

**GUYANA**  
**Project Profile (PP)**

**I. BASIC DATA**

<b>Project name:</b>	Environment sector strengthening - I		
<b>Project number:</b>	GY-L1039		
<b>Project team:</b>	Helena Landazuri de Piaggese (INE/RND) Team Leader; Stefano Tinari (ICS/CBA); Rodrigo Martinez (INE/CCS); Juan Jose Miranda (INE/RND); Marisol Inurritegui (RND/CGY); Malaika Culverwell (INE/ENE); Jonathan Renshaw (VPS/ESG); Bernardita Saez (LEG/SGO); and Rosario Gaggero (INE/RND), Project Assistant.		
<b>Borrower:</b>	Co-operative Republic of Guyana		
<b>Executing agency:</b>	Ministry of Finance		
<b>Financing plan:</b>	IDB (OC) :	US\$	8,460,000
	IDB (FSO):	US\$	8,460,000
	Total:	US\$	16,920,000
<b>Safeguards:</b>	Policies triggered: None. Classification: Not required. Operation under Directive B.13		

**II. GENERAL JUSTIFICATION AND OBJECTIVES**

- 2.1 **Macro-economic context.** Guyana is primarily an agriculture and resource-based economy. However, its GDP is heavily weighted towards an expanding services sector. The country has grown since 2006, with real GDP growth averaging at 4.5% through 2011. Since debt relief, Guyana has been able to maintain fiscal discipline and bring its level of debt down from more than 180% of GDP in 2005 to 62.1% of GDP in 2011. Improvements in the economic performance of the country can be attributed partly to sound macroeconomic management and reforms undertaken to enhance governance and improve the business climate. In turn, these initiatives have allowed the private sector to grow and enabled the continued expansion of FDI for both traditional and new activities. In spite of the current favorable economic outlook, Guyana still needs to address a number of underlying vulnerabilities to sustain this recent economic performance, among them: challenges to enhance the efficiency and effectiveness of its public sector management and potential threats to the country's unique natural endowments posed by the growth of resource-based economic activities. To address these and other vulnerabilities across all sectors of the economy, Guyana took an historic initiative by adopting the Low Carbon Development Strategy (LCDS) as its development strategy in 2010.
- 2.2 **Guyana's Low Carbon Development Strategy (LCDS).** The Government of Guyana (GoG) has signaled adherence to a LCDS as the backbone of its government program. The LCDS (2009, and amended version of March 2013) builds on the National Development Strategy (2000) and National Competitiveness Strategy (2006), all of which emphasize the importance of

protecting the environment to ensure a long lasting prosperity for the country's future generations. The LCDS has three main elements<sup>1</sup>: (i) how to finance low carbon development, where the bulk of financial resources to implement the LCDS comes from a Memorandum of Understanding (MoU) signed between the governments of Norway and Guyana in 2009 for cooperation on issues related to the fight against climate change, in particular Reduced Emissions from Deforestation and Forest Degradation (REDD+). Norway has committed to provide Guyana with US\$250M by 2013, which are managed under the Guyana REDD+ Investment Fund (GRIF). Conditions of this agreement are described in a Joint Concept Note (JCN), recently updated, which includes a set of “indicators of Enabling Activities” which the GoG must fulfill to gain access to the resources pledged by Norway ([Enabling Indicators JCN](#)); (ii) how to create a low-carbon economy, through strategic choices directed at increasing the economic value to the nation (EVN) of REDD+, among which is to reform existing forest-dependent sectors, including forestry and mining, so that those sectors operate at the standards needed to sustainably maintain the forest; and (iii) how to create a climate-resilient economy, where the LCDS pledges the country will invest in priority climate adaptation infrastructure and the development of a specific strategy for this purpose.

