

COUNTRY ENGAGEMENT FRAMEWORK FOR GUYANA

**SUPPORTING ECONOMIC DIVERSIFICATION AND SUSTAINABLE
DEVELOPMENT (2024-2026)**





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ACKNOWLEDGMENTS

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ABBREVIATIONS

CARICOM	Caribbean Community and Common Market
CCD	Cooperation and Capacity Development
CET	Common External Tariff
CDB	Caribbean Development Bank
CSE	Country Strategy and Engagement
EIU	Economic Intelligence Unit
EU	European Union
GDP	Gross Domestic Product
GHGs	Greenhouse Gases
GoG	Government of Guyana
HDI	Human Development Index
ICD	Islamic Corporation for the Development of the Private Sector
ICIEC	Islamic Corporation for Insurance of Investments and Export Credits
ICT	Information and Communication Technology
IsDB	Islamic Development Bank
IsDBi	Islamic Development Bank Institute
LAC	Latin America and Caribbean Region
LCDS	Low Carbon Development Strategy
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IaDB	Inter-American Development Bank
ITFC	International Islamic Trade Finance Corporation
MDBs	Multilateral Development Banks
MCPS	Member Country Partnership Strategy
RBMF	Results Based Management Framework
PIASR	Project Implementation Assessment and Support Report

ABBREVIATIONS

PPFM	Project Procurement and Financial Management
PPP	Public Private Partnership
RCA	Resilience and Climate Action
R & D	Research and Development
REER	Real Effective Exchange Rate
RHD	Regional Hub of Dakar
RHP	Regional Hub of Paramaribo
SMEs	Small and Medium Size Enterprises
TA	Technical Assistance
UNDP	United Nations Development Programme
WB	World Bank

EXECUTIVE SUMMARY

The IsDB Group Country Engagement Framework for Guyana for 2024-2026 aligns with the Low Carbon Development Strategy 2030 (LCDS) and aims to facilitate economic transformation and sustainable development. The LCDS is internationally recognized for its innovative approach to sustainability. It is focusing on reducing greenhouse gas emissions and promoting renewable energy and environmentally friendly sectors.

The CEF's primary goal is to support resilient and sustainable growth through economic diversification and increased economic integration. Despite the challenges posed by COVID-19 pandemic, Guyana's economy has experienced remarkable expansion, with an average real GDP growth of 42 percent between 2020 and 2022. It is projected to continue growing at a rate of 37.2 percent in 2023. This growth has been predominantly attributed to the oil and gas sector. The non-oil economy accelerated to 11.5 percent from 4.6 percent in 2021, as economic output exceeded 2019 levels by 8.1 percent facilitated by a strong growth impulse from oil production and continued fiscal stimulus.

Guyana's economic success is largely due to the oil windfall, which has allowed the country to maintain stable macroeconomic fundamentals, including low inflation, manageable debt metrics, and transition from a negative external balance of -25.6 percent of GDP in 2021 to a projected positive balance of 27.9 percent in 2023. These oil revenues hold the potential to elevate Guyana from one of the region's least affluent countries to a higher income status.

In 2016, Guyana became a member of the Islamic Development Bank (IsDB), paving the way for fruitful cooperation with the IsDB Group and effective partnerships with the Group's member countries. The CEF reflects IsDB's commitment to assist Guyana's development journey by fostering productive country dialogue, forming sustainable partnerships, and accommodating Guyana's political cycle. This collaboration offers IsDB Group a significant opportunity to play a leading role in supporting Guyana's transformation into a high-income economy during a critical phase of its economic development.

However, Guyana faces various obstacles to achieving structural transformation, as outlined in the CEF and based on LCDS assessments. It is noteworthy that while LCDS addresses broader socio-economic and climatic challenges, the CEF focuses on specific constraints, as inadequate physical infrastructure, a growing agriculture sector which had been declining over the past decade, limited private sector involvement, and challenges with skilled human capital.

The CEF is structured around two main pillars. The first pillar focuses on establishing green, resilient, and sustainable infrastructure, which not only supports the burgeoning oil and gas industry but also encourages diversification in sectors such as agro-industry, tourism, and mining. This pillar encompasses various interventions in energy, transportation, water management, affordable housing, renewable energy, multi-modal transport, rural development, ICT advancement, social infrastructure, urban planning, and sanitation. The second pillar targets economic diversification and business enhancement by addressing financial market expansion, SME support, and enhancing healthcare and education infrastructure. Additionally, cross-cutting pillars include Islamic finance, women and youth empowerment, climate adaptation, and capacity development through collaborative partnerships.

Despite the IsDB's relatively new portfolio in Guyana, which comprises three projects totaling US\$214.9 million some specific systemic issues and fiduciary concerns have emerged, particularly in project implementation, financial management, and procurement procedures. To overcome these challenges, robust design and planning, the establishment of a dedicated Project Management Unit (PMU), and consistent country engagement are crucial for efficient project execution. The CEF will be

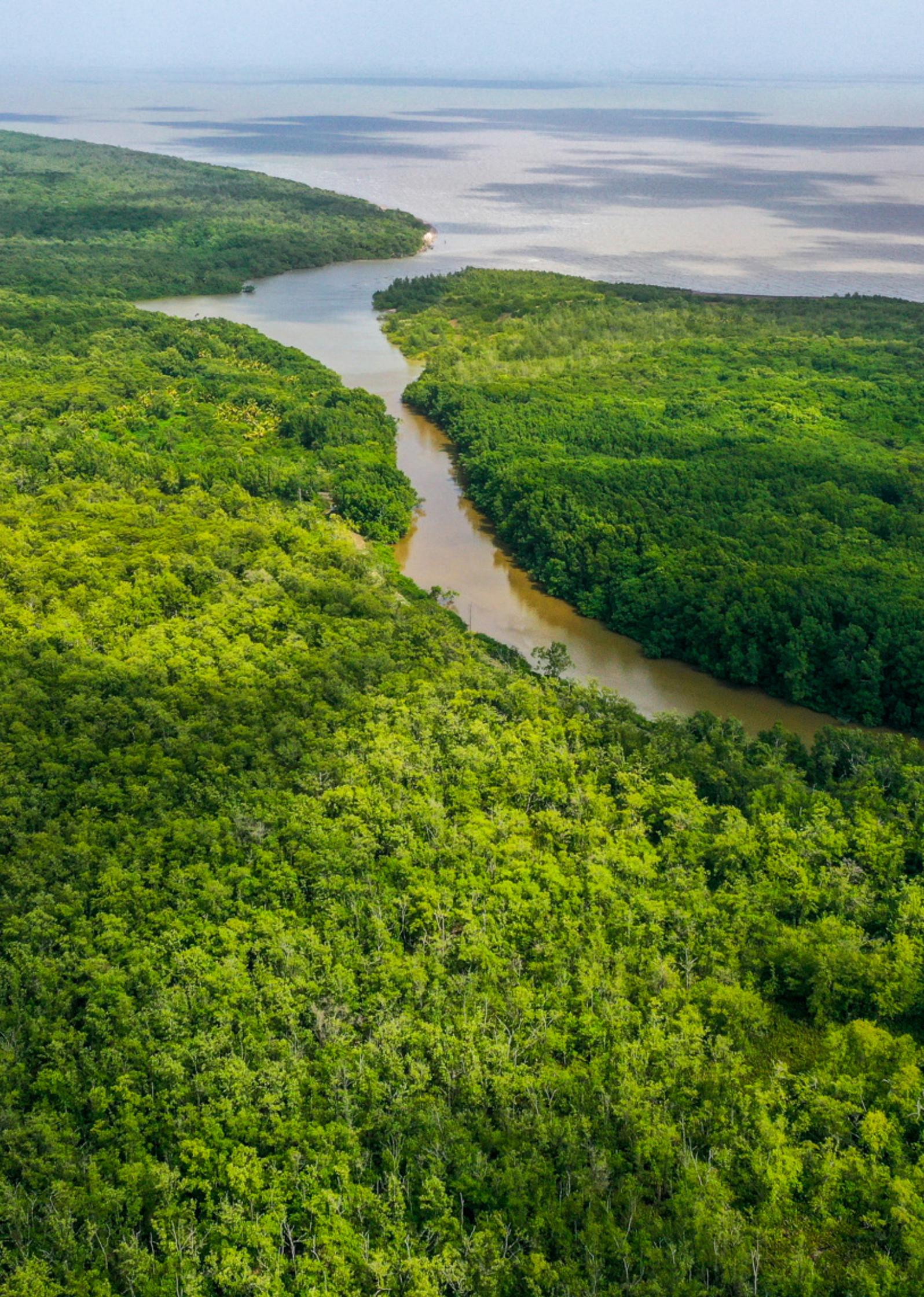
setting up an IsDB-GoG Operations Steering Committee to address these challenges, implement lessons learned, and enhance project preparation and design, financial oversight, procurement processes, and portfolio management.

In conclusion, Guyana's Country Engagement Framework allocates US\$197.6 million to support economic transformation and sustainable development over the next three years while effectively addressing its developmental constraints. Prioritizing infrastructure development, strengthening the agriculture sector, enhancing human capital development, and supporting the private sector, the CEF aspires to create an environment conducive to inclusive and sustainable economic growth.

MAP OF THE COUNTRY



The boundaries and names shown and the designations on this map do not imply official endorsement or acceptance by the Islamic Development Bank Group.



