

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

GUYANA

ENVIRONMENT SECTOR STRENGTHENING - II

(GY-L1043)

LOAN PROPOSAL

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ELECTRONIC LINKS	
REQUIRED	
1.	Policy Letter http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39334503
2.	Results Matrix http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38936753
3.	Means of Verification Matrix http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38927414
OPTIONAL	
1.	Economic Evaluation Report http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39194478
2.	Status of fulfillment of Conditions of the second loan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39200881
3.	Modifications to original triggers for PBP2 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39193980
4.	Safeguards Policy Filter http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38933897
5.	Social and Environmental Strategy (ESS) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38959222
6.	Final Evaluation of PBP1 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39201915
7.	Impact Assessment Design and TOR for Impact Evaluation http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39204128
8.	Enabling Indicators in Joint Concept Note (JCN) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39200712
9.	Monitoring & Evaluation Plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39239333
10.	GoG use of funds from MOU Norway up to November 2014 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39239390

ABBREVIATIONS

ABS	Access and Benefit Sharing mechanism
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ASGM	Artisanal and Small-scale Gold Mining
CS	Country Strategy
ECLAC	Economic Commission for Latin America and the Caribbean
EITI	Extractive Industry Transparency Initiative
EPA	Environmental Protection Agency
ESS	Environmental and Social Strategy
EU-FLEGT	European Union Forest Law Enforcement, Governance and Trade
EVN	Economic Value to the Nation
EVW	Economic Value to the World
FATF	Financial Action Task Force
FCPF	Forest Carbon Partnership Facility
FDI	Foreign Direct Investment
FSO	Fund for Special Operations
GDP	Gross Domestic Product
GFC	Guyana Forestry Commission
GGMC	Guyana Geology and Mines Commission
GIS	Geographic Information System
GLSC	Guyana Lands and Survey Commission
GoG	Government of Guyana
GRIF	Guyana REDD+ Investment Fund
HFLD	High Forest–Low Deforestation
IDB	Inter-American Development Bank
IAMC	Independent Assessment of Macroeconomic Conditions
JCN	Joint Concept Note, Government of Norway & Government of Guyana
IPCC	Intergovernmental Panel on Climate Change
LCDS	Low Carbon Development Strategy
MNRE	Ministry of Natural Resources and Environment
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MRVS	Monitoring, Reporting, and Verification System
MSSC	Multi-Stakeholder Steering Committee
OC	Ordinary Capital
OCC	Office of Climate Change
PBP	Programmatic Policy Based Loan
POD	Proposal for Operation Development
RMP	Risk Management in Projects with Sovereign Guarantee
REDD+	Reducing Emissions from Deforestation and Forest Degradation
SLUC	Special Land Use Committee
SSF	Safeguard and Screening Form for Screening and Classification of Projects

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Financial Terms and Conditions					
Borrower: Co-operative Republic of Guyana Executing Agency: Ministry of Finance (MOF)				FSO	OC
			Amortization Period:	40 years	30 years
			Grace period:	40 years	6 years
			Disbursement Period:	12 months	12 months
Source	Amount US\$	%	Interest Rate:	0.25%	SCF-Fixed**
IDB Ordinary Capital (OC)	8,580,000	50	Supervision and Inspection Fee:	N/A	*
IDB Fund for Special Operations (FSO)	8,580,000	50	Credit fee:	N/A	*
Total	17,160,000	100	Currency of approval:	US Dollar	US Dollar
Project at a Glance					
Project objective and description: The objective of this second operation of the programmatic series is to continue the process of strengthening the governance and policy framework that supports the implementation of the Low Carbon Development Strategy (LCDS) started with the first operation in this PBP series (Loan 3106/BL-GY). This operation will further enhance the regulatory, institutional and monitoring structures to support the implementation of that strategy.					
Special contractual conditions prior to disbursement: This loan will be disbursed in one installment once the operation is eligible for disbursement and the Borrower has provided the Bank, to its satisfaction, with documentation verifying that the policy conditions described in the Policy Matrix (Annex II) have been duly fulfilled.					
Project qualifies for: SEQ <input type="checkbox"/> PTI <input type="checkbox"/> Sector <input type="checkbox"/> Geographic <input type="checkbox"/> Headcount <input type="checkbox"/>					

(*) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the Bank's lending charges, in accordance with the relevant policies.

(**) The Borrower shall pay interest on the outstanding balance of the Ordinary Capital loan at a Libor based rate. Each time the outstanding balance reaches 25% of the net approved amount or \$3 million, whichever is greater, the interest rate will be fixed.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, justification

1.1 The current proposal is the second of a two-operation Programmatic Policy Based Loan (PBP) directed at strengthening the environmental sector in Guyana. The PBP supports current efforts by the Government of Guyana (GoG) to mainstream environmental concerns as the basis for its country development strategy, best portrayed in Guyana's Low Carbon Development Strategy (LCDS). The proposed PBP will foster the implementation of that strategy by promoting the regulatory, institutional and monitoring instruments that will ensure its timely and participatory application. The value proposed for the second operation in the PBP is US\$17,160,000.

1. Macroeconomic context

1.2 Guyana is a lower middle-income country with a population estimated at close to 750,000 inhabitants (Preliminary Census of 2012) and a gross national per capita income of US\$3,750 in 2013. Eighty nine percent of the population resides on the coastal littoral while the rest inhabit the forested interior. The majority of the hinterland population consist of Amerindians (9% of total population according to 2002 census), most of whom depend on subsistence farming, mining, logging, and tourism for their livelihoods.

1.3 Over the last eight years consecutive real positive economic growth has been recorded (average annual rate of 4.6%) and growth volatility that plagued the country in its earlier economic history has abated. The primary drivers of growth have been mineral extraction, rice production, and service sector expansion, especially construction. In 2013, the mining sector accounted for 12.2% of Gross Domestic Product (GDP); the agricultural, forestry, and fisheries sector comprised 19.2%; manufacturing 6.8%; and services 61.8

1.4 Stable macroeconomic conditions have prevailed since debt relief was granted in 2006-7, underpinned by: (i) a middling budget deficit (-4.4 percent of GDP); (ii) low inflation; (iii) a stable nominal currency exchange rate; (iv) increasing gross national savings; (v) sustainable public and external debts; and (vi) a manageable external accounts balance wherein high inflows of Foreign Direct Investment (FDI) are largely financing the current account deficit.

1.5 The medium term prospects for the economy are generally positive; however there are significant downside risks such as: (i) reversals in the terms of trade (i.e., rise in price of oil, an important import item combined with drop in the price of gold, bauxite, manganese, etc.); (ii) cessation or drastic modification in PetroCaribe in out years; (iii) a significant drop in FDI; (iv) a significant drop in remittances; (v) weather-related shocks, especially severe flooding; and (vi) ongoing political polarization and gridlock that undermines the efficacy of government, generates delays in execution of major infrastructural projects, prevents the undertaking of major reforms needed, and generates low business confidence.

- 1.6 The financial system is quite stable, liquid, and profitable; but it is shallow and exhibits high intermediation margins. With a private sector credit to GDP ratio of 30 percent, it appears that the credit constraints faced by productive sectors limit economic diversification and growth prospects. Another major financial sector issue is the failure to resolve anti-money laundering/combating the financing of terrorism (AML/CFT) deficiencies. Continued failure will expose the country to countermeasures by Financial Action Task Force (FATF) member states and institutions, implying additional economic costs for the country.

