

TC Abstract for GY-T1098

I. Basic project data

▪ Country/Region:	Cooperative Republic of Guyana
▪ TC Name:	Guyana – Brazil Land Transport Link and Deep Water Port
▪ TC Number:	GY-T1098
▪ Team Leader/Members:	Christopher Persaud (Team Leader, CGY/TSP), Rafael Acevedo-Daunas, Carlos Mojica y Olga Mayoral (INE/TSP), Colin Forsythe (CSU/TSP), Maria De Cunha (VPS/ESG)
▪ 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:	N/A
▪ Reference to Request: (IDB docs #)	37059440
▪ Date of TC Abstract:	March 15, 2013
▪ Beneficiary:	Cooperative Republic of Guyana
▪ Executing Agency and contact name:	IDB through the Transport Division (INE/TSP)
▪ IDB Funding Requested:	USD\$ 1,500,000
▪ Local counterpart funding, if any:	USD\$ 150,000
▪ Disbursement period:	October 1, 2013 to September 30, 2015
▪ Required start date:	October 1, 2013
▪ Types of consultants (firm or individual consultants):	Firms and individuals
▪ Prepared by Unit:	Transport Division (INE/TSP)
▪ Unit of Disbursement Responsibility:	Country Office Guyana (CCB/CGY)
▪ Included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	Yes
▪ GCI-9 Sector Priority:	Competitive Regional and Global Integration

II. Objective and Justification

- 2.1. The objectives of the operation are to support Guyana's integration efforts with South America and improve the competitiveness of the country. This will be achieved through the establishment of a land transport link between the Brazil-Guyana border at Lethem in the south and a Deep Water Port along Guyana's coast in the north. Guyana shares its borders with two Brazilian states, the States of Roraima and Para; and has traditional ties with the States of Amazonas known for its industrial center. Over the years, the Governments of both countries have been working towards the enhancement of trade, economic and physical integration between the two countries. This cooperation has so far resulted in a paved road in Brazil up to the Takatu River border at Lethem and the bridging of the Takatu River in 2009, at the border.

- 2.2. The proposed land link will join the northern states of Brazil through the Guianas and facilitate shipping¹ access from port(s) in Guyana for imports and exports² to and from Roraima, and Amazonas and the northern Atlantic, the Caribbean, North and Central America. The development of a land transport link between the two countries and the port is also seen as critical in the fostering of this integration process for the Caribbean region as a whole which has a large trade deficit with Brazil although only importing 5%³ of its total imports from Brazil. Guyana, being a member of CARICOM, is in a position to further the relationship between Brazil and CARICOM.
- 2.3. It is envisioned that Guyana's integration with Brazil has the possibilities to open up foreign markets to Guyana's exports, lowering transportation costs while at the same time, increasing competitiveness through increased economies of scale, and also, increasing the flexibility of labor supply which will result in less unemployment.
- 2.4. This operation is aligned with the Report (AB-2764) on the Ninth General Capital Increase of the IDB (GCI-9) which establishes competitive global and regional integration as one of the Bank's priorities. The priority was further elaborated in the Sector Strategy to Support Competitive Global and Regional Integration (GN-2564-4) and its Action Plan which provides the framework for the Bank to reach the 15 percent annual lending target for integration programs by the end of 2015.

III. Description of activities

- 3.1. The Technical Cooperation will support the necessary studies required for establishing the land transport link to the Brazil-Guyana border at Lethem and the Deep Water Port along Guyana's coast. The activities to be undertaken would include market, engineering, environmental, social and financial studies as elaborated below.
- 3.2. **Activity 1: Market and Strategic Environmental and Social Studies.** As a first step, a Market Study will examine the market demand for transportation between Guyana and Brazil, given a suitable port(s) on the coast of Guyana and the shipping needs associated with the demand. The study would assess the current and future transportation demand/market in the Amazonia/Roraima States of Brazil and current options and cost available considering the ports in Brazil, Venezuela and Guyana. A key element of the Market Study would be consulting with the shipping stakeholders in Brazil, Venezuela and Guyana to ascertain the relationships they have with shipping lines and better understand the dynamics of the industry. The outputs of this Market Study would mold the Terms of References for the Engineering, Economic and Financial studies.
- 3.3. In tandem, a Strategic Environmental and Social Study (SESA) would build on data from recent and ongoing studies⁴ to provide a source of information for analyzing the likely significant effects of the land transport link and port operation on the country's environment,

¹ Feasibility and Preliminary Design Report (2012), SNC Lavalin: Containers from Amazonas and Roraima to an Atlantic port takes 5 days and 6 days respectively and would take 2 and 1 day(s) should a port in Guyana be used.

² Instituto Brasileiro de Geografia e Estatística (2009): The Manaus Port in 2009 handled 1,580,802 tons of import/export cargo from Amazonas and 32,008 tons from Roraima.

³ Private Sector Trade Note (2009), CARICOM Office of Trade Negotiations: CARICOM 2009 exports to Brazil were US\$196,232,000 and imports were US\$3,179,680 which represents 5% of the total exports.