INTRODUCTION

1. **Guyana is a country with a small population of about 800,000 inhabitants situated on the north-central coast of South America, with neighbouring Venezuela, Brazil, and Suriname.** Endowed with abundant natural resources, Guyana is a strong democracy rooted in the Caribbean region.
2. **The IsDB Group Country Engagement Framework for Guyana covers the period of 2024-2026 and is fully aligned with the country's development framework,** namely The Low Carbon Development Strategy 2030 (LCDS).
3. **Guyana is the latest Member Country to join the IsDB in 2016,** and there is great potential for more fruitful cooperation at a crucial time in the country's economic transformation due to discoveries of large deposits of oil since 2015, poised to transform the economic, social and infrastructure landscape of the country. Therefore, this CEF, the first Engagement Strategy, provides an opportunity to undertake country dialogue, foster sustainable partnerships, and pave the way for a future full-fledged Member Country Partnership Strategy (MCPS). This enhanced cooperation provides IsDB Group with a momentous occasion to position itself as a leading partner to support Guyana's transformation to a high-income economy.
4. **The CEF relies on IsDB's realigned strategy (2023-2025),** which focuses on (i) Boosting Recovery, (ii) Tackling Poverty and Building Resilience and (iii) Supporting Green Economic Growth. It focuses on enhancing Guyana's structural transformation by building on its strong macro fundamentals.
5. Given the promises of oil and gas production, **the government's agenda relies mainly on leveraging the opportunity to build and transform the non-oil economy for sustainable and inclusive development** and to avoid the Dutch Disease, which had in the past afflicted many countries facing a surge in wealth from the oil and gas sector. This would mean that the dividends reaped from the expansion of the oil and gas sector would be directed towards tackling the main challenges to economic sustainability and diversification, such as limited private sector participation in the economy, insufficient transport infrastructures and networks, and overall low human development.
6. **The CEF Guyana** thus focuses on supporting economic transformation and human capital development through a strategy that **intervenes mainly in infrastructure, human capital, and private sector needs for economic diversification while capitalizing on the oil and gas windfall for more inclusive sustainable development.**
7. **This CEF has been developed based on extensive consultations with the Government of Guyana and multilateral stakeholders.** The process benefitted from constructive discussions to identify Guyana's priorities and needs. The government's formal acceptance of this document would convey its concurrence of the engagement framework and related work program, enabling IsDB to proceed with the business development and project processing activities. It is important to note that the Indicative Work Program¹, although providing a range of indicative project-level allocations, does not constitute any financial commitment from IsDB at this juncture.

¹ See Annex I - Indicative Country Work Program and Programming Approach



II. STRUCTURAL TRANSFORMATION

8. **The Guyanese economy has exhibited remarkable growth, even amidst the complexities posed by the COVID-19 pandemic.** Impressively, in the years following the initiation of oil production in 2019, Guyana's economy achieved exceptional expansion, with real GDP growth rates of 20 percent in 2021 and an astounding 62.3 percent in 2022². This extraordinary surge positioned Guyana as the global leader in economic growth in 2021 and the singular economy in the Latin America and Caribbean (LAC) region to exhibit positive growth. Forecasts predict further substantial growth of 37.2 percent in 2023. This rapid economic advancement is primarily attributed to the burgeoning industries sector, particularly with the rise of the oil industry, which has overtaken the services sector, which was a pivotal driver behind the country's growth for the past two decades.

9. In addition to the **oil and gas sector, which accounted for 40 percent of the real GDP growth in 2022³**, Guyana's economic expansion was mainly driven by the government's investment in three sectors, namely **infrastructure (20 percent of GDP growth), agriculture (an estimated 10 percent of real GDP growth** due to the government's support for small farmers and the expansion of agricultural exports), and tourism sector (5 percent of GDP growth). Other sectors, **such as manufacturing and services, accounted for the remaining 25 percent of real GDP growth in 2022.**



² See Figure -1 Evolution of the Driver of Growth, 2013-2021

³ IMF, 2022

10. **Guyana's exchange rate policy is a managed float** to mitigate the impact of oil production on the exchange rate by smoothing out volatility and preventing the currency from appreciating too much to protect the non-oil economy's competitiveness and avoid inflation. The effectiveness of these policies has been mixed as the Guyanese Dollar has appreciated in recent years, but not as much as initially feared.

11. **Macroeconomic indicators present a positive outlook, with robust fundamentals in inflation, debt indicators, and balance of payments**⁴. Remarkably, Guyana's prudent debt management has resulted in a significant reduction in public debt, which stood at merely 27.8 percent of GDP in 2022, down from a staggering 511.8 percent in 1992. The transition from a negative current account balance of -25.6 percent of GDP in 2021 to an anticipated positive balance of 27.9 percent in 2023, predominantly driven by oil exports, bodes well for the nation's economic stability.

Table 1: Selected economic indicators

Main Economic Indicators and Forecast	2021	2022	2023	2024*	2025*	2026*
Real GDP Growth (%)	20.1	62.3	37.2	45.3	3.4	36.6
Inflation (%)	3.3	6.5	6.6	5.5	5.0	5.0
Current account balance (% of GDP)	-25.6	27.3	27.9	27.3	19.0	23.4
General government gross debt (% of GDP)	43.2	27.8	29.8	24.2	24.1	18.9

* Forecasts

Source: IMF, WEO 2023

12. **However, amid these impressive economic accomplishments, several pressing issues warrant attention.** One of the noteworthy concerns is the diminishing contribution of the agricultural sector to GDP that started before the oil boom. Indeed, despite more than 70 percent of the working-age population residing in rural areas, **the agricultural sector's contribution has been progressively waning since 2013**⁵. **On the upside, there has been a steady increase since 2020.**

⁴ See Table 1- Selected economic indicators and Economic Outlook

⁵ See Figure 2 - Evolution of the Structure of the Economy 2013 to 2021

13. **As a member of the Caribbean Community and Common Market (CARICOM), Guyana applies a Common External Tariff (CET) on imports from countries outside of CARICOM. The CET ranges from 5 percent to 20 percent and 40 percent in the case of agricultural products.** Sugar exports have been adversely affected by the removal of preferential access to EU markets; meanwhile rice, the other major agricultural export, faces competition from major producers such as Pakistan and Vietnam⁶. **Droughts and floods in the coastal region where agricultural activity is concentrated, coupled with challenges with access to credit to farmers, have adversely affected the agricultural industry.** Nonetheless a recently growing agricultural sector is contributing to diversified export earnings, food security and rural employment opportunities.



⁶ Perspectives on diversification prospects for the agri-food industry in Guyana, FAO, 2020

14. **Labor productivity in Guyana is lower than the Caribbean region average.** In 2022, labor productivity in Guyana was US\$12,710 per worker, while the Caribbean region average was US\$18,540 per worker, meaning that a worker in Guyana produces 36 percent less output than a worker in the Caribbean region⁷.

15. Moreover, inadequacies in essential public **infrastructure such as transport⁸, electricity, water and communication** stifle the inclusive potential of the recent double-digit growth. **The road network is poorly maintained, and only 25 percent of roads are paved⁹, rendering the transport of goods difficult.** Though progress was made in the electrification rate (92.5 percent in 2021, according to the World Bank), the **high cost of electricity and lack of access to the electricity grid in rural areas hinder development and fosters inequality.** The **country's water infrastructure is inadequate.** There is limited access to piped water and unreliable water sources. The water quality is poor due to high levels of iron content **and only 50 percent of the population has access to drinking water. The average cost of internet access in Guyana is US\$30 per month.** This is higher than the average cost of internet access in other Caribbean countries, such as Barbados (US\$20 per month) and Trinidad and Tobago (US\$15 per month).

16. This is especially alarming given Guyana's high-income inequality, highlighted by its **GINI coefficient of 46.7 in 2019, positioning it among the most unequal nations globally.** More specifically, **Guyana also faces regional development challenges,** with the urban coastal areas being much more developed than the rural hinterlands. This inequality is evident in several areas, including income, education, and access to basic services. For example, in 2019, the per capita income in urban areas stood at US\$5,200, while in rural areas it was only US\$2,200¹⁰. Although this gap has been closing in recent years as the economy has grown steadily, the growth remains slower in rural areas. Ensuring that the wealth derived from oil production benefits the entire population is a challenge that must be addressed.

17. **While the country's GDP per capita surged to US\$ 18,342 in 2022, nearly three times higher than in 2019, about half of the population still lives below the international poverty line of US\$ 5.50 per day¹¹.** Guyana's low ranking of 108th in the 2022 Human Development Report underscores the urgency to steer the nation toward structural transformation and inclusive growth.

18. **Guyana must address pressing concerns about health, education and climate change.** While witnessing progress in access, the education sector still struggles with learning outcomes. Although Guyana's average student is projected to complete 12.2 years of schooling, the **Learning-Adjusted Years of Schooling (LAYS) stand at just 6.8 years, signaling a disparity between schooling and actual learning.** **Health indicators also lag, with infant mortality rates of 23.2 per 1,000 live births (LAC average is 14) and an under-5 mortality rate of 28 per 1,000 live births (LAC average is 16) in 2021¹².** The country's vulnerability to **climate-induced hazards, including flooding and coastal erosion, necessitates resolute action to safeguard against potential GDP losses projected to exceed 46.4 percent by 2100¹³.**

⁷ Regional Productivity Report, ILO, 2022

⁸ See Figure 3 - Guyana's transport infrastructure performance vs. comparator countries

⁹ Guyana Systematic Country Diagnostic, World Bank, 2020

¹⁰ Income Inequality in Guyana: Class or Ethnicity? New Evidence from Survey Data, Collin Constantine, ECINEQ, 2022

¹¹ Macro poverty Outlook, World Bank, Spring Meetings 2023

¹² See Figure 4.- Under5- Mortality – Guyana VS LAC

¹³ Guyana: Climate Risks and Adaptation Report, World Bank, 2022

19. **The high emigration rate is another challenge specific to Guyana.** The country is losing about 1 percent of its population each year to emigration, especially the high-skill labor. Between 1965 and 2000, about 90 percent of Guyanese with a tertiary education emigrated¹⁴, which created a high-skill labor shortage.