2. Sustainable development issues

- 1.7 **Low Carbon Development Strategy.** Guyana is one of the best-conserved high-biodiversity countries in the world. Together with biodiversity and water regulation, carbon fixation is one of the critical environmental services that Guyana's forests provide to the world. Conservative valuations of the Economic Value to the World (EVW) provided by Guyana's forests suggest that, left standing, they could contribute US\$40 billion to the global economy each year. This is a significant potential for Guyana, taking into consideration that the Economic Value to the Nation (EVN) of Guyana's forests is estimated on US\$580¹ million and the country's GDP in 2013 was US\$2.9 billion.
- 1.8 During the last decade, the Government of Guyana (GoG) advanced three strategies to take advantage of those conditions: (i) the establishment of a Low Carbon Development Strategy (LCDS) aimed at strategic investments capable of generating economic returns while at the same time contributing to maintaining standing forests (limiting deforestation and forest degradation) and reducing greenhouse gas emissions; (ii) the subscription of a Memorandum of Understanding (MOU) with the Government of Norway, assuming specific commitments in terms of forest conversion and emission levels in exchange for direct transfers; and (iii) adoption of the Reducing Emissions from Deforestation and Forest Degradation (REDD+) mechanism to articulate the use of such transfers with the implementation of the LCDS.²
- 1.9 In 2009 the GoG signed a MOU with the Government of Norway for funding up to US\$250M over five years (2010-2015) for ex-post delivery of results measured on two sets of indicators: Enabling Activities and REDD+ performance. The guidelines for receiving payment and the obligations that Guyana must meet are delineated in the Joint Concept Note (JCN). As a vehicle to fund Guyana's LCDS, the Guyana REDD+ Investment Fund (GRIF) would manage and channel the finance.
- 1.10 The Office of Climate Change (OCC) and the Guyana Forestry Commission (GFC) are the two agencies responsible for preparing the reports on Indicators of Enabling Activities and REDD+ Performance Indicators (see [OEL#8](#)). The two governments agreed to have the reports independently verified³ and assessed as

¹ Figures for the EVW and EVN were obtained from the Low Carbon Development Strategy (LCDS 2010).

² The Guyana REDD+ Investment Fund (GRIF) was created as the financial mechanism channeling REDD+ financial support from Norway and other potential contributors.

³ Independent verification by RainForest Alliance, an international non-governmental agency.

part of the process for receiving payments. Guyana has already received four sets of performance based payments totaling US\$150M; the report covering 2013 deforestation has been completed by the GFC and is being independently verified to facilitate the fifth tranche of payments. However, two economic sectors vital for the country's economy, pose significant challenges for the ability of the country to fulfill the commitments it has acquired in the context of these agreements, as they are themselves significant drivers of deforestation: the mining and forestry sectors.

- 1.11 **Mining.** The extractive industries are an important source of government revenue, income and employment. The value of mineral production increased almost 30% from 2011 to 2012, and contribution of mining to exports and foreign currency receipts also increased.⁴ The sector has become the engine of Guyana's economic growth, but it is also recognized as one of the major drivers of deforestation in Guyana.⁵ In the context of the LCDS, the GoG is faced with the challenge of supporting the extractive industries whilst also ensuring an economic growth aligned to low carbon development. To this effect, the GoG has redoubled efforts to ensure that mining practices are improved and aligned with international best practices over time. Studies have described how a groundbreaking and inexpensive adaptation of technologies such as retorts and gravity separating and sifting techniques can be used among small and medium scale miners to lessen the use of mercury and to prevent it from entering the environment.⁶ Critical to this is the wide application of technical training among miners to introduce these cleaner technologies and improved practices.⁷
- 1.12 In September 2014 Guyana announced its ratification of the Minamata Convention on Mercury, to which it had become a signatory in 2013. The Minamata Convention on Mercury is a global treaty aimed at protecting human health and the environment from anthropogenic emissions and releases of mercury and mercury compounds.⁸ Article 7 of the Minamata Convention addresses measures related to Artisanal and Small-scale Gold Mining (ASGM).⁹ With an estimated share of 37%, ASGM is considered the single largest source of global anthropogenic mercury emissions.¹⁰ The gold mining sector –which is

⁴ Message by the Hon. Robert M. Persaud, Minister of Natural Resources and the Environment. 2013. <http://www.nre.gov.gy/PDF/GGMC%2034th%20Anniversary.pdf>.

⁵ Conservation International Guyana, Project-Consult GmbH and WWF Guianas. *Guyana's Extractive Industry Sector: A Synopsis of Issues and Recommendations for the Mining Sector as a Sustainable Element of Guyana's Low Carbon Development Strategy (LCDS)*. July 2013.

⁶ Blacksmith Institute. "Artisanal Gold Mining: A Dangerous Pollution Problem." <http://www.blacksmithinstitute.org/artisanal-gold-mining.html>.

Hylander, L, Plath, D., Miranda, C., et.al. "Comparison of Different Gold Recovery Methods with Regards to Pollution Control and Efficiency." *Clean Journal*, Volume 35, Issue 1, pages 52-61. February 2007.

⁷ Global Mercury Project, United Nations Industrial Development Organization. *Results of the Awareness Campaign and Technology Demonstration for Artisanal Gold Miners*. 2008. IADB. *Incentivizing Clean Technology in the Mining Sector in Latin American and the Caribbean*. Technical Note. December 2013.

⁸ United Nations Environment Programme. *Minamata Convention on Mercury: Text and Annexes*. October 2013. <http://www.mercuryconvention.org/Portals/11/documents/publications/MinamataConventionTextEn.pdf>.

⁹ This also includes mining qualifying as "medium scale mining" per Guyanese legislation.

¹⁰ United Nations Environment Programme. *Mercury: Time to Act*. (ISBN 978-92-807-3310-5). Geneva 2013. http://www.unep.org/PDF/PressReleases/Mercury_TimeToAct_hires.pdf.

made up of small and medium sized enterprises– is the biggest producer of minerals in Guyana, accounting for roughly 77% of the mining sector’s contribution to national GDP in 2010. With the gold mining industry projected to continue growing, the GoG has endeavored to ensure that mining operations commit to higher standards of environmental and social sustainability, in keeping with Guyana’s LCDS. Technological and environmental improvements of ASGM, triggered by the Minamata Convention, will extend into the area of extraction technologies¹¹ and therefore directly contribute to reduce forest degradation. With cleaner technologies and improved practices in extraction, gold mining can have a less harmful impact with respect to mercury contamination of biomass and deforestation if less area is required per unit of gold extracted.¹²

- 1.13 Guyana has already started to create an enabling framework to encourage cleaner practices in gold mining including: (i) promoting capacity building of miners and government officials through a technical mining institute school; (ii) stimulating investment in clean technologies through a Mercury Free Development Fund;¹³ (iii) amendments to the regulations of the Mining Act; and (iv) steps towards becoming an Extractive Industry Transparency Initiative (EITI) candidate country.
- 1.14 **Forestry.** The value added of the forestry sector constituted 2.8% of total GDP in 2011,¹⁴ a reduction from 4.1% in 2006. Forestry represents 4% of Guyana’s export value, ranging between US\$45M and US\$60M over the past decade for timber and non-timber products.¹⁵ It employs over 20,000 persons, not including family-based forest use.¹⁶
- 1.15 The GoG supports international proposals to cut greenhouse gas emissions from deforestation and forest degradation in half (relative to 2010) by 2020, and to make the global forestry sector carbon neutral by 2030 – where emissions from deforestation and forest degradation are balanced by new forest growth. Guyana is a ‘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,¹⁷ from October 2010 to December 2011 (Y2), deforestation remained relatively stable at 0.054%.¹⁸ From January 2012 to December 2012 (Y3), deforestation rate was of 0.079% (an estimated of 14.655 ha), which is 0.023% above the target, and

¹¹ Mercury is used in mineral processing. But as the processes of extraction and processing are tightly integrated in alluvial ASGM (the predominant type of ASGM in Guyana), expected technological and environmental improvements will extend necessarily into the area of extraction technologies.

