



Board of Executive Directors

For consideration

On or after 30 November 2016

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Simultaneous Disclosure

To: The Executive Directors
From: The Secretary
Subject: Guyana. Proposal for a loan for the project "Enhancing the National Quality Infrastructure for Economic Diversification and Trade Promotion"

Basic Information: Loan type Specific Investment Operation (ESP)
Borrower Co-operative Republic of Guyana
Amount up to US\$4,500,000
Source Single Currency Facility Ordinary Capital
Amount up to US\$4,500,000
Source Fund for Special Operations

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Remarks: This operation is not included in Annex III of document GN-2849, "2016 Operational Program Report", approved by the Board of Executive Directors on 3 March 2016. Therefore, the operation does not qualify for approval by Simplified Procedure.

The financing for this operation corresponds to a parallel loan within the framework of the multilateral debt relief and concessional finance reform of the Bank.

Reference: GN-1838-1(7/94), DR-398-17(1/15), GN-2849(3/16), AB-2504(11/06), AG-9/06, AB-2946(6/13), AG-9/13

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

GUYANA

**ENHANCING THE NATIONAL QUALITY INFRASTRUCTURE FOR ECONOMIC
DIVERSIFICATION AND TRADE PROMOTION**

(GY-L1059)

LOAN PROPOSAL

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ELECTRONIC LINKS
REQUIRED
1. Pluriannual Execution Plan
2. Annual Operational Plan
3. Monitoring and Evaluation Arrangements
4. Environmental and Social Management Report
5. Procurement Plan
OPTIONAL
1. Detailed Budget
2. Analysis of Project Cost and Economic Viability
3. Institutional Analysis/Personnel, Procedures and other Aspects of Implementation Capacity (Draft version)
4. Donor Coordination
5. Gaps and Needs Assessment for the State of the Art Laboratory
6. Legal and Regulatory Assessment of the Guyana National Quality Infrastructure (NQI)
7. Recommendations for Improving the NQI in Guyana
8. Draft Operating Manual
9. Safeguard Policy Filter (SPF) and Safeguard Screening Form (SSF)

ABBREVIATIONS	
AOP	Annual Operational Plan
AP	Acquisition Plan
CRF	Corporate Results Framework
CROSQ	CARICOM Regional Organization for Standards and Quality
EDF	European Development Fund
ESA	Environmental and Social Analysis
ESMP	Environmental and Social Mitigation Plan
FSO	Fund for Special Operations
GDP	Gross Domestic Product
GNBS	Guyana National Bureau of Standards
Go-Invest	Guyana Office for Investment
IECC	International Energy Conservation Code
ISO	International Standards Organization
M&E	Monitoring and Evaluation
MoA	Ministry of Agriculture
MoB	Ministry of Business
MoH	Ministry of Public Health
MSE	Micro and Small Enterprise
NQI	National Quality Infrastructure
NSC	National Standards Council
OC	Ordinary Capital
OM	Operating Manual
PEU	Project Execution Unit
PSAR	Private Sector Assessment Report
PSC	Project Steering Committee
PTB	National Metrology Institute of Germany (<i>Physikalisch-Technische Bundesanstalt</i>)
REEBC	Regional Energy Efficiency Building Code
SME	Small and Medium-Sized Enterprises
SPS	Sanitary and Phytosanitary Measures
UNIDO	United Nations Industrial Development Organization
UIS	Update to the Institutional Strategy
US	United States of America

PROJECT SUMMARY
GUYANA
ENHANCING THE NATIONAL QUALITY INFRASTRUCTURE FOR ECONOMIC DIVERSIFICATION AND TRADE
PROMOTION
(GY-L1059)

Financial Terms and Conditions					
Borrower: Co-operative Republic of Guyana				Ordinary Capital (OC)	Fund for Special Operations (FSO)
			Amortization Period:	30 years	40 years
Executing Agency: Ministry of Business (MoB)			Disbursement Period:	5.5 years	5.5 years
			Grace Period:	6 years	40 years
Source	Amount (US\$)	%	Supervision and Inspection Fee:	(a)	N/A
IDB (OC):	4,500,000	50	Interest rate:	SCF Fixed ^(b)	0.25%
			Credit Fee:	(a)	N/A
			IDB (FSO)	4,500,000	50
Total:	9,000,000	100			
Project at a Glance					
Project Objective/Description: The program's objective is to support economic diversification and exports through the enhancement of the National Quality Infrastructure (NQI) and through a National Export and Investment Promotion Strategy. Specific objectives are: (i) to enhance the capacity of the NQI; (ii) to improve facilities for the NQI; and (iii) to enhance the capability of the Guyana Office for Investment for export and investment promotion.					
Special Contractual Clauses prior to the first disbursement are: (i) evidence of the creation of the Project Execution Unit within the MoB with the appointment of the project manager, the financial management officer, the procurement officer, the supporting engineer, and the monitoring and evaluation officer according to professional profiles satisfactory to the Bank; (ii) approval of the Operating Manual of the program by the MoB, according to the terms previously agreed by the Bank; and (iii) presentation of an Initial Report including the updated Multi-annual Execution Plan, the first Annual Operation Plan and Procurement and Financial Plans (¶3.8).					
Other Special Clauses: The project executing agency shall comply with the environmental and social conditions established in Section VI of the Environmental and Social Management Report (¶3.8).					
Exceptions to Bank Policies: None.					
Strategic Alignment					
Challenges^(c):		SI <input type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>	
Cross-Cutting Themes^(d):		GD <input type="checkbox"/>	CC <input type="checkbox"/>	IC <input checked="" type="checkbox"/>	

^(a) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the Bank's lending charges, in accordance with the relevant policies.

^(b) The Borrower shall pay interest on the outstanding balance of the OC loan at a Libor based rate. Each time the outstanding balance reaches 25% of the net approved amount or \$3 million, whichever is greater, the interest rate will be fixed.

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

^(d) 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. Background

- 1.1 **90% of Guyana's production is concentrated in three sectors.** Guyana experienced a 4.5% average economic growth during 2009-2014 primarily due to the expansion of mining and agricultural exports and to the high prices of commodities such as gold.¹ However, in 2015, as the price of international commodities declined, economic growth slowed to 3% highlighting the vulnerability of the economy to its high concentration in few sectors. Services (59.7%), agriculture/agro-processing (18.1%) and mining (20.3%)² together make up more than 90% of Guyana's Gross Domestic Product (GDP).
- 1.2 Guyana has a relatively small local market and growth is dependent on exports, 82% of Guyana exports products are concentrated in less than 10 products, mainly within the mineral and agricultural sectors where 45% of exports were attributed to gold, 18% to rice, 6.6% to raw sugar and 3.5% to crustaceans.^{3, 4} As the production cost of rice and sugar in Guyana makes it hard to compete with other countries, there is a strong need to diversify exports in other agricultural products.⁵
- 1.3 **An undersized sector of non-traditional exports offers an opportunity for diversification.** Even though Guyana has a strong advantage as a supplier of agricultural products in the Caribbean region and in other markets, non-traditional exports, including fresh products and agro-processed goods, have only amounted to 0.6% of all exports in average during the 2011-2014 periods. (see [Economic and Export Diversification](#)). Guyana's exports are also regionally concentrated, as five countries make up approximately 63% of its export market.
- 1.4 **The opportunity for exports diversification is high as the activity of non-traditional exports subsector is intense, in spite of its modest size.** In the 2011 to 2015 period, non-traditional agricultural goods were exported by about 500 firms a year. All of these firms together completed about 3,800 transactions a year to approximately 20 destinations (on average per year), including, among others: Antigua and Barbuda, Aruba, Barbados, Belgium, Canada, Denmark, Dominica, Dominican Republic, France, United Kingdom, Grenada, Hong Kong, Jamaica, Japan, Saint Kitts and Nevis, Cayman Islands, Saint Lucia, Netherlands, Curacao, Suriname, Turks and Caicos, Trinidad and Tobago, Ukraine, United States of America (US), Saint Vincent and the Grenadines, Venezuela, Virgin Islands (British and US).⁶

¹ Guyana Private Sector Assessment Report (PSAR). 2014. Bureau of Statistics Data.

² Bureau of Statistics 2014 Report on GDP at Current Basic Prices.

³ Observatory of Economic Complexity 2016.

⁴ Source: Bureau of Statistics.

⁵ Wenner. 2016. Guyana's Petro Caribe Rice Compensation Scheme has Ended. Assessment and Policy Implications.

⁶ Customs Records. Detailed calculations in [Monitoring and Evaluation \(M&E\) Arrangements](#).

- 1.5 Most of the non-traditional exporters are Small and Medium-Sized Enterprises (SMEs) and in order to conduct businesses, they (or any SMEs with export potential) face important operational challenges related to quality control. In an increasingly global economy, with integrated production and consumer networks, countries need to offer high quality products. This requires quality standards and modern accredited⁷ testing facilities.⁸ Recent studies⁹ show that services provided by a National Quality Infrastructure (NQI) are necessary for economic growth, diversification and targeting new markets. In the case of Guyana, the production and trading of goods and services face a number of non-compliance risks in both the local and export markets with significant impact on competitiveness including: (i) rejection of products at border inspection point; (ii) increased costs due to delays while inspections/tests are being done in overseas laboratories; (iii) disruptions in trade, loss or inability to expand into new market; (iv) loss of revenue where inaccurate measurements and test results are used; and (v) inability to command premium price where quality and safety products are not defined. Guyana's average Unit Rejection Rate in the US for fruit and vegetables was 6 rejections per US\$1 million of exports for the 2006-2010 period, higher than other food exporters from CARICOM (0.25 for Jamaica, 0.4 for Trinidad).¹⁰
- 1.6 SMEs in Guyana lack the knowledge, expertise, and resources to adopt and implement quality standards, and exporters have to go through quality control processes (testing, certification, etc.) for each shipment to be exported. Given that the certification varies according to the specific product, to the specific destination and to the specific shipment, the process of quality control concentrates a significant cost when conducting export activities, in particular for SMEs.