20. **To leverage the positive trends following the surge in real GDP growth and address existing challenges, Guyana must embark on strategic initiatives for economic transformation.** Enhancing physical infrastructure facilitates industrial development, production, and service provision. Inadequate road networks, water and sanitation facilities, ports, airports, and energy facilities have impeded progress. Furthermore, the agricultural sector's subdued performance necessitates investment to diversify the economy and create employment opportunities. Enhancing productivity, market access (development of Halal industry), and sustainability within the agricultural sector are pivotal for achieving economic diversification.

21. **Effectively engaging the private sector and improving access to financing are fundamental components of the economic strategy.** Encouraging private sector participation and fostering an environment conducive to business growth will drive innovation, productivity, and economic expansion. Addressing the shortage of skilled workers exacerbated by a high emigration rate is equally vital, demanding investment in education and healthcare infrastructures to equip the workforce with the expertise required for economic competitiveness.

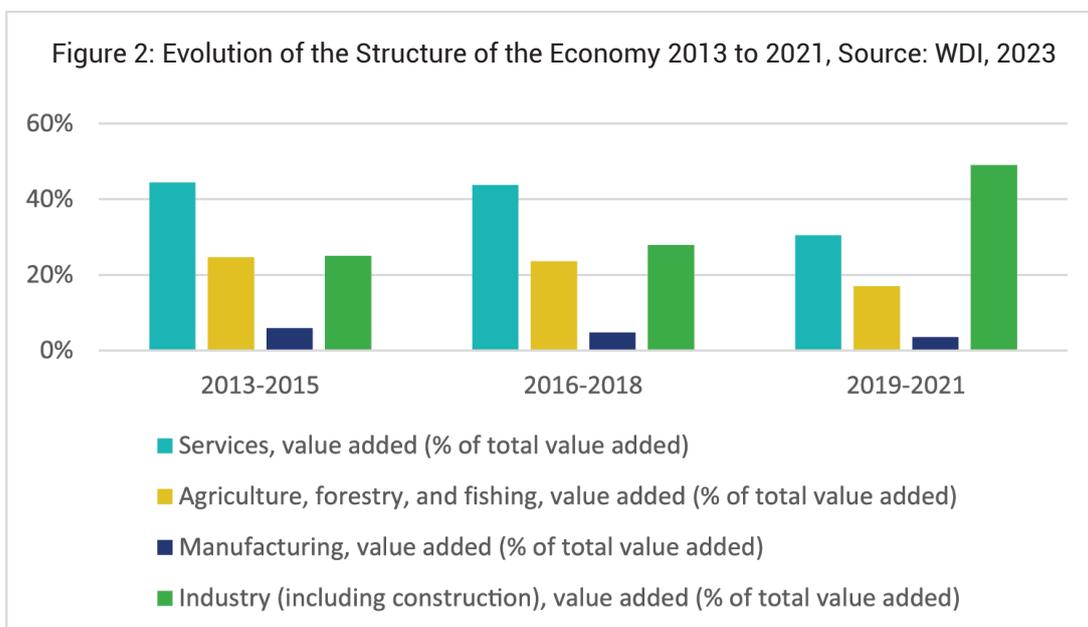
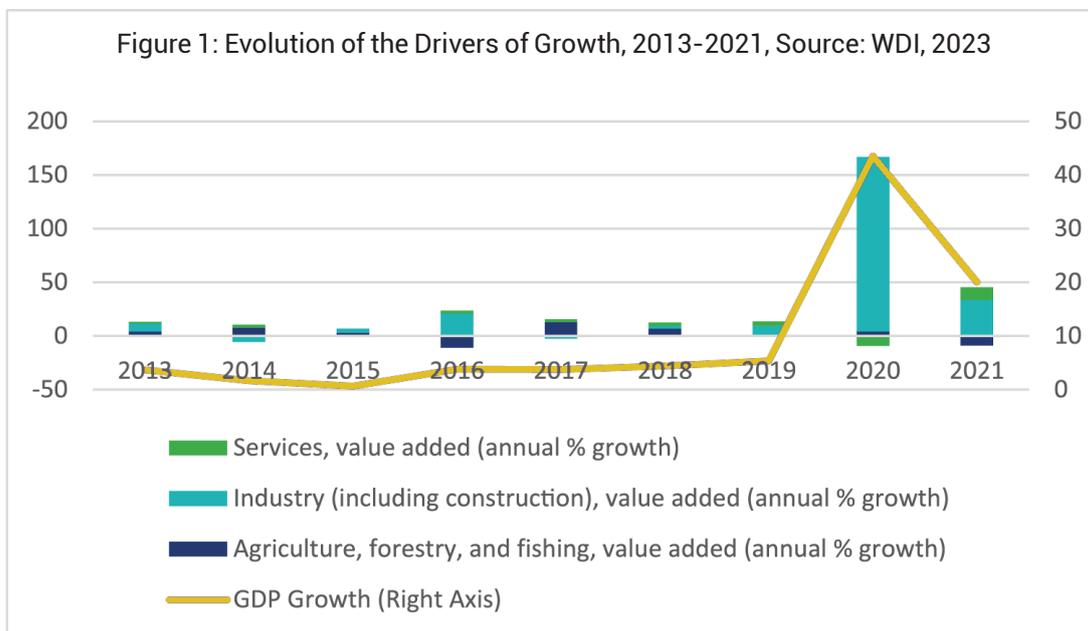
22. **The potential benefits of oil exports for Guyana's future development hinge on the government's prudent management of anticipated fiscal revenues¹⁵ and channeling those revenues through an industrial policy geared towards the development of the non-oil tradeable sectors. Furthermore, as the world transitions out of peak-oil, the window of opportunity for Guyana to capitalize on its oil windfall is limited.** Timely investment of oil revenues to facilitate non-oil diversification is imperative as global peak-oil wanes.

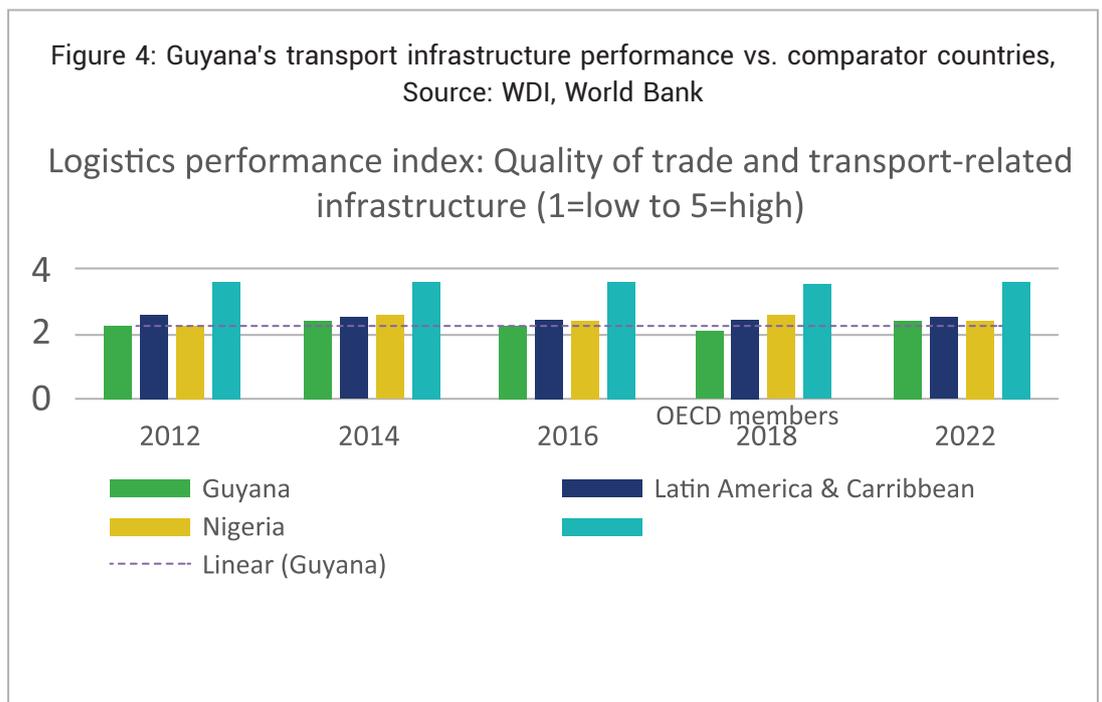
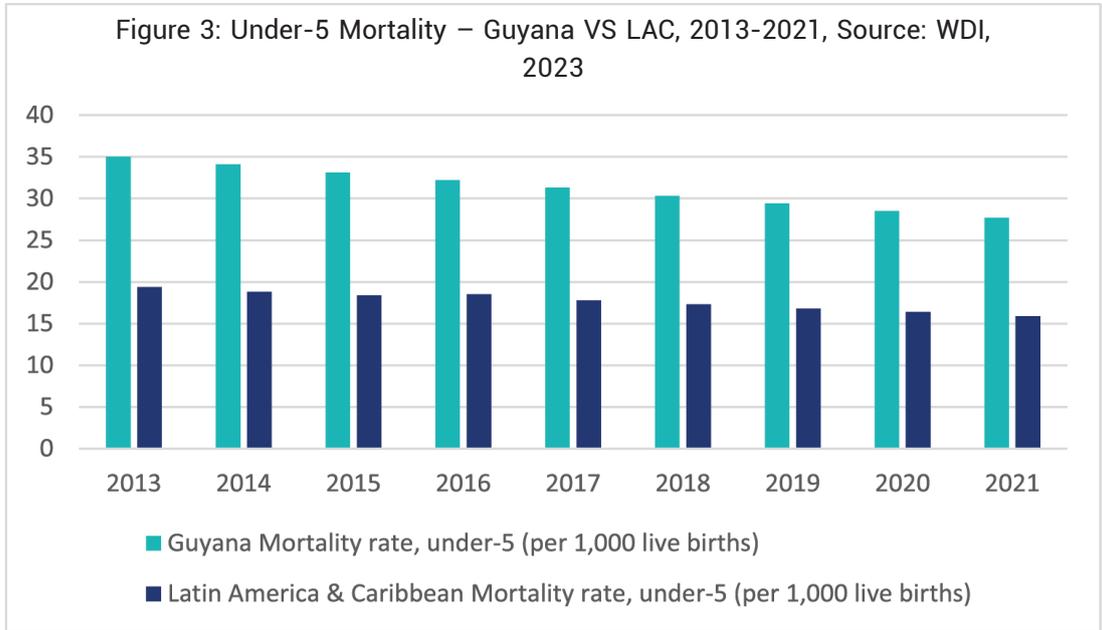


