

11th EDF

National Indicative Programme

(2014 – 2020)

for co-operation between

the European Union

and

the Co-operative Republic of Guyana

GENERAL CLAUSES

The European Commission and the Government of the Co-operative Republic of Guyana hereby agree as follows:

- (1) The European Commission and the Government of the Co-operative Republic of Guyana, hereinafter referred to as the Parties, determined the general orientations for cooperation for the period 2014-2020.

These orientations which are included in the National Indicative Programme, concern the European Union Aid in favour of the Co-operative Republic of Guyana and were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, revised and signed in Luxemburg on 25 June 2005 and revised and signed in Ouagadougou on 22 June 2010.

The National Indicative Programme is annexed to the present document.

- (2) As regards the indicative programmable financial resources which the European Union envisages to make available to the Co-operative Republic of Guyana for the period 2014-2020, an amount of EUR 34 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation). A B-allocation referred to in Article 3.2 (b) can be established to cover unforeseen needs. This allocation is at EUR 0 until a need arises. These allocations are not entitlements and may be revised by the Commission, following the mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects. The National Indicative Programme concerns the resources of the A-allocation. It also takes into consideration financing from which the Co-operative Republic of Guyana benefits or could benefit under other European Union resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as humanitarian, emergency and post emergency assistance, where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate exogenous shocks. The B-allocation shall be established according to specific mechanisms and procedures and does therefore not constitute a part of the programming.
- (5) Pending the entry into force of the Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting with the Council on the financing of European Union Aid under the multiannual financial framework for the period 2014 to 2020, financing decisions for projects and programmes can be taken by the

Commission at the request of the Government of the Co-operative Republic of Guyana within the limits of the A- and B-allocations referred to in this document under the condition that sufficient financial resources are available in the transitional measures ("Bridging Facility") composed of uncommitted balances from the previous EDFs and from funds de-committed from projects or programmes under those EDFs. The respective projects and programmes shall be implemented according to the rules and procedures of the 10th EDF until the entry into force of the 11th EDF implementing rules and financial regulation.

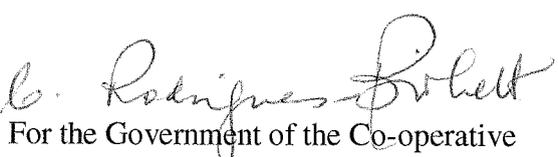
- (6) The European Investment Bank may contribute to the implementation of the present National Indicative Programme by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 2c and 3 of the 11th EDF multi-annual financial framework for the period 2014-2020.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Indicative Programme as well as the A-and B-allocations can be revised following the mid-term review and the end-of-term review or ad hoc reviews.

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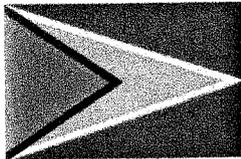
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For the European Commission



For the Government of the Co-operative
Republic of Guyana



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The Government of the Co-operative Republic of Guyana and the European Commission hereby agree as follows:

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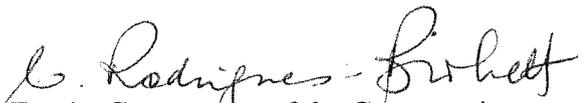
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- (6) The European Investment Bank may contribute to the implementation of the present National Indicative Programme by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 2c and 3 of the 11th EDF multi-annual financial framework for the period 2014-2020.
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For the Government of the Co-operative
Republic of Guyana


For the European Commission

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LIST OF ACRONYMS

ACP – Africa, Caribbean, Pacific

CARIFORUM – Forum of the Caribbean Group of African, Caribbean and Pacific (ACP) States

EDF – European Development Fund

EIB – European Investment Bank

EPA – Economic Partnership Agreement

EU – European Union

FLEGT – Forest Law Enforcement , Governance and Trade

IDB – Inter-American Development Bank

ILO – International Labour Organization

NAO – National Authorizing Officer

NDS- National Development Strategy

PFM – Public Finance Management

SICA – Sistema de Integración CentroAmericana

SMEs – Small and Medium Entreprises

1. THE OVERALL LINES FOR THE EU RESPONSE

1.1. Strategic objectives of the EU's relationship with Guyana

EU relations and cooperation with Guyana are carried out both on bilateral and regional bases, the latter within the framework of the on-going EU-Community of Latin American and Caribbean States (CELAC) and EU-Caribbean Forum (CARIFORUM) dialogues. Guyana is party to the "Cotonou Agreement", the partnership agreement between the members of the African, Caribbean and Pacific Group of States and the European Union.

The EU-Guyana cooperation strategy for the period 2008-2013 focused on Sea Defences and Coastal Management, and support to Poverty Reduction Strategy Programme (PRSP) and Millenium Development Goal (MDG) policies implementation. Other areas of intervention outside these focal sectors include the sugar sector (Accompanying Measures for National Adaptation Strategies on Sugar), Civil Society Organisations, the private sector, environmental management, good governance and democracy.

The EU continues to be an active partner in supporting regional integration and cooperation, based on its own experience. At the regional level, in October 2008 the Caribbean signed the Economic Partnership Agreement (EPA) between the Caribbean Forum (CARIFORUM) countries and the EU. Guyana is a signatory to the EPA and ratified the agreement on 19 May 2012.

