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Report No: PAD3022

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 14,300,000  
(US\$20 MILLION EQUIVALENT)

TO THE

CO-OPERATIVE REPUBLIC OF GUYANA

FOR A

GUYANA PETROLEUM RESOURCES GOVERNANCE AND MANAGEMENT PROJECT

March 1, 2019

Energy & Extractives Global Practice  
Latin America And Caribbean Region

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## CURRENCY EQUIVALENTS

Exchange Rate Effective January 31, 2019

Currency Unit = Guyanese Dollar (GY\$)

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GY\$208.1 = US\$1

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GY\$1 = US\$0.0048

## FISCAL YEAR

January 1 - December 31

Regional Vice President: Axel van Trotsenburg

Country Director: Tahseen Sayed Khan

Senior Global Practice Director: Riccardo Puliti

Practice Manager: Christopher Gilbert Sheldon

Task Team Leader(s): Susana Moreira

## ABBREVIATIONS AND ACRONYMS

AGC	Attorney General’s Chambers
API	American Petroleum Institute
BOG	Bank of Guyana
CAPEX	Capital Expenditure
CDB	Caribbean Development Bank
CEN	Country Engagement Note
CPF	Country Partnership Framework
DA	Designated Account
DE	Department of Energy
DPC	Development Policy Credit
E&P	Exploration and Production
EA	Enterprise Architecture
EITI	Extractive Industries Transparency Initiative
EMP	Environmental Management Plan
EPA	Environmental Protection Agency
ESHS	Environmental, Social, Health and Safety
EWMP	E-Waste Management Plan
FDP	Field Development Plan
FM	Financial Management
FPSO	Floating Production Storage and Offloading
GAC	Governance and Anticorruption
GCRG	Government of the Co-operative Republic of Guyana
GDP	Gross Domestic Product
GEF	Global Environment Facility
GGMC	Guyana Geology and Mines Commission
GII	Gender Inequality Index
GNI	Gross National Income
GNP	Gross National Product
GRA	Guyana Revenue Authority
GRS	Grievance Redress Service
GW	Gigawatt
HCI	Human Capital Index
HDI	Human Development Index
HFO	Heavy Fuel Oil
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
IDB	Interamerican Development Bank
IFMIS	Integrated Financial Management Information System
IFR	Interim Financial Report
IMF	International Monetary Fund

IPF	Investment Project Financing
LAC	Latin America and the Caribbean
M&E	Monitoring and Evaluation
MNR	Ministry of Natural Resources
MOF	Ministry of Finance
MOTP	Ministry of the Presidency
MTR	Midterm Review
NDC	Nationally Determined Contribution
NGO	Non-Governmental Organization
NPDR	National Petroleum Data Repository
NRF	Natural Resource Fund
O&G	Oil and Gas
OPEX	Operating Expenditure
PBA	Performance Based Allocation
PDO	Project Development Objective
PIU	Project Implementing Unit
POM	Project Operations Manual
PPF	Project Preparation Facility
PPSD	Project Procurement Strategy for Development
PSA	Production Sharing Agreement
SCD	Systematic Country Diagnostic
SDR	Special Drawing Rights
SESA	Strategic Environmental and Social Assessment
STEP	Systematic Tracking of Exchanges in Procurement
SWF	Sovereign Wealth Fund
TA	Technical Assistance
TOR	Terms of Reference
TTL	Task Team Leader
UNDP	United Nations Development Program
UNFCCC	United Nations Framework Convention on Climate Change
UNICEF	United Nations International Children's Emergency Fund
WB	World Bank

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## DATASHEET

### BASIC INFORMATION

Country(ies)	Project Name	
Guyana	Guyana Petroleum Resources Governance and Management Project	
Project ID	Financing Instrument	Environmental Assessment Category
P166730	Investment Project Financing	B-Partial Assessment

### Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input checked="" type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
22-Mar-2019	30-Mar-2024

Bank/IFC Collaboration

No

### Proposed Development Objective(s)

The project development objective is to support the enhancement of legal and institutional frameworks and the strengthening of the capacity of key institutions to manage the oil and gas sector in Guyana.

### Components

Component Name	Cost (US\$, millions)
----------------	-----------------------



Component- A. Enhancement of Legal Framework and Stakeholder Engagement	3.20
Component – B Capacity Building of Key Institutions	10.70
Component - C. Enhancement of Fiscal Management	3.50
Component - D. Project Management & Project Preparation Facility	2.60

**Organizations**

Borrower: Co-operative Republic of Guyana  
 Implementing Agency: Department of Energy

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	20.00
<b>Total Financing</b>	20.00
<b>of which IBRD/IDA</b>	20.00
<b>Financing Gap</b>	0.00

**DETAILS**

**World Bank Group Financing**

International Development Association (IDA)	20.00
IDA Credit	20.00

**IDA Resources (in US\$, Millions)**

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
National PBA	20.00	0.00	0.00	20.00
<b>Total</b>	<b>20.00</b>	<b>0.00</b>	<b>0.00</b>	<b>20.00</b>

**Expected Disbursements (in US\$, Millions)**

<b>WB Fiscal Year</b>	2019	2020	2021	2022	2023	2024
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<b>Annual</b>	0.11	1.41	2.15	4.34	6.75	5.24
<b>Cumulative</b>	0.11	1.52	3.67	8.01	14.76	20.00

**INSTITUTIONAL DATA**

**Practice Area (Lead)**

Energy & Extractives

**Contributing Practice Areas**

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**Gender Tag**

Does the project plan to undertake any of the following?	
a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

Risk Category	Rating
1. Political and Governance	● High
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● High
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate
8. Stakeholders	● Substantial





9. Other

10. Overall

● Substantial

**COMPLIANCE**

**Policy**

Does the project depart from the CPF in content or in other significant respects?

Yes  No

Does the project require any waivers of Bank policies?

Yes  No

**Safeguard Policies Triggered by the Project**

Yes

No

Environmental Assessment OP/BP 4.01

✓

Performance Standards for Private Sector Activities OP/BP 4.03

✓

Natural Habitats OP/BP 4.04

✓

Forests OP/BP 4.36

✓

Pest Management OP 4.09

✓

Physical Cultural Resources OP/BP 4.11

✓

Indigenous Peoples OP/BP 4.10

✓

Involuntary Resettlement OP/BP 4.12

✓

Safety of Dams OP/BP 4.37

✓

Projects on International Waterways OP/BP 7.50

✓

Projects in Disputed Areas OP/BP 7.60

✓

**Legal Covenants**

Sections and Description

Schedule 2, Section I.A.

The Government, through the MOTP, shall operate and maintain throughout Project implementation, a Project Implementation Unit (the “PIU”) with staff, functions and responsibilities acceptable to IDA, and as set forth in the Project Operations Manual.

Sections and Description



Schedule 2, Section B.1.

The Government, through the MOTP, shall carry out the Project in accordance with the provisions of a manual (the “Project Operations Manual”) acceptable to IDA.

Sections and Description

Schedule 2, Section C.1.(b)

The Government, through the MOTP, shall ensure that for the purposes of implementing Part B.4(a) of the Project: (A) the SESA is prepared, consulted, disclosed and adopted in accordance with the SESA TORs; and (B) the recommendations of the SESA are applied during Project implementation, as applicable, all in a manner acceptable to IDA.

Sections and Description

Schedule 2, Section C.2

The Government, through the MOTP, shall ensure that: (a) all consultancies related to technical assistance, design and capacity building under the Project, the application of whose results could have environmental, social and health and safety implications, as determined by IDA, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by IDA; and (b) such terms of reference shall require the technical assistance, design and capacity building activities to take into account the requirements of the applicable Safeguards Policies and EHS Guidelines, and to be based on GIIP.

**Conditions**



## I. STRATEGIC CONTEXT

1. The proposed Project consists purely of technical assistance activities to support enhancement of the transparency, governance, legal, regulatory and institutional frameworks for the oil and gas sector in Guyana. It does not finance oil and gas development and is aligned with the World Bank's 2017 *One Planet Summit* announcement. As per this announcement, the WBG will no longer finance upstream oil and gas, after 2019, but will continue to provide technical assistance that helps client countries strengthen the transparency, governance, institutional capacity and regulatory environment for their energy sector – including oil and gas.

### A. Country Context

2. The Co-operative Republic of Guyana ("Guyana") lies in the northeast of South America. It has borders with Suriname, Brazil and Venezuela and, extends to the Atlantic Ocean in the north and northeast. Forests cover approximately 87 percent (18,483,000 hectares) of Guyana's total surface area.<sup>1</sup> The four Hinterland regions, which occupy more than two-thirds of the total land area of Guyana, are still largely unoccupied. Nearly all of Guyana's 758,499 multi-ethnic inhabitants (90 percent) live in a fertile plain along the Atlantic Coast, around 25 km wide and 1–1.5 meters below high-tide sea level.<sup>2</sup> Following decades of extensive emigration, the estimated population of the Guyanese diaspora is close to 461,000, living primarily in the United States, Canada, United Kingdom and the Caribbean.<sup>3</sup>
3. Although it has the largest landmass of all Caribbean countries, **Guyana has only the sixth largest population and is a "small state". Guyana has substantial natural resource wealth, but it is highly exposed to natural disasters.** With an estimated GDP per capita of US\$4,693 in 2017 and a GDP of about US\$3.6 billion, it is a small economy. The natural resource wealth was estimated to be almost US\$4,000 per capita in 2014, the highest in the Caribbean even before the discovery of oil. Merchandise exports account for 40 percent of GDP and six commodities – gold, rice, sugar, bauxite, shrimp and timber – account for 90 percent of exports.<sup>4</sup>
4. **Thus far, Guyana has not been very successful in transforming its natural resource wealth into productive capital or financial assets, despite international support.** Guyana was a beneficiary of the Heavily Indebted Poor Countries (HIPC) initiative which resulted in the share of public and publicly-guaranteed external debt to GDP declining from over 100 percent in 2002 to under 40 percent in 2007. During the three years following the HIPC Decision point in 2004, public investment almost doubled to 15 percent of GDP and the economy expanded. Since then, current expenditure continued to expand but capital expenditure declined as a share of GDP. Private investment has doubled since the HIPC Decision Point and stabilized at 8 percent of GDP during the past seven years. Public investment could boost growth and private investment but would need to be sequenced with other economic policies and require stronger institutions. The World Bank is supporting the design and implementation of appropriate policies through a Programmatic Development Policy Credit, the first of which was approved by the Board in June

<sup>1</sup> Revised National Forest Policy Statement 2018, Guyana Forestry Commission, 2018.

<sup>2</sup> Labour Force Survey, 2017.

<sup>3</sup> Bilateral Estimates of Migrant Stocks in 2017, World Bank, 2018.

<sup>4</sup> Guyana Bureau of Statistics, 2018.



2018. Well-designed macro policies could boost inclusive growth beyond the average annual growth of 4 percent during the decade up to 2018, which left Guyana one of the poorest countries in terms of GDP in the English-speaking Caribbean.<sup>5</sup>

5. **Data on income distribution and the incidence of poverty is outdated<sup>6</sup> but it appears that years of robust growth did not translate into commensurate levels of human development in Guyana or an improved environment for the private sector, including as it relates to delivering essential infrastructure and services** for both. Between 2005 and 2015, Guyana's Human Development Index (HDI) value increased only around 2.6 percent, from 0.62 to 0.64, below the score of 0.75 for countries in Latin America and the Caribbean (LAC). Guyana's 2015 HDI ranking was 127 out of 188, compared to Belize and Suriname that are close to Guyana in population size with rankings of 103 and 97, respectively. Guyana has lagged behind its regional peers particularly in two key HDI component indicators: "expected years of schooling" and "life expectancy at birth". Guyana has also trailed its region and income group in terms of Human Capital Index (HCI), ranking 99 out of 157 in 2018. Guyana's learning gap, as measured by the 2018 HCI, is the second highest in the region,<sup>7</sup> affecting the country's technical capacity, which is further constrained by the prevalence of "brain drain". The data on public expenditure on education is old and patchy but it indicates widely fluctuating public investments, persistently lower than the regional average.<sup>8</sup>
6. **While Guyana has made noticeable progress on reducing overall gender inequality gaps in the past decade, continued efforts are needed, especially regarding women's economic participation and opportunities.** 68.1 percent of adult women in Guyana have reached at least a secondary level of education compared to 53.2 percent of their male counterparts and to 57.8 percent of their female counterparts in LAC. Moreover in 2017, Guyana had the greatest proportion (35 percent) of women represented in their national legislature compared to Trinidad and Tobago, Suriname, Barbados, Bahamas and Jamaica. Part of Guyana's success in addressing gender inequality in political and electoral system can be attributed to it being the first country in the Anglophone Caribbean to enact a gender quota law in 2000.<sup>9</sup> Despite these signs of progress, Guyana's 2015 Gender Inequality Index (GII) score of 0.508 ranked it 117 out of 159 countries, and it ranks 124 out of 145 countries when it comes to women's economic participation and opportunity sub-index.<sup>10</sup> In fact, female participation in the labor market in Guyana is 41.8 percent compared to 77.2 percent for men, significantly lower than the regional LAC average of 52.8

<sup>5</sup> World Bank and Guyana Bureau of Statistics, 2018.

<sup>6</sup> The most recent data is from 2009, when 7.8 percent of the Guyanese population was multi-dimensionally poor and 18.8 percent live near multidimensional poverty (UNDP, 2016). The Government of the Co-operative Republic of Guyana, with technical assistance from the Inter-American Development Bank (IDB), is currently undertaking a household survey to assess current poverty rates, among other indicators.

<sup>7</sup> As per the 2018 HCI, children in Guyana can expect to complete 12.1 years of school by age 18 but when adjusted for quality of learning, this is only equivalent to 6.7 years. This learning gap of 44.63 percent is the second highest in the region, closely behind Haiti with 44.74 percent.