- 2.3 **Institutional challenges to implement the LCDS.** The GoG established the MoNRE in 2011 to provide an instrument to implement the LCDS. The MoNRE is the national authority in charge of public policy making and statutory regulation in the fields of natural resources including conservation areas, hydrometeorology, environmental monitoring and pollution control, and functions of public environmental policy making and implementation. Seven agencies associated with natural resource management and environmental controls were set under the purview of the Minister, including the Guyana Geology and Mines Commission (GGMC), Guyana Forestry Commission (GFC), Guyana Lands and Survey Commission (GLSC), and the Environmental Protection Agency (EPA)<sup>2</sup>. MoNRE is in the process of developing<sup>3</sup> an institutional strategy to implement its oversight and coordination functions towards those agencies, in order to ensure the coherent application of policy.<sup>4</sup> The main challenges identified in this area include: (i) developing mechanisms to harmonize policies, laws, and regulations of all the agencies now placed under the oversight of MoNRE; (ii) integrating environmental and sustainable management guidelines into the operation of forest-dependent sectors, namely forestry and mining; and (iii) setting up and operating a Monitoring, Reporting, and Verification System (MRVS).
- 2.4 **Challenges to ensure environmental sustainability in forest-dependent sectors:** The LCDS<sup>5</sup> recognizes the strong contributions mining and forestry make to the country's economy, but points out that they are also chief contributors to the country's –albeit low rates of- deforestation and forest degradation.

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<sup>1</sup> Low Carbon Development Strategy Update. Office of the President, Rep. of Guyana. March 2013 P.15.

<sup>2</sup> Draft Strategic Plan MoNRE (draft) March 14<sup>th</sup> 2013. Section 2.1.

<sup>3</sup> Draft Strategy is currently undergoing consultations. Final version is expected during 2013.

<sup>4</sup> MoNRE Strategy, Section 5.3.

<sup>5</sup> A Low Carbon Development Strategy. Office of the President. Republic of Guyana. May 2010.

- a. **Mining.** Mining is responsible for approximately 10% of the country's GDP but it accounts for almost 60% of exports.<sup>6</sup> Although Guyana's mineral sector is diversified, gold mining accounts for 70% of mining sector production; the high price of gold on global markets is driving significant expansion of informal small and medium scale mining and, over the longer term, large scale mining. Gold mining without proper environmental considerations can have severe environmental consequences including forest and habitat loss, water body contamination by mercury, and river sedimentation, which threaten the long-term sustainability of the mining industry itself. Even though the mining sector has been increasingly regulated and formalized, enforcement and compliance with environmental management issues have not kept pace.<sup>7</sup> As more areas are opened up for extraction, the current business –as-usual growth in mining has the potential to result in increased deforestation. There is an urgent need to support the institutional framework under which the mining sector operates.
  - b. **Forestry.** Guyana is a so-called 'high forest–low deforestation' (HFLD) country. From 1990 to 2009, Guyana's annual deforestation rate was 0.02%; however, from October 2009 to September 2010 deforestation increased to around a 0.056% rate<sup>8</sup>; from October 2010 to December 2011, deforestation remained relatively stable at 0.054%<sup>9</sup>, lower than the average 0.45% for South America. Most forestry-related deforestation has been attributed to road construction activities rather than the process of harvesting itself<sup>10</sup>. Illegal logging and non-compliance with forestry regulations among small and large operators are strongly associated with limitations of the legal framework, particularly issues of land allocation and deficiencies in land use planning.
- 2.5 **Challenges to improved resilience to natural disasters.** Guyana's coastal area is vulnerable to sea level rise; with the predicted impacts of climate change this is an issue of major concern, since more than 90% of the country's population reside and work within 7 km of the shoreline.<sup>11</sup> Priorities in terms of mitigation and prevention of future disasters include: (i) improving the capacity for risk management (risk assessment, prevention and mitigation, financial risk management and disaster preparedness and response); (ii) flood risk management in the agriculture sector in order to reduce its vulnerability to flooding; and (iii) reduction in current exposure of critical physical assets and population to flood risk due to climate variability and sea level rise.
- 2.6 **Financial instrument to support the Program.** The program is structured as Programmatic Policy Based Loan (PBP) made of two single-tranche operations (PBLs) within a medium-term framework of policy and institutional development. The PBP modality is best suited for the program since: (i) the operation will need

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<sup>6</sup> Guyana Gold Board (2012).

