

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

GUYANA

**INSTITUTIONAL STRENGTHENING IN SUPPORT OF
GUYANA'S LOW CARBON DEVELOPMENT STRATEGY (LCDS)**

(GY-G1002)

GRANT PROPOSAL

This document was prepared by the project team consisting of: Axelle Boulay (INE/RND) and Sybille Nuenninghoff (RND/CBL), Project Team co-Leaders. Members: Eirivelthon S. Lima (INE/RND); Juan de Dios Mattos (RND/CGU); Graham G. Watkins (VPS/ESG); Kevin McTigue (LEG/SGO); Roy Parahoo (PDP/CSU); David A. Ochoa (PDP/CGY); Naveen Jainauth-Umrao (PDP/CGY); Richard Raghoo (CCB/CGY); Marco Nicola (CSC/CSU); and Lisa Sofia Restrepo (INE/RND).

This document contains confidential information relating to one or more of the ten exceptions of the Access to Information Policy and will be initially treated as confidential. However, the document will be eligible for declassification and future disclosure.

CONTENT

PROJECT SUMMARY	1
I. DESCRIPTION AND RESULTS MONITORING.....	2
A. Background and Justification	2
B. Objective, Components and Cost	8
C. Key Results Indicators.....	9
D. Technical and economic viability.....	9
II. FINANCING STRUCTURE AND MAIN RISKS	10
A. Financing Instruments	10
B. Enviromental and Social Safeguard Risks	11
C. Fiduciary Risk	11
III. IMPLEMENTATION AND MANAGEMENT PLAN	11
A. Summary of Implementation Arrangements	11
B. Summary of Arrangements for Monitoring and Evaluation.....	13

ANNEXES

Annex I: DEM Summary
Annex II: Results Framework
Annex III: Fiduciary Arrangements
Annex IV: ESR Forms

ELECTRONIC LINKS

REQUIRED

1. DEM Questionnaire
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36345669>
2. Annual Plan of Operation
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36343471>
3. Monitoring & Evaluation Arrangements
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36345707>
4. Complete Procurement Plan
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36343484>
5. Risk Matrix
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36343461>
6. Environmental and Social Management Report
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36343458>

OPTIONAL

1. Analysis of project cost and economic viability
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36343459>
2. Institutional analysis
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36343465>
3. Budget detailed by output
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36365135>
4. Risk Matrix (Excel)
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36396445>

ABBREVIATIONS

APO	Annual Plan of Operation
CI	Conservation International
EPA	Environmental Protection Agency
GFC	Guyana Forestry Commission
GGMC	Guyana Geology and Mines Commission
GRIF	Guyana REDD+ Investment Fund
GoG	Government of Guyana
IDB	Inter-American Development Bank
IPCC	Intergovernmental Panel on Climate Change
LCDS	Guyana Low Carbon Development Strategy
MRV	Monitoring, Reporting and Verification
NPV	Net Present Value
OCC	Office of Climate Change
OP	Office of the President
PE	GRIF Partner Entity
PMO	Project Management Office
POD	Proposal for Operation Development
REDD+	Reducing Emissions from Deforestation, forest Degradation and sustainable forest management
RS	REDD-Secretariat

PROJECT SUMMARY
GUYANA
INSTITUTIONAL STRENGTHENING IN SUPPORT OF
GUYANA'S LOW CARBON DEVELOPMENT STRATEGY (LCDS)
(GY-G1002)

Financial Terms and Conditions			
Beneficiary (grant): Government of Guyana		Amortization Period:	N/A
		Grace Period:	N/A
Executing Agencies: Office of the President (OP) and Guyana Forestry Commission (GFC)		Disbursement Period:	2 years
Source	Amount (US\$)		
GRIF Trust fund (GRIF/IDB)	5.94 million	Supervision and Inspection Fee:	N/A
		Interest Rate:	N/A
Counterpart (Norway/CI)	1.06 million	Credit Fee:	N/A
Total	7.00 million	Currency:	US\$
Project at a Glance			
<p>Project Objective/Description: The overall objective of the proposed project is to enhance national institutional capacity in Guyana to address the impacts of Climate Change, ensure the effective implementation of the Low Carbon Development Strategy (LCDS), and meet its commitments under interim Reducing Emissions from Deforestation, forest Degradation and Sustainable forest Management (REDD+) partnerships. These commitments include avoided deforestation measures that translate into the avoidance of CO2 emissions.</p> <p>The specific objectives of the project are: (i) to strengthen the technical and administrative capacity of the principal institutions responsible for implementing Guyana's LCDS; and (ii) develop and implement a Monitoring, Reporting and Verification (MRV) system on a national level.</p>			
<p>Special contractual clauses: Conditions prior to first disbursement: (i) The appointment of a full time, competent finance officer in the OCC; (ii) The appointment of a competent procurement officer at the GFC; (iii) The Operating Manual for the Project approved.</p>			
<p>Exceptions to Bank policies: None</p>			
<p>Project qualifies for: SEQ[] PTI[] Sector[] Geographic[] Headcount[]</p>			

I. DESCRIPTION AND RESULTS MONITORING

A. Background and Justification

- 1.1 Guyana is a small country (215,000 km²), heavily forested on the northern coast of South America. It has a population of 750,000 who are predominantly settled along the coast. In 2009, the Government of Guyana (GoG) undertook the [first national assessment of deforestation for the period of 2000-2009](#). This assessment pointed out that Guyana lost nearly 75,000 hectares of forests averaging 3,800 hectares of forests lost per year (0.02% annual rate of deforestation), due mainly to mining and agriculture activities, while degradation of forest area was a result of logging. The assessment also indicated that the highest rates of deforestation within the country occurred in Northwest Guyana, where there is the greatest density of secondary roads, and important deposits of gold and diamond. In spite of this results, the Guyana's deforestation rate is still low when compared to the current annual rate of deforestation for South America (0.41%) and worldwide (0.14%).
- 1.2 To keep its deforestation rate low in the long run, Guyana must focus its attention to build the country's capacity to manage the drivers of deforestation, which are also the drivers of its economic growth, in a sustainable manner. Agriculture, mining, and forestry are economic activities that account for almost 50% of total GDP. The possibility of expanding the use of natural resources is a plausible development path for Guyana, where 86% of the forests are still standing, large reserves of minerals are yet to be explored, and only a small amount of land suitable for agriculture has been cultivated. However, converting these standing forests rich in carbon stocks to alternative land-uses, for instance agriculture and mining, would have significant negative impacts on climate change and biodiversity. In this context, the GoG is seeking to leverage the preservation of the country's vast forests to raise capital to develop economic and social infrastructure, which is very important given that the national poverty rate is still high at 36.1%.
- 1.3 The search for an effective strategy to protect forests and enhance its contribution for economic development has led the GoG to participate in the global financial mechanism called "Reduced Emissions from Deforestation and forest Degradation (REDD+)". REDD+ is a general term for an international policy and finance mechanism that will make possible the funding of forest conservation in the tropics. This search has also led GoG to launch, in June 2009, its development strategy called the "Low Carbon Development Strategy" (LCDS). The overall objective of the LCDS is to generate economic growth in Guyana, while simultaneously avoiding greenhouse gas emissions attributable to deforestation and forest degradation and by implementing clean energy projects that will eliminate non-forestry greenhouse gas emissions. The LCDS document sets out Guyana's strategy to forge a new low carbon economy over the coming decade. It identifies the priorities that will be the initial focus of LCDS implementation in 2010 and 2011, gives an outline of the priorities for the period 2012-2015, and sets out the framework for further consultation and strategy development on Guyana's long-term low carbon development. The LCDS links the expected

financial flows from REDD+ to measurable actions to avoid the future growth of deforestation and forest degradation and a set of social and infrastructure programs and policies to spark economic growth. Notwithstanding, there are two major challenges for Guyana to access REDD+ resources and implement its LCDS. These two challenges are discussed in the section below.