2. Rationale for intervention and main challenges to be addressed

- 1.7 **Quality control (testing and certification) services are essentially provided abroad.** In Guyana, only two laboratories are accredited,¹¹ and these are not accredited for certification of non-traditional exports. Non-traditional exporters, which are mainly SMEs, must use testing services from accredited laboratories overseas in order to acquire the required certifications¹². Small exporters face higher costs because of their small size and limited economies of scale. In addition, they have higher risks of losing shipments due to rejection because of the lack of track records and the nature of their exports which tend to be more

⁷ Accreditation is the formal recognition of the technical competence of the certifying body and testing or calibration laboratories. (Sanetra. 2017. A National Quality Infrastructure).

⁸ Guasch, Racine, Sanchez and Diop. 2007. Quality Systems and Standards for a Competitive Edge. Directions in Development. World Bank Publication.

⁹ Gonzales, Gothner and Rovira. 2014. *Midiendo el impacto de la infraestructura de la calidad en América Latina: experiencias, alcances y limitaciones. Documento CEPAL. PTB.*

¹⁰ UNIDO. 2012. Trade Standards and Compliance Report.

¹¹ These laboratories do not provide services to non-traditional exporters as they concentrate on rice and medical services.

¹² The GNBS Catalogue 2012 lists 20 standards as having mandatory status. The World Trade Organization Report by Measures 2009, states that Guyana makes minimal use of technical regulations.

diverse in terms of destinations and products than those of traditional exporters.^{13, 14}

- 1.8 **Accreditation of more local laboratories is restrained as Guyana does not have a fully developed NQI.** A NQI is the ecosystem that supports the development, adoption and compliance of standards to promote product quality. It is comprised of the institutions, norms, and regulations, metrology and testing infrastructure, and public and private stakeholders that develop, supervise or adopt quality standards. The main bodies of the NQI are: (i) National Standard Bodies, in charge of developing and adopting standards; (ii) certification bodies in charge of assurance that a product conforms to standards; (iii) testing laboratories (both public and private); (iv) inspection bodies; (v) calibration laboratories; and (vi) accreditation bodies in which an organization or a person is recognized as competent to carry out certain tasks (see [Schematic representation of a NQI](#) and Guash et al 2007). In Guyana, the main institution involved in the NQI, is the Ministry of Business (MoB), who has responsibility over the Guyana National Bureau of Standards (GNBS) and the Guyana Office for Investment (Go-Invest). The GNBS is responsible for developing national standards and is governed by a National Standards Council (NSC), whose members (Chambers of Commerce, the University of Guyana, the Guyana Manufacturers' Association, regulatory bodies, etc.) are appointed by MoB. Go-Invest, the Ministry of Agriculture (MoA) and the Ministry of Public Health (MoH) are part of the Guyana NQI. The MoA, through the National Agricultural Research and Extension Institute is in charge of Guyana's Sanitary and Phytosanitary Measures (SPS). The Guyana Livestock Development Corporation is in charge of surveillance functions regarding livestock. The MoH through the Food and Drug Department has the responsibility for issues relating to human health, including food for human consumption and cosmetics. Go-Invest is the Guyanese agency that promotes and facilitates local and foreign private sector direct investment and exports. (see [Guyana NQI – Ministries and Agencies](#)). Twenty laboratories, both public and private, are part of the NQI in Guyana as well.
- 1.9 Depending on the product and the market, exporters must comply with standards often established by a large company, or by an organization representing a particular interest (i.e. Fair Trade) or by the International Standards Organization (ISO). In addition, there are mandatory technical regulations such as the ones established by the World Trade Organization. In order to provide a certification of a product via a given test, a laboratory must be accredited. The laboratories, in turn, need to be accredited by an international organization, and a national standard body has to calibrate and certify their equipment and testing facilities. Tests that are not certified by an accredited laboratory are not recognized internationally. In Guyana, the GNBS is the agency responsible of the calibration and certification of equipment and facilities.

¹³ Gaps and Needs Assessment, 2014.

¹⁴ Thus, most Guyanese firms sell their goods and services only to the domestic market, with 15% reporting that they sell to the Caribbean region and 3.8% selling beyond the Caribbean (Gaps and Needs Assessment, 2014).

- 1.10 In Guyana, the GNBS, who has the responsibility for standardization, formulation and application of standards, technical regulations, conformity assessment procedures and metrology¹⁵, faces important challenges. Services for evaluating whether manufacturers produce and deliver their products in accordance with the corresponding specifications including testing laboratories, equipment calibration laboratories, certification and inspection bodies. The technical competence of these services and their correct implementation is confirmed by an accreditation. In Guyana, the GNBS has the sole responsibility for conducting calibration of measuring devices for mass, electrical measurements and temperature, and while it has the adequate personnel, does not have the physical conditions to control temperature and humidity, vibration, among others. The current location of the GNBS does not allow for expansion and its current building does not have the space nor the required technical parameters and layout to perform the required tasks. The current laboratory facilities and equipment of the GNBS have severe limitations in terms of space and environmental conditions. The state of the current laboratory infrastructure is inadequate to allow the GNBS to perform its role as the sector entity that verifies conformity with the adoption of standards with the aim of supporting economic diversification, innovation and exports. In particular, the main limitations and gaps of the GNBS laboratories in the system are: (i) unsuitable laboratory facilities that lack the proper physical conditions to assure reliability; (ii) absence of a laboratory facility to perform tests for consumer protection and certifying production standards; (iii) limited calibration capacity in terms for temperature, moisture, pressure, force, volume and electricity;¹⁶ (iv) lack of adequate equipment and consumables; (v) outdated test methods that no longer meet the needs for the industry requirements; (vi) lack of accreditation and participation in proficiency testing programs; and (vii) insufficient trained staff for performing tests and calibrations and maintenance of the equipment.¹⁷ In addition, asymmetries within the existing laboratories in terms of physical and testing capacity, human resources and information cause an inefficient use of the existing resources. Without the proper GNBS infrastructure, all the other laboratories in the system face challenges for accreditation and compliance with conformity. The already accredited laboratories also need support to maintain their accreditation or to achieve accreditation from additional international boards.
- 1.11 The network of existing local laboratories also presents additional challenges (mainly, suboptimal allocation of resources and incipient coordination). The laboratories in Guyana that are part of the NQI present asymmetries in terms of physical capacity, with some having excess capacity in terms of facilities and equipment but lacking adequate personnel. There is also lack of awareness between the stakeholders of some tests already available in the system. The coordination initiatives between some laboratories are incipient and need to be strengthened.

¹⁵ GNBS Strategy. 2011.

¹⁶ Unsuitable type of construction materials to ensure a sterile environment, layouts that may conduce to cross contamination, locations subject to flooding, poor ventilation, humidity and direct sunlight. Needs Assessment Report, 2014.

¹⁷ Ibid.

- 1.12 **Need to implement an export and investment strategy.** The Government of Guyana is pursuing economic diversification, focusing on boosting the more important sectors of Guyana's economy,¹⁸ in particular: (i) agriculture/agro processing, (ii) forestry, (iii) mining, and (iv) manufacturing. In addition, the government is implementing policies to accelerate the development of non-traditional agriculture and non-traditional exports to take advantage of Guyana's agricultural potential (in particular fresh and processed fruits and vegetables), forestry (value added wood products) and seafood and aquaculture.¹⁹ There is a need to develop further strategic planning in the area of export promotion and investment attraction, including a revision of the institutional framework, with the goal of connecting regional and global value chains.
- 1.13 **Government strategy, priorities and actions.** The MoB has been carrying out actions to support economic diversification and productivity, value added and export readiness, and supporting new growth and diversification in new sectors (specifically in non-traditional agriculture, aquaculture, business process outsourcing/information technology, and tourism) all encapsulated under a socially and environmentally sustainable framework. The MoB Strategic Plan 2015-2020 has export promotion and the reduction of dependency on exports of gold, bauxite, sugar rice and timber as two of the main goals. Due to the size of the economy, economic diversification actions entail accessing new markets for non-traditional products. The Low Carbon Development Strategy indicates the need to invest in high-value, low carbon economic sectors, including the production of fruit and vegetables, aquaculture and sustainable forestry.
- 1.14 **Justification.** Recent studies²⁰ show that services provided by a NQI are necessary for economic growth, diversification and targeting new markets.. First, because there is a growing consensus that patterns of economic development are associated with structural change in exports and increased export diversification,²¹ and NQIs are either enablers or catalyzers of this change.²² Second, because access to international markets, product development and

¹⁸ MoB 2015-2020 Strategic Plan.

¹⁹ Go-Invest. <http://goinvest.gov.gy/why-guyana>.

²⁰ Gutierrez, J.J. 2015 Economic Sector Work: *Sistema Nacional de la Calidad. Bien Público para la Competitividad* (Draft). Guasch. 2007. *Quality Systems and Standards for a Competitive Edge*. t. World Bank Publication. Gonzales, Gothner and Rovira. 2014. *Midiendo el impacto de la infraestructura de la calidad en América Latina: experiencias, alcances y limitaciones. Documento CEPAL. PTB*.

