I. GENERAL COMMENTS

1.1 This document is an update of Management’s Consolidated Comments submitted in 2007. Management revisited each comment: new ones were added and those which were no longer deemed relevant were removed. The CPE document did not change substantively when compared with the previous version reviewed by Management in September 2007.

1.2 While Management agrees with many lessons and analyses highlighted in the CPE, there are still a few areas that require further clarification or correction.

A. Period Covered by the Evaluation and Expectations of Results

1.3 The period covered by the evaluation is not consistent, and at times appears contrived in order to support pre-conceived ideas. The evaluation reviews the Bank’s “program of engagement with Guyana for the 2002-2006 period.” Yet, throughout the document, different time frames are used without adequate reasons being given: para 1.7 with reference to graph 1.3—1995-2005; para 2.27 with reference to graph 2.6—2001-2005; graph 2.1—2000-2005; graph 2.2—2001-2006; graph 2.6—2001-2005; table 2.1—2002-July 2006; graph 3.1—2001/02-2004/06 (note further the inconsistency in the use of a three-year range for the second observation: 2004-2006). The effect is confusing and conclusions based on different time periods may be inconsistent.

B. Lack of Appropriate Comparators

1.4 Statistics about the Bank’s performance in Guyana (particularly regarding the pipeline and portfolio, and those that are not widely known outside of OVE) should be put in context by comparing them to the Bank’s average performance in HIPC countries and Caribbean countries, not in isolation or just in comparison to averages for LAC as a whole. Without such contextual or comparative information, it is difficult for the reader to judge the quality of Guyana’s performance and difficult for the Bank to determine whether it is putting forward a realistic strategy for the upcoming period.

1.5 Because of the nature of small states, Caribbean countries and HIPC countries, the evaluation should be careful to include appropriate comparators. Appropriate comparators are not cited in paragraphs 1.2, 1.21, 2.5 (Caribbean), 2.14, 2.15, 2.24, 2.28, 2.33, 3.15, making the interpretation of the results cited therein problematic.
C. Bank Performance

1.6 Implementation of Strategy as planned. The CPE indicates that the Country Strategy was not implemented as planned (paras 2.24 through 2.26) because the operations listed in the Strategy were not all approved or there were delays in their approval. Nevertheless, the Strategy’s objectives were maintained, even when the list of projects evolved in response to the dynamic process of development in the country. The Country Strategy is not meant to serve as a straight jacket with respect to the list of operations identified, but as a tool to guide investments and other activities in the country, and this has been incorporated into the Bank’s Country Strategy Guidelines.

1.7 In its analysis of this problem the CPE did not examine fully the reasons why some operations on the list were not pursued or were delayed. In several cases, the continued pursuit of these operations would have resulted in wasted resources. Furthermore, the evaluation should take into account that “delays” in loan approvals, which result from a better negotiation process and improve the quality of the loan, are actually positive outcomes. This issue is relevant to paragraphs 2.24, 2.25, 2.26, 2.32 and 3.16 of the document, in particular.

1.8 Specifically, the GoG decided not to pursue the Trade Loan with IDB when it obtained grant financing from another donor to cover the same activities (actions not picked up by the grant program were included in the Competitiveness Loan cited in para 2.25 of the document); preliminary studies of some operations, including the Deep Water Port and Georgetown to Timheri Road, showed the projects did not appear to be economically feasible, although with changing conditions they may be so in the future; one operation – Citizen Security and Justice – was divided into two more easily managed operations, which were both approved in mid-2006; the Information Technology Loan was designed but had to be cancelled because of a lawsuit against the GoG and the Bank; and the Agricultural Diversification program was approved in 2007. Most of these situations could not have been foreseen during the preparation of the Country Strategy. It should be noted that any changes in the planned operational program were reviewed by the Board as part of the annual Country Strategy Updates.

1.9 Program results. There are three major problems with the analysis of the results of the Bank’s program: failure to identify “results” being measured with the correct strategy (i.e., assuming conditions prevailing in the period 2004-2005 could be the results of the programs of the 2002-2005 Strategy, rather than the results of actions taken under previous strategies); attributing causality to the Bank’s program without controlling for other factors that contributed to the outcomes measured; and lack of adequate data to measure results.

