

TC Abstract

I. Basic project data

• Country/Region :	GUYANA/CCB - Caribbean Group
• TC Name :	COMPETE CARIBBEAN: DEVELOPING A SUSTAINABLE AND ENABLING INVESTMENT CLIMATE IN GUYANA
• TC Number :	GY-T1141
• Team Leader/Members :	ANGANU, JAIWATTIE - Team Leader SPEREIRA - Creator STEVENSON, CLAUDIA - Alternate Team Leader DOHNERT DE LASCURAIN, SYLVIA EVA - Specialist GONZALEZ HERRERA, BEATRIZ MARIA - Team Member LOUIS-GRANT, PAULA - Fiduciary Financial Management Specialist MILLER, SHARON - CO Specialist WILLIAMS, DERISE AVIONE - Operational Analyst PERSAUD, TARA LISA ROSHINI - Team Member PEREIRA, STEFANO - Operational Analyst
• Indicate if : Operational Support, Client Support, or Research & Dissemination.	Client Support
• If Operational Support TC, give number and name of Operation Supported by the TC:	
• Reference to Request :(IDB docs #)	EZSHARE-501763966-26
• Date of TC Abstract :	13 Apr 2017
• Beneficiary (countries or entities which are the recipient of the technical assistance):	Enterprises in Guyana, Lending institutions
• Executing Agency and contact name (Organization or entity responsible for executing the TC Program) {if Bank: Contracting entity} { if the same as Beneficiary, please indicate}	US-IDB - Navita Anganu
• IDB Funding Requested :	\$ 500,000.00
• Local counterpart funding, if any :	\$ 0.00
• Disbursement period (which includes execution period):	36 months
• Required start date :	
• Types of consultants (firm or individual consultants):	Firms
• Prepared by Unit :	Competitiveness & Innovation
• Unit of Disbursement Responsibility :	INSTITUTIONS FOR DEVELOPMENT
• Included in Country Strategy (y/n):	Yes
TC included in CPD (y/n):	Yes
• Strategic Alignment:	Productivity and innovation

II. Objective and Justification

The general objective is to improve access to credit and the enabling environment for green business development, trade and integration.

Guyana has an underdeveloped investment climate which creates serious challenges to sustainable development. Macroeconomic policies, governance and institutions, and infrastructure determine the investment climate that provides the opportunities and incentives for firms to invest productively, create jobs, and expand. A sustainable and enabling investment climate is key to attracting FDI as well as local investment.

The introduction and functioning of credit bureaus have steered Guyana's improved performance in access to credit information, however, Guyana still lacks a Secured Transaction system. Such a system is critical to both reducing the perceived risks of financial and banking transactions, and promoting the availability of secured credit for borrowers. Secured credit is more readily available to businesses in states that have efficient and effective laws that provide for consistent, predictable outcomes for secured creditors in the event of non-performance by debtors.

The absence of such laws means that creditors perceive the risks associated with credit transactions to be high, and the cost of credit increases as creditors require increased compensation to evaluate and assume the increased risk. In Guyana, the absence of an efficient and effective Secured Transactions legislative regime has resulted in frequent complaints by small and medium sized commercial enterprises – as well as for consumers – that they cannot get access to credit.

A modern secured transactions system provides for the use of security interests in all types of movable assets - whether tangible or intangible, whether present, or future assets, and wherever located. In economies with a modern secured transactions system, movable assets can easily be used as collateral. Research shows that in developed economies borrowers with collateral get as much as 9 times more credit as those without. They also benefit from repayment periods which are up to 11 times longer and interest rates up to 50% lower. Overall, legal protection for both creditors and institutions for sharing credit information are associated with higher ratios of private credit to GDP.

While Guyana takes concerted efforts to tap the wealth of our natural resources within the sectors of mining, forestry and fishery, stringent efforts are to be made to protect the environment and to use these resources in a sustainable manner. A great challenge lies in maintaining environmental sustainability while fostering the convergence of economic growth, greater national equity, and development. This challenge can be met by the private sector; however government must provide the framework for such growth to exist. It is the mandate of the Government of Guyana to support and promote "green" or "sustainable" development with a view to preserve Guyana's natural resources to maintain and further enhance its competitive advantage so as to improve the living standards for its people. Additionally, effective guidelines are needed to encourage more green business practices and to leverage Guyana's green efforts to drive in foreign investment, trade and international cooperation.