¹⁴ The Guyanese Diaspora, Michael Matera, Linea Sandin, CSIS, 2020

¹⁵ See Annex VII-Prudent Oil Resources Management

Box 1: Socio-economic journey





III. NATIONAL DEVELOPMENT PLAN

23. To handle the oil windfall while tackling socio-economic and climatic challenges, the Government of Guyana embarked on the country’s transformational strategy, known as “The Low Carbon Development Strategy (LCDS): Vision 2030”. The LCDS aims for inclusive and non-polluting development through four main objectives: (i) reducing deforestation and forest degradation, (ii) developing renewable energy sources, (iii) improving energy efficiency, and (iv) protecting biodiversity.

24. The LCDS specifically targets, to create new incentives for a low-carbon economy, protect against climate change and biodiversity loss, stimulate future growth in the form of clean-energy and low carbon development, and align with global climate and biodiversity goals. The four main pillars to the LCDS’ interventions are (i) forest climate services, (ii) clean energy, (iii) sustainable land use, and (iv) inclusive development¹⁶.

Table 2: LCDS Pillars

	Objectives	Focus	Description
LCDS01	Create new incentives for a low carbon economy	F1: forest climate services; forestry, biodiversity, water resources and ocean/marine resources	Guyana’s forests play an important role in mitigating climate change by storing carbon. The LCDS 2030 aims to develop sustainability planning. It also provides an opportunity to expand a market for forest carbon credits, which will provide financial incentives for Guyana to keep its forests standing.
LCDS02	Protect against climate change and biodiversity loss	F2: Sustainable land use; Climate Resilient Agriculture; Climate Risk Assessment & Insurance; Coastal Infrastructure	The LCDS 2030 aims to promote sustainable land use practices, such as agroforestry and sustainable agriculture, which will help to protect the environment and improve food security.

¹⁶ See Table 2: LCDS Pillars

	Objectives	Focus	Description
LCDSO3	Stimulate future growth in the form of clean-energy and low carbon development	F3: Green Jobs and Sustainable Livelihoods; Clean and Renewable Energy; Ocean Economy Opportunities; Digital Infrastructure; Low-carbon Transportation	<p>Guyana has abundant renewable energy resources, such as solar and wind power. The LCDS 2030 aims to transition Guyana’s energy sector to clean energy, which will reduce greenhouse gas emissions and improve air quality.</p> <p>Inclusive development: The LCDS 2030 is committed to ensuring that the benefits of sustainable development are shared equitably. The strategy aims to promote inclusive development by creating jobs, improving education and healthcare, and protecting the rights of indigenous peoples.</p>
LCDSO4	Align with global climate and biodiversity goals		The LCDS sets a clear framework to align and reach climate and biodiversity goals: UN Sustainable Development Goals; Nationally Determined Contributions; Aichi Targets on Protected Areas; Leaders Pledge for Nature; UN: Net Zero by 2050.

25. The LCDS has been recognized internationally as a model for sustainable development, and it has helped Guyana attract significant investment in renewable energy and other green sectors and provides a framework for achieving the country’s development’s objectives, thus aligning with the CEF¹⁷.

¹⁷ See Table 2: LCDS Priorities

IV. ISDB'S GUYANA COUNTRY ENGAGEMENT FRAMEWORK (CEF): SUPPORTING ECONOMIC DIVERSIFICATION AND SUSTAINABLE DEVELOPMENT

a. CEF Objectives

26. **Country Engagement Framework (CEF)** is a country engagement strategy that includes interventions to support Guyana's sustainable, inclusive, and resilient growth driven by economic diversification and greater economic integration.

27. Under its Re-aligned Strategy 2023-2025, the IsDB will finance priority development projects under two strategic pillars: **(1) Green, Resilient, Sustainable Infrastructure, and (2) Supporting Economic Diversification and Improving Doing Business.**

28. **Guyana's CEF 2024-2026 primary objective will be to intervene in addressing infrastructural and human capital needs to diversify the economy and capitalize on the oil and gas windfall while leveraging Guyana's large diaspora to engage in the country's economic and social development as per the GoG's request.** The envisioned CEF would provide a robust platform enabling the IsDB Group to align and intervene in complementarity in the LCDS.

29. Although resource-abundant, the country is also highly vulnerable to climate change risks. Thus, **Guyana's vulnerability to climate shocks will guide this CEF's approach by systematically considering climate change and adaptation to support the sustainability of interventions.** Indeed, Guyana is exposed to high risks of flooding (La Niña-induced and compounded by reduced occurrence of low tide days), sea-level rise, and drought. Approximately 90 percent of the population and most of the economic activity occurs in about 7 percent of the country's area along the low-lying 459-km coastline.

30. Beyond adaptation and mitigation and as outlined in the LCDS 2030, **this CEF will catalyze Guyana's wealthy forest endowments to expand its participation in global forest carbon markets as a source of revenue for low-carbon and resilient development.**

31. The **CEF would thus be at the nexus** of (i) national development constraints identified in the LCDS (ii) IsDB realigned strategy, and (iii) the IsDB's areas of strength for effective delivery¹⁸.

“

Under its Re-aligned Strategy 2023-2025, the IsDB will finance priority development projects under two strategic pillars: (1) Green, Resilient, Sustainable Infrastructure, and (2) Supporting Economic Diversification and Improving Doing Business.

”

¹⁸ See Annex III - Development Challenges Alignment Matrix

b. CEF Pillars

32. **Pillar 1: Green, Resilient, and Sustainable Infrastructure:** This pillar will support Guyana's efforts to capitalize on the oil and gas boom and **enhance the basic infrastructures** needed for concurrent diversification efforts. It will also tackle secondary infrastructural needs, including waste-water treatment and efficient rainwater harvesting and processing. **Pillar 1 will thus focus on energy, transport, water and sanitation, affordable housing, and ICT**, which will facilitate digitalization in the agricultural value chain for increased productivity and technology adoption in the energy sector.

33. **Pillar 2: Supporting Economic Diversification and Doing Business:** This pillar will address the effective **mobilization of the private sector** around the diversification agenda by focusing on **financial markets, deepening SME support, and advancing human capital through enhanced health and education infrastructure and services**. Moreover, this pillar will be at the backbone of diversification efforts by relying on the **growth of specific sectors with high potential, such as agro-industry, tourism, mining, and building a Halal Ecosystem**. STI will be fundamental to ensure the smooth delivery of results in the education sector by introducing flipped classroom learning to improve access and quality of education.

34. **Cross-Cutting Pillars:** Pillars 1 and 2 complement each other and include hard and soft infrastructure interventions for comprehensively developing Guyana's Economic Transformation prerequisites. In addition, they will rely on the following cross-cutting pillars:

- **Islamic finance** to support a buoyant private sector led by SMEs and enhance financial market depth through access to finance and Islamic finance instruments, specifically Awqaf development.



- **Women and youth empowerment** to enhance women’s labor force participation and capitalize on a youth bulge to be made ready to contribute to Guyana’s economic transformation.



- **Climate change adaptation and mitigation** focused on **building climate resilience**. Given Guyana’s characteristics, IsDB’s CEF provides an outstanding opportunity for **upscaling IsDB adaptation and mitigation finance**. Resources shall thus be allocated to tailoring designs and measures for protecting people, assets, and infrastructure investments from flooding, droughts, and sea-level rise risks. Environmental and social safeguarding during the construction and operation of hard infrastructure—especially in the proximity of cultural heritage and biodiversity shall be implemented and strengthened by including local communities. **IsDB’s Guyana CEF Pillars¹⁹ 1 and 2 will facilitate supporting climate-resilient agriculture, promoting low-impact mining and tourism, expanding sustainable supply/value chains, marketing Guyana forest carbon credits to IsDB member countries for GHG emission offsetting, and sharing Guyanese environmental conservation and disaster management experience with other IsDB member countries.**



¹⁹ See Table 3 - Pillars of the CEF 2026-2024

- **Capacity Development** to address the needs of Guyana at the individual, institutional, and organizational levels through available South-South Cooperation modalities like Technical Cooperation, Reverse Linkage, and Capacity Development Programs. Capacity development support will **specifically be provided for developing a Halal Ecosystem, setting up TVET interventions concerning energy and renewable energy, and improving rice production.**



Table 3: Pillars of the CEF 2024-2026

Pillars of the Framework

CEF Pillar 1: Green, Resilient & Sustainable Infrastructure	CEF Pillar 2: Supporting Economic Diversification and Improving Doing Business
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Alignment with National Priorities

<p>LCDS Development agenda sectors</p> <ul style="list-style-type: none"> • Low-carbon Transportation • Clean and Renewable Energy • Sustainable land use • Climate Resilient Agriculture • Water resources 	<p>LCDS Development agenda sectors</p> <ul style="list-style-type: none"> • Digital Infrastructure • Sustainable land use • Climate Resilient Agriculture; Climate Risk Assessment & Insurance • Green jobs & Livelihoods • Inclusive development
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CEF Focus Areas

