

***EVALUATION OF THE EUROPEAN
COMMISSION'S SUPPORT TO THE
REPUBLIC OF GUYANA***

Final Report

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The opinions expressed in this document represent the authors' points of view which are not necessarily shared by the European Commission or by the authorities of Guyana.

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Acronyms

\$	US Dollars
\$m	Million US Dollars
€	Euro
3Cs	Coordination, Complementarity & Coherence
ACP	Africa, Caribbean and Pacific (countries)
BS	Budget Support
BDS	Business Development Services
CAP	Common Agricultural Policy
CARICOM	Caribbean Community
CARIFORUM	Caribbean Forum of ACP states
CBO	Community-Based Organisation
CCI	Cross-Cutting Issue
CIDA	Canadian International Development Agency
Commission	The European Commission
Cotonou agreement	ACP-EU Partnership Agreement (9th EDF, 2000-2007), signed in Cotonou in 2000
CPF	Counterpart Funds
CPI	Corruption Perception Index
CRIP	Caribbean Regional Indicative Programme
CRIS	Common Relex Information System
CRS	Creditor Reporting System (OECD)
CSP	Country Strategy Paper 9th EDF
CTP	The US Caribbean Trade Partnership
DAC	Development Assistance Committee of the OECD
DCU	Donor Coordination Unit
DDA	Doha Development Agenda
DEC	Delegation of the European Commission
DNAO	Deputy National Authorizing Officer
EAMA	Associated African & Malgache Countries
EBA	Everything But Arms Initiative
EC	European Community
ECD	European Commission Delegation
EDF	European Development Fund
EEC	European Economic Community
EP	European Parliament
EPAs	Economic Partnership Agreements
EPA	Environmental Protection Act
EQ	Evaluation question
ERP	Economic Recovery Program
EU	European Union
FA	Financing Agreement
FTA	Free Trade Arrangements
FTAA	Free Trade Area of the America's
GDP	Gross Domestic Product
GITS	Guyana Trade and Investment Support
GMPB	Guyana Micro-Projects Board
GMPO	Guyana Micro-Projects Office

GMPP	Guyana Micro-Projects Programme
GoG	Government of Guyana
GTA	Guyana Training Agency
HIPC	Highly Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome
HQ	Headquarters
I	Indicator
ICB	Institutional Capacity Building
IDA	International Development Association
IL	Intervention Logic
IMF	International Monetary Fund
IPED	Institute of Private Enterprise Development
JC	Judgement Criteria
LAC	Latin America & Caribbean countries
LIH	Low Income Housing ()
LDC	Least developed countries
LEAF	Linden Economic Advancement Fund
LEAP	Linden Economic Advancement Programme
Lomé IV bis	Agreement amending the fourth ACP-EC Convention of Lomé signed in Mauritius on 4 November 1995 - Second Financial Protocol
MDGs	Millenium Development Goals
MDRI	Multilateral Debt Relief Initiative
MFN	Most Favoured Nation
MFTIC	Ministry of Foreign Trade and International Cooperation
MoF	Ministry of Finance
MoW	Ministry of Public Works
MPP	Micro Projects Programme
MR	Monitoring Report
MS	Member States of the European Union
MTEF	Medium-Term Expenditure Framework
MTM	Monthly Thematic Meetings
NAFTA	North American Free Trade Agreement
NAO	National Authorising Officer
NAO TF	National Authorising Officer Task Force
NDS	National Development Strategy
NIP	National Indicative Programme 8th EDF
NPV	Net Present Value
NSA	Non State Actors
OCTs	Overseas Countries and Territories
ODA	Official Development Aid
OECD	Organisation for Economic Co-operation and Development
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PMU	Project Management Unit
PNC	People's National Congress
PPP	People's Progressive Party
PRBS	Poverty Reduction Budget Support
PRGF	Poverty Reduction Growth Facility
PRSP	Poverty Reduction Strategy Paper
PSC	Private Sector Commission

PSD	Private Sector Development
RIP	Regional Indicative Programme
RNM	Regional Negotiation Mechanism
RSP	Regional Strategy Paper 9th EDF
SAF	Structural Adjustment Facility
SAS	Structural Adjustment Support
SESPAP	Socio-economic study and Public Awareness Programme
SIRHASC	Strengthening the Institutional Response to HIV/AIDS/STIs in the Caribbean
SME	Small and Medium Enterprise
SPS	Special Preferential Sugar
SPSP	Sector Policy Support Programme
SRDD	Sea & River Defence Division
SZMS	Shore Zone Management System
TA	Technical Assistance
ToR	Terms of Reference
TWG	Thematic Working Group
UK	United Kingdom
UNDP	United Nations Development Programme
WB	World Bank
WTO	World Trade Organisation

Executive Summary

1. Objectives, context, scope and methodology

OBJECTIVES: This report presents the results of the evaluation of the European Commission's support to the Republic of Guyana during the period 1997-2007. This country evaluation aims to provide an overall independent assessment of the Commission's past and current cooperation relations with the Republic of Guyana, and to identify key lessons that would help improve the current and future strategies and programmes of the Commission.

CONTEXT: Guyana has a difficult political and social framework where political allegiance is largely determined by ethnicity in a country in which competition between the two major and ethnic-based political parties is rather fierce. This creates political instability and act as a disincentive to foreign direct investment and retention of domestic capital.

Migration is another major social feature of the country. In Guyana the tertiary-educated labour force was reduced by 89% over the period 1965-2000 owing to emigration to OECD countries.

On the economic front, over the last ten years the Government of Guyana (GoG) has increasingly been faced with difficult challenges at international and national levels in its quest to build a more diversified and competitive economy. Internationally it has had to grapple with threats to the country's survival

occasioned by globalisation and trade liberalisation, loss of some preferential market access, and depressed prices for its key commodity exports. Nationally, the changing weather patterns, political instability, strikes, infrastructural bottlenecks and sectoral challenges have posed problems for investment and trade, while at the same time slowing the growth rate and progress towards poverty reduction. These challenges have brought into sharp relief the vulnerability and fragility of the economy.

SCOPE: The evaluation focuses on the focal sectors of the Commission support to Guyana, namely infrastructure rehabilitation (particularly sea defences), macro-economic support, and support for production capacity.

METHODOLOGY: The evaluation was carried out in two separate phases: first, a desk phase, which provided an outline of the evaluation and developed tentative answers to the Evaluation Questions from available documentation collected in Brussels; second, a field analysis and synthesis phase, which entailed visits to selected interventions in Guyana. This second phase focused on collecting additional information, validating the tentative hypotheses made during the desk phase and answering the Evaluation Questions fully. This provided an overall assessment of the EC support to Guyana. The conclusions of the evaluation are based not only on documentary sources but also on interviews carried out at EC headquarters and in the field (NAO, sectoral ministries, Civil Society representatives, donors, project managers, beneficiaries, and others).

Commission interventions were analysed on the basis of the following five OECD-

DAC criteria: *relevance, effectiveness, impact, efficiency, sustainability*; and the Commission's overall commitments to *complementarity, coordination and coherence*. - 3Cs"- and *cross-cutting issues*. The evaluation has been structured around **eight Evaluation Questions** and an overall assessment covering the intervention logic, the implementation modalities and the capacity-building and brain drain issues.

2. Conclusions

2.1 Commission Strategy

The Commission co-operation strategy is largely in line with the development priorities of the GoG. However, some GoG priorities have either not been funded by the Commission to the extent expected (private sector development and vocational and technical training) or have not been addressed in their wider context (sea defences as part of water management) (C1).

The Commission developed a country strategy with Guyana which reflects the objectives of the GoG. Commission interventions in the area of social and economic infrastructures, and structural adjustment and budget support programmes, all support the GoG's objectives of promoting sustainable growth and poverty reduction.

However, some GoG priorities, mostly relating to private sector development and vocational training, have not been funded by the Commission to the extent expected. For instance, vocational and technical training, which has to be the main focus of human resources development in Guyana owing to the brain drain problem, was allocated only

€1,3m - for the Guyana Training Agency - and no funding for extension or replication.

Moreover, one major constraint hampering the economic and social development of Guyana was not addressed in the Commission strategy: flooding from upcountry. The sea defences rehabilitation programme did not address the problem in the wider context of overall water management including flooding from upcountry and storm water as well as from inundation from the ocean.

Commission interventions are not sufficiently inscribed in an encompassing, clear and explicit strategy, notably in the sense that their contribution to precise global impacts lacks clarity. In particular, the central role of sea defences is not sufficiently reflected in the Commission strategy (C2).

Despite the outstanding importance of sea defences to Guyana as they protect both the majority of the Guyanese population and the main agricultural production areas, the central role of sea defences is not sufficiently reflected in the Commission strategy. This was highlighted by the criteria used to choose the sea defences to be rehabilitated which have only related to technical issues rather than encompassing economic, social and environmental issues.

The low human resources capacity, recognised as a major constraint in the implementation of the strategy, has been partially addressed by the capacity-building component of Commission interventions. But support in this field has been

hampered by the brain drain issue (C3).

Almost all Commission interventions in Guyana have been heavily constrained by a lack of capacity-building. The Commission has now made efforts to address this challenge, and most interventions provide in their design a capacity-building or institution-building component. But the impact of Commission support on human resources development has been constrained by the brain drain issue.

2.2 Impacts of the interventions

Most of Commission interventions have quite satisfactorily met their targets, but the global impact of the interventions on the overall objectives of the Commission strategy in Guyana is rather limited (C4).

The main reasons relate to problems in the design of the interventions:

- mismatching between the overall objectives of the interventions and the resources allocated to them;
- interventions seldom integrated into a national policy;
- lack of exit strategy;
- insufficient strengthening of the local institutions;
- maintenance of the infrastructure not addressed.

The absence of data on poverty levels constrains both the budget support process and the assessment of its impact. Due to the lack of reliable data, there is no ascertained evidence of the impact of budget support on the reduction of poverty levels (C5).

The policies and priorities outlined in the PRSP have been implemented: the

government accomplished more than 80% of its planned actions in 2004 and more than half the PRSP targets were achieved by 2005. It is however difficult to assess whether this has had an impact on the population's living conditions owing to the absence of recent and reliable data on poverty levels and trends.

The ultimate impacts of the interventions have also been constrained by the lack of sustainability of the interventions. **Indeed, the sustainability of Commission interventions is weak. The interventions have for most of the time neither included an exit strategy at the design stage nor developed one during implementation and before closure. Moreover, appropriation of the interventions by the beneficiaries has not always been facilitated and has even often been constrained by the low capacities of the beneficiaries (C6).**

2.3 Implementation modalities

In a very difficult context relating to Guyana's specificities, the efficiency of programme implementation has been constrained by two main factors: weaknesses of the institutional set-up and delays to most examined programmes and projects (C7). The direct causes of these slippages include starting delays, TA problems, local staff shortages and turnover, and weaknesses in the definition of the roles and responsibilities of the key stakeholders.

Moreover, the limited Government-donor policy dialogue in Guyana constitutes an impediment to the efficiency of programme implementation. **Even if the situation has improved, the political dialogue between the GoG and donors focuses more on implementation of interventions than**

on strategic issues (C8). Although the authorities show considerable interest in following at regular intervals the implementation details of each donor's portfolio, these meetings are bilateral and mainly review progress in implementing donor projects. They do not provide opportunities for discussing strategic or policy issues.

In this last respect the provision of budget support, as a basis for discussion of general policy orientations, was a promising factor. But **budget support programmes have had limited leverage on policy dialogue at either global or sector level, or on public finance management issues (C9).** Despite the introduction of the need for regular policy dialogue as one of three preconditions for the release of budget support funds, the condition was never satisfactorily fulfilled. Moreover the choice of performance indicators retained as triggers for variable tranche release of the PRBS was un conducive to creating an opportunity for policy level discussions.

Similarly, donor-donor dialogue is of an information-sharing nature rather than a sharing or devolution of responsibilities. **Coordination with other donors has been a priority of the Commission since 2001. Overall, this coordination relies more on information-sharing than on cooperation. The different donors work in their own area but without a systematic attempt to obtain synergies with other interventions (C10).**

Finally, coherence with other Commission policies and instruments has not been optimised. **The choices of focal areas and interventions under the 8th and 9th EDF have resulted in a basket of activities with few links between them so that potential synergies and complementarities with**

other Commission policies and instruments have not been recognised and optimised (C11).

3. Recommendations

3.1 To reinforce the coherence, impact and sustainability of the Commission Strategy

1. In line with the GoG development policy by:

- promoting synergies between Commission interventions and the GoG development action plans. The Commission should incorporate its sea defences support within the National Water Strategy and place it at the centre of its strategy, given that it is the main donor in this field and has the necessary experience (R1).

- building in exit strategies in coordination with the GoG at the design stage and updating it during implementation process (R2).

2. In line with other donors:

- on the basis of a sea defences support embracing water management policy (R1), the Commission should adopt a funding modality, such as basket funding mechanisms, that ensures complementarities between donors (R3).

- the Commission should contribute to build up capacity indicators agreed on and synthesized with the GoG and other donors, and thereby discourage donors from avoid entering into superfluous M&E exercise (R4).

3.2 To foster efficiency and effectiveness of Commission's interventions

implementation, with agreed evaluation criteria and indicators (R7).

The Commission should:

- support interventions that foster human resources development and help minimise the brain drain, notably through vocational and technical training and capacity-building interventions targeted on labour market needs and the job-creation opportunities emerging from the restructuring of the sugar and rice sectors and the non-traditional agricultural sub-sectors (R5).

In view of the difficulties encountered with the budget support implementation modality in Guyana, the Commission should:

- focus on improvement of the criteria it stipulates for the undertaking of Budget Support. Meanwhile, until these conditions are realised, it should favour interventions through other instruments such as the basket funding modality (R6).

In particular, the following priority fields of improvements are proposed:

- to address the soundness of the statistical systems used by the various social ministries and the needs for statistical improvements in Guyana generally (R6.1);

- to strongly support the Government in the elaboration and implementation of a PFM reform programme which could be supported by the entire donor community (R6.2).

Eventually, the Commission should foster efficiency through a rational institutional set-up for programme

1. Introduction

Objectives and scope of the evaluation

The evaluation of the Commission's support to the Republic of Guyana is part of the 2006 annual programme of the joint Evaluation Unit of the EuropeAid Cooperation Office and the Directorates-General for Development and for External Relations.

The Terms of Reference (ToR) (see annex 1) assign two main objectives to the evaluation:

- i. To provide the relevant External Co-operation Services of the Commission and the wider public with an overall independent assessment of the Commission's past and current cooperation relations with the Republic of Guyana;
- ii. To identify key lessons that would help improve the current and future strategies and programmes of the Commission.

The evaluation covers the Commission co-operation strategy with Guyana and its implementation over the period 1997-2007.

The evaluation period corresponds to the 8th and 9th European Development Fund (EDF) co-operation strategies. However, projects implemented during these years were programmed under the 6th and 7th, as well as the 8th, EDF strategies. The study therefore covers in depth the country strategy for the 8th EDF and that planned within the framework of the 9th EDF. And since the 6th and 7th EDF strategies were also still being implemented during the period covered, the corresponding projects that started during the evaluation period are also taken into consideration.

Programmes implemented or programmed during the evaluation period and funded through other instruments, in particular SYSMIN, Structural Adjustment facilities, the Regional Indicative Programme (RIP), and the Environment and Sugar Budget Lines, are also considered, particular attention being given to internal coherence, complementarity and coordination between different instruments and funding sources.

Methodology

The evaluation is structured around eight Evaluation Questions (EQs) elaborated on the basis of the ToR and of the synthesised intervention logic for 1997-2007. The questions were proposed by the evaluation team and extensively discussed with, and eventually approved by, the Reference Group. The elaboration of appropriate Judgement Criteria (JC) and Indicators¹ (I) for each EQ enabled the evaluation team to assess the Commission's support to Guyana in its three core aspects: (i) design, (ii) implementation, and (iii) impact and sustainability.

¹ Several indicators have not been used to answer the evaluation questions as they were not relevant.

The purpose of this set of EQs is to facilitate investigation of key issues so as to provide an assessment of the Commission's past cooperation with Guyana based on objective analysis and verifiable indicators. The identified EQs and JCs to which the findings of the Desk and Field Phases will be addressed have been elaborated with strict reference to:

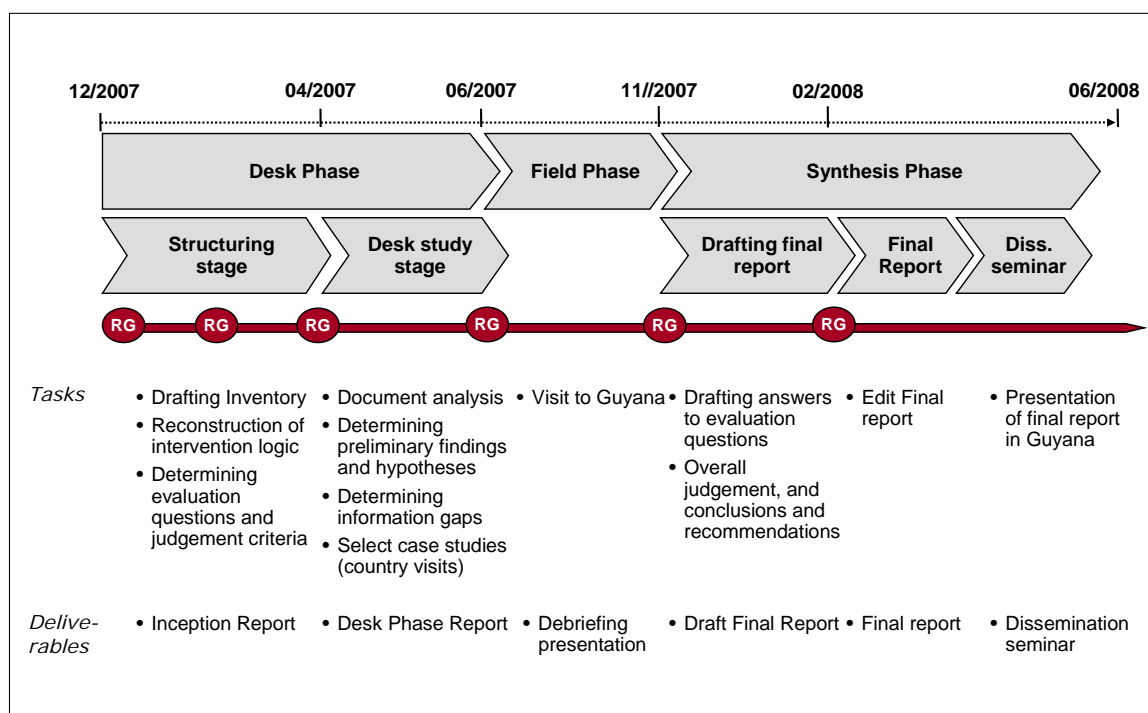
- the OECD-DAC definitions of the five evaluation criteria: relevance, efficiency, effectiveness, impact and sustainability;
- the Commission's intervention logic reconstructed *ex post* for the evaluation period 1997-2007, in particular for effectiveness- and impact-related questions;
- the Commission's overall commitments to the "3Cs" and cross-cutting issues.

The evaluation team's answers to the EQs derive from several information sources which have been cross-checked as often as possible:

- analysis of available documentary sources (see Bibliography in annex 9);
- interviews with the European Commission Services in Brussels;
- interviews in Guyana during the team leader's exploratory mission during the period 19-23 February 2007;
- interviews in Guyana during the field visit of 10-19 October 2007 (excluding travel).