The CARIFORUM-EU EPA builds a trade partnership for increased competitiveness, economic growth and development and participation in the world trading system. The EU is firmly committed to implementing its obligations stemming from the EPA and to assist Guyana to implement its obligations."

In November 2012, the Member States of the EU and the Caribbean adopted the new Joint Caribbean-European Union Partnership Strategy. This Strategy will enhance Caribbean European Union relations and broaden engagement by adding a political pillar to the traditional cooperation relationship based on development and trade. The strategy focuses on Regional Integration, Haiti Reconstruction, Climate Change and Natural Disasters, Crime and Security, and Joint Action in Multilateral Fora.

Guyana and the EU have a long-standing trade relationship. Over the years, the EU has represented between 30 and 35% of Guyana's total exports in value. The main exports are sugar, rice, rum, bauxite, precious stones and timber products. The EU has been, and still is, Guyana's main export market for cane sugar and other sugar products.

In 2012 Guyana expressed interest in initiating negotiations for a Voluntary Partnership Agreement with the EU under the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan. The first negotiation session was held in Georgetown in December 2012, the last one in Brussels in July 2013 and aims to conclude in 2015. It is followed by an implementation phase of a few years to achieve the agreed requirements to thereafter export FLEGT licensed timber to the EU.

The second Political Dialogue meeting with Guyana, pursuant to Art. 8 of the Cotonou Agreement took place at the end of December 2010 at the Guyanese Ministry of Foreign Affairs, chaired on the

Guyanese side by the Foreign Minister, and on the EU side by the Head of Delegation. Agenda items included; the electoral process in Guyana; human rights issues; climate change (post-Cancun); EU Budget Support; Guyana's chairmanship of the Nations of South American Nations; and the Treaty of Lisbon and its impact on EU external representation. The next round of Political Dialogue is scheduled to take place in February 2014.

1.2. Choice of sectors

Guyana, or "the land of many waters", has faced the challenge of managing water over centuries. Today it focuses its attention on 1) avoiding the negative impacts of water through flooding 2) making best use of water for sustainable agriculture, 3) capturing the value of its water streams through hydropower (e.g. Amaila falls) and 4) ensuring modern water sanitation. This intervention supports the first two aspects in the wider framework of climate change adaptation, resilience and mitigation.

The rise of global sea levels poses a significant challenge for the small country of Guyana, compared with other countries in South America. The 425 km coastal zone, a fertile agricultural belt, where 90% of Guyana's population live, lies down to 2 metres below average sea level. Between 1955 and 2005, Guyana recorded a rise in relative sea levels of 17 cm, approximately twice the global average. Guyana's topography renders it vulnerable to natural risks related to climate and sea level change as most of the country's key assets are in low-lying areas and are protected by sea defences. With climate change, the seasonal rain patterns and their intensity have changed. Although early warning systems are being put in place and the drainage system is under continuous maintenance and rehabilitation, the possibility of further massive natural disasters based on climate change is a key challenge to economic development. The extensive flooding in January 2005 and the resulting loss of lives and economic capacity underscore the continued importance of sea defences and enlarged coastal and lowland surface water management to sustainable development in Guyana. The sea defence systems are being improved, but still need significant upgrading and repair. Additionally, as a lesson learnt, preventing floods through dams, river and drainage infrastructures could allow Guyana to prevent future floods under extreme weather events.

Guyana's drainage and irrigation system performs a number of important functions including protecting the coastal areas from flooding and providing fresh water resources for cash crops, as well as the traditional sugar and rice crops. In the post 2005/2006 flood period, the Government has to some extent augmented its routine maintenance programme to expand its equipment-base, improve operational works of the system, and construct new capital structures and access roads. In addition, about 2400km of canals/drains and 300 structures and 190-km of earthen embankment were rehabilitated and dredges, mobile drainage pumps, and excavators were procured. Further, the social and institutional organization of the country's drainage and irrigation (D&I) system was reformed through the creation of the National Drainage and Irrigation Authority (NDIA) and the establishment of Water Users Associations. Future actions should support the strengthening of and complementarity these institutions as key player in reducing disasters risk while improving management efficiency.

These developments have positively impacted on agricultural production in the last decade. Notwithstanding this, to fully contain the effects of climate change on Guyana's infrastructural assets

and production, more investment will be required in the medium-term. In line with the National Agricultural Sector Adaptation Strategy to Address Climate Change (2009-2018), the present NIP intends to increase the resource efficiency of water use in irrigation and water harvesting, while reducing the amount of channel flux and transport of sediments arriving to the lowlands and the sea defences hard and soft infrastructure. These combined actions will reduce the peak of floods while creating conditions for the expansion of irrigated agriculture. The NIP will promote water efficient irrigation' (rather than simply irrigation) and improve the drainage systems designed based on expected conditions scenarios into the 2040's. In addition, the program will support the objectives of the National Action Programme to Combat Land Degradation, such as the need for sustainable management of drainage basins and watersheds and biodiversity protection.

