also provided consultancy services through the privatization unit to privatize the GNCB Trust. That institution was brought to the point of sale and eventually sold. The privatization of these two entities has eliminated public sector involvement in the banking system although the Financial Institutions Act provides for about 25 percent of public sector participation in the commercial banking system.

Further, the project provided for the establishment of the Secretariat of an insurance commission. A commissioner was appointed to regulate and supervise the insurance sector. By establishing a regulatory framework for the functioning of the insurance industry, the FPID has contributed immensely in streamlining the operations of the insurance industry in Guyana by beginning to implement international best practices.

Also slated for implementation under the FPID is the establishment of a securities market. With the Government securing grant assistance for the same purpose, FPID resources were deployed in other areas. Even so, the key objectives planned under the project for the securities market were met. Regulatory and operational frameworks for the functioning of the securities market was set up with the establishment of Guyana Securities Council and the Guyana Association of Securities Companies and Intermediaries. The U.K.'s DFID support for the securities market will come to an end in December 2003.

Also planned under the project was the strengthening of prudential supervision at the Bank of Guyana to allow for more efficient supervision of the commercial banking sector. Like the securities market, Government received support in technical assistance from the IMF under this component. Nevertheless, prudential supervision continues to be weak as evidenced by the central bank's inability to identify problems within Globe Trust, a trust company before it went bankrupt causing significant losses to its customers, particularly the poor. While the government succeeded in meeting many of the performance indicators in the financial sector, it is clear that additional support will be needed to strengthen the supervisory role of the Bank of Guyana. This may be addressed in the IDB Financial Services operation that is currently under preparation.

Assessment of Privatization Component

Under the privatization component, the government agreed to privatize the following entities: Bermine, Linmine, Guyana Pharmaceutical Company, Seals and Packaging, Glasswork Industrial Works, Ruimveldt Industrial Park, Guyana Store, Guyana Power Company, Guyana Airways as well as the restructuring of GNCB. In effect, the Government committed to divest itself from private sector activities except Guyana Sugar Company, Guyana Oil Company, Guyana National Shipping Corporation and GNCB.

By end 2000, the Government had succeeded in privatizing all the above non-financial public enterprises. The Government also went beyond its commitment of restructuring GNCB by putting the financial entity on the market for sale. The sale has since been completed. Further, the Government in 2001 began the difficult task of restructuring the remaining public enterprises that it was committed to keep. A case in point is Guysuco where the Government has begun implementing far-reaching reforms to modernize the industry, reduce cost and return the industry to sustained profitability. The other two remaining non-financial public enterprises are also undergoing restructuring, albeit, at a much slower pace. All in all, the Government exceeded the performance indicators of the privatization programme as agreed to in the FPID project.

Assessment of Public Sector Business Services Component

This component was designed to support reforms in public procurement, strengthening of public sector auditing and modernization and implementation of new public resource management and payroll budget systems. Although, procurement reforms took long to be implemented, on account of new constitutional reforms that required special transparency and oversight functions for a procurement commission, the Government has since made strong efforts to reform the tendering and procurement system. A procurement law was passed in June 2002 and amended later in June 2003 to take into account feedback from public consultations and comments from the international donor community. Guyana now has one of the most far reaching procurement laws in the Caribbean. The follow-up to the procurement law as captured in the Country Procurement Assessment Review is being implemented with technical assistance from the World Bank through the new public sector t.a. credit.

The FPID project also assisted the government in implementing reforms in strengthening the Office of the Auditor General through capacity building initiatives including extensive training to staff of that agency. These efforts have assisted the A-G's office to carry out a variety of audits throughout the public sector and have also reduced the number of audits carried out by private companies for foreign funded projects. Technical assistance from the FPID project in the Auditor General Department has been complemented by support from the Inter-American Development through funding for the preparation of a new Audit Law which would grant greater autonomy to the Department.

Perhaps, the greatest success of the FPID project is the transformation of Guyana's payroll system. The Bank acted in a timely way and provided full support to the Government to deal with Y2K related issues with the payroll. Apart from this, the project allowed the government to update its payroll system and prepared the ground for the integration of its human resource component to the payroll. Through the new public sector t.a. credit, the government has procured human resource software and a consultant and is in the process of integrating the payroll system to personnel within the public service.