The evaluation was carried out in four different stages (cf Diagram 1), namely (i) inception phase, (ii) desk phase, (iii) field phase and (iv) final report-writing stage. The report output from each phase was reviewed and commented on by a Reference Group composed of Commission officials.

Diagram 1 - Evaluation stages



2. Strategic cooperation context

2.1 The European Commission's development policy

2.1.1 The European Commission's global development policy

Article 177 of the Treaty establishing the European Community (EC) defines its development policy priorities. It stresses that EC policy in the sphere of development cooperation shall foster:

- Sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them
- Smooth and gradual integration of the developing countries into the world economy
- The campaign against poverty in the developing countries.

The Article states, moreover, that this policy shall contribute to the general objective of developing and consolidating democracy and the rule of law, and to that of respecting human rights and fundamental freedoms.

In the **Statement of 20 November 2000 on the development policy of the EC²**, the Council and the Commission reaffirmed the EC's principles of solidarity with developing countries. The EC will concentrate on six areas identified on the basis of the added value of Community action and of their contribution to poverty reduction:

- the link between trade and development
- regional integration and cooperation
- support for macro-economic policies and the promotion of equitable access to social services
- transport
- food security and sustainable rural development
- institutional capacity-building.

These principles are reaffirmed in the Joint Declaration by the Council, the EP and the Commission on the European Union (EU) development policy, "**The European Consensus**" (COM (2005)311).

2.1.2 The European Commission's development policy with ACP countries

Cooperation between the EC and ACP Countries started in 1957 with the signature of the **Treaty of Rome**. The Treaty provided for the creation of European Development Funds (EDFs) aimed at giving technical and financial aid to African countries still colonised at the

² Source : The European Community's Development Policy - Statement by the Council and the Commission.

time. The **Yaoundé Conventions** (1963-1975) between Associated African Countries and Madagascar (EAMA) and the EEC gave commercial advantages and financial aid to African ex-colonies. The **Lomé Convention I** (1975) set out the principles and objectives of European cooperation with ACP countries. Its main characteristics are: the partnership principle, the contractual nature of the relationship, and the combination of aid, trade and political aspects, together with its long-term perspective (1975-2000)³.

The **Revised Lomé IV** Convention (1995-2000) introduced amendments as follows:

- ACP countries that do not respect human rights, democratic principles and the rule of law risk the retrieval of allocated funds;
- phased programming is introduced, with the aim of increasing flexibility and improved performance in ACP countries.

A new ACP-EU Partnership Agreement, the **Cotonou Agreement**, signed in 2000 and entering into force in April 2003 for twenty years, was concluded⁴. It builds on the *acquis* of twenty-five years of experience and seeks to address the mixed results of the Lomé Conventions, which can be summarised as follows:

- insufficient account taken of the institutional and policy context in the partner country;
- limited impact of non-reciprocal trade preferences;
- need to adapt to economic and trade globalisation processes and to ensure consistency with the WTO;
- drop in the aid effort over the last ten years, reflecting a fundamental questioning of the efficiency of aid among political decision-makers and the public.

The Cotonou Agreement clearly defines a perspective that combines politics, trade and development. It is based on five interdependent pillars⁵:

- a comprehensive political dimension;
- participatory approaches;
- a strengthened focus on poverty reduction;
- a new framework for economic and trade cooperation;
- a reform of financial cooperation.

Within the new trade framework, the EC and the ACP States have agreed on a process for establishing new trading arrangements that will promote trade liberalisation between the parties and thereby smooth and gradual integration of ACP economies into the world economy along with ensuring full conformity with WTO provisions. The current system of non-reciprocal preferential trade relations is to be replaced by **Economic Partnership Agreements (EPAs)**. The negotiations of EPAs (2002-2008) at country or regional level will result in new free trade arrangements (FTAs) being in place by 2008. The protocols on sugar, beef and veal will be maintained but reviewed in the framework of these negotiations.

³ Source : European Commission, DG DEV website.

⁴ Source : European Commission, DG DEV website.

⁵ Source : European Commission, DG DEV website.

As far as Guyana is concerned, EPA negotiations are held at regional level between the Caribbean Forum of ACP States (CARIFORUM⁶) and the EU. They began formally on 16 April 2004 and are still ongoing.

2.2 Guyana's context

Guyana, with an area of 215,000 square kilometres, is sparsely populated with approximately 750,000 people⁷. Much of the population lives on a narrow strip of land on the coast.

2.2.1 The political context

Guyana is a Republic within the British Commonwealth, with a form of government based on the Westminster System, with an elected Head of State. The politics of Guyana operate within the framework of a semi-presidential representative democratic republic, whereby the President of Guyana is the head of government and of a pluriform multi-party system. The President's tenure is limited to two consecutive five-year terms.

Guyana achieved independence on 26 May 1966, and became the Co-operative Republic of Guyana on 23 February 1970 with a new constitution. Succeeding Cheddi Jagan, Forbes Burnham ruled Guyana in an increasingly autocratic manner from December 1964 until his death in August 1985. Prime Minister Hugh Desmond Hoyte acceded to the presidency in 1985 and gradually reversed Burnham's policies, moving from state socialism and one-party control to a market economy, industry privatisation and unrestricted freedom of the press and assembly. Whilst this reversal of earlier policies led to an increase in GDP, it also eroded real incomes and hit the middle classes hard. Bharrat Jagdeo, adviser to the Minister of Finance in 1992, was elected President in 2001 and re-elected for another five-year term on 28 August 2006, the People's Progressive Party obtaining 54.6% of the votes.

Guyana has a difficult political and social framework wherein political allegiance is largely determined by ethnicity in a country where competition between the two major and ethnic-based political parties is rather fierce. The two main political parties in Guyana are the People's Progressive Party (PPP) and the People's National Congress (PNC). The PPP, which has been in power since October 1992, attracts support primarily from Guyanese of East Indian descent, and is mainly associated with the agricultural and most industrial sectors of the economy. The PNC, which was in power from 1964 to 1992, attracts support primarily from Guyanese of African descent who tend to be prominent in the civil service.⁸

⁶ CARIFORUM: the 14 Caribbean Community countries and the Dominican Republic.

⁷ Source : Guyana Government, Guyana National Development Strategy, 2000

⁸ Source : WB, Public expenditure review 2002.

The simmering political battles between the major political parties continue to create political instability and act as a disincentive to direct foreign investment and retention of domestic capital⁹.

2.2.2 The economic context

Structure of the economy

The country's economy is primarily based on the production and export of its natural resources, with agriculture today representing approximately 30% of GDP. The primary sector is dominated by the production of sugar, rice, gold, bauxite and timber¹⁰. Guyana's manufacturing industry contributes about 10% of the country's GDP and employs approximately 12% of the population. Although Guyana is not as heavily dependent on the services sector as its Caribbean partners, services account for nearly one-half of GDP and have been growing in value terms over recent years¹¹.

Guyana also has a large informal economy, the presence of which makes it difficult to obtain accurate statistics. From 1992-2000 the informal sector was estimated to contribute the equivalent of 40% of GDP, a level comparable to that in other low-income transition economies¹².

With such heavy reliance on agricultural commodities for foreign exchange earnings, Guyana has been immensely affected, in recent years, by deterioration in its terms of trade due to a declining trend in commodity prices. Furthermore, Guyana's primary export commodities of sugar, rice, bauxite and timber are not expected to attract any appreciable price increases over the medium term¹³.

The Government of Guyana (GoG) is taking steps to enhance the competitiveness of major industries and substantial investment is currently being provided (with the assistance of the international community) to modernise the sugar, rice and fisheries sectors. Although export performance in manufacturing industry has been lacklustre, recent investments in expansion of garment production hold out a promise of significantly increased exports¹⁴.

⁹ Source : IMF, PRSP Progress report 2005, 2006.

¹⁰ Sugar and sugar-based products accounted for 18% of the country's total GDP in 2005, that is 57% of agricultural GDP, and the industry was the largest net earner of foreign exchange in the country and the biggest contributor to public revenue. The rice industry is the second most important agricultural industry in Guyana, in terms of both production and exports. The mining sector also makes invaluable contributions to the country's economy, including significant development and improvement of social infrastructure such as schools and health facilities, especially in the interior areas. The main products exported are gold, bauxite and diamonds. The fisheries and forestry sectors are both also gaining increasing importance in Guyana, in terms of drawing in export revenues.

¹¹ Source : WTO, Trade Policy Review Report by the Government, 2003

¹² Source : European Commission, Joint Annual Report 2004.

¹³ Source : IMF, PRSP Progress report 2005, 2006.

¹⁴ Source : WTO, Trade Policy Review Report by the Government, 2003.

Recent economic developments

In 2007, economic performance was strong in Guyana for a second consecutive year although inflation increased. Real GDP growth is estimated to have been about 5.5 percent –a record for the last decade- and is projected to remain robust at 4.5 percent in 2008. The drivers of the recovery have been investment and consumption –supported by external financing and grants, FDI, remittances, and domestic credit. Inflation is estimated to have risen to about 14 percent at end-2007 (compared to 4.25 at end-2006) mainly reflecting high food and fuel prices as well as initial adjustments following VAT implementation, and is projected to decline to 6.75 percent in 2008¹⁵.

External debt

Guyana's debt grew in the 1980s and the beginning of the 1990s. After having approached the Paris Club in 1996, Guyana became eligible in 1999 for debt relief under the original Heavily Indebted Poor Countries (HIPC) Initiative. As a result, the debt service ratio fell from 19% in 1998 to 12.4% in 1999¹⁶. In October 2000 Guyana also became eligible for debt relief under the enhanced-HIPC Initiative. For the country to reach the completion point, the GoG committed itself to undertake further work in the following areas: completion and implementation of a Poverty Reduction Strategy (PRSP); continued implementation of strong macroeconomic and structural policies; and implementation of a set of social, structural and institutional reforms.

Guyana went off-track with its IMF programme in December 2002. Of particular concern was an IMF requirement to downsize the civil service, and the privatisation of the Guyanese sugar company. The government and the IMF agreed to restart the implementation of the PRGF and, in December 2003, the Boards of the IMF and World Bank (WB) concluded that Guyana had satisfactorily filled these commitments and thereby reached the enhanced-HIPC completion point. The IMF Board expressed however some concerns about the economic growth rate and about some new international loan agreements (Cricket Stadium) and credits (the Skeldon Sugar factory projects). Debt relief under E-HIPC from all of Guyana's creditors amounts to US\$334.5m in Net Present Value terms. Guyana also benefits from the Multilateral Debt Relief Initiative (MDRI).

The total debt relief under the original and enhanced HIPC initiatives is reducing the debt stock, after traditional debt relief, by 54%, based on combining both relief totals at end-2002. Since 2000 the European Commission has provided €14.88m of relief under the original and enhanced HIPC initiatives¹⁷. Multilateral creditors are to provide debt relief up to US\$202m in Net Present Value (NPV) terms, which includes US\$40m from the IMF and US\$41.2m from the WB¹⁸. In 2007, The IDB agreed to extend total debt relief to the

¹⁵ Source : IMF, Public Information Notice (PIN) No. 08/45, April 2008

¹⁶ Source : IMF, PRSP Progress report, 2006.

¹⁷ Source : European Commission :Draft Country Strategy Paper and National Indicative Programme, 2008-20013, 2007.

¹⁸ Source : European Commission :Draft Country Strategy Paper and National Indicative Programme, 2008-20013, 2007.

five poorest countries in Latin America and the Caribbean - Bolivia, Haiti, Honduras, Guyana, and Nicaragua- for a total of \$4.4b. Guyana received \$467m in IDB debt relief.

Trade Trends

Guyana's geographic location and participation in a number of bilateral¹⁹, regional²⁰ and multilateral trade agreements²¹ allow over 75% of its products to access export markets duty-free, with most of the remaining exports receiving reduced-duty treatment.

Guyana is one of the most open economies in the Caribbean: exports amount to over 90% of GDP. CARICOM, EU, Canada and the USA continue to be Guyana's primary export markets. Regional and bilateral trade agreements also present opportunities for diversifying markets. Through these trade agreements and geographic proximity, Guyana enjoys easy access to 277 million consumers, an export market in excess of US\$130bn, and overall purchasing power of over US\$2 trillion²².

While Guyana's traditional export products (sugar, rice, bauxite, gold and timber) continue to enjoy robust growth, Guyana's non-traditional exports (value-added wood products, non-traditional agricultural products, seafood and light manufactures) are becoming an increasingly important source of export earnings, with their share of total exports growing consistently. This reflects progress in the country's increased emphasis on diversifying the economy.

Exports of sugar and rice from Guyana both benefit from preferential trading relations. This means that Guyana can export a limited quantity (quota) of rice and sugar to the EU at a guaranteed price (the EU intervention price), which is higher than the international price. Guyana's sugar exports enjoy preferential quota access to the European market via the Sugar Protocol and the Special Preferential Sugar (SPS) Agreement. For rice, Guyana enjoys preferential treatment in the EU arising from the Joint Declaration on Rice, which was signed as part of the Cotonou Agreement for ACP rice exporters.

In the 1990s the rice sector in Guyana experienced spectacular growth fuelled by favourable indirect access to the EU market (via the Overseas Countries and Territories - OCTs) and high export prices. This situation was compounded by the first round of rice-price reductions as part of the reform of the EU rice sector. Since 1995 EU rice prices have only intermittently been above the intervention price level. As a consequence, earnings from exports to the EU declined dramatically. The 2003 reform foresaw a reduction of the rice intervention price by 50% to bring it into line with world market prices. In this context the situation of the Guyanese rice sector has deteriorated dramatically.

¹⁹ Guyana benefits from a number of bilateral agreements between CARICOM and Colombia, Costa Rica, Cuba, the Dominican Republic, and Venezuela.

²⁰ Since 1966, Guyana has been a member of a Caribbean regional integration movement, the Caribbean Community (CARICOM)

²¹ The WTO Doha Development Agenda (DDA), the Free Trade Area of the Americas (FTAA) and the negotiation of EPAs between the ACP and the EU.

²² Source : Guyana Office for Investment website.

The value of Guyana's preferences for sugar exports has already been significantly eroded with the introduction of the "Everything But Arms" (EBA) Initiative²³. Indeed, the implementation of the EBA initiative will reduce the tonnages which non-LDC ACP countries can export under the Special Preferential Sugar (SPS) Agreement. This will constitute a serious loss of preferential access for a number of ACP low-cost non-LDC sugar suppliers, notably Guyana, where SPS is equivalent to 11% of its total preferential access to the EU market. As a result of the EU sugar-sector reform, all sugar imports into the EU will be subject to income losses as internal EU prices are reduced. In 2006, European prices started to decline (by 5%)²⁴, and the Commission has therefore already provided compensatory assistance to Guyana. After 2008/2009, when the EBA will be completely free of all quantity tariff restrictions, there could be a considerable impact on the sugar regime as a whole with severe implications for Guyanese export earnings.

While modernizing and restructuring the sugar industry will help mitigate the effects of these changes, the welfare implications of the retrenchment of workers employed directly or indirectly by the sugar industry will be very serious²⁵.

2.2.3 The social context

Poverty

Guyana ranks 103rd in the UNDP 2006 Human Development Index, the same as in 2002. Between 1992 and 2000, the percentage of persons living in poverty declined from 43% to 35%, with 19% of the population living in conditions of extreme poverty.

Poverty is very unevenly distributed throughout the country. The lowest incidence of poverty is in the urban areas, where less than one in six is poor. Although there are urban pockets of poverty where the incidence is higher than the norm, this concerns mostly the unemployed and those working as domestic workers and in the construction sector. The highest incidence is in the rural interior; this largely concerns self-employed in agriculture or manual labourers. The high incidence of poverty in the hinterland areas is largely the result of isolation. These areas are far removed from the hubs of economic activity and are thinly populated, with less than 10% of the total population.

Migration

Migration out of Guyana has been very high, averaging about 2% of the country's population per year²⁶. More than 83% of the country's university graduates have migrated to countries of the Organisation of Economic Co-operation and Development (OECD)

²³ Guyana is not classified as a least developed country (LDC). Therefore, it did not benefit from various forms of special treatment that were extended to such countries by international agreements and national laws. Among the additional benefits extended to LDCs were more preferential access to the EU market under the "Everything But Arms" (EBA) Initiative, exoneration from some obligations under the WTO Agreements.

²⁴ European prices for sugar will have decreased by 36% in 2009-2010.

²⁵ Source : IMF, PRSP Progress report 2005, 2006.

²⁶ Source : UNDP, Draft country programme document for Guyana (2006-2010), 2005.

and of the Caribbean Community and Common Market. The ongoing migration of skilled professionals and entrepreneurs is a real challenge for Guyana in the sense that it hampers the Government's efforts to achieve sustainable economic growth.

Ethnic issues

Guyana is a multi-ethnic society. The Guyanese population is made up of 48% of East Indian descent, about 30% of African descent, 8% of Amerindian descent, and 14% of mixed race and others. Much of the population lives on a narrow strip of land on the coast, with a small minority of the population - mainly Amerindian - living in the hard-to-reach hinterlands. The Indo-Guyanese have remained predominantly rural whereas the Afro-Guyanese constitute the majority of the urban population. There is much racial tension between the Indian and African communities, and the two main political parties are largely mono-racial. The trend over time is for the Amerindian and mixed-race proportion to grow, mainly at the expense of the Indo-Guyanese proportion, while the Afro-Guyanese percentage remains roughly stable.

Table 1 - Basic Social Indicators, 2004

Population living below \$1 per day, 1990/2004 (percent of total population)	2
Urban population (percent of total population)	28.3
Life expectancy at birth (years)	63.6
Infant mortality (per 1000 live births)	48
Child malnutrition (percent of children under 5)	11
Prevalence of HIV/AIDS (percent ages 17-54)	2.4
Adult literacy rate (% ages 15 and older) (HDI)	96.5
Youth literacy rate (percent ages 15-24) (1990)	99.8
Population with access to treated water (percent of total population)	46.9
Net primary enrolment ratio	99
Net secondary enrolment ratio	64
Public expenditure on education (% of GDP, 2000-2002)	8.4
Public expenditure on health (% of GDP, 2003-2004)	4

Sources: UNDP, Human Development Report 2006 and World Bank, World Development Indicators, 2006.

Health

The health sector suffers from imbalances of resources between different care levels, with a high proportion of expenditure and resources directed towards the main tertiary facility while difficulties exist with staffing of lower level facilities, especially in remote areas. There has also been a general loss of doctors and nurses through emigration to the Caribbean Islands, North America and the UK. Relatively low levels of patient service are also of concern. Public spending on health has been increasing over the period and compares very

favourably with other Latin America and Caribbean countries²⁷. Government expenditure on health in 2003-2004 was approximately 4% of GDP.

A National Health Plan 2003-2007 was designed to improve the nation's health and increase life expectancy. The actions being pursued under this plan are: reform of the governance of the sector, strengthening of human resource development efforts and strengthening of physical conditions through refurbishment and reconstruction of hospitals²⁸.

The rapid spread of HIV/AIDS among the most productive sectors of the Guyanese population has been one of the more daunting challenges facing the nation. In contrast with many countries in the region, the epidemic is generalised in Guyana and not concentrated among specific groups. Within recent years the Government has significantly scaled up the scope and intensity of efforts to curtail the spread of HIV/AIDS, and increased capacity to treat and provide care for people living with HIV/AIDS. These efforts are taking place under the aegis of the Ministry of Health, in partnership with international donors and international and local NGOs. A national strategy for combating HIV/AIDS has been formulated and work is being done to integrate this into the National Health Plan and more specifically into the plans for the fight against tuberculosis and malaria²⁹.