III. Description of activities and outputs

The expected outputs of the project are:

Secure Transaction System:

- A completed legal framework supporting a secured transactions framework which allows borrowers to pledge movable property as security for a loan in a manner that removes ambiguity.
- The establishment of a modern, electronic registry for filing notices of collateral agreements.
- Local capacity to manage and maintain a modern, electronic registry.

Green Business Practices Framework:

- A completed green policy framework for green business practices and to drive in investment.
- Local capacity to develop green practice policies and program.

Outcomes

Name: The expected outcomes of this project is: (i) increased business climate by facilitating access to finance and by increase in environmentally sound practices for businesses.

Components

Name: Component 1: Secured Transactions System

Description: A Secured Transaction Framework (STF) refers to a set of interrelated legal statutes, regulations, and supporting institutional arrangements that facilitate the use of moveable property, both tangible and intangible, as collateral for business and consumer lending. The objective is to foster access to finance: More credit at lower interest rates permits higher rates of investment.

- Legal framework for a Secured Transactions Framework.
- A Collateral Registry
- A Public Awareness Campaign

Name: Component 2: Framework to incentivize 'green' business practices

Description: This component of the project aims to develop a regulatory framework which will support businesses conforming to the global shift in productive behaviour to more sustainable practices and drive in foreign investment under arrangements that can encourage/reward investment in a "Green" Guyana. This requires effective policy direction and appropriate analysis

- Policy framework for green business practices and incentives
- Trained staff in green business practices
- A survey of businesses to assess implementation of 'green' business practice.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1: Secured Transactions System	\$ 400,000.00	\$ 0.00	\$ 400,000.00
Component 2: Framework to incentivize 'green' business practices	\$ 100,000.00	\$ 0.00	\$ 100,000.00

V. Executing agency and execution structure

The execution will be carried out by the Bank through the Competitiveness and Innovation Division (IFD/CTI) in coordination with the PEU of Compete Caribbean in based in Barbados. The project will be executed through in coordination between Ministry of Business and the funding partner. The funding agent and the Government of Guyana will sign a letter of agreement defining their respective roles and responsibilities for the implementation of the project.

The Compete Caribbean Partnership Facility (CCPF), approved under GN-2851, was jointly designed with donors to be a Bank Executed Program. Given the expertise and experience already in place by the execution of the first phase of the Compete Caribbean Program, the CCPF's Facility Coordination Unit (FCU) will build on the unit already established in COF Barbados.

Additionally, the FCU under the guidance of CTI Specialists, have already successfully implemented two similar TCs supporting Secured Transaction Regimes in Jamaica & Suriname under Compete Caribbean Phase 1.

VI. Project Risks and issues

Given the multi reform nature of this project, it faces the challenge of not only gaining priority and coordination among the number of major reforms in progress by the relevant agencies but also in coordinating the components lying within the project itself. These activities are broadly working toward the same aims, and yet all have their specific implementing agencies, operating plans, etc., also they necessitate dialogue between the public and the private sector.

In order to mitigate any potential disruption to the smoothness of this proposed project as a result of the simultaneous multi-agency interactions, there will be constant engagement with the decision makers and key agency heads and the respective stakeholder agencies working on similar projects to ensure an efficient, coordinated and coherent approach in the execution of various project activities.

The increase in movable property registries may not necessarily result in a significant or transformative change in the volume of secured lending or a detectable drop in the interest rate. Factors that have been found to influence the effectiveness of such a system in other Latin American countries programme are (1) collateral registration fees are too high for smaller credit operators (2) a time-consuming registration process since it is not wholly electronic or (3) there is an incomplete or partial reform process with key institutions or regulations in the system lagging on their procedures, and dragging the smooth-running of the system. All of these potential risks can be avoided by researching and implementing an appropriate, phased and comprehensive system that works to synchronize all parts of the new system.

Risk identified which relate to the green business practice framework is the lack of interest or capacity by businesses, particularly SMEs to adapt green practices given the investment cost. These risks can be mitigated through having stronger private sector involvement and through awareness on the potential benefits of actions within the project.

These improvements on the business climate and policy reforms need to be coupled with institutional strengthening activities to achieve optimum output.

VII. Environmental and Social Classification

The ESG classification for this operation is []