<ul style="list-style-type: none"> • Access to Clean and Renewable Energy (LCDS03, SDGs 7, 13) • Development of Transport and Infrastructure (LCDS03, SGDs 9, 11, 12) • Improved access to Water and Sanitation (LCDS01, SDG 6) • Generation of Smart City/Affordable Housing (LCDS03, SDG 11,10) 	<ul style="list-style-type: none"> • Leveraging ICT in TVET and Digital Financial inclusion Education (LCDS03; SDGs 4, 9) • Agro-industry and Tourism development (LCDS02, LCDS03, SDG 9) • Creation of a sustainable Mining Ecosystem (LCDS03, SDG 12) • Foundation of Halal Ecosystem and Awqaf development (LCDS0, LCDS03; SDGs 9, 10) • Financial Markets Deepening and SMEs Support through Islamic Finance (LCDS01, LCDS03, SDG 10, 12)
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Cross-Cutting Areas

- Islamic Finance for SMEs and Financial Market Depth (LCDS01, LCDS03; CC1; SDG10)
- Women and Youth Empowerment (LCDS03; CC3; SDG4 and 5)
- Climate Change (LCDS01, LCDS02, LCDS03, LCDS04, CC2, SDG6, 7 and13)
- Capacity development (LCDS01, LCDS03, CC4, SDG 11, 12 and 17)

Note:

- *LCDSXX refer to National Priorities*
- *Pillar 1 & 2 refer to IsDB Strategic Objectives and Focus Areas*
- *CC.1-4 refer to Cross – cutting areas: Islamic Finance; Climate Change; Women & Youth; and Capacity Development under IsDB Strategic Realignment 2023-2025*

CEF Focus Areas - SDGs Alignment

 <p>4 QUALITY EDUCATION</p>	<p>Leveraging ICT in TVET & Digital Financial inclusion Education</p>
 <p>6 CLEAN WATER AND SANITATION</p>	<p>Improved access to Water & Sanitation</p>
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>Access to Clean & Renewable Energy</p>
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<ul style="list-style-type: none"> • Agro-Industry & Tourism development • Leveraging ICT in TVET & Digital Financial inclusion Education • Development of Transport & Infrastructure
 <p>10 REDUCED INEQUALITIES</p>	<ul style="list-style-type: none"> • Financial Markets Deepening & SMEs Support through Islamic Finance • Foundation of Halal Ecosystem and Awqaf development • Generation of Smart City/Affordable Housing
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<ul style="list-style-type: none"> • Development of Transport & Infrastructure • Generation of Smart City/Affordable Housing
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<ul style="list-style-type: none"> • Development of Transport & Infrastructure • Creation of a sustainable Mining Ecosystem • Financial Markets Deepening & SMEs Support through
 <p>13 CLIMATE ACTION</p>	<p>Access to Clean & Renewable Energy.</p>

c. IsDB Group Planned Interventions

35. **IsDB plans to prioritize public sector interventions focused on diversifying Guyana's economy and facilitating private sector participation in the economy** by directing efforts towards growing other sectors away from the oil and gas one. Key programs such as STI will be leveraged to enhance outcomes, particularly in the education, agriculture, and health sectors, along with capacity development to address needs and take advantage of Guyana's diaspora's potential through modalities such as Technical Cooperation Program, Reverse Linkage Program, and Capacity Development Program for Enhancing National Ecosystem for South-South Triangular Cooperation²⁰. IsDB will also rely on its competitive advantage in Islamic finance to support the GoG in providing adequate support towards SME financing and the introduction of new financing markets.

36. **ITFC can support** the Co-operative Republic of Guyana and State-Owned Entities such as Guyana Oil Company (GuyOil), Guyana Power and Light Company (GPL), or Guyana Sugar Corporation (GuySuCo) as Executing Agents **in securing the import of essential commodities such as refined petroleum products and agricultural inputs (fertilizers, seeds, pesticides, etc.), through import financing facilities**. Additionally, **funded and unfunded trade finance facilities could be put in place in favor of local banks to meet the private sector's needs in terms of working capital or Letters of Credit (L/C) services (issuance, confirmation), building on ITFC's expertise and investment grade ("A1" by Moody's Credit Rating Agency)**. As part of trade development and business development initiatives, ITFC will coordinate with relevant governmental and private sector entities to provide trade and business development solutions such as trade-related capacity building and training, Trade-Related Technical Assistance (TRTA), trade facilitation and promotion; trade digitization; and advisory services.

d. Key Result Areas

37. All interventions anticipated over the CEF timeframe will be aligned with the Sustainable Development Goals (SDGs) and National Priorities (LCDS 2030). **The CEF aims to contribute to achieving results within the CEF cooperation areas listed in Table 3: Pillars of the CEF 2024-2026.**

38. **A CEF Results Framework with more details is presented** in Annex II: Results Framework. Specific indicators and results from the Results Based Management Framework (RBMF) of potential projects will be aggregated in the CEF Result Framework as the Work Program is implemented. A matrix showing the alignment of the CEF with the development challenges and related results is shown in Annex III: Development Challenges Alignment Matrix.

²⁰ See Annex I: Indicative Country Work Program and Programming Approach

V. IMPLEMENTING THE COUNTRY ENGAGEMENT FRAMEWORK

a. IsDB Group in Guyana

39. **Overall Portfolio: As of September 2023, the IsDB Group has approved total financing of about US\$235.6 million for Guyana.** This includes US\$235.1 million project financing by IsDB and US\$0.5 million provided by other IsDB Group funds and operations. Guyana is not a member of ICIEC, ICD, and ISFD.

40. **Modalities and Sectoral Breakdown:** Project financing represents 99.6 percent (US\$234.6 million), and concessional financing represents 0.4 percent (US\$1 million) of total financing. Sectoral breakdown of the IsDB Group operations in Guyana is as follows: the sector with the highest share is Transportation at 84.9 percent (US\$200 million), followed by Energy at 14.7 percent (US\$ 34.7 million) and Education at 0.2 percent (US\$0.4 million).

41. **Active Portfolio:** Groupwide active portfolio stands at three operations with a total amount of US\$214.9 million, representing 91.2 percent of the entire portfolio. A total of 10 operations are completed for an amount of US\$20.7 million, representing 8.8 percent of the total portfolio.

42. **Active Portfolio Performance:** As it is too young, the current active portfolio (3 projects) has no PIASR (Project Implementation Assessment and Support Report) yet. IsDB Portfolio Follow-Up Mission conducted from 10-27 September 2023 aimed to assess implementation performance and prepare PIASR.

b. Systemic Portfolio Issues and Fiduciary Matters

43. **Implementation Challenges:** (i) Delays in start-up and extended implementation periods have been observed in previous projects, (ii) poor design and quality at entry (especially in the implementation arrangements) have impacted implementation, (iii) lack of regular communication with executing agencies (EAs) and project management units (PMUs).

44. **Financial Management:** While the disbursement arrangements have been satisfactory, across the portfolio overall, the timely preparation and submission of disbursement requests have been challenging, delaying the disbursements (e.g., Equipping the Palms Geriatric Facility Technical Assistance).

45. **Project Procurement:** There is (i) a need to improve capacity and compliance with IsDB procurement requirements, and (ii) a more organized and well-supported method for handling procurement procedures is needed.

46. **Follow-up and Oversight:** (i) Regular monitoring and follow-up mechanisms need improvement to ensure timely and effective project implementation, and (ii) on-site supervision and oversight have been hindered due to limited physical missions.

47. **Lessons Learned: Strong Design and Planning:** (i) The significant organizational challenges like the absence of a project department require the establishment of a dedicated Project Management Unit (PMU) to ensure successful project implementation, (ii) the project financing shall include the necessary funds to hire qualified staff for the key positions of the PMU, (iii) close country dialogue is required to prevent project delays due to policy issues and political changes.

48. **Financial Management and Auditing:** (i) Financial management should be prioritized by conducting timely and effective financial audits, and (ii) timely preparation and submission of project audit reports are crucial for financial closure. The recently signed Libor Transition-related Amendment will ensure smooth transitioning and facilitate the implementation of this CEF.

49. **Procurement Support:** (i) The involvement of procurement support has been instrumental in successful procurement activities, and (ii) ongoing support and guidance from procurement specialists have improved procurement processes.

50. **Enhanced Oversight and Communication:** (i) Regular monthly follow-up and progress review meetings coupled with continued follow-up from the Regional Hub colleagues through regularly conducted video conferences (e.g., Soesdyke-Linden Highway Project), PIASRs, and (ii) Progress Reports substantially improve the effectiveness and timeliness of project implementation and prevent possible slippages.

c. Recommendations and Action Plan

51. **Design and Planning:** (i) Conduct a detailed risk analysis to avoid potential delays and any related cost overruns, (ii) plan to develop a fallback and contingency alternate supply chain to ensure that any resource shortage (e.g., Linden-Soesdyke Highway Project), (iii) apply lessons learned from past projects to future operations, (iv) involve stakeholders during design, systematic assessment, and strengthening of institutional capacities, establish local partnerships for implementation, and incorporation of accountability mechanisms to local stakeholders, (v) align targets according to Results Framework (Annex II).

52. **Financial Management:** (i) Develop a comprehensive disbursement plan that takes into account project timelines and resource availability (e.g., Soesdyke-Linden Highway Project), (ii) conduct regular financial audits promptly and efficiently to ensure responsible financial practices, (iii) simplify the process of preparing and submitting project audit reports to aid in achieving financial closure, (iv) seek partnerships to acquire further finance .

53. **Project Procurement:** (i) The justification of ICB open to non-member country firms is needed in Civil Works as MCs do not yet have experience in South America, and ICB's open method of procurement would give more value for money to the country while allowing for the participation of IsDB MC and non-MC contractors. This also avoids potential project implementation delays for lack of potential bidders (e.g., Soesdyke-Linden Highway Project) and (ii) project execution may require provision of imports at the early stage of the project to avoid supply chain-related issues.