<sup>8</sup> United Nations Educational, Scientific, and Cultural Organization (UNESCO) Institute for Statistics.

<sup>9</sup> United Nations Gender Equality Observatory. Guyana's Representation of People's (Amendment) Act 2000 (Section 11B, Articles 5-7) provides for gender representation as an eligibility criterion for political parties wishing to contest national and regional elections. It states that each political party must have at least one-third women on the list of representatives submitted to the Guyana Elections Commission (GECOM).

<sup>10</sup> World Economic Forum. The Global Gender Gap Report 2015. World Economic Forum. Geneva, Switzerland. 2015. This is the most recent Global Gender Gap Report that Guyana participated.



percent.<sup>11</sup> Women's Gross National Income (GNI) per capita in Guyana is also substantially lower than men's: US\$4,346 vs. US\$9,397, respectively.<sup>12</sup>

7. **Guyana is a multi-party democracy.** Elections in 2015, brought in a multi-party coalition with a slim parliamentary majority of one seat. Currently, the country is in uncharted political territory following the passage of a no-confidence motion on December 21, 2018. Various actions challenging the validity of the vote are before the courts. Since the discovery of significant oil and gas (O&G) resources offshore Guyana in 2015, the Government of the Co-operative Republic of Guyana (GCRG) has been preparing for the country's anticipated structural transformation. Political uncertainty notwithstanding, all major political forces and stakeholders are united in recognizing the importance of building up the country's institutions and capacity to meet the challenges and maximize the opportunities arising from this new sector.

## B. Sectoral and Institutional Context

8. **Guyana remained largely unexplored, with no significant O&G discoveries until 2015, but it is now among the 25 largest oil reserve-holders in the world.** Guyana is on the brink of a major expansion of its O&G sector to world-class scale, with first oil expected in March 2020. Exploration results – with an unprecedented success rate of above 80 percent – have confirmed estimated gross recoverable resources of over five billion barrels of oil equivalent as of December 2018 (just above Sudan's and India's). Guyana hosts a wide array of international oil companies, ranging from supermajors to junior players. Projected investments over the life of the initial planned developments by the private operators – which will develop around 20 percent of Guyana's total gross recoverable resources - amount to US\$19.4 billion. The estimated export revenues at US\$54/barrel from these initial projects alone could be around US\$72.8 billion and government revenue around US\$45.4 billion over the life of the projects (or an average of around US\$2.1 billion/year). To put it in perspective, Guyana's total government revenues were US\$0.9 billion in 2017. The size of the discoveries presents, thus, an historic opportunity for Guyana to leverage the revenues generated from oil production into sustainable development and inclusive growth.
9. **A well-managed O&G sector can bring huge positive and sustainable impacts to Guyana, including socio-economic growth and positive economic externalities.** The O&G sector in Guyana currently accounts for less than one percent of the country's GDP but, in light of the major discoveries discussed above and the considerable potential for additional oil and gas discoveries, it is expected to become a major economic driver. As current and forecasted O&G mega-project investments come on-line, Guyana is likely to achieve higher economic growth rates than ever before: growth is expected to accelerate from 2.1 percent in 2017 to 4.8 percent in 2018 in the run-up to the start of oil production in 2020.<sup>13</sup> GDP growth is projected to briefly grow rapidly as new oil fields come into production while Gross National Product (GNP) – which excludes transfers abroad – will accelerate at a lower rate but remain sustainable over time. The main economic impact of the oil sector on Guyana is expected to take place through oil revenues, which offer an opportunity to expand public investment in both human and physical capital, lifting key constraints to inclusive growth. The O&G sector is also expected to impact the economy through the sector's demand for

<sup>11</sup> "Human Development Report 2016 – Briefing note for Guyana on the 2016 Human Development Report", UNDP, 2017.

<sup>12</sup> Idem.

<sup>13</sup> IMF Executive Board Concludes Article IV Consultation with Guyana, July 13, 2018.



services and infrastructure, job creation,<sup>14</sup> and the potential provision of cheaper and cleaner electricity – if Guyana’s new-found natural gas resources replace the costly, CO<sup>2</sup> heavy and highly polluting Heavy Fuel Oil (HFO) in power generation.<sup>15</sup>

10. **As a new oil and gas producer, Guyana lacks the policy, legal and regulatory frameworks and institutional capacity needed to maximize the benefits from expected oil revenues and minimize downside risks associated with oil revenues and growth of the sector.** The O&G sector affects multiple layers of the economy, impacts the livelihoods of present and future generations, the environment and local communities. If poorly managed, the development of O&G resources can be economically and socially costly for the country, failing to lead to sustainable economic growth, poverty reduction, and shared prosperity. Additionally, there are environmental and social risks – usually low frequency but high impact - associated with O&G production that require effective and constant monitoring as well as significant investment in environmental damage prevention and response capacity, among others. Notwithstanding, based on experience in resource-rich countries such as Australia, Canada, the United States, Chile, Botswana, several Gulf countries, Norway and others, positive impacts on overall poverty levels are achievable while mitigating risks, with good governance, investments in the quality and capacity of public and private institutions, investments in skills and technological capacities, efficient and transparent revenue collection and management, and sound macroeconomic and fiscal management policies. These countries triggered growth as resource-based economies, but ultimately succeeded in achieving wider growth, economic diversification and poverty reduction through targeted interventions. The Government of the Co-operative Republic of Guyana is keen to follow these examples, by investing in the strengthening of its institutions and building capacity to manage O&G resources.
11. **Guyana’s legal and regulatory frameworks for the O&G sector needs to be reviewed and updated with a view towards: maximizing benefits to the country and affected communities; managing the technical, environmental, social, and financial risks linked to the sector; and building capacity to engage effectively with investors.** At present, O&G sector activities in Guyana are subject *inter alia* to the Petroleum (Production) Act of 1938, the Petroleum (Exploration and Production, E&P) Act, Cap. 65:10 of 1986 and related Regulations of 1986 and the Upstream Legal Requirements for Petroleum (2004). These instruments, along with the Guyana Geology and Mines Commission Act, the Mining Act, the Environmental Protection Act, the Occupational Safety and Health Act, and the Model Production Sharing Agreement (1986), among others, are outdated and need to be adjusted to support the enhancement of the transparency, governance, legal, regulatory and institutional frameworks for the oil and gas sector in Guyana. The Government of the Co-operative Republic of Guyana (GCRG) intends to modernize its legal and regulatory frameworks in preparation for developments in the sector, focusing on critical issues such as oil revenue management, licensing, contract models (PSA), local content, and Health, Safety, Environmental and Social (HSES) management. Preliminary drafts of key legislation have been prepared and an in-depth review of the legal and regulatory frameworks is currently on-going with the support from various partners, including the Commonwealth Secretariat, the International Monetary Fund (IMF), the World Bank and the Inter-American Development Bank (IDB).

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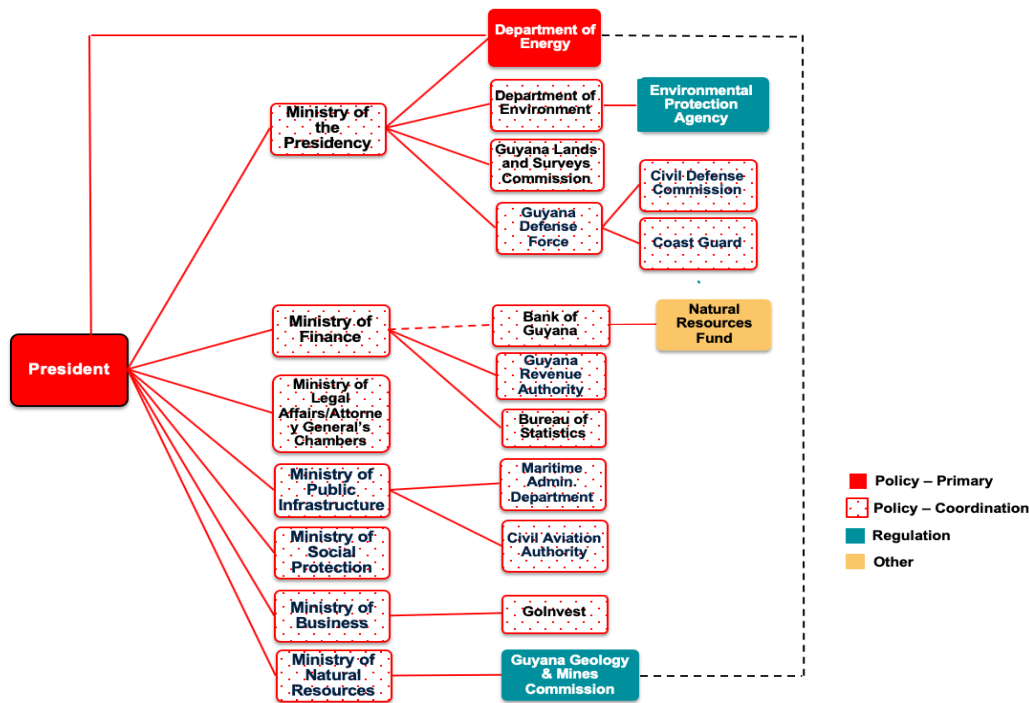
<sup>14</sup> O&G production is highly capital intensive, generating few permanent direct jobs. Considering Guyana’s relative small workforce, however, the O&G sector could become an important source of employment.

<sup>15</sup> Average electricity prices in Guyana are currently among the highest in the world, due to a large extent to the country’s dependence on oil-products based power generation (87 percent of total installed capacity in 2016) and relatively high technical and commercial losses.



12. **Institutional capacity to oversee and manage the O&G sector is limited in the various relevant government ministries, commissions and other departments (see Figure 1).** There is a large capacity gap at administrative and technical levels responsible for the management and oversight of Guyana’s nascent O&G sector. This includes a shortage of O&G experts in the relevant ministries and departments: Guyana’s recently established (August 2018) Department of Energy – which sits under the Ministry of the Presidency - is responsible for implementing policy and overseeing the petroleum sector, but currently has a staff of eleven of which only five are trained in O&G. The Geology and Mines Commission (GGMC), responsible for regulating the O&G sector in Guyana, has only eight people trained in O&G, a relatively small budget, and is being overwhelmed with the requirements of processing/interpreting increasing volumes of valuable petroleum data. Similarly, the Environmental Protection Agency (EPA) is beleaguered by the complex and outdated environmental licensing and permitting process and is limited by a mismatch between its actual human/financial/technical (equipment/laboratories) capacity and the broad mandate it has been assigned under the Environmental Protection Act. **The buildup of institutional capacity is crucial to improve the Government of the Co-operative Republic of Guyana’s capabilities to oversee and monitor the O&G sector.**

Figure 1. Guyana’s Current O&G Institutional Framework



Source: World Bank, 2019.

13. **Guyana has been a natural resources-dependent country for decades, but it never established resource management and planning tools such as a Sovereign Wealth Fund (SWF). The oil discoveries however have prompted the country to pursue the establishment of a SWF.** The country has been actively seeking the establishment of a SWF since 2016 with the support/input from various partners including the Institute of Petroleum, University of Calgary, the Commonwealth Secretariat and the World Bank. The Green Paper





*Managing Future Petroleum Revenues and Establishment of a Fiscal Rule and Sovereign Wealth Fund* issued by the Ministry of Finance on August 8, 2018 formed the basis for public consultations on the establishment of a SWF. On November 15, 2018, the Government submitted the Natural Resource Fund Bill 2018 to Parliament. The Bill, which was passed on January 3, 2019 with minor amendments, and assented on January 23, 2019, states that the oil resources will be used to: (a) finance public investment; and (b) stabilize public expenditure safeguarded in a sovereign wealth fund for use by future generations. Successful implementation of the arrangements specified in the Bill would allow Guyana to deal with the macroeconomic challenges of managing an increase in natural resource revenues (the so-called “Dutch disease” or “natural resource curse”). The Bill specifies the institutional arrangements to manage the SWF. The implementation of these arrangements would require technical assistance to both the Ministry of Finance and the Central Bank of Guyana.

14. **Government commitment to reforms.** Over the last several years, the Government has completed, independently and with donor support, a review of the existing O&G sector governance<sup>16</sup>, established an Inter-Ministerial Technical Committee on Petroleum to develop a clearer direction and strategy for the O&G sector<sup>17</sup>, has initiated efforts to strengthen the public investment management (PIM) processes in anticipation of large revenue flows, has undertaken scoping studies – e.g. gas-to-power studies - and produced various legal and policy drafts, including O&G policy (2016), local content policy (2017 & 2018), the “Petroleum Commission Bill” (2017 & 2018). In December 2017, the Ministry of Finance requested a US\$20 million Credit from the World Bank aimed at supporting broad governance reforms of its O&G sector with the objective to address economic and social impacts. As a follow-up to the request, the Ministry of Natural Resources, the Ministry of Finance and the Department of Energy led Project preparation, contributed staff and support to design the Project and to commence implementation through the associated Project Preparation Facility (PPF).
15. **Guyana continues to make strides towards enhanced transparency of natural resources.** First, on October 25, 2017, Guyana was admitted as a candidate country to the Extractive Industries Transparency Initiative (EITI), an internationally recognized and credible transparency and oversight mechanism for extractive industries. The World Bank, through its *Caribbean Extractive Industries Technical Assistance* (P162883), supported Guyana’s successful candidacy to EITI, providing expert advice and training to the Guyanese EITI Secretariat and the Multi-Stakeholder Group (MSG) in 2017. In accordance with the EITI Standard, Guyana is required to publish its first EITI Report within 18 months of becoming a candidate (i.e., by 25 April 2019). Guyana’s National EITI Secretariat is leading this process with the Guyanese government’s support. Second,

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<sup>16</sup> The World Bank conducted a governance review of Guyana’s O&G sector in April 2017, which concluded that i) the legal and regulatory frameworks in Guyana are underdeveloped and in some cases outdated, requiring update to be in line with international good practice; ii) the award of future production sharing agreements and licenses requires updating in view of the country’s exploratory success; iii) the requisite human resource, training and institutional capacity to oversee and manage the O&G sector is limited; iv) the capacity to collect, manage and plan the use of the O&G sector revenues needs to be strengthened; and v) the coordination among Government entities needs to be enhanced.