Education

According to the World Bank, education expenditures and school enrolment ratios - at least at primary and secondary levels - in Guyana appear quite satisfactory. Public expenditure on education as a share of GDP was around 8% between 2000 and 2002, which is much higher than the regional average of about 4%³⁰. Primary school enrolment rates are high at 99% (in fact, primary school attendance is compulsory in Guyana) and the secondary school enrolment rate of 64% is quite respectable for a country with Guyana's level of income.

Although the large expenditure increases since 1991 have resulted in improved coverage nationwide, there remain significant disparities across regions and income groups. The regional allocation of public spending shows a distinct pro-rich bias³¹. Other problems facing the education system include lack of adequate incentives for teachers, inadequate arrangement for school management, and dearth of reliable sector-level data.

The Strategic Plan for Education 2003-2007 developed by the government reflects the government's commitment to reducing illiteracy, repetition and dropout rates, increasing secondary school enrolment and improving the quality and relevance of education for all

²⁷ Source : World Bank, Guyana Public Expenditure Review, 2002.

²⁸ Source : European Commission, Joint Annual Report 2004.

²⁹ Source : European Commission, Joint Annual Report 2004.

³⁰ Source : World Bank, Guyana Public Expenditure Review, 2002.

³¹ Source : World Bank, Guyana Public Expenditure Review, 2002.

Guyanese³². The Ministry of Education's medium-term strategy is clearly outlined in the Strategic Plan and relates specifically to two pillars of the PRSP: on the one hand investment in human capital with emphasis on basic education and primary health care, and on the other hand stronger institutions and better governance.

2.2.4 The environmental context

Guyana is especially vulnerable to environmental pressures. Guyana has vast forest resources that cover more than three-quarters of its landmass and contain over 1,000 different tree varieties. Some parts of the narrow coastal belt where about 90% of the country's population live are at sea level and indeed below it at high tide. As a result, Guyana is continuously threatened by inundations from the Atlantic Ocean and the rivers which bring with them difficulties from flooding, deposition of silt, erosion, and so forth. As a result of devastating floods in January 2005, GDP growth was actually negative in 2005. This unprecedented rainfall affected 20% of the population, with damage and losses estimated at around 60% of GDP³³.

2.3 Guyana's Development Policy

2.3.1 Guyana's National Development Strategy 2001-2010

In recognition of the causes of poverty, the Government developed a National Development Strategy (NDS) to achieve key overall development objectives, namely: (i) sustainable growth rates; (ii) reduced poverty; (iii) geographical unity; (iv) more equitable geographical distribution of economic activity; and (v) a more diversified economy.³⁴

The strategy outlines an approach to achieving the following main objectives³⁵:

- Sound macroeconomic policies and economic management, coupled with creation of incentives for private sector development
- Improvements in transport infrastructure (road network)
- Enhancing the role of ICT in the modernisation of Guyana
- Strengthening social services through education, health and low-income housing programme.
- Reform of public sector institutions
- Conservation of Guyana's environment and sustainable use of resources
- Investments in drainage and irrigation systems and sea defences
- Development assistance to a specially-disadvantaged group, the Amerindians, through demarcation and distribution of land; preservation of their culture; improvements in

³² Source : IMF, PRSP Progress report 2005, 2006.

³³ Source : UNDP, Draft country programme document for Guyana (2006-2010), 2005.

³⁴ Source : Guyana Government, PRSP, 2002.

³⁵ Source : Guyana Government, Guyana National Development Strategy, 2000 and Guyana Office for Investment web site (<http://www.goinvest.gov.gy/>).

- the quality of their training and education at all levels; improvements in their health facilities; and general social and economic development of the areas which they inhabit
- Improving inclusiveness, accountability and transparency of central, regional and local governments.

2.3.2 Guyana's Poverty Reduction Strategy Paper (PRSP)

The PRSP (23 May 2002) provides a comprehensive framework for the development challenges facing Guyana and a strategy for reducing poverty. It reflects the results of an extensive participation and consultation process. The policy reform agenda outlined in the PRSP is large, covers most sectors, and is geared towards enhancing productivity and competitiveness of the economy.

The PRSP is directly linked to the NDS in the areas of economic policy, good governance, infrastructure development and improvement in social services with the objective of reducing poverty. With its 25-year horizon, the NDS will serve as a reference document for future PRSPs.

The main goals of Guyana's poverty reduction strategy³⁶ focus on the following: sustained economic expansion; access to social services including education, health, water and housing; and expansion of social safety nets.

To achieve these goals, the strategy rests on seven pillars³⁷:

- Broad-based economic growth;
- Environmental protection;
- Stronger institutions and better governance;
- Investment in human capital, with emphasis on basic education and primary health;
- Investment in physical capital, with emphasis on better and broader provision of safe water and sanitation services, farm-to-market roads, drainage and irrigation systems, and housing;
- Improved safety nets;
- Special intervention programmes to address regional pockets of poverty.

Since its adoption, there have been slippages on the macro-economic front, and as a result the PRSP has needed to be updated, with economic growth and government revenue collection both much lower than anticipated³⁸. In 2004, the government accomplished more than 80% of its planned actions under the PRSP Progress Report 2004³⁹.

High and sustained growth will be critical in the achievement of the ambitious agenda of the PRSP Progress Report 2005. Success of the PRSP will also depend on the

³⁶ Source : Guyana Government, PRSP, 2002.

³⁷ Source : Guyana Government, PRSP, 2002.

³⁸ Source : European Commission, Joint Annual Report 2004.

³⁹ Source : IMF, PRSP Progress report, 2006

Government's ability to improve governance, strengthen public institutions, maintain macroeconomic stability, and undertake critical structural reforms⁴⁰.

A third Progress Report was expected to be prepared in early-2007, but the Government has decided to instead commence preparation of a PRSP II.

2.3.3 The National Competitiveness Strategy for Guyana

The GoG defined in 2006 its core policies for improving competitiveness through (i) incentive policies including macroeconomic policy, competition policy, taxation policy, trade policy; and (ii) supply side policies, mainly including policy measures with respect to education and training, business development services, finance, investment and export promotion.

2.3.4 The Guyana Action Plan for the sugar sector

The Guyana Action Plan for the sugar sector seeks to generate economic growth by bringing sustainable improvements in the competitiveness of the sugarcane industry and the non-traditional agricultural sub-sector⁴¹. The plan provides a positive response to the European sugar price cut. Its specific elements are threefold:

- To promote the expansion and diversification of the sugar cane industry (budget: €499m)
- To promote the growth and development of specific non-traditional agricultural sub-sectors (budget : €29m)
- To provide infrastructural and human resource development support to achieve the regeneration programmes planned in the sugarcane and non-traditional agriculture sub-sectors (budget : €24m)

The financing sources of this Action Plan are diverse: donor grants and loans, GoG funding, investments of the Guyanese sugar industry. In 2006, the Commission prepared a financing proposal for a Sector Budget Support of €5.7m in order to support both the competitiveness of the sugar and sugar cane sector and the diversification to non-traditional agricultural activities.

2.4 International cooperation in Guyana

Support from donors is essential in the financing of development in Guyana. External aid as measured by ODA represented around 17.3% of GDP in 2003, 31.7% in 2005, and 11.7% in 2006. Over the period 1996-2005 grants represented 58% of ODA whereas loans accounted for 37%. As illustrated in the table below, over the period 1996-2005 the EU was the foremost donor with 43.2% of ODA commitments to Guyana originating from the EU Member States and the Commission. The EU was closely followed by the

⁴⁰ Source : IMF, PRSP Progress report, 2006.

⁴¹ Source : European Commission, « EC response strategy in support of the Guyana National Action Plan for the period 2007-2013, Implementation of Accompanying measures for sugar protocol countries », revised draft 27 July 2006.

multilateral institutions (40.3%), with the Inter-American Development Bank in first place and IDA second. The United States, Canada and Japan are also important providers of financial assistance for development.

The ODA does not cover the indirect assistance from which Guyana is benefiting such as that from the EC in terms of preferential access on EC markets, mainly for sugar and rice. Indeed for sugar, preferential sales to the EU market account for half of production volume and 70% of industry revenues.

Table 2 - Cumulated ODA commitments to Guyana, 1996-2005

	US\$m	%
Inter-American Development Bank Sp.Fund	429,43	32,98
United Kingdom	378,86	29,09
European Commission	123,20	9,46
United States	112,16	8,61
Canada	85,08	6,53
IDA	67,10	5,15
Germany	30,12	2,31
Japan	28,53	2,19
GFATM	11,64	0,89
IFAD	10,50	0,81
Netherlands	6,32	0,49
Denmark	6,32	0,49
UNICEF	4,57	0,35
France	3,76	0,29
Norway	2,43	0,19
UNDP	1,12	0,09
Other	1,05	0,08
Total	1.302,20	100

Source: OECD, CRS online database on aid activities.

3. The Commission's Cooperation Strategy

3.1 The intervention logic

The intervention logic of the Commission cooperation strategy in Guyana over the period 1997-2007 attempts to establish how the activities and the outputs provided through Commission support are supposed to contribute to the specific and global impacts of the Commission in Guyana.

The main reference documents are:

- 8th EDF National Indicative Programme (NIP) for the period 1997-2002;
- 9th Country Strategy Paper (CSP) for the period 2002-2007;
- Caribbean Regional Indicative Programme (CRIP), the benefits of which under the 9th EDF cover the period 2003-2007;
- All-ACP Rice Support Programme;
- Other documents related to non-programmable instruments such as Structural Adjustment funds and Debt Relief, Community Budget Lines, SYSMIN, and the Sugar Protocol.

The diagram of expected impacts (Diagram 2) is used to represent the logic of the Commission Strategy across the different levels of effects which the Commission intended to achieve. It shows how activities were expected to produce outputs which in turn would provide results that contribute both to specific impacts and to global impacts at a higher level of the Commission's intervention strategy. Non-programmable instruments are introduced in this diagram so as to appreciate their potential impacts on the NIP within the framework of the programmable instruments.

Diagram 2 identifies five areas of focus based on the expected results postulated in the strategy as defined by the 8th EDF NIP (1997-2002) and 9th EDF CSP (2003-2007):

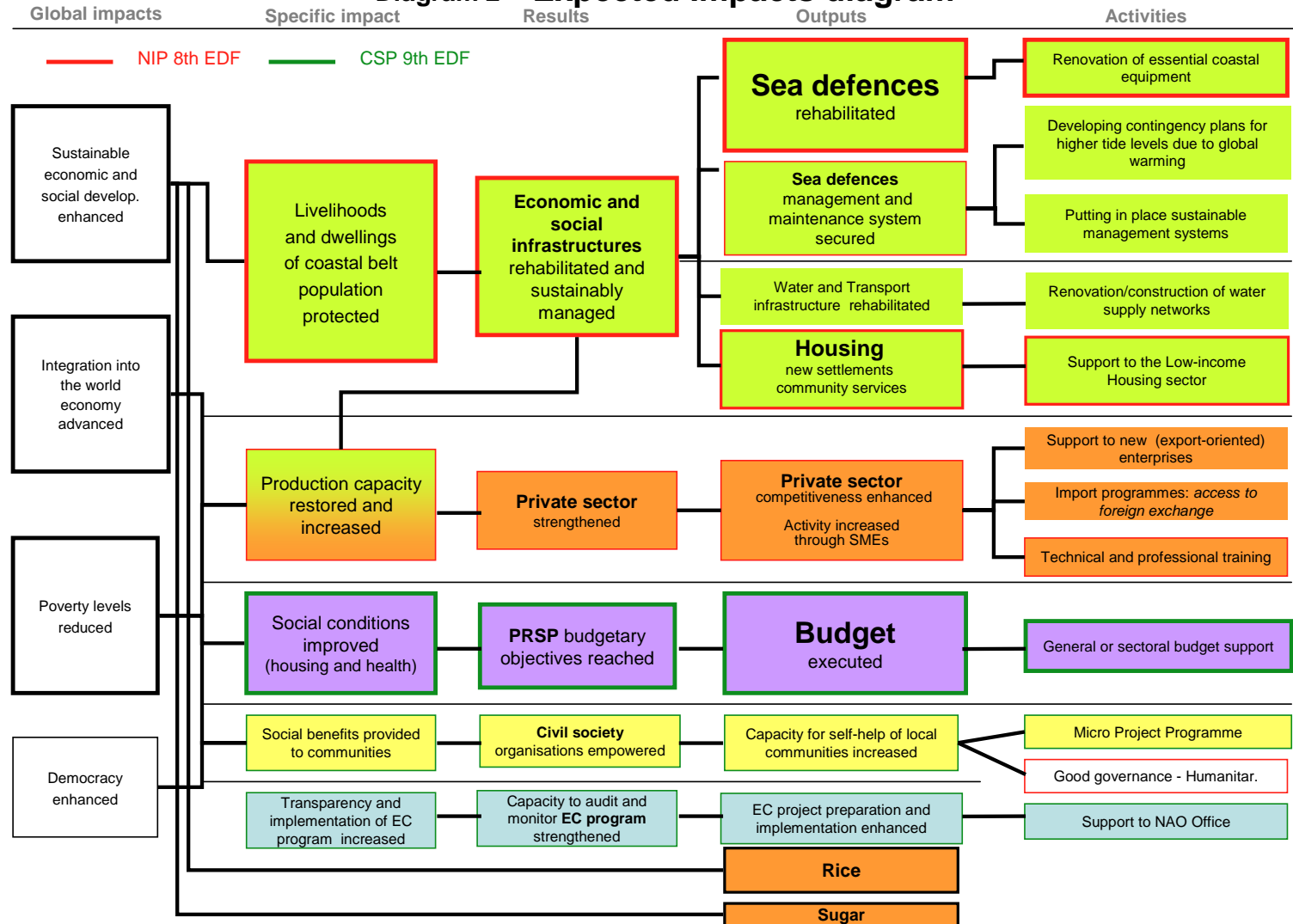
1. **Economic and social infrastructures rehabilitated**, mainly in relation to: (i) sea defences and costal management; (ii) water and transport ; (ii) housing ;
2. **Private sector strengthened**;
3. **PRSP objectives achieved through Budget Support** ;
4. **Civil Society empowered** through building capacity of local communities ;
5. Commission Development **Programme management enhanced**.

Non-programmable instruments complemented the Commission interventions implemented through the programmable envelope, mainly in the areas of private sector and budgetary support. Two other sectors not explicitly identified in the 8th EDF NIP and the 9th EDF CSP, the Rice and the Sugar sectors, also took advantage of non programmable instruments.

If this intervention logic, reconstructed *ex post* for this evaluation, makes it possible to visualise the global coherence of all the activities of the Commission in Guyana and show them to be in line with the global objectives, it is not immediately obvious how the various interventions should be linked to create synergies and reinforce the benefits. All the interventions seem to be planned in a partitioned way and without seeking benefit from synergies between the various sectors, in particular between sea defences and BS, between sea defences and social sectors, and between sea defences and private sector development⁴².

⁴² Refer to EQ 8 and OA 1 for more developments on that issue.

Diagram 2 - Expected Impacts diagram



3.2 The Commission's cooperation strategy and its implementation for Guyana over the period 1997 -2007

3.2.1 The programmable instruments

- The 8th EDF National Indicative Programme / 1997-2002 :

The "Cooperation framework between the Cooperative Republic of Guyana and the European Community - Lomé Convention IV, 2nd financial protocol" covers the period 1997-2002 (hereafter referred as 8th EDF NIP). This 8th EDF NIP was developed against the background of the Government's Policy Framework Paper 1996-1998 which culminated in the National Development Strategy (NDS) 2001-2010 as the overall long-term background framework for Guyana's strategic economic and social development.

The 8th EDF NIP explicitly mentions four development co-operation priorities:

- poverty alleviation;
- integration into the world economy;
- sustainable economic and social development;
- development of democracy, rule of law, human rights and fundamental freedoms.

Against this background the 8th EDF NIP identifies a restoration of, and increase in, Guyana's production capacity as the main channel for achieving these objectives, mainly through generating sustainable incomes and more competitiveness in foreign markets. Two areas of concentration were selected in this respect: (i) economic and social infrastructure with a focus on **sea defences** and **transport** and (ii) the **private sector**.

- The 9th EDF Country Strategy Paper / 2003 -2007:

The Country Strategy Paper under the 9th EDF (9th EDF CSP) for the period 2002-2007 was designed against the background of the Government's compilation of its first PRSP (2002). The CSP was designed four years before the elaboration of the GoG's strategy (i) to foster private sector development with the 'National Competitiveness Strategy for Guyana' (2006); and (ii) to support the sugar industry in the face of the EU sugar price cut with the 'National Action Plan 2007-2013 for the Sugar sector'.

The strategy set out in the 9th EDF CSP for the period 2002-2007 shows a number of similarities with the 8th EDF strategy, notably in its continued efforts on sea defences. But the main difference was the considerably greater emphasis on supporting social sectors and poverty reduction in respect of the PRSP objectives.

Three of the four global objectives mentioned in the 8th EDF NIP are also mentioned as key objectives for the 9th EDF CSP:

- reduction of poverty;
- promotion of sustainable development;

- smooth and gradual integration of Guyana into the world economy;

To contribute to these objectives, the CSP proposed fostering efforts on two areas of concentration: (i) infrastructure: **sea defences** and costal management; and (ii) **macro-economic support**.

3.2.2 The non programmable instruments

In addition to the afore-mentioned programmable resources Guyana also benefited from important cooperation through other instruments, in particular non-programmable funds and the Regional Indicative Programme.

Some non-programmable funds were provided in the 4th Lomé Convention and its 2nd financial protocol, for example Structural Adjustment Funds, SYSMIN, all-ACP programmes, or financial advantages available from commercial preferential treatments such as the Sugar Protocol and, to a lesser extent, the Rice Protocol. Other non-programmable funds emanated directly from the Commission's central Budget Lines.

The 8th EDF NIP mentioned these other instruments but did not state clearly how they were integrated into the strategy proposed for the period. Nevertheless the following instruments were due to play a significant role in completing and strengthening the NIP.

As with the 8th EDF NIP, the 9th EDF CSP briefly mentions these other instruments (except for the sugar Budget Line as this is a very recent development) but did not integrate them formally into the Commission's Strategy for cooperation with Guyana.

3.3.3 Overview of the Commission's cooperation strategy and its implementation over the period 1997-2007

This section presents the Commission cooperation strategy and its implementation per main sectors of intervention.

Sea defences

At the time of the 8th EDF NIP design, Government commitments concentrated on rapid rehabilitation, improved maintenance of existing equipment and design, and implementation of a comprehensive policy including management of coastal zones. Thus rehabilitation of the sea defences was a priority. **€21m** was allocated through the NIP. Activities in management of coastal areas were also to contribute to obtaining sustainably-managed sea defences with a view to ensuring lasting protection of the populated and cultivated areas of Guyana against the sea tides.

The first area of concentration of the 9th EDF CSP is protection of the dwellings and livelihoods of the coastal belt population, with a budget of **€19m**. The CSP specified that the PRSP should give high priority to rehabilitation and maintenance of the sea defences and underlines that *"the sea wall is critical to safeguarding the investments in infrastructure and improved agricultural production in the coastal belt where 90% of the population lives"*. Whereas the 8th EDF focused in this respect on rebuilding sea defences, the 9th EDF provided for a programme of sustainable maintenance support, so as to build up local capacity to maintain

the network and create jobs. Three main activities were defined: reduction of the proportion of the sea wall in a critical condition; setting-up of a sustainable management system; and development of contingency plans.