¹² Article 7 of the Minamata Convention addresses measures related to artisanal and small-scale gold mining (ASGM), considered the single largest source of global anthropogenic mercury emissions (see Link to Convention document in footnote 9 above for detail of expected contents of National Action Plans).

¹³ The Mercury-Free Mining Development Fund (MFMD) will increase access of small and medium scale miners to adequate financing for their investments in their mining operations based on adoption of technology that is mercury-free and aimed at increasing the gold recovery rate of the sector.

¹⁴ This reduction is attributed to more strict regulation through the LCDS. Estimated in constant 2006 prices.

¹⁵ Principal non-timber products are wattles and manicoles (hearts of palm).

¹⁶ ECLAC (2011) Op. Cit.

¹⁷ Guyana Forestry Commission [GFC] & Pöyry Forest Industry, 2011.

¹⁸ GFC & Indufor, 2012.

0.025% higher than the year before. According to the information from 2013 (Y4), deforestation rate decreased in 2013 to 0.068 %.¹⁹ These variations (upward and downward swings) are to be expected along a period of time; what is important is the long-term tendency, which can only be measured over longer periods. This is acceptable since land use activities can never be the exact same from year to year. What is expected is that there should be an acceptable range in which these fluctuations can fall. In fact, the observed fluctuations have been within a very small range of each reporting year. The area of forest degradation in Year 2 assessment was 5.467 ha. This was reduced in Year 3 to 1.963 ha. and increased in Year 4 to 4.353 ha.²⁰

- 1.16 Even though rates of deforestation in Guyana have increased significantly since the 1990s, they remain substantially lower than the annual average deforestation rate in South America (0.45% b/w 1990 and 2010).²¹ Overall, deforestation derived from exploitation of forests has been much lower than that of the mining sector; between 2000 and 2009 forest exploitation contributed 25% of the annualized rate of deforestation. In fact, most of timber extraction-related deforestation has been attributed to road construction activities rather than the process of harvesting itself.²² The illegal logging percent is reported in a converted carbon emissions total as part of the Monitoring, Reporting and Verification System (MRVS) reporting. This emissions total is relative to a cubic meter volume amount that over the past four years has been between 0.4% and 0.5% of total production, which is about 2,600m³ from a total production of approximately 450,000m³.
- 1.17 Guyana's Forest Act of 2009 includes sanctions designed to curb unsustainable forest practices through certifying timber and non-timber products derived from Guyana's forests to enter environmentally conscious markets such as the European Union, through European Union Forest Law Enforcement, Governance and Trade (EU FLEGT). Improved forest management is expected to derive from the growing tendency of timber importing countries to demand timber products certified for sustainable forest management production. The Guyana Forestry Commission (GFC) is responsible for monitoring and regulating the activities of forest concessions to ensure that sustainable forest management rules and guidelines are implemented, and that forest legislation is complied with effectively by operators. Logging companies have to complete comprehensive forest management and annual planning which includes pre-harvest forest inventory, and are required to comply with detailed control procedures and legality assurance measures and log tracking.
- 1.18 **Land use planning.** To give guidance for harmonizing mining and forestry in the context of the LCDS, and to coordinate cross-sector planning on sustainable land use, a Special Land Use Committee (SLUC) was established in January 2012. In addition, a National Land Use Plan was completed on September 2013. The plan

¹⁹ <http://www.lcds.gov.gy/index.php/media-centre/press-releases/495-guianas-deforestation-rate-decreases-in-2013>.

²⁰ See GFC MRVS Interim Measures Report- Year 3 Version 3.

²¹ Food and Agriculture Organization of the United Nations, 2011.

²² GFC & Pöyry Forest Industry, idem.

looks at development options and constraints throughout the country; its main challenges will be its application on the ground, in particular as it relates to indigenous communities traditional land. In addition, another key issue will be coordination of its application throughout the country.

3. Progress attained with the first PBP operation and its impact on the formulation of the second PBP operation

- 1.19 The first operation in the PBP series (Loan 3106/BL-GY) was approved on December 4th, 2013 for US\$16.92M. The first operation focused on the following policy actions: (i) strengthening the regulatory apparatus supporting the implementation of the LCDS; (ii) undertaking internal institutional arrangements to build up working networks to support the long-term implementation of the LCDS; and (iii) fostering the adoption of technology tools to improve oversight of sector agencies and their activities.
- 1.20 An analysis performed as part of the preparation of the current project proposal (see [OEL#6](#)) showed the following progress in the attainment of expected results derived that that first operation:
- a. Enhancements in the policy and regulatory framework: Despite the difficulties that can be expected in the implementation of an ambitious strategy such as Guyana's LCDS, significant progress is observed in the following areas: (i) the LCDS, originally issued in 2009/2010, was updated to improve its focus on critical sectors –including the mining and forestry sector–and to more firmly institutionalize public participation instruments such as the operation of the Multi-Stakeholders Steering Committee (MSSC); and (ii) the MSSC, made of representatives of varied sectors of society, including indigenous groups, met regularly and conducted an impressive number of public and focused consultations; such public participation events are being documented and considered as a formal practice, a vital element in order to generate a culture of participation to support the LCDS. These are ongoing processes that further the objectives of the LCDS; the conditions for the second PBP operation will consolidate these steps forward.
 - b. Implementation of the Ministry of Natural Resources and Environment (MNRE) strategic plan: The MNRE Strategic Plan was approved as planned, and has begun implementation. As part of that process, the MNRE has started to establish the coordination and oversight instruments needed to ensure coherence in the implementation of policy derived from the MNRE in the sub-sector commissions (such as the Guyana Geology and Mines Commission, GGMC and the Guyana Forestry Commission, GFC). This process is complex and is proceeding gradually as expected. A principal instrument to support such process has been the adoption of the land use planning, which entail the participation of the various subsectors to produce them. Other instruments being utilized for the same purpose involve the adoption of new technology, particularly to improve oversight –see progress in the implementation of the MRVS, below. However, the MNRE still faces significant challenges to improve coordination among its subsectors; understanding and prioritizing those has guided the selection of conditions for the second PBP operation.