54. **Follow-up and Oversight:** (i) Improve monitoring mechanisms through regular video calls, PIASRs, and progress reports, and (ii) conduct physical missions when conditions allow for enhanced supervision and oversight, (iii) formation of a steering committee or working group with the Government of Guyana to ensure efficient implementation and monitoring of CEF.

55. **Implementing these recommendations will help address challenges, apply lessons learned, and improve the efficiency and effectiveness of project implementation, financial management, procurement processes, and oversight within the portfolio.** Specific actions emanating from these recommendations are summarized in the Annex IV: Portfolio Implementation Action Plan for programming approach and

project identification and selection guidance . For programming approach, project identification, and selection guidance²¹, see Annex I: Indicative Country Work Program and Programming Approach.

56. **The IsDB Group has developed a tentative pipeline of potential interventions for 2024-2026** (see Annex I: Indicative Country Work Program and Programming Approach). This list is subject to changes based on priority, readiness factors, and guidance from IsDB management. The indicative financing ranges mentioned at the project level should not be considered as a commitment from the IsDB. The Annual Work Program will be updated based on close consultations with the Government of Guyana and development partners.

d. Financing and Resource Mobilization

57. **Guyana is the latest member country to join the IsDB in 2016.** Hence, the Group's motivation is not only to expand its operations and promote stronger alignment between Guyana and other member countries but also to share best practices with other MDBs and support the Government in focusing and prioritizing expenditures.

58. **Resource mobilization, co-financing, and complementarity with strategic partners and programs will be key considerations for any project supported by the IsDB.** In Guyana, development partners complementarity is crucial for achieving sustainable and inclusive development. With limited resources and capacity, it is important for organizations to work together to address the complex challenges facing the country, such as infrastructure gaps, inequality, and environmental degradation. By pooling their resources and expertise, development partners can maximize their impact and ensure that their efforts are aligned with national development priorities.

59. **Collaborations can be drawn with different institutions such as the World Bank, the Inter-American Development Bank and the Caribbean Development Bank** towards the development of education, ICT and infrastructure interventions. Climate resilience being a focus in this CEF, partnerships with UNDP, the EU, amongst others, can be leveraged to jointly finance climate sustainability. Discussions have started to structure diaspora engagement in cooperation with the International Office for Migration (IOM), **and the Bank will continue its consultations with the members of the Arab Coordination Group (ACG)* and other development partners to mobilize co-financing resources and enhance complementarity** – further information on the areas of operational engagement of developmental partners with Guyana can be found in Annex V²².

Table 4: IsDB Group Indicative Financing Package for Implementation of CEF in Guyana, 2024-2026

Entities	2024-2026 Financing (US\$ million)
IsDB	137.6
ITFC	60
Total	197.6

²¹ See Annex I: Indicative Country Work Program and Programming Approach

²² See Annex V: Donor Map of Guyana

* The ACG consists of: Kuwait Fund for Arab Economic Development, the Saudi Fund for Development, the Abu Dhabi Fund for Development, the Qatar Development Fund, Arab Fund for Economic and Social Development, Islamic Development Bank, OPEC Fund for International Development, the Arab Bank for Economic Development in Africa, the Arab Gulf Program for United Nations Development Organizations (AGFUND) and the Arab Monetary Fund.

60. As part of the country dialogue efforts, the IsDB also opts for the formulation of a CEF for Guyana's to expand its group-wide activities, particularly around **private sector and financial markets development through the introduction of Islamic Finance and access to finance for SMEs, as Guyana has yet to join ICIEC and ICD.**

61. **The government of Guyana may consider joining the private sector support arms of the IsDB Group to fully benefit from IsDB Group's value-added in facilitating enhanced private sector participation which will be a prerequisite in achieving Guyana's development aspirations.** ICD could support with lines of financing for private sector growth, ITFC could provide short-term financing support to trade, and joining ICIEC, which is the insurance and investment guarantee arm of the Group, would also enlarge the scope of provided products of the Group, especially providing political risk coverage and export credit to potential investors from/to Guyana.

62. Finally, IsDB Group has expressed its readiness to develop its activities to support Guyana's development ambitions with a **US\$197.6 million indicative envelope** defined by this CEF 2024-2026. All financing support is contingent upon the availability of ready, well-designed projects, co-financing / syndication, the executing agencies' capacity, country risk, and other macro-level considerations. **Subject to IsDB Group Management consideration, headroom availability, and readiness of bankable projects, the CEF allocation may be revisited.**



VI. RISK MANAGEMENT

63. **Price escalations and/or scope changes** during implementation are often a potential risk to cost overrun in Guyana. The COVID-19 pandemic-related inflation may pose some price increases. The projects should include a reasonable contingency.

64. **Project Management-related delays** like procurement and disbursement delays, high costs (exacerbated by remoteness and lack of connectivity), and difficulty in attracting skilled staff may impact the pace of implementation (e.g. Soesdyke-Linden Highway Project). A well-equipped PMU should be formed to ensure full compliance, coordination, and timely and in-cost project completion. Regional (Country) Procurement, Integrity, and Financial Management Workshop (RPIFW) will be conducted.

65. **The limited implementation capacity of the government** due to institutional bureaucracy, lack of coordination, and insufficient inter-institutional collaboration can cause institutional risks. Establishing local partnerships and making capacity building a central element of a country's intervention strategy can mitigate this risk.

66. **Furthermore, prolonged harsh weather, additional design delays, approval of changes, fund allocations, and some minor environmental issues are identified as other risks.** The level of impact will be reduced by close cooperation with stakeholders.

67. **Real Effective Exchange Rate (REER) growth, due to upward pressure on exports, might reduce the non-oil sector competitiveness.** Guyana will have to invest heavily in increasing productivity growth in non-oil sectors to protect existing growth industries from being rendered uncompetitive due to REER appreciation.

68. **Rent-seeking behaviors might limit private sector development.** Guyana's already low governance indicators might not improve quickly enough to avoid poor policy choices or undervalued terms of agreements negotiated with oil producers.

69. **In summary, Guyana faces risks, including price escalations and/or scope changes, project management delays, and limited implementation capacity of the government²³. Mitigation strategies such as including contingencies to projects, forming PMUs, establishing local partnerships, increasing capacity building, and cooperating with stakeholders can help navigate these risks and ensure the successful implementation of the CEF.** By addressing these challenges, Guyana can enhance its resilience, promote macroeconomic stability, and achieve sustainable development outcomes.

“

Risk mitigation strategies such as including contingencies to projects, forming PMUs, establishing local partnerships, increasing capacity building, and cooperating with stakeholders can help navigate risks

”

²³ See Annex VI: Risks to CEF and Mitigation Measures

ANNEX I:INDICATIVE COUNTRY WORK PROGRAM AND PROGRAMMING APPROACH

Table 5: Indicative IsDB Group Work Program (2024-2026) (US\$ Millions)

No.	CEF Year	Project Name	Sector	CEF Pillar	Total Financing
1	TBD	Upgrade of Lethem Aerodrome to International Airport	Transport	Pillar 1	37.0
2	TBD	Upgrading of Hinterland Airstrips	Transport	Pillar 1	13.0
3	TBD	Service Water Treatment Plant	Water	Pillar 1	35.0
4	TBD	TA for Diaspora Engagement for Development of Guyana	Capacity Building	Pillar 2	0.3
5	TBD	Improvement of Irrigation Canals and Pumping Stations	Agriculture	Pillar 1-2	35.0
6	TBD	Adequate and Sustainable Housing	Housing	Pillar 1-2	25.0
7	TBD	Global Line of Finance	SME Support	CC	5.0
8	TBD	Islamic Finance Industry Development	Finance	CC	0.3
9	TBD	Feasibility of Halal Industry Development	Cross-Sectional	Pillar 2	TBD
10	TBD	Feasibility of Fertilizer Production in the Region	Cross-Sectional	Pillar 1-2	TBD
11	TBD	Secure the Import of Refined Petroleum Products	Energy	Pillar 2	40.0

No.	CEF Year	Project Name	Sector	CEF Pillar	Total Financing
12	TBD	Secure the Import of Agricultural Inputs (Fertilizers)	Agriculture	Pillar 2	20.0
Total					197.6

Note: The above IsDB Group Work Program is tentative, and projects will be filtered, screened, and processed based on the quality of design, readiness to implement, co-financing, capacity of the executing agencies, country risk, and other macro-level considerations.

PROGRAMMING APPROACH

The Hub will develop a tentative pipeline of potential IsDB interventions for 2024-2026. This list is subject to changes based on **priority, readiness factors, and guidance from IsDB management**. The indicative **financing ranges mentioned at the project level should not be considered as a commitment** from the IsDB. The finalization of the annual work program is expected to be completed by August-September of the preceding year, allowing for timely project preparation activities.

- **IsDB Quality and Prioritization Requirements** are internal IsDB criteria that will assess various quality and prioritization parameters for each project before being included in the 3-year and Annual Work Programs as Category A or Category B projects.
- **Partnerships** are also essential, given that there is a huge financing need, especially following the recent natural disaster. Each development partner comes with its comparative advantage and value-additions. Given the current global and country contexts, there is a strong push among the development financiers to join hands and co-finance.
- **Processing Readiness** would include, but not be limited to, the readiness and quality of the project proposal (i.e., PC-1 document) from the Executing Agency, the status of internal processing and clearance of the PC-1 within the government bureaucracy, the status of a capable Project Management Unit (PMU), the readiness in terms of the land clearances, as well as environmental and social safeguards, and other standard prerequisites.
- **Implementation Readiness** covers all elements ensuring quality-at-implementation dimensions, such as a detailed and up-to-date financing plan, preliminary project designs (at least at the preliminary level), project management monitoring structures, procurement strategies and plans, and pragmatic implementation schedules.