<sup>17</sup> The Inter-Ministerial Technical Committee on Petroleum was formed by MOF in cooperation with the MNR in 2018. In 2019, the MOF partnered with the DE and the Committee retains its chairmanship format in being co-chaired by one representative of each institution. Membership consists of representatives of key ministries and institutions primarily responsible for the oversight of the main aspects of the sector, and through various sub-committees such as 'Legal' and 'Regulatory', other stakeholder oversight bodies would also contribute towards the overall developmental and planning process. Key members of the Inter-Ministerial Technical Committee are - MOF, DE, Ministry of Public Infrastructure (MPI), Ministry of Foreign Affairs (MFA), GGMC, GRA, EPA, Bank of Guyana (BG), Bureau of Statistics, Lands and Surveys Commission, Civil Defense Commission, Maritime Administration and the Civil Aviation Authority.





the Government of the Co-operative Republic of Guyana made a commitment in late 2017 to release major contracts between the Government and companies in the extractives sector. Since then, it has published online nine Production Sharing Agreements (PSAs). These are important steps towards enhanced transparency, the promotion of dialogue among key stakeholders based on reliable information, and the responsible and effective governance of the O&G sector in the pursuit of sustainable development.

### C. Relevance to Higher Level Objectives

16. **The Government of the Co-operative Republic of Guyana envisions developing a green economy and knowledge driven growth industries.** The Government is finalizing the country's Vision 2040 long-term strategy, "The Green State Development Strategy (GSDS)", which, once launched, will be enacted through an implementation plan incorporating a financial plan and a monitoring and evaluation framework. Clear indicators and targets for the GSDS will be established to enhance accountability. The proposed technical assistance will contribute to the GSDS' objectives (i) sound fiscal and monetary policy; (iii) sustainable management of natural resources; and (vii) good governance and strong institutions by helping lay the foundations for the O&G sector's contributions through enhanced legal and regulatory frameworks, the mobilization of third party international expertise, institutional strengthening and capacity building.
17. **The proposed Project contributes to achieving the World Bank Group's twin goals of eliminating extreme poverty and boosting shared prosperity** by helping the Government of the Co-operative Republic of Guyana enhance the management, legal and institutional underpinnings of the O&G sector needed for the investments to contribute to the country's economy in a resilient, pro-poor and sustainable way. The development of new legal and regulatory frameworks for the sector are critical opportunities to foster inclusiveness, since legal enactments are needed to ensure that the Government of the Co-operative Republic of Guyana can spread both direct and indirect benefits of the O&G developments to the greatest number of people in the country while respecting the environment.
18. **The Guyana Country Engagement Note (CEN) for the period FY16-18<sup>18</sup> outlines the World Bank Group's strategy for strengthening the relationship with Guyana for 2016-2018.** The CEN highlights the importance of laying the groundwork for private sector development and proposes assistance to the Government and the private sector to adopt sustainable standards and natural resource management best practices. As such, the proposed Project is fully aligned with and complementary to the CEN. In particular, the Project supports Guyana's institutions to manage the O&G sector as well as to manage oil revenues in a sustainable manner while building buffers to cushion macroeconomic shocks.
19. **The proposed Project will provide support towards enhancing women's opportunities in Guyana's expanding O&G sector.** The World Bank's *Gender Strategy* (FY16-23)<sup>19</sup> focuses on four objectives: i) improve human endowments; ii) remove constraints for more and better jobs; iii) remove barriers to ownership and control of productive assets; and iv) enhance women's voice and agency and engaging men and boys. The O&G sector is a new industry in Guyana and there are no available statistics as to the number of total workers, including women. Traditionally, this sector is male-dominated, with women accounting

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<sup>18</sup> World Bank Report No. 94017, 03/23/2016.

<sup>19</sup> World Bank Group gender strategy (FY16-23): gender equality, poverty reduction and inclusive growth. WP 102114. 2017/03/29.



for a limited share of the industry’s workforce, mostly in support/non-technical functions.<sup>20</sup> A September 2018 survey conducted by the Government of the Co-operative Republic of Guyana of its key institutions with responsibility for the oil and gas sector however, has indicated that of the 49 people currently working in the sector, 24 (49 percent) are women (four of which in management positions and 20 in technical positions). By supporting efforts to continue to train sector and relevant professionals that are female to increase the number of women in leadership positions (*improving human endowment*), and by contributing to the development of gender-sensitive legislation, the proposed Project expects to enable women to benefit from direct and indirect jobs created by O&G development operations, thus helping address the gender gaps identified in the World Bank Gender Strategy. The Project will monitor through a dedicated indicator (see Section VI) the increase in number of women in leadership positions in key institutions with responsibility for the O&G sector.

20. **The proposed Project is set to contribute to Guyana’s efforts to mitigate climate change** through several measures that are recognized to have climate co-benefits,<sup>21</sup> including the Project’s support to the drafting and enforcement of legislation and regulations that forbid routine flaring of associated gas during oil production, to Guyana joining the *Zero-Gas Flaring Initiative*.<sup>22</sup> The Government of the Co-operative Republic of Guyana intends to use natural gas to reduce CO<sup>2</sup> emissions by displacing HFO in power generation and as a transition fuel while Guyana expands its renewable energy base with the support of the Guyana REDD+ Investment Fund (GRIF). Despite Guyana’s determination to convert to renewables, various setbacks have made it highly improbable that the country would reach its nationally determined contribution (NDC)<sup>23</sup> of 100 percent renewable energy use by 2025. The Government of the Co-operative Republic of Guyana now plans to work with the Inter-American Bank (IDB) under its “NDC Invest” program to review its NDC and adopt realistic investment plans to meet these goals. Guyana’s Green State Development Strategy in the meantime already puts forth a less ambitious goal than what is stated in the NDC, namely to have 63 percent renewable-based generation capacity by 2035.
21. **Citizens play a critical role in advocating and helping to make public institutions more transparent, accountable and effective**, as recognized in the World Bank Group’s *Strategic Framework for Mainstreaming Citizen Engagement* (2014).<sup>24</sup> **The proposed Project will support the development of platforms for social accountability and dialogue necessary to inform and give Guyanese citizens an**

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<sup>20</sup> According to the Petersen Institute for International Economics, women account for only 11 percent of senior executive positions in the oil and gas industry in the world. Once they join, women tend to stay longer in their jobs. Research by the International Gas Union (IGU) and others has found the attrition rate for female employees to be significantly lower as compared to their male colleagues, in all regions of the world. In addition to lower attrition rate for female employees, in a study conducted by Ernest Young, 61 percent of participants believe that gender diversity increases financial performance, whereas 77 percent of participants believe it influences nonfinancial performance.

<sup>21</sup> For more, please refer to: “Typology of Activities with Climate Co-Benefits by WB Sector”, World Bank. Available at: <http://www.worldbank.org/content/dam/Worldbank/document/Typology.pdf>

<sup>22</sup> The Climate Change Group has assigned conservatively US\$0.4 million total climate finance for the Project’s support to the drafting and enforcement of legislation that forbids routine flaring of associated gas during oil production and the support to be provided to Guyana joining the *Zero-Gas Flaring Initiative*.

<sup>23</sup> “Guyana’s Revised Intended Nationally Determined Contribution”, UNFCCC, May 20, 2016. Available at: <http://www4.unfccc.int/ndcregistry/PublishedDocuments/Guyana%20First/Guyana%27s%20revised%20NDC%20-%20Final.pdf>

<sup>24</sup> Manroth, Astrid; Hernandez, Zenaida; Masud, Harika; Zakhour, Jad; Rebolledo, Miguel; Mahmood, Syed A.; Seyedian, Aaron; Hamad, Qays; Peixoto, Tiago. 2014. *Strategic framework for mainstreaming citizen engagement in World Bank Group operations: engaging with citizens for improved results (English)*. Washington, DC : World Bank Group.



**opportunity to provide input and feedback** among others on Guyana’s O&G legislation, on O&G revenue management and environmental and social impact management. This includes support to the development and consultation on Green Papers for various pieces of legislation, support the engagement of project beneficiaries in the preparation, implementation, and monitoring of all project activities, stakeholder engagement (through the support of initiatives such as EITI), and the implementation of a well-designed communications strategy – at the regional and national level. To reflect this approach, the Project will monitor citizen engagement throughout project implementation through a beneficiary feedback indicator (see Section VI). Report on the beneficiary feedback indicator is expected by the third year of project implementation.

22. **The proposed Project is expected to contribute to enhancing the predictability, credibility and accountability of the Government of the Co-operative Republic of Guyana.** The proposed Project will support capacity building of key institutions with responsibility for the O&G sector in Guyana. Stronger, more capable institutions are in turn expected to deliver credible, predictable and accountable O&G sector management and oversight. As such, the proposed Project is in line with the World Bank’s updated *Governance and Anticorruption (GAC)* agenda and is complementary to other World Bank projects such as the *Caribbean Extractive Industries Technical Assistance (EITA)* (P162883) and the *Guyana Financial Stability and Development Policy Credit (DPC)* (P165425), which similarly contribute towards enhanced governance outcomes. The *Caribbean EITA* advisory service, for example, supports the GCRG so that EITI and wider oil and mining sector policy reforms are informed with international good practices.

## II. PROJECT DESCRIPTION

### A. Project Development Objective

#### PDO Statement

23. The project development objective is to support the enhancement of legal and institutional frameworks and the strengthening of the capacity of key institutions to manage the oil and gas sector in Guyana.

#### PDO Level Indicators

24. **Key outcome indicators** to be used to measure progress on the project development objective over its lifetime will be:
- (a) Legal and regulatory acts for the O&G sector prepared under the Project and submitted to the National Assembly;
  - (b) EITI reports published and made publicly available, in accordance with internationally recognized transparency standards;
  - (c) Results of SESA publicly disclosed by the Government; and
  - (d) Annual report of the Natural Resource Fund laid before the National Assembly by the MOF.



25. Section VI contains the complete Results Framework, including PDO-level indicators and intermediate results indicators by component, along with the corresponding baselines, intermediate, and end-of-project targets.

## B. Project Components

26. Following an extensive and detailed design process involving the Ministry of Finance, the Ministry of Natural Resources and more recently the Department of Energy, as well as other stakeholders, **the following areas were identified to be the most critical to afford the GCRG with a minimum legal and institutional capacity to manage and monitor the O&G sector:** (A) Enhancement of Legal Framework and Stakeholder Engagement; (B) Capacity Building of Key Institutions; (C) Enhancement of Fiscal Management; and (D) Project Management. Components and sub-components are detailed below.
27. **Component A - Enhancement of Legal Framework and Stakeholder Engagement (total US\$3.2 million).** This component aims to support the update of Guyana's legal and regulatory frameworks for the governance and oversight of the O&G sector as well as support stakeholder engagement and transparency. The specific activities to be implemented under this component are:
28. **Sub-component A.1. - Update the legal and regulatory frameworks for the O&G sector (total US\$2.3 million).** The GCRG is keenly aware of the need to update the legal and regulatory frameworks for the O&G sector and has been actively working with development partners – particularly the Commonwealth Secretariat – to carry out an in-depth review of the existing legal and regulatory frameworks and produce draft legislation and regulations. The main goal of this sub-component is to support further work on strengthening laws and regulations as needed, including the Petroleum Commission of Guyana Bill, 2018; the Petroleum Taxation and Fiscal Regulations; the Local Content Law and Regulations; the Petroleum Environmental Protection & Pollution Control Regulations; and the Petroleum Health & Safety Regulations - to create a legal and regulatory framework for Guyana's O&G sector that is comprehensive, consistent with international good practices, gender-sensitive (especially with respect to health and safety and local content) and contemplates the needs of vulnerable groups. (Beneficiaries: Department of Energy (DE), Ministry of Finance (MOF), Environmental Protection Agency (EPA), Attorney General's Chambers (AGC)).
29. **Sub-component A.2. - Support stakeholder engagement and transparency (total US\$0.9 million).** The Project will provide support to increase transparency and disclosure in the extractive industries sector, to manage expectations, and to improve social accountability. This includes:
- (a) Support for EITI implementation. The Project will provide support to deepening the EITI process and coverage in Guyana following its successful candidacy to the EITI in 2017, including support for preparation and dissemination of EITI reports (Beneficiary: Guyana EITI (GYEITI) Secretariat).
  - (b) Stakeholder engagement. The Project will help implement a communications strategy/plan and an information campaign currently being developed by the GCRG with IDB support aimed at engaging all the relevant stakeholders in the O&G sector. Communications will be based on user friendly tools, adequately formulated per target group, with special attention to women and vulnerable populations. The Project is also expected to support GCRG's adoption of principles of 'meaningful' stakeholder engagement – non-state actors needs to be able to voice their needs, concerns and suggestions in an interactive and consultative manner –, which will contribute to the integration of public opinion into decision-making (Beneficiary: DE).