1. Challenge 1: Low Capacity to Monitor Deforestation and Biomass

- 1.4 Financial compensation for avoided deforestation is performance-based, which means that for the GoG to receive REDD+ resources, it must provide donors with a combination of credible measurements of negative changes in Guyana's forest area with estimates of changes in carbon stocks. These measurements need to be done using standard methodologies, ranging from sampling design or field plots in the case of deforestation to conversion factors for biomass to carbon and quantification of uncertainties in biomass measurements, at repeated time intervals to obtain accurate results. In the REDD+ literature, the measurements of both deforestation and biomass are termed "Monitoring, Reporting, and Verification" (MRV). The MRV methodologies have been proposed by the United Nations Framework Convention on Climate Change and the Intergovernmental Panel on Climate Change (IPCC).
- 1.5 In 2009, GoG undertook a [MRV capacity gap assessment](#) of its capacity to monitor both deforestation and biomass, as well as its coordination efforts, vis-à-vis the international requirement established for accessing REDD+ resources (IPCC¹, [GOFC-GOLD](#)). The results for each of these three MRV capacities are presented below.
- 1.6 **Monitoring deforested area.** Remote sensing methods are the most recommended way to assess historical deforestation rate². Using remote sensing techniques requires technical resources in the form of infrastructure and human capacity for data acquisition, storage, processing, and analysis. The MRV assessment concluded that: (i) in terms of acquiring and storing data, Guyana has full 30 meter resolution Landsat coverage of the country for 2005 and 2006-2008, and high resolution ASTER and ALOS images for 2008-2009; and (ii) in terms of capacity for processing and analyzing, Guyana has developed the capacity to pre-process satellite images using geo and radio-rectification techniques which is the first step out of five highly technical procedures (pre-processing, image enhancement, the choice of mapping feature, selection of the appropriate analysis method, and validation of the results).
- 1.7 However, the MRV assessment also concluded that this achievement by Guyana is still insufficient to comply with REDD+ requirements for processing and analyzing satellite images. The assessment recommends that for Guyana to reach

¹ Inter-governmental Panel on Climate Change. 2003. Good practice guidance for land use, land-use change, and forestry. Penman, J. et al (eds). National Greenhouse Gas Inventories Programme. Institute for Global Environmental Strategies, Japan.

² DeFries, R., Achard, F., Brown, S., Herold, M., Murdiyarto, D., Schalamadinger, B. and C. De Souza. 2007. Reducing greenhouse gas emission from deforestation in developing countries: considerations for monitoring and measuring. *Environmental Science and Policy*, 10, pp. 385-394.

the required levels, the following key areas need to be attended: (i) a comprehensive quantitative assessment of deforestation and forest degradation need to be established and protocols and methodologies strengthen; (ii) geographic information system and remote sensing capacity building need to be tailored; and (iii) technical engagement of Guyana with regional and international organizations need to occur. The assessment also recommends that the historic loss of skilled labor (that explains current capacities) needs to be tackled by utilizing fully the available expertise in Guyana and that the development of skills in this field needs to be continued.

- 1.8 **Monitoring carbon stocks (Biomass).** In addition to forest area remote sensing, a monitoring system requires good quality data sets targeted to the measurement of above ground biomass. The MRV assessment indicated that the data sets in Guyana dates back to the initial efforts from FAO of 1968-73, the Great Falls inventory from 1975, the Interim Forest Project Inventory from 1990-94, and the operational level forest inventories of logging concessions from 2004 onward. In addition, the assessment points out that these forest inventories do not cover the whole country and their scope is restricted to measure commercial trees, not forest biomass, therefore, they do not include non-commercial trees. The Guyana Forestry Commission's (GFC) staff has learned the techniques and methods of commercial forest inventories, which can be helpful in the development of the biomass forest inventories. However, more precise estimates of biomass inventories require improvements in the following areas: (i) national methodology for carbon stock assessment; (ii) establishment of biomass monitoring plots; and (iii) tailored capacity building to complement the GFC current knowledge of commercial forest inventories to biomass.
- 1.9 **Coordination efforts.** Guyana is developing the deforestation and biomass MRV under guidance from the newly established National MRV Steering Committee, which includes representatives of Guyana's national REDD-Secretariat, GFC, and other stakeholders. GFC is the focal institution coordinating the MRV activities. Coordination among these stakeholders is key to tackle the following weaknesses described in the MRV assessment: (i) integration of the national datasets; (ii) facilitation of national stakeholder participation; and (iii) engagement with the international community to receive scientific advice on matters related to REDD+ development.

2. Challenge 2: Capacity to Implement the "Low Carbon Development Strategy" (LCDS)

- 1.10 In order to implement effectively the LCDS, strong and effective institutions are needed at the national level. The three key institutions involved, the GFC, Office of Climate Change (OCC) and Project Management Office (PMO), face a similar challenge to perform their assigned duties: the lack of adequate technical and administrative capacity.
- 1.11 **The Guyana Forestry Commission (GFC)** is semi-autonomous, governed by a Board of up to 12 Directors. Its mandate is forest policy enforcement and sustainable forest management and regulating State Forest Estate. The GFC

develops and monitors standards for forest sector operations, develops and implements forest protection and conservations strategies, oversees forest research and provides support and guidance to forest education and training. Since GFC has been tasked with the responsibility of overseeing the process to develop and implement the national REDD+ Strategy, including the national MRV system, as well as readiness activities under the World Bank's Forest Carbon Partnership Facility, a REDD-Secretariat (RS) was established as a new operational unit of GFC. In order to fulfill its duties, the GFC is constrained by its human resources capacity in the areas of forestry and REDD+-related activities.

- 1.12 **The Office of Climate Change (OCC)** was established in June 2009, within the Office of the President (OP), to coordinate all climate change activities and organizations in Guyana. Its mandate also includes: (i) to support work on climate adaptation, mitigation and forest conservation, working closely with the REDD-Secretariat in the GFC; (ii) to align the efforts of various government agencies around the issue of climate change; (iii) to serve as the secretariat for the Guyana National Climate Committee and the Multi-Stakeholder Steering Committee of the LCDS; (iv) to coordinate the efforts of bilateral, multilateral and non-governmental organizations assisting Guyana's climate change agenda; and (v) to provide support to negotiations at appropriate global and regional forums. The OCC needs incremental technical and administrative personnel with skills in finances, information technology, forest and land use, climate change and adaptation, environmental economics, public education, and communications.
- 1.13 **The Project Management Office (PMO)**, also established in 2009 within the OP, is responsible for the coordination and implementation of projects identified in the LCDS and to attract and drive key low carbon investments. The PMO therefore plays an essential, coordinating role in driving cross-Government activities that address two core challenges: (i) investment promotion and facilitation, which aims to increase foreign direct investments in sectors that create new "low-carbon" economic opportunities without increasing pressure on the forest. These priority areas include, but are not limited to, infrastructure, ICT, eco-tourism & large-scale agriculture with an environmentally sustainable agriculture concept in non-forested areas; and (ii) investment and growth, aiming at management reform programs and improved inter-governmental coordination. In order to fulfill its duties, the PMO is constrained by its human resources capacity and lack of budgetary resources to carry out its mandated duties. Likewise, due to the aforementioned budget constraints, the PMO's administrative capacity, including fiduciary and procurement capacity, is limited.

3. Recent Government Sector Interventions

- 1.14 Over the years, the GoG and the parties involved in climate change negotiations have made significant progress in several critical areas to address REDD+ requirements through forest protection as well as the implementation of its LCDS. The major breakthroughs achieved have been:
- 1.15 **Finding a buyer for forest carbon services.** The first and most significant step in any payment for REDD+ scheme has always been the identification and successful

negotiation with a buyer. In December 2007, the Government of Norway pledged up to US\$500 million per year to reduce emissions from deforestation and forest degradation in the tropics. In the following year, Guyana established a strong collaboration with Norway, which ultimately led to the signing of the Memorandum of Understanding between the two countries in 2009. Norway's payments to Guyana may amount to approximately US\$250 million total from 2009 to 2015, depending on the amount of deforestation avoided.

- 1.16 **Getting organized to sell the service.** A second important step was the development of the overarching framework to implement REDD+ and to mainstream climate change mitigation into the economic development of Guyana. This step has been critical to demonstrate to Norway and other parties interested in REDD+ that Guyana fully committed to avoid deforestation with a solid work plan about how it intends to get REDD+ implemented in the country.
- 1.17 **Transferring Funds (The Guyana REDD+ Investment Fund).** Guyana, together with the Bank, World Bank and the Government of Norway, developed the GRIF, which aligns the LCDS and the aforementioned Memorandum of Understanding. The GRIF is the financial mechanism channeling REDD+ financial support from Norway and other potential contributors to: (i) implement the Guyana's LCDS; and (ii) Guyana's efforts in building capacity to improve overall REDD+. The GRIF represents an effort to create an innovative climate finance mechanism which balances national sovereignty over investment priorities (LCDS) while ensuring that REDD+ funds are performance-based and adhere to globally accepted financial, environmental and social safeguards.

