

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

GUYANA

ADEQUATE HOUSING AND URBAN ACCESSIBILITY PROGRAM

**PROPOSED REFORMULATION OF THE ROAD NETWORK UPGRADE AND
EXPANSION PROGRAM**

(GY-L1031; 2741/BL-GY)

REFORMULATION LOAN PROPOSAL

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ABBREVIATIONS	
AOG	Auditor General's Office
AOP	Annual Operational Plan
BCR	Benefit-cost ratio
C1	Component 1
C2	Component 2
CHPA	Central Housing and Planning Authority
EA	Executing Agency
ESA	Environmental Social Analysis
ESHS	Environmental, Social and Health and Safety
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESMR	Environmental and Social Management Report
ESS	Environmental and Social Strategy
GMP	Grievance Management Plan
GuySuCo	Guyana Sugar Corporation
HDM	Highways Development and Management
ICAS	Institutional Capacity Assessment System
IDB	Inter-American Development Bank
IFA	Integrated Fiduciary Assessment
IFMAS	Integrated Financial Management Accounting System
IRR	Internal Rate of Return
LDO	Local Democratic Organs
MoC	Ministry of Communities
MPI	Ministry of Public Infrastructure
MW	Multiple Works
NDCs	Neighborhood Democratic Councils
NPTAB	National Procurement and Tender Administration Board
NPV	Net Present Value
OEL	Optional Electronic Link
OII	Office of Institutional Integrity
OM	Operating Manual
PEP	Pluriannual Execution Plan
PP	Procurement Plan
PPC	Public Procurement Commission
REL	Required Electronic Link
RSAP	Road Safety Action Plan
SEP	Stakeholders Engagement Plan
SPF	Safeguard Policy Filter
SSF	Safeguard Screening Form
WSG	Work Services Group

PROJECT SUMMARY
GUYANA
ADEQUATE HOUSING AND URBAN ACCESSIBILITY PROGRAM
PROPOSED REFORMULATION OF THE ROAD NETWORK UPGRADE AND EXPANSION
PROGRAM
(GY-L1031; 2741/BL-GY)

Financial Terms and Conditions						
Borrower: Cooperative Republic of Guyana						
Executing Agencies: Component 1 (C1): Ministry of Communities (MoC) through the Central Housing and Planning Authority (CHPA); and Component 2 (C2): Ministry of Public Infrastructure (MPI) through the Work Services Group (WSG).						
Source	Original Amount (US\$ million)	Disbursed and Committed Amount (US\$ million)	Reformulated Amount (US\$ million)	%		
IDB (Ordinary Capital-OC) ORC:	33.1	1.35	31.75	48		
IDB (Concessional OC)^(a) COC:	33.1	1.35	31.75	48		
Local:	3.0	0	3.0	4		
Total:	69.2	2.7	66.5	100		
Project at a Glance						
Project Objective/Description: This reformulated proposal modifies the main objective of the Road Network Upgrade and Expansion Program. The aim of the reformulated program is to improve the quality of life in urban and peri-urban Georgetown through better access to adequate housing and basic infrastructure for low-income populations, and through improved accessibility and mobility services.						
Special Contractual Clauses of execution: Prior to the first disbursement of C1, the Borrower, through its EA, CHPA, shall present evidence: (i) of the assignment of CHPA staff for the implementation of the reformulated program, including relevant fiduciary staff; (ii) of the CHPA Work Plan for the execution of the reformulated program, in the terms previously agreed with the Bank (¶3.5); and (iii) of the approval of the reformulated program's Operating Manual (OM), in the terms previously agreed with the Bank, which shall include the Environmental and Social Management Framework (ESMF) for the program (¶3.6). For environmental and social contractual clauses of execution see Annex B of the Environmental and Social Management Report (ESMR).						
Exceptions to Bank Policies: None						
Strategic Alignment						
Challenges^(b):	SI	<input checked="" type="checkbox"/>	PI	<input checked="" type="checkbox"/>	EI	<input type="checkbox"/>
Cross-Cutting Themes^(c):	GD	<input type="checkbox"/>	CC	<input checked="" type="checkbox"/>	IC	<input type="checkbox"/>

^(a) Pursuant to Resolution AG-9/16, approved by the Board of Governors on September 1, 2016, resources from the Fund for Special Operations (FSO) were transferred into the Ordinary Capital (OC) resources of the Bank, effective January 1, 2017. Consequently, all amounts pending disbursement chargeable to the FSO will be disbursed, as of January 1, 2017 chargeable to the OC resources of the Bank, without representing any changes to the financial terms and conditions set forth in Loan Contract No. 2741/BL-GY.

^(b) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(c) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, Problem Addressed, Justification

- 1.1 **Original Loan.** In June 2012, the Bank, following a request from the Government of Guyana, approved the operation 2741/BL-GY: “Road Network Upgrade and Expansion Program” for US\$69.2M. The objective of this Multiple Works (MW) program was to enhance urban and suburban mobility and safety by reducing vehicle operating costs, travel times and road fatalities.¹ The loan included civil works for primary roads and safety components in the capital Georgetown and surrounding regions. The program included proposals to improve transport systems along Georgetown’s Sheriff-Mandela road, the sample project, which extends 7.1km and serves as the main access for residents in the city and surrounding areas. The borrower was the Cooperative Republic of Guyana and the Executing Agency (EA) was the Ministry of Public Infrastructure (MPI), through its Work Services Group (WSG). By 2017, US\$3.4M had been disbursed, of which US\$700,000 remain uncommitted (see ¶2.15 for details).
- 1.2 **Request for Reformulation.** In a communication dated May 2, 2017 (Optional Electronic Link - [OEL#1](#)), Guyana’s Minister of Finance requested the reformulation of the loan. The Government of Guyana underwent a change in administration during the original execution period. The new Government sought to expand transport infrastructure through loan agreements with other international partners and noted its interest in strategically reviewing road projects. Therefore, the Government’s request is to reformulate undisbursed resources from the program to support its housing objectives in the Georgetown area, while maintaining original activities focused on Sheriff-Mandela road, with a revised scope that addresses sustainable and climate-ready mobility challenges.
- 1.3 **Housing, Urban Infrastructure and Mobility Challenges adversely affect quality of life.** Guyana is home to ~750,000 people of which more than 90% lives on a semi-continuous urban coastal strip that represents only 5% of land area. Region 4, which includes the capital, Georgetown, and its low-density peri-urban areas, contains 311,000 people (40% of the population), but quality of life is affected by a variety of factors. First, due to elevated levels of poverty, there are qualitative housing deficits. Second, the city’s settlements are located on lands below sea level, structured around inadequate drainage systems designed for agricultural land use, creating vulnerability to flooding. Third, even in government-sponsored residential estates, where an ‘incremental’ approach (¶1.13, and ¶1.14) to construction was adopted, due to fiscal constraints, many internal roads and drains were never paved, sidewalks and street lighting not installed, and recreational facilities deemed to be important to the community at the time of planning, were never constructed. Finally, underinvestment in the construction and maintenance of transportation infrastructure, in both Georgetown and other Guyana regions, has created mobility challenges for the population, particularly with respect to congestion and road safety.
- 1.4 **Adequate Housing Challenges.** Adequate housing plays a critical role in people’s quality of life. The negative effects of poor housing and neighborhood conditions on human development, environmental degradation, domestic violence,

¹ The original program’s output indicators include reductions in: travel times (minutes), vehicle operation costs, and rate of fatalities per 100,000 inhabitants (nationwide).

vulnerability to disasters, and the transmission of poverty have been well-documented.² Conversely, access to adequate housing can have a positive bearing on many dimensions of well-being, from health to education to jobs to improved social links. In addition, home ownership represents an important asset through which to build equity. Per a recent IDB study, programs that promote access to affordable housing and healthier neighborhoods for poor households can improve their quality of life and foster economic and social progress.³

- 1.5 In Guyana, 27% of the population is estimated to be multi-dimensionally poor, higher than the regional average of 18.04%.⁴ In addition to monetary deprivation, multi-dimensional measurements focus on overlapping deprivations suffered by poor families, including health, education, and standards of living, such as access to toilets, water, electricity, floor materials—conditions at the intersection of well-being and adequate housing. While systematic and disaggregated data on all such conditions do not exist for Guyana, relevant data from the 2012 Census exist. 29% of the population live in overcrowded housing (over two people per room), an issue exacerbated in low-income communities of Georgetown; areas such as Sophia, Liliandaal and Turkeyen have ~40% of households living in overcrowded conditions. Regarding construction materials, in the Georgetown area, 67% of the homes are built with timber; framing without masonry, concrete walls, or other structural reinforcements (typically located in low-incomes communities) that are situated below base flood elevation are more at risk. In addition, ~25% of households were still using pit latrines in 2012. Given that Guyana’s quantitative housing solutions deficit is less severe due to its program of developing serviced-plots in the last two decades, and that Guyana is one of a few developing countries that saw a decline in its population in the 2002-2012 inter-census period, reducing the qualitative deficit as evidenced by the above statistics is a sensible approach.
- 1.6 **Urban Infrastructure Services.** For a positive interaction between habitat and quality of life, adequate housing must come with access to quality services such as water, sanitation, proper drainage, power, and quality public spaces. While Guyana has made efforts to improve access to services, challenges remain. Government-sponsored housing estates have in many cases not made the anticipated transition to becoming well-functioning settlements that foster, for example: proper road access to homes in all weather conditions (crucial given the amount of rainfall that Guyana receives); healthy surroundings that do not encourage the breeding of mosquitoes and pests in stagnant water; safety for women and children through lighting and separation of vehicular and pedestrian traffic; and social interaction and understanding through accessible and adequate recreational facilities. There is little functional public space available: housing schemes such as the above-mentioned Sophia (¶1.27), can have less than 1% of their total area reserved for public spaces and even if parcels have been kept aside for this purpose, they are not always adequately equipped. Moreover, an estimated 249.5 km of roads and associated drainage need to be completed to improve the

² See Bouillon, C. et al. Room for Development. 2012, IDB, especially Chapter 1.

³ Comparative Project Evaluation of IDB Support to Low-income Housing Programs in Four Caribbean Countries, IDB, 2017.