²¹ Given the high concentration of Guyanese exports diagnosed in ¶1.2, for the purposes of this project, "export diversification" refers to the de-concentration of exports in two dimensions: in the composition of the export basket, looking for more participation of non-traditional products (this is, the term "diversification" does not imply the production or export of "new types" of products, just a higher participation of non-traditional products in the overall basket) and in the composition of the destination pool, looking to open access of currently produced non-traditional products to new international markets. It is in this sense that "diversification" requires a supportive and complementary NQI system. Access to existing and new markets requires compliance, in most cases mandatory, with technical requirements that are standards-based and include: food safety, good agricultural practices, good manufacturing practices, quality standards, animal health, plant health, environmental, social, safety, information security, efficiency and certification standards. This requires a quality infrastructure with laboratories that are able to generate precise and accurate results. In addition, innovators need the support for accurate metrology, testing and standardization of new products.

²² Samen, Salomon. World Bank. 2010. *Export Diversification: Key Concepts, Theoretical Underpinnings, and Empirical Evidence*.

industrial upgrading of SMEs are usually boosted through the adoption of quality standards²³. Third, because the NQI addresses the market failure of information asymmetry for producers and consumers seeking quality products that meet international standards and also the regulatory failure of limited government control on quality both for exports and imports (in this sense, the NQI is a public good, as the fixed cost of development of patterns and metrics are relatively high and should be available to all consumers, large and small firms, regulatory bodies, etc.²⁴). Fourth, because the existence of an NQI is a necessary condition for the functioning of innovation systems especially when they are oriented to promoting exports.²⁵ In fact, several recent studies²⁶ have suggested that the existence of an NQI can: (i) increase the productivity of firms; (ii) support innovation; (iii) reduce transaction costs between suppliers and customers; (iv) allow for entry into new markets; (v) generate synergies and information; and (vi) allow for protection of consumers and the environment. The main beneficiaries of a well-functioning NQI are the firms who benefit from economies of scale, access to foreign markets, integration in global value chains, reduction of information asymmetry, diffusion of technology, fair competition and support for innovation. Consumers benefit with information, better quality products, environmental protection and consumer protection.²⁷

- 1.15 **Studies have thoroughly developed the theoretical framework of NQIs but hard evidence of its impact is still scant.** In spite of the literature developed around the topic in recent years, more focused on the theoretical design framework of NQIs, hard evidence about the quantifiable effects of adoption of standards is rather scarce for developing countries. For developed ones, some studies quantify the economic impact of adoption of standards using techniques such as economic modelling, case studies, cost-benefit analysis and interviews. There is no empirical evidence based on impact evaluations besides some attempts conducted by the United Nations Industrial Development Organization (UNIDO) in developing economies. (see [Monitoring and Evaluation \(M&E\) Arrangements](#)). Still recent estimations of impacts of standards adoption for developed economies show evidence that lends validity to the internal logic of the intervention as implementation or strengthening of NQI systems are related to growth of production, productivity and exports. The results of these studies show that there is a positive relationship between the increase in the stock of standards and productivity and economic growth. Case studies in developing countries with before and after comparison also show a positive impact on exports and productivity.²⁸ These gaps bring in a valuable opportunity to contribute with knowledge of the impact of this type of programs in the region.
- 1.16 **Guyana's National Competitiveness Strategy states the need for economic diversification.** In the case of Guyana, as the government is pursuing a strategy for economic and export diversification,²⁹ and as export diversification and

²³ Guash, 2007.

²⁴ Finchelstein D. et al. 2016.

²⁵ Guash, 2007.

²⁶ Lambert, 2010, Gonzalves, 2010. Gonzalves, 2011. Finchlestein, 2016.

²⁷ Gonzalves, 2010.

²⁸ The M&E Arrangements discusses this in detail.

²⁹ MoB 2015-2020 Strategic Plan.

competitiveness of exports in new markets need the adoption of quality standards to access international markets, the present program seeks to enhance the NQI through improving the capacity of the system by addressing the personnel and infrastructure asymmetries of the network of laboratories, strengthening the capacity of the stakeholders in the system as well as the capacity of the GNBS to provide support to the NQI with adequate facilities and with complementary policy actions to increase non-traditional exports and foreign investment. In addition, Guyana's National Competitiveness Strategy states the need for economic diversification, listing the following sectors as key diversification and growth opportunities: (i) agriculture/agro-processing; (ii) forestry; (iii) mining; (iv) manufacturing; (v) energy; (vi) tourism; and (vii) information technology and services, being the first one of special interest for this project.³⁰

- 1.17 **Bank's previous and ongoing work in the sector and the country points towards the goal of diversification.** This operation will provide continuity to the Support for Competitiveness Program (1750/SF-GY), whose objectives were to strengthen the institutions for public private dialogue on competitiveness and to improve the business environment for private investment and export development. The main outputs were legal and regulatory reforms to improve the business climate, the implementation of electronic registries for deeds and the preparatory analytical studies for further improvements of the business climate. The Gaps and Needs Assessment is one of the key analytical results developed and its implementation is proposed to be carried out in the current operation.³¹ This operation complements the Sustainable Agricultural Development Program (GY-L1060) under preparation, as promoting exports and improving SPS requirements are complementary, and it targets research, innovation and technology transfer for farmers of non-traditional crops who could eventually become exporters and become beneficiaries of the present operation. The program also complements the Micro and Small Enterprise (MSE) Development and Building Alternative Livelihood (GRT/GF-13725-GY) as the MSEs that benefit from this project can eventually become exporters.³²
- 1.18 Lessons learned and best practices from the above referenced operations include the need for sufficient provision of resources for operational expenses, the need to define the role of the Steering Committee for strategic direction and the need to assure the "buy in" and cooperation of participating agencies. Related operations, Agriculture Export Diversification Program (1929/BL-GY) and National Information Quality Dissemination (ATN/AT-13276-RG), identified the need to foster sustainability by addressing the capacity of semiautonomous agencies for reaching financial sustainability. These lessons were incorporated in

³⁰ Kandhi, R. and Edmondson, H. 2014. Consultancy for Needs Assessment for State of the Art Testing Metrology Facilities.

³¹ The study recommended a State-of-the-Art Laboratory to fulfill all the testing needs in one testing facility. However, the approach in the present operation is to enhance the capacity of the GNBS and their facilities and support a network of laboratories.

³² Compete Caribbean has financed two technical cooperation projects that foster economic diversification and exports in Guyana: (i) the Rupununi Catch and Release cluster for catch and release sport fishing as a ecotourism export product; and (ii) Plympton Farms, a commercial produce farm in Guyana that uses greenhouse and drip irrigation technology to cater to export markets in the Caribbean and the US.

the program by including resources for operational expenses, defining the role of the Project Steering Committee (PSC) in strategic terms, actively involving the participating agencies in the preparation, including provisions for training (including managerial) for the laboratories and incorporating a sustainability plan as part of the GNBS strategy.

- 1.19 **Intervention strategy.** The proposed intervention aims at making a shift in the practice of quality standards by supporting and promoting export activity under a modern framework, in which the technical and physical capacity of the NQI will be brought to a level commensurate with best international practices and will allow the country to be able to respond in a more cost effective manner to the requirements of the new international markets. The design also includes elements for its sustainability and relevance in the long term (see ¶2.9).
- 1.20 As it is further developed in Section B, the modernization of the NQI includes streamlining and implementing procedures for certification, accreditation and conformity, improving the laboratory facilities of the GNBS for metrology, calibration and testing³³ as well as providing support to the main laboratories related to the export/import processes under the MoA and MoH. The modernization of the NQI should also be accompanied by actions to promote export and investment, to boost the participation of domestic firms in international markets, and to encourage actions that promote the adoption of a culture of quality in producers and exporters. In addition, actions to make a more efficient use of the existing resources in the different laboratories of the NQI, to share best practices and to collaborate will be fostered through a network of laboratories.
- 1.21 **Strategic alignment.** This program is aligned with the IDB Country Strategy with the Cooperative Republic of Guyana 2012-2016 (GN-2690), which includes the pillar of private sector development and the increase in competitiveness and innovation in Guyana. The project will contribute to the enhancement of competitiveness through an improved NQI system (better metrology, in-land testing and certification for exports, standardization of production, improvement of non-traditional processing to meet export standards, reduced rejection of exports, etc.) and to economic growth by enhancing the export base of non-traditional products and by promoting efficiency gains in the non-traditional exports sector.³⁴
- 1.22 The program is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) and is strategically aligned with the development challenges of productivity and innovation by contributing to the enhancement of competitiveness through an improved NQI system and by supporting export

³³ Some tests that are required to be carried out under controlled conditions are being currently carried out in the same room as others.

³⁴ The program will increase productivity of the non-traditional exporter sector essentially through efficiency gains. First, through the reduction in costs of testing and certification for exports (due to the local delivery of those projects thanks to the local laboratories accredited by the project), liberated resources will increase returns and generate the same or more exports with the same factors. Second, the reduction of rejection rates will also improve the net benefits as costly reattempts will not be needed and access to new markets will be more likely in less time bringing new demand for the Guyanese non-traditional exports.

diversification. The program will: (i) support SMEs to access new markets; (ii) enhance the quality of SMEs products by adopting international standards; and (iii) increase the value of non-traditional exports and reduce the costs of conducting those exports. The program is also aligned with the cross-cutting theme of institutional capacity and rule of law by supporting the institutional strengthening of the NQI and providing training for laboratory staff, GNBS and exporters, mostly SMEs with export potential. The existence of a strong modern and functional NQI will help non-traditional exports to grow and this is identified in the outcome indicator “increase in value of nontraditional exports”.