Sea defences and coastal management have long been supported by the EDF through project interventions, under the 9th and previous EDFs, and through Sector Budget Support under the 10th EDF. The program on Mangroves ecosystem restoration under the Global Climate Change Alliance (GCCA) has been a valuable example of integrating hard infrastructure and mangroves forests on seashore management (<http://www.gcca.eu/national-programmes/caribbean/gcca-guyana>). The concentration on this sector promotes sustainable growth in agriculture and other economic sectors in the lowlands in line with the Agenda for Change and strategic goals for 2020. Most recent support has focussed on policy development, institutional reforms and capacity building activities, while improving the public finance management picture. Based on the results of past interventions and support and on the lessons learned, also through past cooperation with the EU, the government is switching from emergency to maintenance-based operations, and from a hard infrastructure approach to integrated coastal management. This includes more cost effective measures such as on-site surveys for infrastructure damage, early detection and maintenance, mangrove restoration, channel drainage, surface water management and maintenance, disaster risk prevention, and population awareness approaches.

Guyana Government policy is enshrined in the overarching Low-Carbon Development Strategy (2009, updated 2013), which includes protection of coastal areas from the sea as one of its aims. Guyana also has a specific Sea and River Defence Policy (2009), which sees the main elements as: sea and river defence infrastructure, drainage, irrigation and conservancy dams (retaining flood and irrigation water). This policy outlines critical aspects of the operations of the Sea and River Defences Sector and their relevance to the overall mandate of the Sea and River Defence Department of the Works Services Group.

In addition, the Sea & River Defences Implementation Plan (2013-2017) represents the aims, key directions, priority strategies and roles and responsibilities of the different stakeholders. Its vision is to reduce the risk to people and the developed and natural environment from flooding and coastal erosion from the sea and the rivers by encouraging the provision of technically, environmentally and economically sound and sustainable defence measures. It will remain without any doubt a strategic priority for the country, even beyond 2017.

Past experiences show that integrated management combining surface water management, dams and drainage infrastructure and sea defences under a water basin management approach will increase Guyana's resilience to extreme weather patterns in line with the joint Communication from the Commission to the European Parliament and the Council and its Action Plan for crisis-prone

countries¹(ref. COM(2012) 586. During heavy rain supplies of surface water can be trapped by a long low earth embankment to form large shallow dams locally known as "conservancies". While the amount of water captured is relatively small, it is key to preventing flood peaks. The conservancies are located in the "backland" or upper stream catchment areas, and comprise water-retaining embankments and structures. These reservoirs are located on the Essequibo Coast Tapakuma Conservancy (Region 2), Boerasirie (West Demerara, in Region 3), East Demerara (Region 4) and the MMA (Mahaica-Mahaicony-Abary Region 5). These reservoirs can play a double role in preventing floods and supplying water for irrigation schemes, thereby ensuring water supplies throughout the year. Additionally, the conservancies are wetlands which include different ecosystems with a rich biodiversity and house many species of birds, mammals and amphibious. The National Drainage and Irrigation Authority (NDIA) Master Plan foresees conservancies infrastructures for floods prevention and mitigation in Region 4 and Region 5, which are the most populated regions in the country and where the capital, Georgetown, is located. As part of the planned activities, a new conservancy between Mahaica Mahaicony Abary water catchments, and an extra channel linking East Demerara Water Conservancy with the Ocean, will assure full control of upper stream river surface water entry to the lowlands in both regions.

The recently-concluded Land Use Planning Program funded by the 10th EDF shows several lessons learnt on how improving land administration at national level can promote good governance of natural resources while improving inclusiveness and transparency in the public administration. The replication of these experiences at a more local and specific level such in the agricultural land in Region 5 will be envisaged. This will include improving the services the public administration provides to the farmers, improving tax collection, and creating conditions for a sound business climate.

Originally, the Ministry of Public Works held main responsibility for sector governance. A Sea Defences Board (SDB) was established under the 9th EDF program, which includes representatives from different ministries and institutions. The National Drainage and Irrigation Authority (NDIA) is tasked with having a more important role in flood prevention. Civil Society Organisations are part of the sector steering committee set up under the 10th EDF. The program will foster the policy dialogue on disaster risk reduction and climate change adaptation, promoting sector reform and the implementation of the Low Carbon Development Strategy.

Consultations with civil society confirmed the importance of coastal and flood control infrastructures. Main points raised were i) the rights of vulnerable populations and other socio-economic categories (Amerindian Communities, migrants, etc.); ii) the environmental issue: ecosystems (especially in the mangroves, river estuaries, etc) should be protected and management of resources at community level should be promoted ('people driven'). iii) economic development: the business sector called for the elaboration of a general framework for economic development, including productive infrastructure issues (drainage, floods control and irrigation), targeted markets and business/trade regulation; iv) CSOs underlined the need for better education and training in the country, and improved access to public services. Moreover, many called for the adaptation of economic regulation to ensure social development.

¹ COM(2012) 586 final and SWD (2013) 227 final

2. FINANCIAL OVERVIEW (indicative amounts)

Sector 1, Climate change adaptation/Disasters reduction - Infrastructure

including sea defences: EUR 30.0 Million, 88 % of total

Support measures (Technical Cooperation Facility

and support for NA O office) : EUR 4.0 Million, 12 % of total

The EU response and National Indicative Programme may be complemented by operations financed by the EIB from the Cotonou Investment Facility and/or its Own Resources."