⁴ Excludes Haiti. 2015 Human Development Report, cited in the Guyana Country Development Challenges, 2016, IDB.

living conditions of over 32,000 households located in government-sponsored sites.⁵

- 1.7 Regarding drainage, the city's main water control systems and irrigation canals, pumping stations, and sluices were historically designed for agriculture. With the consolidation of settlements along the coast, these systems struggle to keep up, especially given more intense and frequent rainfall events and high tides and inadequate maintenance. Prevalent problems in Georgetown include drain blockage, canal obstruction, and reduced impermeability; about a third of households experience regular low-distress flooding.⁶ Vulnerability is prevalent among low-income populations, partly evident in the impacts from the 2005 Georgetown floods, among the most devastating in the country's history (100 return period). Damages were estimated at US\$465M, of which the majority affected the housing sector (US\$276M), twice the loss in the productive sector.⁷ Vulnerability is worsened by climate change, particularly coastal flooding under anticipated sea-level rise. Improving drainage within settlements, in combination with more comprehensive ongoing diagnostics and investments, is essential to mitigating the threats to quality of life posed by flooding.
- 1.8 Public infrastructure maintenance responsibilities are scattered throughout numerous national and subnational entities, depending on geographic location and corresponding jurisdiction.⁸ In central Georgetown, once construction is completed by agencies such as the Central Housing and Planning Authority (CHPA) and WSG, operations and maintenance duties for transport are shared between the WSG and the City Council. In suburban Georgetown communities, the responsibility is transferred to Local Democratic Organs (LDO), such as Neighborhood Democratic Councils (NDCs).⁹ This transfer is often delayed because of technical and regulatory gaps that do not fully qualify construction as complete. When transfers do occur, the NDCs often lack institutional capacity and sufficient financial resources for long-term services management. For example, NDCs charge rates for utilities, yet these have not been updated in two decades and collection is limited.¹⁰ Georgetown lacks zoning laws, floodplains definitions, and risk-related restrictions on development, which further complicates management at the local level.
- 1.9 The city also faces limited road infrastructure, combined with a rapidly-growing fleet (100,000 new registered vehicles over the last decade) that contributes to congestion and accidents.¹¹ These challenges affect low-income populations (¶1.4) within the service area of Sheriff-Mandela—the city's main transportation "spine" that acts as the principal access road for the majority of residential areas, including not only government-sponsored low-income housing sites developed by

⁵ Data from Guyana's Central Housing and Planning Authority (CHPA).

⁶ Collado, J. Stormwater Drainage Sector Plan for Guyana. 2017, IDB. (unpublished)

⁷ Disaster Assessment Portal. Data from ECLAC, 2005.

⁸ Some key public actors include: The National Drainage and Irrigation Authority; Guyana Sugar Corporation Limited; Sea and River Defence Division; Regional, Municipal, and Neighborhood Development Councils; Civil Defence Commission; Lands and Surveys Commission; Environmental Protection Agency; among others.

⁹ Guyana has [10 regions](#). Per the census, there are six municipalities, including Georgetown. All other regions, including peri-urban areas, are governed by local NDCs.

¹⁰ Collado 2017.

¹¹ In 2012, Guyana had 13.8 fatalities per 100,000 people, below the Caribbean average, 15.8. (AEC-IDB, Road Safety Analysis, 2013).

CHPA, but also the residents to the east, who use it as throughway to and from Guyana's main airport: Cheddi Jagan International. Key issues for the road include its two-lane configuration, pavement width (9-12m, of which 80% is in fair to poor condition), traffic levels (peak 1,500 Vehicles Per Hour on a road with capacity for 1,320), and no provisions for non-motorized (pedestrian, bicycle) traffic.¹² In addition, the country does not have a national strategy to guide efforts in road safety.

- 1.10 Finally, mobility for low-income communities in areas to the south of Georgetown and east of the Demerara river remains an issue. Access roads to government-sponsored housing sites and other communities outside of Georgetown are typically two-lane (5-6m wide) with little or no provision for pedestrian or bicycle traffic. A single access road is usually shared by two or more housing sites, further contributing to congestion and safety problems.
- 1.11 **Climate Change.** Climate impacts could be staggering for Guyana's urban coastline. By 2030, annual losses resulting from flooding could reach US\$140M; if hit by an extreme event comparable to the 2005 floods, losses could amount to US\$1 billion for the Georgetown area alone by 2030—more than a third of national GDP—with potentially devastating effects on the housing and productive sectors.¹³ Though a 6% of the national budget between 2008-2011 was spent on sea/river defenses as well as on upgrades to drainage systems, targeted investments in climate-ready infrastructure should be combined with improved, coordinated planning and public management.¹⁴
- 1.12 **Gender.** Though Guyana lacks granular data on gender, available national-level data indicate that nearly 30% of the households headed by women are characterized by absolute poverty, which, considering the conditions of inadequate housing described above (¶1.4), could especially affect women.¹⁵ In addition, of the 35% of households headed by women, 40% occupy a rented or leased dwelling (2012 Census). Programs targeted primarily to homeowners may not reach poor, women-led households. In this context, special focus must be given to gender disparities and pilot ways to measure and address them (Optional Electronic Link - [OEL#9](#)).
- 1.13 **Lessons Learned.** The provision of adequate housing and infrastructure services for low-income Guyanese has steadily moved away from direct construction of new housing units—which would primarily address quantitative deficits—and shifted toward an enabling approach to help households improve existing homes *in situ*, whether located in formal or informal settlements. Because Guyana does not have a public mortgage institution to serve low-income households, many are too poor to both purchase a lot and build a home, or cannot afford or qualify for a commercial mortgage. Over the last three decades, CHPA —part of the Ministry of Communities (MoC) and the government institution in charge of the

¹² In 2001-2007, there were 28 fatal accidents on this 7km stretch, or four fatalities per year *on a single road*. Mott MacDonald (November 2011), Sheriff Street – Mandela Avenue Roadway: Technical Analysis Report.

¹³ Mycoo, M., "Autonomous Household Responses and Urban Governance Capacity Building for Climate Change Adaptation: Georgetown, Guyana," 2014.

¹⁴ Anthony and Gratiot, "Coastal Engineering and Large-Scale Mangrove Destruction in Guyana, South America: Averting an Environmental Catastrophe in the Making," 2012.

¹⁵ USAID. Gender Assessment for Guyana. 2003.

development and management of social housing projects and planning¹⁶— has worked through an “incremental” approach by enabling housing self-construction and expansion through infrastructure upgrading and provision of formal land and titles. In complement, CHPA has offered subsidy support for low-income families to carry out basic improvements, and in some cases, to replace a deteriorated home *in situ* with a core house. In few cases, poor households were offered a core house elsewhere if relocation was deemed necessary.

- 1.14 This incremental approach was supported through two positively-evaluated Bank operations: The Low-Income Settlement Programs (LISP) I and II ([1044/SF-GY](#) and [2102/BL-GY](#)). LISP I pioneered a serviced lots approach, which were, however, located in sparsely populated areas, and the program did not offer subsidy support for home construction, leading to slow rates of occupancy. LISP II, in response, partially addressed affordability and accessibility issues through a comprehensive package that included improved sanitation as well as a core house subsidy. Accordingly, a recent IDB study found that direct subsidies for self-construction were successful in addressing housing deficits and that infrastructure upgrading was effective in reaching vulnerable populations.¹⁷ According to other regional studies in Latin America and the Caribbean, infrastructure upgrading interventions can contribute to increased property values.¹⁸
- 1.15 The original transportation component of the loan and its primary focus on urban and suburban areas is part of a decade-long strategy of progressive upgrade and rehabilitation of transport infrastructure. The Bank has assisted Guyana’s MPI with this strategy through eight operations in the sector, totaling US\$276M and primarily executed by the Ministry’s WSG.¹⁹ The Government’s reformulation request (¶1.2) to continue with the rehabilitation of Sheriff-Mandela presents an opportunity to enable integration between housing and urban infrastructure. This spinal road serves important CHPA sites in need of sustained incremental housing support and improved mobility ([OEL#7](#)), including neighboring communities such as Sophia, as well as comparatively newer estates such as Diamond-Grove to the south, which alone accounts for the highest number of public transportation trips per day toward central Georgetown (1,700, excluding private trips).²⁰
- 1.16 An incremental housing approach specifically focused on low-income areas that actively use and are functionally integrated with the Sheriff-Mandela road, would help address the described qualitative deficits and multidimensional poverty challenges, while minimizing economic, environmental, and transportation

¹⁶ Housing Act, Chapter 36:20 and Town and Country Planning Act, Chapter 20:01. Regarding MoC, its mission is to improve the quality of life of Guyanese by promoting the development of cohesive, empowered and sustainable communities (CESC) through collaborative and integrated planning, good governance and satisfactory service delivery.

¹⁷ Comparative Project Evaluation of IDB Support to Low-income Housing Programs in Four Caribbean Countries, IDB, 2017.

¹⁸ “Evaluation of Slum Upgrading Programs: Literature Review and Methodological Approaches”, Jaitman and Brakarz, 2013; and “Urban Infrastructure and Economic Development: Experimental Evidence from Street Pavement,” Gonzalez-Navarro and Quintana-Domeque, 2010.

¹⁹ Main Road Rehabilitation Program (LO890/SF), Bridge Rehabilitation Program – Phase I (LO999/SF), Mahaica Rosignol Road (LO1094/SF), Moleson Creek – New Amsterdam Road (LO1554/SF, Transport Infrastructure Rehabilitation Program (LO1803/SF), Road Improvement and Rehabilitation Program (LO2215/BL), East Bank Demerara Four Lane Extension (LO2454/BL) and Road Network Upgrade and Expansion Program (LO2741/BL).

²⁰ Logit and GSD, Sustainable Transport Study for Georgetown. 2017 (unpublished).

tradeoffs associated with sprawling settlements. In addition, a focus on both implementation and management of climate-ready infrastructure is critical to mitigate flood and climate-related risks. Improved design solutions for road and drainage infrastructure should be directly complemented with institutional support for national and local authorities to manage public infrastructure. The reformulated program seeks to capitalize on the lessons from previous housing and urban mobility experiences in Guyana while enabling resilient design and management of homes and ancillary public infrastructure.