4. Lessons Learned and Integrated in the Project Design

- 1.18 Guyana took its first steps towards the effective implementation of the LCDS and REDD+ with the support of the Bank through two technical cooperations financed from its Fund for Special Operations. With 60% disbursed of US\$450,000 approved in 2009, the operation "Supporting Guyana's LCDS" (GY-T1068; ATN/SF-11788-GY) aims primarily at completing the LCDS itself as a validated national strategy and its associated consultation process. Through a second technical cooperation "Developing Capacities in Implementing REDD+" (GY-T1076; ATN/SF-12553-GY) for US\$735,000 that became effective in March 2011, Guyana is expected to update and disseminate the National Forest Plan and National Forest Plan Statement, main pieces of the sector policy that will guide the national REDD+ initiative, as well as a forest resource assessment for all state forest area with a total area of 200,000 hectares.
- 1.19 The lessons learned from the above-mentioned technical cooperations, as well as those derived from Bank experience in the forestry sector in Brazil ("The Sustainable Development Program in Acre" BR-0313 and the "Serra do Mar and Atlantic Forest Mosaics System Socio-Environmental Recovery Program" BR-L1241, were taken into consideration in the design in the proposed project. Following are these lessons learned and how they were integrated into the project design:

Proven interventions in similar contexts in LAC	Integration into Project Design
---	---------------------------------

<p>Cross-sectoral policy interventions are critical to effectively reduce deforestation. Adjusting other policies with significant effects on forest loss should be as important as the MRV system.</p>	<p>The OCC and PMO both are seated in the OP. The aim is to bring cross-sectoral coordination from the highest political level (¶1.12 and ¶1.13). In addition, the REDD+ strategy has been included in the overarching development policy frameworks (LCDS) (¶1.3).</p>
<p>Civil society participation in the decision-making process, at least as observers helps to generate consensus and provide technical input into REDD+ decision-making.</p>	<p>The project has many investments directed towards increasing civil society participation (¶1.9). The aim is to start building capacities on the very concept of REDD+ and the LCDS; and the process that will lead to the formulation of a national REDD+ strategy in Guyana.</p>
<p>On the job training of national staff together with short-term hiring of experienced MRV experts is an effective and efficient way to build government capacity to develop and implement MRV systems.</p>	<p>The project includes on the job training and short-term hiring of specialized MRV experts. Training of the GFC is focused on creating in-house capacity to implement the MRV system while the short-term specialized consultant should guide and guarantee the delivery of the annual report on deforestation (¶1.6, 1.7 and 1.9).</p>

1.20 **Project strategy.** The proposed project is a follow up of the country efforts started with technical cooperations ATN/SF-11788-GY and ATN/SF-12553, which are establishing institutional and technical basis on REDD+ compliance and LCDS implementation. The current project assists the Government to overcome the challenges posed by its low capacity to monitor forest cover change and forest biomass, and weak capacity to implement a low carbon development plan. In the long run, Guyana will need to face sector and cross sector challenges to keep its deforestation below the agreed threshold in the midst of economic development. First, sustainable agriculture practices through adequate technology needs to be promoted among farmers to intensify agricultural production and avoid further pressure over forested areas. Second, sustainable utilization of forest resources, timber and non-timber, through the adoption of technologies and best practices need to be promoted in the forest sector to increase the economic value of the standing forests. Third, as mineral prices go up, mining activities need to be regulated to avoid deforestation and land degradation. Last, regularization of land tenure (cross sector intervention) would improve incentives for intensification of land-use and provide security to invest in sustainable land-uses.³

1.21 **Consistency with Country Strategy and GCI-9.** The proposed project is fully aligned with the Country Strategy (CS 2008-2012), in which mitigation of the effects of Climate Change is part of the ongoing efforts in the pillar "enhanced competitiveness" and risk mitigation. Therefore, the expected outputs are part of the Country Program Results Matrix (2011) targets (CPD 2011). It is also aligned with the Bank's institutional priority (GCI-9) "Protect the environment, respond to climate change, promote renewable energy and ensure food security", as it enhances institutional capacity for the implementation of a strategy aimed to avoid the future growth of deforestation. This project directly contributes to the

³ The FCPF grant proposal shall be reviewed in light of the investments included in this project.

regional goals of reducing CO2 emissions and increasing countries' planning capacity in mitigation of, and adaptation to climate change.

B. Objective, Components and Cost

- 1.22 The overall objective of the project is to enhance national institutional capacity in Guyana to address the impacts of Climate Change, ensure the effective implementation of the LCDS, and meet its commitments under interim REDD+ partnerships. These commitments include the avoidance of future growth of deforestation which translates into the avoidance of CO2 emissions.
- 1.23 The specific objectives of the project are: (i) to strengthen the technical and administrative capacity of the principal institutions responsible for implementing Guyana's LCDS; and (ii) develop and implement a MRV system on a national level. To achieve these objectives, the following activities were grouped into two components.
- 1.24 **Component 1: Design and implementation of a MRV system (US\$3.66 million).** This component aims to strengthen national institutional capacities of the GFC for implementing REDD+ activities, and in particular for implementing a MRV system. The component will finance the following activities: (i) a comprehensive assessment of forest area change and identification of areas affected by forest degradation, including reporting on REDD+ Interim Indicators set out in the Joint Concept Note; (ii) technical assistance to develop forest carbon stock measurement and monitoring capacities for REDD+ and strengthen the capacity for Independent Forest Monitoring in Guyana; (iii) three studies on: (a) assessing the drivers of deforestation and forest degradation, (b) methods for projection of forest area reference levels and studying the benefits of MRV, and (c) tools for decision-support in the context of integrated natural resources management; and (iv) a series of regional workshops to inform about REDD+ and MRV, the development of communication plan and outreach materials, and workshops and consultation on REDD+, MRV and LCDS at national and local levels, in order to develop a sustained MRV coordination and communication mechanism.
- 1.25 **Component 2: Institutional Strengthening of LCDS Institutions (US\$3.28 million).** This component aims to strengthen the institutional capacities of the OCC, PMO, REDD-Secretariat and GFC. In addition, institutional diagnostics of the Guyana Environmental Protection Agency (EPA) and the Guyana Geology and Mines Commission (GGMC) will be financed. The component includes the following activities: (i) recruitment and training of 33 specialized technical and 22 administrative personnel in order to assist OCC, PMO, REDD-Secretariat and GFC in fulfilling their respective mandates; (ii) outreach activities with potential forest investors; (iii) training to assist junior staff of the PMO in project management skills; (iv) office equipment for the OCC, PMO and REDD-Secretariat; and (v) a diagnostic to assess the institutional capacities of Government agencies other than OCC, PMO and GFC whose responsibilities are related to the LCDS and REDD+ activities and the needs for future institutional strengthening. Such agencies include the EPA and the GGMC.

C. Key Results Indicators

- 1.26 The Results Matrix that has been developed for the project, includes output, impact and results indicators related to the objectives and components of the project. The project is expected to enhance national institutional capacity in Guyana to address the impacts of Climate Change, ensure the effective implementation of the LCDS, and meet its commitments under interim REDD+ partnerships. To evaluate the achievements related to the specific objectives of the project corresponding to Component 1, the following aspects will be measured: (i) the implementation on a national level of an IPCC-compliant MRV system; and (ii) increase in percentage of national stakeholders who are aware of, comprehend and support the LCDS. The results and goals have been formulated for the two year implementation period of the project and have been analyzed and agreed with the two executing agencies, responsible for monitoring and reporting on the progress. Beneficiaries include up to 70,000 indigenous people and residence of forest communities (150 forest communities with around 130 satellite villages), who will have the opportunity to eventually benefit from the REDD+ activities.
- 1.27 With regard to the specific objectives corresponding to Component 2, the increase in the institutional capacity will be measured for the three lead public sector institutions responsible for ensuring the effective implementation of the LCDS.

D. Technical and economic viability

- 1.28 During project preparation, a [Cost-Benefit Analysis](#) (CBA) was carried out to evaluate the economic feasibility of the project. The economic benefits of the project are derived from payments for avoided emissions of CO₂ from deforestation. As payments are conditioned upon the performance of GoG in maintaining the deforestation rate below a certain threshold given the historical baseline, a detailed sensitivity analysis was constructed to evaluate the robustness of the Cost-Benefit Analysis. The costs of the project include investment costs, plus maintenance and operational costs of OCC, PMO and GFC. Given the cross-sectoral nature of policies to reduce or avoid the future growth of deforestation, incremental costs borne by a diverse set of institutions were included in the analysis. The period of analysis is 20 years. The net present value (NPV) of benefits, in the most likely scenario, using a discount rate of 12%, is from US\$39 million USD (worst scenario) to US\$79 million USD (best scenario). The modified internal rate of rate of return of the same scenario yields 12.5% to 14.1%.⁴

⁴ A Modified Internal Rate of Return (MIRR) was needed because cash flows are negative after the fifth year (end of GRIF payments). MIRR corrects the fact that IRR finds more than one result (ambiguous) when cash flows are negative. A reinvestment rate of 10% was used, and a discount rate of 12% (opportunity cost of capital).