Transport

The 8th EDF NIP emphasised that both types of infrastructure should be rehabilitated following deterioration as a result of lack of maintenance and financial means, and of institutional weaknesses. The government also underlined the importance of renovating the transport infrastructure with a view to supporting economic growth and development of exports. **€8m** were allocated in the NIP.

Nevertheless, transport infrastructures have not been subject to funding as expected from the 8th EDF NIP. Instead, the housing sector, not mentioned as a focal sector in the NIP, was allocated **€9,2m**. This funding resulted from the GoG's request to use part of the second tranche of the NIP to support of its housing programme for low-income families. This allocation was effectively in line with the 8th EDF NIP objective of rehabilitating the social and economic infrastructure.

The 9th EDF CSP also provided for interventions, and notably studies, in the transport sector (€1m) with a view to putting in place a comprehensive transport sector strategy and enhancing prioritisation of transport investments.

Private sector

The 8th EDF NIP envisaged allocating **€3m** for private sector development. The Government committed itself to a sector policy that aimed at creating an environment conducive to private sector development. It planned to disengage the public authorities from economic activity and to install a regulatory framework favouring competition and to encourage private investment in essential economic sectors, or continuation of the reform of the financial and banking sector.

In this context the Commission interventions aimed at generating two types of outputs: (i) strengthened competitiveness of private enterprises facing the challenges of international markets; and (ii) increased economic growth through development of SMEs and job creation.

The €3m budgeted in the NIP resulted in **€1,4m** for the Guyana Training Agency and **€0,15m** for a small-scale initiative for a business centre. No funding has been allocated for matching the Government efforts to enhance private sector competitiveness in line with its National strategy in this respect.

In addition, private sector development benefited from the non programmable aid: **SYSMIN** funds aimed at contributing to the setting-up of a more solid and wider basis for the development of the mining sector. Since bauxite plays a major role in the economy of Guyana, SYSMIN funds have been crucial. **€12,6m** was allocated to the Linden Economic Advancement Programme in the region economically devastated by the collapse of the bauxite industry.

This focal sector under the 8th EDF was not taken over into the 9th EDF CSP in spite of the Government's preparation of its strategy to promote the private sector in "Enhancing National Competitiveness - A National Competitiveness Strategy for Guyana" (2007).

Budgetary support

Structural adjustment started to feature strongly in the 4th Lomé Convention. Support to ACP Member States implementing Structural Adjustment Programmes was adopted as one of the principles governing cooperation between the EC and the ACP Group of countries. **€12,75m** has been allocated to Guyana from the Structural Adjustment Programme and **€6,44m** from debt relief funding under the non programmable funds of the 7th and 8th EDF.

As second area of concentration of the 9th EDF CSP, **macro-economic support** has aimed at contributing to improved social conditions - especially housing and health -. This area of concentration has been allocated **€14,9m** under the NIP. Actually, this second focal sector was subject to significant extension of the 'Poverty Reduction Budget Support' up to **€35,18 m**.

Civil society support and democracy enhancement

The 9th EDF CSP also envisaged other interventions outside the areas of concentration: **€3m** was allocated to a micro-projects programme with a view to contributing to programmes that reduce poverty and produce social benefits to communities. The budget has been increased by €1m to **€4m**.

In the event the democracy enhancement objective, explicitly mentioned in the 8th EDF NIP but not formally addressed in the 9th EDF, entailed a **€2,3m** commitment to good governance, humanitarian assistance and technical cooperation.

Programme management

With a view to increasing transparency and improving implementation of Commission projects, **support to the NAO office** (to a total of €1m) was provided for. This support was expected to strengthen the office's capacity to audit and monitor Commission projects through enhancement of project preparation and implementation.

Rice sector

Guyana is taking advantage of the **Caribbean Regional Indicative Programme (CRIP)** as a Member State of CARIFORUM and CARICOM. The Commission's cooperation with the region has been carried out within the framework of successive ACP partnership agreements. CARIFORUM was established in 1994 to coordinate policy dialogue with the Commission and manage EDF regional support; it includes the CARICOM States and the Dominican Republic.

Under the 9th EDF the CRIP mainly supports the competitiveness of the Caribbean Rice sector. A diagnostic study and feasibility study of the Caribbean rice industry was carried out in 2002 with a view to increasing the trade competitiveness of rice production, primarily in Guyana and Surinam, and thereby contributing to the region's social and

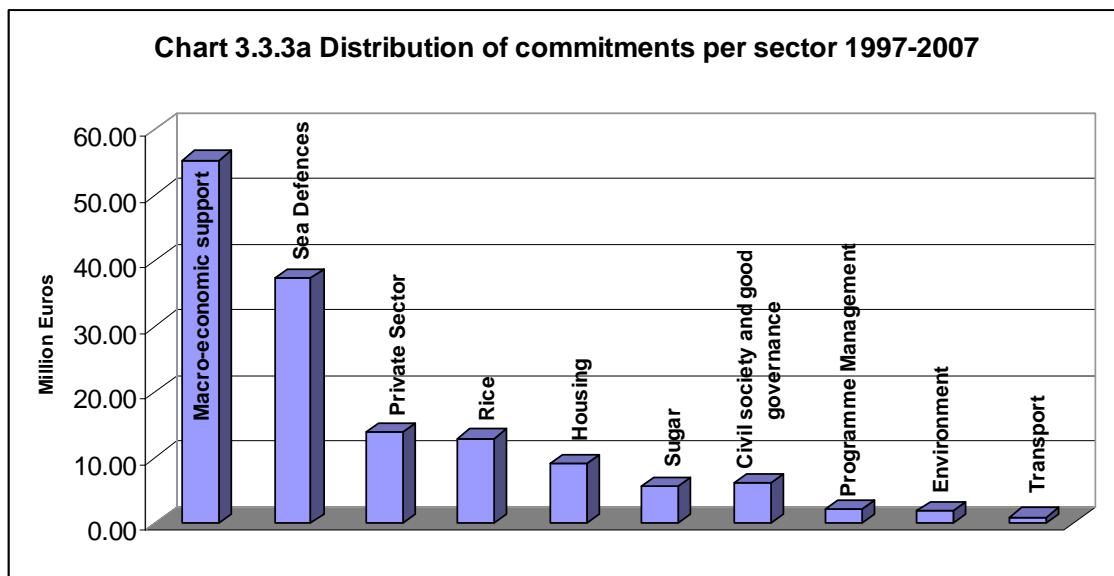
economic development and preventing the socio-economic deterioration which could occur as a result of the ongoing process of trade liberalisation. The total envelope of the programme is €23,6m of which **€12,93m** is directly for the benefit of Guyana.

Sugar sector

During the period 1997-2002 Guyana took advantage from the European price (higher than the world price) under the **Sugar Protocol** and the Special Preferential Sugar Agreement. Nevertheless these benefits to the sugar industry were the result of a policy and not of a direct intervention.

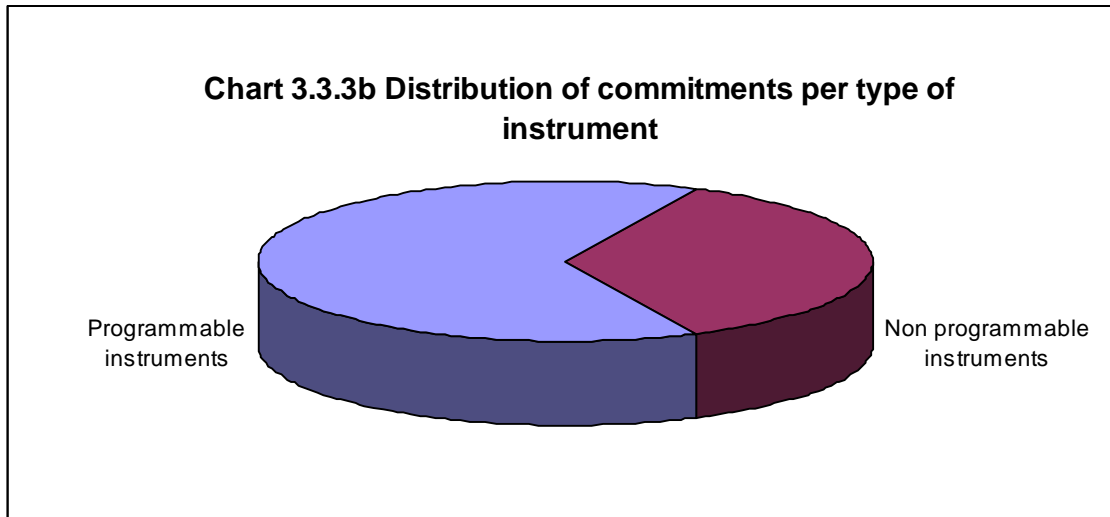
The Commission response strategy in support of the Guyana National Action Plan for the period 2007-2013 addressed the onward planning of the accompanying measures and Commission assistance for alleviating the impact of the EU sugar reform. The delivery mechanism will be mainly sector Budget Support to the following four areas: (i) structural adjustment of the sugarcane industry; (ii) diversification to non-traditional agriculture; (iii) training and infrastructure; and (iv) mitigation of social impact.

An initial 2006 allocation of **€5,66m** covered the first tranche of support to these four areas.



Sources: CRIS consultation and CRIS production databases.

Chart 3.3.b hereunder illustrates the significance of the non programmable instruments in the cooperation strategy of Guyana. They amount to one third of the total Commission commitments. They also constitute 90% of private sector support and one-third of the macro-economic support. The non-programmable funding is also instrumental in supporting the Rice and Sugar sectors.



Sources: CRIS consultation and CRIS production databases.

4. Evaluation Questions

4.1 Coverage of Evaluation questions

The evaluation is structured around eight Evaluation Questions (EQs) elaborated on the basis of the ToR and of the synthesised intervention logic for 1997-2007 (Cf. Section 3.4). These Questions have been presented to the Reference Group and discussed both with them and during interviews at headquarters during the Desk Phase.

The objective of this section is to provide an assessment of the Commission's past cooperation with Guyana based on objective analysis and verifiable indicators. The EQs and the related Judgement criteria (JC) refer strictly to:

- the OECD-DAC definitions of the five evaluation criteria: relevance, efficiency, effectiveness, impact and sustainability;
- the Commission's intervention logic reconstructed *ex post* for the evaluation period 1997-2007, in particular for effectiveness- and impact-related questions;
- the Commission's overall commitments to the cross-cutting issues and "3Cs".

Eight EQs –presented in detail in annex 6- cover the five evaluation criteria plus the cross-cutting issues and "3Cs", as illustrated in the table hereunder.

Table 3 - Alignment of EQ with Evaluation Criteria

	Relevance	Effectiveness	Impact	Sustainability	Efficiency	Cross-cutting Issues	3Cs
EQ 1 Relevance							
EQ 2 Protection of coastal belt population							
EQ 3 Production capacity							
EQ 4 Social conditions							
EQ 5 Social benefits to local communities							
EQ 6 Efficiency of implementation							
EQ 7 Cross Cutting Issues							
EQ 8 Coordination, Complementarity and Coherence with other donors							

The purpose of this section is to answer these eight questions in validating or invalidating the Judgment Criteria in relation to which the findings of the Desk and Field Phases have been elaborated for each question. Details of this analysis are presented in annex 7

(information matrix). For due clarification, each question is treated setting out its justification, coverage, the main interventions funded within the sector (where effectiveness is concerned) and a synthesis of the EQ. Where in-depth investigation of the documentation was found to necessitate unavoidable revision of the indicators, their replacement or adaptation is mentioned in the following section.

Interventions funded through 'non-programmable' instruments are taken into account under EQs (2-5) concerned with the intervention sectors which they are specifically supporting. All interventions, including those related to the rice and the sugar sectors, have been taken into consideration in EQ 6 to assess their contribution to the overall efficiency of programme implementation, in EQ 7 for their contribution to cross-cutting issues and in EQ 8 for their coherence with the identified strategy.

4.2 Answers to Evaluation questions

4.2.1 EQ 1 : Relevance of the Strategy

To what extent is the Commission support to Guyana consistent with the priorities set by the GoG in its development policy?
Justification for and coverage of the question
<p>This question firstly aims at understanding if and how the overall and specific objectives and the design of the Commission co-operation with Guyana reflect the priorities of the partner country and adequately addresses the constraints of the country in order for it to achieve its national objectives. It also examines to what extent the evolution from the 8th EDF NIP to the 9th EDF CSP is consistent with the evolution of the National Strategy from the medium term Policy Framework Papers geared towards macroeconomic stabilisation, adjustment and consolidation during the first period under observation, to the focus on poverty reduction in the PRSP during the second period.</p>
Summary of findings
<p>The Commission co-operation is largely in line with the development priorities of the GoG. First, the Commission's Strategy objectives are coherent with those of the GoG's medium term policy strategies (JC 1.1). In particular, the strategy's focal sectors cover the GoG's main objectives of promoting a sustainable and inclusive (i.e. with equitably shared benefits) growth process, fostering reforms in public administration and implementing the PRSP. Objectives related to the diversification of the productive base and competitiveness are to some extent covered by support to the private sector and to the sugar and rice sectors.</p> <p>On the other hand, the Commission's intervention logic, programming and choice of beneficiaries are coherent with the GoG priorities in its development strategy (JC 1.2). In particular, prior Commission's areas of supports generally fit the GoG priorities. At first glance, the exception could be the rehabilitation of sea defences. It is a major field of intervention in the Commission strategy but it is not explicitly mentioned as a strategic priority in the NDS (7th priority) and in the PRSP (5th priority). However, there is a clear consensus for recognising the importance of Sea defences both in terms of the country's economic performance and poverty reduction.</p> <p>This however does not mean that all GoG's priorities are covered by the Commission strategy. In particular, two major constraints hampering the development of Guyana (flooding from upcountry and storm water and brain drain) cannot be considered as key elements of the Commission strategy.</p>

The Commission's Strategy objectives are coherent with those of the GoG's medium term policy strategies (JC 1.1 & 1.2)

This judgment criteria aims at gauging if and how the overall and specific objectives and the design of the Commission co-operation with Guyana reflect the objectives of the partner country.

The Guyana Development strategy

The main objectives of the **Guyana Development strategy**, designed in the National Development Strategy 2001-2010 (NDS) and the Poverty Reduction Strategy Paper -2002 (PRSP), are the following:

1. enhance economic growth;
2. reduce poverty;
3. achieve geographical unity;
4. promote the equitable geographical distribution of economic activities; and
5. enhance the diversification of the productive basis.

To various degrees, all these objectives include economic and social dimensions. The **economic development objectives** are mainly supported through (i) the stabilisation of the macroeconomic framework, (ii) the implementation of institutional and policy reforms and (iii) the promotion of investment, the competitiveness of the private sector and the expansion of traditional economic sectors and their diversification to non traditional sectors. The **social development objectives** encompass the good governance of the country, the need to sustain economic expansion within the context of deepening participatory democracy and access to social services including health, water and housing, and strengthening and where necessary expansion of social safety nets.

Although, it is not explicitly mentioned as a top priority in the Guyana Development strategy (NDS and PRSP), there is a clear consensus for recognizing the importance to address the threat of floods from the ocean and inland as well.

The National Competitiveness Strategy (NCS) designed in 2006 includes policy measures with respect to education and training (with special attention devoted to vocational training in favour of the private sector), business development services, finance investment and promotion. The focus on education and training in the NCS is justified by a lack of skilled people due the migration which has been very high and is pointed as one of the major constraints of the economic development.

The Guyana Action Plan for the sugar sector (GAP) in 2006 aims at providing infrastructural and human resources development support to achieve the regeneration programmes planned in the sugarcane and non-traditional agriculture sub-sectors so as to prepare the restructuring of the sugar sector with the view to its privatisation.

The Commission co-operation strategy

The overall objective of the 8th EDF (1995-2000) is to improve Guyana's production capacity so as to generate income in a sustainable way and enhance its competitiveness on external markets. This should also participate to Guyana's gradual integration into the

regional and world economy. Commission-funded actions were concentrated on two focal sectors: economic and social infrastructure (including sea defences and transport) and private sector development.

The overall objective of the 9th EDF (2002 – 2007) is the reduction of poverty and the promotion of sustainable development. The strategy is built around two focal sectors: infrastructure (sea defences) and macroeconomic support. Assistance was also diversely committed to a transport sector study, a technical cooperation facility, a micro-projects programme, the holding of general and regional elections in 2006 and the strengthening of the NAO office.

Eventually over the ten years period 1997-2007, €71m was allocated to Guyana from the programmable envelope. Two main areas of concentration were selected:

- (i) Social and economic infrastructures, with €49m (69%) of the budget including Sea defences €40m (56%) and Transport €9m.
- (ii) Budgetary support, with €15 (21%), aimed at supporting the implementation of the Poverty Reduction Strategy of Guyana and helped the Government cover the budget deficit, decreasing the need for external lending and thus facilitating the attainment of the GoG's overall development objectives.

Other support included in the Commission NIPs is marginal: support to private sector (4%), support to Civil Society Organisations (4%) and support to the NAO office (1.4%).

As mentioned in the previous section, non-programmable instruments complemented Commission interventions mentioned in the NIP. Two sectors not explicitly identified in the 8th EDF and 9th EDF, the Rice and Sugar sectors, took advantage of non-programmable instruments. Moreover, the support to Private sector Development also benefited from the SYSMIN instrument (LEAP).

Coherence of the Commission Strategy and interventions with respect to Guyana's development policy objectives

The objectives of the Commission are in line with those of the GoG. Interventions in the area of social and economic infrastructures support the objectives of promoting a sustainable growth process, the benefits of which could be equitably shared among the various segments of the country's population.

On the one hand, sea defences and transport are infrastructures both necessary for the development and diversification of Guyana's economy and conducive to social development.

Sea defences -accounting for €40m (56% of the Commission programmable envelope allocated to Guyana)- are not explicitly mentioned as priority objectives of the Guyana development strategy although its importance is widely recognised by the country's authorities. In the Commission Strategy, Sea defences are mainly an area of concentration for historical considerations since the 1970s when it was urgent and necessary to fund it with grants. At this moment other important donors such as the Caribbean Development Bank (CDB) and the IDB were also involved in sea defences. At end 2007, the Commission remains by far the main donor in this sector. If the focus on sea defences has

been justified, it has however not tackled globally the threats of the floods through a global water management approach⁴³.

In the area of infrastructure, the amounts dedicated in the strategy for transport were largely transferred to the housing sector during implementation. The rationale of this change was to satisfy a Government request fully in line with the PRSP objectives.

On the other hand, structural adjustment and budget support programmes aim to contribute stabilising the macroeconomic framework, and fostering reforms in public administration and public finance management systems, while supporting the implementation of the PRSP and hence poverty reduction.

The Commission's clear determination to increase the use of budget support is reflected in commitments (€35m) more than twice the initial budget (€15m) during the second period 2003-2007 after structural adjustment and debt relief instruments were used (€19m) during the first period (1997-2002).

As regards the brain drain problem resulting in a decreasing Guyanese population, vocational and technical training is the main challenge for Guyana's human resources development. This issue was addressed only in 2000, with €1,3m allocated to the Guyana Training Agency but with no funding for extension or replication.