- 1.17 **Strategic Alignment.** The program is consistent with the Update to the IDB's Institutional Strategy for 2010-2020 (AB-3008) as it seeks to address the development challenges related to: (i) social inclusion and equality, by contributing to improvements in living conditions among low-income communities in the Georgetown area; and (ii) productivity and innovation, by contributing to the provision of transport infrastructure, which supports logistics efficiency; as well as to the crosscutting themes of climate change and environmental sustainability, as the proposed interventions will include basic infrastructure and housing subsidies for low-income populations; climate-ready infrastructure designs and transport solutions to improve productivity; and institutional capacity building to manage climate adaptation at the national and subnational levels. The program's support for resilient neighborhood and road upgrading, and for the institutional capacity to maintain them, is in line with the strategic area "Establishing a Modern National Strategy and Planning Framework" (and cross-cutting themes of climate change and gender) included in the 2017-2021 IDB Country Strategy with the Cooperative Republic of Guyana (GN-2905). The Transport component is also aligned with the strategic area of "Delivering Critical Infrastructure." In addition, the program will contribute to the Corporate Results Framework (CRF) 2016-2019 (GN-2727-6) by enabling an increase in property values within project area of influence and strengthening of tools to improve public service delivery.
- 1.18 Two sector frameworks are relevant to the reformulated program. First, by providing for a more inclusive urban setting, it supports the Urban Development and Housing Sector Framework (GN-2732-6). The program contributes towards the improvement of infrastructure systems and the development of accessible, efficient, and safe urban transportation systems, thus aligning with the Transportation Sector Framework (GN-2740-7). The program also supports the Strategy for Sustainable Infrastructure for Competitiveness and Inclusive Growth (GN-2710-5), as it seeks to support Guyanese authorities, particularly sub-national entities, in their efforts to adapt to the effects of climate change.

B. Objective, Components and Cost

- 1.19 This reformulated proposal modifies the main objective of the Road Network Upgrade and Expansion Program. The aim of the reformulated program is to improve the quality of life in urban and peri-urban Georgetown through better access to adequate housing and basic infrastructure for low-income populations, and through improved accessibility and mobility services. Specific objectives include: (i) improve housing conditions and access to basic infrastructure for low-income communities; (ii) enhance urban and suburban mobility and safety; and (iii) strengthen national and local capacity to operate and maintain urban services. The reformulated program has two main components and will maintain its designation as a MW program, applicable to Component 1 (C1) below (associated civil works are expected to be initiated within the first two years of

execution). Component 2 (C2), given the updated scope, follows a Specific Investment approach.

- 1.20 Given that this is a reformulated program, the Bank does not require climate finance tracking (using the Multilateral Development Banks' standard [methodology for climate finance tracking](#)), as the original contribution was estimated based on the 2012 approval.
- 1.21 **Component 1 (C1). Delivery of quality housing and basic infrastructure solutions (US\$27M).** This component will finance activities in three areas:
 - 1.22 **Subcomponent 1.1. Affordable and sustainable housing (US\$10M).** The subcomponent will cover the costs of home design and construction, including materials and labor, and supervision. This support ultimately contributes to affordable housing solutions for low-income households in the project area. Two types of support will be provided: housing improvement, and in specific cases the replacement or construction of core homes on existing serviced lots.
 - 1.23 **Home Improvement.** These subsidies focus on basic improvements permitted under LISP II, including, inter alia: repairs to roofs, walls, floors, expansion to address over-crowding, sanitation improvements (e.g., replacement of a pit latrine with an indoor water closet), etc. Rain water harvesting and upgrade of materials for 'water units' (e.g., tiling) are also eligible improvements.²¹ Critically, as these subsidies target low-income households (including those led by single parents, a condition that disproportionately affects women) located in the project area, they seek to avoid the aforementioned risk of low occupancy and sprawling development in greenfield sites—previously undeveloped areas with low accessibility to jobs and services (see ¶3.7 for eligibility criteria).
 - 1.24 The implementation methodology from LISP II will be used: CHPA would purchase building materials up to a specified value and arrange to have those materials delivered to the site. The home improvements will be owner-managed using hired labor as needed. CHPA will provide technical advice and inspections to observe and report on progress as well as to validate appropriate use of the subsidies, which will be capped at US\$2,500.
 - 1.25 **Core Home Support.** Two alternative modalities will be used for delivery of this support: (i) CHPA hiring local contractors through National Competitive Bidding to build groups of core houses; and (ii) engaging contractors from a pre-qualified list to take part in a bidding process, managed by CHPA in coordination with the Bank.²² Core houses are to have a minimum of 400 square feet, be single-family homes, with an estimated 2017 cost of US\$20,000 each.²³ Given costs, this support will be targeted to help vulnerable households, including those led by single parents, and those living in structures considered to be not habitable. In special occasions, families may also opt to relocate to serviced and transportation-accessible sites in the project area; this option would take

²¹ Verandas, fences and entirely new construction (other than core houses) would be excluded.

²² Based on the experiences from LISP I and II, as well as other government-sponsored programs in the sector, CHPA recommends that subsidies not be offered for owner-managed construction due to the perceived risk of beneficiaries misappropriating the resources.

²³ Based on CHPA current estimates, which could be revised during the program execution with the Bank's approval. The expected distribution of resources across the two support types is of US\$5M for core homes (a total of 250) and US\$5M for home improvement (2,000 subsidies).

advantage of ongoing CHPA programs, through which legal title is provided to eligible beneficiaries and former lands become available for reallocation.

1.26 **Subcomponent 1.2. Consolidation of existing housing schemes (US\$16M).**

This subcomponent will follow a MW approach and finance the completion or rehabilitation of infrastructure and services on CHPA housing sites in the project area. Specific investments will be tailored to local conditions and include a combination of the following activities prioritized on need, site conditions, and available budget: (i) rationalizing the alignment and width of roads including relocation of utilities as needed; (ii) grading and base preparation of roads; (iii) paving of roads with either asphalt or concrete; (iv) rationalizing the alignment, width and depth of canals/drains, including weeding and clearing, dredging and desilting where necessary; (v) construction of reinforced concrete drains to improve the flow of water and/or stabilize the roads; (vi) grassing or other forms of soil stabilization of the verges/shoulders of roads to minimize siltation of canals/drains; (vii) construction of reinforced concrete sidewalks including sumps, typically on one side of the streets only; (viii) installation of street lighting, including use of integrated solar/battery/LED light fixtures; and (ix) construction and rehabilitation of civic infrastructure such as sporting/recreational facilities and community centers.²⁴ These activities will also require pre-construction investments, including land use planning, land surveying, engineering designs and in some cases specialized studies such as geotechnical analyses. Moreover, the configuration of works will aim to create an integrated impact, such as improving accessibility for a group of residences to a specific civic facility (e.g., playground). The subcomponent contemplates funds for construction supervision.

1.27 The sample project for this activity is the community of Sophia, home to approximately 4,200 households. Located about one kilometer east of the Sheriff road, the area is a primarily residential zone composed of multiple communities located on former Guyana Sugar Corporation (GuySuCo) lands. It originated as a squatter community that has been undergoing a process of regularization since the mid-1990s. It is emblematic of the urban and infrastructure development patterns in Georgetown: about half of homes are built with wood in various states of structural degradation. Despite being a dense and central area, Sophia has a single access road; out of a total 112 km of internal roads, 73% is unpaved; drains were primarily repurposed from post-colonial agricultural systems and require upgrading; and it lacks public spaces and community facilities. The sample project will address this through a proposed civil works package that includes 16.5 km of asphalt roads; 17 km of reinforced concrete drains and 17 km of concrete sidewalks; two community centers and 3 km worth of street lights. The anticipated budget for the sample is US\$6,900,000, over 30% of the available reformulated amount for MW (US\$19M).

1.28 **Subcomponent 1.3. Implementation support and institutional strengthening (US\$1M).**

This subcomponent will finance activities for C1: (i) project management, social engagement, monitoring and evaluation for CHPA; and (ii) operations and maintenance training activities for LDOs in charge of housing sites, with a specific focus on urban services and climate adaptation.

²⁴ Specific investments may include fencing of the area, access clearing, filling and levelling of the grounds, installation of sanitary facilities, bleachers, sporting installations e.g. basketball court, swings set and slides.

- 1.29 Regarding CHPA, the activities include: (i) technical training, consulting services and the implementation of a project management system adapted to the needs of the present operation, with a special focus on monitoring and evaluation capacities, and including LDOs, as relevant; (ii) continued upgrading of digital systems, including geospatial analytical tools²⁵ to measure and assess housing deficits and relevant urban sector data, and to incorporate up to date risk maps²⁶ and climate adaptation planning information²⁷; and (iii) development of communication and social engagement strategy, designed to maximize citizen participation in the design and implementation of civil works in selected CHPA housing schemes, and to improve and better target subsidy programs. Activities to promote community mobilization will be a constant feature of the infrastructure upgrading activities and beneficiary communities will receive training in basic construction skills and infrastructure maintenance through this subcomponent, as well as through complementary technical cooperation resources.²⁸ Special focus will be given to the inclusion of women in infrastructure maintenance; proposed activities include an assessment of women participation in maintenance of urban services within CHPA sites. In addition, this subcomponent will cover costs for external engineering supervision for neighborhood upgrading works (Subcomponent 1.2).
- 1.30 To help LDOs improve basic infrastructure management and climate adaptation, the subcomponent will focus on the implementation of an adaptive capacity framework,²⁹ which includes a gradual process that starts with local-level (local jurisdiction) diagnosis of climate impacts, vulnerability, risks and coping strategies, to prioritization of issues and potential actions, to the development of coordination platforms for a three-way dialogue between local communities in housing schemes, LDOs such as NDCs, and ministerial authorities.
- 1.31 **Component 2 (C2). Enhancement of urban road network and road safety (US\$37.5M).** This component will keep two elements from the original program: (i) the Sheriff-Mandela sample project; and (ii) the Road Safety Action Plan. Institutional support activities will also be maintained.
- 1.32 **Subcomponent 2.1. Expansion and rehabilitation of the Sheriff-Mandela road (US\$31M).** The subcomponent will finance civil works contemplated in the original operation: expansion and rehabilitation of the 7.1 km Sheriff-Mandela road axis. The works scope seeks to: (i) accommodate additional travel lanes, bicycle lanes and parking lanes; (ii) installation of concrete curbs, sidewalks and medians; (iii) installation of piped drainage systems (designed with enough capacity to sustain a flood comparable to that of 2005); (iv) embankments; (v) new pedestrian bridges and renewing/upgrading culverts; (vi) traffic management and traffic-calming measures (traffic signals, street lighting, traffic signage, road markings, new guardrails); and (iv) other associated civil works. Pedestrian

²⁵ In coordination with technical assistance activities under the “Support to Develop a National Housing Strategy” ATN/OC-15974-GY.