- 1.23 The program will contribute to the Corporate Results Framework (CRF) 2016-2019 (GN-2727-6) by: contributing to the growth rate of the value of total exports of goods and services as it aims to increase the value and volume of non-traditional exports (see [Results Matrix](#)). The project is aligned with the Sector Strategy Institutions for Growth and Social Welfare (GN-2587-2) as it responds to strengthening private sector entities such as SMEs; and to the Sector Strategy to Support Competitive Global and Regional Integration (GN-2565-4) on the need to work on integration, on standards and quality, export promotion and modernization of the institutional framework related to exports, investment and integration. The project is also aligned to the Innovation, Science and Technology Sector Framework Document (GN-2791-3) as standards, quality and metrology are needed for innovation; and to the Integration and Trade Sector Framework Document (GN-2715-6), in the efforts to reduce trade costs while focusing on exports from exporters, mainly SMEs.
- 1.24 **Donor Coordination.** The team has engaged in conversation with the National Metrology Institute of Germany (PTB) and with the CARICOM Regional Organization for Standards and Quality (CROSQ). CROSQ manages a Technical Barriers to Trade Project as part of the 10th European Development Fund (EDF). The program is being implemented by the PTB who also provides technical assistance to the program through the German Technical Cooperation Agency. The activities of the EDF are geared toward improving quality standards and accreditation in the region (see [Donor Coordination](#)). In this regard, the proposed intervention is aligned with the draft regional guidelines that are being prepared by CROSQ and complements the PTB work in the region.

B. Objective, Components and Cost

- 1.25 **Objective.** The objective of the program is to support economic diversification and exports through the enhancement of the NQI and through a National Export and Investment Promotion Strategy. Specific objectives are: (i) to enhance the capacity of the NQI; (ii) to improve facilities for the NQI; and (iii) to enhance the capability of Go-Invest for export and investment promotion.
- 1.26 **Sole Component. Enhancing the National Quality Infrastructure for Economic Diversification and Trade Promotion**
- 1.27 **Subcomponent 1: Modernization of the Institutional Framework of the NQI (US\$615,000).** The subcomponent will support the capacity building of the stakeholders of the NQI, in particular the GNBS, in strengthening the areas of technical regulations, compliance, conformity, accreditation and training, and

capacity building of public and private stakeholders. The governance structure of the NQI will be streamlined to include the needs of private sector with priority given to non-traditional exporters and a network of laboratories will be created in order to promote the most efficient use of the current facilities. The training to be conducted will be targeted at enhancing the capacity of the personnel at the GNBS and addressing the common needs of stakeholders in the network of the laboratories, such as managerial and operational. In addition, the network of laboratories under the GNBS will create a M&E system, in which data of the users of the NQI will be collected.

- 1.28 This subcomponent will finance: (i) activities to support the accreditation process of existing laboratories with best practices and international standards, along with the required processes; (ii) training and capacity building for laboratories in the network and for the GNBS including awareness campaigns for stakeholders; (iii) creation and operation of a network of laboratories. The operation of the network will include a design of the governance structure for the network, an integrated operation system that centralizes information about services, equipment and condition of all laboratories as well as cross requests for services.³⁵ This includes the development of a website in which information can be shared among the participants of the network, and a platform for the organization of workshops, knowledge sharing and awareness events about standards, certification and accreditation requirements. The MoB (through the GNBS who will chair the network) will use the information generated and the website to promote collaboration between laboratories, promote better use of existing resources and carry out interventions that are better tailored to the needs of the existing labs; (iv) capacity building activities for exporters, firms with export potential with a focus on non-traditional exporters which are mainly SMEs in application of standards in order to promote a quality culture among the private sector; (v) the development of a strategic plan for the GNBS that aligns with both the regional and national policy framework, allows for a more efficient management of the facilities and incorporates the required mechanism to promote sustainability of the NQI; and (vi) awareness campaigns on the use of standards and quality among public and private stakeholders of the NQI.
- 1.29 **Subcomponent 2: Improving Laboratory Facilities and Equipment (US\$5,794,500).** The objective of this subcomponent is to improve facilities for the NQI. In this regard this subcomponent will finance new facilities to house metrology, testing, and legal metrology, the required equipment for the adequate functioning of the GNBS as well as specific equipment for the MoH and MoA. To move towards the sustainability of the facilities, a business plan for cost recovery through phases and a long term operation, and a maintenance plan will be developed as part of the GNBS strategy financed in Subcomponent 1.
- 1.30 This subcomponent will finance specifically: (i) detailed architecture and engineering designs of the new laboratory facility for the GNBS, including “green

³⁵ Experiences from other countries suggest that participants can benefit from sharing experiences regarding accreditation and certification, training on common needs and sharing of resources. The network will enhance the project as it will allow for a better use of existing resources and avoiding duplication of, for example, building new facilities that may not be needed.

building” provisions.³⁶ In addition, the detailed designs will incorporate the requirements and specifications of both the current and the new equipment for the GNBS. For that purpose, the expert in charge of advising on the technical specifications will interact with the firm in charge of the architectural and engineering design of the facility; (ii) facility for the GNBS, consisting of a two story building of approximately 1,800 sq. ft. located in government owned land.³⁷ This facility will be built according to international metrology and testing standards, the “green building” standards that are currently being developed by CROSQ, and following all environmental and social requirements and mitigation activities described in the [Environmental and Social Management Report \(ESMR\)](#); (iii) required equipment for measurement metrology and testing including equipment for small mass laboratory, large mass laboratory, humidity and temperature volume, legal metrology, time and frequency, electrical magnitude, length, strength and torque, physics and chemistry. (see [Detailed Budget](#) and [Recommendations for Improving the NQI in Guyana](#)); (iv) maintenance contracts to guarantee the long term maintenance of the specialized equipment; and (v) specific gaps in other laboratories, consisting of specific equipment for the export related activities in the MoH and the MoA.³⁸

- 1.31 **Subcomponent 3: Implementing the National Export and Investment Strategy (US\$1,160.000).** The objective of this subcomponent is to enhance the ability of Guyana to connect with regional and global value chains through the promotion of exports and foreign direct investment, particularly in agribusiness. This subcomponent will support: (i) technical assistance to design and implement a trade and investment promotion strategy, including mapping and analysis of major value chains, identification of local suppliers to create backward linkages, design of export programs like “Open to Export” and “Ready to Export”,³⁹ recommendations for industrial estates/parks/farms as potential tools to promote exports and foreign direct investment, review of Guyana’s Institutional and regulatory framework for trade and investment; and (ii) technical assistance for the strengthening of Go-Invest and its ability to promote exports and attract foreign direct investment, especially in the sectors that need modern certified laboratories for required tests for accessing international markets. This includes a review and redesign of Go-Invest structure, objectives, strategic plan, and internal processes, a data base of firms with potential to export or with current export base, Customer Relationship Management software, branding, investment guide, development of a modern website, a boutique forum to connect with regional and global buyers and investors, and training to staff (see [Detailed Budget](#) and [Implementing the National Export and Investment Strategy](#)).

³⁶ Initial layout designs are being currently being financed through C&D funds. The CARICOM Secretariat and CROSQ are developing a Regional Energy Efficiency Building Code (REEBC) to be applied in the region. If the REEBC is not finalized, international standards can be used: ISO, IECC, US Green Building Council, Building Research Establishment Environmental Assessment Method.

³⁷ The Guyana Lands and Surveys Commission approved the Application to lease 1 acre of State Land situated at plantation Pattensen, at Liliendall East Coast Demerara.

³⁸ The budget contemplates US\$90,000 in specialized equipment for the MoH and MoA. This contemplates electricity generators, water treatment equipment.

³⁹ Open to export: [online community](#) backed by the government and business to help UK businesses get started selling overseas. Ready to export: quick [online assessment](#) on how prepared are firms to do business in overseas markets.

C. Key Results Indicators

- 1.32 The program's expected outcomes are: (i) increase in the average annual flow of value of exports of non-traditional products per exporter; (ii) increase in the average annual flow of volume of exports of non-traditional products per exporter; (iii) decrease in the testing costs for non-traditional exporters; and (iv) decrease in the rejection rates of fruits and vegetables exports to the US. The impact of the project is the increased participation of the non-traditional products in Guyana's export basket. The products, outcomes and impacts of the program are organized in the Results Matrix (see Annex II).
- 1.33 These outcomes are expected to have a favorable impact on capacity of non-traditional exports to reach the markets and to increase the productivity of Guyanese non-traditional exporter firms. The main beneficiaries of this program are defined in two margins: (i) the 20 treated laboratories of the NQI, both public and private; and (ii) the user of the laboratories, mainly SME non-traditional exporters that are trying to reach new markets with their products. Currently, there are about 500 exporters of non-traditional products that are allegedly using the services of international laboratories. In addition, these non-traditional exporters will benefit from a strengthened Go-Invest and a comprehensive strategy to support their exports and their integration with value chains.
- 1.34 **Economic Evaluation.** An [Analysis of Project Cost and Economic Viability](#) was carried out by applying the methodology of measuring costs and benefits with a focus on efficiency in a partial equilibrium context. The main assumption on this approach is that the benefits are obtained under the availability of a good or service. The benefits identified for improving the NQI relate to an increase in efficiency and productivity of non-traditional exporters (essentially reduction in transaction costs and increase in non-traditional exports) and to an increase in the economic benefits of participating laboratories. The analysis, carried out under a 10 year horizon, showed that the program has a positive social net present value of US\$3.3 million, and internal rates of return of 17%, higher than the 12% annual discount rate used by the Bank. The results are robust to a sensitivity analysis of the main program parameters.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing Instruments

- 2.1. This operation is a specific investment loan, with a total cost of US\$9 million, to be disbursed over a period of 5.5 years. The Bank will finance US\$4.5 million with resources from the Fund for Special Operations and US\$4.5 million from resources of the Ordinary Capital. Table 1 presents the summary of project costs. A [detailed budget](#) covering all the activities contemplated in the operation over the disbursement period is available.