Lessons Learned Recommendations for Future Assistance

The importance of programme coordination both at agency and donor level was one of the key lessons learned in the implementation of FPID project. At the agency level, where there was closer collaboration between the project executing agency and the beneficiary agency, implementation proceeded on time. Indeed, this was the case with the MIS Unit in the implementation of the payroll system, Privatization Unit in the sale of public enterprises and implementation of securities legislation, and the Ministry of Finance in the provision of advisory services to the Government. In the Central Bank, where coordination was poor, it was difficult to push through the implementation of project objectives. Similarly, where coordination with donors was properly organized, implementation proceeded efficiently. This was particularly the case with DFID in the implementation of securities legislation while in the case of banking supervision for the central bank, poor coordination with the IMF technical assistance support did not produce desired results envisaged in the FPID.

Timely response and flexibility of Bank staff to the needs of the client helps in project implementation. In particular, Bank staff on the FPID provided timely support to the project in terms of requests on procurement, reports, accessibility, supervision and problem solving. This to a considerable extent facilitated project implementation and built trust between the client and the Bank.

Government's View of the Project

This IDA intervention provided critical assistance necessary to implement many of the structural reforms agreed between the Government and the multilateral financial institutions. Results deriving out of this project are already apparent:

- Proactive role of Government in private sector activities is substantially reduced;
- Financial sector reforms have somewhat strengthened the banking system and completely eliminated the role of government in the sector;
- Modern payroll system with a platform for integration with human resources of the public sector is already in place;
- Framework for the development of s stock market is in place;
- A new procurement law has been enacted.

(b) Cofinanciers:

Not applicable.

(c) Other partners (NGOs/private sector):

Not applicable.

10. Additional Information

Annex 1. Key Performance Indicators/Log Frame Matrix

Annex 1. Key Performance Indicators/Log Frame Matrix
Outcome/Impact Indicators:

Indicator/Matrix	Projected in Last PSR	Actual/Latest Estimate
1. Financial Sector Development		
a. Banking Sector Regulatory Development Enforcement	2002	Reduction in the level of non performing loans and assets in the financial system has been partially achieved. In 2003 or later, an amendment of FIA is expected to incorporate new bank resolution procedures for the closure, merger or exit of troubled institutions.
b. Bank Restructuring	2002	In 2002, GNCB was restructured and brought to the point of sale. Its non performing loan portfolio was reduced, and collection on defaulting loans increased. In early 2003 a private investor group purchased the bank from the government.
c. Insurance Sector Regulatory Reform.	2002	In 2002 the insurance supervisory and monitoring system was established. In 2003 or later, an insurance industry financial data and reporting system will be established.
d. Securities Sector regulatory reform.	2003	The regulatory and institutional framework is in place but trading of securities has not yet started.
2. Private Sector Development		
Privatization of Public Enterprises under a Conducive & Transparent Business Environment	2003	From 1999 to 2002, twelve Government's enterprises were privatized including GNCB. Five other enterprises were brought to the point of sale. The Government has the capability to make market valuations of state owned assets and competitive bidding to sell them to potential investors.
3. Public Sector Business Services		
a. Modernize the Public Procurement Framework	2002	A new Procurement Law was enacted but it still needs amendments to assure transparency in the allocation of public resources. This may be

		achieved by 2003/2004.
b. Strengthen the Public Audit Function	2002	General Auditor Office now has the staff and capability to conduct audits, though its staff needs more training in 2003/2004
c. Upgrade the Public Sector's Human Resource Payroll Budget System.	2002	A modern Government payroll system is in place. Accurate and timely processing and payment of salaries has been achieved.

Output Indicators:

Indicator/Matrix	Projected in PAD	Actual/Latest Estimate
1. Financial Sector Development		
a. Banking Sector Regulatory Development Enforcement		
Approve and enforce a regulatory framework to deal with insolvent and illiquid banks, incorporate international banking accounting and reporting standards, and regulate merchant banks, trusts, and foreign exchange operators.	2000	Merchant banks, trusts and foreign exchange operators have been incorporated into the financial institutions regulatory framework. In 2003 or later amendment of the FIA is expected with regard to failed bank resolution measures.
b. Bank Restructuring		
Restructure GNCB, assess its financial condition and asset net worth valuation, and submit to the Government and IDA a plan conducive to privatization options.	2000	During 1999-2002 an internationally experienced team managed and restructured GNCB, valued its assets, and took GNCB to point-of-sale in 2002.
Complete privatization and/or other actions agreed for management and ownership of GNCB.	2001	Privatization of GNCB was achieved in early 2003.
c. Insurance Sector Regulatory Reform.		
Appoint Commissioner and staff, and allocate budget to Office of Insurance Commissioner.	2000	The Insurance Commissioner was appointed in 2002. Staff is sufficient but budget is uncertain.
Develop and implement insurance regulations.	2003	Development of implementing insurance regulations governing minimum capitalization, solvency requirements, underwriting standards, tax regime, allowances for investment of assets, reinsurance security, and conditions for revoking licenses is expected in 2003 or later.
Implement inspection cycle for insurance industry.	2001	2003 or later