²⁶ In coordination with technical assistance activities under the “Climate Resilience Support for the Adequate Housing and Urban Accessibility Program” TC, GY-T1137 (under approval process).

²⁷ Per the IDB’s OVE review (2017): “The relevance of the design of all programs was limited by the scarcity and quality of data, (...)_critical in designing appropriate policy responses, such data are generally not readily available or updated in the Caribbean. Access to data on household characteristics, including income, is equally important for targeting low income households.”

²⁸ Including ongoing Bank-executed TCs (footnotes 26 and 27).

²⁹ Based on [the WRI Methodology](#).

features will include special accessibility designs for people with disabilities. The preparatory studies have been completed ([OEL#5](#)) and procurement processes have been initiated.

- 1.33 **Subcomponent 2.2. Road Safety Action Plan (RSAP) (US\$0.5M).** This subcomponent will finance the design of a national RSAP and associated studies, including policy and regulatory recommendations for improved safety systems for Georgetown and the rest of Guyana, especially targeted to address common causes of accidents affecting vulnerable groups. More specifically, the RSAP will diagnose and analyze the overall situation, identify key risks, opportunities and entry points for improvements, and prepare an action plan of activities and investments to be financed and implemented, which would themselves help reduce the number of road casualties and fatalities over time. The RSAP will also include specific recommendations that can be incorporated in the design of the projects, the drafting of policies and regulations for traffic, parking and road-sharing, recommendations for improved infrastructure and signaling and recommendations for institutional strengthening.
- 1.34 **Subcomponent 2.3. Implementation support and institutional strengthening (US\$6M).** This subcomponent (including US\$3M in counterpart financing, in the form of in-kind contributions) will finance program supervision and management aspects related to C2, including continued engagement with stakeholders such as residents, road users, private sector and other government agencies, and general public awareness. These activities will be carried out through the hiring of consulting firms that will support the EA with the supervision of all contractors to ensure the adequate progress and performance. This subcomponent will also finance the strengthening of the EA capacity through training in the areas of transportation planning and evaluation, Information Communication Technology for effective project management and monitoring, material testing for laboratory staff and environmental and social safeguards. The specific activities will include training, provision of technical equipment and computer software and hardware. A portion of this subcomponent is allocated for a supervisory consultancy (underway). Supervision provides value to the procurement system by having available additional technical competency to support WSG with procurement processes.
- 1.35 **Project Administration (US\$2M).** This category will finance administration costs for each EA. For C1, US\$1.5M will finance: (i) the personnel and associated costs required for supporting the program's administration during implementation³⁰; (ii) logistics costs, including mobilization for community engagement, interviews, and site visits; (iii) auditing costs and those related to monitoring and evaluation activities; and (iv) Environmental and Social Impact Assessments (ESIA) and mitigation plans for neighborhood infrastructure upgrading works, as specified by the program's Environmental and Social Management Framework (ESMF). For C2, US\$500,000 will support: (i) costs required for supporting the program's administration; and (ii) auditing costs and monitoring and evaluation activities.

³⁰ Per precedence in Bank-financed housing loans in Guyana, 20% top up salary (i.e., the IDB will finance 20% of their wages) for necessary specialists in CHPA.

C. Key Results Indicators

- 1.36 The main results expected from the program are: (i) increase in the value of properties of low-income beneficiary households; (ii) reduction in vehicle travel time along the Sheriff-Mandela corridor; and (iii) reduction in vehicle operation costs. The specific values of the results indicators, as well as, the products indicators can be found at Annex II.
- 1.37 The preparation of the reformulated program has been informed by cost-benefit analyses ([OEL#3](#)) to measure: (i) the economic viability of the reformulated portion of the program (C1); and (ii) the continued viability of the original components kept in the proposed reformulation (C2).
- 1.38 Regarding C1, the economic evaluation measured the expected benefit and cost streams for the sample intervention (Sophia) and calculated profitability indicators such as benefit/cost ratio, Net Present Value (NPV) and Internal Rate of Return (IRR). Information on local housing prices in Sophia was compared with prices from a district with better infrastructure, Cummings Lodge. Additional assumptions include an investment period of four years, a discount rate of 12%, an evaluation period of 10 years, an annual investment proportion of 25% annually, and full capture of benefits and complete valuation on year five. The study, which included sensitivity analyses, showed a NPV of US\$3,118,246 and a benefit/cost ratio is 1.46, with a return on investment of 46% and IRR of 53%.
- 1.39 Regarding C2, the economic evaluation of the Sheriff Street – Mandela Road project considered the costs of the construction of civil works, implementation of the socio-environmental measures, and maintenance during the expected life of the road. The potential economic benefits of road rehabilitation stem from: (i) savings in vehicle operating cost; and (ii) time savings to passengers and freight. The Highways Development and Management Model 4 (HDM 4) cost-benefit analysis technique was used. The indicators for the comparison of an alternative scenario without the project are: (i) NPV of the benefits accruing to road users minus the increase of costs incurred by the road agency, discounted at a rate of 12% per year; (ii) IRR; and (iii) Benefit-Cost Ratio (BCR). The evaluation resulted in an NPV of US\$123M, an IRR of 34%, and a BCR of 9.99. This evaluation was complemented by sensitivity analyses to evaluate the impact of the reduction of projected traffic and the increase of capital and recurrent costs.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing Instruments

- 2.1 The total cost of the reformulated program is US\$66,500,000, with US\$63,500,000 financed by the Bank and US\$3,000,000 provided by the Government of Guyana as local counterpart. The financial conditions of the resources will remain the same as the ones defined in the original operation. An estimate of the breakdown of the reformulated program costs is given in Table 1.

Table 1. Program Costs and Financing (in US\$ million)

Components	Local	IDB	TOTAL
Component 1 Delivery of quality housing and basic infrastructure solutions	0	27	27
1.1 Affordable and Sustainable Housing	0	10	10
1.2 Consolidation of Existing Housing Schemes	0	16	16
1.3 Implementation Support and Institutional Strengthening	0	1	1
Component 2 Enhancement of urban road network and road safety	3	34.5	37.5
2.1 Expansion and Rehabilitation of the Sheriff-Mandela Road	0	31	31
2.2 RSAP	0	0.5	0.5
2.3 Implementation Support and Institutional Strengthening	3	3	6
Program Administration	0	2	2
TOTAL	3	63.5	66.5

- 2.2 The reformulation proposal contemplates an execution period of five years and the original disbursement period will be extended to allow for the execution of the activities proposed. See Table 2.

Table 2. Tentative Disbursement Schedule (in US\$ million)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	7.40	16.10	22.10	14.80	2.90	63.50
Local	0.80	0.80	0.80	0.80	0.00	3.00
%	12.30	25.40	34.40	23.40	4.50	100
TOTAL	8.20	16.90	22.90	15.60	2.90	66.50

- 2.3 As mentioned in ¶1.26, activities under Subcomponent 1.2 will follow a MW approach. The justification is twofold: (i) the MW will allow for the development and application of site selection criteria that take into consideration potential exposure to flood hazards; and (ii) allow for the development of criteria that incorporates an analysis of community interaction and use of the Sheriff-Mandela road, thus maximizing the interaction and combined development impact of the program.
- 2.4 The sample project is Sophia, a low-income area located just over 1KM away from Sheriff-Mandela, and home approximately 4,200 households (see ¶1.27). Future site selection will incorporate the following general criteria: (i) be a CHPA housing site; (ii) demonstrated mobility links with the Sheriff-Mandela road; (iii) exhibit multidimensional poverty indicators; (iv) exhibit neighborhood infrastructure deficits; and (v) density of built structures (see ¶3.7).

B. Environmental and Social Safeguard Risks

- 2.5 Given the nature of the proposed interventions in C1 and C2, it is anticipated that the environmental and social impacts and risks are likely to be local and short term, for which effective mitigation measures are readily available. Therefore, a Category “B” classification has been assigned to the program in accordance with

Policy OP-703. The Program's Disaster Risk Category is Moderate due to the potential risk of flooding.

- 2.6 C2 comes from the original operation and will focus on: (i) civil works; (ii) sustainable urban transport and road safety, and (iii) implementation support and institutional strengthening. An ESIA was prepared for the original loan. The following impacts were identified: (a) construction phase: dust and noise pollution, congestion, reduced parking, impacts on business; and (b) operation phase: congestion, increased accidents, and increased respiratory aggravations from vehicle emissions. A detailed Environmental and Social Management Plan ([ESMP](#)) has been prepared and included in the ESIA; their updated versions, along with the Social Action Plan and Grievance Mechanism have been reviewed and disclosed. Construction works have not started and no environmental or social liabilities required assessment; nonetheless, there is a medium social risk from potential community opposition due to disruptions during civil works, which will be mitigated through recurrent consultations and engagement.
- 2.7 Overall, C2 is ongoing and under implementation, therefore, the focus of the ESMR is the analysis and assessment of C1, which is the purpose of the loan reformulation. Potential Environmental, Social and Health and Safety (ESHS) risks and impacts associated with the reformulation come from the construction and operation of neighborhood infrastructure upgrading (Subcomponent 1.2). These activities will follow a MW approach and as such the Borrower developed an ESMF and an Environmental and Social Analysis (ESA) for its sample, Sophia.
- 2.8 Impacts are expected to be minimal to moderate. Temporary EHS risks and impacts associated from construction include: traffic disruption; affectation of air quality; impacts on water/soil; temporary noise impacts; occupational and community health and safety impacts; in some cases, temporary interruption of the preexisting system of evacuation of gray and black water from homes (gutters, ditches, wells); temporal increase of erosion and sedimentation (excavations, ditches, etc.); slope instability; and flood.
- 2.9 The main social impact during project construction and execution could be potential temporary economic losses to the small-scale business or livestock. To address this, a livelihood restoration framework will be prepared by CHPA in accordance to Bank's policies and as determined in the ESMF.
- 2.10 During the operational phase, the most significant potential EHS impacts include: (i) time lag in the connection of home water and sewage with the proposed upgrades; (ii) damage to the works executed (clandestine or inadequate connections); (iii) increase in the amount of effluents injected resulting in subsoil contamination; and (iv) potential increase of household expenses resulting from regularized services, taxes and rates. In addition, given exposure to floods (¶3.4), medium environmental risk for both C1 and C2 should be mitigated through the planned development of disaster risk management and climate adaptation tools. An ESMF has been prepared for all the program and ESA, including and ESMP addressing all these impacts, has been prepared for the sample, Sophia.
- 2.11 The consultation process for the sample was completed in September 2017, to inform about the project, potential impacts, and planned mitigation measures and grievance mechanism. The results have been published per Bank's guidelines.