30. **Component B – Capacity Building of Key Institutions (total US\$10.7 million).** This component aims to build institutional capacity and acquire third-party expertise needed to enhance the Government of the Co-operative Republic of Guyana’s capacity to effectively manage its O&G sector. The specific activities to be implemented under this component are:
31. **Sub-component B.1. Support immediate technical needs at key institutions with responsibility for O&G (total US\$4.5 million).** At present, Guyana does not possess the human resources necessary to address critical and immediate technical needs within the key institutions with responsibility for the O&G sector. This sub-component will address some of these gaps through the direct engagement of external expertise to support DE, GGMC, MOF, GRA, AGC, Petroleum Commission (once established). Experience from other World Bank projects in the O&G sector shows that capacity building is most effective when it is based on tangible on-the-job training and a learning by doing approach. Therefore, this activity will allow for the hiring of O&G experts as advisors to provide general technical opinions, commercial advice, policy analysis, review of key documents, and other contributions, but more importantly, to deliver on-the-job training and peer mentoring, working closely with the government staff to transfer knowledge and build long-term capacity to manage the oil and gas sector. Areas of focus would include capacity building to monitor, regulate, and review, inter alia, studies on:
- *Reservoir engineering and geology* - Provide the Guyanese government with independent third-party technical expertise needed to analyze estimates of Guyana’s oil and gas resources.
  - *Economic and fiscal modeling* – Assess and conduct economic and fiscal modeling to help forecast oil and gas revenues, support revenue administration and taxation, and evaluate options for future modifications to Guyana’s oil and gas fiscal regime.
  - *Cost audits* – Support the cost audit of existing Production Sharing Agreements.
  - *Legal support* - Assist the GCRG in addressing upstream legal issues associated with the oversight of Guyana’s oil and gas resources.
32. **Sub-component B.2. Support critical training needs at key institutions with responsibility for O&G (total US\$1 million).** To complement the injection of immediate technical capacity that will be provided through B.1., this sub-component will provide training to strategic staff of the main governmental agencies directly involved in the O&G sector. To promote an increase in female participation at the management and leadership level of Guyana’s oil and gas sector institutions – currently only four women are in management positions as per a September 2018 survey -, a minimum gender quota will be applied to make sure competent female staff will receive the training (specialized courses, workshops, certificates, etc.) that will allow them to pursue management/leadership positions. (Beneficiaries: DE, GGMC, EPA, MOF, GRA, AGC).
33. **Sub-component B.3. Build up Petroleum Data Management (total US\$4.1 million).** As exploration activities ramp up in Guyana, GGMC is being overwhelmed by the large volumes of oil and gas information and data – seismic surveys, well logs/reports, field data/tapes, samples, maps, geological models, etc. – that are being generated and shared by companies as required by their contract/license. GGMC simply does not have the facilities, the personnel or the equipment (hardware and software) to copy, analyze/interpret, verify, preserve/store and provide secure access to this data. Petroleum data is extremely valuable because it allows GCRG to understand its resources and manage/plan the orderly evaluation and development of those resources. This sub-component will finance the establishment of a



new National Petroleum Data Repository in Guyana, from conducting a needs assessment, to the acquisition of needed hardware and software, to the collection and storage of existing data (core samples, well reports, field tapes, seismic reports, etc.). This activity will also contemplate the training of the team, appointed by GGMC, that will be responsible for the data management (Beneficiaries: GGMC, Petroleum Commission (once established)).

34. **Sub-component B.4. Strengthen Environmental and Social Management (total US\$1.1 million).** Guyana possesses a general framework for environmental and social management, but gaps have been identified in several areas, particularly with respect to oversight of the O&G sector. Preparation of the Strategic Environmental and Social Assessment (SESA) will start early in the Project – the TOR were prepared, approved and disclosed both in-country and by the Bank in December 2018.<sup>25</sup> Assistance from the Project will be extended to the EPA to build capacity through training and advisory services to help the government minimize environmental, social and climate impacts of O&G sector activities, considering the results of the SESA, the needs assessment of the EPA that is planned under the Project Preparation Facility, and international standards such as the IFC Performance Standards. In addition, depending on the final scope of activities related with setting up the National Petroleum Data Repository (NPDR), and if financing proceeds are available, the Project may be restructured to incorporate the rehabilitation or expansion of existing facilities to accommodate the NPDR. An Environmental Management Plan (EMP) will be prepared commensurate to the risk of the activities contemplated - the TOR for a generic EMP were prepared, approved and disclosed both in-country and by the Bank in December 2018.<sup>26</sup> (Beneficiary: EPA).
35. **Component C – Enhancement of Fiscal Management (total US\$3.5 million).** Guyana’s limited institutional capacity and governance challenges are key obstacles to successful public finance management, including the recently assented Natural Resource Fund legislation that deals with the macroeconomic management of an increasingly high volatility economy and loss of competitiveness. This sub-component will be carried out in close coordination with the Bank's economic and governance teams, the IMF and other donors. It will enhance GCRG’s public finance management, macroeconomic and fiscal analytical capacity, and support to the operationalization of the Natural Resource Fund Act (2019). This includes:
- (a) **Formulation of Enterprise Architecture (EA) for a more effective and transparent management of Guyana’s public finances:** In anticipation of the large influx of O&G revenues, the Project will help enhance Guyana’s Public Finance Management by supporting the formulation of an enterprise architecture that will be the blueprint for the design and implementation of an Integrated Financial Management System (IFMIS), which will allow for more effective control over public finances, enhanced transparency and accountability and is expected to act as a deterrent to corruption and fraud.
  - (b) **Build up the Ministry of Finance’s (MOF) macro-economic management and fiscal analytical capacity:** The Project will support the enhanced role of the MOF set by the Natural Resource Fund

<sup>25</sup> Available at: <https://motp.gov.gy/index.php/notices/terms-of-reference/3317-guyana-oil-gas-capacity-building-project-p166730-terms-of-reference-tor-strategic-environmental-social-assessment> and <http://documents.worldbank.org/curated/en/588071544166223527/pdf/P166730-Guyana-TOR-SESA-FINAL.pdf>

<sup>26</sup> Available at: <https://motp.gov.gy/index.php/notices/terms-of-reference/3319-guyana-oil-gas-capacity-building-project-p166730-terms-of-reference-tor-for-environmental-management-plan-emp-for-small-scale-construction-works-related-to-hosting-petroleum-data-in-a-national-data-repository-ndr> and <http://documents.worldbank.org/curated/en/776891544534284340/pdf/TOR-EMP-Final-Draft-December-2018.pdf>





(NRF) legislation as well as contribute to a well-functioning macroeconomic committee on fiscal issues related to oil revenues management.

- (c) **Support Sovereign Investment:** The Project will support the enhanced role of the MOF as regards to the NRF legislation and contribute to a well-functioning investment committee on issues related to the investment strategy of the NRF to manage the risks from financial investments made by the SWF.

(Beneficiary: MOF).

- 36. **Component D - Project management (total US\$1 million).** This component will provide support to the Government of the Co-operative Republic of Guyana to manage and coordinate all project activities financed under the proposed Project. More specifically, it will provide support and build the Government’s procurement, financial management, safeguards management, monitoring and evaluation capacity through the provision to the Project Implementing Unit (PIU) - Department of Energy - of technical advisory services, training, recruitment of instrumental staff as needed, acquisition of goods, and operating costs. (Beneficiary: DE).

- 37. **Project Preparation Facility Refinancing Category (total US\$1.6 million).** The Credit includes a Project Preparation Facility (PPF) of US\$1.6 million. The PPF<sup>27</sup> was designed to support the setting up of the staff to implement the Project, procurement of office equipment, addressing safeguards – including the aforementioned TOR for the SESA and generic EMP -, and the completion of preparatory steps for Project implementation, including the preparation of the Project Operations Manual, first year Annual Work Plan and Budget and commencement of Project procurement. As of January 2019, 77 percent of PPF funds had been disbursed or committed, supporting, among others, the successful establishment of a Project Implementing Unit (PIU) within the Department of Energy, under the Ministry of the Presidency (MOTP).

**Table 1. Project Components and Cost**

	<b>US\$ equivalent</b>
<b>Component A: Enhancement of Legal Framework and Stakeholder Engagement</b>	<b>3.2</b>
A.1. Update the legal and regulatory frameworks for O&G	2.3
A.2. Support stakeholder engagement and transparency	0.9
<b>Component B: Capacity Building of Key Institutions</b>	<b>10.7</b>
B.1. Support immediate technical needs at key institutions with responsibility for O&G	4.5
B.2. Support critical training needs at key institutions with responsibility for O&G	1.0
B.3. Build up Petroleum Data Management	4.1
B.4. Strengthen Environmental and Social Management (includes SESA)	1.1
<b>Component C: Enhancement of Fiscal Management</b>	<b>3.5</b>
<b>Component D: Project management</b>	<b>1.0</b>
<b>Project Preparation Facility</b>	<b>1.6</b>
<b>Total</b>	<b>20.0</b>

<sup>27</sup> The PPF Letter of Agreement was signed by the Bank on July 18, 2018 and countersigned by the Government on the same date.



38. **The Project will be an IDA-funded Investment Project Financing (IPF) provided as a Credit** in the amount of US\$20.0 million equivalent for Guyana. The Credit is planned to be deployed over a five-year period from April 2019 (expected Effective Date) to March 2024.

### **C. Project Beneficiaries**

39. **At the macro level, the beneficiaries of the proposed Project will be, first of all, the Guyanese people** through planned activities that will contribute to: (i) strengthening the Government's capacity in the O&G sector to generate sustained benefits and economic growth for the country; (ii) better socioeconomic returns from O&G investment and broad stakeholder engagement in the country; (iii) improved protection for residents in potentially oil and gas sector affected communities, who will benefit from well-regulated oil and gas developments, including the improved safeguarding of the local environment, social, health and safety performance; and (iv) new opportunities offered by access to more affordable, cleaner and reliable power and by the infrastructure constructed for the oil and gas sector (ports, roads, onshore base, water facilities, etc.). Secondly, the O&G industry (investors) will benefit significantly from enhanced legal, regulatory, and institutional frameworks, and having access to government counterparts with greater capacity, which together will facilitate economic efficiency and O&G sector related business activities.
40. **At the micro level, direct beneficiaries of the proposed technical assistance include:**
- (a) Government institutions, especially the Department of Energy, the EPA, the GRA, GGMC, the Petroleum Commission and other Government institutions, as well as their staff involved in managing the O&G sector through capacity building activities;
  - (b) Non-state actors, including community-based and non-governmental organizations (NGO) and associations that would benefit from stakeholder engagement and information campaigns on O&G sector development and impacts.

### **D. Results Chain**

41. As noted earlier, the Project Development Objective for the Project is to support (i) the enhancement of legal and institutional frameworks; and (ii) the strengthening of the capacity of key institutions to manage the oil and gas sector in Guyana.
42. The Results Chain for the Project is straightforward. The Project will support the development of legal and regulatory frameworks and two broad categories of capacity building activities: i) human capacity building (direct engagement of external expertise for a transition period and staff training), and ii) physical capacity building (equipment purchases and possible office refurbishment to accommodate the National Petroleum Data Repository). Investments in these areas are expected to generate Outputs that are generally concerned with supporting the beneficiary institutions become operationally ready to carry out key assigned functions in O&G sector management and oversight. Then, with human and to a certain extent physical capacity in place, each beneficiary institution is expected to progress towards becoming more effective and, in so doing, achieve the PDO.
43. The PDO Outcomes are linked to Long-term Outcomes, namely Guyana's ambition to shift its development path, modernize its economy and transform the lives of its citizens, as detailed in the country's Green State

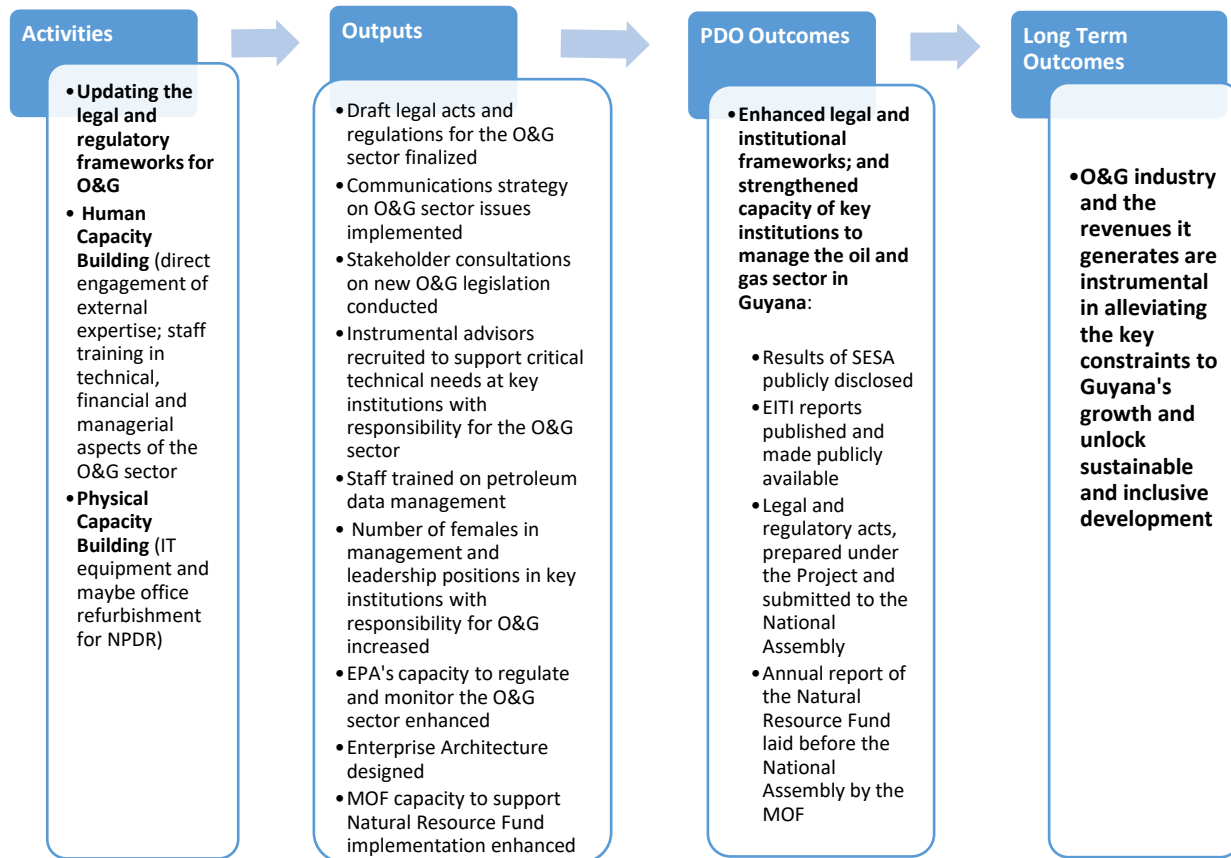




Development Strategy (GSDS). One of the key elements of the GSDS is an emphasis on ensuring that oil revenues are well managed and allow for a transformative public spending and investment program that alleviates the key constraints to Guyana’s growth and unlocks sustainable and inclusive development. A critical assumption inherent in the GSDS and mentioned earlier in paragraph 9 is that the quality and capacity of the country’s institutions matter. In fact, there is ample research and international experience that shows that institutions and well-developed legal frameworks are the most important factors in translating wealth from a non-renewable natural resource endowment into long-term, sustainable and inclusive development outcomes.