- c. Adequate operation of the MRVS: The implementation of the MRVS shows very significant progress. In fact, the MRVS is fully operative, its procedures and accuracy progressing each year. Right now, Guyana's MRVS is set up to provide real time information to permit follow-up deforestation and forest degradation trends, as well as the specific impact of each of the main drivers of change (mining and forestry in particular). The operation of the MRVS is crucial for domestic enforcement as well as for international verification processes.
- 1.21 Main lessons learned from the implementation of PBP1 include: (i) Public Participation is vital to improve decision making with regards to the policy and regulatory framework: Implementation of PBP1 showed that MSSC follow-up of the LCDS is a fundamental step towards participatory decision-making. In addition, GRIF projects were developed with public participation as a key intervention towards inclusive and sustainable planning for indigenous communities. The Bank included this issue in PBP 1 and PBP 2 in order to strengthen the policy and decision making process; (ii) MNRE needs a comprehensive strategic system: PBP1 considered the necessity of a strategic framework and with MNRE as an institutional umbrella for coordinating environmental and natural resources issues. The implementation of PBP 1 has shown that this system gives GoG the opportunity to establish a comprehensive administrative structure by which to reduce conflicts and improve coherence among the mining, forestry and environmental sectors; and (iii) An operational MRVS can connect local and global realities regarding forest and REDD+: This system assists Guyana in improving its low carbon development policy domestically and as part of a REDD+ global initiative. The MRVS system developed as part of the implementation of PBP1 was built on robust indicators. When confronted with fluctuations in the deforestation rate, the MRVS generated a rationale, providing a range of rates rather than just one estimated number.
- 1.22 Based on these observations, the second PBP operation is expected to build upon progress made on the first, and support GoG efforts in the following areas: (i) investment in areas that have been identified as priority, in particular, projects directed towards furthering public outreach, consultation and participation, including financing for initiatives that aim at implementing the LCDS by Amerindian communities; (ii) a strengthening of the regulatory framework to improve the environmental behavior of extractive industries, particularly the ratification of the Minamata Convention, as well as the drafting of a National Action Plan to implement the Convention and the amendment and additional regulations to the Mining Act; (iii) progress in the issuance of guidelines for forestry operators, particularly the issuance of the 3rd edition of the Code of Forest Operations for small and large operators, and the reform of the log tracking system to introduce electronic bar codes; (iv) generation of a strategy to facilitate benefit-sharing by indigenous communities of economic activities taking place in their lands –an Opt-In mechanism; (v) approval of national and regional land use plans; (vi) a strengthening of the regulatory framework of the Environmental Protection Agency (EPA); (vii) consolidation of the regulatory framework that guides the relations between the MNRE and GGMC and GFC; (viii) continuation

of the institutional strengthening efforts, with emphasis on transparency in revenue management (support for the implementation of the Extractive Industries Transparency Initiative); supervision and impact management for law enforcement (incentivizing the use of clean technologies in the mining sector, land management information systems); application of instruments (accreditation and certification with internationally recognized systems) directed towards improving the environmental sustainability of extractive industries; and (ix) continuous reporting on the impacts of deforestation and forest degradation drivers as part of the Monitoring, Reporting and Verification System MRVS.

- 1.23 The first operation, as is the case for the second operation in the series, was aimed at reinforcing the long-term social and environmental objectives agreed upon by the GoG with the Government of Norway and spelled out as Enabling Indicators in their JCN. Through this second operation, the Bank will continue to support the efforts of the Government of Norway and the Government of Guyana, particularly in terms of: (i) consolidation of Guyana's LCDS & REDD+ strategic frameworks; (ii) fostering multi-stakeholder consultations, with emphasis on mechanisms to enable effective participation of indigenous peoples; (iii) fostering transparent, rules-based, inclusive forest governance, accountability and enforcement system for forest governance in Guyana; (iv) supporting MNRE's efforts to manage degradation from extractive activities, in particular from mining; (v) integrated land use planning; and (vi) the operation of a reliable MRVS. To date, the Government of Norway has transferred US\$150 million to Guyana since the partnership started. The accumulated payments are being invested by Guyana to support the implementation of the LCDS: approximately US\$70 million has been deposited by Norway in the Guyana REDD+ Investment Fund (GRIF), which is channeling investment into seven LCDS projects; these projects are delivering development impacts across Guyana, including supporting the socio-economic development of Amerindian communities, strengthening land tenure security for Amerindians and stimulating the growth of micro and small enterprises (see [OEL#10](#) and [OEL#8](#)). Efforts by the Government of Norway and the Bank, through the proposed operation, reinforce each other; this association will facilitate the deliverance of the results expected of each of those efforts.

4. Bank's Country Strategy with Guyana

- 1.24 **The Bank's Country Strategy with Guyana (CS).** This program is consistent with the IDB Country Strategy with the Cooperative Republic of Guyana (GN-2690). The program will contribute to: (i) strengthen environmental governance and institutional capacity for formulation of sound environmental policies, effective monitoring and verification; and better enforcement of environmental regulations so as to permit the implementation of LCDS; (ii) promote the sustainable natural resource-based productive activities; and (iii) support the CS's cross-cutting issues associated to indigenous communities. The program will contribute to the lending program priorities of the Ninth General Increase in the Resources of the Inter-American Development Bank (AB-2764) (GCI-9): (i) through lending to Guyana, a small and vulnerable country; and (ii) through support to enhancing environmental sustainability of the

country. It will also contribute to the regional development goal #5: protecting the environment, responding to climate change, promoting renewable energy, and enhancing food security, specifically to product 2.5.2 “countries with planning capacity in mitigation and adaptation of climate change”. This program is also aligned with the Bank’s Infrastructure Strategy (GN-2710-5) in that it incorporates synergies between different infrastructure sectors (priority area Multisector synergies between infrastructure sectors, table #3 of Corporate Results Framework).

- 1.25 **Status of approval and disbursement of other relevant Bank operations.** The Bank continues to provide support to the GoG towards strengthening of the strategy framework for REDD+ and LCDS implementation through current programing including: (i) Forest Carbon Partnership Facility Project (ATN/FP-14161-GY) which became eligible for disbursement and will strengthen the institutional arrangements and facilitate increase stakeholder consultation and participation in REDD+ implementation; (ii) Institutional Strengthening in Support of Guyana’s LCDS (GRT/GF-13172) through which the GFC has successfully completed the implementation of the national MRV system and technical assistance continues to be provided to OCC and PMO; (iii) Micro and Small Enterprise Development and Building Alternative Livelihoods for Vulnerable Groups (GRT/GF-13725-GY) which has created various incentives for investment in the low carbon sectors through formal partnerships with private financial institutions and recognized microfinance agencies; and (iv) Supporting Technical Training in Extractive Industries in Guyana (ATN/KP-14104-GY) which is supporting training activities for the extractive industries. The proposed PBP operation holds strong complementarity and adds value to the purposes pursued by these operations. In particular, the gains made by the GFC for establishment of the national MRV System through support under GRT/GF-13172-GY will be further strengthened for continued monitoring and reporting on forest change and degradation in accordance with international guidelines. Also the second PBP will inform and complement the REDD+ Strategy options which will be designed and prepared under ATN/FP-14161-GY. Further, the proposed operation will reinforce the requirements for the implementation of mechanisms to facilitate involvement of Amerindian communities in decision making and consultative processes and ensure the provisions and support provided under the ATN/FP-14161-GY in this regard are maintained. In more general terms, this operation consolidates efforts of the above mentioned operations as well as other donor activities, inasmuch as it provides strong support to the umbrella strategy that constitutes the LCDS.