ANNEX II: RESULTS FRAMEWORK

This Results Framework is an indicative list of indicators from the LCDS 2030 that the IsDB will contribute to, and other indicators derived from the priorities identified by this CEF. All interventions anticipated over the CEF timeframe will be aligned with the Sustainable Development Goals (SDGs), National Priorities, and specific indicators of the IsDB's Results Based Management Framework (RBMF) as potential projects from the indicative pipeline are entered into the IsDB's project cycle.

Tentative Indicators and Results Areas Expected across the CEF Pillars

Table 6: Results Framework

CEF Outcomes	Key Results Indicators
Pillar 1: Green, Resilient, and Sustainable Infrastructure	
Priority 1: Supporting Energy	
Supporting the country's efforts to improve the supply and access to renewable energy and electricity. Improving energy sector infrastructure, contributing to energy independence and energy efficiency needed to fuel structural transformation.	<ul style="list-style-type: none"> • Double power generation to provide uninterrupted and affordable electricity and increase electricity access. • Reduce average cost per unit. • Improve energy efficiency. • Increase share of renewable energy.
Priority 2: Supporting Transport	
Supporting the country's efforts to improve transportation and communication networks to promote logistical upgradation, regional connectivity, and domestic trade.	<ul style="list-style-type: none"> • Investments in new roads, bridges, and airports to improve connectivity within the country and the region.
Priority 3: Supporting Agriculture	
Supporting the country's efforts to improve agriculture productivity by the supply of agriculture infrastructures.	<ul style="list-style-type: none"> • Develop new crop varieties and farming practices that are more productive and sustainable. • Improve the agricultural market transportation infrastructure. • Develop processing facilities, cold storage facilities, and marketing channels.

Priority 4: Supporting Water & Sanitation	
Supporting the efforts of the country to improve access to water and sanitation.	<ul style="list-style-type: none"> • Increase the proportion of the population with access to improved sanitation. • Build new water treatment plants. • Expand the distribution network.
Priority 5: Supporting Urban Development & Housing	
Supporting the government efforts in managing equitable urban development.	<ul style="list-style-type: none"> • Promoting affordable housing. • Generate a Smart City. • Support the Smart City Guyana project.
Pillar 2: Supporting Economic Diversification and Doing Business	
Priority 1: Supporting Training through ICT	
Improving access to a relevant and quality TVET provides the human resource base to support structural transformation.	<ul style="list-style-type: none"> • Improve access to quality and relevant digital TVET offers. • Increased labor and capital productivity. • Number of skilled trainees certified in relevant sectors.
Priority 2: Supporting Diversification and sustainable development efforts by boosting Agro-Business, Tourism and Mining	
Support diversification efforts by developing agribusiness, tourism, and mining industries.	<ul style="list-style-type: none"> • Increase investments in low-carbon sectors such as Agrobusiness and Tourism. • Increase Mining value added. • Reduced Greenhouse Emission by 25 percent by 2025. • Increase in the number of tourists. • Develop processing facilities, cold storage facilities, and marketing channels in the agribusiness industry.
Priority 3: Private sector	
Supporting the country's efforts to improve doing-business and boost private sector participation towards the diversification agenda.	<ul style="list-style-type: none"> • Ensure participation by creating an enabling investment environment, especially in the Halal Industry. • Develop an Awqaf sector. • Provide greater access to markets.

CEF Outcomes	Key Results Indicators
CEF Cross-Cutting Thematic Areas	
Objective CC1: Islamic Finance for SMEs and Financial Market Depth	
Mainstreaming Islamic Finance into its financial systems to enhance access to finance and financial market depth.	<ul style="list-style-type: none"> • Ensure social financial inclusion and participation by creating an enabling investment environment. • Increase Diaspora investment.
Objective CC3: Women & Youth Empowerment	
Supporting government initiatives and commitments to empowering women and youth in the country's socio-economic development.	<ul style="list-style-type: none"> • Ensure women and youth-driven initiatives to boost economic participation . • Reduce poverty level. • Number of jobs created in low-carbon sectors.
Objective CC2: Climate Change	
Supporting the government in transforming the economy according to a climate resilient agenda and increasing the potential for deployment of green and sustainable finance, including expanding Guyana's gas emission market to other MCs.	<ul style="list-style-type: none"> • Reduce deforestation. • Create protected areas. • Increase investments in seawalls. • Increase investments in flood-proofing. • Promote gas emission market between IsDB Member Countries.
Objective CC4: Capacity development	
Supporting the country to address the needs of Guyana at the individual, institutional, and organizational levels through available South-South Cooperation modalities like the Technical Cooperation Program Reverse Linkage Program.	<ul style="list-style-type: none"> • Formulate reverse linkage interventions to support Guyana in developing a Halal Ecosystem; a TVET offer in Energy/ Renewable and rice Production. • Support independent monitoring. • Capacity building for the Audit Office of Guyana (AOG) and the Accountant General's Department in the Ministry of Finance.
Objective: Diaspora Engagement	
Supporting the country's efforts to engage its diaspora more efficiently.	<ul style="list-style-type: none"> • The CEF will also work with the Government of Guyana to identify projects and programs for immediate support towards diaspora engagement.

ANNEX III: DEVELOPMENT CHALLENGES ALIGNMENT MATRIX

Table 7: Development Challenges Alignment Matrix

Key Development Challenges	National Development Strategy (LCDS) Response	IsDB Strategic Realignment 2023-2025	SDGs Alignment
Energy: Inadequate renewable energy infrastructure and high electricity prices hinder structural and sustainable transformation.	<ul style="list-style-type: none"> • The provision of financial incentives for the development of renewable energy projects. • The establishment of a renewable energy regulatory framework. • The promotion of public-private partnerships for renewable energy projects. • Developing a national transmission and distribution grid to accommodate a higher share of renewable energy. • Investing in research and development to improve the efficiency of renewable energy technologies. • Exploring the potential for other low-carbon energy sources, such as hydropower and geothermal energy. 	<p>P1. Green, resilient, and sustainable infrastructure</p> <p>P2: Inclusive Human Capital Development</p> <p>C2, C4: Cross-cutting areas: Capacity Development, Climate Change.</p>	SDGs 7, 9, 11, 12, 13
Transport: Poor national and regional connectivity (insufficient roads, sub-roads, and airport strips) to support industrialization.	<ul style="list-style-type: none"> • Investments in new roads, bridges, and airports to improve connectivity within the country and to the outside world. • Development of a national infrastructure plan to guide future investment in infrastructure. 	<p>P1. Green, resilient, and sustainable infrastructure</p> <p>C3, C4: Cross-cutting areas: Women & Youth Empowerment, Capacity Development</p>	SDGs 11, 9

Key Development Challenges	National Development Strategy (LCDS) Response	IsDB Strategic Realignment 2023-2025	SDGs Alignment
<p>Agriculture & Agribusiness: Low agricultural transformation, productivity, and insufficient agri-business-oriented infrastructures.</p>	<ul style="list-style-type: none"> Investing in agricultural research and development to develop new crop varieties and farming practices that are more productive and sustainable. Improving access to markets: The government is working to improve access to markets for Guyanese agricultural products. This includes developing new export markets and improving the transportation infrastructure to get products to market. Promoting agri-business development by supporting the development of processing facilities, cold storage facilities, and marketing channels. 	<p>P1. Green, resilient, and sustainable infrastructure C1, C2, C3 and C4.</p>	<p>SDGs 2, 3, 8, 9, 10, 12, 13,15</p>
<p>Water and Sanitation: Inadequate Water and Sanitation infrastructure to support human capital development and agricultural transformation.</p>	<ul style="list-style-type: none"> Investing in water and sanitation by building new water treatment plants, expanding the distribution network, and rehabilitating existing infrastructure. Enhancing the capacity of water and sanitation institutions, such as the Guyana Water Inc. (GWI) and the Ministry of Health. Establishing a national water resources management plan and enforcing water quality standards. 	<p>P1. Green, resilient, and sustainable infrastructure C2 & C4.</p>	<p>SDGs 3,6,11,12</p>

Key Development Challenges	National Development Strategy (LCDS) Response	IsDB Strategic Realignment 2023-2025	SDGs Alignment
<p>Human capital: poor health infrastructure, skills development for structural transformation, and high emigration.</p>	<ul style="list-style-type: none"> • Investing in health infrastructure to improve access to quality healthcare by building new hospitals and clinics, expanding the distribution of medical supplies, and training more healthcare workers. • Enhancing the capacity of health institutions such as the Ministry of Health and the Georgetown Public Hospital Corporation. • Investing in education and training to improve the skills of the workforce by expanding access to primary and secondary education, providing technical and vocational training, and supporting higher education. • Improving economic opportunities to reduce the incentive to emigrate. This includes creating jobs, promoting investment, and developing new industries. • Enhancing social safety nets to provide support to those who are most vulnerable to emigration. This includes providing unemployment benefits, pensions, and other social assistance. 	<p>P2: Inclusive Human Capital Development C3: Cross-cutting areas: Women & Youth Empowerment</p>	<p>SDGs 1, 3, 4, 8, 9, 10, 11</p>

Key Development Challenges	National Development Strategy (LCDS) Response	IsDB Strategic Realignment 2023-2025	SDGs Alignment
<p>Low private sector participation in the diversification agenda.</p>	<ul style="list-style-type: none"> • Enhancing the investment climate to attract foreign investment and encourage local entrepreneurship. This includes simplifying the regulatory environment, improving infrastructures, and providing tax incentives. • Promoting public-private partnerships. • Supporting the development of SMEs to create jobs and boost economic growth. This includes providing access to finance, training, and business development services. • Provide greater access to markets 	<p>P2. Inclusive Human Capital development C1, C3, C4: Cross-cutting areas: Islamic Finance, Women & Youth Empowerment & Capacity Development.</p>	<p>SDGs 8, 9, 10, 12, 17</p>