1.10 Relationship between inputs and outcomes. A clear differentiation should be made of results of the programs of the previous two country strategies, which can be measured in some cases, and results of programs approved during the 2002-2006 period. Section III fails to make a logical connection between the country
program and the results being measured. If the goal of the evaluation is to establish a cause-effect link, then it should be clarified that most of the results highlighted in the report would be the results of the previous two country strategies and not the 2002-2005 Strategy. It would not be possible for a Strategy approved in 2002 to produce results in areas such as perceptions of governance (which is what is measured by the WEF figures cited) within the span of as little as 2 years from the date of approval of the Strategy, and with projects in this area only beginning execution. Therefore, declining perceptions of governance are more likely to be the result of other factors, since the IDB did not have much of a role in the sector prior to the current Strategy. For the most part, only project inputs and outputs of the 2002-2005 Strategy could be measured by the current CPE. Some of these have been quite significant, such as the introduction of a vastly improved financial management system and approval of improved legislation mentioned in the CPE.

1.11 While it is important to review the execution of projects and other activities during this period that were actually conceived as part of other country strategies, care should be taken to avoid using hindsight derived from the intentions and experiences of the 2002-2006 period to judge operations and other activities that were planned much earlier. For example, the use of project implementation units was previously thought to be a useful tool for ensuring more efficient and effective project execution and therefore, most projects were designed using this model, particularly those from the previous strategy periods. The fact that a 2005 Declaration or a recent OECD evaluation are critical of the use of project execution units cannot be expected to influence projects designed before these documents were written. Therefore, while such recommendations are useful for shaping the next country strategy, they should not be used as yardsticks to evaluate the 2002-2005 Strategy.

1.12 During the Strategy period, the amount of resources approved was much higher than in previous years, as explicitly agreed with the Bank’s Board of Directors -- both in terms of the formula for allocating FSO resources and in the specific case of the size of the operational program for the 2002-2006 Strategy. However, there is no empirical evidence to support the CPE’s claim that development effectiveness was itself negatively affected by the large volume of resources approved or by the bunching of operations approvals around the end of the carryover period (as stated in paragraphs 2.6 and 4.3 of the document). The Bank’s analysis of individual operations approved during the Strategy period utilized required methodologies for institutional and economic feasibility and the operations were found to have a solid basis in this respect. In cases where the analyses did not yield robust conclusions, operations or operational components were delayed or canceled. For the reasons given above, it is not yet possible to determine whether the actual results are equal to those projected.

1.13 The evidence does not support the claim that bunching of approvals caused restructuring and re-dimensioning of projects after their approval (para 2.7, footnote 46). The projects involved in the bunching and those that were
restructured in 2003-04 are different, and restructuring has declined sharply since that point, with only one restructuring in 2005 and none in 2006.

1.14 In sum, either the conclusions that conflate the three Strategy periods must be qualified or the claims about results of the 2002-2005 Strategy must be tempered.

1.15 **Causality.** In a number of instances it is difficult to support the claims that poor development outcomes during the Strategy period could be attributed to the IDB, especially in the area of economic growth (paras 3.4 and 3.12). While the IDB has been an important supporter of Guyana’s development programs – both from the perspective of gross disbursements and net flows (although with a declining share during the Strategy period as shown in graph 2.1)— we cannot conclude that the Bank’s support was the main determinant of low levels of growth during the 2002-2005 period, nor can we claim that the Bank is responsible for the increase in growth to nearly 5% in 2006, 2007, and also 2008.

1.16 **Data problems.** As noted by the CPE, data availability and reliability is limited in Guyana, particularly in the areas of a number of key parameters, such as poverty level, MDGs, unemployment, health, education and socioeconomic status. In addition, the IMF believes that the GDP is grossly underestimated. Despite its recognition of this problem, the CPE still makes strong statements and draws conclusions on the basis of the poor or non-existent data. Where no empirical information exists to support conclusions, greater care should be taken and statements and conclusions should be qualified with specific references to the weaknesses of the specific data cited for each conclusion.

1.17 The lack of socioeconomic data has contributed to problems of baseline indicators in projects but this has improved during the course of the Strategy period. The CPE’s criticism of baseline data and results measurement needs to be put in context of the Bank’s experience. For example, OVE’s 2002 Development Effectiveness Report (RE-260) found that very few operations approved in 2001 included baseline data on performance indicators. Therefore, it is likely that most of the Bank projects that were currently far enough along in execution to yield relevant outcomes (i.e. those of the previous two County Strategies) were consistent with this pattern. The Development Effectiveness Overview of 2006 (by DEV) established a goal of having all operations include baseline data for at least one indicator by 2007, but for 2006, the goal was 80% of projects, and there was no information on the percentage of projects from previous years that were supposed to have at least one baseline indicator. The Poverty Reduction and Promotion of Social Equity Report of 2004 indicates that the Bank included impact evaluations in only 45 of 229 SEQ operations approved during the period 1999-2004, 19.7% of the total. Between 2002 and 2005, 56 of 77 SEQ operations (72%) included baseline indicators, leaving 28% of operations with no baseline indicator at the time of their approval. Both of Guyana’s two SEQ operations approved during this time (100%) had baselines.
D. Donor Coordination