B. Objective, components and cost

- 1.26 The objective of this second operation of the programmatic series is to continue the process of strengthening the governance and policy framework that supports the implementation of the Low Carbon Development Strategy (LCDS) started with the first operation in this PBP series (Loan 3106/BL-GY). This operation will further enhance the regulatory, institutional and monitoring structures to support the implementation of that strategy.

- 1.27 During the preparation of the second PBP, some of the triggers defined in the Policy Matrix of the first PBP operation have been modified, in all cases in their form, not in their substance. A table describing these modifications and the rationale behind each is included in [OEL#3](#). Modifications can be grouped in five types of changes (conditions are identified by their number in PBP2 Policy Matrix): (i) scope and contents of the condition were enhanced to include descriptions that have greater scope or are more encompassing (#1; #3a; #3b; #7; #8; #9a; #10; #13; #14) or relevant (#1; #9b;); (ii) structure of the condition was modified to better conform to the distribution of institutional responsibilities within the GoG structure, which in some cases has changed in the intervening period between PBP1 & PBP2 (#2a; #2b; #9c; #10; and #16 which was moved from the Institutional Strengthening Component to the MRVS component); (iii) scope of the condition was changed to better conform to external agency or external events requirements (#6; #12); (iv) some conditions were aggregated or integrated to improve cohesiveness of the policy matrix and avoid duplication (#5; former #12; former #18); and (v) changes in wording (#4; #11). The operation will follow the same component organization of the first operation.
- 1.28 **Component 1: Macro-economic stability.** The objective of this component is to maintain a sustainable macroeconomic policy framework consistent with the objectives of the program and the Policy Matrix.
- 1.29 **Component 2: Regulatory framework to support the application of the LCDS and to reform forest-based economic sectors.** This component aims at strengthening the implementation of the LCDS as the main regulatory instrument to establish an environmentally and economically sustainable development model for Guyana. To support progress in the implementation of the LCDS, the second PBP requires that the Amerindian Development Fund be established with initial GRIF funding, and that at least two new GRIF projects be approved and start execution, focusing on two sectors: public participation in general (“Guyana LCDS Outreach Program” project), and support to indigenous communities’ participation in particular. Conditions associated to the continued involvement of the MSSC and the widening of implementation of the REDD+ Stakeholders Awareness Plan is also included.
- 1.30 To support further improvements in environmental management regulations for the forestry and mining sectors the second PBP supports a strengthened EPA and its regulatory framework and includes amendments and/or regulations to the Mining Act, the Guyana Lands & Surveys Commission Act, and the Protected Areas Act. Similarly, amendments to guidelines for the forestry sector are included, in particular the implementation of Codes of Practice for small and large operators; also in the forestry sector, progress towards attaining the “Voluntary Partnership Agreement” with the EU-FLEGT has been included, specifically to obtain a revised version of the Definition of Legality. As practical instruments to ensure that these regulations are guidelines can be readily adopted by the public and private sector, this component includes the development and approval of a National Land Use plan as well as at least 3 Regional Land Use Plans. In order to address the very specific needs of indigenous communities, these land

- use plans will be complemented with the development of a Draft Strategy to establish an Opt-In Mechanism that can better include Amerindian communities in decision-making and benefit-sharing associated to the exploitation of natural resources in Amerindian titled lands with forest cover.
- 1.31 **Component 3: Institutional strengthening.** This component focuses on establishing and operating a number of institutional planning and coordination mechanisms that would strengthen the MNRE's ability to accomplish its objectives. Those mechanisms include: (i) a viable Monitoring and Evaluation framework, aided by an operational Geographic Information System (GIS) structure that would permit close follow-up of the coherent implementation of MNRE policy by its Commissions –particularly the GFC and the GGMC; (ii) strengthening of land use planning, coordination and reclamation agencies and procedures; (iii) signing and ratifying the Minamata Convention on Mercury and taking steps to establish a Mercury-Free Development Fund for the promotion of cleaner and mercury-free mining in Guyana; (iv) best practices in environmental management for the mining sector included in training programs and adopted to improve technical and enforcement capacities; (v) the initiation and implementation of a process toward candidate-status and compliance with EITI; (vi) the implementation of a National Log Tracking system; (vii) an institutionalized system to deal with issues related to indigenous communities and their association to the forestry and mining operations, including benefit-sharing mechanisms such as those mentioned under Component 2; and (viii) the strengthening and consolidation of overarching capacities on environmental compliance and enforcement of EPA.
- 1.32 **Component 4: Monitoring, reporting and verification system.** The objective of this component is to support the continued operation of a MRVS, and its utilization as a reliable instrument to monitor, report and verify forest carbon emissions resulting from deforestation and forest degradation in Guyana. In particular, this component seeks that carbon emissions and removals be reported consistently and with Intergovernmental Panel on Climate Change (IPCC) guidance; the integration of forest cover data from all MNRE agencies; and the integration of forest degradation information into the MRVS.
- 1.33 **Economic analysis.** The policy changes implemented through this PBP will strengthen the governance and policy framework that supports the implementation of the LCDS. Most of the reforms considered focus on improving environmental institutional performance; policy commitments encompass laws, regulations, and norms that aim at improving coordination among actors, increasing efficiency, and broadening access to better environmental and natural resources management in priority sectors.
- 1.34 The economic evaluation report (see [OEL#1](#)) covers: (i) an analysis of the economic rationale of the operation; (ii) a general description of benefits expected to be derived from the implementation of LCDS and associated regulatory and institutional arrangements; and (iii) a detailed economic analysis of contribution to benefits to be derived from improved environmental management –including a global estimation of investment for technology adaptation- in the two key sectors:

- a. In the Mining sector, through: (i) adoption of clean technologies by small scale gold mining companies to reduce mercury use; and (ii) adoption of more efficient recovering technologies to improve productivity and prevent pollution of land and water, which impact negatively over other productive activities.
 - b. Forestry through enforcement of regulations on legally sourced and sustainable timber for opening new markets (European Union under FLEGT), improving sector competitive conditions sector for sustainable added value production.
- 1.35 Sensitivity analysis. The estimated benefits for the forestry sector were calculated under two scenarios: a Pessimistic Scenario, where benefits reach US\$4.3 million assuming commercial process will allow access to markets with greater demand and higher prices (FLEGT agreements and similar); and an Optimistic Scenario which adds advances in the industrial restructuring of the sector, with greater incorporation of added value, where benefits extend up to US\$7.3 million per year. For the mining sector, GoG strategy predicts benefits from incorporating clean technologies, between US\$5.8 and US\$23.3 million per year, to be met in five years without generating additional deforestation effects. For both sectors and covering funds associated to PBP1 and PBP2 (US\$34.1 Million), a Cost/Benefit relationship of 5.4 (Pessimistic Scenario) and 7.9 (Optimistic Scenario) can be established (both values deducted at the Program's start date). Even under a low level of economic agents adaptation to new environmental rules (10% in front of 25% in base case) for both sectors a Benefit/Cost ratio of 3.4 can be expected (pessimistic base case 5.4, both values updated at a 12% discount rate).