<sup>7</sup> UNDP (2013) "Draft Costed Strategic Framework for the MoNRE 2013-2018".

<sup>8</sup> Guyana Forestry Commission [GFC] & Pöyry Forest Industry, 2011.

<sup>9</sup> GFC & Indufor, 2012.

<sup>10</sup> GFC & Pöyry Forest Industry, *idem*.

<sup>11</sup> MoNRE Strategy. Draft. Section 3.2.1 (on EPA).

to respond to unfolding events in the process of complying with LCDS-JCN conditionality; (ii) MoNRE's implementation capacity is nascent and it is expected to develop to full-fledged operation along a period of time congruent with the two PBL operations' tandem; and (iii) the operation will support efforts by GoG to secure other sources of financing, besides the GRIF, to further finance the implementation of its LCDS. The approximate value of the second PBL is US\$16,920,000.

- 2.7 **Coherence with IDB Strategy for Guyana.** This program is consistent with IDB Country Strategy (CS) for Guyana. The program will contribute to: (i) strengthen environmental governance and institutional capacity for sustainable management of natural resource that supports the effective implementation of the LCDS"; (ii) improve growth of natural resource-based productive activities with sustainability; and (iii) mitigate disaster risks by mainstreaming risk management into natural resource management. The Program will also support the CS's cross-cutting issues associated to indigenous communities through support to consultation processes and community based disaster risk reduction and adaptation measures<sup>12</sup>. The PBP is consistent with the Ninth General Increase in the Resources of the Bank, under sector priority (e) Protect the Environment, respond to climate change and enhance food security, as it supports the development of institutional and regulatory frameworks to foster environmental sustainability. The operation will also contribute to reaching Bank targets in support to the development of vulnerable (Group II) and small and vulnerable (Group D) countries.
- 2.8 **Program and Project strategy.** The PBP will be directed at the following objectives, which correspond to its components: (i) enhanced macro-economic stability; (ii) adequate regulatory framework; (iii) institutional strengthening of GoG's ability to tackle priority environmental concerns; (iv) improved disaster risk management; and (v) efficient monitoring, reporting and verification systems. The first PBL operation will support: (i) an updated strategic framework to implement the LCDS; (ii) strengthened governance in MoRNE, with emphasis on managing long-term sustainability of forest-dependent sectors while reducing degradation from extractive activities; and (iii) a viable MRVS that would serve not only to follow-up, but also to coordinate the monitoring of extractive activities. The second PBL operation would build upon the progress made on the first, and would support: (i) a continuation of the institutional strengthening efforts, with emphasis on the supervision and impact management of extractive industries; (ii) a deepening of the development of social & environmental safeguards; and (iii) incisive intervention to solve perhaps the most pressing natural and man-made threats to the country's future: disaster risk management.
- 2.9 **Project objectives for first operation.** The proposed project will strengthen the governance and policy framework that supports the implementation of the LCDS

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<sup>12</sup> The results of the Program will support the achievement of the following CS Results Matrix indicators: (i) increase financial contributions from GRIF; (ii) annual deforestation rate; and (iii) increase in risk management index.

in the MoNRE<sup>13</sup>, will assist government's efforts to reform forest-dependent sectors --forestry and mining, so that those sectors operate at the standards needed to sustainably maintain the forest<sup>14</sup>, and will support development of efficient MRVS.