1.18 The evaluation should acknowledge that during the period of 2002-2006, the Bank’s attention to donor coordination and harmonization improved steadily. The IDB has been taking an increasingly more active role, not only through the thematic groups it participates in, but also through concrete initiatives initiated by the IDB. For example, with IDB support the MOE has coordinated with all key donors from the start of BEAMS (DFID, CIDA, WB/FTA). In transport, the EU supported the preparation of a national transport strategy. The IDB worked very closely with the EU on this effort, persuaded the GoG to post the strategy on its website (using country strategy indicators) and is in the process of supporting a plan to define the specific role for the Bank within the overall umbrella of the transport sector strategy. Also, the Work Services Group (WSG) is an example of alignment and to a certain degree harmonization – it began as a PEU for a Bank-funded project, but its staff is now financed by the government and it is now charged with coordinating all donor-funded projects under the purview of the Ministry of Public Works. The Bank also supported the GoG to work with its constituents and donors to prepare a National Competitiveness Strategy, which is the framework for all donor support in this key area for Guyana’s future. The Bank has sponsored workshops for donors on sector-wide approaches and is in the process of preparing a note on donor coordination and harmonization, including, at donors’ request, a draft “code of conduct” that will help align donor practices in Guyana.

1.19 The Bank has taken a leading role in coordinating donor dialogue with the GoG. The Bank led a multi-donor Public Financial Management Assessment, which was cited as a model by the PEFA secretariat that promotes this work. That Assessment, including World Bank and the EU in the core group, as well as all other major donors in a wider coordination group, is complete. The IDB financed a governance assessment with participation of all major donors and is using its recommendations to guide future donor harmonization efforts. Based on the above, it is reasonable to conclude that, contrary to what is stated in the CPE, the IDB had and still has a very active role in donor coordination including taking the lead in several key areas.

1.20 Nevertheless, we should also keep in mind that the IDB’s ability to take the lead in this area can potentially diminish as the IDB’s level of assistance has been cut in half under the new allocation formula. At the same time, other donors are increasing their shares significantly. In addition, nontraditional providers of assistance, specifically Cuba, China, India and Venezuela, are willing to offer financing with much less hassle than the IDB, and at rates that are on par or less than the new blended FSO-OC rates offered by the Bank. Therefore, the Bank’s strategy for donor coordination and harmonization will need to adapt to a new reality, limiting the value of OVE’s recommendations, which are based on its interpretation of past experience.
E. Other Specific Issues

1. Characterization of Guyana’s Macroeconomic Situation

1.21 Although the document cites 2002–2006 as the period of review, the CPE never states the magnitude (almost 5% per annum) of the recovery that began in 2006, which continues to 2008. These three years of sustained growth should not be ignored.

1.22 The Evaluation’s characterization of Guyana’s risk of debt distress as “considerable” (see Executive Summary and Para. 1.2) is puzzling given that of the three levels of debt distress risk within the Debt Sustainability Framework (high, moderate and low), both the IDB and IMF have found Guyana to be at moderate risk.

1.23 Management hopes the study conducted by OVE that provides the basis for footnote 6 will become available. As a result, the cited growth accounting exercise can be compared with those recently done by VPC and the IMF.

1.24 Although it is difficult to be certain given its quality, it seems that the trend lines in Graph 1.7 are mislabeled or reversed.

2. Poverty and the Millennium Development Goals

1.25 The CPE borrows from a 2003 MDG report (Report on Progress Toward the Achievement of the Millennium Development Goals) in order to describe Guyana’s progress as of 2006/2007. The recent World Bank Poverty Assessment (Draft) Report 2007 disproves the assertions made in Para. 1.19. Instead, the Assessment Report concludes that economic growth in Guyana was pro-poor and the trend in poverty-reduction did not reverse during the period of high shocks (1998-2005). Therefore, contrary to the CPE’s projections, poverty did not worsen. The WB Report, complemented by the IDB Assessment of Social Spending, provides a comprehensive picture of achievements and challenges for the social sector in Guyana, including the MDGs.