Table 1. Project Budget (in US\$)

Description/Source	IDB	% (IDB)
Sole Component . Enhancing the National Quality Infrastructure for Economic Diversification and Trade Promotion	7,569,500	84.11
Subcomponent 1: Modernization of the Institutional Framework of the NQI	615,000	6.83
Subcomponent 2: Improving Laboratory Facilities and Equipment	5,794,500	64.38
Subcomponent 3. Implement National Export and Investment Strategy	1,160,000	12.89
Program Administration	1,280,000	14.21
Monitoring and Evaluation	50,000	0.56
Contingencies	100,500	1.12
TOTAL	9,000,000	100.00%

- 2.2. The program is a specific investment operation and it is designed to be implemented in 5.5 years. The disbursement calendar is presented in Table 2 and it is based on the preliminary implementation plan.

Table 2. Disbursement Schedule

Description/Source	Year 1	Year 2	Year 3	Year 4	Year 5	Year 5.5	Total
IDB	962,000	2,507,000	3,429,900	1,142,950	790,150	168,000	9,000,000
%	10.7%	27.9%	38.1%	12.7%	8.8%	1.9%	100.0%
Total	962,000	2,507,000	3,429,900	1,142,950	790,150	168,000	9,000,000

B. Environmental and Social Safeguard Risks

- 2.3. The program is classified as Category “B” pursuant to the Bank’s Environment and Safeguards Compliance Policy (OP-703). An Environmental and Social Analysis (ESA) was conducted and incorporated inputs from consultations with stakeholders, via meetings and a public consultation. The main direct impacts of the project relate to: (i) increased air pollution during construction (dust, toxic fumes from vehicular traffic and vehicular waste); (ii) noise; (iii) waste disposal; (iv) soil erosion; (v) contamination from chemical and biological waste, toxic waste from construction; (vi) chemical storage, increased flooding due to water diversion and increased run off; (vii) water pollution; (viii) ecological damage from route deviation, construction works and clearance; (ix) effects on fish life; (x) congestion and increased traffic during construction and (xi) damage to streets. During operation, the main impacts identified are: (i) increased noise; (ii) increased congestion; (iii) ground water pollution; (iv) increased conflicts with patrons using the same access road; and (v) increased pollution and indiscriminate waste disposal.
- 2.4. Based on the ESA, specific management actions and mitigation measures were recommended to address the project’s direct and indirect impacts. The Environmental and Social Mitigation Plan (ESMP) includes protection, mitigation and improvement measures: (i) non-hazardous and hazardous waste management; (ii) wastewater management; (iii) efficient use of resources (water and energy); (iv) air emissions; and (v) safety and occupational health. For the

construction phase, the concerns are related to noise, air emissions, traffic issues, waste management, occupational health and safety, labor performance, and trainings. These impacts will be addressed with the implementation of the mitigation measures that have been developed in the ESMP. During the operation phase, the ESMP contains procedures to strengthen the existing environmental practices of the laboratories. The measures are incorporated into the procedures and requirements for execution as part of the ESMP. The ESMP provides effective measures for design and construction of the infrastructure, ensuring capacity for the supervision of construction and operation, and monitoring of impact indicators. The [ESMR](#) provides a summary of the ESA and ESMP in relation to Bank policies.

- 2.5. In line with the Disaster Risk Management Policy (OP-704) the program will promote risk reduction, climate change adaptation and the building of resilience to natural disasters and climate change. In compliance with the recommendation for a moderate disaster risk project, a rapid Natural Disaster Risk Assessment and Natural Disaster Risk Management Plan have been prepared and are available in the ESMP. This was prepared to determine the potential natural hazards that could impact the project and to propose effective mitigation measures to be considered during the construction phase.

C. Fiduciary Risk

- 2.6. An [institutional analysis](#) was carried out to the MoB, the GNBS and Go-Invest. The overall fiduciary risk of delays in the project execution due to constraints in administrative procedures within the public sector systems was found to be medium. The MoB (formerly named Ministry of Industry, Trade and Commerce) has recent experience executing Bank projects but needs support through a Project Execution Unit (PEU) and arrangements to ensure that there is enough knowledge transfer and interface within the PEU and from the PEU to the Ministry and its agencies. The analysis found certain areas in which staffing, systems and manuals needed reinforcement, and as part of the risk mitigation response, these have been taken into account in the design of the program (see Annex III). In this sense, the PEU staff is funded with loan resources.
- 2.7. The fiduciary risk is medium and is being addressed through: (i) the design of an Operating Manual (OM) which seeks to provide guidance and mitigation measures to discharge all fiduciary duties in accordance with the Bank's rules and procedures; (ii) continuous support to streamline the timely execution of all fiduciary activities (i.e. Financial Management and Procurement); and (iii) providing continuous technical supervision and training in financial management and procurement staff who will be responsible for fiduciary activities under the present loan.

D. Other Key Issues and Risks

- 2.8. A risk analysis workshop was held with the participation of key governmental entities involved and the Bank project team. The following risks were identified: (i) external macroeconomic shocks may hinder economic performance of the private sector; (ii) insufficient coordination among institutions involved in the NQI may affect the effectiveness of the program; (iii) the development of a network of

laboratories may require large coordination efforts; (iv) lower than expected demand for testing from priority sectors; (v) low interest or capacity of the private sector to achieve quality standards; (vi) low interest or capacity of the laboratories to get certifications; and (vii) low sustainability of the operation of the new facilities and equipment. Risk mitigation measures include: (i) close monitoring of the economic performance; (ii) inclusion of coordination mechanisms such as the laboratory of networks, consensus reaching activities and institutional strengthening of the GNBS; (iii) a complementary technical cooperation, currently in preparation (GY-T1129: Institutional Strengthening of the National Quality Infrastructure in Guyana) that supports coordination between the laboratories, and promotes participation, data gathering and information analysis activities to foster informed decision making; (iv) awareness campaigns with stakeholders, in particular SMEs and potential exporters; (v) workshops and training for SMEs, potential exporters and laboratories; and (vi) long-term maintenance contracts and the inclusion of a strategy for sustainability, respectively.

- 2.9. **Sustainability.** The program includes measures to promote sustainability, including: (i) the analysis of cost recovery measures to allow for the long term sustainability of the facilities of the GNBS; (ii) institutional arrangements to facilitate the governance and the capacity of the GNBS to provide qualified services; (iii) long-term maintenance contracts are included to provide for the sustainability of the equipment that will be acquired; and (iv) the implementation of a network of laboratories will provide sustainability measures as the exiting capacity of the current laboratories will be used in a more efficient manner. In addition, since the amount of non-traditional exports is relatively small, the sustainability of the operation is a function of the potential demand for testing from non-traditional exporters. Once a local laboratory is certified, the cost and the risk of testing in the country is greatly reduced for existing exporters. To increase the demand with new exporters, the program addresses policy actions with Go-Invest to support export promotion and diversification.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of Implementation Arrangements

- 3.1. The executing agency of the program will be the MoB. Within MoB, a PEU will be set up with the special purpose of managing the implementation of the activities contemplated in the operation. The MoB will coordinate and oversee the activities that are in the realm of the GNBS (Subcomponents 1 and 2) and Go-Invest. The MoB will coordinate the activities related to providing support to the existing laboratories in health (food and drug) and agriculture (SPS).
- 3.2. The GNBS is governed by a NSC, whose members are appointed by the MoB and are drawn from organizations such as the Chambers of Commerce, the

University of Guyana, the Guyana Manufacturers' Association, and regulatory bodies.⁴⁰

- 3.3. The main functions of the PEU will be to ensure timely and effective project planning, management, coordination, procurement, financial controls, monitoring, and reporting. In this regard, systems, policies and procedures will be implemented towards ensuring that efficient financial management as well as accurate and timely reporting and accounting will be achieved.
- 3.4. The structure of the PEU will comprise: (i) a project manager, who will be directly responsible for the allocation and use of resources, leading the PEU staff and liaising with key program stakeholders; (ii) a financial management officer; (iii) a procurement officer; (iv) an administrative assistant; (v) an engineer to provide technical support during construction and initial operation; (vi) an expert to develop the technical specifications and provide support on equipment; (vii) an environmental and social expert to carry out environmental and social monitoring; (viii) a M&E officer.⁴¹ Two full-time subcomponent coordinators will be appointed or hired, if necessary, to be part of the PEU to support in the implementation of the activities in Go-Invest and GNBS, based on the need of the program and subject to the capacity of the agencies.
- 3.5. Administrative responsibilities of the PEU include: (i) preparation, implementation and updating of the annual operating plan; (ii) preparation of the annual procurement plan and procurement of goods and services; (iii) financial administration, accounting and preparation of budgets and disbursement requests; (iv) preparation of technical reports, including regular updating of the information relevant for the project's monitoring report; (v) selection and hiring of the external audit firm and implementation of its recommendations; (vi) hiring of consultants to conduct the intermediate and final evaluations of the program; and (vii) act as the government's focal point for the Bank in all matters related to execution.
- 3.6. A PSC will be established and will be headed by the MoB. It will consist of the project coordinator and representatives from the NSC, GNBS, Go-Invest, MoB, MoH, MoA, Environmental Protection Agency and the private sector, among others. The PSC will provide broad oversight for all matters related to the program through the assessment and review of the program activities and will ensure the coordination with the ongoing activities and strategies of each member of the PSC. In addition, the environmental and social monitoring will be carried out by the PSC with the support of the environmental and social specialist during construction of the new facility for the GNBS.
- 3.7. **Operating Manual.** The [OM](#), which establishes standards and procedures for the MoB with regard to programming activities, procurement audits, environmental and social specifications, and M&E, among others, will govern program execution. The approval of the OM according to the terms and

⁴⁰ MoA for SPS measures, MoH for Food and Drug.