- 2.10 The operation will be organized in four components: (i) macro-economic stability; (ii) regulatory framework, including: support the implementation of the LCDS through the participatory process of updating; advancing towards the implementation of priority investment projects; the operation of the Multi-Stakeholder Steering Committee (MSSC); and development and enforcement of regulations and safeguards for improved environmental management for prioritized forest-dependent mining and forestry sectors; (iii) institutional strengthening, including: approval and initial implementation of the MoNRE strategic plan; strengthening of the mining and forestry commissions' capabilities in sustainable environmental management to reduce deforestation impacts of their sectors; and (iv) develop the basic instruments that will make up the MRVS, including the establishment of the data base and development of models to assess carbon impacts from main drivers of forest change.

### **III. TECHNICAL ISSUES AND SECTOR KNOWLEDGE**

- 3.1 Sufficient diagnostic data and analysis on sector needs and priorities have been accumulated through the work of other donors and previous operations of the same Bank, making it unnecessary to invest in substantial additional diagnostic work. The analysis will be informed also by the recently completed INE/RND Natural Resources Sector Note for Guyana.

### **IV. SAFEGUARDS AND FIDUCIARY SCREENING**

- 4.1 The PBP operation falls under provision B.13 of OP-703. The team does not foresee any significant negative impacts on indigenous peoples (OP-765) provided the commitments of the Government of Guyana under the LCDS and in the Readiness Preparation Proposal (RPP) of FCPF to safeguards relating to indigenous people are implemented. Specific conditions for the first PBL operation and triggers for the second PBL operation will be included.

### **V. OTHER ISSUES**

- 5.1 The proposed project will reinforce objectives and processes supported by several other Bank operations in Guyana, thus consolidating Bank support to the GoG's efforts in this sector ([List of Bank Operations Associated to PBP Program](#)).

### **VI. RESOURCES AND TIMETABLE**

- 6.1 Annex V shows estimated schedule of completion of project preparation: POD approval July 22, DLP approval August 29; LP approval November 6, 2013 by the BoD.

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<sup>13</sup> LCDS 2010- Developing Required Capabilities 2010. Section 6. Page 39-41.

<sup>14</sup> LCDS update 2013, Section on Creating new economic incentives, Page 7.

ANEXO I - CONFIDENCIAL

## SAFEGUARD POLICY FILTER REPORT

<b>PROJECT DETAILS</b>	<b>IDB Sector</b>	ENVIRONMENT AND NATURAL DISASTERS- BIODIVERSITY AND PROTECTED AREAS CONSERVATION
	<b>Type of Operation</b>	Policy Based Loan (PBL)
	<b>Additional Operation Details</b>	
	<b>Investment Checklist</b>	Generic Checklist
	<b>Team Leader</b>	Piaggese, Helena L. de (HELENAL@iadb.org)
	<b>Project Title</b>	Environment sector strengthening & GRIF readiness program
	<b>Project Number</b>	GY-L1039
	<b>Safeguard Screening Assessor(s)</b>	Piaggese, Helena L. de (HELENAL@iadb.org)
	<b>Assessment Date</b>	2013-04-01
	<b>Additional Comments</b>	

<b>SAFEGUARD POLICY FILTER RESULTS</b>	<b>Type of Operation</b>	Loan Operation	
	<b>Safeguard Policy Items Identified (Yes)</b>	The Bank will make available to the public the relevant Project documents.	(B.01) Access to Information Policy– OP- 102
		The operation is in compliance with environmental, specific women’s rights, gender, and indigenous laws and regulations of the country where the operation is being implemented (including national obligations established under ratified Multilateral Environmental Agreements).	(B.02)
		The operation (including associated facilities) is screened and classified according to their potential environmental impacts.	(B.03)
		The Bank will monitor the executing agency/borrower’s compliance with all safeguard requirements stipulated in the loan agreement and project operating or credit regulations.	(B.07)