3. EU SUPPORT PER SECTOR

3.1 Climate change adaptation/disaster reduction - Infrastructure: (indicative amount EUR 30 million)

3.1.1 The following overall and specific **objectives** will be pursued:

(a) Objectives

The overall objective is to support the national Low-Carbon Development Strategy on poverty reduction and climate change adaptation through key infrastructures for flood prevention, while ensuring adequate river and coastal management.

(b) Specific Objectives

- To continue enhancing Guyana's protection against sea damage through sea defences and integrated coastal management, with benefits to the population and economic activity in low-lying parts of the coastal regions.
- To improve Guyana's upper stream catchment areas management, to strengthen flood control and prevention capacities, through new dams, embankments and drainage canals, strengthening the cost recovery system for rehabilitation and maintenance while increasing water availability for efficient irrigation during dry seasons through irrigation pumping and conservancy systems and protecting its rich biodiversity.

Project approach, with a possible combination of grants and loans, is the preferred implementation modality; other modalities could be explored if the relevant conditions are met. . In case other donors are willing to participate in the lowland surface water management and/or sea defences, a blending mechanism to leverage concessional loans can be foreseen. The purpose of this arrangement is to improve the efficiency and effectiveness of the assistance.

3.1.2. For each of the specific objectives the main expected **results** are:

The specific objective is to continue enhancing Guyana's protection against sea damage through sea

defences and integrated coastal management, with benefits to the population and economic activities in low-lying parts of the coastal regions.

Expected result 1.a.

Critical sea defences reconstructed, rehabilitated and/or maintained; with increasing use of soft technologies such as mangroves management and research, building on existing achievements.

Expected result 1.b

Strengthened capacity on integrated coastal zone management including disaster risk awareness and mitigation, including the link between disaster risk and climate change impacts, and public involvement in flood prevention

Expected result 2.a

Drainage and irrigation infrastructures improved in the upper catchment areas of the MMA- ADA (Agriculture Development Authority) Phase II (Abary -Mahaica catchment area in Region 5) and possibly an irrigation supply intervention in the Black Bush Front Lands.

Expected result 2.b

Strengthened governance capacity in watershed and integrated water resources management and increased efficiency of water use in the upper catchments MMA, including flood prevention and efficient irrigation systems rehabilitation, maintenance and operation cost recovery, and promoting sustainable, inclusive and transparent management of agricultural lands as well as of user rights of the local, including indigenous population in the river basin.

3.1.3. The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex 3.

3.1.4. Donor coordination and policy dialogue are:

Currently, no formalised government-led donor coordination exists. The main donors in infrastructure are the Caribbean Development Bank (CDB), active in roads and sea defences, and the Inter American Development Bank (IDB), in roads. Some technical assistance is also provided by China and Brazil. Efforts for more formalized and strengthened donor coordination, ideally led by the government/sector ministry, need to be made. The UK is the only EU Member State present in Guyana, but it does not have a bilateral development programme. The Delegation meets weekly, formally and informally, with all relevant donors in Guyana.

The Delegation has recently requested from the government that other donors are invited to its sectoral meetings for sugar, sea defences and PFM review. A first such sectoral meeting was held early December on PFM reform. The Delegation has also proposed to the government to take the lead for a semestral or annual general donor coordination meeting, which the government is considering.

Norway and Guyana entered into a climate and forest partnership in November 2009. The partnership provides a working example of how to incentivize countries with high forest cover and low deforestation. The action incentivizes Guyana to maintain its deforestation at current levels, and where payments are quickly reduced in response to rising deforestation rates. Provided that the agreed and expected results are achieved, Norwegian support for the years up to 2015 will add up to as much as USD 250 million. The funding from Norway, combined with Guyana's own investment and private capital, is helping to realise Guyana's low-carbon development strategy. The strategy sets out how Guyana can limit forest-based emissions, convert almost its entire energy sector to renewable energy, accelerate the development of low-carbon economic sectors, and address the huge challenges the country is facing in adapting to climate change.

The World Bank is active in the sector under a Global Environmental Fund (GEF) project partially funded by EU Funds currently completing a Conservancy Adaptation Program (Grant equivalent to USD 3.8 million) including technical assistance and some key intervention on the East Demerara Water Conservancy and Region IV.

IDB is one of Guyana's most active development partners, and a leading multilateral lender. Total approvals from 2008 to 2012 were USD 121.2 million, and annual disbursements averaged about 45% of externally financed public capital expenditure. Moreover, the IDB has played a catalytic role in helping position Guyana to access additional concessional resources. Priority areas include: (i) Sustainable Energy, (ii) Natural Resource Management, (iii) Private Sector Development, and (iv) Public Sector Management.