⁴¹ Beyond the core structure, the PEU may be supported by consultants, experts, and technical advisors, as required by the needs of implementing and monitoring the project components.

conditions previously agreed with the Bank will be a special contractual condition prior to first disbursement of the financing.

- 3.8. **Special contractual conditions prior to the first disbursement are:** (i) evidence of the creation of the PEU within the MoB with the appointment of the project manager, the financial management officer, the procurement officer, the supporting engineer and the M&E officer according to professional profiles satisfactory to the Bank; (ii) approval of the OM of the program by the MoB, according to the terms previously agreed by the Bank; and (iii) presentation of an Initial Report including the updated Multi-annual Execution Plan, the first Annual Operation Plan and Procurement and Financial Plans. Other special condition is that the project executing agency shall comply with the environmental and social conditions established in Section VI of the [ESMR](#).
- 3.9. **Retroactive financing.** The Bank may finance retroactively under the loan eligible expenses incurred by the Borrower prior to the date of loan approval to carry out the detailed architectural and engineering designs of the facility up to the amount of US\$300,000 (3.33% of the proposed loan amount), provided that all the requirements substantially similar to those set out in the loan contract have been followed. These expenses must have been incurred on or after May 31st, 2016 (approval date of the Project Profile), and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included.
- 3.10. **Disbursements.** Advances will be disbursed based on the liquidity needs of the program within a 6 month period. With the exception of the first advance of funds, the executing agency will have to present a justification for the use of at least 80% of the total cumulative balances pending justification, and the Bank approve such justification prior to the next disbursement (see ¶5.4 in Annex III).
- 3.11. **Procurement.** The procurement of goods and services will be conducted in accordance with the Policies for the Procurement of Works and Goods (GN-2349-9) and the Policies for the Selection and Contracting of Consultants (GN-2350-9). As specified in Annex III, procurement of goods and consulting services will be subject to ex ante review by the Bank. The Bank will carry out periodic inspection visits in order to assess procurement and financial procedures.
- 3.12. **Audit.** The MoB will be required to submit annual audited financial statements of the program, within 120 days following the closing of each fiscal year. The last of these audited financial statements shall be presented by MoB no later than 120 days following the date stipulated for the final disbursement of the financing. The audit of the financial statements will be conducted by a firm of independent public accountants acceptable to the Bank or by the Audit Office of Guyana.

B. Summary of Arrangements for Monitoring Results

- 3.13. The PEU will be responsible for the program's M&E. The results matrix and the M&E plan will constitute the primary guides for carrying out this responsibility. The MoB will report every semester progress reports on the evolution of each output (information on physical and financial progress as well as disbursement

progress necessary to update the biannual PMR, the annual operation plan and the annual acquisition plan). Biannual progress reports will be delivered no later than 45 days after the end of each semester. The Annual Operational Plan (AOP) consolidates all the activities that will be carried out during a specific execution period and its physical and financial schedule. The AOP will include an update of the Acquisition Plan (AP). The AP will be updated on an annual basis or when necessary during the whole period of execution of the program. The MoB will submit quarterly environmental and social monitoring reports during the construction phase, including any emergency situation, in accordance with the provisions of the ESMR.

- 3.14. Three years after starting execution or when 50% of disbursements have been made, whichever occurs first, an intermediate evaluation will be undertaken to evaluate the progresses in execution. The final evaluation will analyze exports intensity, exports efficiency and variety of exports by: (i) evaluating if exporters using local strengthened laboratories increase the value and volume of exports vis-à-vis exporters using international lab services; (ii) comparing costs faced by users of local strengthened laboratories vis-à-vis the costs faced by comparable exporters using external laboratories; and (iii) evaluating if exporters of non-traditional products increase the value of exports vis-à-vis comparable exporters of traditional products. Impact evaluations will be conducted using a quasi-experimental method and exploiting data from administrative records. In order to include more specific questions related to efficiency gains, GY-T1129 will complement the information conducting an ad-hoc survey to treated and non-treated exporters (see [M&E Arrangements](#)).

Development Effectiveness Matrix			
Summary			
<i>I. Strategic Alignment</i>			
1. IDB Strategic Development Objectives		Aligned	
Development Challenges & Cross-cutting Themes		-Productivity and Innovation -Institutional Capacity and the Rule of Law	
Regional Context Indicators		-Growth rate of the value of total exports of goods and services (%)	
Country Development Results Indicators		-Professionals from public and private sectors trained or assisted in economic integration (#)	
2. Country Strategy Development Objectives		Aligned	
Country Strategy Results Matrix		GN-2690	Increase competitiveness and innovation levels in Guyana.
Country Program Results Matrix			The intervention is not included in the 2016 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
<i>II. Development Outcomes - Evaluability</i>		Evaluable	Weight
		8.1	Maximum Score
3. Evidence-based Assessment & Solution		7.7	33.33%
3.1 Program Diagnosis		1.8	10
3.2 Proposed Interventions or Solutions		3.6	
3.3 Results Matrix Quality		2.3	
4. Ex ante Economic Analysis		7.0	33.33%
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis		4.0	10
4.2 Identified and Quantified Benefits		1.5	
4.3 Identified and Quantified Costs		0.0	
4.4 Reasonable Assumptions		0.0	
4.5 Sensitivity Analysis		1.5	
5. Monitoring and Evaluation		9.5	33.33%
5.1 Monitoring Mechanisms		2.5	10
5.2 Evaluation Plan		7.0	
<i>III. Risks & Mitigation Monitoring Matrix</i>			
Overall risks rate = magnitude of risks*likelihood		Medium	
Identified risks have been rated for magnitude and likelihood		Yes	
Mitigation measures have been identified for major risks		Yes	
Mitigation measures have indicators for tracking their implementation			
Environmental & social risk classification		B	
<i>IV. IDB's Role - Additionality</i>			
The project relies on the use of country systems			
Fiduciary (VPC/FMP Criteria)		Yes	Financial Management: Budget, Accounting and Reporting, External control.
Non-Fiduciary			
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment		Yes	As part of program preparation, an Environmental and Social Analysis (ESA) and Environmental and Social Management Plan was prepared. The ESA and ESMP provide environmental mitigation measures for the construction and operation of the new facility, as well as for waste management during execution.
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-T1129 (in preparation) is designed to support institutional strengthening of the GNBS and informed decision making. GY-L1006 financed the Gaps and Needs Analysis study that analyzed the current situation, estimated the demand and proposed a solution.
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan		Yes	The program will generate data and an impact evaluation of main outcomes using a quasi-experimental design and exploiting customs administrative records.

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

The project "Enhancing the national quality infrastructure for economic diversification and trade promotion" (GY-L1059) aims to support economic diversification and exports through the enhancement of the National Quality Infrastructure (NQI) and through a National Export and Investment Promotion Strategy. The program has the following specific objectives: (i) to enhance the capacity of the NQI; (ii) to improve facilities for the NQI; and (iii) to enhance the capability of the Guyana office for investment for export and investment promotion.

The diagnostic suggests that in Guyana the export basket is highly concentrated in few products, particularly mineral and agricultural commodities. Recently, the price of international commodities has declined and the production costs for Guyana's main agricultural products have increased, highlighting the vulnerability of the economy to its high concentration in few sectors and products. In order to cope with this problem, the program aims to support the diversification of exports (particularly non-traditional products) by improving the national system for quality control (as to facilitate the compliance with international standards for exports to main destinations), especially through the enhancement of the National Quality Infrastructure (NQI) and a National Export and Investment Promotion Strategy.

The economic analysis suggests that net positive benefits will materialize mainly through the increase in the value of exports of non-traditional goods and the improvement in efficiency in production of the exporting firms. However, some assumptions and costs need to be better explained because they could affect the NPV of the project. The project has adequate monitoring mechanisms and plans to assess the impact on key performance indicators using a quasi-experimental methodology. It is important to consider that given the nature of the intervention and the lack of data in Guyana, it is very difficult to identify the firms that are actually affected by the program. As a result, although the methodology proposed for the evaluation is appropriate, there is a considerable degree of uncertainty about the success of the approach proposed, driven by the lack of data. The risk profile of the project is medium.

RESULTS MATRIX

Project Objective:	The program's objective is to support economic diversification and exports through the enhancement of the National Quality Infrastructure (NQI) and through a National Export and Investment Promotion Strategy. Specific objectives are: (i) to enhance the capacity of the NQI; (ii) to improve facilities for the NQI; and (iii) to enhance the capability of the Guyana Office for Investment for export and investment promotion.
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EXPECTED IMPACT

Indicators	Unit	Baseline		Goals		Means of verification	Observations
		Value	Year	Value	Year		
EXPECTED IMPACT							
Non-traditional exports as a percentage of total exports per year	%	0.65	2014	0.75	2022	Guyana Revenue Authority administrative records of customs and Bank of Guyana Annual Report	Goal based on conservative increase projected from comparison of annual average of the period 2011-2013 (0.46%) and the baseline (0.65%).

EXPECTED OUTCOMES

Expected Results	Unit	Baseline		Goals		Means of verification	Observations
		Value	Year	Value	Year		
EXPECTED OUTCOMES							
Average annual flow of US\$ exports of non-traditional products per exporter	Ratio (US\$/exporter)	11,667	2015	14,000	2022	Guyana Revenue Authority administrative records of customs and Guyana Marketing Corporation	Impact of the program on this outcome will be computed as the average of a double difference (difference in levels for variables before and after for the treated group vs difference in levels for variables before and after for the non-treated group). Goals based on yearly growth rate of 2.5% (given the potential for the non-traditional sector growth, 2.5% of annual growth is deemed possible).
Average annual flow of Tons of exports of non-traditional products per exporter	Ratio (Ton/exporter)	18.04	2015	21	2022	Guyana Revenue Authority administrative records of customs and Guyana Marketing Corporation	Impact of the program on this outcome will be computed as the average of a double difference (difference in levels for variables before and after for the treated group vs difference in levels for variables before and after for the non-treated group). Goals based on yearly growth rate of 2.5% (given the potential for the non-traditional sector growth, 2.5% of annual growth is deemed possible).