1.29 The NPV of benefits were calculated only for the period of GRIF payments (up to 2015).⁵ The costs of the project were adjusted proportionately to reflect the fact that institutional strengthening will need to continue for a longer period, and need to include additional costs given the cross-sectoral nature of reducing deforestation or avoiding its future growth. The results of the CBA show that the project is economically feasible and has a positive NPV. This project is different from traditional investment projects, because benefits are accrued right at the beginning of the implementation period. The benefits and costs of the project were tested against a series of scenarios, which included: (i) different discount rates; (ii) different implementations strategies; (iii) different deforestation rates; and (iv) changes in deforestation rates of the principal deforestation drivers. The only situation when results were negative is when deforestation rates are higher than the 0.1% threshold in the first or second year of the scheme.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing Instruments

2.1 Total project cost is US\$7 million, of which US\$5.94 million (85%) will be financed by the GRIF and executed with the Bank as partner entity, in accordance with the Administration Agreement signed between the Royal Norwegian Ministry of Foreign Affairs and the International Development Association of the World Bank, which has been designated as Trustee of the GRIF. The remaining US\$1.06 million (15%) will be financed through the Government funds of Norway and channeled through Conservation International. Table II-1 shows the distribution of cost by component. Detailed cost information is available in the technical files. Potential risks to the project financial sustainability will be addressed by continued strong negotiation at the international level to have a REDD+ market based mechanism in place post Kyoto and by continued work on other forms of support to Guyana's REDD+ efforts.

Table II-1: Total Project Cost By Source of Finance (US\$ Million)

	GRIF/IDB	NORWAY/CI	TOTAL	%
1. Component 1: Design and Implementation of a MRV system	2.60	1.06	3.66	52%
2. Component 2: Institutional Strengthening of LCDS Institutions	3.28	-	3.28	47%
3. Auditing and Evaluation	0.06	-	0.06	1%
TOTAL	5.94	1.06	7.00	100%
Percentage	85%	15%	100%	

2.2 The operation is structured as an investment grant to be disbursed according to the timetable below.

Table II-2: Disbursement Schedule (US\$ Million)

Source	Year 1	Year 2	Total
GRIF/IDB	3.18	2.76	5.94

⁵ Regarding funding after 2015, there are continued strong negotiation at the international level to have a REDD+ market based mechanism in place post Kyoto as well as continued work on other forms of support to Guyana's REDD+ efforts.

Norway/CI	1.06	0	1.06
%	61%	39%	100%

B. Environmental and Social Safeguard Risks

- 2.3 The project provides support for institutional and organizational strengthening to governmental agencies, with key responsibilities for implementing LCDS and REDD+ activities. The project is classified as a Category “C” operation because it will not directly generate negative environmental and social impacts. No additional environmental and social risks have been identified and therefore the project is compliant with the Bank environmental and social safeguards policies.
- 2.4 This project will also contribute diagnostic key inputs for institutional strengthening of the capacities of governmental agencies including the EPA and GGMC – to future GRIF investments to build capacities for environmental and social management in Guyana.

C. Fiduciary Risk

- 2.5 An Institutional Capacity Assessment System analysis was performed for the GFC and the OCC, whereby all areas of its operations, including human resource management, procurement, financial management, internal control and external control were evaluated and analyzed. This assessment revealed a medium fiduciary risk within the GFC due to the lack of procurement capacity; and a medium to high fiduciary risk within the OCC because of lack of procurement and financial management capacity. Three mitigation measures were identified: (i) the project will finance new positions for a procurement officer at the GFC and for a finance officer at the PMO who will be shared across the OP; (ii) training will be provided to GFC and OCC in procurement, financial administration and Bank policies and procedures; and (iii) external auditing will be performed on an annual basis by an accredited firm contracted with Bank no-objection and the national accounting system or an off the shelf accounting software package will be set up for use at the OCC.
- 2.6 Financial Audits: An external audit of the entire project will be performed by a firm of independent auditors acceptable to the Bank. The audit will be contracted and managed by the OCC. The cost of the audits will be financed with project resources. Standard financial reporting requirements of the Bank will apply, including: (i) the annual financial audit report to be submitted within 120 days following the end of each fiscal year; and (ii) a final financial audit report of the project to be submitted within 120 days after the date of the last disbursement.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of Implementation Arrangements

- 3.1 The project will be executed by two agencies: the OP through the OCC and the GFC. Both agencies will have the overall administrative, fiduciary and technical supervision responsibilities of the following activities comprised in the project: Component 2, which will be executed by the GFC, and Component 1, which will

be executed by the OCC, except for the Institutional Strengthening activity of REDD-Secretariat which will also be executed by the GFC.

- 3.2 As executing agencies, the responsibilities of the OP through the OCC and GFC include: (i) preparing Annual Plans of Operation (APO) for the activities under their responsibility; (ii) the acquisition of goods and services in accordance with the approved APO and in accordance with the Project Operations Manual; (iii) making disbursements and payments in accordance with approved payment schedules; (iv) maintaining books, records, documents, and other evidence in accordance with the accounting procedures of the Bank, to sufficiently substantiate the use of the GRIF funds transferred to it. The financial administration of project funds will include the establishment of a project financial accounting system based on the project code of accounts described in the Project Operations Manual; and (v) preparing semi-annual progress reports on the implementation of its activities, results achieved compared to planned results as well as to its contribution to the achievement of the planned results of the GRIF as such and the financial status of their activities under their responsibility. In addition, the OP through the OCC will be responsible for consolidating all required reports and submitting them to the Bank on a timely fashion, as well as contracting services for the overall annual external audits of the project and its final evaluation.
- 3.3 To perform its duties, each executing agency will designate a Task Manager who will be the lead point of contact with the Bank and will be responsible for ensuring that the monitoring activities for the respective activities are undertaken as described below. In addition, the Tasks Managers will have the support of a procurement officer, in the case of OCC, and a finance officer, in the case of GFC, to mitigate identified fiduciary risks (¶2.5).
- 3.4 Funds will be channeled to each of the two executing agencies based on the projected quarterly cash flow requirements indicated in the APO. The initial quarterly transfer will be equal to the projected cash requirement for that quarter. The amount of each subsequent installment will be equal to: (i) the funding requirements projected by each executing agency for the following four month period for disbursements in the approved APO (taking into account any funding previously provided to the executing agencies).
- 3.5 Procurements for the proposed project will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (GN-2349-9), of March 2011; and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-9), of March 2011, and with the provisions established in the GRIF/Grant contract and this procurement plan. In addition, for all projects, the executing agencies are required to prepare and submit to the Bank a draft General Procurement Notice. The procurement plan for the operation will be updated annually or whenever necessary, or as required by the Bank.

B. Summary of Arrangements for Monitoring and Evaluation

- 3.6 A [Monitoring and Evaluation Plan](#) has been developed for the project, to ensure a satisfactory level of achievement of the planned outputs, results and impacts. Executing agencies will have implementation responsibility of this plan. In the case of the OCC, it will also be responsible for integrating and consolidating the progress reports and compiling the semi-annual progress reports for the project as a whole. Each semester the OCC will obtain the technical and financial sections of the progress report that have been prepared by GFC and will compile them into a consolidated document for presentation to the Bank.
- 3.7 During the implementation of the project, the executing agencies will present semi-annual progress reports to the Bank, by end of February and end of August of each year of project implementation. Each executing agency will put in place a monitoring system that is capable of integrating the financial-accounting information together with the physical progress of the project. The reports will focus on the achievement of output indicators and progress in results indicators presented in the Results Matrix, the activities defined in the APO. The semi-annual Progress Reports will include an analysis of the factors that have affected implementation, including problems and issues encountered and the measures that have been taken or are proposed to correct or mitigate the problems and issues, as well as the disbursement projections and updated Procurement Plans.
- 3.8 The OCC will present to the Bank a Final Evaluation of the project as a whole, within 60 calendar days from the date that 90% of the resources of the project have been disbursed. The terms of reference for the final evaluation will require the no-objection of the Bank.
- 3.9 The Ex-Post Impact Evaluation of the project will take place 12 months after completion of the project. An economic analysis of all of the components of the project will be undertaken, applying the same methodology that was applied during preparation of the project, using information that will be collected during the implementation and the Final Evaluation (see Section 2.25 to 2.33 of [Monitoring and Evaluation Plan](#)).