Although not so explicitly reflected in the Commission strategy, the GoG's objectives of promoting investment to diversify the country's productive basis and increase its competitiveness are covered by support to the private sector and to the sugar and rice sectors particularly through non programmable aid.

Water Management in Guyana⁴⁴

Approximately 90 percent of Guyana's population lives on a narrow coastal strip that accounts for only 5 percent of the country's total land area. This coastal strip has rich alluvial soils suitable for the culture of rice, sugar cane and other agricultural crops but lies below the sea level. The area is therefore protected by sea defences to prevent inundation from the sea and soil deterioration due to saline intrusion. Drainage and mangroves are also protecting the coastal zone from the intrusion of saline water. Moreover, the area has a dense network of irrigation and drainage canals and other structures to provide water to the crops and keep it free from excess or agriculture and other economic activities. With the extensive drainage, irrigation and flood control network, the sea defences serve to make the coast habitable and cultivable. Without this hydraulic system, cultivation and settlement would have to be located much farther inland.

Until the mid 1970s, sea defences and drainage and irrigation accounted for most of Guyana's capital expenditure. When the country's economy went into decline during the 1980s, the maintenance and repair of sea defences and drainage and irrigation works were seriously neglected. Approximately 40 km of sea defences have either collapsed or have been brought to the point of failure, and drainage and irrigation systems have been reduced to a state of total disarray. The ability to manage water levels is further compromised by the impacts of sea level rise and urban population growth.

The situation is aggravated by inappropriate water resource management and inadequate

⁴³ Refer to the Box on Water management, EQ 2 & Overall Assessment for more details.

⁴⁴ Source : Guyana Government, *National Development Strategy 2001-2010*, 2000

institutional arrangements. On the one hand, inadequate water tariffs, an absence of economic incentives for water conservation contribute to the wasteful use of the water resource in both domestic and irrigation activities. On the other hand, the various components of water management -the risks of inundations from the ocean, risks of floods from run off from upcountry and urban storm water- used to be dealt with by separate government institutions with incomprehensive and unrelated policies while operating services little exchanged between them.

Such a water resource management could not always prevent the country from floods, most recently in 2005 in the coastal areas of Guyana including Georgetown. It should be noted that all floods in Guyana over the past decades were primarily caused by urban drainage systems failing to handle the combined effects of urban storm water, upcountry run-off and increasing sea level rise. In no case there has been flooding resulting from inundation from the sea waters alone.

4.2.2 EQ2 : Protection of coastal belt population

To what extent have Commission interventions contributed to the rehabilitation of Guyana's sea defences and ultimately to sustainably protecting the livelihoods and dwellings of the coastal belt population?

Justification for and coverage of the question

The European Commission did provide support to sea defences as a major feature of the cooperation programmes with Guyana since the 4th EDF. The main reason is that the coastal area (much of which is below sea level) houses the majority of Guyana's population and sustains much economic activity, in particular rice and sugar-cane culture. The key questions aim at assessing the relevance, efficiency, impact and sustainability of the Commission's support for the rehabilitation of Guyana's sea defences and to the setting-up of a sustainable management and maintenance system. This question verifies also if and how this support has enhanced protection of livelihoods and dwellings of the coastal belt population.

Main interventions

Sea defences is the main programme of the Commission's support : €40m, i.e. 56% of the total budget with two main commitments : the 8 ACP Gua 5, €20m (decision in 1998 – end in 2008) and the 9 ACP Gua 11, €17,018m (decision in 2007 - end in 2018).

Summary of findings

Interventions agreed under the 8th EDF NIP are in line with the Commission strategy: (i) rehabilitation of sea defences requiring urgent maintenance, (ii) sustainable management of the whole infrastructure. The 9th EDF CSP introduced a third focus: (iii) *“developing contingency plans for higher tide levels due to global warming”*.

If these interventions under 8th EDF (and also under 7th) have effectively contributed to the rehabilitation of Guyana's sea-defences, the length of infrastructure in critical conditions does not seem to improve. Remedial work achieved was counterbalanced by new degradation noted elsewhere.

The key of the strategy as regards sea defences is the organisation of maintenance. It has been a priority in Commission interventions but the impacts on the maintenance system have been low. As a whole, the national policy and legislative framework are adequate but the institutional system remains weak. Several organisational capacity studies were conducted during the 7th and 8th EDFs but have not led to structural and functional reorganisation. Training of SRDD staff in using analytical methods and tools, databases and maps has been done effectively in EDF

projects. But trained staff left the MoW for better positions elsewhere. Participation at local decentralised level is not yet in evidence despite the 8th NIP recommendation to develop a participatory approach with the coastal belt population.

So far, there is no information on the population targeted by Commission interventions. All decisions on the degree of priority of interventions and their assessment were based on technical consideration without considering socio-economic indicators due to the unavailability so far of the results of the socio-economic study decided under the 8th EDF.

The interventions of the Commission as regards sea defences are in line with the CSP/NIP strategy of the Commission which made this sector a priority (JC 2.1).

Around 90% of the Guyanese population lives on a narrow strip of land along the coast, most of which is below spring tide level. The original sea defences consisted of natural features: sand banks colonised by mangroves. This was supplemented by a complex system of sea walls, drainage irrigation canals and sluice gates built to protect the population and develop agriculture.

The lack of maintenance of the sea walls during the 1980s contributed to a critical situation with an growing number of breaches. In 1990, the GoG, assisted by donors including the Commission, began to rehabilitate the damaged defences. With €40m allocated to the rehabilitation of sea defences, the Commission strategy devoted 56% of the total 8th and 9th EDF NIP to this major Guyanese infrastructure.

The key of the strategy as regards sea defences is the organisation of maintenance. Indeed, without an effective maintenance system all rehabilitation efforts quickly come to nothing. The definition and the installation of a sustainable system maintenance, together with rehabilitation activities, have been a priority of the Commission interventions under the 7th, 8th and 9th EDFs.

Interventions under the 8th EDF NIP pursued the earlier Commission interventions' objectives. The 8th EDF NIP, with a budget of €20,53m, covered a 5 km length of sea wall and funded an Institutional Capacity Building (ICB) component to strengthen the Sea & River Defence Division (SRDD) plus development of a Shore Zone Management System (SZMS) to support SRDD. ICB activities included six training modules covering Surveys, Data Management, Modelling, sea defences structures, mangrove management and Strategy & Master Planning for sea defences management.

The 9th EDF, with a commitment of €18,13m agreed in 2007, follows up the 8th EDF NIP orientations with two major interventions: reduction by 40% of the length of sea wall classified as in critical condition (estimated at 20 km) and the setting up of a sustainable management system.

A third major intervention has been the development of contingency plans to counter higher tide levels due to global warming.

Commission intervention has contributed to the rehabilitation of Guyana's sea defences but the overall situation does not improve (JC 2.2)

Information relating to the evolution of the state of the sea defences in Guyana is poor. But there is a consensus that there have been few changes since 1998. Between 30 and 40 km are classified as being in very critical condition (requiring rebuilding). In spite of the

efforts of donors during the last decade the length to be rebuilt remains unchanged. The work realised compensates for fresh degradation noted elsewhere. In other words, over the last 10 years the situation has not drastically improved. The principal reason is the absence of an effective maintenance system. In the meanwhile, donors' contributions allowed stabilising the degradation.

The total length of the sea defence structure, either natural or constructed, is about 425 kms (from Waine River to Corentyne River). Under the 7th EDF, the sea defences project dealt with the rehabilitation of 6,1 km of sea defences in West Demerara and Essequibo Regions as well as with the provision of materials for emergency work. At the end of 2007, interventions from the 8th EDF will be completed with rehabilitation of the civil works component of 5 km of sea wall classified as in critical condition.

Commission intervention is due to contribute to the setting up of a sustainable Sea defences management and maintenance system (JC 2.3)

Technical choices, in particular the crest level, are a critical issue for sustainability

The design for sea defences in Guyana is a shallow rip-rap slope (1:3) to resist wave attack. According to the specialists, this approach presents relative low maintenance cost (easy to repair with local material) and offers the possibility of modifying the profile to raise the crest level to achieve a higher degree of defence⁴⁵.

A design report dated 2004⁴⁶ reported that soil conditions were conservatively taken into consideration in the design calculations leading to the present crest level. It explicitly foresaw that, after compaction and settlement of the soil, the height of the structure will be increased. This report admitted that several encroachments per year occur at high tide and suggested the need to consider a two stage mode of construction, entailing building up the crest to a higher level once the main body of the embankment is complete. However it seems that currently the programme only includes stage one, the construction of the main body of the embankment. This affects the sustainability of the sea defence system. The field mission confirmed this finding as it was observed that the height of infrastructure crests visited (project 8 ACP Gua 5) was insufficient to prevent encroachment by waves during high tides leading to erosion at the land side of the embankments. .

This is also of crucial importance for the consequences of global warming. The change in sea level in the vicinity of Guyana will be in excess of 10 mm per year, or 0.9 feet over the next 28 years; which is between 2 and 5 times greater than the global estimate⁴⁷. This issue relates to the third major intervention planned in the 9th EDF CSP 2002-2007, namely the need for “*developing contingency plans for higher tide levels due to global warming*”.

⁴⁵ 2004, 'Detailed Design & Preparation of Tender Documents of the Works, Supervision and Supply on the Guyana's Sea Defences (8th EDF), Status: Final Design Reports, November 2004, Authors: Aronis- Drettas- Karlaftis Consulting Engineers LTDIs.

⁴⁶ 2004, 'Detailed Design & Preparation of Tender Documents of the Works, Supervision and Supply on the Guyana's Sea Defences (8th EDF), Status: Final Design Reports, November 2004, Authors: Aronis- Drettas- Karlaftis Consulting Engineers LTDIs.

⁴⁷ 2007, 'Project appraisal document on a proposal grant from the global environmental facility special climate change fund (...) for a conservancy adaptation project. Sept. '07, report no. 39120-GY, Worldbank

The institutional framework to assure sea defences management is weak and the CE interventions did not succeed in improving it substantially.

As a whole, national policy and legislative framework are adequate. But the institutional framework is not supportive and hampers the efforts of the Sea Defence Board (SDB) and of the SRDD to carry out their functions adequately.

Currently the SDB suffers from a number of weaknesses: too large and diversified membership, lack of a permanent secretariat, no internal annual planning and reporting, and consequently unclear allocation of responsibilities and duplication of tasks with the Ministry of Public Works (MoW).

The SRDD, as the operations arm of SDB, shows also a number of weaknesses relating to structure and competences which prevent it from being effective. The main constraint on SRDD's utilising the Commission support efficiently is lack of policy, planning and organisational capacity, and staff shortages. The critical human resources situation is due to the fact that the bulk of SRDD's cumulative experience depends on the personal competences of few, albeit highly skilled, executive staff.

Improving the sea defences management system has been a priority for Commission interventions. Several organisational capacity studies were conducted during the 7th and 8th EDFs but recommendations leading to structural and functional reorganisation or changes in SRDD and Board composition were never in force.

Training of SRDD staff in using analytical methods and tools, databases and maps has been done effectively in EDF projects. But the greater marketability of the individual trained staffs was not complemented by any attractive long-term vision for the sea defence strategy and consequently on the development of the related public institutions. As a result, trained staff left the MoW and its related bodies. The training programme had no impact and did not contribute to a sustainable sea defences management and maintenance system.

There is no preventive maintenance system and no explicit budget for preventive actions.

Preventative maintenance is related to cost-effectiveness in the long term. This depends on the ability of SRDD to establish a low-cost sustainable maintenance system to prevent and reduce frequent and sizeable repairs.

Routine procedures for preventive maintenance could not be demonstrated at the SRDD office. Funds for maintenance are used for repairs which are implemented by the decentralised SRDD field offices. According to SRDD, the expenditure for Maintenance and Operation of the Sea and River Defence System (2007) was planned to be covered in 2007 by the budget for Emergency Works (€2,6m), the EU (€4,2m) and the Caribbean Development Programme (€1m). No specifications from SRDD are available on allocations for routine maintenance, preventive maintenance, repairs or new works from these budgets.

Participation at local decentralised level is not yet evidenced despite the 8th NIP recommendation to develop participatory approach with the coastal belt population

Despite (i) the explicit mention in the 8th EDF NIP of the need to "*foster active participation of the coastal belt population to the maintenance of the coastal equipments and to the protection of the sea coast*", (ii) the fact that the Sea Defences Act, the Environmental Protection Act (EPA) and the Drainage and Irrigation Act provide mandates and tools to create sea defences districts

with decentralise maintenance capacity, (iii) the priorities as defined in the NDS, PRBS and MFG of involving local beneficiaries in development programmes, there is no linkage or participation of either local decentralised government structures or community structures in the operation and maintenance of the sea defence works. Local stakeholder structures, for example Neighbourhood Councils or other informal groups, have not participated in either of the previous EDFs.

So far there is no information about the population targeted by sea defences interventions (JC 2.4)

The Commission's support is aimed at contributing to a safer residential environment for the inhabitants adjacent to the sea defence works. The relevance of the programme is clearly established from this point of view. But, none of the documents consulted on Commission interventions in the field of sea defences mention the population targeted by sea defences interventions. In fact, over the past years, all decisions regarding intervention priorities were based on technical considerations, with no account taken of socio-economic indicators relating to priority areas and populations.

None of the available reviews addresses the protection of livelihoods and dwellings of the coastal belt population as a result of the Commission's infrastructural support

The combined socio-economic study and Public Awareness Programme SESPAP, (8th EDF, extended into the 9th EDF) for three coastal regions is a positive and promising endeavour, but only started in July-August 2007 and has not yet yielded information on the effects of sea defence programme on local structures. There is as yet no information on number of houses, acreage under cultivation in coastal protected areas, or increased investment in the acreage of arable land and assets, all of which is needed to assess the effects of the Commission's interventions on the security of the livelihoods and dwellings of the coastal belt population.

4.2.3 EQ 3: Production capacity

<p>To what extent have Commission interventions contributed to private sector strengthening and ultimately to sustainably restoring and increasing Guyana's production capacity?</p>
<p>Justification for and coverage of the question</p>
<p>Under the 8th EDF, in line with the GoG's priority of facilitating private-sector-led growth, the Commission offered support for small and medium enterprise (SME) development, in particular enhancement of SMEs' ability to face competition in internal and external markets⁴⁸. The purpose of this question is to assess the extent to which these initiatives contributed to strengthening the private sector, taking account of the best practices identified in PSD evaluation, the extent of the impact they might have had on restoring and increasing Guyana's productive capacity, and the extent to which the effects achieved were sustained after the intervention, or are likely to be.</p>

⁴⁸ The reasons explaining the withdrawal of the Commission from the private sector development under the 9th EDF are unknown.

Main interventions
<p>The Commission funded two interventions to strengthen private sector development over the period 1997-2006: the Linden Economic Advancement Programme (LEAP)⁴⁹ and the Guyana Training Agency (GTA). The first one, funded from SYSMIN resources (€12.5m), focused on provision of business development services (BDS), financial services and training in the Linden area over the period 2002-2009; whereas the second one, funded from the 8th EDF (€1.795m), focused on the setting up and running of a training agency during the period 2001-2004.</p>
Summary of findings
<p>The overall impact of Commission interventions on Guyana's productive capacity is marginal owing to (i) the limited number of projects financed to enhance PSD, (ii) to the relatively negligible resources allocated to this support and (iii) to the lack of sustainability of the interventions.</p> <p>Commission interventions in private sector development are consistent with the GoG strategy, with the Commission's strategy in Guyana and with the general aim of Commission support to private sector development. However, the amounts allocated to private sector development over the period 1995-2000 seem too negligible to attain the objectives presented in the Commission strategy.</p> <p>Moreover, interventions in Guyana focus on three main areas of the Commission PSD strategy: business development services, financial services, and training.</p> <p>Interventions in BDS (in Linden) increased the availability of local business services and helped SMEs to start or expand their businesses. Interventions in financial services (in Linden) stimulated economic activities but the overall impact is mitigated by the fact that the intervention only consists of provision of credit lines, by the number of SMEs targeted, by the lack of focus on the manufacturing sector and by the poor performance of the funds. Interventions in vocational and technical training allowed increasing the skills of a non-negligible number of people, and the training received is indeed positively valued by the beneficiaries. Interventions in training are however called into question in view of the absence of a national policy on migration of the workforce which is needed to address the brain drain problem faced by Guyana.</p> <p>The real challenge as far as Commission interventions in the private sector are concerned is sustainability. In spite of a strong national political commitment to PSD enhancement in Guyana, Commission interventions either fail to become sustainable owing to a lack of private sector investment and participation, or seriously risk being unsustainable owing to a lack of institutional development.</p>

⁴⁹ The LEAP programme has been designed following an identification study for the economic diversification of Linden realised in October 1999 which recommended that the project should support the future diversification of the economic base in the Linden area, helping it to move from reliance on the bauxite industry to alternative sources of economic growth. The study further recommends that the focus of the project is almost entirely on support to micro, small and medium start-up or existing enterprises in Linden in the private sector.

Commission interventions in the private sector are in line with the CSP/NIP strategy and with the GoG strategy (JC 3.1)

The role of the private sector in the growth and development of Guyana's economy has been underlined by the GoG in the NDS. The GoG promotes the enhancement of the private sector through its National Competitiveness Strategy. This strategy identifies the core supply-side impediments to competitiveness: a workforce with low productivity and a narrow skill base, a weak vocational and technical training system, insufficient access to affordable finance for investment and working capital, and other deficiencies⁵⁰. In order to address these issues, the competitiveness policy focuses on core elements: an incentive structure, investment, human resources, BDS, infrastructure, finance, the legal system and information on exporting and marketing.

Over the period the Commission focused on private sector development so as to increase Guyana's production and contribute to the reduction of poverty. It funded two interventions in the private sector for €15m under the 8th EDF NIP & from SYSMIN resources, which focus on specific challenges identified by the GoG in three areas: business development services, financial services, and technical and vocational training. The purpose of the LEAP⁵¹ is to increase sustainable employment opportunities through the provision of business development services, financial services and training. The purpose of the GTA programme is enhancement of the competence of the work force through the creation of a training agency.

The intervention logics of these interventions are in line with the 8th EDF NIP intervention logic. Indeed, the interventions focus on specific activities covered by the 8th EDF NIP: business development services, financial services, and technical & vocational training; and they target the objectives of the NIP, namely enhanced private company competitiveness and increased private sector activity through SMEs.

One should however note that the amounts allocated under the 8th EDF NIP and non programmable instruments are too negligible (2 interventions for €15m) for attainment of the objectives presented in the Commission strategy -to improve Guyana's production capacity-.

Commission interventions in Guyana are most of the time aligned with the best practices identified in the Private Sector Development Evaluation (JC 3.2)

The objectives of Commission interventions in the private sector are in line with the broader aim of Commission support to private sector development, namely enhancing the competitiveness of the business sector of third countries in local and international markets. The interventions are in line with several instances of best practices as identified in the PSD Evaluation:

- A methodological procedure has been devised for selection of the areas of intervention for PSD support in Guyana. An identification study for the economic diversification of

⁵⁰ Source : « Enhancing National Competitiveness : A National Competitiveness Strategy for Guyana », Draft Policy Paper Version II, May 2006

⁵¹ As stated in the LEAP revised logical framework (January 2005)

Linden⁵², a pre-feasibility study and a “Training Programme Guyana – Inception Report⁵³” have been carried out to define the focus of the projects.