Expected Results	Unit	Baseline		Goals		Means of verification	Observations
		Value	Year	Value	Year		
Average testing cost faced by exporters of non-traditional products (as a percentage of total operational costs per year)	%	N.A.	N.A.	N.A.	N.A.	Special Survey Guyana Competitiveness GY-T1129	Information on this indicator was not available (not collected nor processed) at the time this document was being produced. For monitoring and evaluation purposes, every firm that uses a service from a laboratory must fill in an ad-hoc survey reporting this information. Non-traditional exports are both fresh products and agro processed commodities.
Unit Rejection Rate (URR) for fruits and vegetable exports to the United States	Ratio	6	2010	4	2022	United Nations Industrial Development Organization (UNIDO). Trade and Standards Compliance Footprint	URR is calculated as the number of rejections per US\$ 1 million of exports over the period 2002 to 2010 (based on latest statistics from UNIDO, after controlling for outliers). This measure takes account of changes in the volume of exports and provides a direct measure of the rate of non-compliance. The focus is put at the most disaggregate level of information available at the data source (main rejecter country for the most akin group of products exported from Guyana). ¹

¹ The results matrix will also monitor these indicators for males and females respectively, according to the gender of the chief executive officer of the export firm. Given that the project is gender neutral, no targets are set nor results are expected by gender. The indicators disentangled by gender will be followed for monitoring purposes only.

OUTPUTS

Products	Estimated Cost (US\$)	Unit	Baseline	2017	2018	2019	2020	2021	2022	Final Goal	Means of verification
Subcomponent 1. Modernization of the Institutional Framework of the NQI											
Specialized consultancies for accreditation of existing laboratories completed	200,000	Number of consultancies	0		1	1	1	1		4	Project Execution Unit (PEU) reports
Short courses taught to train and build capacity for laboratories	30,000	Number of courses	0	1	1	1				3	PEU reports
Specialized courses taught to train and build capacity for staff	75,000	Number of courses	0			1	1	1		3	PEU reports
Awareness campaigns for networks carried out	20,000	Number of campaigns	0		1	1				2	PEU report
Specialized Consultancy for Information and Analysis delivered	50,000	Number of consultancies	0	1						1	PEU reports
Website designed and implemented (online)	25,000	Number of networks	0	1						1	PEU reports
Laboratory Network in operation	40,000	Network	0					1		1	PEU reports
Courses taught for Small and Medium-Sized Enterprises training on quality and standards	50,000	Number of courses	0	1	1					2	PEU reports
Awareness campaigns launched	25,000	Number of campaigns	0			1				1	PEU reports
Strategic Plan for the Guyana National Bureau of Standards	50,000	Plan	0	1						1	PEU reports

Products	Estimated Cost (US\$)	Unit	Baseline	2017	2018	2019	2020	2021	2022	Final Goal	Means of verification
(GNBS) written and approved by the Ministry of Business											
Specialized training for the GNBS taught	50,000	Number of trainings	0		1	1				2	PEU reports
Subcomponent 2. Improvement of Laboratory Facilities and Equipment											
Architectural and Engineer Designs completed	150,000	Set of Blueprints and Report	0	1						1	PEU reports
Facility for the GNBS built and operational	3,400,000	Facility building	0			1				1	PEU reports
Civil works supervision and inspection completed	200,000	Report	0			1				1	PEU reports
Safeguards supervision report completed and approved (social and environmental)	150,000	Report	0						1	1	PEU reports
Laboratory furniture installed	200,000	Set of furniture	0					1		1	PEU reports
Office equipment installed	100,000	Set of equipment	0				1			1	PEU reports
Air-conditioning system installed	300,000	System	0			1				1	PEU reports
Fire system installed	60,000	System	0				1			1	PEU reports
Specialized equipment and patterns installed	594,500	Set of equipment	0					1		1	PEU reports
Electronic system installed	400,000	System	0					1			PEU reports
Solar panels installed	100,000	Set of equipment	0				1			1	PEU reports

Products	Estimated Cost (US\$)	Unit	Baseline	2017	2018	2019	2020	2021	2022	Final Goal	Means of verification
Contracts for equipment maintenance fulfilled	50,000	Contract	0						1	1	PEU reports
Specialized equipment installed (to close specific gaps in other laboratories)	90,000	Equipment	0					2		2	PEU reports
Subcomponent 3. National Export and Investment Strategy											
Best Practices on Investment Promotion Agencies defined and approved	50,000	Report	0	1						1	PEU reports
Redesign of Guyana Office for Investment Trade and Investment Framework approved	510,000	Framework document	0		1					1	PEU reports
Customer Relationship Management (Software+training for use) delivered	40,000	Software	0			1				1	PEU reports
Website improvement completed	70,000	Website	0		1					1	PEU reports
Boutique Forum carried out	90,000	Forum	0			1				1	PEU reports
Export and Investment Strategy approved	400,000	Report	0		1					1	PEU reports

FIDUCIARY ARRANGEMENTS

COUNTRY: Guyana
PROJECT NUMBER: GY-L1059
PROJECT NAME: Enhancing the National Quality Infrastructure for Economic Diversification and Trade Promotion
EXECUTING AGENCY: Ministry of Business
PREPARED BY: Emilie Chapuis and Paula Louis-Grant (FMP/CGY)

I. EXECUTIVE SUMMARY

- 1.1 The objective of the program is to support economic diversification and exports through the enhancement of the National Quality Infrastructure (NQI) and through a National Export and Investment Promotion Strategy. The total estimated budget is US\$9,000,000, all of which will be financed by the Bank from the Ordinary Capital/Fund for Special Operations resources. The project has the following project outcomes: (i) increase in the average annual flow of value of exports of non-traditional products per exporter; (ii) increase in the average annual flow of volume of exports of non-traditional products per exporter; (iii) decrease in the testing costs for non-traditional exporters; and (iv) decrease in the rejection rates of fruits and vegetables exports to the United States of America.
- 1.2 The Ministry of Business (MoB) will be executing the operation and will create a Project Execution Unit (PEU) who will be responsible of discharging all fiduciary duties, including procurement and financial management. Implementation of the related activities will be coordinated: Subcomponents 1 and 2 will be driven by the GNBS and Subcomponent 3 by Guyana Office of Investment (Go-Invest). Subcomponent 1 seeks to modernize the institutional framework for the NQI through accreditation, training and capacity building and public sensitization, among other things. Subcomponent 2 is dedicated to securing a location to “house metrology, testing, chemistry and microbiology, and legal metrology, the required equipment for the adequate functioning of the GNBS as well as specific support to the main laboratories related to the export/import processes under the Ministries of Agriculture and Health”¹ and would require a project engineer in this capacity. Subcomponent 3 will assist Go-Invest to develop a National Export and Investment Strategy, including the mapping of major value chains and the leveraging of those industries that will benefit directly from the enhanced NQI in Guyana. The fiduciary aspects of the execution mechanism for the present loan are analyzed accordingly.
- 1.3 An Institutional Capacity Assessment (ICAS) of the MoB and of the proposed execution mechanism was conducted in August 2016. The results of the ICAS are a composite of the general capacity of the MoB. The general level of fiduciary risk for this operation is medium. A re-evaluation of the fiduciary risks will be

¹ See paragraph 1.13 of the Proposal for Operation Development for GY-L1059.

conducted during execution as part of the regular fiduciary supervision to ensure efficient support to project execution.

- 1.4 **Fiduciary context of the country.** An Integrated Fiduciary Assessment (IFA) was conducted in 2012/2013. It provided an update to the 2007 combined Public Expenditure and Financial Assessment (PEFA) performance measurement framework and OECD-DAC procurement assessment. The results of the 2012/2013 IFA, like the 2007 PEFA, concluded that Guyana's overall budget planning, accounting and reporting systems worked well; Integrated Financial Management Accounting System – IFMAS (the financial and management accounting system used by the government) 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 cooperations 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, 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 Auditor General of Guyana.
- 1.5 With regards to procurement, assessments of the national system (MAPS) have been 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, namely the Procurement Act of 2003 and its associated regulations. The National Procurement and Tender Administration Board (NPTAB) was established in the same Procurement Act of 2003. It 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). The PPC is a Constitutional body with responsibility for overseeing that the purchasing of goods and services and the execution of works by public institutions is carried out in a fair, equitable, transparent, and competitive manner; its members are appointed by the President and approved by the National Assembly. The country is in the process of strengthening its centralized website for publication of opportunities for requests for proposals, but to date, it is not regularly used across procurement entities or by the independent public corporations. Additionally, efforts are being