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives		Aligned	
Lending Program			
Regional Development Goals			
Bank Output Contribution (as defined in Results Framework of IDB-9)			
2. Country Strategy Development Objectives		Aligned	
Country Strategy Results Matrix			
Country Program Results Matrix			
Relevance of this project to country development challenges (if not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability			
	Highly Evaluable	Weight	Maximum Score
	9.0		10
3. Evidence-based Assessment & Solution	9.4	25%	10
4. Ex ante Economic Analysis	10.0	25%	10
5. Monitoring and Evaluation	6.6	25%	10
6. Risks & Mitigation Monitoring Matrix	10.0	25%	10
Overall risks rate = magnitude of risks*likelihood			
Environmental & social risk classification			
III. IDB's Role - Additionality			
The project relies on the use of country systems (VPC/PDP criteria)	yes		
The project uses another country system different from the ones above for implementing the program			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment	yes		

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 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.	yes	

Evaluability Assessment Note: *The purpose of this note is to provide an overall assessment of the project's evaluability based on the standards described in the Evaluability Guidelines, as well as to ensure that the Board understands why scores were or were not given to the project. The following information should be developed in order to achieve this purpose. Assess and summarize the diagnosis and the level of empirical evidence to support it. Assess and summarize the level of empirical evidence (or cost-effectiveness) of the solution proposed. Assess and comment on Results Matrix Quality. Assess and describe evaluation methodology ex ante and ex post to be used by the project to demonstrate its results. Describe the main type of risk the operation is subject to and its intensity. Describe whether mitigation measures are in place and whether they can be monitored during the life of the project.*

RESULTS MATRIX

Program Objective		<p>The overall objective of the program is to enhance national institutional capacity in Guyana to address the impacts of Climate Change, ensure the effective implementation of the LCDS, and meet its commitments under interim REDD+ partnerships. These commitments include the reduction of deforestation which translates into the avoidance of CO2 emissions.</p> <p>The specific objectives of the program are: (1) to strengthen the technical and administrative capacity of the principal institutions responsible for implementing Guyana's Low Carbon Development Strategy; and (2) develop and implement and MRVS on a national level.</p>		
Impact Indicator (Ex-Post)	Base Line	2015	Observations	
<p>Guyana's Low Carbon Development Strategy is administered effectively with an Intergovernmental Panel on Climate Change-compliant MRVS implemented on a national level</p> <p><u>Impact Indicator 1:</u> Increase in Interim REDD+ revenue</p> <p><u>Impact Indicator 2:</u> Increase in financial grant commitments to the GRIF</p>	<p>0</p> <p>\$250 million</p>	<p>US\$50 million per annum</p> <p>\$350 million</p>	<p>Goals for 2015 are based on the LCDS</p>	
Results Indicators (Outcomes)	Base Line	2013	Observations	
<p><u>Outcome Indicator 1:</u> Increase in the execution capacity of the 2 executing agencies responsible for the implementation of the Program, and that are instrumental in the implementation of the LCDS.</p> <p>Calculated as the difference between 2013 and 2011 in the execution capacity score of the OCC and GFC as measured using the methodology of the Institutional Capacity Assessment System.</p> <p><u>Outcome Indicator 2:</u> An Intergovernmental Panel on Climate Change-compliant MRVS is implemented on a national level.</p>	<p>OCC = 55%</p> <p>GFC = 76%</p>	<p>OCC= 72%</p> <p>GFC = 85%</p>	<p>Corresponds to specific objective of strengthening the OCC and GFC, Subcomponent 1</p>	

Results Indicators (Outcomes)	Base Line	2013	Observations
<p><u>Outcome Indicator 3:</u> Increase in national stakeholder awareness, comprehension and support of the Low Carbon Development Strategy</p> <p>Measured as the percentage of respondents in a national survey who indicate that they have heard of the LCDS, who respond correctly to five true or false statements about the activities and objectives of LCDS; and who indicate that they are in favour of the LCDS.</p>	<p>Baseline metrics to be obtained through a survey to be undertaken during the first quarter of Year 1</p>	<ul style="list-style-type: none"> 90% of respondents have heard of the LCDS. Respondents who have heard of LCDS correctly answer, on average, 75% of 5 true or false questions pertaining to the activities and objectives of the LCDS); 70% of respondents indicate that they are in favour of the LCDS. 	<p>Related to national stakeholder outreach activities undertaken by the PMO and the REDD Secretariat</p>

Outputs by Component	Baseline	Final Year 1	Final Year 2	TOTAL Program Completion	Observations and Information Sources
COMPONENT 1 : DESIGN AND IMPLEMENTATION OF AN MRVS					
1.1 Develop and Implement a National MRV Coordination Mechanism					
<u>Output 1.1.1</u> Number of national MRV coordination mechanisms established	0	0	1	1	Consultant report; Semi-annual Progress Reports prepared by GFC
1.2 Forest Area Assessment and Change Monitoring					
<u>Output 1.2.1:</u> Number of methodologies developed for determining the extent and scale of forest degradation	0	1	1	1	Consultant reports; Semi-annual Progress Reports prepared by GFC
<u>Output 1.2.2:</u> Number of digital database of archived satellite data and national spatial datasets for use in forest area change assessment;	0	1	0	1	
<u>Output 1.2.3:</u> Number of reports on forest area change assessment	0	0	1	1	

Outputs by Component	Baseline	Final Year 1	Final Year 2	TOTAL Program Completion	Observations and Information Sources
<u>Output 1.2.4:</u> Training and capacity building workshops in Guyana for GFC staff on methods and procedures for conducting forest annual national forest monitoring including remote sensing, processing, data interpretation and analysis	0	1	1	2	
1.3 Forest Carbon Stock Assessment and Change Monitoring					
<u>Output 1.3.1:</u> Implementation Plan developed for long-term measurement and monitoring plan of national forest carbon stocks	0	1	0	1	
<u>Output 1.3.2:</u> Report containing carbon conversion and expansion factors calculations for Guyana	0	0	1	1	Consultant reports; Semi-annual Progress Reports prepared by GFC
<u>Output 1.3.3:</u> Number of assessment reports completed describing historical and current drivers and processes affecting forest carbon levels	0	1	2	2	
<u>Output 1.3.4:</u> National experts trained in conducting forest carbon stocks and change assessments	0	0	3	3	
1.4 Develop MRV for a set of REDD demonstration activities					
<u>Output 1.4.1</u> Number of MRV plans designed and implemented for REDD demonstration activities	0	1	2	3	MRV reports for the REDD demonstration activities; Semi-annual progress reports prepared by GFC
1.6 Develop a Sustained Communication Mechanism					
<u>Output 1.6.1</u> Number of mechanisms developed for achieving sustained communication on the national and international level	0	1	1	1	Consultant reports; Semi-annual progress reports prepared by GFC

Outputs by Component	Baseline	Final Year 1	Final Year 2	TOTAL Program Completion	Observations and Information Sources
1.7 Conduct and Support Research on Key Issues					
<u>Output 1.7.1</u> Number of research reports produced	0	1	2	3	Research reports; Semi-annual progress reports prepared by GFC
1.8 Strengthen Capacity for Independent Forest Monitoring in Guyana					
<u>Output 1.8.1</u> Number of monitoring reports produced based on approved monitoring methodology	0	1	1	1	Monitoring reports; Semi-annual progress reports prepared by GFC
COMPONENT 2: INSTITUTIONAL STRENGTHENING OF LCDS INSTITUTIONS					
2.1 Institutional Capacity of the OCC Strengthened					
<u>Output 2.1.1: Number of personnel hired</u> Number of Technical Specialists hired (new and extended) Number of Administrative staff hired (extended)	5 ^{1*} 14 [*]	11 14	11 14	11 14	Semi-annual progress reports prepared by OCC
<u>Output 2.1.2</u> Number of outreach/communication events with national stakeholders conducted	0	2	2	4	Semi-annual reports prepared by OCC will include summary tables indicating: the number of events financed; location; duration; main topic; number of participants; type (professional category) of participants; and cost.
2.2 Institutional Capacity of the PMO Strengthened					
<u>Output 2.2.1: Number of personnel hired:</u> a) Number of Technical Specialists hired (new and extended) b) Number of Administrative staff hired (new and extended)	1 [*] 3 [*]	4 5	4 5	4 5	Semi-annual progress reports prepared by OCC (and consolidated by PMO)

* Position already filled that will be extended with project funding.

Outputs by Component	Baseline	Final Year 1	Final Year 2	TOTAL Program Completion	Observations and Information Sources
<u>Output 2.2.2</u> Number of outreach/communication events that are undertaken with national and international stakeholders	0	2	2	4	Semi-annual reports prepared by OCC (and consolidated by PMO) will include summary tables indicating: the number of events financed; location; duration; main topic; number of participants; type (professional category) of participants; and cost.
2.3 Institutional Capacity of the REDD Secretariat and GFC Strengthened					
<u>Output 2.3.1: Number of Personnel Hired:</u>					
a) Number of Technical Specialists hired for REDD Secretariat	3*	14	14	14	Semi-annual progress reports prepared by GFC
b) Number of Administrative and Support staff hired for REDD Secretariat	0	3	0	0	
c) Number of Technical Specialists hired for GFC	20	24	24	24	
2.4 Institutional Diagnostic of Other Agencies					
<u>Output 2.4.1</u>					
Number of Institutional Diagnostics Completed	0	1	2	3	Semi-annual progress reports prepared by OCC. The institutional diagnostics will include prioritized investment plans with results matrices for the institutional strengthening of the agencies including the Environmental Protection Agency (EPA) and Guyana Geology and Mines Commission (GGMC).