CDB funding in Guyana is used for financing social and economic infrastructure such as schools, road and water projects, building more disaster-resistant structures, community skills training, and support for small and medium-sized enterprises. CDB-funded projects are administered through the Basic Needs Trust Fund in the Ministry of Finance, Guyana, and through other Government Ministries such as the Ministry of Local Government and the Ministry of Public Works. Projects are also done in collaboration with locally-led Neighbourhood Democratic Councils (NDCs) and community development associations. Recent activities in the sector include community roads improvement (loan equivalent to USD 16 million) and rehabilitation of the Vreed-en-Hoop to Hydronie road (loan equivalent to USD 34.2 million). Future activities include USD 25 million on sea defences.

3.1.5. The Government's **policy commitments**

The Government of Guyana has produced an extensive base of strategy documents. For the most part, they have either been stand-alone sector policies (education, health), or more broadly-focused horizontal strategies (LCDS). The Government sets out many broad ambitions in the field of sustainable economic development related to reduction in carbon emissions and safeguarding of the tropical forest of Guyana. It is a broad strategy, and although becoming outdated, it still contains suggestions that could be useful to guide programming priorities; especially as far as climate change issues and the environment are concerned. While old, the National Competitiveness Strategy aims seem to be still valid, especially when seen in the context of the PRSP goals

The PRSP 2011-2015 is a broad strategy, rooted in GoG's vision of the medium term. It centres on (i) high value employment creation; (ii) improved standards of living; (iii) dramatic reduction in poverty;

(iv) the rule of law and public safety; (v) protection of individual constitutional rights; and (v) investments in human resource development.

PRSP rests on the following pillars (i) broad-based, low-carbon led job creation economic growth; (ii) stronger governance, institutional, and regulatory structures; (iii) accelerated investment in human capital and primary health; (iv) accelerated investment in physical infrastructure in support of growth strategy; and (v) special intervention programs to address regional and demographic pockets of poverty. Recognising that each pillar by itself will not guarantee the success of the medium term development strategy, and that the outcome of the actions in each pillar also requires inputs from other pillars, GoG includes its intention to tackle cross-cutting issues such as disaster risk management, security, crime and violence, environmental sustainability, literacy, health care and improved business environment, in order to enable the successful implementation of its medium-term development agenda.

3.1.6. When needed, the appropriate type of **environmental assessment** (Strategic Environmental Assessment or Environmental Impact Assessment) will be carried out with special focus on river and water conservancy large infrastructures. The environmental screening procedures in the Guidelines for the integration of environment and climate change in EC development cooperation will be applied in the case of any sector support programmes in order to determine if an SEA is necessary. The involvement of interested stakeholders will be ensured. :See *guidelines* (<http://capacity4dev.ec.europa.eu/public-environment-climate/documents>)

3.1.7. The overall **risk assessment** of the sector intervention:

The conditions relevant to this strategy will be drawn up between Government and the EC. Planned activities can be derailed by domestic anomalies and/or by exogenous factors

One risk is the oligopoly in the quarries and stone sector providers that can increase the prices of sea defence works.

New river and water conservancy large infrastructure projects can potentially seriously impact water catchment areas ecosystems, river wildlife and local livelihoods. Increased irrigation entails more run-off/leakage from farms and a need to increase the control of fertilizers, and possible over usage of water.

Lack of maintenance of water conservancies can seriously affect infrastructure project lifetimes, and potentially produce dramatic floods if they break.

The up-stream water catchments need to be protected from mining, deforestation and/or other pollutant activities, and user rights or local/indigenous populations should be integrated on a sustainable management of the Catchment basin. Additionally, water catchments wetlands should be protected under any type of conservancy type, i.e. under the Ramsar convention on Wetlands.

Difficulties of implementing cost recovery and governance policies to allow maintenance and administrative expenses.

Under-utilisation of irrigated agriculture infrastructure.

Risk of overlap among donors and regional EU programs needs to be mitigated by enhanced internal and inter-donor coordination, and using blending mechanisms when possible.

For a successful implementation, political and national support to the sector policy and an overall stable political and economic climate is assumed.

In addition, the involvement of interested stakeholders must be ensured, i.e. farmers are currently involved in water users associations, and its influence, local knowledge and participation in decision making will be reinforced through supporting users' steering committees, and irrigation boards.

The program will improve good governance on land administration in the irrigation areas of Region 5, and will allow access to land to small and medium farmers, and create a sound business climate for attracting investment to the agriculture sector.

The activities foreseen under the NIP are climatically sensitive and more detailed attention will need to be given to ensure they adequately take into account climate change projections. The lack of a detailed climate change vulnerability assessment, including downscaled climatic projections for Guyana, does not allow proper evidence-based decision making, adding to uncertainty. A Climate Risk Assessment, but maybe launch during the implementation phase and all infrastructures will be design taking into consideration reasonable scenarios including security margins.

Concerning the risk of corruption, Guyana ranked a very poor 27 out of 100 points in the Transparency International 2013 Corruption Perceptions Index. The Transparency Institute of Guyana and the Private Sector Commission have agreed to join efforts with Government aimed at eradicating corruption in Guyana through, among others, ensuring the appointment of the Public Procurement Commission and the Integrity Commission. The new Ombudsman was appointed in 2014.

The EU would monitor progress in these efforts and could support advocacy, awareness-raising and reporting activities and increase the capacity of control of oversight bodies through the Technical Cooperation Facility

4. MEASURES IN FAVOUR OF CIVIL SOCIETY

Not foreseen under the NIP. Civil society support will be done through thematic budget lines.