C. Fiduciary Risk

- 2.12 The overall level of risk for the reformulated operation is expected to be medium. Mitigation measures are put in place to ensure timely achievement of the project's objectives via close supervision mechanisms and training of the fiduciary staff. Regarding CHPA, low staffing levels and lack of fiduciary capacities will be mitigated through institutional strengthening activities and improved staffing. A Risk Mitigation Matrix was prepared with major stakeholders (see Annex III). The Bank, CHPA and WSG will undertake joint reviews of the risk instrument on a yearly basis to identify additional mitigating actions when deemed relevant.

D. Other Key Issues and Risks

- 2.13 At the program level, the most relevant (high) risk relates to the potential lack of coordination among several public stakeholders. As mitigation, a government Special Steering Committee will be created for close coordination and proper flow of information (¶3.4). In addition, the Bank's Country Office in Guyana is currently in the design process for a cross-portfolio execution support unit expected to collaboratively work with Executing Agencies to ensure efficient and transparent implementation, particularly regarding procurement processes.
- 2.14 In addition, other identified risks, and associated mitigation measures, include: (i) medium development risk—potential execution issues due to flawed designs for C2, mitigated through heightened and continued monitoring and supervision of contractors; (ii) medium macroeconomic and fiscal sustainability risk—potential depreciation in the exchange rate affecting project costs, mitigated through regular monitoring and discussions with the Bank's Country Economist and Office; (iii) medium reputation risk—deficient traffic management during construction for both Components, mitigated by proper design of traffic management and public information activities; and (iv) medium monitoring and accountability risk—insufficient transparency in procurement processes, mitigated by coordination with the Country's Office execution support efforts.
- 2.15 Regarding C2, procurement for the Sheriff-Mandela Road before this reformulation was affected by three failed procurement processes. The process was first cancelled due to indications that the recommended winner lacked the technical and financial capacity for implementation. The other two cancellations were both due to changes to the scope of the Sheriff-Mandela works, to fit with the Government's development plans for the road. The first cancellation of the procurement process triggered a consultation by the Project Team to the Office of Institutional Integrity (OII). OII considers that the level of the integrity risk associated to C2 of the reformulated program is medium, due to irregularities identified during the implementation of the previous "Road Network Upgrade and Expansion Program." Regarding the original program, the adverse impact that those irregularities could have had on the operation were mitigated by the supervision efforts exercised by the Bank. In addition, OII considers that the risk for this reformulated operation is mitigated by the institutional capacity strengthening work that the Bank's Country Office has been carrying out with MPI, and that this effort will continue through the "Implementation Support and Institutional Strengthening" activities that C2 encompasses, together with increased supervision and guidance by the Project Team. Finally, procurement process for the Sheriff-Mandela civil works were well-advanced at the time of writing (final evaluation of bids), which is another mitigating factor.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of Implementation Arrangements

- 3.1 **Borrower and Executing Agency.** The Borrower will be the Cooperative Republic of Guyana. The MoC, through the CHPA and the MPI, through the WSG, will be Co-Executors. CHPA will oversee the execution of C1 and WSG will oversee of C2. This approach is in line with each Ministry's institutional mandates and will allow for more efficient distribution, use, and reporting of program resources. This use of dual execution agencies follows the precedent of other operations in Guyana, namely 1745/SF-GY "Justice Administration System," and GRT/GF-13172-GY "Institutional Strengthening Support of Guyana's Low Carbon Development Strategy".
- 3.2 Each EA will dedicate specific internal human talent and other resources and will independently have the following responsibilities for the corresponding component it will execute: (i) preparation, implementation and updating of the Annual Operational Plan (AOP); (ii) preparation of the annual procurement plan and procurement of civil works, goods and consulting services; (iii) oversight, monitoring and evaluation of the project's activities including environmental and social safeguards compliance; (iv) financial administration, accounting and preparation of budgets and disbursement requests; (v) preparation of technical reports, including regular updating of the information relevant for the project's monitoring report; (vi) auditing requirements (¶3.11); (vii) hiring of consultants to conduct the intermediate and final evaluations of the program; and (viii) serving as a liaison to the IDB. In addition, each EA will maintain separate files for the operations of the program, and allow for financial and accounting monitoring of the Bank and local counterpart resources, in accordance with Bank requirements. Details of all execution arrangements for C1 will be elaborated in an Operating Manual (OM) ([OEL#2](#)) document (¶3.7). The specific execution arrangements established for C2 under the original program will remain the same.
- 3.3 For Bank program monitoring and reporting purposes, the Bank project team will be responsible for the consolidation of reporting documentation submitted by each EA.
- 3.4 To ensure coordination, as identified in the Risk Matrix, a Project Steering Committee, a central coordinating body will be established to provide broad oversight for all matters related to the program through the assessment and review of the program activities for each EA. The Committee will also be responsible for the final review and evaluation of the information for the projects performance and execution, and will identify and highlight risks that may arise and affect the efficient execution of either Component and present potential solutions. The Committee will include managerial and technical representation from the MoC and CHPA; MPI and WSG; and the Ministry of Finance; and will be co-chaired by senior leadership from MPI and MoC. This proposed structure also follows the precedent of GY-G1002, which sought representation from each executor as well as from the Ministry of Finance.
- 3.5 **Special Contractual Clauses of Execution: prior to the first disbursement of C1, the Borrower, through its EA, CHPA, shall present evidence: (i) of the assignment of CHPA staff for the implementation of the reformulated program, including the relevant fiduciary staff; and (ii) of the CHPA Work**

- Plan for the execution of the reformulated program, in terms previously agreed with the Bank.** The first part of this clause is crucial given the results from an Institutional Capacity Assessment (ICAS), which found that, while CHPA has in place the necessary planning, organizational, and control capabilities for implementation of current activities, dedicated resources need to be increased specifically for the reformulated program, particularly with regard to engineering execution and supervision, procurement, financial management and internal controls (see Annex III for fiduciary aspects). The second clause is necessary given the need to complete pre-investment designs—including a climate perspective—that can lead to a more precise implementation approach.
- 3.6 **Operating manual and project cycle.** The program's reformulated C1 will be governed by an OM covering the following: program objectives and components; executing actors and functions; projects cycles; terms and conditions for beneficiaries' participation in subsidies and housing support; application procedures; site selection criteria for the MW program; performance indicators and commitments; and program monitoring, evaluation and results; among others. **As a Special Contractual Clause of Execution prior to the first disbursement of the financing of C1, the Borrower, through the Executing Agency, CHPA, shall present evidence of the approval of the reformulated program's OM, in the terms previously agreed with the Bank, which shall include the ESMF for the program.** This condition, applicable only to C1, is necessary given the need to have a clear delineation of processes, policies and procedures to ensure effective program implementation. Regarding technical issues related to eligibility for Subcomponents 1.1 and 1.2, it is recommended that the OM be updated to reflect, first, best practices and lessons from the Manuals used in previous CHPA operations, and, second, to update all relevant source data, financial information (e.g., effects of inflation on financial eligibility criteria), and proposed implementation procedures and responsibilities as affected by the expected changes in CHPA staffing levels.
- 3.7 **Eligibility Criteria – C1.** As mentioned (¶1.25), C1 includes neighborhood upgrading activities that will follow a MW approach. Criteria for site selection under C1 would include the following: (i) the community must be one of CHPA's housing sites; (ii) demonstrated link of lying within the span of influence of Sheriff-Mandela road, justified through mobility patterns; (iii) multidimensional poverty indicators based on data pertaining to variables such as use of pit latrines, over-crowding, building materials and household assets³¹; and (iv) infrastructure deficits as measured by indicators such as paved roads per hectare and amenities per unit of population. Iterations of a spatial selection methodology will be tested alongside the design of the final OM.
- 3.8 In addition, projects must demonstrate: (i) an IRR of at least 12%; (ii) be compliant with environmental and social safeguards policy and have minor to moderate environmental and social impacts (i.e., no Category "A" projects), maintained through program execution; and (iii) meet any other requirements agreed between the Bank and the Government and included in the OM and the ESMF. Projects approved for inclusion must meet all technical requirements, including

³¹ The 2012 Census (2010 data) contains coverage for these data for the sample Sophia. It is expected that this same coverage will apply to other CHPA sites in the project area; field data collection exercises, currently contemplated under the Housing Strategy Technical Cooperation (ATN/OC-15974-GY) can help narrow data gaps as needed.

implementation of the environmental and social assessment and mitigation measures, per the OM and ESMF.