FIDUCIARY AGREEMENTS AND REQUIREMENTS

COUNTRY: Guyana

PROJECT N° GY-G1002

NAME: INSTITUTIONAL STRENGTHENING OF GUYANA'S LOW CARBON DEVELOPMENT STRATEGY (LCDS)

EXECUTING AGENCIES: GUYANA FORESTRY COMMISSION (GFC) AND OFFICE OF THE PRESIDENT (OP)

I. EXECUTIVE SUMMARY:

1. **Project objective description-** the overall objective of the program is to enhance national institutional capacity in Guyana to address the impacts of Climate Change, ensure the effective implementation of the LCDS, and meet its commitments under interim REDD+ partnerships. These commitments include the reduction of deforestation which translates into the avoidance of CO2 emissions. The specific objectives of the program are: (1) to strengthen the technical and administrative capacity of the principal institutions responsible for implementing Guyana's Low Carbon Development Strategy; and (2) develop and implement an MRV system on a national level.
2. The Office of the Climate Change, (OCC) is envisaged to be responsible for the long term administrative, accounting and finance functions of the LCDS financing. In the interim and for this operation the Executing Agencies will be the Guyana Forestry Commission, (GFC) and the Office of the President, (OP), of which the OCC is a subsidiary function. 1) An Institutional Capacity Assessment System analysis of each agency, whereby all areas of its operations, including human resource management, procurement, financial management, internal control and external control of GFC and OP is presently being conducted separately; 2) Inspection visits were conducted during the months of July and August, 2011 by COF/CGY Financial Management Team; 3) Visits were conducted on August 4, 2011 by COF/CGY Procurement Team. 4) Meetings with the project team. The preparation of the fiduciary agreements and requirements that will be applied during the execution of the operation is based on the results of this evaluation.
3. **Fiduciary Context of the country.** The Public Financial Management systems in Guyana were assessed by late 2007 using the combined PEFA framework (which is the Public Financial Management Performance Measurement Framework) and OECD-DAC procurement assessment. The assessment concluded that Guyana's overall budget planning, accounting and reporting systems work well, IFMAS (finance and accounting system used by the Government) now operates consistently and reliably, providing updated information about all elements of budget execution; budget planning and reporting is being done in accordance with accrual accounting. The main weaknesses identified related to the supervision of statutory bodies, public procurement and internal audit and control. A new Integrated Fiduciary Assessment is planned for 2011/2012 as a follow-up to the successful exercise conducted in 2007. The new assessment will allow for Government to gauge its performance over the new strategy period. Technical Cooperation resources will be used to support the GoG in mollifying these institutional and governance factors that amplify risk.
4. The PEFA (Public Financial Management Performance Measurement Framework) highlighted that the Government had begun to strengthen the internal control environment and improve the quality of public financial management via the establishment of the posts of qualified Financial Controllers in most Ministries. An assessment of the capacity of the Auditor General's Office was also carried out. The assessment concluded that in the initial phase, the Auditor General will be eligible to audit all Bank financed TCs and loan projects in the pipeline or recently approved, which are deemed of low/medium complexity and risk. An extension of said assessment is that

- the operations where the Auditor General will be the external auditor will be determined on a case-by-case basis, with the Bank's non-objection being a pre-requisite.
5. For this project the Bank is recommending, in consistency with its mandate to strengthen and use national systems, the use of the national accounting system for the financial administration of the project by the PEU, and the Auditor General of Guyana for external control (depending on availability) and if unable or agreed otherwise, a firm of independent public accountants acceptable to the Bank.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCIES

6. The **Guyana Forestry Commission (GFC)** is responsible for the administration and management of all state forest land. The work of the Commission is guided by a Draft National Forest Plan that has been developed to address the forest policy. The Commission develops and monitors standards for forest sector operations, develops and implements forest protection and conservation strategies, oversees forest research and provides support and guidance to forest education and training. The GFC is governed by a board of directors appointed by the President. The board is responsible for the performance of the functions conferred on the Commission by the Act of 2007.
7. The assessment conducted by COF/CGY indicates that GFC unit has adequate institutional capacity to carry out the execution of their assigned component of the operation. The GFC has experience in executing projects with International Financial Institutions, other donors as well as the international forestry body ITTO and is currently embarking upon the execution of the Bank funded technical cooperation "*Developing Capacities in Implementing REDD+*" (ATN/SF-12553-GY). Apart from this, experience of IDB's policies and procedures are limited. Notwithstanding the satisfactory fiduciary financial management arrangements displayed by the GFC, there were deficiencies in the timely submission of audited financial statements (AFS) as the most recent was that of the year 2007. This, we consider, could have affected timely and effective corrective actions.
8. GFC uses the QuickBooks accounting software system for its financial accounting and reporting of ATN/SF-12553-GY, and it is envisaged that it will be used in the interim for the operation. GFC is currently audited by the Audit Office of Guyana (AOG), and has indicated to the Bank the need for the option of also being able to engage a firm of private independent auditors acceptable to the Bank. At the moment the Integrated Financial Management Accounting System (IFMAS) is the designated national accounting system, however Oracle may become the national accounting system of the country as it is widely used in other government owned corporations such as GUYSUCO and it is currently being implemented by the Guyana Water Inc. Should the GFC migrate to using the national accounting system sometime in the future, it should consider the advantages of adopting the system for Bank administered operations.
9. An institutional capacity assessment on procurement conducted revealed that GFC has the capacity to conduct procurement in accordance with the Bank's procurement policies and procedures. Notwithstanding this assessment, there is no designated procurement department and all procurement is initiated and supervised by the Finance Department. Measures are presently being taken to hire an experienced Procurement Specialist.
10. The **Office of the President (OP)** will be the second Executing Agency. The OP has delegated the responsibility of administering its respective part of the operation to the **Office of Climate Change, (OCC)**, which in turn will be assisted by the **Project Management Office, (PMO)**. The Bank has conducted an institutional assessment of the OCC that shows a capacity deficiency in several areas. This deficiency is lessened by the low complexity of the operation; additionally, OP will be providing support in those areas that the OCC presents weaknesses. The OCC is currently executing the Bank funded Technical Cooperation "*Supporting Guyana's Low Carbon Development Strategy*" (ATN/SF-11788-GY). They are operating without an approved accounting software package, mostly manual means and Microsoft Excel. The Bank generally

recommends and prefers the use of the national accounting system IFMAS, however if one considers the infrastructure, training requirement and time limits that exist for this operation, the use of an approved accounting software package will be considered adequate. The OP, having the legal status of a line ministry established under the constitution, is audited annually by the Audit Office of Guyana, (AOG).

11. A Procurement Officer was recruited and is responsible for executing the procurement plan for both OCC and PMO. The procurement Officer has very limited experience in the Bank's Procurement Policies and Procedures. However he has demonstrated a willingness to learn and a series of training seminars aimed at building procurement capacity in IDB's procurement policies is scheduled.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

12. **GFC-** Notwithstanding the foregoing, a few institutional strengthening actions are being recommended to improve the Procurement Function, these are: (1) the hiring of a Procurement Specialist, and (2) the scheduling of regular training on the Bank's Procurement Policies. To address the only weakness identified in the area of financial management, re- the backlog of the audited financial statements, the following action is proposed: (3) the formalization of the procedures of the external audit, with an emphasis on scheduling logistics, to prevent any delays as alluded to above, in the submission of audited financial statements (AFS) for Bank administered operations.
13. **The OCC-** as indicated above, the following institutional strengthening actions are recommended: (i) The appointment of a new accountant or the training of the current finance officer and the appointment of a new procurement officer to address the capacity issue referred to above, or the training of the current officers to attain a strong familiarity with the IDB's policies and procedures and to coordinate operations with strategic partners; (ii) Provision of adequate office space to house the selected procurement and accounting officer with the necessary office equipment; (iii) Implement the IFMAS system or procure an acceptable accounting software package to suit the needs of the operation. (iv) Update of the existing operation manual to guide the overall functioning of the Executing Agency; (v) The preparation of an Organizational Chart detailing hierarchical relations, lines of authority and decision making be in proposed; (vi) Training activities conducted as necessary.
14. Such actions should allow for an effective and transparent execution of the resources of the operation while, of utmost importance, enhancing and streamlining the permanent administrative, fiduciary and control capabilities of the Executing Agencies.