44. The results chain described above as illustrated in Figure 2.

Figure 2. Results Chain



**E. Rationale for Bank Involvement and Role of Partners**

45. **The proposed Project will leverage and coordinate, as needed, with other development partners.** The Bank team did the first mapping of donor support in the O&G sector in Guyana in April 2017, which was updated in February 2018, and underscored the fact that there has been no comprehensive support to the



O&G sector in Guyana. The DE is in the process of updating the mapping of donor activities and has assumed donor coordination responsibilities with respect to the oil and gas sector. This includes organizing monthly donor coordination meetings. DE has completed a Roadmap for the management and execution of its mandate – i.e. to manage the petroleum sector - and plans to use it, among others, to coordinate and phase donor support. Thus far, the most active development partners have been the WB, the IDB, the IMF, the Commonwealth Secretariat and the governments of the US, Mexico and Canada. Through constant engagement of the DE and others, the Project aims to avoid duplication and leverage existing/planned donor support to maximize its contribution towards enhancing Guyana’s legal and institutional frameworks and the capacity of its key institutions with responsibility for O&G.

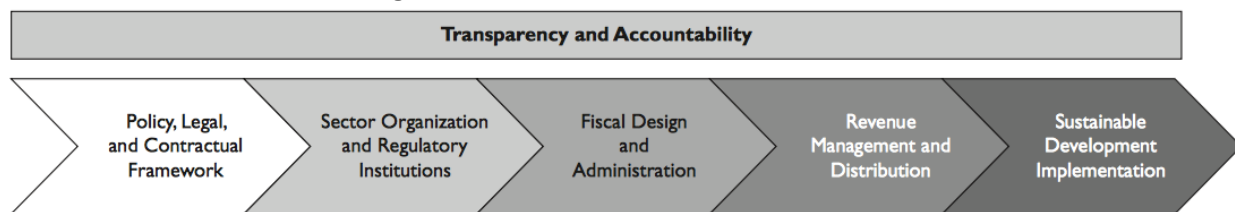
#### **F. Lessons Learned and Reflected in the Project Design**

46. **The Project design and characteristics are informed by experience gained through similar projects supported by the World Bank worldwide**, in countries such as Egypt, Ghana, Kenya, Mauritania, Senegal, Mozambique and others. Some of the lessons learned from the implementation of petroleum technical assistance projects include (i) the importance of political commitment and ownership of project objectives and of active involvement of technical and managerial staff from client countries; (ii) the need for a strong Project Implementing Unit (PIU); (iii) the need to limit the number of activities and beneficiaries; (iv) the importance to coordinate and collaborate with other development partners; (v) the importance of close coordination and consultation between various stakeholders to set realistic expectations, harness transparency and accountability, and promote inclusive development; and (iv) the need to manage expectations for extractives-derived benefits. These lessons have guided the design of this Project.
47. **Obtaining technical, legal, fiscal expertise and capacity may help facilitate the achievement of improved outcomes.** At key decision points throughout the life of O&G project(s), government decision-makers must be provided with a thorough understanding of the economic, fiscal, environmental and social impacts of the technical concept(s) as well as the technical, legal, marketing, and project financing reports and/or agreements they will be required to clear. In new O&G producing countries such as Guyana, this generally requires the recruitment of international third-party expertise, and an intensive program of capacity building overtime, as is being contemplated by the proposed Project. Global experience has demonstrated that without this type of support, governments may come under intense scrutiny for agreeing to an “unfair” deal, may experience paralysis taking a decision to move forward, or even renege on commitments already made to operators and other relevant stakeholders. This may have negative impacts on not only petroleum-related developments, but more broadly on social stability and on the overall investment climate in the country.
48. **Promoting citizen engagement and open communications throughout the life-cycle of oil and gas projects to ensure inclusive development.** During negotiation and throughout the life of the development, sustainable oil and gas project management also requires the strengthening of an information platform at both the local and the national level to set realistic expectations among citizens and include the broader population in the development process. For this reason, it is important to carry out participatory communication and stakeholder campaigns in parallel with other proposed activities in order to enhance citizen engagement in the oil and gas sector, harness transparency and accountability in the sector, and promote inclusive development in the country.



49. **The Project is also informed by analytical and knowledge products from the World Bank’s Energy and Extractives Global Practice (GEEX), the IFC, and the IMF.** Recent examples include “Oil, Gas, and Mining: A Sourcebook for Understanding the Extractive Industries” (World Bank, 2017), “The Preresource Curse” (IMF, 2017), “Estimating the Effects of the Development of the Oil and Gas Sector on Growth and Jobs in Ghana (2015-2030” (IFC, 2018) and “Unlocking Opportunities for Women and Business – A Toolkit for Actions and Strategies for Oil, Gas and Mining Companies” (IFC, 2018). The extractive industries value chain approach used in the Bank’s current programs on extractive industries (refer to Figure 3 below) has been instrumental in highlighting the critical need to integrate interventions aimed at improving O&G sector performance with those related to the management of resource rents generated by the sector. As is the case for any resource-rich country, Guyana will also be running the risk of a “resource curse” that could negatively affect the country’s economic performance, bring fragility, and make the country vulnerable to violent conflicts. Unless effectively managed, the sector development could lead to a “paradox of plenty” rather than growth, shared prosperity, and poverty reduction. Political decision-making rooted in good governance principles of transparency and accountability will be needed to make the extractive resources of the country a blessing and not a curse. The project design contemplates the need to integrate improved O&G sector performance with resource rents management.

Figure 3. Extractive Industries Value Chain



Source: World Bank, 2017

50. Finally, **the experience of well-regarded Sovereign Wealth Funds** as ranked by the Resource Governance Index<sup>28</sup> **highlights the importance of promoting the understanding across society about the risks and challenges of the policies and measures to be implemented.** Without this, the petroleum revenue management framework anchored by the SWF(s) will not be robust enough when internal spending pressure increases, or external economic shocks arrive. **Moreover, these well-ranked SWFs also show that it is key that the government embarks on a comprehensive capacity building program to strengthen its institutions** to ensure that the legal and institutional frameworks are properly implemented, prudent policies developed, and essential functions filled with competent staff. The proposed Project addresses the latter through its support towards increasing the MOF’s capacity to help operationalize Guyana’s Natural Resource Fund Act (2019).

<sup>28</sup> The 2017 Resource Governance index (RBGI) ranks the SWFs of Ghana, Timor-Leste, Chile, Norway, Canada (Alberta) and Trinidad and Tobago as top performers.



### III. IMPLEMENTATION ARRANGEMENTS

#### A. Institutional and Implementation Arrangements

51. **The newly established DE under the Ministry of the Presidency (MOTP) will be the core implementing agency for the proposed Project.** The Head of the DE will (i) provide strategic guidance for Project implementation; (ii) ensure synergies in policy level interventions; and (iii) promote effective coordination and communication across the various beneficiaries on a macro level and across the Project on a micro level. The Project institutional and implementation arrangements are further outlined in Annex 1.
52. **Thanks in part to the Project Preparation Facility (PPF), a fully staffed Project Implementing Unit (PIU) has been embedded in the DE/MOTP.** The PIU comprises a Project Coordinator, responsible for the overall management of the Project activities; the Project Financial Manager/Accountant, responsible for accounting, financial management and reporting; and a Procurement Specialist, responsible for carrying out procurement activities in compliance with the IDA procurement procedures. The PIU core team, has been hired as consultants to the DE, and will be supplemented with the hiring, after effectiveness, of a monitoring and evaluation specialist and the required social and environmental safeguards specialists, all of whom will support the Project for its duration. The Bank, at its scheduled mid-term review, will assess the implementation mechanisms with a view to support government in sustaining the capacity built during the implementation of the project.
53. **The PIU, benefiting from its fiduciary staff's Bank experience as well as existing capacity at MOTP, will carry out day-to-day Project management and coordination,** including procurement, disbursement, financial management and monitoring and evaluation for the entire Project. The technical aspects of the Project implementation, including the supervision of contracts, and acceptance of goods, services and consultants' recommendations, will be the shared responsibility of the DE/PIU and the beneficiary institutions, who will assign focal points for Project purposes.

#### B. Results Monitoring and Evaluation Arrangements

54. **Monitoring and Evaluation will be carried out by the PIU, within the DE, based on the indicators and milestones developed in the Results Framework.** Impacts and progress will be measured for the institutions involved as well as O&G sector stakeholders, including private sector and non-state actors. The PIU's monitoring and evaluation specialist – hired by the PIU under the Project - will put in place the required system and tools to systematically collect the appropriate data and monitor the performance of the Project. The monitoring and evaluation specialist will also be tasked to develop a training program to strengthen the capacities of the focal points in the beneficiary institutions and to facilitate data collection/monitoring. Where applicable, monitoring and evaluation will include gender-disaggregated data. Strengthening client capacity for monitoring and evaluation for the sector will be an integral part to enable the relevant institutions to keep track of environmental and social safeguards implementation and compliance.



## C. Sustainability

55. **From the outset, the Government of the Co-operative Republic of Guyana has demonstrated commitment and ownership of the proposed Project**, with the Ministry of Natural Resources, the Ministry of Finance and the Department of Energy as the prime advocates for the need to improve the legal and regulatory frameworks and enhance the country's institutional capacities to oversee and manage the country's O&G sector.
56. **The Project activities will support Guyana as it elaborates the frameworks for sustainable development** and will further increase the Government's credibility in terms of its ability to facilitate complex multi-billion-dollar O&G Projects for the benefit of multiple sectors of the economy and society. At the national level, the Project will enhance the capacity of the Government to (i) engage the private sector on an informed basis and within a context of improved legal and regulatory frameworks; (ii) enhance the institutional and human skills to manage the technical, environmental and social aspects of the O&G sector; (iii) enable improved flows of revenue and revenue management; and (iv) promote transparency and accountability through the compliance with the EITI and stakeholder engagement. Extensive revenues that would accrue to the Government from the O&G sector will provide resources for the Government to continually improve capacities and sector management.

## IV. PROJECT APPRAISAL SUMMARY

### A. Technical, Economic and Financial Analysis

#### (i) Technical

57. **The Project design was informed by sustained World Bank engagement with the Government in the extractives sector since 2016**, referred to in the Rationale for Bank Involvement (paragraph 45 above). **The Project is closely coordinated with other operations**, most notably the programmatic *Guyana Financial Stability and Development (GFSD)* Development Policy Credit (P165425) (under implementation).
58. **Constant dialogue between Bank staff and management with the highest officials in the country and the direct engagement of technical staff** from the Ministries in charge of O&G, finance, and environment have informed the design of the Project, which sought to balance its activities with the institutional capacities, the local context and internationally accepted practices in O&G technical assistance Projects.
59. **The Project will deliver advisory services needed to strengthen the technical capacity of key agencies to oversee and manage the O&G sector**. The detailed terms of reference (TOR) prepared to tender the activities financed under this Project provide a clear definition of the work that needs to be done by the set of consultants who will be supporting Government of the Co-operative Republic of Guyana. There is also no duplication of work in the various consultancies planned under this Project.
60. **The training activities will be based on an institutional diagnostic of key agencies and will be tailored based on existing capacity and future industry needs**. The O&G operators and service providers will be engaged to inform the design of the training program, since they are ideally positioned to define future



industry needs and will be themselves developing substantial effort to build capacity in the nascent O&G sector.

## (ii) Economic and Financial

61. **The future economic and financial benefits of the O&G sector projects being developed in Guyana cannot be attributed to the proposed technical assistance Project, nor can they be easily quantified since too many external factors would have to be considered.** The economic analysis for the proposed Project can only be conducted based on “with technical assistance vs. without technical assistance” considerations. Since Guyana is new to world-scale O&G sector developments, the economic benefits of the Project would thus derive from improved decision-making thanks to capacity building with respect to the development of the O&G resources. It is not possible to quantify the increased likelihood that an optimal decision will be reached because of this Project. Still, even a small improvement in GCRG’s capacity thanks to the advisory services and training provided by the Project could have a huge impact in government revenues. For example, if Guyana derives an incremental benefit of 0.25 percent of gross revenues as a result of improved capacity to manage the O&G sector, collect revenue, audit costs, or reduce environmental damage, the benefit to Guyana would be around US\$200 million (assuming US\$80.5 billion in oil revenue, before costs and oil company profits). It is important to underline that these calculations are not meant to reflect the views of either the operators or government, but to confirm that the potential benefits from the Project could plausibly outweigh the US\$20 million spent on the project many times over.