- 3.9 For the subsidies and core home support activities (Subcomponent 1.1), the following eligibility criteria apply, *inter alia*. Households must reside in the project area.³² At the household level, the criteria for home improvement include: income threshold at or below US\$365 per month; applicant must be the owner of the property and have an allocation letter or title and occupy the house; lots must be free from any legal encumbrances; among others. Selection will be done following a means-testing approach, following lessons from LISP II and Bank recommendations.³³ For core home support, the same criteria as above applies, except that even while the applicant still needs an allocation letter or title, he/she does not need to be currently occupying the lot. Finally, the program will include a specific target to reach households led by single parents, a condition that disproportionately affects women-led households. Full eligibility requirements are included in, and will be revised in the final version of, the draft OM.
- 3.10 **Procurement and Advance Contracting.** Procurement activities will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed (GN-2349-9), of March 2011, and the Policies for the Selection and Contracting of Consultants Financed (GN-2350-9), of March 2011. Procurement activities under C1 and C2 may be undertaken before the signing of the Amendment to the Loan Agreement 2741/BL-GY, including: (i) recruitment of consulting firms for pre-investment studies and designs, in the amount of up to US\$100,000, for C1, which may take place at any time after May 2, 2017 (date the official reformulation request was submitted by the Government of Guyana); and (ii) the procurement of civil works for C2, which will be executed in accordance with the provisions of the original program and Loan Agreement 2741/BL-GY.
- 3.11 **Disbursement and financial management.** CH&PA will present the justification of advances in accordance with the IDB's Financial Management Guidelines (OP-273-6). Audits will be performed in accordance with the Bank's guidelines for financial reporting and external audit and carried out by the Auditor General of Guyana, or by a firm of independent public accountants acceptable to the Bank, as follows: (i) annual financial statements submitted to the Bank by CHPA and WSG within 120 days at the end of each fiscal year, beginning with the fiscal year in which the first project expenditures are incurred; and (ii) a final financial audit report of the program is to be submitted by CHPA and WSG within 120 days after the date of the last disbursement.

B. Summary of Arrangements for Monitoring Results

- 3.12 **Monitoring.** The program's monitoring is based on the standard Bank instruments: (i) the PEP and AOP; (ii) the Procurement Plan (PA); (iii) the Results and Risk Matrixes as well as the Monitoring Plan; and (iv) the Project Monitoring Report. Each EA will present to the Bank semi-annual progress reports for its Component within thirty (30) days after the end of the corresponding semester and should include the Component-specific outcomes and outputs achieved in the

³² Established settlements mark the edges of this geographic definitions. These include: on the West Bank of the Demerara, the housing areas of Recht Door Zee, La Parfaite-Harmonie, and Onderneeming; to the South of Georgetown the housing areas of Great Diamond and Golden Grove; and to the East the village of La Bonne Intention.

³³ IDB-OVE, 2017.

corresponding execution period according to the AOP, the PA, the Results Matrix (RM), a description of the status of compliance of the environmental and social obligations, and the budget and the human resources required for the execution the environmental and social obligations, all according to the terms and conditions of this loan. The Bank will consolidate materials for internal reporting purposes. Both CHPA and WSG will maintain an administrative information system to register all relevant events in program implementation. This system will furnish all the required information for completing the financial and administrative reports and will be a key instrument for program monitoring.

- 3.13 **Evaluation.** Two evaluations will be performed: a midterm and a final evaluation, which will be carried out by independent consultants. Each of these evaluations will include two separate sections and relevant information, focused on C1 and C2. The midterm report will include: (i) the outcomes of the physical-financial execution; (ii) the degree of fulfillment of targets in the RM; (iii) the degree of fulfillment of environmental requirements; (iv) a summary of the results of the audits and of the improvement plans; and (v) a summary of the main lessons learned.
- 3.14 Regarding C1, the evaluation will adopt a Differences-in-Differences methodology. C2 will apply an HDM 4 methodology. In both cases, the approach will be to compare the status of indicators in the RM before and after the program's interventions. In addition, an ex post economic analysis will be conducted for C1 to verify whether the program actually achieved the economic rates of return estimated ex ante (See [Monitoring and Evaluation Arrangements](#)).

IV. RECOMMENDATION

- 4.1 Pursuant to the provisions set forth in the Operations Administration Manual, (OA-430), paragraph 4(b): Substantial and Fundamental Changes to Operations, and based on the information and the analysis provided for in this document, Management recommends that the Board of Executive Directors approve by short procedure, the reformulation to the "Road Network Upgrade and Expansion Program" (GY-L1031; 2741/BL-GY) as described in this document, pursuant to the provisions set forth in document Regulations of the Board of Executive Directors of the Inter-American Development Bank (document DR-398-17) paragraph 3.29(c) and the document list of matters to be considered by the Board via Short Procedure (document CS-3953-3) paragraph 6.

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Productivity and Innovation -Climate Change and Environmental Sustainability	
Country Development Results Indicators	-Property value within project area of influence (% change)* -Households benefitting from housing solutions (#)* -Roads built or upgraded (km)* -Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)*	
2. Country Development Objectives	Yes	
Country Strategy Results Matrix	GN-2905	i) Establish a modern national strategy and planning frame work and ii) Support investment in infrastructure for private sector growth.
Country Program Results Matrix		The intervention is not included in the 2017 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		
3. Evidence-based Assessment & Solution	Evaluable	
3.1 Program Diagnosis	9.6	
3.2 Proposed Interventions or Solutions	3.0	
3.3 Results Matrix Quality	3.6	
4. Ex ante Economic Analysis	3.0	
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	10.0	
4.2 Identified and Quantified Benefits	4.0	
4.3 Identified and Quantified Costs	1.5	
4.4 Reasonable Assumptions	1.5	
4.5 Sensitivity Analysis	1.5	
5. Monitoring and Evaluation	10.0	
5.1 Monitoring Mechanisms	2.5	
5.2 Evaluation Plan	7.5	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medium	
Identified risks have been rated for magnitude and likelihood		
Mitigation measures have been identified for major risks	Yes	
Mitigation measures have indicators for tracking their implementation		
Environmental & social risk classification	B	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Accounting and Reporting, Internal Audit.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Gender Equality	Yes	The defined selection criteria promotes the allocation of subsidies to single parent households, and will track subsidy allocation to female heads of household to help improve future project design. The Road Safety diagnostic and Action Plan will have a specific gender focus.
Labor		
Environment		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	GY-T1137 "Climate Resilience Support for the Adequate Housing and Urban Accessibility Program"
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan		

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The objective of the reformulated program is to improve the quality of life in urban and peri-urban Georgetown through: i) better access to adequate housing and basic infrastructure for low-income populations, and ii) improved accessibility and mobility services.

The project presents a complete diagnosis, it includes a precise description of the current situation of the Sheriff-Mandela Avenue, the housing needs and the infrastructure need of the CHPA estates in Georgetown (and its peri-urban area). The outcome indicators included in the results matrix are SMART and have means of verification.

The economic analysis of the project was performed through two cost-benefit analysis (CBA), the first one analyzes the benefits of neighborhood upgrading, and the second one the benefits of the Sheriff-Mandela Avenue upgrade. The first analysis includes as benefits the increase in property values, the second analysis includes as benefits improvements on travel times and the reduction of vehicle operating costs. The CBAs are consistent with the program logic; they have reasonable assumptions, use a rigorous methodology, and include an adequate sensitivity analysis. These analyses concluded that the project is economically feasible: component 1 has an ERR of 53%, and component 2 has an ERR of 34%. Both analyses use a 12% discount rate.

The project includes a monitoring and evaluation plan. The effectiveness of the proposed intervention will be measured following different methodologies: difference-in-differences and an ex-post cost benefit analysis.

RESULTS MATRIX

Project Objective:	This reformulated proposal modifies the main objective of the Road Network Upgrade and Expansion Program. The aim of the reformulated program is to improve the quality of life in urban and peri-urban Georgetown through better access to adequate housing and basic infrastructure for low-income populations, and through improved accessibility and mobility services.
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EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Value End of Project	Means of verification
<u>Component 1. Delivery of quality housing and basic infrastructure solutions</u>										
<u>Outcome # 1: Property value of low income beneficiary households</u>										
Property Values in Sophia	\$/m2	8,332.5*	2017						9,832.3	CHPA Final Impact Evaluation Report
<u>Component 2. Enhancement of Urban Road Network and Road Safety</u>										
<u>Outcome # 1: a reduction in actual time devoted to travel through the corridor</u>										
Vehicle travel time on Sheriff/Mandela	Minutes	16.33	2017						7.51	(1)
Annual Vehicle operation cost (passenger cars only)	US\$million	12.78	2017						7.54	(1)

(*) US dollars; exchange rate 1 GYD to 0.0048 US\$. Baseline determined by median home price of the largest type of building (wooden, flat, or on stilts), representing 47% of Sophia buildings

(1) Determined by MPI based on the progress reports

OUTPUTS

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project (2022)	Means of verification
Component # 1 Delivery of quality housing and basic infrastructure solutions										
Affordable and sustainable housing (subsidies for Incremental Housing and Core Home Improvement)										
Subsidies on house improvement	Subsidies	0	2017	0	400	500	600	500	2000	(2)
Subsidies on core houses	Subsidies	0	2017	0	63	63	63	61	250	(2)
Consolidation of existing housing schemes **										
Asphaltic concrete roads built	kms	0	2017	3.30	6.60	6.60	0	0	16.5	(3)
Reinforced concrete drains built	kms	0	2017	1,32	2.64	2.64	0	0	6.6	(3)
Reinforced concrete sidewalks built	kms	0	2017	1.12	2.24	2.24	0	0	5.61	(3)
Playgrounds Development built	units	0	2017	0	1	1	0	0	2	(3)
Coverage of street lighting provided	Poles	0	2017	20	39	40	0	0	99	(3)
Implementation support and institutional strengthening***										
Adaptive Capacity Assessment for NDCs	Report	0	2017	1	0	0	0	0	1	Publication of the report
Trainings on project management and M&E	Workshops	0	2017	0	0	1	1	1	3	List of participants including affiliation, position and signature
Climate risk and urban data information system	System	0	2017	0	0	0	1	0	1	Publication of the digital system
Communications strategy	Report	0	2017	0	1	0	0	0	1	Publication of the report

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project (2022)	Means of verification
Component # 2 Enhancement of Urban Road Network and Road Safety										
Sheriff/Mandela Rehabilitation, improvement and construction of roadway, construction of sidewalks, bikeways, shoulder widening, construction and rehabilitation of bridges and culverts and street lights	kms	0	2017	1	1.15	2.8	1.8	0	6.75	(3)
Road safety diagnostic and Action Plan approved	Plan	0	2017	0	0	1	0	0	1	Published Plan
Implementation support and institutional strengthening										
Construction Supervision	Report	0	2017	3	4	4	4	0	15	Supervision consultant reports (trimestral)
Stakeholder engagement activities completed (consultation with impacted stakeholders) ****	Events	0	2017	1	1	1	0	0	3	Stakeholder meeting minutes
Trainings on transport planning, ICT management, quality and environmental safeguards (2 each)	Workshops	0	2017	2	1	2	1	0	6	List of participants including affiliation, position and signature

(**) CHPA estimates one street light pole every 30 meters; 90 poles minimum expected end value.