- The interventions focus on specific Commission PSD strategy activities: business development services, training, and financial services.
- Key constraints conditioning success in the areas of intervention have been identified through a participatory approach and have for the most part been addressed. The LEAP addressed key constraints whereas the GTA project design did not tackle the migration of skilled technical and key management personnel. One could legitimately criticise the financing of projects concerned with vocational and technical training if there is no strategic plan to reverse the brain drain problem.
- Coherence & complementarities between areas of intervention have most of the time been maximised through linkages between different components within the same project (LEAP) and synergies with other donor-funded projects (GTA & LEAP).

Commission support to private sector development in Business Development Services (BDS) on SME activity proved to be effective (JC 3.3)

The NCS stresses that many Guyanese enterprises suffer from a number of deficiencies in BDS which affect their ability to compete effectively. The BDS market in Guyana is deficient in both quality and quantity in a number of critical areas. There are indeed not many BDS suppliers operating in Guyana and their range of services is limited⁵⁴.

In that context Commission support to the private sector in BDS, carried out in Linden mainly through a Business Development Unit and a Business Incubator, constitutes an opportunity to strengthen the enterprises' competitiveness. The two components are effective in the sense that they meet their targets. Until 2006 Commission interventions increased the availability of business services through the establishment of four business advisory services agencies, through which 574 business advisory services (BAS) were provided on the one hand, and 25 small enterprises serving local markets helped to start-up or expand their businesses on the other.

The provision of BAS helped to build the capacity of the community through creating or supporting associations in Region 10. For instance, the Region 10 farmers' association was created through the assistance of LEAP and is nowadays the most important farmers' association in the Caribbean. Since the creation of the association in 2005, farm production has significantly improved owing, for example, to transfers of technology from Trinidad in relation to tomato production. This allowed local farmers to produce for commercial purposes and to improve their incomes.

The Incubator, although outside the schedule for two years, allowed the creation or extension of small enterprises through provision of subsidised facilities, training and advice.

⁵² Arcadis Euroconsult, Identification Study For the economic Diversification of Linden, Guyana, 1999.

⁵³ Moll D., Dr Paul V., Sodemann K., Inception report « Training Programme Guyana », 2003.

⁵⁴ Source : « Enhancing National Competitiveness : A National Competitiveness Strategy for Guyana », Draft Policy Paper Version II, May 2006

The impact of Commission support to private sector development in financial services on SME activity is mitigated (JC 3.4)

The NCS identified the challenges faced by enterprises in Guyana in accessing finance:

- Limited range of financial institutions restricting the supply of loans: the range of financial institutions in Guyana is fairly limited and Banks do not offer financial services.
- Relatively high interest rates which affect the competitiveness of Guyana's products. Interest rates for lending to enterprises range between 8% and 18% whereas annual micro-finance rates fluctuate around 15%.
- Limited capacity of the banks to appraise long-term projects

Commission support to PSD in financial services addressed these challenges through the setting-up of the Linden Economic Advancement Fund (LEAF) within the framework of LEAP in Region 10. LEAF stimulated economic activities in Region 10 and fostered the entrepreneurship spirit. The overall impact on SME activity is however mitigated by the fact that the intervention only consists of provision of credit lines, by the lack of performance of the funds, by the limited number of small and medium enterprises targeted and by the lack of focus on the manufacturing sector.

LEAF offers access to credit in a Region where the lack of access to financial resources is an impediment to the growth of economic activity and where there is a strong demand for credit. The intervention is therefore subsidising credits instead of addressing the obstacles to access to finance⁵⁵.

In terms of disbursements, even if LEAF did not achieve its goal - only 66.7% of LEAF money being disbursed up until the end of 2006 - the result is evaluated as positive in the light of the crisis LEAF underwent between October 2005 and August 2007⁵⁶.

It is difficult to assess the performance of the funds because LEAF has only been operating for 2 years. As at the end of 2006, the recovery rate is evaluated as unsatisfactory: the rate of re-collection of micro-credits was 28% and that of small and medium credits was 4%. However, Guyflag has still some time (until 2009) to re-collect the credits. In any case this situation is mainly due to the afore-mentioned crisis suffered by LEAF. Some clients still have a perception that they might soon not be liable to Guyflag for the loans received and this is resulting in numerous cases of non-performing clients. This situation has constrained the overall impact of LEAF.

Whereas the initial aim of LEAF was to provide credits to micro, small and medium enterprises, most of the funds allocated are micro-loans and only a few small and medium-size enterprises have been serviced⁵⁷.

⁵⁵ Similarly, the Evaluation of European Community Support to Private Sector Development in Third Countries (2005) recommended that the Commission should avoid programmes aimed solely at the provision of credit lines.

⁵⁶ On October 2005, the Office of Commissioner of Insurance (OCI) issued a statement which stated that the insurance company in charge of the management of LEAF funds was to cease its operations due to alleged irregularities committed in conducting its insurance business. In 2005 and 2006 the matter was largely unresolved. Consequently no new funds were made available and loans could only be made out of repayments received. In August 2007 the EC Delegation judged that the four criteria required to continue the contract were met and decided that the EU would continue with funding.

⁵⁷ 347 micro-credits were disbursed until end-2006 whereas 98 small and medium credits were disbursed.

LEAF mainly targeted the primary sector (forestry and agriculture). It also supported the development of the tertiary sector (vending and services). It has however not supported the growth of the manufacturing sector⁵⁸. Agriculture, Forestry, Manufacturing and Tourism are indeed the four growth sectors identified by the Regional Development Strategy for Region 10 and one could therefore note the present alignment of LEAF *vis à-vis* the future priorities of the Region but also criticise it for not having supported the manufacturing sector sufficiently.

The impact of Commission support to private sector development in training on SME competitiveness has been positive (JC 3.5)

The NCS identifies investments in skills as a vital pre-condition for improved national competitiveness. The strategy also seeks to ensure that these skills can be retained in the country and are not simply exported via the brain drain. The main challenges identified in education relate to vocational and technical training where there are large gaps in provision and a resultant shortage of skilled, technical labour. High levels of migration, especially of skilled people, are also continuing to create a huge gap in the supply of labour. The NCS stresses that it will be a long-term process to address the brain drain issue and also explores strategies to mitigate the impact of the loss of skills from Guyana as a result of migration policies.

Commission support clearly emphasised training as a means of increasing SME competitiveness in Guyana. Both Commission interventions addressing private sector development in Guyana focused on training. GTA and LEAP training activities, in terms of number of people trained, are satisfactorily meeting the goals.

For the GTA project, at micro level the companies involved acknowledge the impact of focused individual-oriented training. They have been satisfied with the training and the results have had a positive impact on employee performance and production. The overall reaction to GTA training was clearly favourable with about 80% of responses indicating that the service came up to their expectations⁵⁹. The GTA project is indeed recognised as a recent success in the NCS. However, since the closure of the agency (cf JC 3.6), a need for technical training in Guyana remains.

LEAP, through its training component, clearly has a strategy for improving technical vocational and management skills. Over 1,000 people were trained up until 2006 and beneficiaries value the quality of the training received. LEAP conducted training programmes in specific sectors such as agriculture, forestry, sewing, fabric and garment design, crafts, and others to enable participants to generate income from the skills imparted. LEAP also designed and conducted training programmes to help entrepreneurs improve the management of their businesses in the areas of book keeping and accountancy, and in computer applications for small business. Finally, LEAP conducted training in Portuguese, job readiness, capacity building and project management. All these training courses increase the skills of participants and implicitly contribute to improvements in the competitiveness of their businesses.

⁵⁸ 31% of the loans disbursed are in forestry, 16% in agriculture, 21% in services, 16% in vending and 3% in manufacturing.

⁵⁹ Source : Hypodomi Consulting S.A., Final evaluation of the GTA Programme, 2005

As far as training interventions in Guyana are concerned, one has to keep in mind that they are always likely to be challenged by the absence of a national policy on migration of the skilled workforce which is necessary to address the brain drain problem Guyana faces.

Sustainability of Commission interventions in the private sector was insufficiently addressed through the projects design and implementation and resulted in insufficient involvement of stakeholders to ensure sustainability. (JC 3.6)

The results achieved by Commission support to the private sector are not often sustained following the termination of its direct support. Explicit reference to the need to ensure sustainability was not always made at the design stage. Indeed, no exit strategy has been defined for the LEAP and the measures to ensure GTA sustainability were based on unrealistic assumptions⁶⁰.

Moreover there is no clear evidence that the benefits continue to be used after the end of Commission interventions. Indeed, further direct support from the Commission would often be needed to ensure the sustainability of the interventions.

The LEAP programme is still ongoing but one can already assess its potential sustainability.

National support for the programme is strong but eventual sustainability of the LEAP depends on the existence of strengthened local institutions capable of taking over the programme. Until now, public and private organisations do not have sufficient capacity to undertake LEAP's activities⁶¹. In 2008, a process has been agreed to define the successor of the LEAP programme. As far as the LEAF is concerned, the insurance company would like to maintain it but it has first to repay the funds to the GoG.

The GTA project was not sustainable institutionally. It closed when the Commission terminated its funding in July 2004. Within the planned timeframe, the agency could not become self-sufficient. Moreover, insufficient private sector investment precluded it from achieving financial self-sufficiency. Finally, the participation of stakeholders, especially of the Private Sector Commission, was insufficient in planning, implementation and financing.

The impact of Commission support to private sector strengthening on Guyana's productive capacity is negligible, given the extent of its support to PSD (€15m) (JC 3.7)

Several indicators focus on the evolution of Guyanese production capacity and private sector activity and on macroeconomic data such as Foreign Direct Investment. The evaluation shows that these macroeconomic indicators were not relevant for validation or invalidation of this JC in the sense that Commission support to private sector development has been relatively modest and that therefore one could not expect a visible impact of these interventions at national level. Indeed over the past ten years only two projects dealt with this issue, for a total amount of around €15m. The LEAP mainly focused on the

⁶⁰ Three assumptions were made at the design of the project : i) the country will enjoy a positive economic climate, ii) the companies will pay for the training of their employees and contribute to the running cost of the agency, iii) in year 3, the agency will be self-sufficient.

⁶¹ LEAP brought institutional strengthening to the key institutions of Region 10, but more support is needed. 2.4% of the LEAP budget has been devoted to institutional strengthening; this is not sufficient enough to strengthen local institutions properly.

production capacity of the primary sector and only targets Region 10. The limited geographical scope of the programme automatically reduces the impact of the programme at national level. The GTA, which focused on vocational and technical training, lasted only 3 years. The impacts of Commission interventions in PSD on Guyana's productive capacity are therefore limited. This is indeed reinforced by the lack of sustainability of the interventions.

4.2.4 EQ 4 : Social conditions

To what extent has Commission budget support contributed to the improvement of the social conditions?					
Justification for and coverage of the question					
<p>The Commission extended Budget Support to Guyana under the 8th and 9th EDFs, and whilst implementation modalities evolved from targeted financial aid to general Budget Support, all programmes focused on improving public finance management and securing levels of budget expenditure facilitating improvements in Guyana's social conditions, especially in health and housing. The question assesses the extent to which the Commission's Budget Support has succeeded in improving Guyana's budgeting systems and scope and whether this has been translated into increased and sustainable public expenditure levels in the social sectors which have in turn led to improved use of social services and improved social conditions. The use of Budget Support is also an important tool for Commission-partner dialogue and the evolution of the quality of this dialogue will also be assessed.</p>					
Main interventions					
<p>Over the period three BS programmes were implemented, the SAS IV (1998), SAS V (planned for 1999 and 2000 but implemented in 2000 and 2001) and the PRBS (2004 to 2006). A sixth SAS programme was being designed in late 2000/2001 to follow-up from SAS V but it never left the drawing board as Guyana's macro-economic situation deteriorated, and its reform programme went off track thus precluding new budget support. The first two programmes (SAS IV and V) were financed under the 8th EDF Structural Adjustment Facility; they followed on from earlier General Import Programmes (GIP I, II and III in 1993, 1994 and 1995 respectively). The PRBS was programmed under the 9th EDF (initially €14.9 million were foreseen under the A envelope which was increased by €8.4 million from the B envelope using the FLEX resources for the 2000 and 2001 shortfalls in export earnings). In addition another €6.4 million was provided from the special HIPC fund. The following table summarises the interventions which total over the ten years almost half of the Commission's total aid commitments.</p>					
Name	Period		Amount in €m		No of tranches
			Initial	Final	
SAS-IV	1998		5,29	5,29	single tranche
SAS-V	2000	2001	4,90	5,70	2 tranches
PRBS	2004	2006	23,29	20,58	5 tranches
Total budget support			33,48	31,57	
HIPC			6,40	6,40	Single tranche
Grand total financial aid			39,88	37,97	
<p>The three budget support programmes supported the Government's budget by either providing funding for specific budget lines (SAS IV and V) or providing non targeted direct budget support (PRBS). The new approach to budget support linking funds disbursement at least partially to the assessment of performance indicators was first introduced under SAS V: the areas of particular scrutiny concerned the public finance management systems and the health, education (only SAS V) and social housing sectors.</p>					

Summary of findings

The Commission has had difficulties in establishing a policy dialogue with the authorities, either at global level (macro-fiscal, PRSP), at sector level or on public finance management issues. As a result, the budget support programmes have had limited leverage on policy and sector discussions.

The budget support programme has been implemented in a general context of improved management of the public finance systems. Budget support has contributed to easing the Government's margin for budgetary manoeuvre. Nevertheless if public expenditures in the social sectors increased significantly over the period as a share of GDP, there is little evidence of a major re-orientation within public expenditure towards the social sectors. Finally, the extent to which social conditions have improved in Guyana over the period remains uncertain in the absence of the results of the latest living conditions survey which are still awaited; intermediate social statistics are inconclusive, giving mixed signals on social progress.

The use of budget support has not enabled the Commission to engage in a dialogue with the GoG regarding macro-economic, fiscal, public finance management and poverty reduction strategy issues (JC 4.1)

The leverage usually associated with the provision of BS as a basis for discussion of general policy orientations and progress in the implementation of reforms has not materialised in Guyana. At global level, the policy dialogue between the Government and the Commission appears to have been no different from that held with donors providing exclusively project support. At sector level, the dialogue on public finance management issues has not materialised at the expected level either.

In Guyana, as in many other ACP countries, Commission financial aid programmes have evolved gradually. Initially the balance of payments support provided aid targeted on the financing of pre-identified budget line items in the recurrent Budget. It evolved to provision of direct (non-targeted) Budget Support released in tranches, some of which have variable amounts linked to the achievement of pre-identified and agreed performance indicators.

Within this evolution, active engagement in a policy dialogue on macro-economic, fiscal, public finance management (PFM) and poverty reduction strategy issues has become of increasing importance. Because support is provided to the whole budget in accordance with the global policy agenda, intensified GoG-Commission dialogue would keep the Commission fully informed of macro-economic and fiscal developments, of national and sector policy priorities and of progress in their implementation and results. So the PRBS 2004-2007 introduced the need for regular policy dialogue as one of three preconditions for the release of Budget Support funds: *"The Government shall associate the Commission in the dialogue on macro-economic (in particular IMF) and sectoral policies"*.

Despite having formalised the requirement for policy dialogue in this manner, the condition was never satisfactorily fulfilled. The Commission, as the only provider of aid in the form of budget support to Guyana, has benefited from no deeper or more regular policy dialogue than any other donor:

- The Commission, like all donors present in Guyana, participated in the national consultations on the Poverty Reduction Strategy during its preparation in 2000-2001 and has been kept abreast of progress with its implementation through the Progress Reports covering the first two years 2004 and 2005.
- To accommodate the wish of the Commission to participate in the Government-IMF dialogue, the Government allowed⁶² the IMF to present verbally the results of its Article IV consultations to all donors in order to keep them informed of macro-fiscal developments.

Even though most donors have actively supported selected aspects of the PFM system, there has never been a sector or thematic working group on public finance and, until 2007 when a Public Expenditure and Financial Accountability (PEFA) was jointly undertaken by government and three major donors, there had been no joint efforts towards undertaking a common diagnostic of the PFM situation or towards defining a prioritised and sequenced PFM reform programme.

Government-donor working groups are established⁶³ for some sectors and the Commission participates in those on health, infrastructure, governance and national competitiveness, which meet twice a year to discuss sector issues, mostly at project implementation level. Neither the PRSP nor the sector working groups have provided satisfactory platforms for policy discussions at the highest level (see also EQ8), reflecting both (i) the difficulty of launching policy discussions, and (ii) a lack of donor initiatives in establishing coordination at a higher level than that of project implementation which is itself symptomatic of the nature of donor aid in small countries⁶⁴.

On the whole, no special efforts were thus made by the Government to include the Commission in policy dialogue or to inform it on the progress and outcomes of implementation of the policies it supported through budget support. On the other hand, the evaluation has no evidence of specific actions undertaken by the Commission Delegation to promote better understanding of its need for this type of dialogue because of the particular implications of budget support.

In this respect the choice of performance indicators retained as triggers for variable tranche release of the PRBS was not conducive to creating an opportunity for policy level discussions even though it called for six-monthly discussions with the authorities on progress in PFM, health and housing. PFM indicators were input-output indicators and four out of seven depended on the performance of the Commission and another major donor rather than on that of the Government. In the social sectors, only five indicators were chosen; three in the health sector which were strongly linked to outcomes of donor funded programmes, and two on the provision of housing to low-income households.

⁶² The GoG does not allow publications of Article IV reviews but the GoG has agreed to the IMF sharing the results of its review orally with the main donors.

⁶³ These groups, established around 2002, ceased functioning around 2005/2006 but were re-instated in late 2006/early 2007.

⁶⁴ In smaller economies, the presence of few donors on the ground often means less rather than more coordination as donors are less likely to be present in the same sectors and, if they are, they are less likely to undertake overlapping activities. Even though the logic of the argument might hold as far as implementation of activities goes, it no longer applies when considering the need for government and donor dialogue on policy and strategy matters, including diagnosis of needs and coherence of approaches.

Faced with an extremely weak statistical system that could not provide reliable social data, and in the absence of strategic sector plans for PFM and housing, the choice of alternative process indicators might have offered a better ground for establishing a meaningful discussion of the way forward.

The use of BS has not contributed to improving the government's planning and budgetary system including its PFM capacity (JC 4.2)

The budget support programme seems to have missed a major opportunity to put PFM at the forefront of GoG policy by designing a programme that could have helped both to lay the foundations for improved public expenditure planning and to encourage the GoG to take the driver's seat in a global and prioritised PFM reform programme.

In Guyana, the baseline for assessment of the PFM situation has been the diagnostics of the CFAA and ROSC undertaken by the World Bank and IMF in 2002. Since then, many of the identified weaknesses have received donor support which has led the Commission to issue six-monthly reviews of the PFM situation over the period 2004-2006. However, as stated above, donors have largely intervened individually in the absence of a general PFM reform programme with a prioritised, timed and costed action plan that would have been actively managed and implemented by the Ministry of Finance.

The role of the Commission in advancing the process of formulating and implementing PFM reforms appears limited despite the fact that consideration of PFM issues was central to the PRBS 2004-2007 design:

- the satisfactory bi-annual review of the quality of PFM constituted one of the three general pre-conditions for the fixed tranche release;
- technical support with TA was provided for the development of a model for fiscal projections, introduction of MTEF in four ministries, and capacity strengthening in external debt management; and,
- seven PFM indicators were retained as triggers for 40% of the variable tranche release for support to the 2005 and 2006 budgets.