C. Key results indicators

- 1.36 The proposed second PBP operation ratifies the set of expected results from the PBP series proposed under the first operation, specifically, that the governance and policy framework that support the implementation of the LCDS in Guyana be strengthened and its sustainability improved. The three main results indicators and corresponding targets for the present operation are: (i) policy and regulatory framework enhanced: LCDS version 2013 updated and environment regulations for extractive industries reviewed/approved; (ii) MNRE strengthened by implementing its strategic plan: MNRE strategic plan approved and implemented; and (iii) MRVS operative: MRVS issues carbon impact, carbon stratification & carbon expansion assessments. An updated Results Matrix is presented in [REL#3](#).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This operation is the second in a series of two PBP, composed of two contractually independent but technically interrelated operations to be disbursed in a single tranche each. The first operation was disbursed in 2013. The program will draw upon resources from IDB's Fund for Special Operations (FSO) for US\$8,580,000 and from IDB's Single Currency Facility of the Ordinary Capital (OC) for US\$8,580,000, upon execution of the respective contract and fulfillment of the policy matrix conditions agreed upon with the GoG and included in the Policy Matrix and Verification Matrix. The conditions and corresponding Means

of Verification associated to this second operation are set out in the Policy Matrix (Annex II). The proposed operation, GY-L1043: Strengthening of the Environment Sector II, is expected to contribute approximately 9.42% of the estimated financial needs for the year 2015-expected year of disbursement of the Bank operation.

- 2.2 The GoG counts on the support derived from the MOU it has signed with the Government of Norway, as well as on the support provided by Bank-financed operations to fulfill the commitments it will assume under this program. The proposed operation would contribute approximately 30% of the FSO allocation for the 2015-2016 cycle. That contribution, however, gains in relevance as it focuses its efforts in support of long-term sustainability goals.

B. Environmental and social safeguard risks

- 2.3 As per Directive B.13 of the Environment and Safeguards Compliance Policy (OP-703), this PBP loan does not have an environmental category. This operation, as well as the whole PBP series, is expected to affect positively the country's ability to undertake the policy and institutional changes entailed in its LCDS, and therefore have a direct positive impact upon its sustainable growth. The operation's support to the consolidation of the MRVS, in particular, is seen as essential to allow the country's authorities and the international donor community to follow closely the country's progress towards the attainment of these goals.

- 2.4 No significant negative impacts on indigenous peoples (OP-765) are foreseen, provided the commitments of the GoG to safeguard indigenous peoples under the LCDS and the Readiness Preparation Proposal (RPP) of the Forest Carbon Partnership Facility (FCPF) are implemented. The Policy Matrix reflects the following environmental and social sustainability criteria as conditions for the disbursement of the resources associated to this operation: (i) that the LCDS Update is implemented, through two new projects that will have a positive impact on the Amerindian communities ability to benefit from the LCDS; (ii) that consultations with affected indigenous groups concerning the LCDS and REDD+ continue and that their participation is facilitated through the Stakeholders Awareness Plan; (iii) that a draft Opt-In Mechanism Strategy is prepared for review by relevant stakeholders; (iv) that a National Land Use Plan and regional land use plans are approved and public awareness mechanism adopted; and (v) that the MNRE creates an instrument to harmonize the relations between the Ministry and Indigenous groups and agencies.

C. Fiduciary risk

- 2.5 No acquisitions are contemplated to be specifically financed with the PBP loan resources and therefore no fiduciary risks have been identified.

- 2.6 **Execution risk.** The set of policy measures are consistent with the general objective of the program and it is anticipated that all policy measures considered in the PBP loan will be completed prior to its submission for Board consideration; therefore no execution risks are anticipated. Regarding the implementation of the program, the availability of financial and knowledge resources through other

Bank Operations (see par. 1.26) and the support of other donors will support the sustained implementation of the policy decisions supported by this loan.

D. Other key issues and risks

- 2.7 **Risk assessment.** As part of program preparation activities, an update was conducted of the risk assessment framework prepared for the first operation, following the Bank methodology “Risk Management in Projects with Sovereign Guarantee” (RMP). The results show an overall risk factor of 1.57, equivalent to a “Low Risk” level. However, four risks were evaluated as “Medium” risks; to attempt to mitigate those, a risk mitigation plan has been prepared as follows: (i) *risk of resistance from traditional and leading economic sectors to new regulatory framework for the adoption of the LCDS* will be mitigated by ensuring a participative project implementation strategy so as to provide for concrete stakeholder commitment to the overall LCDS, including private sector and other interest groups; (ii) *risk of complexities in the drafting, harmonization and approval of new and amended legislation related to environmental and natural resources management and sustainability* will be mitigated by supporting the “Stakeholder Awareness Plan” to facilitate the active participation of indigenous/Amerindian communities and other groups in the design and implementation of the LCDS as well as supporting consultation with the Multi-Stakeholder Steering Committee (MSSC) charged with the oversight responsibility of institutional strengthening, policy development and other activities included in the LCDS and part of the present program; (iii) *risk of limited capacity of the GoG institutions to enforce more stringent regulations for environmental protection and sustainable natural resources management* will be mitigated through the institutional strengthening of the MNRE and EPA, including solid efforts in policy development and enforcement capacity as well as through support to the development of MNRE’s strategic plan containing, among others, activities aimed at strengthening its cross-sectorial coordination capacity and overall leadership in the adoption by Guyana of the LCDS; and (iv) *risk of fiscal space limitations* will be mitigated by establishing the monitoring mechanisms for fiscal and overall macroeconomic performance as a condition for the disbursement of the two-tranche PBP (see [OEL#8](#)). The mitigation plan designed allows a degree of confidence that the policy reforms pursued by the Program will suffice to ensure the long-term sustainability of the reform package.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 The executing agency will be the Ministry of Finance, which will provide the evidence of compliance with the program’s conditions for the second operation. The MOF’s Permanent Secretary or his/her designate has direct responsibility for the implementation of the reforms contained in this program. The MOF will be responsible for: (i) providing support to the entities involved in the implementation of the program’s initiatives; (ii) coordinating program execution in technical matters; (iii) revising and presenting the work plans and progress reports; (iv) monitoring the timely compliance of targets and performance

benchmarks set out in the policy matrix as agreed between the GoG and the Bank; (v) collecting evidence of compliance with the program's targets; and (vi) collecting the information needed for the indicators specified in the results matrix. The Ministry of Finance has coordinated the work of involved public sector agencies to ensure that conditions associated to the first operation will be completed in time for the submission of the loan proposal to the Board. Status of compliance with such conditions is presented in [OEL#2](#).

- 3.2 **Special contractual conditions prior to disbursement.** This loan will be disbursed in one installment once the operation is eligible for disbursements and the Borrower has provided the Bank, to its satisfaction, with documentation verifying that the policy conditions described in the Policy Matrix (Annex II) have been duly fulfilled.