(***) Trainings for NDCs will be designed and determined using recommendations from the Adaptive Capacity Diagnosis.

(****) The Risk Workshop with the IDB and WSG conclude that community participation would contribute to the project's sustainability. Annual engagements will be carried out with stakeholders benefited and affected.

(2) Determined by CHPA based on the progress reports

(3) Determined by supervision consultant progress reports

FIDUCIARY ARRANGEMENTS

COUNTRY:	Guyana
PROJECT No:	GY-L1031
NAME:	Adequate Housing and Urban Accessibility Program (Reformulation of the Road Network, Upgrade and Expansion Program)
EXECUTING AGENCIES:	Component 1 (C1): Ministry of Communities (MoC) through the Central Housing and Planning Authority (CHPA) Component 2 (C2): Ministry of Public Infrastructure (MPI) through the Work Services Group (WSG)

I. EXECUTIVE SUMMARY

- 1.1 The general objective of the reformulated program is to improve the quality of life in urban and peri-urban Georgetown through better access to adequate housing and basic infrastructure for low-income populations through improved accessibility and mobility services. The reformulated program has two main components: Component 1 (C1) – Delivery of quality housing and basic infrastructure solutions (US\$30M) and Component 2 (C2) – Enhancement of urban road network and road safety (US\$34.5M) US\$2M will be assigned for project administration. The total estimated budget is US\$66,500,000, US\$63,500,000, which will be financed by the IDB from the OC/Concessional (COC)¹ resources as detailed in the POD and US\$3,000,000 will be provided by the Government of Guyana as local counterpart.
- 1.2 C1 will be executed by the Ministry of Communities (MoC) through CHPA. C2 will be executed by MPI through the Work Services Group (WSG). Both Executing Agencies have extensive previous experience in executing Bank-financed programs. In other words, both Agencies are familiar with Bank's fiduciary mechanisms and execution of activities in accordance with Bank Policies. CHPA successfully executed two Bank-financed Loans –1044/SF-GY *Low Income Settlement Programs I* and 2102/BL-GY *Low Income Settlement Program II*. CHPA is currently executing a reformulated Bank program –2270/BL-GY - *Sustainable Housing for the Hinterland Program*. WSG is currently executing the Bank programs, 2215/BL-GY, 2454/BL-GY and the Loan 2741/BL-GY, object of the present reformulation. The fiduciary aspects for the present program are herein accordingly.
- 1.3 For the present reformulation, an institutional capacity assessment of CHPA was conducted in July 2017 (Institutional Capacity Assessment System methodology, ICAS). Given CHPA's previous experience and the findings from the ICAS, the fiduciary risk for the execution of C1 of the present program is medium. In contrast, no ICAS was done for WSG since C2 of the reformulated program will include activities foreseen in the original program. This Component will consist of the Sheriff Street & Mandela Avenue Roadway Enhancement Project. This activity was included in the original program; the corresponding procurement process were launched on August 2017 in accordance with Bank Policies and following Bank's

¹ Pursuant to Resolution AG-9/16, approved by the Board of Governors on September 1, 2016, resources from the Fund for Special Operations (FSO) were transferred into the Ordinary Capital (OC) resources of the Bank, effective January 1, 2017. Consequently, all amounts pending disbursement chargeable to the FSO will be disbursed, as of January 1, 2017 chargeable to the OC resources of the Bank, without representing any changes to the financial terms and conditions set forth in Loan Contract No. 2741/BL-GY.

no objection. The works supervision is already under contract and will be valid until full works completion. No other works activities are expected under this component. The fiduciary arrangements pertaining to C2, executed by WSG, will remain the same as in the original loan. For both agencies, a re-evaluation of the fiduciary risks will be conducted during execution as part of the regular fiduciary supervision to support efficient project execution.

- 1.4 **Fiduciary Context of the country.** An Integrated Fiduciary Assessment (IFA) was conducted in 2012/2013, concluding that Guyana's overall budget planning, accounting and reporting systems worked well; that the financial and management accounting system used by the Government (IFMAS) operated consistently and reliably providing updated information about all elements of budget execution, and budget planning and reporting was being done in accordance with the cash basis of accounting and its standards. The Public Financial Management (PFM) indicator scores from the 2012/2013, continued to show encouraging results with slight improvements in areas such as Strengthened External Audit Function, Budget Preparation Process, Revenue Administration etc. Notwithstanding, the IFA highlighted that attention needed to be paid to the internal control environment, Internal Audit, Payroll Control and Procurement Control, among others. To date, confirmations from the Borrower on the results of the 2012/2013 IFA as well as 2007 PEFA remain outstanding. The Bank's Guide for the Use of Country Systems (GUS) Assessment was also conducted in 2013; this also has not been accepted by the Government. The Auditor General's Office (AOG) is currently eligible to audit all Bank-financed Technical Cooperation and loan operations deemed to be of low or medium complexity and risk. This was based on an assessment of the capacity of the AOG undertaken by the Bank in 2011 and the continued institutional strengthening support given by the Bank to the AOG. For this operation, the Bank is recommending: (i) the use of the national accounting system, Integrated Financial Management Accounting System (IFMAS), or any other system acceptable to the Bank, for the financial administration of the project; and (ii) for external control, a firm of independent public accountants acceptable to the Bank or the AOG.
- 1.5 With regards to procurement, assessments of the national system (MAPS) were performed in 2007 and 2013. The results are not yet endorsed by the Government of Guyana. Guyana has a dedicated legislation that governs public procurement, the Procurement Act of 2003 and associated regulations; its features include: (i) a comprehensive range of available procurement methods for open participation of suppliers and contractors in procurement proceedings regardless of nationality; (ii) the provisions for the establishment of the Public Procurement Commission (PPC) as a normative and oversight body for management of the procurement function including ensuring that the procuring entities comply with the law and that complaints and protests are settled appropriately; and (iii) mandatory record-keeping, advertisement and publishing of awards. The National Procurement and Tender Administration Board (NPTAB) was established in the same Procurement Act of 2003 and is responsible for exercising jurisdiction over the country's tender processes, reporting to the Ministry of Finance with policy-making, advisory oversight, and monitoring and information functions. In accordance with the existing legal framework, the NPTAB is a temporary entity while awaiting the creation of the Public Procurement Commission (PPC). To date, however, the Country Procurement System has not been approved and hence will not be used under the present Program. Consequently, the Bank requires the use of its Procurement Policies GN-2349-9 and GN-2350-9 for all activities carried out under the present

Reformulated Program. The Bank will bring adequate support to procurement functions to ensure that activities are carried out in a way that support the prompt execution of the operation and in accordance with the Bank's rules and procedures.

II. EXECUTING AGENCIES' FIDUCIARY CONTEXT

- 2.1 The CHPA will be responsible for the execution C1 of the program and for carrying out all related fiduciary activities related to the component. In accordance with the Housing Act which created CHPA, the Authority's mandate is to ensure the rational and efficient use of lands, while encouraging, where economically feasible and environmentally acceptable, increased utilization of lands to house low income populations. Currently, the structure consists of a Board of Directors, Chief Executive Officer, and eight Departments, including a Finance & Accounting Department. CHPA's Board is currently analyzing an organizational structure change that would make a Department of the procurement function.
- 2.2 CHPA uses Guyana's Integrated Financial Management Accounting System (IFMAS) for financial management related activities and an off the shelf accounting system for detailed reporting. IFMAS was successfully piloted on previous IDB-financed loans. It is recommended that this program use IFMAS along with the off the shelf accounting package for the financial management and accounting of the program.
- 2.3 Although CHPA has executed previous IDB operations, and has experience with IDB policies and procedures, its prior execution activities were completed under a different institutional structure. CHPA's organization structure was revised in early 2017 and is presently under review by its Board of Directors. The new organigram will include a procurement department which will report directly to CHPA's Chief Executive Officer and will help ensure efficiency and sustainability of execution capacity to apply internal and external controls and to ensure quality in the execution of the procurement activities. Once created and staffed, it is expected that said staff will be responsible for undertaking all procurement activities under the reformulated component of the present program. As indicated above, Bank Policies will apply to the reformulated component of the program, thus, the Bank will provide continued procurement support during the entire execution period. In addition, an Operation's Manual (OM) will be tailored and implemented to increase CHPA's capacity to implement the present reformulated Component of the Loan. Given the above, it is expected that the Procurement Function as structured will have the expected capacities to perform its procurement duties.
- 2.4 Regarding WSG, responsible for the execution of C2, the fiduciary arrangements will remain the same as in the original program. The activities under this portion of the program are currently ongoing or in execution as they were contemplated in the original program. No changes are expected but in any case, the Bank will continue to provide support to the EA and its staff to positively contribute to the achievement of expected results under this Component.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 A preliminary Risk Mitigation Matrix included in the project documents to be approved was developed. The Bank, CHPA and WSG will undertake joint reviews

- of the Matrix on a yearly basis, and introduce necessary additional mitigating actions as a result of such reviews and as deemed necessary.
- 3.2 Considering the current CHPA organizational structure, capacity of the existing accounting staff to undertake the financial management for a new operation, the ICAS Assessment and the experience of the Bank with the previous loan, the financial management risk has been classified as low. The recruitment of an administrative officer to ensure adequate segregation of duties coupled with the provision of training on Bank policies and procedures should mitigate the existing risk and strengthen the control environment.
- 3.3 From a procurement standpoint, it is estimated that the overall level of risk for this operation is medium. With regards to C1 executed by CHPA, the organizational structure as described in Section 2.3 above is identified as presenting a low level of risk. Additionally, although the activities as included in the proposed Procurement Plan (PP) for this Loan present a low degree of complexity, the new structure is yet to become fully effective and the related staff remains to be identified. Given the latter, the above leads to determining that the level of risk for this component is medium. With regards to C2 executed by WSG, the only procurement activity related to this component is presently ongoing in accordance with already approved fiduciary arrangements included in the original program. For both, proposed mitigation measures include: (i) re-evaluation of the level of risk during project execution and strengthening of the execution capacity; (ii) discharge of the necessary training activities of staff executing procurement duties to increase capacity to plan and identify an efficient execution strategy; (iii) monitoring of the execution of the procurement related activities as listed and approved in the operation's PP; and (iv) ensure availability of procurement personnel in both agencies to undertake all forecasted procurement activities to achieve the Loan's objectives.