Gender equality and empowerment of women as development actors will be mainstreamed throughout the EU support

5. B-ALLOCATION

A B-allocation may be included in the NIP for unforeseen needs (specifically relevant for fragility situations). This allocation is at EUR 0 until a need arises. In case of necessity, a Financing Decision to meet an unforeseen or urgent need can always be taken, notwithstanding the status of the indicative B-allocation mentioned in the NIP. No B-allocation is foreseen currently.

6. SUPPORT MEASURES

6.1. Measures to support or accompany the programming, preparation or implementation of actions

(a) Technical Cooperation Facility

The Technical Cooperation Facility will be continued in order to; provide funding for studies to prepare for the implementation of the 11th EDF; to conduct audits and evaluations where these are not provided for in the Financing Agreements; to facilitate participation of the national authorities in seminars and conferences overseas; and in training in their professions or in EDF and budget line procedures; and to provide funding for any *ad hoc* technical assistance needs to support the implementation of the programme. Technical support on environmental assessment, capacity building and institutional reform to MMA and NDIA, and integrated water resources management on water catchment are foreseen.

6.2. Support to the National Authorising Officer

Include a small component to assist the NAO office to exercise monitoring oversight and training for NAO staff.

Attachments

1. Country at a glance (i.e. macro-economic indicators and indicators derived from the MDGs, as well as possible other indicators relevant for the country, including risk indicators for disaster prone countries)
2. Donor matrix showing the indicative allocations per sector
3. Sector intervention framework and performance indicators
4. Indicative timetable for commitment of funds

ATTACHEMENT 1: COUNTRY AT A GLANCE

Today, the single biggest contributor to Guyana's foreign earnings is **gold**. This makes it a key pillar upon which the country's economic performance (both formal and informal) rests. Guyana faces a major challenge from falling gold prices, which are now down 18% since the start of 2013, and 27% shy of its all-time high of US\$1896 per ounce, which it hit in September 2011. Despite significant exposure to international markets and exogenous shocks, **Guyana's economy has maintained 4-5% growth rates in 2012 and 2013, and perspectives are positive for 2014**. Stability has been ensured through important progress in fiscal discipline and the exchange rate has remained stable, as did inflation. Debt management improved and the objective of total debt/GDP at 60% in 2016 seems to be a realistic medium-term objective. Regarding economic development, average performance is considered satisfactory, with the exception of the sugar industry, which will decline in 2013, due to various structural and conjuncture factors. Economic diversification as well as more inclusive growth are expected in coming years, in order to improve the overall situation in the country and in particular the rate of employment. To achieve significant progress, improvement in the business environment is necessary, in order to attract Foreign Direct Investment in strategic sectors (mining, agro-industry, services).

Important challenges lie ahead in the energy sector, due to the cancellation of the Amaila Falls' project (hydroenergy) on the one hand, and due to uncertainties in the future of Guyana/Venezuela agreement on rice/oil trade on the other hand. Inclusive growth also depends on the capacity of the country to develop its infrastructure (in particular road and bridges to improve connectivity), and diversify its economy.

The macroeconomic outlook for 2014 and the medium term remain generally positive. Real GDP is projected to have grown by around 4.8 % in 2013, higher than what was expected in the 2013 budget estimates (3.5 %), but lower than the outturn in 2011 (5.4%). This expected increase builds on strength in the gold, agriculture (rice) and services (construction and transportation) sectors, which should offset the expected falloff in sugar production. Inflation is projected to an average of 2.7% over the year (far under initial estimation of 3.5%), mainly due to falling food prices. The debt/GDP ratio has been steadily decreasing in recent years, with a target at 60% in 2016 which seems realistic.

Guyana's last MDGs report was in 2011, but covers only partly the various targets and indicators. Issues such as employment and decent work for all (target 1B), gender disparity at all level of education (target 3A), the reduction of biodiversity loss (target 7B), and the global objective 8 (partnership for development, including access to affordable essential drugs and the development of the use of information technologies) were not assessed in 2011 (and many were not taken into account either during the previous evaluation in 2007).

However, significant progress has been made in key sectors: health (decrease of malnutrition rates and child/maternal mortality, reduction of the prevalence of HIV/AIDS, malaria and tuberculosis and better access to retroviral drugs); water and sanitation (even if hinterland regions in remote areas are not fully covered, more than 90% of the population has access to sanitation); education (especially at primary level); and housing (due to the facilitation of property acquisition for the lowest income groups). Trends are generally positive and Guyana may be able to reach one part of the MDGs by 2015 or in the very near future. Improvement is however expected in the matter of environmental policies, regional integration (Guyana remains a landlocked country) and economic development (focussing on youth

employment).