⁴ Draft ESIA for Feasibility Study of Georgetown-Lethem Road, SNC Lavalin (2011); Indigenous People Plan for Feasibility Study of Georgetown-Lethem Road, SNC Lavalin (2012); Ongoing studies for GY-T1081: Expansion of Preinvestment Georgetown-Lethem Road Study

natural resources, indigenous people, general population and for assessing its institutional capacity for handling these effects.

- 3.4. **Activity 2: Engineering Studies.** In order to satisfy the demand derived in the Market Study, various land transport modality and alignment options available for the different choices of port sites in Guyana would be examined. The analysis of alternatives will take into account established and new road alignments, port sites with natural water depths, traffic and cargo volumes, physical, environmental and social restrictions, public consultations.
- 3.5. The analysis will include (i) definition of alternative port sites and land transport alignments, (ii) identification of segments within each alternative alignment, (iii) conceptual works designs for each port site and alternative alignment (iv) assessment of the technical, social, environmental and economic viability of the different segments and port sites; and (v) definition of the best alignment, and the optimum land transport route and mode; and port site. Preliminary engineering designs would be produced for the land transport solutions and the port.
- 3.6. **Activity 3: Social and Environmental Studies.** This component will fund the consultation process, field activities and preparation of the Environmental and Social Impact Assessment (ESIA) for the engineering options. The majority of the land transport link would be through rainforest and savannah lands which are part of a diverse ecosystem. In addition, these lands have varying uses and status, and comprise of state and indigenous lands, conservation area, forestry and mining concessions and to a lesser extent, farm lands. In the coastal area where the bulk of the population resides and the possible location of the port, the land use is largely agricultural, residential, commercial and industrial. The ESIA would have to assess all of the identified land transport modalities and alignment options, and port site combinations.
- 3.7. The consultation process will inform and engage the general public from the opening phase of the study on the intention to implement the project and further to listen to the expectations and concerns of the population regarding the scope of the project before the studies are done. The ESIA will satisfy the requirements of the Guyana Environmental Protection Act, 1996 and the Regulations 2000, as well as the IDB Policies OP 102, OP 703, OP 704 and OP 710. The preparatory activities for the ESIA and ESMP would include the identification and mitigation of direct and indirect impacts associated with the execution of the works and when the road comes into use, taking into account compliance with local regulations and the provisions of the Bank's Safeguard Policies.
- 3.8. **Activity 4: Economic and Financing Studies.** This component will fund the studies to ascertain the economic and financial feasibility of the project as well as provide financing options. The structuring of the financing for the project is of great importance since Guyana is unlikely to be able to afford the venture as a sovereign project given its current economic situation.
- 3.9. The studies will entail modeling/forecasting to determine the level of economic output and rate of return from the "connectivity" the establishments of these links are expected to create amongst Brazil, Guyana, South America and the Caribbean. The financing of the project would be analyzed in detail looking at incremental infrastructure development versus one-off development for the various combinations of land transport and port identified in Component 1. The structuring of the operation to attract the interest of investors is the key for the next steps. This would involve the examination of various commonly used Public Private

Partnerships methods for financing such as, concessions and toll arrangements and Build Own Operate Transfer, and the recommendation of the most appropriate method.

IV. Budget

- 4.1. The total cost of the operation is estimated to be US\$1.65 million and it is proposed that the amount of US\$1.5 million be contributed by the Bank and US\$150 thousand be contributed in kind by the Beneficiary. A breakdown of the indicative budget is shown below.

Indicative Budget

Activity/Component	Description	IDB/Trust Fund Financing	Counterpart Financing	Total Financing
Component I: Market Study and SESA	Market demand and strategic environmental and social assessment	350,000	40,000	390,000
Component II: Engineering Studies	Preliminary engineering designs	600,000	60,000	660,000
Component III: Social and Environmental Studies	Consultations and environmental and social impact assessment	300,000	30,000	330,000
Component IV: Economic and Financing Studies	Economic and financial feasibility, and financing options	200,000	20,000	220,000
Supervision	Experts for technical supervision	50,000	0	50,000
TOTAL		1,500,000	150,000	1,650,000

V. Executing agency and execution structure

- 5.1. The Beneficiary will be the Co-operative Republic of Guyana through its Ministry of Public Works (MPW). In keeping with the request from Government, the Bank through INE/TSP will execute the TC on behalf of the country. INE/TSP will supervise and be administratively responsible of the consultants' contracts.

VI. Project risks and issues

- 6.1. The main risk to the success of the studies is related to the determination of transportation demand for both the land and sea transport modes that would largely emanate from the Roraima and Amazonia regions in Brazil. To mitigate this risk, the studies would have to assess the current shipping needs and the willingness to change from the current routes through consultation with stakeholders in Brazil. To facilitate the consultations and give them credibility the sanctioning by both the Guyana and Brazil governments would be required.

VII. Environmental and Social Classification

- 7.1. This TC is classified as an A to reflect the environmental and social risk level of the Project it supports. The team will include all the necessary environmental and social aspects in the TOR and will monitor and evaluate the environmental and social quality of reports received, prior to acceptance and payment.