B. Summary of arrangements for monitoring results

- 3.3 The implementation of the reform program will be monitored by the GoG through the MOF with technical support from the sector agencies, using the indicators contained in the Results and Policy Matrixes. The Borrower and the Bank will hold semiannual meetings in order to review progress achieved in implementing the program and on the fulfillment of the conditions defined as triggers for the subsequent operations reflected in the policy matrix. The Borrower will furnish the necessary documentation for these reviews. The Project Team will evaluate program achievements using a reflective evaluation method, taking as reference targets and indicators set in the policy and results matrixes. Within six months after disbursement of the resources of the second PBP, the Bank will prepare a project completion report to assess results achieved by the program, its long-term sustainability and lessons learned (see [OEL#9](#)).
- 3.4 **Impact evaluation.** The impact evaluation analysis will be focused on a before-after comparison; no attribution of the program could be made as it is not possible to have valid counterfactuals. This evaluation will be based on the results matrix, with data collected through a monitoring system to allow before and after comparisons of key indicators. This process will provide a reasonable analytic discussion regarding possible beneficiaries, non-beneficiaries and project impacts.

IV. POLICY LETTER

- 4.1 The IDB has agreed with the GoG on the macroeconomic and sector policies included in the Policy Letter that has been presented by the Ministry of Finance, describing the main components of the GoG's strategy for the program and reaffirming its commitment to implement the agreed activities with the IDB (see [REL#2](#)).

Development Effectiveness Matrix			
Summary			
<i>I. Strategic Alignment</i>			
1. IDB Strategic Development Objectives		Aligned	
Lending Program	i) Lending to small and vulnerable countries, and ii) Lending to support climate change initiatives, renewable energy and environmental sustainability.		
Regional Development Goals	i) CO ₂ emissions (kilograms) per \$1 GDP (PPP), ii) Countries with planning capacity in mitigation and adaptation of climate change, and iii) Annual reported economic damages from natural disasters.		
Bank Output Contribution (as defined in Results Framework of IDB-9)	National frameworks for climate change mitigation supported.		
2. Country Strategy Development Objectives		Aligned	
Country Strategy Results Matrix	GN-2690	Increased environmental governance and capacity for sustainable management of natural resources.	
Country Program Results Matrix	GN-2756-2	The intervention is not included in the 2014 Operational Program.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
<i>II. Development Outcomes - Evaluability</i>			
	Evaluable	Weight	Maximum Score
	8.0		10
3. Evidence-based Assessment & Solution	9.6	33.33%	10
3.1 Program Diagnosis	3.0		
3.2 Proposed Interventions or Solutions	3.6		
3.3 Results Matrix Quality	3.0		
4. Ex ante Economic Analysis	9.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	2.0		
4.2 Identified and Quantified Benefits	2.0		
4.3 Identified and Quantified Costs	2.0		
4.4 Reasonable Assumptions	2.0		
4.5 Sensitivity Analysis	1.0		
5. Monitoring and Evaluation	5.5	33.33%	10
5.1 Monitoring Mechanisms	1.5		
5.2 Evaluation Plan	4.0		
<i>III. Risks & Mitigation Monitoring Matrix</i>			
Overall risks rate = magnitude of risks*likelihood		Low	
Identified risks have been rated for magnitude and likelihood		Yes	
Mitigation measures have been identified for major risks		Yes	
Mitigation measures have indicators for tracking their implementation		Yes	
Environmental & social risk classification		B.13	
<i>IV. IDB's Role - Additionality</i>			
The project relies on the use of country systems			
Fiduciary (VPC/PDP Criteria)			
Non-Fiduciary	Yes	Monitoring and Evaluation National System.	
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	The Bank provided technical assistance through: (i) GY-T1076: Developing Capacities in Implementing REDD+; (ii) GY-G1002 Institutional Strengthening in Support of Guyana LCDS; (iii) RG-X1129: Strengthening Governance in the Extractive Industries in LAC; and (iv) RG-K1314 Incentivizing Clean Technology in the Mining Sector in LAC.	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan			

This programmatic policy based loan (PBP) is the second of two tranches linked to creating a government and policy framework that supports the Government of Guyana's Low Carbon Development Strategy (LCDS). The project document identifies the reasons for developing this strategy, which are linked to the long term development of the country as well as more immediate financial benefits from REDD+ funding via the Norwegian government. The document provides evidence regarding the factors that are limiting the country from pursuing an LCDS strategy. The objectives of the PBP are linked to improving the regulatory, institutional and monitoring structures that will help pursue an LCDS strategy.

The policy matrix and results framework provide a set of triggers and indicators that are linked to the activities and objectives of the PBP. The project documentation includes an economic analysis which assesses the economic advantages of the components of the PBP. This type of program does not generally allow for an impact evaluation using experimental or non-experimental methods, but is anticipated to include data collection through a monitoring system that will allow before-and-after comparisons of key indicators.

The project documentation includes a risk matrix that identifies potential risks and mitigation measures, including metrics to monitor their timely implementation.

POLICY MATRIX¹

Objectives	Conditions for first Operation of the Programmatic series 2013	Conditions for the second Operation of the Programmatic series 2015
COMPONENT 1: MACROECONOMIC STABILITY		
Enhanced Macroeconomic Stability.	The borrower maintains a macroeconomic framework consistent with the program objectives.	The borrower maintains a macroeconomic framework consistent with the program objectives.
COMPONENT 2: REGULATORY FRAMEWORK TO SUPPORT THE APPLICATION OF THE LCDS AND TO REFORM FOREST-BASED ECONOMIC SECTORS		
Implementation of Low Carbon Development Strategies (LCDS)	<p>1. That the following measures regarding LCDS implementation have been adopted:</p> <ul style="list-style-type: none"> a. Approval, launch and publication of a LCDS Update. b. Implementation of 2 of GRIF financed projects in the areas of institutional strengthening and low carbon development for Amerindian villages. c. Completion of the 2013 Annual Stakeholders Awareness and Engagement Plan and its implementation through a continuous multi-stakeholder consultation process, under guidance of the Multi-Stakeholder Steering Committee (MSSC), with special emphasis on the participation of Amerindian villages. 	<p>1. That the LCDS Update is implemented, that the Amerindian Development Fund has been established and funded, and that at least two new projects in the areas of institutional strengthening and support for community development plans by Amerindian Communities have been defined and have started preparation or been approved.</p> <p>2. That consultations with affected indigenous groups concerning the following processes continue and that their participation is facilitated:</p> <ul style="list-style-type: none"> a. LCDS; and b. REDD+ Stakeholders Awareness Plan.
Regulatory framework to support reform of forest-based sectors, and for disaster risk management.	<p>2. That the following measures have been implemented in order to improve environmental management and enforcement actions in the areas of mining, forestry, and land use:</p>	<p>3. That a review of the Environmental Protection Agency's regulations and guidelines is completed. This review must include at least recommendations in the following areas:</p>

¹ See [OEL#3](#) for a comparison of original and current triggers for the second operation and explanation for any changes made.