First, the six-monthly reviews relied almost exclusively on a review of the various donor-driven PFM improvements, ignoring the wider picture and giving no attention to the wider objectives of budget support in terms of improvement of social conditions and reduction of poverty levels in Guyana. Whilst it is crucial to monitor the soundness of the fiscal systems that manage the financial aid provided, it is equally crucial to verify that Budget allocations and realisations respect the policy and strategy priorities laid out in the PRSP, both by sector and, within each priority sector, by priority programme or activity. This type of qualitative budget analysis has not been undertaken in Guyana since 1999.

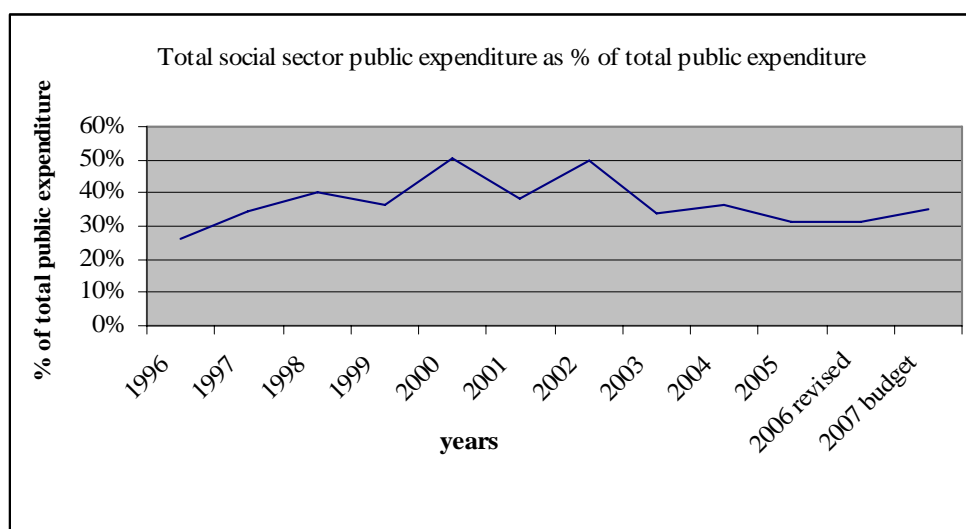
Second, the impact on PFM improvement of the TA and the use of PFM indicators has so far been very limited. Without central pressure for engaging in a medium term budgeting exercise, the MTEF models that were developed under the Commission-funded TA were neither appropriated nor used by the respective ministries whilst the fiscal projections model could not be used due to limitations in staff availability.

Finally, as underlined above, the choice of the PFM performance indicators provided little incentive for GoG to put efforts into improving the PFM systems since only two out of seven measured GoG's efforts at undertaking PFM reforms⁶⁵.

The extent to which budget support contributed to establish sustainable levels of public expenditure in the social sector /and the extent to which the GoG is carrying out planned expenditures could not be verified (JCs 4.3 – 4.4)

During the ten year period 1996-2006, public expenditure in the social sectors as a percentage of GDP increased from about 11% in 1996 to more than 23% in 2000 and seems to have settled at around 19% since 2005 thus showing a definite positive trend in line with PRSP objectives. The change in trend occurred around 2000 when HIPC debt relief materialised with its associated condition of spending debt relief on social sectors.

However, in terms of GoG's effort to increase the relative share of expenditure on social sector activities compared to overall public expenditure, the trend is less marked: social expenditure increased from 26.5% of total expenditure in 1996 to just over 35% of total expenditure budgeted for 2007, with peaks of 50% and 49.7% in 2000 and 2002; but there is no overall trend over the ten-year period as shown in the graph below.



On the whole, and whilst it is recognised that social sector expenditure as a share of GDP has risen strongly over the period, this is in a general context of rising public expenditure as a share of GDP, thus dampening the extent to which resources have actually been re-allocated within the budget.

The extent to which Commission BS may have contributed to rising allocations of public expenditure to the social sectors cannot be established: funds are fungible⁶⁶ and the Commission's contribution has remained relatively small as a proportion of expenditure levels (less than 10% of social expenditure and less than 3% of total budget expenditure in

⁶⁵ The first indicator relates to the timing of the presentation of the Budget to Parliament and the second relates to the timing of submission by Treasury to Parliament of a memorandum accompanying the PAC report.

⁶⁶ This remains true even for the early BS programmes when specific expenditure items were being targeted for reimbursement by BS since the assurance that the Commission would pay under these specific budget lines could have encouraged the GoG to allocate proportionately less of its own funds to these social ministries.

any one year of budget support). Nevertheless, budget support has eased the Government's financing gap and enabled it to increase its room for manoeuvre in budget allocation decisions.

It has also been recognised that the good performance on health indicators monitored by the Commission has led to more secure budget allocations for the programmes whose outcomes are monitored for variable tranche release (HIV, child-mother, immunisation rates and TB DOTS), thus creating a direct link between the budget support provided and the Government's budget allocation decisions.

What remains lacking is a monitoring and analysis of public expenditure quality which is essential for verification of the effectiveness of the undertaken expenditure in achieving the objectives of the PRSP.

Social conditions have improved with half of the PRSP targets achieved by 2005 but the weakness of the social data collection systems make difficult the assessment of the impact upon the population's living conditions (JC 4.5)

Assessing whether budget support may have had an impact on the overarching objective of reducing poverty levels in Guyana raises methodological issues which are all the greater given that the BS is proportionately small compared to the country's total budget. The assumption is that BS provides an incentive for budgetary allocations to be better aligned with PRSP policies and priorities, for improved impact of budget allocations on service delivery and finally for stronger achievement of the country's PRSP objectives. In order to verify whether budget support may have contributed to the impact of PRSP implementation on social conditions, the approach is twofold. The evaluation reviews first whether the policies and priorities outlined in the PRSP have indeed been implemented; and second whether this has had an impact upon the population's living conditions, in particular on the most disadvantaged groups.

PRSP implementation was slower than initially envisaged. Until end-2003 implementation was jeopardised by social and political unrest, lower than expected inflows of donor support and foreign direct investment, and an inability to achieve the political consensus required for advancement of the PRS process. Guyana's programme was judged off-track by the IMF in 2002, donor aid was temporarily suspended (leading the Commission to forego its initially planned budget support operation SAS VI) and the enhanced HIPC completion point was not reached until December 2003. It is nevertheless estimated that the government accomplished more than 80% of its planned actions in 2004 and that more than half the PRSP targets were achieved by 2005 (PRSP Progress Reports 2004 and 2005).

Despite the absence of recent data on poverty levels and trends (the results from the Household Income and Expenditure Survey launched in September 2005 are still awaited for updating of the 1999 baseline), the 2005 PRSP annual review concluded that social conditions have improved with the adoption of poverty reduction policies, implementation of which has made possible the achievement of more than half of the targets set over the period 2000-2004. This mixed performance is uneven at sector level (see also table under I.4.5.1): in education most PRSP indicators were achieved apart from three on secondary education where Government faced difficulties in attracting and retaining qualified staff. In health, four out of seven PRSP indicators fell short of the programmed targets (such as infant mortality rates, access to health services and two indicators of prevalence of HIV/AIDS). In housing, neither of the two PRSP indicators was achieved. Surprisingly, and despite the floods of late 2004 and early 2005 that displaced 70,000 households, the

performance indicators monitored by the Commission for its Budget Support programme (PRBS 2004-2007) were all met in 2005 and only one fell short of target in 2006: they relate to budget outturns in education and health, immunisation coverage rates, coverage of prevention of HIV transmission from mother to child, coverage of TB under directly observed treatments, and two indicators on social housing provision.

Considering that both the Commission itself and other donors have on various occasions underlined the weakness of social data collection systems in Guyana⁶⁷, it is surprising that the Commission's budget support programme pays little attention to the soundness of the statistical systems used by the various social ministries or to the need for general statistical improvements in Guyana (including at the level of the Bureau of Statistics). Without reliable social sector statistics it is very difficult to measure and assess the effectiveness of public expenditure in attaining its objective of improved social service delivery for improved living conditions and poverty reduction. This same issue was already underlined in a recommendation of the review of the SAS III programme in 1999 but no action was taken in response.

4.2.5 EQ 5 : Social benefits to local communities

<p>To what extent have Commission interventions contributed to empowering Civil Society organisations and ultimately to improving the socio-economic conditions of local communities?</p>
<p>Justification for and coverage of the Question</p> <p>The 9th EDF CSP identifies MPP as one of the three areas to be financed outside the main areas of concentration. During the period under evaluation, one MPP (9 ACP 1) has been financed and is currently under implementation. The financing agreement was signed in May 2004 for an amount of €4m over a period of 5 years.</p> <p>The question is closely linked with the intervention logic that stipulates that MPP should first contribute to empowering Civil Society and subsequently improve the socio-economic conditions of local communities. The question will examine to what extent the programme is likely to yield the expected results and the role it has played in providing social benefits to communities.</p>
<p>Main intervention</p> <p>The Commission funded one intervention to strengthen local communities over the evaluation period (1997-2006): the Guyana Micro-Projects Programme (GMPP). The objective of the project is the reduction of poverty and social inequality in Guyana through the execution of micro-projects focusing on employment and income generation, training and education, communication and good governance, and other socio-economic themes and sectors.</p>
<p>Summary of findings</p> <p>Commission interventions have to some extent improved the socio-economic conditions of the local communities supported but have not addressed the empowerment of Civil Society Organisations.</p> <p>The MPP is consistent with the objectives of both the Commission's development policy in Guyana and the GoG strategy of contributing to poverty alleviation. It has improved the</p>

⁶⁷ The issue is clearly mentioned in the Financing Agreement for the PRBS and is underlined at occasions of PRSP review such as in the IMF/WB Joint Staff Advisory Note on the PRSP Second Annual Progress Report.

socio-economic living conditions of local communities by increasing the availability of social and economic infrastructure, albeit on a small scale in relation to country needs. However it addressed partially the problems perceived by the community groups in dealing mostly with socio-economic infrastructure and less with the need for employment and income generating activities. This has been somehow corrected by the second call for proposals which put emphasis on income generating projects.

Local communities' capacity for self-help has not been addressed owing to wrong assumptions at the design of the programme. Indeed, spending on capacity building has been low and therefore insufficient to have an effect on the local communities. Moreover, participation of Civil Society in the development process has not been supported with *ad hoc* organisational and implementation procedures agreed with all stakeholders including the GoG and the Commission.

Finally, even if the micro-projects completed present a good potential for sustainability thanks to a high degree of project ownership by the beneficiaries. The sustainability of the overall programme, not addressed at the design stage, is constrained among others factors by the low capacity of the communities.

The MPP is consistent with the objectives of the Commission's development policy in Guyana and of the GoG to contribute to poverty alleviation (JC 5.1)

The Commission is funding one micro-projects programme (MPP) under the 9th EDF with the aim of helping reduce poverty and social inequality in Guyana through the development of participatory self-help schemes. The GMPP is aligned with government policy and the PRSP as it seeks to improve the socio-economic conditions of vulnerable groups in the Guyanese population. Moreover, the programme is consistent with government policy of increasing community participation in poverty programmes. The main objective of the 9th EDF CSP is poverty reduction and this document also explicitly provides for support to economic actors and Civil Society. The 9th EDF NIP specifically mentions micro-projects as part of the renewed development approach. On this basis it may be stated that this Commission intervention is therefore in line with the 9th EDF strategy.

The MPP investments have improved the local communities' access to socio-economic infrastructure, but they remain limited compared to the country's needs in this respect (JC 5.2)

The programming document of the Guyana Micro-Projects Programme (GMPP) makes a clear reference to the promotion of socio-economic development of local communities. It envisages the completion of 75 micro-projects at community level within the time frame allotted to the programme⁶⁸ focusing on the areas of employment and income generation, training and education, communication and good governance, and other socio-economic sectors.

At the end of 2006 and beginning of 2007, only 35 projects out of the 75 approved under the first call for proposals had been completed owing to delays in start-up and implementation⁶⁹ of the programme which caused the programme to become operational

⁶⁸ The duration of the GMPP is five years from May 2004 to May 2009 but closure of project activities will take place by August 2008.

⁶⁹ The delays were partly due to the need to clarify the implementation modalities because these were not clearly defined in the FA. Moreover, long-term international TA has not been continuous and this has affected the start-up and implementation of the activities.

in September 2005 instead of May 2004. Nevertheless, by August 2008, the first 75 projects and additional 70 projects under the second call for proposals will have been implemented. The communities which received support for a micro-project have new socio-economic services at their disposal. Examples include the construction of bridges which link separate areas of an Amerindian community, and improved access to school and health centres, as well as cultivation of land and construction of community buildings where skills training will take place, among others.

It should be noted that in any case the MPP investments only meet a small part of the country's needs in terms of socio-economic infrastructure.

Finally, the financing agreement provided that 50% of the micro-project would concern income and employment generation⁷⁰. At the time of the mid-term review, only 21% of planned projects effectively address these issues. The mid-term review of the programme considers that this imbalance reduces the effectiveness of the GMPP at addressing the problems experienced by the community groups⁷¹. It should be stressed that the second call for proposals took corrective measures in laying emphasis on income generating projects to ensure that both socio-economic infrastructure and income generating activities have been equally addressed.

The lack of institutional and civil society strengthening has hampered the enhancement of the local communities' capacity for self-help (JC 5.3)

MPP aim not only at providing socio-economic services but also at promoting local community empowerment and initiating a process of local participatory development by supporting dialogue between local authorities and local communities. Participation and capacity-building are two requirements for effective involvement of local communities. In this respect two observations have been made:

- GoG interfered with the demand-driven process ;
- there was a lack of effort directed to capacity-building and strengthening of Civil Society.

The GMPP was indeed conceived at the request of the local communities. More specifically, the latter prepare micro-projects proposals reflecting their needs so as to ensure the demand-driven character of the programme. Moreover, they are required to contribute to 25% of project costs to ensure ownership of the micro-projects. In this respect, it appears that the GoG intervened directly in the selection process with a view – for considerations of policy - to balancing help and contributions to the various ethnic entities, communities, and civil or religious associations in the different urban and rural areas.

Capacity-building is essential to ensure strengthening of local communities. The GMPP provided for a level of investment in capacity-building to the tune of 6.8% of the total costs of the programme. Although this level corresponds roughly to what can be observed on average (7%) for MPPs of the 7th, 8th and 9th EDFs, it was also identified in the 2006 global

⁷⁰ A Joint Working Group, as part of the development of GMPP in 2003 with representatives of CSOs in Guyana, identified unemployment and lack of income-generating opportunities, as well as insufficient or low quality training and education as the two most important problems to be addressed by the GMPP.

⁷¹ Source: ECORYS, Mid-term evaluation of the EU sponsored micro-projects programme in Guyana, 2007. On the other hand, there are arguments to say that the effects of income generating activities on income appear weak as shown in the 2006 MPP evaluation.

evaluation of MPP financed under the EDF in ACP countries⁷² as too low to have an effect on the local communities. The mid-term review of the programme indeed stressed that the lack of capacity-building for NGOs and CBOs has constrained the implementation of the GMPP and that it was necessary to invest time and support in strengthening the capacity of local communities before implementing a call for proposals for micro-projects.

This lack of capacity-building is a problem that can be observed as of the design stage of the GMPP. Due to critical assumptions made at the design stage⁷³, the programme focused, in terms of institutional strengthening, on the delivery of training in rapid participatory analysis of poverty problems. However, as stated in the mid-term evaluation, strengthening of Civil Society would in itself have needed a substantive programme of activities defined at the design stage. Other complementary training could have included association management, meeting techniques, democratic rules and attitudes, training in human rights, legal rights, civil rights, and advocacy policy, among others.

Moreover, the mid-term evaluation stated that “if institutional strengthening was the major purpose of the GMPP, then MPs would be a means to achieve that objective through the building of local capacity to deliver projects”. Rather than designing the programme with micro-projects as a means to facilitate community-level capacity-building and civil society strengthening, “the design has a focus whereby the means of MPs to reduce poverty is the end in itself”⁷⁴.

Measures put in place to foster the participation of Civil Society organisations in the development process are insufficient and implementation procedures unclear for stakeholders (JC 5.4)

The NDS highlights local development process weaknesses such as the low level of participation by Guyanese non-governmental groups and other sections of Civil Society in the formulation of public policies. At the level of local and regional government, the absence of statutory and formal procedures for consultation is also the rule.

In order to foster the participation of Civil Society in the development process, the GMPP envisages the setting-up of a regular and structured dialogue between government and Civil Society and of specific activities such as joint statements on sector approaches and participation of Civil Society in PRSP sector issues. Only one activity of the four planned at the design stage was still due to be held and it has yet to be carried out⁷⁵.

As a whole, the measures in place to help Civil Society participate in the dialogue with the government on poverty reduction strategy are not strong and broad enough to strengthen Civil Society⁷⁶. Support is needed in human development training, advocacy techniques, media training, debates, among others.

⁷² ADE, *Evaluation of European Commission support to Micro-Project Programmes under the European Development Fund in ACP countries*, 2006

⁷³ Communities were supposed to have the capacity to identify and implement viable micro-projects and local Non-State Actors were supposed to have the capacity to meet the requirements for preparing and executing projects under a call for proposals mechanism.

⁷⁴ Source : ECORYS, *Mid-term evaluation of the EU sponsored micro-projects programme in Guyana*, 2007, page 5

⁷⁵ The annual workshop planned in late 2006 was not held as the new Board, responsible for organising it, has not been constituted.

⁷⁶ Source : ECORYS, *Mid-term evaluation of the EU sponsored micro-projects programme in Guyana*, 2007

Moreover, the GMPB and GMPO, respectively in charge of the supervision of programme implementation and day-to-day management under overall GoG supervision and control, were not able to facilitate MP development in an effective way owing to difficulties of interpretation as to the organisational and implementation procedures⁷⁷. Additionally the heavy application process was not adapted to unskilled, weak or recently-formed Civil Society organisations.

Sustainability of the results achieved by Commission support is favoured by the high degree of ownership of beneficiaries, but hampered by the low capacity of communities, and the lack of efforts devoted to capacity building (JC 5.5)

The sustainability of the results achieved through Commission support is being assessed at two levels: at programme level (GMPP) and at project level (35 micro-projects have been completed within the GMPP).

At programme level, the financing agreement presupposes that economic sustainability should not be expected as the programme will provide grants - not credits - to the intended beneficiaries. Moreover, the programme design has not provided for any exit strategy. At project level, two measures are envisaged for achievement of sustainability: strong emphasis on community participation at all stages of the project and the contribution of the communities to the project.

Even if the sustainability of the programme is embedded in the concept of participatory self-help schemes, the low capacity of the communities will significantly constrain the overall sustainability of the programme. In that regard, the limited time and support provided by the MPP in building up the capacity of NGOs and CBOs is an impediment to the sustainability of the programme.

In relation to the sustainability of the 35 micro-projects completed under the first call for proposals, field visits conducted during the mid-term review provided indications that many will be sustained, particularly where there is a high degree of project ownership by the beneficiaries and when the projects build on the existing capacities of community bodies.

⁷⁷ More specifically, the MTR reported some difficulties of interpretation as to the overall role of the GMPB in respect of their functions vis-à-vis the GMPO. The Chairperson has somehow interfered in the management of the operations of the GMPO. The MTR stressed that the Chairperson had to understand the organisational management structure and roles defined in the FA with regard to delegation of the supervisory role for day-to-day management of GMPP to the GMPO. Moreover, there have been some disagreements between the EC Delegation and the government on the composition of the MPPB, and between the EC Delegation and the TA on the implementation modalities of the programme. The setting-up of a new Board, planned for the end of 2006, was delayed to 2007 owing to EC concerns as to the validity of the election process at the workshop held for that purpose at the end of 2006. The MTR raised concerns as to the extent of the pool of people in Civil Society from which new Board members can be drawn.