Implement quarterly industry reporting system by the Insurance Commissioner.	2002	2003 or later
d. Securities Sector Regulatory Reform.		
Establish budget and staffing for the new Securities Council, and develop and implement securities regulations.	2000	Staff was sufficient in 2002, but budget is uncertain. Development of implementing securities regulations covering public issuance disclosure requirements, capital requirements and operating criteria for licensed dealers and brokers is expected in 2003 or later.
Amend regulations of the Capital Issues Act, the Financial Institutions Act, and the Companies Act, and begin implementation of supervisory and securities market off-site tracking systems.	2001	Amendments done. In 2003 or later, securities supervision to begin once the market is launched.
Set up operational system for securities monitoring and information system for tracking trades and market prices of publicly traded securities in the primary and secondary markets.	2002	By mid to late 2003. Trading of securities has not yet begun.
2. Private Sector Development		
Privatization of Public Enterprises under a Conducive & Transparent Business Environment		
Bring to point-of-sale 15 Government entities included in the second phase of the privatization program:	2000	Up to 2002 the following entities were brought to point-of-sale and privatized: (a) Guyana Pharmaceuticals, (b) Seals & Packaging; (c) Glassworks Industrial Park; (d) Ruimveldt Industrial park; (e) Quality Foods, (f) Guyana Airways, (g) Guyana Stores, (h) Guysuco Versailles Dairy Complex, (i) GNCB, (j) Guyana Electric Company, (k) Surapana Farm, (l) Bauxite Industrial Development Co. By mid-2003 the following 5 enterprises which had been brought to point-of-sale previously, are being readvertised: (a) Hope Coconut Industries; (b) National Printer, (c) Wauna Palm Oil Estate, (d) Bermine, and (e) Linmine. Currently negotiations are

		underway for the sale of Linmine to a Canadian mining company.
Consolidate the register of public enterprises' financial accounts into a government holding company and corporatize financial management of these enterprises by systematizing reporting of financial and performance data.	2001	2002
Sale of minority share interests to employees, transfer of employee contracts with appropriate terms and conditions, and maintain severance payment terms as prior per union agreements.	2002	2002
Protect small investor by: (a) ensuring share offers to all shareholders during takeovers; (b) requiring a priori announcements of takeover intention to ensure price transparency; (c) setting out rules for clearing and settlement of securities; (d) setting out ethics rules for dealers and brokers; (e) setting out disclosure rules for dealers and brokers.	2002	2002
3. Public Sector Business Services		
a. Modernize the Public Procurement Framework		
Complete development and drafting of the new procurement law, and endorsement by Cabinet, including provisions for transparency in advertising for bids, controls on third party interests evaluating bids, and clear evaluation and selection procedures & criteria.	2000	New Procurement Law was enacted in February 2002, amended in December 2002. However, it still needs an amendment to comply with procurement conditions of IDA and IMF. This is expected to occur in late 2003.
Develop and implement administrative tools, procedures, and information systems for implementation of the procurement regulations. Restructuring of the central tender Board.	2001	The Central Tender Procurement Board is not yet in operation. It is expected to be so in late 2003.
Establish administrative system for public procurement and contractor registry procedures. Develop and implement a national Worker's/Contractor's registry.	2002	2003
b. Strengthen the Public Audit Function		

Implement procedures for meeting standards of multilateral development agency project audits.	2000	2000
Produce auditing procedures and manuals, and implement revised auditing standards and guidelines for commercial, institutional, and multilateral project audits.	2001	2002
Develop and implement operational and performance-based audit techniques to supplement financial reviews of major public work projects. Sustain auditing capacity in public sector and certify international auditing standards.	2002	2002
c. Upgrade the Public Sector's Human Resource Payroll Budget System		
Develop, implement and operate a payroll budget system complying with Y2K standards.	2000	2002
Implement integrated payroll, accounting, and budget system.	2001	2003 or later