RISK	RISK LEVEL	MITIGATION MEASURES
1. Lack of Financial Management Capacity at OCC	Medium-High	The appointment of a full time, competent finance officer in the OCC
2. Lack of Procurement Capacity at GFC	Medium	The appointment of a competent procurement officer at the GFC
3. Accounting System	Medium	The national accounting system or an off the shelf accounting software package set up for use at the OCC

IV. SPECIAL CONDITIONS OF CONTRACT TO BE ADHERED TO

15. **Conditions prior to first disbursement:** (i) The appointment of a full time, competent finance officer in the OCC (ii) The appointment of a competent procurement officer at the GFC; (iii) the Operating Manual for the Project, approved; and (iv) The national accounting system or an off the shelf accounting software package set up for use at the OCC.
16. **Type of funds to be used by executing agencies:** The type of funds to be used are established in the following manner: (i) Reimbursement of actual expenses: the effective rate of exchange on the date of payment of each expenditure, as published by the Central Bank of Guyana; (ii) Reporting on accounts (Advance of Funds): the effective rate of exchange used in the conversion of the currency of the operation to the local currency; (iii) Disbursements in alternate currencies from the US Dollar or local currency: Disbursements in another currency different from the US dollar and the Guyana dollar: In cases of direct payment and reimbursement of a guarantee of letter of credit, the equivalent of the currency of the operation will be fixed in accordance with the amount effectively disbursed by the IDB.
17. **Registries, inspections and reports:** All records and files will be maintained by the Executing Agencies, according to accepted best practices, and be kept for up to three (3) years beyond the end of the operation's execution period.
18. **Application of procurement policies for goods, works and non-consulting services:** For applicable procurement policies for goods, works and non-consulting services please refer to document "Policies for the procurement of Goods and Works and Non-consulting Services Financed by the Inter-American Development Bank, GN-2349-9".
19. **Application of policies for the selection of consulting services:** For applicable procurement policies relating to the selection of consultants, refer to document "Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank, GN-2350-9".
20. **Methods and threshold amounts to be applied to works, goods, non-consulting services and consulting services:** The IDB thresholds table for Guyana will apply.
21. **Special agreements regarding procurement:** None.
22. **Use of electronic on-line systems for the publication and management of the procurement plans:** The on-line Electronic Procurement Execution System (known by its Spanish acronym as SEPA) introduced in Guyana in 2010 will be used for the publication and updates of the procurement plan. It is expected that the executing agency will use the SEPA program for management of its procurement activities. As part of the Modernization of National Procurement Regime, financed by the IDB, the Government of Guyana is also planning to develop an on-line procurement notice publication portal. Procurement processes falling below the national competitive bid thresholds may also be advertised on this site.
23. **Use of national or other documents than the Bank standard documents for competitive bidding:** None.
24. **Financial Statements and Reports, audited or unaudited:** (i) Semi-annual financial reports will be included in the semi-annual progress report which will be submitted by the OCC and GFC to the Bank; (ii) Annual audited financial statements of the project are to be submitted to the Bank within 120 days at the end of each fiscal year, beginning with the fiscal year in which the first project expenditures were incurred. The Auditor General of Guyana or a firm of independent public accountants acceptable to the bank will be responsible for the Audit Report.

V. FINANCIAL MANAGEMENT

25. **Programming and Budget:** The Borrower has committed to allocate, for each fiscal year of project execution, adequate fiscal space to guarantee the unfettered execution of the project; as determined by normal operative instruments such as the Annual Operating Plan and the Procurement Plan.
26. **Accounting and Information Systems:** Project accounting will be performed using the Quickbooks accounting package, for the GFC, in accordance with International Financial and Reporting Standards and International Public Sector Accounting Standards when applicable. The

OCC will be providing to the Bank, additional information on the implementation for use the IFMAS system, or on the accounting software package procured. It is expected that the accounting system will facilitate the recording and classification of all financial transactions, provide information related to: planned versus actual financial execution of the project; the financial execution plan for the next 6 months that will be attached to each request for Advance of Funds, annual Financial Statements, performance reports, and any other reports, financial or otherwise, audited or unaudited, that may be required from the Bank from time to time.

27. **Disbursements and Cash Flow:** The Bank will maintain separate advance of funds accounting in the WLMS for each Executing Agency, as a preference indicated by the GFC in the initial discussions.
28. Whenever resources from the financing are requested through an Advance of Funds, they will be deposited into a Special Account, denominated in US Dollars, established exclusively for the Project at the Central Bank of Guyana, or a Commercial Bank acceptable to the Bank.
29. As required, resources from this Special Account will be transferred to another bank account in a commercial bank, denominated in Guyana Dollars to be utilized for payment of expenditures in local currency.
30. The Executing Agencies commit to maintain strict control over the utilization of the Advances so as to ensure the easy verification and reconciliation of balances between the Executing Agency's records and IDB records (WLMS1).
31. Eligible expenditures, authorized by the PTL/Coordinator and incurred prior to the approval of this project will be reimbursed to the Borrower, in accordance with current Bank policy.
32. The project will provide adequate justification of the existing Advance of Funds balance, whenever 80% of said balance has been spent. Advances will normally cover a period not exceeding 180 days and no less than 90 days.
33. In order to request disbursements from the Bank, the Executing Agency will present the following forms and supporting documents:

Type of Disbursement	Mandatory Forms	Optional forms/ information that can be requested by the IDB
Advance	Disbursement Request/ Financial Plan	List of Commitments Physical/Financial Progress Reports
Reimbursements of Payments Made	Disbursement Request/ Project Execution Status/ Statement of Expenses	List of Commitments Physical/Financial Progress Reports
Direct Payment to Supplier	Disbursement Request/ Acceptable Supporting Documentation	List of Commitments Physical/Financial Progress Reports

34. Generally, supporting documentation for Justification of Advances and Reimbursement of Payments Made will be kept at the office of the Executing Agencies. Support documentation for direct payments will be sent to the Bank for processing. Disbursements' supporting documents may be reviewed by the Bank on an ex-post basis. These reviews do not entail a blanket approval, based on the samples reviewed, of the whole universe of expenditures.
35. **Internal Control and Internal Audit:** The management of the project will assume the responsibility for designing and implementing a sound system of internal control for the project.
36. **External Control and Reports:** For each fiscal year during project execution, the OCC and GFC will be responsible to produce semi-annual financial reports for the project and annual Audited Financial Statements. The combined project financial statements will be produced by the OCC, as well as the contracting and managing of the audit. The audit will be done either by the Auditor General of Guyana or by a firm of independent public accountants acceptable to the Bank.
37. **Financial Supervision Plan:** Financial Supervision will be developed based on the initial and subsequent risk assessments carried out for the project. Financial, Accounting and Institutional Inspection visits will be performed annually, covering the following: (a) Review of the

- Reconciliation and supporting documentation for Advances and Justifications; (b) Compliance with procedures; (c) Review of compliance with the lending criteria; (d) Conducting Ex Post Review of Disbursements.
38. **Execution Mechanism:** The GFC and the OCC will be the Executing Agencies and will manage separate Advances of Funds;
 39. **Both the GFC and the OCC** will be responsible for: (i) preparation of required project reports; (ii) monitoring product, output and outcomes achievement using established indicators; (iii) preparation and submitting disbursement request to the Bank and justification of expenses; (iv) preparation of annual financial program expenses; (v) ensure compliance with all aspects of the Operating Manual; and (vi) maintain adequate documentation filing system.

VI. SPECIAL CONDITIONS OF CONTRACT TO BE ADHERED TO FOR PROCUREMENT

40. **Application of procurement policies for goods, works and non-consulting services:** For applicable procurement policies for goods, works and non-consulting services please refer to document "Policies for the procurement of Goods and Works and Non-consulting Services Financed by the Inter-American Development Bank, GN-2349-9".
41. **Application of policies for the selection of consulting services:** For applicable procurement policies relating to the selection of consultants please refer to document "Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank, GN-2350-9".
42. **Methods and threshold amounts to be applied to works, goods, non-consulting services and consulting services:** The IDB thresholds table for Guyana will apply, see 57 below.
43. **Special agreements regarding procurement:** See following paragraphs.
44. **Use of electronic on-line systems for the publication and management of the procurement plans:** The on-line Electronic Procurement Execution System (known by its Spanish acronym as SEPA) introduced in 2010 will be used for the updating and publication of the procurement plan. It is expected that the executing agency will use the SEPA program for management of its procurement activities. As part of the Modernization of National Procurement Regime, financed by the IDB, the Government of Guyana is also planning to develop an on-line procurement notice publication portal. Procurement processes falling below the national competitive bid thresholds may also be advertised on this site.