deployed to also strengthen capacity to retain records of procurement processes and related information, as well as a registry for protests, suspension and debarment and contractors' performance. Statistics on public procurement awards is also an area of focus for the Government of Guyana. Notwithstanding, to date, the Country Procurement System has not been approved and hence will not be used under the present loan. Consequently, the Bank requires the use of its Procurement Policies GN-2349-9 and GN-2350-9 for all projects approved starting April 19, 2011. In the meantime, the Bank will bring adequate support to the procurement function to ensure that procurement 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. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 In accordance with the indications of the ICAS, a PEU will be created within the MoB. It will have a Procurement Officer and a Financial Officer who will be responsible for the execution of the procurement activities and financial management activities respectively scheduled under this loan. According to the identified execution structure, the Procurement Officer will have two lines of reporting: (i) to the Project Manager; (ii) to the MoB's Procurement Officer, knowing however that this post is yet to be filled. The Financial Officer will report to the Project Coordinator and to MoB's Principal Assistant Secretary – Finance. The objective of the structure is to ensure efficiency and sustainability of capacity and execution within the Ministry itself. Also, it will seek to contribute to an increased capacity to apply internal and external controls which is expected to contribute to the general quality of execution of the procurement and financial management related activities under this loan. This should contribute to the review of the general level of risk as identified for this operation, knowing that the Bank will provide continued support during the entire execution period.
- 2.2 MoB, as a budget agency, uses the IFMAS of the country. IFMAS was successfully piloted on previous IDB-financed loans. It is recommended that this program use IFMAS along with an off the shelf computerized accounting package for the financial management and reporting of the program.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 A preliminary Risk Mitigation Matrix included in the project documents to be approved for the present loan agreement was developed. The Bank and the MoB 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 From a procurement standpoint, it is found that the MoB will create a PEU that will be responsible for the execution of the loan and for carrying out all related fiduciary activities. According to the ICAS, the MoB demonstrated its capacity to execute the loan. Notwithstanding, as indicated during project preparation, the loan will be executed by a newly formed PEU, which will also include newly recruited staff whose familiarity with the Bank's procedures is unknown at

present. Additionally, the ICAS identifies the planning function as a potential weakness in the execution structure. Although the activities as included in the proposed Procurement Plan for this loan present a low degree of complexity, the above drive to the identification of a general of risk established as medium. 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 discharging 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 procurement plan; and (iv) recruitment of a procurement officer who will be specifically dedicated to the execution of the operation's procurement plan and all other procurement related activities under this loan.

- 3.3 Financial Management has been assessed as having low financial management risk largely due to the integrated financial accounting system of the government used in MoB – IFMAS. Notwithstanding, it has noted that in MoB there is no internal audit function and there is no current personnel with experience working with IDB projects. To ensure adequate segregation of duties and to strengthen the internal control environment, the recruitment of a Financial Officer will be necessary. This coupled with the provision of training on Bank policies and procedures should mitigate the existing risk and strengthen the control environment.

IV. SPECIAL CONDITIONS OF CONTRACT TO BE ADHERED TO

- 4.1 **Conditions prior to first disbursement.** The validation of an Operation's Manual which will capture all the necessary fiduciary arrangements, as well as all items as expected in such document. It is also required to ensure that all fiduciary staff with adequate training to execute Bank financed loans is recruited as a condition prior. This will ensure that all fiduciary activities are carried out in accordance with the applicable rules and procedures for the present loan. It will also ensure that the staff who will be responsible for discharging all fiduciary duties is adequately trained to execute the present loan.
- 4.2 **The conditions above are defined under the understanding that all fiduciary activities will be conducted by the PEU as constituted within the MoB.** All modifications to the execution mechanism may have an impact on the arrangements above and hence require adjustments.
- 4.3 **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.

V. FINANCIAL MANAGEMENT

- 5.1 **Financial statements and reports, audited or unaudited:** (i) semi-annual unaudited financial reports of the program are to be included in the semi-annual progress report which will be submitted by the MoB to the Bank; (ii) annual audited financial statements of the project, audited by the Auditor General of Guyana 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 (iii) a final financial audit report of the program is to be submitted by MoB within 120 days after the date of the last disbursement.
- 5.2 **Programming and budget.** The Borrower has committed to allocate, for each fiscal year of project execution, adequate fiscal space to guarantee the unfettered execution of the project; as determined by normal operative instruments such as the Annual Operating Plan and the PP.
- 5.3 **Accounting and information systems.** It is expected that IFMAS accounting system will facilitate the recording and classification of all financial transactions, supported by an off-shelf accounting system.
- 5.4 **Disbursements and cash flow.** The Bank will supervise the creation of an Advance of Funds, using the Advance of 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\$, 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 Guyanese Dollars to be utilized for payment of expenditures in local currency.
- 5.5 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 the following forms and supporting documents:

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

- 5.6 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.

- 5.7 **Internal control and internal audit.** The management of the project will assume the responsibility for designing and implementing a sound system of internal controls for the project.
- 5.8 **External control and reports.** For each fiscal year during project execution, MoB 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 by the Auditor General of Guyana.
- 5.9 **Financial supervision plan.** Financial Supervision 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 the following: (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.
- 5.10 **Execution mechanism.** MoB will be the EA and will be responsible for the financial administration of the program. MoB's responsibilities 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 Operating Manual; and (vi) maintain adequate documentation filing system.

VI. REQUIREMENTS AND AGREEMENTS FOR EXECUTION OF PROCUREMENT

- 6.1 **Procurement execution.** Procurement activities for the proposed project will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (GN-2349-9), of March 2011, and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-9), of March 2011. 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, a draft General Procurement Notice as well as an initial procurement plan which will be updated in accordance with the applicable sections of the Policies and the loan Agreement. In accordance with the findings of the ICAS for this loan and given the level of risk as identified above, all procurement activities will be carried out under ex ante supervision as described in the following section of the present Annex III.
- 6.2 **Exception to Bank procurement policies.** The operation does not foresee any exception to the Bank's procurement policies.
- 6.3 **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".
- 6.4 **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 TORs, short lists, selecting the consultants, awarding the contract and subsequently administering it.

- 6.5 **Sole source selection and/or direct contracting.** The program does not foresee any sole sourcing activities.
- 6.6 **Selection of individual consultants.** Individual consultants will be selected and recruited in accordance with Section V (Selection of Individual Consultants) of GN-2350-9.
- 6.7 **Recurring expenses.** Include payment of utilities and other office operating expenses of the Executing Unit, if any.
- 6.8 **Retroactive financing.** The Bank may finance retroactively under the loan eligible expenses incurred by the Borrower prior to the date of loan approval to carry out the detailed architectural and engineering designs of the facility up to the amount of US\$300,000 (3.33% of the proposed loan amount), provided that all the requirements substantially similar to those set out in the loan contract have been followed. These expenses must have been incurred on or after May 31st, 2016 (approval date of the Project Profile), and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included.
- 6.9 **Domestic preference.** Domestic Preference is not requested under this loan.
- 6.10 **Country threshold.** Table (US\$ thousands) www.iadb.org/procurement

International Competitive Bidding Threshold*		National Competitive Bidding 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 shall be used.

- 6.11 **Procurement Plan.** The [Procurement Plan](#) for the operation covers the first 18 months of project execution. The on-line Electronic Procurement Execution System (known by its Spanish acronym as SEPA) will be used for the publication and updates of the Procurement Plan during project execution. It is expected that the EA will use the SEPA program for management of its procurement activities. The Procurement Plan will be updated annually or whenever necessary, or as required by the Bank (www.iadb.org/procurement; <http://www.iniciativasepa.org>). The initial procurement plan 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.

WORKS									
I.A	1	Facility for the GNBS: building of the new facility; consisting of a 1,800 sq. ft. two story building allocated in government owned land	3,500,000	100%	0%	ICB	Ex ante	Jan 17	Dec 17
GOODS									
III.A	2	Laboratory equipment	1,520,000	100%	0%	ICB	Ex ante	Feb 17	Dec 17
CONSULTING FIRMS									
I.C	2	Specialized Consultancy for Architectural and Engineering Designs	200,000	100%	0%	QCBS	Ex ante	Jul 17	Nov 17
I.C	2	Civil Works Investigation and Supervision	200,000	100%	0%	QCBS	Ex ante	Oct 17	Feb 17
TOTAL: US\$5,420,000									

- 6.12 **Supervision.** The supervision modalities are tailored to keep with the most efficient execution mechanism while ensuring compliance with the applicable procurement rules and procedures. Under the present loan, procurement activities (i) are not expected to be complex in nature; (ii) will be subject to ex ante review given the level of risk as identified in the previous sections of this Annex III; (iii) will be explicitly listed in the approved and updated procurement plan in SEPA; (iv) will be launched once all technical specifications and/or terms of reference are validated by the Bank's Sector Specialist; and (v) will be documented in accordance with the general filing guidelines that will be provided as part of the inception training of the fiduciary staff and in accordance with the applicable Bank Policies.
- 6.13 All modifications to the present arrangement are subject to a prior written agreement between the Executing Agency 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.
- 6.14 **Records and files.** All records and files will be maintained by the EA, 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 (7) years beyond the end of the operation's execution period. It is also recommended, and yet not mandatory, that the Executing Agencies develop electronic filing so as to avoid losing all paper files.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/16

Guyana. Loan ____/BL-GY to the Co-operative Republic of Guyana
Enhancing the National Quality Infrastructure for Economic
Diversification and Trade Promotion

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Co-operative Republic of Guyana, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a program for enhancing the national quality infrastructure for economic diversification and trade promotion. Such financing will be for the amount of up to US\$4,500,000 from the resources of the Single Currency Facility of the Bank's Ordinary Capital, corresponds to a parallel loan within the framework of the multilateral debt relief and concessional finance reform of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/16

Guyana. Loan ____/BL-GY to the Co-operative Republic of Guyana
Enhancing the National Quality Infrastructure for Economic
Diversification and Trade Promotion

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Co-operative Republic of Guyana, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a program for enhancing the national quality infrastructure for economic diversification and trade promotion. Such financing will be for the amount of up to US\$4,500,000 from the resources of the Bank's Fund for Special Operations, corresponds to a parallel loan within the framework of the multilateral debt relief and concessional finance reform of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____)