GUYANA - MACROECONOMIC FORECASTS					
	2011	2012	2013f	2014f	
Notes: e BMI (Business Monitor International) estimates. f BMI forecasts. 1 Base year 1988/Base year 2006 from 2006 on; 2 Central Government; 3 Minus gold. Sources: 4 World Bank/UN/BMI; 5 Bank of Guyana/BMI calculation ; 6 Guyana Statistics Office; 7 IMF; 8 BMI; 9 Bank of Guyana; 10 World Bank.					
Population, mn 4	0.8	e 0.8			0.8
Nominal GDP, US\$bn 5	2.3	2.5			2.6
Real GDP growth, % change y-o-y 1-5	5.4	4.7			4.8
Budget balance, % of GDP 2-5	-4.1	-5.4			-5.7
Consumer price index, % y-o-y, eop 6	3.3	3.4			Dec 4.0
Lending rate, %, eop 7	14.0	13.8			- 13.0
Exchange rate GYD/US\$, eop 8	202.70	204.00			Jul-1 214.00
Goods exports, USD bn 9	1.1	1.4			- 1.5
Goods imports, USD bn 9	1.8	2.0			- 2.1
Balance of trade in goods, USD bn 9	-0.6	-0.6			- -0.6
Current account balance, USD bn 9	-0.4	-0.4			- -0.3
Current account balance, % of GDP 5	-16.5	-15.7			- -13.0
Foreign reserves ex gold, USD bn 3-7	0.7	0.8			90
Total external debt stock, USD mn 10	1,205.6	1,358.6			Dec 1,480.8

In the matter of disaster risk management, the Government of Guyana, with the support of the international donor community, has implemented several policy instruments and activities towards improving disaster risk management and coastal zone management in the context of climate change adaptation. In 2002, a national climate change adaptation policy and implementation plan was approved. The National Development Strategy (2001-2010) states measures to be taken to build capacity in water management, flood control, sea defence management (and to promote renewable energy). There is also a national Agricultural Sector Adaptation Strategy (2009-2018). Following the 2005 flood, the Government of Guyana adopted a comprehensive plan of action for disaster response and risk reduction, implemented by the Civil Defence Commission (CDC). Guyana's ability to systematically reduce disaster risk in the face of a changing climate has improved over the years. In the following RMI graphic (Risk Management Indicator measuring risk disaster management progress), one can observe a gradual advance in disaster risk management, due to the combined effect of better assessment of risks, improvement of institutional and managerial capacity, as well as better awareness among the population.

The November 2013 Caribbean Financial Action Task Force (CFATF) call for counter measures against Guyana requires that the country addresses the serious deficiencies in Anti-money laundering and combatting the financing of terrorism (AML/CFT). Compliance with the international measures and commitments on anti-money laundering and combatting the financing of terrorism will contribute to higher integration of Guyana into the international financial system. Consequently, the EU will attach utmost importance to the issue of illicit financial flows taking into consideration the decisions adopted by CFATF.

**ATTACHEMENT 2: DONOR MATRIX:
Approximation of Donor Commitments 2014-2020**

This matrix summarises the known interventions of other donors, including the Member States and multilateral donors. It transparently reflects at least the results of the donor coordination/harmonisation in Guyana. To the extent that information is available, it highlights the division of labour and/or complementarity. The matrix reveals ongoing and forward commitments for the period 2014-2020. It reflects the commitments made by donors and by GoG to the implementation of the NDS and the PRSP.

Donor	Economic & productive	Social	Infrastructure	Governance	Thematic/Cross cutting issues	Type
European Commission	SUGAR (EUR 47 M) Sea Defences (EUR 14.8 M) SEEC (EUR 4.25 M)		Energy CIF (EUR 30.2 M) REG (EUR 3.0 M)	CSO & LA (EUR 2.1 M) Wider Cariforum (EUR 6.6 M)	Crime & Security (EUR 12.2 M) Guyana Shields Initiative (EUR 1.7 M)	Grant
DFID	Trade (EUR 0.4 M)	Secondary education (EUR 19 M) HIV (1.9 M)	Water (8.0M €)	Land Administration (7.2 M€)	Iwokrama (EUR 0.3 M)	Grant
Norway	Climate change adaptation (EUR 184.6 M)					Grant
CIDA	Private Sector (EUR 5.21 M)	Health (EUR 3.44 M)	REG (EUR 7.1 M)	Governance (EUR 16.4 M)	Environment (EUR 1.76 M) REG HIV (EUR 14.03 M) REG (EUR 6.4 M)	Grant
UNDP	REG Energy (EUR 3.6M)			Election (EUR 2.3M)	Guyana Shield (EUR 4.7 M)	Grant
UNICEF		Health and Childs (EUR 7.7 M)				Grant
Other UN		HIV (EUR 0.7M)				Grant
USAID	(EUR 60 M)	HIV (EUR 24.5 M)		(EUR 8.56 M)	Unesco (EUR 0.3 M)	Grant
WB		HIV (EUR 8.2 M) Water (EUR 8.7 M) Education (EUR 6.3 M)		(EUR 3.6 M)	Poverty reduction (EUR 17.88 M)	Grant
Japan		Health (EUR 3.6 M)				Loan/Grant
CDB	Water (EUR 9.7 M) See Defences (EUR 33 M) Drainage (EUR 5.6 M)	Social (EUR 7.8 M)	Road (EUR 11.4 M) See Defences (EUR 33 M)			Grant
IDB	(EUR 55.1 M)	(EUR 34.3 M)	(EUR 77.3 M)	(EUR 103.6 M)	(EUR 11.8 M)	Loan

Source of data: Discussions with the Dutch Embassy, French Embassy, IDB, UN, CDB and AfD

ATTACHMENT 3: SECTOR INTERVENTION FRAMEWORK (Results, indicators & means of verification in the current annex may need to evolve to take into account changes during programming period.