Annex 2. Project Costs and Financing

2a. Project Cost by Component (US$ million equivalent)

Component	Appraisal Estimate US$ million	Actual/Latest Estimate US$ million	Percentage of Appraisal
Financial sector	1.52	1.15	76%
Private Sector Development	2.10	2.48	118%
Public Sector and Business Services	1.46	1.47	101%
Total Baseline Cost	**5.08**	**5.10**	**100%**
Physical Contingencies	0.20	0.14 (undisbursed)	n.a.
Price Contingencies	0.32	0.0	
Total Project Costs	**5.60**	**5.10**	**91%**
Total Financing Required	**4.80**	**4.66**	**97%**

2b. Project Cost by Procurement Arrangement (Appraisal Estimate)

(US$ million equivalent)

Expenditure Category	Procurement Method				Total Cost
	ICB	**NCB**	**Other**	**N.B.F.**	
1. Consultant services	2.265	0.00	2.215		4.480
	(1.925)	(0.00)	(1.895)	(0.00)	(3.820)
2. Goods & equipment	0.230	0.350	0.210	0.00	0.790
	(0.200)	(0.300)	(0.180)		(0.680)
4. Operating expenses	0.00	0.00	0.00	0.330	0.330
	(0.00)	(0.00)	(0.00)	(0.300)	(0.300)
Total	**2.495**	**0.350**	**2.425**	**0.330**	**5.600**
	(2.125)	**(0.300)**	**(2.075)**	**(0.300)**	**(4.800)**

Figures in parenthesis were the amounts to be financed by the IDA Credit

2c. Project Cost by Procurement Arrangement (Actual/Latest Estimate)

(US$ million equivalent)

Expenditure Category	Procurement Method				Total Cost
	ICB	**NCB**	**Other**	**N.B.F.**	
1. Consultant services	1.650	0.831	1.665	0.450	4.596
	(1.650)	(0.831)	(1.665)	(0.00)	(4.146)
2. Goods & equipment	0.00	0.331	0.00	0.00	0.331
	(0.00)	(0.331)	(0.00)	(0.00)	(0.331)
4. Operating expenses	0.00	0.179	0.00	0.00	0.179
	(0.00)	(0.179)	(0.00)	(0.00)	(0.179)
Total	**1.650**	**1.341**	**1.665**	**0.450**	**5.106**
	(1.650)	**(1.341)**	**(1.665)**	**(0.00)**	**(4.656)**

Figures in parenthesis are the amounts financed by the IDA Credit

Project Financing by Component (US$ million equivalent)

Component	Appraisal Estimate			Actual/Latest Estimate			Percentage of Appraisal		
	IDA	**Govt.**	**Total**	**IDA**	**Govt.**	**Total**	**IDA**	**Govt.**	**Total**
Financial sector	1.30	0.22	1.52	1.05	0.10	1.15	81%	45%	76%
Private Sector Development	1.80	0.30	2.10	2.26	0.22	2.48	126%	73%	118%
Public Sector Business Services	1.25	0.21	1.46	1.34	0.13	1.48	107%	62%	101%
Contingencies	0.45	0.07	0.52	0.14*	0.0	0.14*	n.a.	n.a.	n.a.
Total	**4.80**	**0.80**	**5.60**	**4.65**	**0.45**	**5.10**	**0.97**	**56%**	**91%**

*Unused/undisbursed, therefore not added into total.

Annex 3. Economic Costs and Benefits

Not applicable since this is a technical assistance project. Nevertheless, it is pointed out that the privatization program which this credit directly supported (via technical and consulting support to the Privatization Unit) yielded total net proceeds of US$ 11 million equivalent to the Government. This amount more than covers both the present value as well as the nominal value of the IDA credit and its financing costs.