## B. Fiduciary

### (i) Financial Management

62. **A financial management (FM) assessment of the project was conducted in accordance with OP/BP 10.00 and the Financial Management Manual for World Bank IPF Operations (OPCS5.05-DIR.01, issued February 10, 2017).** The main FM risks are due to the fact that the DE is new and has limited experience in implementing World Bank-financed projects and that the project foresees substantial training related activities. To mitigate the FM risks, appropriate internal controls and adequate tools (e.g. QuickBooks software) will be applied throughout project implementation. These internal controls are detailed in the Operations Manual, which was agreed with the World Bank and adopted by the Government on February 20, 2019. In addition, the World Bank’s project fiduciary team will continue to work closely with the DE/PIU and MOTP and provide them continuous guidance for at least the first six months of project implementation. It will also provide them training on specific World Bank policies and guidelines; and connect them with other well performing WB projects in Guyana to experience cross learning. FM risks and compliance will be monitored during the World Bank’s six-monthly implementation support missions as well as through annual external audits. With the implementation of these measures, the DE/PIU under MOTP will have in place a FM system that should be able to provide, with reasonable assurance, accurate and timely information on the status of the funds as required by the World Bank. More details on FM and disbursement are provided in Annex 1.





**(ii) Procurement**

63. **Procurement under the project will be carried out in accordance with the ‘World Bank Procurement Regulations for IPF Borrowers’ dated July 2016 and revised in November 2017 and August 2018 (‘Procurement Regulations’).** The World Bank’s Systematic Tracking and Exchanges in Procurement (STEP) system will be used to prepare, clear, and update the Procurement Plans and conduct procurement transactions for the project. All procurement methods and procedures are required to be consistent with the World Bank’s Core Procurement Principles and ensure that the World Bank’s Anti-Corruption Guidelines and Sanctions Framework and contractual remedies set out in its Legal Agreement are adhered to.
64. **A Procurement Capacity Assessment and Project Procurement Strategy for Development (PPSD) were completed during project preparation.** The PPSD includes a detailed Procurement Risk Analysis and actions to mitigate the risks. The procurement risk rating for the Project is considered Substantial and the following procurement risks were identified: (a) the DE is not familiar with the World Bank’s Procurement Regulations issued in July 2016; (b) possible weak procurement capacity of evaluators and technical teams; (c) delays in handling of procurement-related complaints; (d) lack of interest from bidders/firms in project’s bidding and consulting processes; and (e) all Bank financed processes need to also follow the local procurement requirements and procedures, which is time consuming. The PIU will be responsible for all procurement activities under the project. A Procurement Specialist with relevant experience in donor-funded procurement, particularly in World Bank procurement rules and procedures, has been appointed to the DE/PIU to ensure timely processing of procurement activities financed under the Project. To minimize procurement delays, build capacity and mitigate risks: a) procurement training will be provided to evaluators, Guyanese National Procurement and Tender Administration Board (NPTAB) members and technical specialists working on the Project, b) the PIU with the World Bank team’s support will launch several key selection processes – legal consultancy, petroleum development consultancy, petroleum data management consultancy, etc. – prior to Project Effectiveness [the associated TOR are currently being finalized]; c) support will be provided towards smooth processing of procurement complaints related to the WB’s financed contracts; d) contracts will be packaged to ensure interest of bidders and reduction of processing time, and e) policy dialogue on local procurement requirements and procedures to improve processing and timing will continue. More details on procurement are provided in Annex 1.

**C. Safeguards**

**(i) Environmental Safeguards**

65. **The project has been assigned Category B under World Bank OP/BP 4.01 ‘Environmental Assessment’,** given that the Project consists primarily of technical assistance and capacity building activities aimed at enhancing the GCRG’s capacity to manage and regulate the O&G sector. The activities financed through the project will primarily be implemented in Georgetown, Guyana focused on the central government and the project will not finance any large physical investments, nor will it directly finance O&G E&P activities. However, it could have eventual negative implications if the advisory services and training provided through the Project do not address adequately or sufficiently the environmental and social impacts related to O&G development offshore. This is particularly pertinent with respect to the support provided through the Project to the update of Guyana’s legal and regulatory frameworks for the O&G sector, which will



potentially have environmental and social implications at the strategic level (e.g. overall impacts on marine biodiversity, impacts on air quality, social conflicts, etc.), resulting in the proposed Project triggering OP/BP 4.04 Natural Habitats on a precautionary basis. To prepare the country and the PIU for the upcoming O&G development projects, a Strategic Environmental and Social Assessment (SESA) will be financed through the Project (sub-component B.4) to examine the readiness of the Guyanese safeguards related to the institutional and regulatory frameworks applicable to O&G development projects, addressing, among others, the principles and provisions of OP/BP 4.04 Natural Habitats such as marine biodiversity assessment and coral reef protection. In addition, the World Bank team will also work with the Government to provide legal and technical advice on the legal and regulatory frameworks to ensure good international practice regarding environmental and social management in the O&G sector.

66. **The SESA for Guyana’s new oil and gas sector will help meet long-term country development outcomes by integrating environmental, social (including labor), health, safety and security considerations in oil and gas policies, laws and sector growth.** On the whole, considering the ongoing and proposed development and capacity building activities for the oil and gas sectors, the SESA will provide a comprehensive sector-wide examination of potential impacts that could be generated by the development of the O&G sector, both positive and negative, evaluating the scope and probability of these impacts due to increased activities offshore and potentially onshore; be climate-informed; will identify gaps between Guyana’s Environmental, Social, Health and Safety (ESHS) Safeguards and the Bank’s safeguards (thus helping identify areas for capacity building and training of Government officials in the management of oil and gas sector ESHS impacts); develop recommendations to avoid, manage and/or attenuate these impacts, and facilitate – in coordination with the Project’s component A.1 - the integration of these measures into a coherent set of legal and regulatory proposals and implementation measures. The TORs for the SESA were completed and disclosed on the GCRG on December 5, 2018 and on the Bank website on December 10, 2018.
67. **By its nature, the Project will not support any construction. However, depending on the final scope of activities related to setting up the National Petroleum Data Repository (sub-component B.3),** and if financing proceeds are available, the Project may be restructured to incorporate the rehabilitation or expansion of existing facilities to accommodate the NPDR (no other construction activity is contemplated). In this case, an Environmental Management Plan (EMP) will be prepared, taking into consideration the WB EHS Guidelines for the rehabilitation and/or expansion of facilities. Likewise, sub-component B.3 might require the acquisition of new computers or technologies, and the disposal of the old ones, in which case the Project will include an E-Waste Management Plan (EWMP) for the disposal of old equipment in the EMP. The Draft TORs for the generic EMP were completed and disclosed by the GCRG on December 7, 2018 and on the Bank website on December 10, 2018. Once the details of the needs for the National Petroleum Data Repository are known, the PIU will ensure that a specific EMP (consistent with the generic EMP) will be developed to identify appropriate environmental mitigation measures, prior to starting the rehabilitation/expansion works.
- (ii) **Social Safeguards**
68. **The Project will likely produce positive benefits at a national level and negative social impacts should be minimal.** Since the Project mainly consists of advisory services and training and does not contemplate large civil works, no involuntary resettlement or direct impacts on indigenous people, their land, natural





environment, livelihoods, and cultural values are anticipated. However, given the Project's focus on building institutional capacity to more effectively manage O&G activities in the country, the main social risks are likely to be generated from the consultation and citizen engagement process. As a national program, the Project will need to identify and consult with a diverse set of national stakeholders, which should include vulnerable populations such as indigenous peoples. In doing so, expectations around what benefits will materialize and be broadly shared will likely be raised and if not managed well, could place the government in a compromising position. Additionally, as the institutional and legal frameworks are being designed and strengthened, risks exist that these reforms do not achieve stated objectives to rationalize the effective management of environmental and social impacts, including those on indigenous people and other vulnerable populations, from oil and gas activities.

69. **The risks identified above will be mitigated through the activities funded through the Project's sub-component A.2 as well as through the aforementioned Strategic Environmental and Social Assessment (SESA) for the O&G sector.** The SESA will help mitigate the social risks associated with consultation and citizen engagement among others by: a) identifying and mapping the key stakeholders in the oil and gas sector, including local communities and vulnerable and marginalized groups such as indigenous peoples, that should be consulted; b) organizing various workshops throughout the SESA process – from scoping to final consultation - to capture the perceptions and inputs of relevant stakeholders on ESHS priorities related to O&G development, and on the corresponding proposed government interventions or policies needed to address them. Furthermore, the SESA will inform the preparation of an Indigenous Peoples Planning Framework (IPPF) as its social analysis will cover issues under OP/BP 4.10, including identification of zones most likely to be affected by the proposed and expected/foreseen activities in O&G with potential presence of indigenous peoples, and identification of potential risks and possible mitigation measures and actions that the GCRG may wish to consider in the future.
70. **The designed stakeholder and citizen engagement plan and communications' process funded through A.2** will further contribute to mitigating social risks by providing the GCRG with detailed guidance on how to engage with citizens, ensuring that communications on O&G sector issues are shared with a diverse group of relevant stakeholders and that communications are accessible to vulnerable populations. The process will also consider how to communicate effectively with groups that: are illiterate, do not speak the official Guyanese language (English), have disabilities, have mobility difficulties, etc. Public consultations for this Project are not required but recommended given the sensitivities of O&G sector in the country.

### **(iii) Grievance Redress Mechanisms**

71. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit



complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## V. KEY RISKS

72. **The overall risk of achieving the objectives under this proposed Project is considered *substantial***, with Political and Governance, Macroeconomic, Institutional Capacity for Implementation and Sustainability, posing the highest risks.
73. **Political and Governance risks are rated *high***: In May 2015, A Partnership for National Unity (APNU) and the Alliance for Change (AFC) won the national elections ending 23 years of the People's Progressive Party/Civic (PPP/C). There were local government elections in May 2016 – the first in 22 years – and again in November 2018. This was followed by the passage of a no-confidence motion in December 2018. This has raised the prospect of an early national election. A new administration may change priorities at the early stages of project implementation. Mitigation measures include support to broad-based consultation efforts on the new O&G sector, which among others can contribute to the emergence of a shared long-term vision beyond politics for the sector. A vision to which the proposed Project is well placed to support.
74. Governance risks are endemic in the O&G sector where institutional capacity is still being established and which involves large investments and potentially large profits, particularly for some. Mitigating measures have been built into the project design in the form of institutional strengthening and capacity building as well as strengthening of mechanisms of demand for good governance and transparency.
75. **Macroeconomic risks are rated *substantial***: The economic outlook is subject to external and internal risks and the steps that Guyana has taken to manage them. On the one hand, slower than expected world economic growth could slow the increase in commodity prices and undercut Guyana's terms of trade and both exports and fiscal revenues. On the other hand, faster than expected growth could lead to higher interest rates. This could create depreciation pressure on the Guyanese dollar, thus increasing both Guyana's and the private sector's debt servicing cost. Supported by the Financial and Fiscal Stability Development Policy Credit, the Ministry of Finance is taking steps to strengthen fiscal policy and management and the implementation of the SWF legislation will also help to mitigate the macroeconomic risks. The project supports the Ministry of Finance in implementing this legislation and indirectly in managing the macroeconomic risks associated with the oil revenues. Mitigating measures have been built into the project design, among others, in the form of training and advisory services provided to the MOF to support the operationalization of the Natural Resource Fund Act. The Project is also planning to frontload activities to minimize the exchange rate risk.
76. **Sector Strategies and Policies risks are rated *substantial***: GCRG/DE has finalized the development of a Roadmap with the help of the IDB, which is aimed at providing a framework for the execution of the DE's mandate to manage the petroleum sector. On a broader basis, a clearer direction and strategy for the O&G sector is being developed through the multi-agency cooperation, dialogue and planning exchanges and opportunities provided by the Inter-Ministerial Technical Committee on Petroleum. The legal and regulatory frameworks for the sector are outdated and to a large extent do not address some of the sector's key issues, creating a vacuum, which leads to an uncertain and risky environment for investors and other stakeholders alike. The project design addresses these particular risks by providing advisory services



(international and national expertise) to update the existing legal and regulatory frameworks for the sector and build up the capacity of key institutions for implementation of policies and transparent management of the sector.

77. **Institutional Capacity for Implementation and Sustainability risks are high:** Coordination across ministries is limited but improving, thanks to the establishment of the DE and the expansion of the Inter-Ministerial Technical Committee on Petroleum. Furthermore, there is solid evidence of strong political buy-in for the Project. Mitigation measures include embedding the Project implementing unit (PIU) in DE to benefit from its leadership, as well as the use of the Project Preparation Facility (PPF) to build capacity at the PIU and prepare key activities to be kicked off immediately upon effectiveness. The team will continuously engage the Ministry of Finance and other key players in the O&G sector, to facilitate any possible changes to the Project's counterparts.
78. **Fiduciary risk is substantial.** The fiduciary risks arise primarily from the fact that the DE is new and has limited experience in implementing World Bank financed projects. Other risks include: (a) possible weak procurement capacity of evaluators and technical teams; (b) lack of interest from bidders/firms in project's bidding and consulting processes, and (c) all World Bank financed processes need to also follow the local procurement requirements and procedures. Mitigation measures include (a) appointment of a Procurement Specialist and a Financial Management Specialist with relevant experience to the DE/PIU; (b) adoption of internal controls and adequate tools as detailed in the Operations Manual, agreed with the World Bank, and (c) continuous guidance provided by the World Bank's project fiduciary team to DE/PIU for at least the first six months of project implementation (see the Appraisal Summary section for more).
79. **Stakeholders' related risks are substantial.** While the primary direct beneficiaries of the proposed Project are government entities, it involves a broad set of stakeholders ranging from private O&G operators to non-state actors, who may have diverse interpretations, expectations, and levels of interest in the proposed Project. Identifying potential sources of grievances early on can contribute to mitigating conflicts. Another way to mitigate risks from stakeholders is to engage them throughout the project's life cycle, through an information and communication campaign, with adequate and user-friendly tools.