IV. ASPECTS TO BE CONSIDERED IN THE SPECIAL CONDITIONS OF CONTRACT

- 4.1 **Special Contractual Conditions and Clauses of Execution:** The Borrower will consider the conditions prior to first disbursement and the special contractual conditions prior to execution described in the reformulated loan proposal under paragraphs ¶3.5 and ¶3.6. Prior to the first disbursement of C1 of the Program, the Borrower, through the Executing Agency for the Component, shall present evidence of the assignment of CHPA staff to the implementation of the reformulated program, including, among others, the fiduciary staff.
- 4.2 **Type of exchange rate to be used by EA.** The type of funds to be used are established in the following manner: (i) reimbursement of actual expenses: the effective rate of exchange on the date of payment of each expenditure, as published by the Central Bank of Guyana; and (ii) reporting on accounts (Advance of Funds): the effective rate of exchange used in the conversion of the currency of the operation to the local currency. In cases of reimbursement of a guarantee of letter of credit, the equivalent of the currency of the operation will be fixed in accordance with the amount effectively disbursed by the IDB.
- 4.3 **Financial Statements and Reports, audited or unaudited.** (i) Annual financial statements of the project, audited by the Auditor General of Guyana or by a firm of independent public accountants acceptable to the Bank are to be submitted to the Bank within 120 days at the end of each fiscal year, beginning with the fiscal year

in which the first project expenditures are incurred; and (ii) a final financial audit report of the program is to be submitted by CHPA and WSG within 120 days after the date of the last disbursement.

V. FIDUCIARY ARRANGEMENTS FOR PROCUREMENT EXECUTION

A. Procurement and Advance Contracting

- 5.1 Procurement activities for the proposed project will be carried out in accordance with the Policies GN-2349-9 and the Policies GN-2350-9. They will also be subject to the provisions established in the Loan contract. In addition, for all projects, the Borrower is required to prepare and submit to the Bank, an amended General Procurement Notice as well as an initial PP which will be updated in accordance with the applicable sections of the Policies and the Loan Agreement. Procurement activities under C1 and C2 may be undertaken before the signing of the Amendment to the Loan Agreement 2741/BL-GY, including: (i) recruitment of consulting firms for pre-investment studies and designs, in the amount of up to US\$100,000, for C1, which may take place at any time after May 2, 2017 (date the official reformulation request was submitted by the Government of Guyana); and (ii) the procurement of civil works for C2, which will be executed in accordance with the provisions of the original program and Loan Agreement 2741/BL-GY.
- a. **Procurement of Goods, Works, and Non-Consulting Services.** In accordance with Section 1.2 of GN-2349-9, “the responsibility for the implementation of the project, and therefore for the award and administration of contracts under the project, rests with the Borrower”. In accordance, the level of risk as identified in Section 3.3 above, all procurement activities will be carried out under ex-ante supervision as described in the following section of the present Annex III.
 - b. **Procurement of Consulting Services.** In accordance with Section 1.4 of GN-2350-9, “The Borrower is responsible for preparing and implementing the project, and therefore for selecting the consultant, and awarding and subsequently administering the contract.” As such, the Borrower is responsible for preparing and implementing the scheduled activities, and therefore for preparing the Terms of Reference (TOR), short lists, selecting the consultants, awarding the contract and subsequently administering it. Given the level of risk as identified in Section 3.3 above, activities related to Consulting Services will also be executed under the ex-ante modality.
 - c. **Sole Source Selection and/or Direct Contracting.** No Direct Contracting is expected at this stage.
 - d. **Selection of Individual Consultants.** Individual consultants will be selected and recruited in accordance with Section V (Selection of Individual Consultants) of GN-2350-9.
 - e. **Exception to Bank Procurement Policies.** The operation does not foresee any exception to the Bank’s procurement policies.
 - f. **Recurring Expenses.** Include payment of utilities and other office operating expenses of the Executing Agency, if any.

B. Country Threshold Limits and Short List Conformation

Table 1. Thresholds (US\$)

International Competitive Bidding Threshold*		National Competitive Bidding (NBC) Range ** (complex works and non-common goods)		Consulting Services
Works	Goods	Works	Goods	International Short List
>1,000,000	>100,000	<1,000,000	<100,000	> 100,000

* When procuring simple works and common goods and their amount is under the International Competitive Bidding thresholds, Shopping may be used.

** When procuring non-complex works or common goods with amounts under the NCB range, Shopping may be used.

- 5.2 **Procurement Plan.** The PP for the operation covering the first 18 months of project execution can be accessed through the following [REL#4](#). The on-line Electronic Procurement Execution System (known by its Spanish acronym as SEPA) will be used for the publication and updates of the PP during project execution. It is expected that the EA will use the SEPA program for management of its procurement activities. The PP will be updated annually or whenever necessary, or as required by the Bank (www.iadb.org/procurement; www.iniciativasepa.org/). The initial PP for the operation lists all procurement activities foreseen under this operation. The table below includes the list of the main procurement activities for this Loan.

C. Main Procurement Activities

Table 2. Procurement Activities

Activity:	Additional Information	Procurement Method	Estimated Amount in US\$	Estimated Amount IDB %	Review Method	Specific Procurement notice	Contract Signature
Sheriff-Mandela Roadway Construction	Works	ICB	31,000,000	97	Ex-Ante	Q3 2017	Q4 2017
Sophia – roads, drain, sidewalks	Works	NCB	6,300,000	100	Ex-Ante	Q2 2018	Q3 2018
Sophia – amenities	Works	PC	400,000	100	Ex-Post	Q3 2018	Q3 2018
Sophia – Street Lighting	Works	PC	123,750	100	Ex-Post	Q3 2018	Q3 2018
Core home – construction materials	Goods	NCB	5,000,000	100	Ex-Ante	Q1 2019	Q3 2022
Home improvement – construction materials	Goods	PC	5,000,000	100	Ex-Ante	Q1 2019	Q3 2022

D. Supervision of Procurement

- 5.3 Supervision modalities for both components are tailored to keep with the most efficient execution mechanism while ensuring compliance with the applicable procurement rules and procedures. Under this Program, procurement activities: (i) will be subject to ex-ante review given the level of risk as identified above; (ii) will

- be explicitly listed in the approved and updated PP in SEPA; (iii) will be launched once all technical specifications and/or terms of reference are validated by the Bank's Sector Specialist; and (iv) will be documented in accordance with the general filing guidelines that will be detailed in the OM (for C1).
- 5.4 Modifications to the present arrangement are subject to a prior written agreement between the EAs and the Bank. The evaluation of capacity and the level of risk may vary during the project's execution depending on the findings of the regular supervision activities that will be conducted during the project's lifespan. As such, supervision modalities may vary as capacity increases.
- 5.5 **Records and Files.** All records and files will be maintained by the Executing Agencies, according to accepted best practices and to the general guidelines that will be provided by the Bank at the initial training of the fiduciary staff. All records must be kept for seven years beyond the end of the operation's execution period. It is also recommended, and yet not mandatory, that the EA developed electronic filing to avoid losing all paper files.

VI. FINANCIAL MANAGEMENT

A. Programming and Budget

- 6.1 The Borrower has committed to allocate, for each fiscal year of project execution, adequate fiscal space to guarantee the unfettered execution of the project; as determined by normal operative instruments such as the AOP and the Procurement Plan.

B. Accounting and Information Systems

- 6.2 It is expected that IFMAS accounting system will facilitate the recording and classification of all financial transactions, supported by an off-shelf accounting system.

C. Disbursements and Cash Flow

- 6.3 The Bank will supervise the creation of an Advance of Funds, using its Funds methodology. Whenever resources from the financing are requested through an Advance of Funds, it will be deposited into a Special Account, denominated in US dollars, established exclusively for the project at the Central Bank of Guyana. Required resources from this Special Account will be transferred to another bank account, denominated in Guyana Dollars to be utilized for payment of expenditures in local currency.
- 6.4 The project will provide adequate justification of the existing Advance of Funds balance, whenever 80% of said balance has been spent. Advances will normally cover a period not exceeding 180 days and no less than 90 days. In order to request disbursements from the Bank, the EA will present forms and supporting documents as specified in Table 3.

Table 3. Disbursement Justification Requirements

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

6.5 Generally, supporting documentation for Justification of Advances and Reimbursement of Payments made will be kept at the office of the EA. Disbursements' supporting documents may be reviewed by the Bank on an ex-post basis.

D. Internal Control and Internal Audit

6.6 The management of the project will assume the responsibility for designing and implementing a sound system of internal controls for the project.

E. External Control and Reports

6.7 For each fiscal year during project execution, MoC and MPI will be responsible to produce semi-annual financial reports for the project, annual Audited Financial Reports of the Program and one final Audited Financial Report at the end of the Program, audited either by the Auditor General of Guyana or by a firm of independent public accountants acceptable to the Bank.

F. Financial Supervision Plan

6.8 It will be developed based on the initial and subsequent risk assessments carried out for the project. Inspection visits will be performed based on the risk assessed, covering: (i) review of the bank reconciliation and supporting documentation for Advances and Justifications; (ii) compliance with procedures; (iii) review of compliance with the lending criteria; and (iv) ex-post review of disbursements.

G. Execution Mechanism

6.9 MoC will be the Executing Agency with responsibility for the financial administration of the program for C1 and MPI will be the EA responsible for the financial administration of C2. Responsibility of both Executing Agencies will include: (i) preparation of required project reports; (ii) monitoring product, output and outcomes achievement using established indicators; (iii) preparation and submission of disbursement requests to the Bank and justification of expenses; (iv) preparation of financial reports; (v) ensure compliance with all aspects of the OM; and (vi) maintain adequate documentation filing system.