Annex 4. Bank Inputs

(a) Missions:

Stage of Project Cycle Month/Year	No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.) Count	Specialty	Performance Rating Implementation Progress	Development Objective
Identification/Preparation				
October 1998	*3*	TM/Finance (1), Finance (1), Private Sector (1)		
January 1999	*3*	TM/Finance (1), Finance (1), Private Sector (1)		
Appraisal/Negotiation				
July 1999	*4*	TM/Finance (1), Finance (1), FMS (1), Private Sector (1)	S	S
September 1999	*3*	TM/Finance (1), PSD (1), Legal (1)	S	S
Supervision				
March 2000	*4*	TM/Finance (1), Co-TM/ Econ. (1), Procurement (1), FMS (1)	S	S
November 2000	*2*	TM/Finance (1), Co-TM/ Econ. (1)	S	S
July 2001	*2*	TM/Finance (1), Co-TM/ Econ. (1)	S	S
February 2002	*2*	TM/Finance (1), Co-TM/ Econ. (1)	S	S
February 2003	*2*	TM/Finance (1), Co-TM/ Econ. (1)	S	S
ICR				
May 2003	*2*	Financial Analyst (1), TM/Finance (1)	S	S

(b) Staff:

Stage of Project Cycle	Actual/Latest Estimate No. Staff weeks	US$ ('000)
Identification/Preparation	16.2	43.6
Appraisal/Negotiation	34.4	103.1
Supervision	60.4	181.1
ICR	6.0	15.0
Total	117.0	342.8

Annex 5. Ratings for Achievement of Objectives/Outputs of Components

(H=High, SU=Substantial, M=Modest, N=Negligible, NA=Not Applicable)

	Rating
☒ *Macro policies*	○ *H* ● *SU* ○ *M* ○ *N* ○ *NA*
☒ *Sector Policies*	○ *H* ● *SU* ○ *M* ○ *N* ○ *NA*
☐ *Physical*	○ *H* ○ *SU* ○ *M* ○ *N* ● *NA*
☒ *Financial*	○ *H* ○ *SU* ● *M* ○ *N* ○ *NA*
☒ *Institutional Development*	○ *H* ● *SU* ○ *M* ○ *N* ○ *NA*
☐ *Environmental*	○ *H* ○ *SU* ○ *M* ○ *N* ● *NA*
Social	
☐ *Poverty Reduction*	○ *H* ○ *SU* ○ *M* ○ *N* ● *NA*
☐ *Gender*	○ *H* ○ *SU* ○ *M* ○ *N* ● *NA*
☐ *Other (Please specify)*	○ *H* ○ *SU* ○ *M* ○ *N* ● *NA*
☒ *Private sector development*	○ *H* ● *SU* ○ *M* ○ *N* ○ *NA*
☒ *Public sector management*	○ *H* ○ *SU* ● *M* ○ *N* ○ *NA*
☐ *Other (Please specify)*	○ *H* ○ *SU* ○ *M* ○ *N* ● *NA*

Annex 6. Ratings of Bank and Borrower Performance

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HU=Highly Unsatisfactory)

6.1 Bank performance	*Rating*			
☒ *Lending*	○ *HS*	● *S*	○ *U*	○ *HU*
☒ *Supervision*	○ *HS*	● *S*	○ *U*	○ *HU*
☒ *Overall*	○ *HS*	● *S*	○ *U*	○ *HU*

6.2 Borrower performance	*Rating*			
☒ *Preparation*	○ *HS*	● *S*	○ *U*	○ *HU*
☒ *Government implementation performance*	○ *HS*	● *S*	○ *U*	○ *HU*
☒ *Implementation agency performance*	○ *HS*	● *S*	○ *U*	○ *HU*
☒ *Overall*	○ *HS*	● *S*	○ *U*	○ *HU*

Annex 7. List of Supporting Documents

Project Appraisal Document dated October 28, 1999.

Development Credit Agreement dated November 17, 1999.

Annex A of Implementation Letter dated November 17, 1999.

Project Status Reports (PSRs) Sequence #1 through Sequence #12

Aide Memoirs of IDA Supervision Missions.

Implementation Completion Report on Guyana Private Sector Development Adjustment Credit (C2716-GUA) dated June 11, 1998.

Implementation Completion Report on Guyana Financial Sector Business Environment Credit (C2669-GUS) dated December 25, 1999.

Guyana, Financial & Private Sector Institutional Development Project- Project Monitoring Report dated February 26, 2002.

Summary Report on Guyana National Co-operative Bank for Minister of Finance. ICC Consulting, Ireland.

Initial Report and Assessment on Guyana National Co-operative Bank. Three months Report by New Management Team.

Initiatives to Improve the Access & Affordability to Housing – A Conceptual and Overview Paper prepared by Winston A.M. Brassington (Executive Secretary & Head of Privatization Unit) and Hon. Bharrat Jagdeo (Senior Minister of Finance). (This document has an excellent overview of the Guyana financial sector before privatization).