**VI. RESULTS FRAMEWORK AND MONITORING**

**Results Framework**

**COUNTRY: Guyana**

**Guyana Petroleum Resources Governance and Management Project**

**Project Development Objectives(s)**

The project development objective is to support the enhancement of legal and institutional frameworks and the strengthening of the capacity of key institutions to manage the oil and gas sector in Guyana.

**Project Development Objective Indicators**

Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
<b>Enhanced legal and institutional frameworks for the petroleum sector in Guyana</b>						
Legal and regulatory acts for the O&G sector prepared under the project and submitted to the National Assembly (Number)		0.00	1.00	2.00	3.00	5.00
<b>Enhanced capacity of key institutions to manage the oil and gas sector in Guyana</b>						
EITI reports published and made publicly available, in accordance with internationally recognized transparency standards (Number)		0.00	1.00	2.00	3.00	4.00
Results of SESA publicly disclosed by the Government (Yes/No)		No				Yes
Annual report of the Natural Resource Fund laid before the National Assembly by the MOF (Number)		0.00	1.00	2.00	3.00	4.00



**Intermediate Results Indicators by Components**

Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
<b>A. Enhancement of Legal Framework and Stakeholder Engagement</b>						
Draft legal acts and regulations for the O&G sector finalized (Number)		0.00	1.00	3.00	4.00	5.00
Communications strategy on O&G sector issues implemented (Number)		0.00	1.00	2.00	3.00	4.00
Stakeholder consultations conducted on new legislation for O&G sector (Number)		0.00	2.00	4.00	6.00	8.00
<b>B. Capacity Building of Key Institutions</b>						
Staff trained on petroleum data management (Number)		0.00	0.00	2.00	4.00	5.00
Instrumental advisors recruited to support critical technical needs at key institutions with responsibility for O&G sector (Number)		0.00	3.00			5.00
Number of females in management and leadership positions at key institutions with responsibility for O&G increased (Number)		4.00	4.00	5.00	6.00	8.00
Environmental Protection Agency's capacity to regulate and monitor the O&G sector enhanced (Number)		0.00	2.00	4.00	5.00	7.00
<b>C - Enhancement of Fiscal Management</b>						
Enterprise Architecture designed (Yes/No)		No	No			Yes



Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
MOF capacity to support Natural Resource Fund implementation enhanced (Number)		0.00	1.00	2.00	3.00	4.00

**Monitoring & Evaluation Plan: PDO Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Legal and regulatory acts for the O&G sector prepared under the project and submitted to the National Assembly	The project will provide support for the development of a legal, regulatory frameworks for the O&G sector that is comprehensive, consistent with international good practices and gender-sensitive (especially with respect to health and safety and local content). This indicator will track the number of legal and regulatory acts that were developed through the assistance provided under the Project and submitted to Guyana's National	Annually	DE PIU	Project Implementation Reports	DE PIU



	Assembly. The end target of five (5) includes: Petroleum Commission Act; Petroleum Taxation and Fiscal Regulations; Local Content Law and Regulations [for petroleum sector]; Occupational Safety and Health Regulations [for petroleum sector]; Environmental Regulations [for petroleum sector].				
EITI reports published and made publicly available, in accordance with internationally recognized transparency standards	This indicator will measure the number of Extractive Industries Transparency International (EITI) reports published in accordance with the internationally recognized EITI standards.	Annually	Guyana National EITI Secretariat	EITI Reports	Guyana National EITI Secretariat
Results of SESA publicly disclosed by the Government	This indicator ensures that the SESA and its action plan will be completed and actively disseminated online and in the media. The draft report of the SESA is expected to be completed by January 2020. Disclosure and dissemination of the final SESA report including the action plan is expected by January 2021.	Annually	EPA and DE PIU	SESA Report	DE PIU





Annual report of the Natural Resource Fund laid before the National Assembly by the MOF	This indicator will measure the number of annual reports of the Natural Resource Fund laid by the MOF before the National Assembly in compliance with Article 41.(1) of the Natural Resource Fund Act. The end target is 4 reports.	Annually	MOF	MOF reports	MOF and DE PIU
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**Monitoring & Evaluation Plan: Intermediate Results Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Draft legal acts and regulations for the O&G sector finalized	This indicator will track the number of legal and regulatory draft acts that were developed through the assistance provided under the Project. The end target of five (5) includes: draft Petroleum Commission Act; draft Petroleum Taxation and Fiscal Regulations; draft Local Content Law and Regulations [for petroleum sector]; draft Occupational Safety and Health Regulations [for petroleum sector]; draft Environmental Regulations [for petroleum	Annually	DE PIU	Project Implementation Reports	DE PIU



	sector].				
Communications strategy on O&G sector issues implemented	This indicator monitors the implementation of the communication strategy for the oil and gas sector through annual reports.	Annually	DE PIU	Communications Strategy Implementation Reports	DE PIU
Stakeholder consultations conducted on new legislation for O&G sector	This indicator monitors the organization of consultations with relevant stakeholders on key pieces of legislation for the oil and gas sector, drafted with the support of the project.	Annually	DE PIU	DE PIU Implementation Reports	DE PIU
Staff trained on petroleum data management	This indicator is aimed to monitoring the number of staff of beneficiary government institutions who have deepened their technical skills and knowledge on petroleum management as a result of the project.	Annually	DE PIU	Entrance and exit assessments and staff performance evaluations	DE PIU
Instrumental advisors recruited to support critical technical needs at key institutions with responsibility for O&G sector	This indicator measures the number of external experts hired to support key institutions with responsibility for O&G to address critical and immediate technical needs and provide on-the-job training to instrumental	Annually	DE PIU	Number of contracts issued and implemented.	DE PIU



	staff on key issues such as geology, economics and fiscal modeling, accounting, audit and reservoir engineering.				
Number of females in management and leadership positions at key institutions with responsibility for O&G increased	This indicator tracks to what extent the gender gap in management and leadership positions, which was identified, has been narrowed as a result of the training/intervention provided during project implementation.	Annually	DE PIU	Survey of management/leadership composition of key institutions with responsibility for O&G, disaggregated by gender.	DE PIU
Environmental Protection Agency's capacity to regulate and monitor the O&G sector enhanced	This indicator will measure the acquisition by the EPA of core competencies to regulate and monitor the petroleum sector in Guyana, through access to international expertise and training of its personnel under the project. The end target is to have 7 staff at EPA trained to oversee the petroleum sector.	Annually	EPA	DE PIU Project Implementation Reports	EPA and DE PIU
Enterprise Architecture designed	This indicator will track the design of the Enterprise Architecture for the MOF to allow for more effective control over public finances.	Annually	MOF	Project implementation reports	DE PIU and MOF



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MOF capacity to support Natural Resource Fund implementation enhanced	This indicator will measure the acquisition by the MOF of core competencies to support the operationalization of the Natural Resource Fund, through access to international expertise and training of its personnel under the project. The end target is to have 4 staff at MOF trained to support the operationalization of the Natural Resource Fund.	Annually	MOF	Progress technical reports by the MOF	DE PIU and MOF
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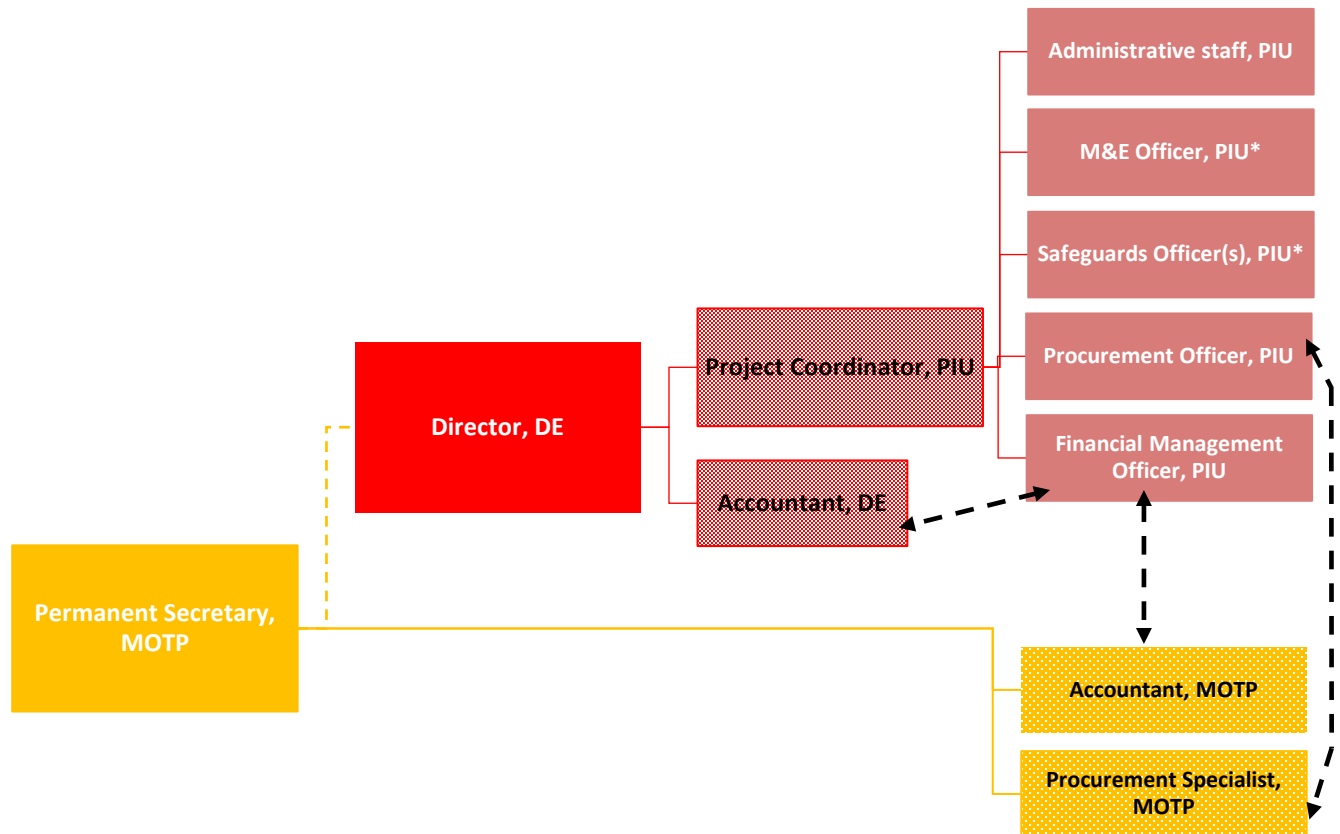
ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Co-operative Republic of Guyana  
Guyana Petroleum Resources Governance and Management Project

I. Project Institutional and Implementation Arrangements

1. **Overall project implementation will be the responsibility of the DE under the MOTP.** A dedicated PIU has been established within the DE to administer the Project and report on fiduciary matters, safeguards, and overall project progress to the MOF and the World Bank. More specifically, the PIU's functions and responsibilities will be (a) carrying out, monitoring, coordination, and supervision of project activities and (b) the fiduciary, procurement, safeguards, and administrative aspects of the project (including but not limited to issuing the tenders, undertaking financial reporting for the project, and making payments to contractors). This PIU will respond directly to the Head of the DE and will comprise consultants hired by the Project and DE staff dedicated to the unit.

Figure 1. Organigram showing financial and operational relationship between the DE/PIU and MOTP



\*Not hired yet, employed at 50% time each.



2. **The DE will coordinate project activities among beneficiary government agencies and administrative authorities and inform, on a semi-annual basis, stakeholders on project activities and overall progress. A Project Operations Manual (POM) that describes the operational details for Project implementation has been agreed with the World Bank and was formally adopted by the GCRG on February 20, 2019.** The purpose of the POM is to provide an ordered set of instructions on the organization, procedures, and resources dedicated to the efficient and effective achievement of the objectives of the project.
3. **The PIU embedded in the DE will prepare biannual progress reports, in accordance with the formats outlined in the Operations Manual.** The progress reports will cover (a) progress achieved against agreed indicators (presented in section VI); (b) issues and problem areas, including remedial actions; and (c) work programs and cost estimates for the coming year, including revised estimates for the current period. The PIU will be responsible for monitoring and supervision of implementation and the impact of various components. It will also supervise the implementation of environmental and social safeguards.
4. **The midterm review (MTR) will be carried out by the Government and the World Bank 24 months after the project effectiveness date, to measure progress toward achievement of the Project's development objective.** The MTR will assess overall Project performance against indicators, as well as the level of political commitment during the first half of the project. Based on the assessment of progress at the midpoint of the project, recommendations for improvements/changes would be considered by both the Government counterparts and the World Bank management team. The MTR will also review overall project implementation arrangements, making adjustments as necessary.