Sector 1: Economic and social infrastructures including Sea Defences

Specific objectives:

To continue enhancing Guyana's protection from sea damage through Sea Defences and integrated coastal management, with benefits to the population and economic activity in low-lying parts of the coastal regions.

To improve Guyana's upper stream catchment areas management to strengthen flood control and prevention capacities, within new dams, embankments and drainage canals, strengthening the cost recovery system for rehabilitation and maintenance while increasing irrigation during dry seasons through irrigation pumping and conservancy systems and protecting its rich biodiversity.

Expected Results	Indicators (All targets are indicative and will be confirmed/adjusted during the programming formulation phase, including the baseline data).	Means of verification
<p>1.a) Critical sea defences reconstructed, rehabilitated and maintained; with increasing use of soft technologies such as mangroves management and research, building on existing achievements.</p>	<p>Total length of new constructed, rehabilitated and maintained sea defence infrastructure; Target (2020) additional 5 km constructed, 3 km rehabilitated and 30 km maintained.</p> <p>Length of sea defences using mangroves as a natural coastal defence mechanism. Target (2020) increased by 20% from baseline.</p> <p>Number of critical sea defence segments: Target (2020) reduced by 20% from baseline.</p> <p>Number of emergencies and floods events from breaches in sea defence structures: Target (2020) reduced by 20% from baseline.</p>	<p>Photos/WSG report</p> <p>Shore Zone Management Systems</p> <p>SDB meeting minutes</p> <p>Mangrove management report (Min of Agriculture)</p>
<p>1.b) Strengthened capacity on integrated coastal zone management including disaster risk awareness and mitigation, including the link between disaster risk and climate change impacts, and public involvement in flood prevention</p>	<p>Status of risk management system for natural disaster: Target (2020) System in place in line with national climate change adaptation strategies</p> <p>Status of National Disaster Management plan: Target (2020) plan available.</p> <p>Status of integrated coastal management strategy: Target (2020) strategy and one plan available.</p> <p>Number of research technical papers on sea defences and climate change done by the research capacity locally established: Target (2020) two papers.</p> <p>Number of people aware of disaster prevention and risk reduction as adaptation to climate change: Target (2020) at least 10 00</p>	<p>WSG Report</p> <p>Condition reporting</p> <p>Shore Zone Management System</p>
<p>2.a) Drainage and irrigation hard infrastructure improved in the upper catchments for MMA-ADA Phase II (Abari-Mahaica catchment area in Region 5)</p>	<p>Total length of newly constructed embankment and main (drainage and irrigation) channels constructed: Target (2020) newly constructed embankment (5 km), main (drainage and irrigation) channels constructed (10km)</p> <p>Existing agricultural lands improved by new or rehabilitated irrigation system: Target (2020) 200,000 acres improved from baseline</p> <p>Surface of critical drainage areas covered: Target (2020) 20,000 acres improved from baseline.</p>	<p>Ministry of Agriculture</p> <p>National strategy</p> <p>EUD and donor's expertise and thematic reports</p> <p>Regional/national observatories reports</p> <p>Strategic environmental impact assessments</p>
<p>2.b) Strengthened capacity on surface water management in upper catchment including flood prevention and rehabilitation, maintenance and cost recovery from efficient irrigation schemes and improved irrigation systems as well as of user rights of the local, including indigenous population in the river basin.</p>	<p>Available water consumption per hectare during drought period (to measure the shift into water-efficient irrigation systems) in Region 6: Target (2020) available water increased by 20% and water consumption reduced per acre by 10% for 20,000 acres</p> <p>Losses (tons) in agriculture production due to floods events. Target (2020) reduction by 5% by from baseline.</p> <p>Number of integrated water management plans. Target (2020) two plans developed.</p> <p>Time to process land lease request in region 5 : Target (2020) decreased by 40% from baseline</p>	<p>National strategy</p> <p>Agriculture statistics</p> <p>EUD and donor's expertise and thematic reports</p> <p>Regional/national observatories reports</p> <p>Project studies and DTA</p>

ATTACHEMENT 4: INDICATIVE TIMETABLE FOR COMMITMENTS

	Indicative allocation	2014	2015	2016	2017	2018	2019	2020
Sector Infrastructures	EUR M 30		8	14	7	1	0	0
Other measures (support to civil society)	EUR M 0	0	0	0	0	0	0	0
B-allocation	EUR M 0	0	0	0	0	0	0	0
Measures to support or accompany the programming, preparation or implementation of actions	EUR M 3.5	0	0.5	1.5	0.6	0.6	0.3	0
Support to the National Authorising Officer	EUR M 0.5	0	0.1	0.1	0.1	0.1	0.1	0
Total commitments	EUR 34	0	8.6	15.6	7.7	1.7	0.4	0.0