		Operation for which ex-ante impact classification may not be feasible. These loans are: Policy-based loans, Financial Intermediaries (FIs) or loans that are based on performance criteria, sector-based approaches, or conditional credit lines for investment projects.	(B.13)
	<b>Potential Safeguard Policy Items(?)</b>	No potential issues identified	
	<b>Recommended Action:</b>	Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s), including B13, for guidance. No project classification required. Submit Report and PP (or equivalent) to ESR.	
	<b>Additional Comments:</b>		

## Environmental and Social Strategy (ESS)

### I. Policy Directives

- 1.1 The proposed project is in compliance with directive **B.13. Noninvestment Lending and Flexible Lending Instruments** of the Bank’s Environment and Safeguards Compliance Policy (OP-703). Directive B.13 foresees for **policy-based loans**, that the Bank will analyze during the design phase whether specific country policies and/or institutional changes supported by the operation will have significant and direct effects on the country’s environment and natural resources. The Directive also mandates that appropriate sequence of actions and conditions to ensure environmental sustainability be reflected in the corresponding action plan, as required.
- 1.2 The proposed operation will also comply with **Operational Policy 765 Indigenous Peoples Policy**, under the objective of safeguarding indigenous peoples and their rights against adverse impacts and exclusion in Bank-funded development projects.

### II. Measures for compliance

#### A. Under OP-703

- 2.1 The Bank is preparing the present operation with the aim of strengthening the governance and policy framework to support the implementation of Guyana’s Low Carbon Development Strategy (LCDS), and supporting policy decisions that showcase the application of LCDS to the mining and forestry sectors combining adequate governance, regulatory guidelines, accompanied by a robust monitoring, reporting and verification system.
- 2.2 Policy or institutional recommendations to be supported by the project will have the objective of improving the ability of the Government to enforce the LCDS and of improving environmental standards for the forestry and mining industries, identified as important risk factors for an adequate conservation of Guyana’s forests and its ecosystem functions.
- 2.3 It is expected the project will have significant positive impacts on the country’s ability to provide for a coherent and robust environmental management system, with emphasis in two major drivers of deforestation and forest degradation.

#### B. Under OP-765

- 2.4 The Bank will ensure that any policy or institutional recommendation derived from the project or supported by the project complies with the objective of safeguarding indigenous peoples and their rights.
- 2.5 During project preparation, the Project Team will include in the Terms of Reference of consultants contracted to draft policy or institutional recommendations, the requirement to analyze specifically if any of the suggested recommendations may have a negative impact upon indigenous peoples, or may in any way cause their exclusion.
- 2.6 The Project Team will analyze the results of the consultants’ work and, if any of the proposed policy or institutional recommendations is found to have a risk of causing such

negative or exclusion impacts, the Project Team will refrain from using those recommendations as part of the project.

### INDEX OF COMPLETED AND PROPOSED SECTOR WORK

<b>INDEX for completed and proposed sector work</b>			
<b>Issues</b>	<b>Description</b>	<b>Expected Dates</b>	<b>References &amp; hyper links to Technical files</b>
Technical options and design	Analysis of relevant documentation: (i) Institutional needs analysis and strategy developed for the MoNRE (2013); (ii) Verification of Progress Related to Indicators for the Guyana-Norway REDD+ Agreement (2012); (iii) Guyana's Readiness Preparation Proposal (R-PP), 2012; (iv) Forest Law Enforcement and Governance and Forest Practices in Guyana; Contract forest policy specialist to review forest policy instruments Contract mining policy specialist to review mining policy instruments	Completed  Completed  Completed  May 31, 2013  May 31, 2013  May 31, 2013	
Analysis of project cost and economic viability	Development of economic evaluation methodology	May 17, 2013	
Impact evaluation	Application of reflexive economic analysis methodology expected under evaluation of previous operation	May 31, 2013	
Stakeholders and political environment	Contract risk identification and matrix	May 10, 2013	
Discussion of policy matrix with GoG	Draft will be presented to the GoG and discussed by video-conference or mission if necessary	May 24, 2013	

ANEXO V - CONFIDENCIAL