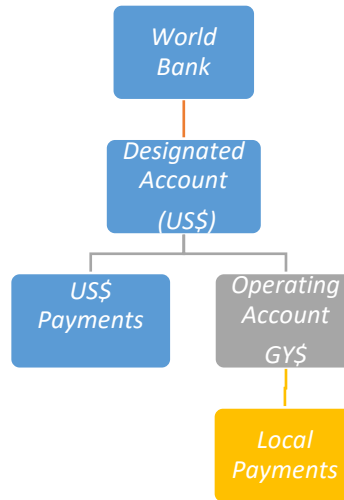
## **II. Financial Management and Disbursement**

5. **A financial management (FM) assessment of the project was conducted in accordance with OP/BP 10.00 and the Financial Management Manual for World Bank IPF Operations (OPCS5.05-DIR.01, issued February 10, 2017).** The main FM risks, mitigation measures and conclusions are stated in the main section, paragraph 65.
6. **Planning and Budgeting.** Currently, the Ministry of the Presidency (MOTP) is implementing several climate change related projects funded by the IDB, UNFCCC and UNDP. For the Bank's Project, the PIU embedded within the DE under MOTP has hired one Finance Manager/Accountant for the Project and this position will be maintained during the life of the project. An overall budget for the life of the project will be prepared by the PIU, which will be revisited periodically and updated, as needed, to reflect implementation progress. An annual work plan will be derived from the overall budget, which will be approved and included in the Government of the Co-operative Republic of Guyana (GCRG) estimates of revenue and expenditures and reflected under the MOTP's allocation.
7. **Funds Flow.** The overall disbursement arrangements will follow standard disbursement policies and procedures included in the Disbursement and Financial Information letter and as established in *the Disbursement Guidelines for Investment Project Financing, dated February 2017*. The minimum application size for Direct Payments and Reimbursements can be noted from the Disbursement and Financial Information Letter. The disbursement methods available to the project will be: Advance, Reimbursement and Direct Payment. Advances will be disbursed by the World Bank to a segregated Designated Account (DA), opened on behalf of the Bank of Guyana (BOG) at a commercial bank in the United States (Crown Agents Bank). The DA account will be used to finance U.S. dollar currency expenditures. Funds will be periodically transferred from the DA to a segregated local currency operating



account maintained at the BOG to finance local currency expenditures. Agreed controls for operating the bank accounts will be duly documented in the Operations Manual.

**Figure 2. Funds Flow**



8. **Accounting and Internal Controls.** Project transactions will be accounted for on cash basis on QuickBooks, an off-the-shelf accounting software, which MOTP is using for other donor projects. The PIU acquired a copy of this software for the WB project from the Project Preparation Facility. The project account will be created in QuickBooks with the chart of accounts designed to capture the transactions by categories, components, sub-component, and activities. Overall expenditure of the project will be recorded in the Ministry of Finance’s Integrated Financial Managements System monthly and it will be regularly reconciled with QuickBooks. FM tasks and activities will be guided by the Project’s Operations Manual, which will include established FM procedures and processes on budgeting, funds flow, accounting, internal controls, financial reporting and external auditing. The POM will be updated as needed, to reflect the current procedures and processes.
9. **Reporting.** Advances will be disbursed to the project based on six-months cash forecast and it will be submitting quarterly unaudited financial reports (called interim financial reports – IFR) within 45 days after each calendar quarter. Quarterly variance analysis (actual versus budgeted expenditures) would be included in the IFR. The World Bank will document expenditures from the IFRs, which will also include additional request for funds.
10. **External Audit.** The project will be producing annual financial statements covering each GCRG financial year ending December 31, which will be audited by external auditors as per Terms of Reference (TOR) agreed by the project with the World Bank. The external audit will be conducted by the Supreme Audit Institution (SAI) of Guyana. The project budget will include the estimated audit fees and / or the cost of the technical support to be obtained by the SAI, as needed. The project will submit the Audit Report along with Audited Financial Statements and Management Letter to the World Bank no later than six months after the close of the year.



**III. Procurement**

11. **Procurement will be carried out in accordance with the ‘World Bank Procurement Regulations for IPF Borrowers’ dated July 2016, revised in November 2017 and August 2018 (‘Procurement Regulations’).** The various items under different expenditure categories are described here. For each contract to be financed by the Credit, the applicable procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and time frame are agreed between the GCRG and the World Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. The procurement procedures and standard procurement documents to be used for each procurement method, as well as standard forms of contracts, are posted on the World Bank’s website. In accordance with paragraph 5.9 of the Procurement Regulations, the World Bank’s STEP system will be used to prepare, clear, and update the Procurement Plans and conduct procurement transactions for the project. This textual part, along with the Procurement Plan tables in STEP, constitute the Procurement Plan for the project. The following conditions apply to all procurement activities in the Procurement Plan. The other elements of the Procurement Plan, as required under paragraph 4.4 of the Procurement Regulations, are set forth in STEP.
  
12. **The World Bank’s standard procurement documents shall be used for all contracts.** The procurement documents are subject to international competitive procurement and those contracts as specified in the Procurement Plan tables in STEP.
  
13. **When approaching the national market, the country’s own procurement procedures may be used in accordance with the National Procurement Arrangements (paragraph 5.3) of the Procurement Regulations.** This will be specified in the Procurement Plan tables in STEP. When the borrower uses its own national open competitive procurement arrangements, as set forth in the Procurement Act of 2003, such arrangements shall be subject to paragraph 5.4 of the Procurement Regulations and its following conditions. When other national procurement arrangements other than national open competitive procurement arrangements are applied by the borrower, such arrangements shall be subject to paragraph 5.5 of the Procurement Regulations.
  
14. **As identified by the Procurement Plan tables, contracts for leased assets, procurement of second-hand goods, and domestic preference will be bound by the Procurement Regulations.** Procurement Regulations will be applicable as specified under paragraph 5.10 for leased assets and paragraph 5.11 of the Procurement Regulations for procurement of second-hand goods. Domestic preference will be specified under paragraph 5.51 of the Procurement Regulations (Goods and Works). Goods is applicable for those contracts identified in the Procurement Plan tables.
  
15. **Client capability and PIU assessment.** An assessment of the PIU was conducted for the preparation of the project and Project Procurement Strategy for Development (PPSD); the main findings and associated mitigation measures are detailed in Table 1.1. below:

**Table 1. Procurement Risk Analysis**

Risk Description	Description of Mitigation	Risk Owner	Status
Experience: As per the instruction recently received from the Minister of	<ul style="list-style-type: none"> <li>• Hiring and maintaining a Procurement Specialist with relevant experience in</li> </ul>	DE / PIU / World	<ul style="list-style-type: none"> <li>• An experienced</li> </ul>





<p>Finance, the Project will be implemented by the newly created Department of Energy within the Ministry of the Presidency (MOTP). The DE is not familiar with the World Bank's Procurement Regulations issued in July 2016 and has limited contract management capability and capacity.</p>	<p>IDB and/or WB procurement procedures within the proposed PIU to ensure timely processing of procurement activities financed under the Project.</p> <ul style="list-style-type: none"> <li>• Training to be provided to the PIU's Procurement Specialist before project effectiveness.</li> <li>• The DE will build upon the contract management experience from MOTP, which has experience in implementing donor funded projects, namely CDB, GEF, UNICEF and the Japanese Government.</li> </ul>	<p>Bank</p>	<p>Procurement Specialist was hired under the PPF to support the PIU</p>
<p><u>Possible weak procurement capacity of technical evaluators of the Evaluation Committees</u>, which are required to be appointed by the National Procurement and Tender Administration Board (NPTAB) and often not familiar with the WB procurement procedures.</p>	<ul style="list-style-type: none"> <li>• The Project will ensure that the technical evaluators appointed for the evaluation of activities under the Project, have extensive technical experience and are familiar with the Bank's procurement procedures.</li> <li>• The WB provided procurement training to the pool of evaluators from NPTAB in November 2016. Additional procurement training to be provided to evaluators, Ministry's Tender Board Members and to technical specialists working on the project.</li> </ul>	<p>DE / World Bank</p>	
<p><u>Delays in the handling of procurement-related complaints and disputes</u>. Recently, several complaints have been presented to either the National Procurement and Tender Administration Board (NPTAB) or the Bank, but in general these complaints have been satisfactorily resolved.</p>	<ul style="list-style-type: none"> <li>• As part of the procurement policy dialogue in the country, an expedited system for complaints related to World Bank's financed contracts should be agreed upon. For the implementation of the Project, it is expected that the WB procedures for complaints management are followed.</li> </ul>	<p>DE / PIU / World Bank</p>	
<p><u>Lack of interest from bidders/firms in project's bidding and consulting processes</u>. Since Guyana has a small economy and the size of contracts is often small they don't generate interest of international firms. Guyana is also new to the O&amp;G sector and therefore many of the services and goods will need to be purchased from international suppliers.</p>	<ul style="list-style-type: none"> <li>• Packaging of contracts to ensure adequate participation of international bidders, ensure competitive process, quality and value for money, as well as a reduction of processing time.</li> </ul>	<p>PIU</p>	



<p>All Bank financed processes need to also follow the local procurement requirements and procedures, which is time consuming. There seem to be some limitations on internet access. Further, there are risks of poor quality computers being sold by locally established companies.</p>	<ul style="list-style-type: none"> <li>Continuing policy dialogue with the Government to improve processing and timing.</li> <li>It is recommendable to introduce provisions for the procurement of computers, to avoid poor quality and low performance equipment to be awarded as part of competitive processes.</li> </ul>	<p>NPTAB MOF WB</p>	
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16. **Frequency of procurement implementation support.** Contracts subject to post review will be reviewed by the World Bank once a year. Based on the findings of these reviews and the proposed ratings, the World Bank may determine the revision of the prior review requirements. Thresholds for procurement methods and prior review are as described in table 2 below.

**Table 2. Thresholds for Procurement Methods and Prior Review**

Expenditure Category	Contract Value (Threshold) (US\$, thousands)	Procurement Method	Market Approach	World Bank Prior Review or as Indicated in the Procurement Plan
1. Works	>3,000	Request for bids	Open, limited, international, single stage	All
	200–3,000	Request for bids	Open, limited, national, single stage	First contract
	<200	Request for quotations	Open, limited, national, single stage	None
	>100	DC	Direct, single stage	All
2. Goods	>500	Request for bids Request for proposal	Open, limited, international, single stage	All
	100–500	Request for bids Request for proposal	Open, limited, national, single stage	First contract
	<100	Request for quotations	Open, limited, international national, single stage	None
	>100	DC	Direct, single stage	All
3. Consultant Services	>300	QCBS	Open, International, short list	All contracts >1,000
	<300	QCBS, QBS, CQS, FBS, LCS (according to Procurement Plan)	Open, national, short list	All terms of reference; selection process yearly (ex post)
	>100	Direct Selection	Direct	All
	>300	IC	Open, limited	All
	<300	IC	Open, limited	All terms of



Expenditure Category	Contract Value (Threshold) (US\$, thousands)	Procurement Method	Market Approach	World Bank Prior Review or as Indicated in the Procurement Plan
	>100	Direct Selection	Direct	reference; selection process yearly (ex post) All

Note: CQS = Selection Based on the Consultants’ Qualifications; DC = Direct Contracting; FBS = Selection under a Fixed Budget; IC = Individual Consultant; LCS = Least-Cost Selection; QBS = Quality-Based Selection; QCBS = Quality- and Cost-Based Selection.

**IV. Implementation Support Plan**

**Strategy and Approach for Implementation Support**

17. **The strategy for implementation support draws on the risk profile of the proposed Project and aims to enhance the delivery of the proposed interventions.** As such, implementation support will focus on institutional capacity for implementation and sustainability, fiduciary aspects, environmental and social safeguards, and political and governance.
18. **Team.** The World Bank TTL will handle the day-to-day matters of the project as well as coordination with the client, with support from other members of the task team and specialists from other global practices, including Macroeconomics, Trade and Investment. World Bank FM and Procurement Specialists will provide timely, targeted training to the DE through periodic supervision missions. These specialists will help enhance the GCRG’s knowledge and understanding of World Bank requirements and support the DE in building its overall FM and procurement capacity. Supervision of the FM arrangements will be conducted semiannually and, as needed, in response to project needs. Procurement supervision will also be carried out semiannually, preferably jointly with the regularly scheduled World Bank implementation support missions. The support would focus primarily on contract management and on improving proficiency and efficiency in procurement implementation.
19. **Implementation support.** The World Bank will undertake implementation support missions two to three times a year until the midterm review. During this period, the World Bank may also undertake short technical missions and keep in regular contact through telephone and videoconferencing. The frequency of missions thereafter will be determined by the status of implementation and need for World Bank support. In conjunction with government counterparts, the World Bank team will monitor and report on progress against the monitoring indicators agreed in the Results Framework, as well as verification of their achievement. The team will also monitor risks, updating the risk assessment as needed and paying particular attention to the ‘Institutional Capacity for Implementation’ risks.
20. **Environmental and Social Safeguards.** The World Bank team will support the DE to ensure quality supervision of the SESA and the EMP for the NPDR (as part of Component B) and their implementation, including consultations associated with these safeguard instruments. The World Bank team will, in addition, support the development of guidelines on “meaningful” stakeholder engagement as part of Component A. The PIU will incorporate environmental and social safeguards specialists to assist in the implementation of the various studies and activities.



**III. Implementation Support Plan and Resource Requirements**

21. The skills mix, resources, and needs are as estimated in table 3 below.

**Table 3. Implementation Support**

<b>Time</b>	<b>Focus</b>	<b>Skills Needed</b>
First 12 months	Team leadership, technical and procurement review of the TORs and procurement documents, institutional arrangement, project management, and supervision	Task Team Leader (TTL) and other World Bank technical team members, Fiduciary Specialists, Safeguards Specialists, consultants (technical professionals)
	Implementation of procurement planning and control system; strengthening capacity of the PIU, including additional procurement and FM training	Fiduciary Specialists
	Verifying if the fiduciary risk mitigating measures implemented by project effectiveness are functioning as intended; identification of any potential problems early in the life of the project	Fiduciary Specialists M&E Specialists
	SESA preparation and implementation	Environment and Social Experts
First 12-24 months	Project management, operational and technical inputs towards capacity building	TTL and other World Bank team members
	FM, procurement, disbursement	Fiduciary Specialists, Disbursement Officer
	Midterm review	Task Team Leader, Fiduciary Specialists, Safeguards Specialists, M&E Specialists
Following mid-term review	Continued support to the implementation of technical assistance and capacity building	Task Team Leader (TTL) and other World Bank technical team members, Fiduciary Specialists, Safeguards Specialists, consultants (technical professionals)