Objectives	Conditions for first Operation of the Programmatic series 2013	Conditions for the second Operation of the Programmatic series 2015
	<p>a. Mining governance & environmental management:</p> <ul style="list-style-type: none"> i. Review of the legal and regulatory frameworks of the extractive sector to highlight the opportunities to strengthen environmental management particularly as it relates to small vs large scale mining operators/producers. ii. Initiation of feasibility/ scoping study to identify challenges and opportunities to the implementation of the Extractive Industry Transparency Initiative (EITI) including legal and regulatory challenges in the extractive industries. iii. Pre-candidacy preparation of program adherence to the Extractive Industries Initiative. iv. Review and consideration of the recommendations incentivizing Clean Technology in the Mining Industry in Guyana. <p>b. Forestry governance instruments; enforcement of existing codes, in particular concerning:</p> <ul style="list-style-type: none"> i. That the Code of Practice for Timber Harvesting (3rd Edition) and comes into force. ii. Presentation to the Minister of NRE of a draft definition of legality under the European Union Forest Law Enforcement, Governance and Trade (EU FLEGT). iii. Continuity of negotiations of the Voluntary Partnership Agreement under EU FLEGT. 	<ul style="list-style-type: none"> a. Strengthen the EPA to have overarching responsibilities for environmental compliance in Guyana; and b. Enhance EPA's capacity to manage environmental and social impacts of development activities in all sectors of the country through the contracting of additional directive and technical staff, specialized expertise and advice, as well as the preparation of EPA's Compliance and Enforcement Regulations. <p>4. That amendments and/or regulations are drafted in order to ensure consistency with MNRE's mandate, in the context of the following Acts:</p> <ul style="list-style-type: none"> a. Mining Act; b. Guyana Lands & Surveys Commission Act; and c. Protected Areas Act. <p>5. That draft amendments to guidelines in the forestry sector are prepared, in particular a code of practice for small and large operators.</p> <p>6. That the second definition of the legality of the agreement within the context of the Voluntary Partnership Agreement is approved.</p> <p>7. That a draft Opt-In Mechanism Strategy is prepared for review by the relevant stakeholders.</p> <p>8. That the National Land Use Plan and at least three Regional Land Use Plans are approved, and a public awareness mechanism is adopted and regional plans are developed stemming from the recommendations of the Plan.</p>

Objectives	Conditions for first Operation of the Programmatic series 2013	Conditions for the second Operation of the Programmatic series 2015
	c. That the Guyana Lands and Surveys Commission submits the National Land Use Plan for its approval by the Minister of NRE.	
COMPONENT 3: INSTITUTIONAL STRENGTHENING		
Institutional structuring to of MoNRE to comply with its Strategic Plan.	<p>3. That the Plan for the Strategic Framework of the Ministry of Natural Resources and the Environment 2013-2018 (“Strategic Plan”) is submitted for approval.</p> <p>4. In support of the preparation of the Climate Resilience Strategy, the completion of a high-level meeting (to include the Ministry of Finance) on disaster risk indicators and flood risk management.</p>	<p>9. That the MNRE’s institutional structure is strengthened and enhanced according to the MNRE Strategic Plan; particularly, that the MNRE:</p> <p>a. Has developed a M&E Framework to complement the MNRE’s Strategic Plan while appropriately staffed to carry out its mandate;</p> <p>b. Has strengthened the Land Use Planning and Coordination to ensure effective planning, management and monitoring of natural resources; and</p> <p>c. Has strengthened the Land Reclamation Committee through institutional and procedural mechanism.</p> <p>10. That the Government of Guyana approves and ratifies the Minamata Convention on Mercury, and that MNRE takes steps to improve its capacity to implement it by adequately applying environmental regulations, in particular in the mining sector for improved gold recovery and mercury abatement.</p> <p>11. That the MNRE creates an instrument to harmonize the relations between the ministry and Indigenous groups and agencies.</p>
MNRE Thematic Programme focusing on specific efforts to reform forest-based sectors.	5. That the following actions have been implemented to enhance MNRE’s institutional capacity -- technical and in-field -- to provide adequate oversight of extractive industries in MRNE, in particular:	12. That the training programs promoting best practices in the mining sector are identified and delivered, while sustainable forest management practices continue to be implemented within the forestry sector through community training programs.

Objectives	Conditions for first Operation of the Programmatic series 2013	Conditions for the second Operation of the Programmatic series 2015
	<ul style="list-style-type: none"> a. Design of training programs targeting relevant stakeholders aimed at the promotion of recognized best practices in the mining sector. b. Design of courses on environmental impact assessment and management for extractive industries. c. Training of communities in code of practice for harvesting and sustainable forest management practices in accordance with the National Forest Plan and National Forest Policy Statement. d. Integrated Land Use Planning is strengthened and coordination mechanisms exist among natural resources agencies. e. Preparation of a draft National Log Tracking System. f. Completion of the forest inventory surveys for Community Logging Associations and inputted in GFC's database. 	<ul style="list-style-type: none"> 13. Completion of an Inception Report for the scoping study that will present recommendations to MNRE on the implementation of the Extractive Industry Transparency Initiative (EITI). 14. That the Mercury-Free Mining Development Fund has been established to provide incentives for the adoption of new technologies and recognized best practices. 15. That a National Log Tracking System is implemented.
COMPONENT 4: MONITORING & EVALUATION		
Basic MRVS instruments	<ul style="list-style-type: none"> 6. That the Carbon Impact Assessment tools for main drivers of forest change are approved. 7. Implementation of the Forest Cover Database. 8. Approval of a Draft for the 3rd MRVS Interim Measures Report to the Government of Norway. 9. Approval of a model carbon impact assessment for main drivers of forest change. 	<ul style="list-style-type: none"> 16. That an integrated access system for planning, mapping, management and monitoring of forest cover data is formalized between all agencies and coordinated by the MNRE.

Objectives	Conditions for first Operation of the Programmatic series 2013	Conditions for the second Operation of the Programmatic series 2015
MRVS developed.	<p>10. That the Report of the MRVS, detailing findings on forest area changes for 2011 and a Draft Report for 2012 are approved.</p> <p>11. That an Assessment Report on Forest Carbon stratification, identifying historical and current drivers and processes affecting forest carbon levels is developed.</p> <p>12. That a Report containing carbon conversion and expansion factor calculations for Guyana is developed.</p>	<p>17. That the following reports from the MRVS are completed:</p> <ul style="list-style-type: none"> a. Report on Forest Carbon Emissions and Removals following IPCC Guidance. b. Report on Forest Degradation integrated within MRVS Interim Measures Reporting.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/15

Guyana. Loan ____/BL-GY to the Co-operative Republic of Guyana
Environment Sector Strengthening - II

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Co-operative Republic of Guyana, as Borrower, for the purpose of granting it a financing to cooperate in the environment sector strengthening – II program. Such financing will be for the amount of up to US\$8,580,000 from the resources of the Single Currency Facility of the Bank’s Ordinary Capital, corresponds to a parallel loan within the framework of the multilateral debt relief and concessional finance reform of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____)

GY-L1043
LEG/SGO/GY-39267468-15

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/15

Guyana. Loan ____/BL-GY to the Co-operative Republic of Guyana
Environment Sector Strengthening - II

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Co-operative Republic of Guyana, as Borrower, for the purpose of granting it a financing to cooperate in the environment sector strengthening – II program. Such financing will be for the amount of up to US\$8,580,000 from the resources of the Bank's Fund for Special Operations, corresponds to a parallel loan within the framework of the multilateral debt relief and concessional finance reform of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____)

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