VII. REQUIREMENTS AND AGREEMENTS FOR EXECUTION OF PROCUREMENT

45. **Procurement Execution:** Procurements for the proposed project will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (GN-2349-9), of March 2011; and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-9), of March 2011, and with the provisions established in the GRIF/Grant contract and this procurement plan. In addition, for all projects, the Borrower is required to prepare and submit to the Bank a draft General Procurement Notice.
46. **Procurement of Goods, Works, and Non-Consulting Services:** The procurement plan for the Program, covering the duration of project execution is summarized in Annex III, and indicates the procedure to be used for the procurement of goods, the contracting of works or non consulting services. The review of technical specifications in all cases, during the process of selection is the responsibility of the sector specialist of the operation.
47. **Procurement of IT systems:** None
48. **Procurement of Consulting Services:** The procurement plan for the operation, covering the duration of project execution is summarized in Annex III, and indicates the procedure to be used for the procurement of consultancy services, and the method of selecting consultants. The Borrower is responsible for preparing and implementing the project, and therefore for preparing the TORs, short lists, selecting the consultants, and awarding and subsequently administering the contract.

49. **Sole Source Selection:** to be used only in exceptional circumstances and is based on the Bank’s no objection to the justification.
50. **Selection of Individual Consultants:** Individual consultants are employed on assignments for which: (a) teams of personnel are not required; (b) no additional outside (home office) professional support is required; and (c) the experience and qualifications of the individual are the paramount requirement. Individual consultants are selected on the basis of their qualifications for the assignment. Advertisement is not required and consultants do not need to submit proposals. Consultants shall be selected through comparison of qualifications of at least three candidates among those who have expressed interest in the assignment or have been approached directly by the Borrower. Individual consultants may be selected on a sole-source basis with due justification in exceptional cases. This is to be carried out in accordance with Section V (Selection of Individual Consultants) of GN-2350-9 paragraphs 5.1-5.4.
51. **Training:** The detailed procurement plan indicates to which consultancy services training and workshops are applicable. As per GN-2350-9 if the assignment includes an important component for training or transfer of knowledge to Borrower staff or national consultants, the TOR shall indicate the objectives, nature, scope, and goals of the training program, including details on trainers and trainees, skills to be transferred, time frame, and monitoring and evaluation arrangements. The cost for the training program shall be included in the consultant’s contract and in the budget for the assignment.
52. **Recurring Expenses:** Include payment of utilities and other office operating expenses of the PEU, if any.
53. **Advance Contracting/Retroactive Financing:** Section 1.9 of the procurement policies allows for retroactive financing and advance contracting where the procurement procedures, including advertising, are in accordance with the procurement policies in order for the eventual contracts to be eligible for Bank financing. The Bank shall review the process used by the Borrower. A Borrower undertakes such advance contracting at its own risk, and any concurrence by the Bank with the procedures, documentation, or proposal for award does not commit the Bank to make a GRIF/Grant for the project in question. If the contract is signed, reimbursement by the Bank of any payments made by the Borrower under the contract prior to GRIF/Grant signing is referred to as retroactive financing and is only permitted within the limits specified in the GRIF/Grant Contract.
54. **Domestic Preference:** Determining whether it is appropriate and necessary to use domestic preference in the evaluation of bids should be guided by Appendix 2 of GN-2349-9 para. 1-6.
55. **Other Requirements:** Use of national or other documents than the Bank standard documents for competitive bidding: None
56. **Procurement Plan and supervision (PP):** The procurement plan for the operation covering the duration of project execution is summarized in Annex III. It indicates the procedures to be used for the procurement of goods, the contracting of works or services, and the method of selecting consultants, for each contract or group of contracts. It also indicates cases requiring prequalification; the estimated cost of each contract or group of contracts; the requirement for prior or post review by the Bank. The procurement plan will be updated annually or whenever necessary, or as required by the Bank.
57. **Country Threshold:** Table (US\$ Thousands) www.iadb.org/procurement¹

Works			Goods			Consulting Services		Limit for Ex- Post
International Competitive	National Competitive	Shopping/Pri ce Comparison	International Competitive	National Competitive	Shopping/Pri ce Comparison	International Competitive	Short Lists Solely by Nationals/N	

¹ Amounts for ex post and ex ante review are applicable based on the capacity of the executing agency and complexity of procurements. These amounts may be adjusted by the Bank, as capacity is improved, and/or procurement complexity varied.

e Bidding	Bidding		e Bidding	Bidding		e Bid	CB	Revisio n
>1,000	100 – 1,000	<100	>100	25 - 100	<25	>100	<100	12 month

SAFEGUARD POLICY FILTER REPORT

PROJECT DETAILS	IDB Sector	ENVIRONMENT AND NATURAL DISASTERS- ENVIRONMENTAL PROGRAMS
	Type of Operation	Other Lending or Financing Instrument (enter details in final report)
	Additional Operation Details	
	Investment Checklist	Generic Checklist
	Team Leader	Boulay, Axelle (AXELLEB@iadb.org)
	Project Title	Institutional Strengthening in support of Guyana LCDS
	Project Number	GY-G1002
	Safeguard Screening Assessor(s)	Watkins, Graham George (GWATKINS@iadb.org)
	Assessment Date	2011-02-28
	Additional Comments	Support for the implementation of the LCDS from the Guyana REDD Investment Fund financed by Norway through the World Bank and IDB.

SAFEGUARD POLICY FILTER RESULTS	Type of Operation	Investment Grants	
	Safeguard Policy Items Identified (Yes)	The Bank will make available to the public the relevant Project documents.	(B.01) Access to Information Policy– OP-102
		The operation is in compliance with environmental laws and regulations of the country where the operation is being implemented (including national obligations established under ratified Multilateral Environmental Agreements).	(B.02)
		The operation (including associated facilities) will be screened and classified according to their potential environmental impacts.	(B.03)
	The operation may be of	(B.04)	

		higher risk due to controversial environmental and associated social issues or liabilities.	
		The Bank will monitor the executing agency/borrower's compliance with all safeguard requirements stipulated in the loan agreement and project operating or credit regulations.	(B.07)
		Suitable safeguard provisions for procurement of goods and services in Bank financed projects may be incorporated into project-specific loan agreements, operating regulations and bidding documents, as appropriate, to ensure environmentally responsible procurement.	(B.17)
	Potential Safeguard Policy Items(?)	No potential issues identified	
	Recommended Action:	Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s). Complete Project Classification Tool. Submit Safeguard Policy Filter Report, PP (or equivalent) and Safeguard Screening Form to ESR.	
	Additional Comments:		

ASSESSOR DETAILS	Name of person who completed screening:	Watkins, Graham George (GWATKINS@iadb.org)
	Title:	
	Date:	2011-02-28

SAFEGUARD SCREENING FORM

PROJECT DETAILS	IDB Sector	ENVIRONMENT AND NATURAL DISASTERS- ENVIRONMENTAL PROGRAMS
	Type of Operation	Other Lending or Financing Instrument (enter details in final report)
	Additional Operation Details	
	Country	GUYANA
	Project Status	
	Investment Checklist	Generic Checklist
	Team Leader	Boulay, Axelle (AXELLEB@iadb.org)
	Project Title	Institutional Strengthening in support of Guyana LCDS
	Project Number	GY-G1002
	Safeguard Screening Assessor(s)	Watkins, Graham George (GWATKINS@iadb.org)
	Assessment Date	2011-02-28
	Additional Comments	Support for the implementation of the LCDS from the Guyana REDD Investment Fund financed by Norway through the World Bank and IDB.

PROJECT CLASSIFICATION SUMMARY	Project Category: C	Override Rating:	Override Justification:
	Conditions/ Recommendations	<p>Comments: Support for the implementation of the LCDS from the Guyana REDD Investment Fund financed by Norway through the World Bank and IDB.</p> <ul style="list-style-type: none"> • No environmental assessment studies or consultations are required for Category "C" operations. • Some Category "C" operations may require specific safeguard or monitoring requirements (Policy Directive B.3). Where relevant, these operations will establish safeguard, or monitoring requirements to address environmental and other risks (social, disaster, cultural, health and safety etc.). • The Project Team must send the PP (or equivalent) containing the Environmental and Social Strategy (the requirements for an ESS are described in the Environment Policy Guideline: Directive B.3) as well as the Safeguard Policy Filter and Safeguard Screening 	

		Form Reports.
--	--	---------------

SUMMARY OF IMPACTS/RISKS AND POTENTIAL SOLUTIONS	Identified Impacts/Risks	Potential Solutions

ASSESSOR DETAILS	Name of person who completed screening:	Watkins, Graham George (GWATKINS@iadb.org)
	Title:	
	Date:	2011-02-28