ANNEX IV: PORTFOLIO IMPLEMENTATION ACTION PLAN

Table 8: Portfolio Implementation Action Plan

Code	Project Name	Ops	Appr. Am. (\$m)	Disb. Am. (\$m)	Issues	Actions Required	Responsible Entity	By When
Economic Infrastructure								
GUY1025	Soesdyke-Linden Highway Rehabilitation Project.	Instalment Sale	200,000	-	<ul style="list-style-type: none"> The Project is active and progressing. Establishment of the PMU pending. Awarding of the consultants is delayed. Delay in awarding the DSC consultants has delayed procurement of Works. Part of the DSC scope is to review DED, including BoQ of the bidding document, which is to be issued to the pre-qualified firms. 	<ul style="list-style-type: none"> PMU establishment is required. NOL for CER. Contract negotiation. Transmission of the negotiated draft contract to the Bank for NOL ; Transmission by the Beneficiary promptly and simultaneously to all Proposers who have submitted a valid Technical Proposal and whose Financial Proposal has been opened, Notification of its intention to award the Contract to the successful Proposer, Observation of the standstill period of at least ten working days after transmission of the notification of the intention to award; Final award of the contract 	EA EA ISDB	Sept. 2023 August 2023

Supporting Economic Diversification and Sustainable Development

Code	Project Name	Ops	Appr. Am. (\$m)	Disb. Am. (\$m)	Issues	Actions Required	Responsible Entity	By When
GUY1015	Small Hydro Power Plants (Moco Moco, Kumu and Ikuribisi)	Instalment Sale	14.6	2.1	The Project is active and progressing.	<ul style="list-style-type: none"> The GEA-PMU will continue to monitor this situation and work with the contractor to mitigate disruption in the equipment and materials delivery schedule to Guyana. 	<ul style="list-style-type: none"> Project Manager PMU 	Ongoing
					<ul style="list-style-type: none"> Disruptions to supply chains, shipping delays, and rising shipping and logistics costs due to the COVID-19 pandemic. Risks relating to the condition of the Linden to Lethem Road, especially during the rainy seasons, could impact the project's cost and timeline. Also, the conditions of the local access road and two bridges leading to the Kumu site need urgent repairs. 	<ul style="list-style-type: none"> The GEA-PMU will continue to work with the Ministry of Public Works to ensure that the road is rehabilitated to facilitate the movement of equipment and materials on time. The procurement process by MoPW for the rehabilitation/repair works to the road and bridges is at an advanced stage. A contract is expected to be signed shortly. The GEA-PMU will continue working with the regional officials in Lethem to ensure all corrective works are completed. 	<ul style="list-style-type: none"> CEO of GEA Project Manager PMU 	Ongoing

Supporting Economic Diversification and Sustainable Development

Code	Project Name	Ops	Appr. Am. (\$m)	Disb. Am. (\$m)	Issues	Actions Required	Responsible Entity	By When
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Grants

GUY1006	Equipping the Palms Geriatric Facility.	Grant	0.3	-	<p>The Project is active and progressing.</p> <ul style="list-style-type: none"> NOL is provided for all procurement requests. The Last Disbursement Date was extended, and all disbursements need to be finalized by the end of the LDD. 	<ul style="list-style-type: none"> Requests for disbursements will be made by the EA. 	EA	Dec. 2023
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ANNEX V: DONOR MAP OF GUYANA

Table 9. Donor Map of Guyana

Development Partner	Sectors										Cross-cutting themes	
	Energy	Trade & Investment	Infrastructure	Water & Sanitation	Agriculture	Environment	Poverty reduction	Health	Governance & Public Finance	Education	Regional Cooperation	Youth & Gender
(Indicative average annual loans in 2022)												
China (US\$ 50m)			✓									
WB (US\$ 80m)			✓					✓		✓		
IaDB (US\$90)	✓		✓					✓				
CBD (US\$ 40m)		✓	✓		✓							
USAID (US\$ 30m) ²⁴								✓	✓	✓		
Canada (US\$20m) ²⁵						✓		✓		✓		
UK (US\$ 15m)		✓							✓			
IFAD (US\$30.53m) ²⁶					✓							
UNDP (US\$9.76m) ²⁷							✓					
UN Women (US\$ 5m)												✓
EU (US\$5m)						✓						✓

²⁴ Country Roadmap for Guyana, USAID, 2021

²⁵ Report to parliament on the government of Canada's International assistance, 2022-2021

²⁶ <https://www.ifad.org/en/web/operations/w/country/guyana>

²⁷ <https://open.undp.org/>

ANNEX VI: RISKS TO CEF & MITIGATION MEASURES

Table 10: Risks to CEF & Mitigation Measures

Risks	Scale	Mitigation
Price escalations and/or scope changes during implementation are often a potential risk to cost overrun in Guyana. The COVID-19 pandemic-related inflation may pose some price increases.	Medium	Adequate contingencies, supervision, and monitoring by IsDB will be included. Conservative cost estimates using recent projects will be adopted in estimates.
Project Management-related delays like procurement and disbursement delays, High costs (remoteness and lack of connectivity), and difficulty in attracting skilled staff may impact the pace of implementation.	Medium	PMU should be formed to ensure full compliance, coordination, and timely and in-cost project completion. Regional (Country) Procurement, Integrity, and Financial Management Workshop (RPIFW) for Guyana will be conducted to familiarize and raise awareness of relevant executing and implementing agencies on IsDB Group's Procurement, Integrity, and Project Financial Management Policies and Procedures.
The limited implementation capacity of the government due to institutional bureaucracy, lack of coordination, and insufficient inter-institutional collaboration can cause institutional risks.	Medium	Establishing local partnerships and making capacity building a central element of a country's intervention strategy can mitigate this risk. The IsDB will closely monitor and help improve the capacities during project implementation.
Unexpected, prolonged, harsh weather conditions can cause delays.	Medium	Harsh weather conditions will be considered while planning the project duration. Extended work hours and work on holidays can be inducted if needed.
Low participation of firms in procuring Civil Works contracts can reduce cost-effectiveness.	Medium	ICB's openness to non-member Country firms will be justified in Civil Works as MCs do not yet have experience in South America, and ICB's open method of procurement would give more value for money to the country while allowing for the participation of IDB MC and non-MC contractors, and this also will avoid potential delays in the implementation of the project for lack of potential bidders.

Risks	Scale	Mitigation
Low economic growth or slowing down can reduce GoG participation in project budgets.	High	The IsDB will continuously follow up and monitor the budget allocation process and counterpart fund allocation during the implementation of the projects.
Due to upward pressure on exports, real-exchange rate growth might reduce the non-oil sector's competitiveness.	Medium	With the support of partners, the government should ease the macro-fiscal risks associated with the rise of the oil sector and counter the impact of real exchange-rate appreciation on the non-oil economy.
Rent-seeking behaviors might limit private sector development.	High	Reducing government intervention and promoting competitiveness.
Guyana is making strides in improving its governance indicators, however, more efforts can be exerted to ensure higher quality institutions and capitalizing on its promising potential.	High	IsDB might target its efforts towards building capacity in the public sector to attract and retain highly qualified staff and support measures for transparency and accountability.

ANNEX VII: PRUDENT OIL RESOURCES MANAGEMENT

To protect itself from the risks associated with oil production while also benefiting from it, Guyana needs to implement a series of measures to ensure responsible and accountable management of its oil sector:

1. **Enforce Environmental Regulations:** Guyana must enforce stringent environmental regulations and requirements for oil companies operating in its waters. This includes ensuring that companies have adequate plans and guarantees in place to cover potential oil spills and their associated costs.
2. **Transparency and Oversight:** There should be transparent mechanisms to oversee and monitor oil activities. This includes independent monitoring of drilling operations and the environmental impact.
3. **Diversification and Wealth Management.** Creating a Natural Resource Fund to save oil proceeds and the parliament's involvement in investing the proceeds in ways that promote diversification and benefit current and future generations are commendable. However, promoting market-based mechanisms for investment rather than top-down investment decisions is encouraged. Furthermore, future profit-sharing agreements with international oil producers are encouraged to be crafted more favorably for Guyana.
4. **Community Involvement:** Building on its track record, continued efforts of the current government in engaging local communities, especially those directly impacted by oil activities that should have a voice in decision-making processes are commended and encouraged. This involves engaging with local communities, respecting their rights, and addressing their concerns about environmental and social impacts.
5. **Capacity Building and Expertise:** Building local capacity in terms of technical expertise, regulatory enforcement, and negotiation skills is crucial. This ensures that Guyana can engage in meaningful negotiations with oil companies and make informed decisions about its oil sector.
6. **Environmental and Social Impact Assessments:** Continued efforts of the current government to thoroughly and independently assess the environmental and social impacts of oil operations are commended and encouraged. These assessments should continue to consider the potential risks to ecosystems, local livelihoods, and the well-being of communities.
7. **Fiscal Responsibility:** Guyana needs to manage its oil revenues responsibly and transparently, ensuring that funds are used wisely for development projects that benefit the population.
8. **International Collaboration:** Collaborating with international organizations, NGOs, and countries with experience in oil sector management can provide valuable insights and expertise to help Guyana navigate the challenges associated with oil production.

In summary, Guyana's challenge is to balance harnessing the economic benefits of oil production while safeguarding its environment, communities, and long-term economic stability. By enforcing regulations, ensuring transparency, diversifying the economy, and building capacity, Guyana can create a framework that maximizes the advantages of its oil resources while minimizing the associated risks.

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