4.2.6 EQ 6 : Efficiency of implementation

To what extent have the financial, human and technical resources been used to reach objectives in a timely and cost-effective manner and was the regulatory and administrative framework appropriate for doing this? To what extent has the support to the NAO Task Force contributed to reaching objectives in a timely and cost-effective manner?

Justification and coverage of the question

The question aims at assessing to what extent deadlines were respected and resources used in an optimal manner when implementing the interventions. It also aims at examining whether the regulatory and administrative framework has been conducive to timely and cost-effective programme implementation. Specific attention will be dedicated to the support to the NAO, as specific interventions were planned in this respect and the planned activities also aimed at increasing efficiency.

Synthesis

The strengthening of the NAO supported by the Commission has been a key intervention for improving the efficiency of Commission interventions. But the weaknesses of the regulatory and administrative set-up have not been conducive to cost-effective programme implementation and deadlines for most of the interventions, BS apart, were not respected.

The NAO Task Force support appears appropriate in extent and adequately administered, and its efficiency has been confirmed by the stakeholders. However, the efficiency of programme implementation is impeded by the weaknesses of the institutional set-up. Indeed, the organisational structure does not provide for a clear distribution of roles at each level of project implementation. For instance, the organisational structure and the respective roles of the different actors involved in BS were insufficiently defined at the outset of the programme to allow for a smooth tranche release assessment process.

The efficiency of programme implementation is also impeded by delays in most examined programmes and projects. Based on the conclusions of ROM reports and programme evaluations, it appears that most Commission programmes in Guyana suffered significant slippages in their planned implementation time schedules due to starting delays, TA problems, shortages and turnover of local staff, and difficulties in the definition of roles and responsibilities of the key stakeholders.

Based on the disbursement rate, BS appears as the most efficient of the financial instruments used for implementation. However, this assessment has to be qualified on account of a lack of evidence as to results attained through this instrument (see EQ4).

The institutional set up does not enough envisage a clear distribution of roles at each level of project implementation, from design to closure. (JC 6.1)

The organisational structure and management culture in the cooperation programme still needs to be delineated through well-defined procedures and job roles, particularly at NAO task force, DEC and project levels.

The NAO Task Force⁷⁸, in charge of the day-to-day business of the Commission programmes, has a key role in ensuring respect for the planned budget and time schedules. It appears to be adequately dimensioned in relation to the scope and size of the Commission programme. The Commission resources for support to the NAO (€1 million) indeed amount to 0.7 % of the whole Commission interventions budget (€146m). The NAO Task Force, composed of a programme coordinator and two programme officers, has to deal with 49 interventions, of which 12 represent 91% of total resources committed.

At NAO Task Force level, the need to clarify the roles, responsibilities and authority of the NAO TF was underlined at the design stage in the FA dated May 2004. This issue has however not been addressed in this programming document in the sense that the organisational structure required for programme preparation and implementation has not been appropriately defined. Nor did the initial 5-month Technical Assistance contribute to clarifying the organisational structure since the objectives of the ToR of the TA were duplicating those of the NAO TF.

The NAO TF has sought to improve efficiency by organising monthly portfolio meetings. These meetings focus on programme implementation, problem solving and timely disbursements of funds. They are headed by the DNAO with the direct involvement of the Commission Delegation, line ministries and project management representatives.

Examples relating to budget support and sea defences further highlight the lack of well-defined procedures and job roles at intervention level. As far as PRBS is concerned, the level of disbursement depends on the fulfilment of a number of targets in the areas of PFM, health and social housing. The organisational structure required for the evaluation of the level of disbursement is of a different nature and scope since it involves many actors⁷⁹. From file notes at the Delegation, it appears that the organisational structure and the respective roles of these different actors were insufficiently defined at the outset of the programme to allow a smooth process of tranche release assessment. From available documents it also appears that the Delegation in particular had insufficient resources available to undertake the tasks required of it by Commission HQ to substantiate the requests for tranche releases.

Moreover, as far as the management culture of the beneficiaries is concerned, the new approach to BS based on management by objectives seems well understood by the ministries of housing and health. It seems that these ministries seek to ensure that the Commission's social sector targets are achieved but this does not automatically reflect a management by objectives culture within these ministries. Indeed, it is to be noted that (i) performance in both sectors has generally been mixed when considering all PRSP indicators for these respective sectors whereas the Commission's indicators were consistently met⁸⁰ (see EQ4); and (ii) although budget programmes are used within the ministries, they are so in name rather than content, as recurrent and capital budgets are still separated; no detailed programme costings exist; no output, outcome and impact indicators

⁷⁸ In Guyana, the Minister of Finance assumes the tasks of the (NAO). Since November 2004, the NAO is supported by a permanent Task Force.

⁷⁹ the NAO, the Ministry of Finance, the Ministry of Health, the Ministry of Housing, assistance from several TAs and on the Commission side, both the DEC and HQ intervene

⁸⁰ EC health and social housing indicators reached their target levels in 2005 and 2006 despite the fact that the floods of late 2004 and early 2005 displaced 70,000 households. The only indicator which was not reached was a social housing indicator assessed in 2006 which was the subjected to an audit requested by the DEC after earlier submission by the Ministry of statistics showing that the indicator had reached its target.

are defined, measured and monitored and linked to the human and financial means engaged.

As far as sea defences are concerned, several reports have underlined the inadequate institutional framework⁸¹. In particular, on the one hand, the rules of the Sea Defence Board, its responsibility for policy management and its relation vis-à-vis the Sea and River Defences (SRDD) Division, and on the other hand, the rules, functions and core activities of the SRDD have not been clearly defined.

The financial instruments used for implementation present mixed results to reach the objectives in a timely manner (JC 6.2)

Over the evaluation period, several financing mechanisms have been used, including EDF 8 & 9 programmable & non-programmable instruments. Under the 8th EDF, 12 traditional projects were programmed under the NIP and four interventions were financed under the non programmable instruments – the LEAP under SYSMIN funds and 3 budget support interventions. Under the 9th EDF, 12 interventions were programmed under the NIP, including two budget support interventions, and one intervention was financed under the Sugar Budget Line. Moreover, one intervention – support to the Competitiveness of the Rice sector in the Caribbean - is programmed under the RIP.

The analysis in Table 10 clearly shows that budget support has stronger disbursements rates than traditional projects. The better disbursement rates of the non-programmable instruments used under the 8th EDF as compared those of the programmable envelope also reflect well on the budget support approach.

Table 4 – Compared disbursement rates per financial instrument

Origin	Number of interventions	Committed (Euros)	Contracted (Euros)	Paid (Euros)	Paid/Contracted	Paid/Committed
8 NIP						
Traditional projects	12	31,256,184	26,407,451	18,340,258	69%	59%
9 NIP	12	61,101,521	43,326,284	26,351,116	61%	43%
Traditional projects	10	26,035,142	8,459,905	5,000,593	59%	19%
Budget Support	2	35,066,379	34,866,379	21,350,523	61%	61%
8 Non Programmable	4	23,190,000	22,955,390	17,396,365	76%	75%
Traditional projects	1	12,500,000	12,265,390	6,706,365	55%	54%
Budget Support	3	10,690,000	10,690,000	10,690,000	100%	100%
9 RIP	1	12,930,240	12,930,240	5,238,902	41%	41%
9 Non Programmable	1	5,663,000	3,563,300	3,437,259	96%	61%

⁸¹ Feasibility Study for sea Defences Programme financed under the 9th EDF. Feasibility Report August 2006

The disbursement procedures for BS are indeed simple and designed to produce fast payments. The dates of disbursement for the fixed and variable tranches of the PRBS are as follows:

Tranche	Date due	Request NAO	Request DEC	Date of payment	Delays
Fixed tranche 2004	2 nd semester 2004	27/10/2004	04/11/04	Dec. 2004	1,5 month
Fixed tranche 2005	1 st semester 2005	24/05/2005	06/06/05	11/07/05	1,5 month
Variable tranche 2005	2 nd semester 2005	16/11/2005	30/11/05	07/12/05 but received 12/01/06	< 1 month
Fixed tranche 2006	1 st semester 2006	19/02/2006	21/02/06	23/03/06	1 month
Variable tranche 2006	2 nd semester 2006	21/11/06	27/11/06 28/05/07	19/12/06 10/08/07	1 month 9 months

Over the period, only the most recent payments relating to the variable tranche of 2006 have suffered undue delays. This was because the DEC, in agreement with the Commission, questioned the validity of data underlying one of the indicators. In order not to delay disbursement unduly, only the amount relating to that indicator was temporarily suspended, pending the results of an audit. In the event as data did not corroborate attainment of the set target, only 50% of the suspended amount was eventually paid. However, it is to be noted that, owing to the choice of indicators, these can only be assessed at the year's end when the relevant statistics become available; as a result, variable tranche disbursement takes place at the very end of the financial year (in December), thus reducing the predictability of budgetary funds and contributing to treasury cash flow tensions.

As far as the disbursement rates and time scheduling of traditional projects are concerned, the low disbursement rate for the 8th EDF NIP was due to difficulties encountered in the LIH and sea defences interventions. Similarly, the weak rate observed for the 8th EDF non-programmable instruments is attributable to the difficulties LEAP underwent in its starting phase and to the specific problems associated with the LEAF component. The low payment-to-commitment ratio observed for traditional projects under the 9th EDF is considered normal as the sea defences project, agreed in May 2007, presents neither contracts nor payments as of November 2007. Finally, the low disbursement rates for the 9th EDF RIP are due to the hardships faced by the rice intervention.

The NAO Task Force has improved the institutional support for Commission projects (JC 6.3)

The NAO TF developed new management tools to support the Commission: (i) communications on the broad range of Commission aid instruments; (ii) an information system on the programming of Commission assistance; (iii) monitoring and management tools for programmes and projects. The monitoring mission conducted in 2006 confirmed the efficiency of the NAO task force but also stressed that it could be more proactive in engendering better management across the portfolio. The informants met at decision-

making level (GoG, Commission Delegation) also gave a positive assessment of the overall efficiency of the NAO task force.

Implementation of Commission programmes and projects in a timely manner and at planned cost has often impeded (JC 6.4)

Most Commission programmes and projects in Guyana suffered significant slippages in their planned implementation time schedules (cf. Table 11). LIH, Rice, Sea defences, GTA, LEAP and MPP interventions indeed all revealed significant problems during the inception and starting phases. Specific interventions such as sea defences are also continuing beyond the contract end date.

The average efficiency rates presented in the monitoring reports show evidence of declining performance of sea defences activities since 2004 but positive outcomes with GTA and LEAP (despite the hardship settlement and difficult circumstances of the LEAF component).

Table 5 - Average Monitoring Report rates per evaluation criterion

Legend		1997-2002										2003-2007													
Delay Decision>Start		1998		1999		2000		2001		2002		2003		2004		2005		2006		2007					
Extension after Contract end date		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
INFRASTRUCTURES	Relevance								a	b			a												
Sea Defences	Efficiency								b	c			c												
8ACPGUA 5	Effectiveness								b	b			b												
	Impact								b	b			c												
	Sustainability								c	c			c												
Housing	Relevance																								
8ACPGUA 15	Efficiency																								
	Effectiveness																								
	Impact																								
	Sustainability																								
PRIVATE SECTOR support	Relevance								b	b			b												
GTA	Efficiency								c	b			b												
8ACPGUA 8	Effectiveness								c	b			b												
	Impact								b	b			b												
	Sustainability								b	b			c												
LEAP	Relevance									b			b												
8ACPGUA 9	Efficiency								c	c			b												
	Effectiveness								c	b			b												
	Impact								c	b			b												
	Sustainability								c	c			c												
Civil society support	Relevance																								
MPP	Efficiency																								
9ACPGUA 1	Effectiveness																								
	Impact																								
	Sustainability																								
Programme management	Relevance																								
NAO support	Efficiency																								
9ACPGUA 3	Effectiveness																								
	Impact																								
	Sustainability																								
Rice sector	Relevance																								
9ACPRPR 6	Efficiency																								
	Effectiveness																								
	Impact																								
	Sustainability																								

The evaluation conclusions on efficiency confirm the monitoring assessments and scoring. The table hereunder presents the main efficiency issues highlighted in the project evaluation reports or in the monitoring reports for projects which were not evaluated. As a whole, the conclusions on efficiency placed emphasis on implementation discussions

between the GoG and the Commission delaying the implementation of the interventions, starting delays, TA problems, shortages and turnover of local staff, and difficulties in the definition of roles and responsibilities of the key stakeholders.

Table 6 – Evaluation/MR conclusions on efficiency for the main Commission interventions in Guyana

Sea defences	<ul style="list-style-type: none"> ▪ Delays due to disagreements about the design of the projects ▪ Shortage of technical advisory staff at the EC Delegation ▪ Staff turnover at SRDD due to precarious conditions of service
LIH	<ul style="list-style-type: none"> ▪ Start delayed for two years after the signature of the FA ▪ Inflexibility of Commission procedures ▪ Problems in selecting the contractor ▪ Delays due to a change of programme officer in the Delegation and changes in Commission procedures
Rice	<ul style="list-style-type: none"> ▪ TA: difficult set-up in terms of institutional arrangements and frequent changes of personnel ▪ Delays in implementation (contracts pending authorisation) ▪ Problems in the set-up of the overall management structure of the programme (the Regional Rice Steering Committee has very little decision-making power)
LEAP	<ul style="list-style-type: none"> ▪ Problems in start-up phases (frequent changes of personnel) ▪ Problem of involvement of local staff in overall management
GTA	<ul style="list-style-type: none"> ▪ Implementation delays at the inception of project activities ▪ Problems in relationships between the GTA, the Commission and the NAO TF
MPP	<ul style="list-style-type: none"> ▪ Problems in understanding of roles and responsibilities in the organisational structure for the GMPP ▪ Problems with long-term TA provided by the TA Contractor ▪ Shortage of staff & resources at the MPPPO

4.2.7 EQ 7: Cross-Cutting Issues

To what extent were cross-cutting issues (CCI) related to good governance and human rights, gender, environment, institutional development, capacity building and HIV/AIDS taken into account for the design and implementation of the programmes?

Justification for and coverage of the Question

The question covers five issues that the Commission is committed to take systematically into account in its different areas of cooperation. Good governance entails, according to the Cotonou agreement (art 9.3), *“clear decision-making procedures at the level of public authorities, transparent and accountable institutions, the primacy of law in the management and distribution of resources and capacity building for elaborating and implementing measures aiming in particular at prevention and combating corruption”*. Respect for human rights is a clear condition of good governance. Gender issues should be understood *“as the elimination of inequalities and the promotion of equality between men and women”* (Treaty establishing the EC (Part 1 – Art. 3.2). Environment issues are related to sustainable development. Institutional development and capacity-building is clearly recognised as a CCI in the Cotonou Agreement. HIV/AIDS is not a classical CCI but in recent years mainstreaming of this issue has been taken into account in countries with high prevalence of HIV/AIDS.

Summary of Findings

In Commission strategic documents, cross-cutting issues have not been systematically taken into account. The 8th EDF NIP explicitly promoted gender and environment whereas CCI are not mentioned in the 9th EDF CSP. In the design of programmes which do not directly address these issues, CCI have been marginally taken into account. Two CCI, institutional development and capacity-building, have been embedded in interventions at the design stage.

The measures put in place have had positive impacts, although further support is often needed. CCI have also been supported by specific interventions. Two CCI, good governance and environment, out of five have been addressed at national level and they represent a small share of total Commission commitments to Guyana. As far as HIV/AIDS is concerned, the Commission provided some funding at regional level.

The overall impact of Commission interventions on the promotion of CCI in Guyana is difficult to assess. The Commission, through its interventions in good governance, contributed positively to the evolution of the situation in Guyana. However, as one donor among others and given the limited resources allocated, it is only contributing to the evolution of CCI in the country to a limited extent.

The CCI have not been systematically taken into account in the CSP and the NIP and in the design of programmes (non-specific interventions). Where they have been, only specific issues have been addressed (JC 7.1 – 7.2)

Cross-cutting issues have been taken into account to some extent in country strategy documents. The 8th EDF NIP explicitly promoted specific CCI, gender and environment, whereas CCI are not mentioned in the 9th EDF CSP.

In the general framework of the 8th EDF NIP, the Commission highlighted its priority cooperation areas. Good governance and human rights, and sustainable economic and social development - including gender and environment aspects - are clearly mentioned as priorities. The NIP also mentions that the Commission could provide funds to Guyana through specific budget lines to promote good governance, democracy, environment, and HIV/AIDS⁸². In focal areas the NIP stated that measures would be taken to stimulate involvement of women and that environmental issues would be taken into account in all programmes. Whereas good governance and human rights is presented as a priority cooperation area, it is not translated into specific actions in focal or non-focal sectors. The remaining CCI (capacity building, institutional development & HIV/AIDS) are not promoted.

The 9th EDF CSP does not make any explicit reference to the CCI apart from reference to the European Community Development Policy of 10 November 2000. The 9th EDF NIP only mentions that specific actions could be financed via budget lines in the areas of human rights and democracy.

In the design of programmes, that is non-specific interventions, CCI have been marginally taken into account. Only 2 CCI - institutional development and capacity building - have been embedded in the activities of interventions at the design stage. Indeed, budget support and the LEAP provided for measures on institutional development, while the sea defences project, the MPP and the LEAP each incorporated capacity-building measures. Interestingly, the CCI promoted in the 8th EDF NIP are not embedded in the activities envisaged in non-specific interventions. The table hereunder details the measures planned by CCI and by project or programme.

Table 7 - Measures dealing with CCI by project or programme

CCI	List of specific measures planned per project/programme
Institutional development	<p>LEAP:</p> <ol style="list-style-type: none"> 1. TA and support provided to IMC, RDC, LCICD & LTI 2. Assist LCICD to assume a leading role in private sector development <p>Budget Support:</p> <ol style="list-style-type: none"> 3. TA to assist the Ministries of Housing and Water, of Health, of Public Works and of Education in elaborating Medium Term Expenditure Frameworks (MTEFs) 4. TA to assist the Ministry of Finance in the development of a Medium Term Fiscal Forecasting model 5. TA to assist the debt office in developing a debt management model 6. TA to assist the Ministry of Housing and Water in strengthening its statistical

⁸² HIV is also included into the budget support indicators.

	<p>systems</p> <p>7. TA to assist the Ministry of Health in developing professional codes for three types of medical staff</p>
Capacity building	<p>LEAP:</p> <ol style="list-style-type: none"> 1. provide training and hands-on assistance to the financial institution managing the fund (LEAF component) 2. provide recruitment and training services for business (Component 6) 3. organise training in economic development planning and management (Component 7) <p>Sea defences:</p> <ol style="list-style-type: none"> 4. TA and training to the SRDD 5. Establishment of analytical methods and tools, databases and maps for the SRDD <p>MPP:</p> <ol style="list-style-type: none"> 6. MPO to provide assistance to GROs and CBOs in formulating and writing micro-projects proposals 7. MPO to train GROs, CBOs and intermediary organisations in rapid participatory analysis of poverty problems. 8. MPO and international TA to provide assistance to the MP Board in Commission project cycle management, and training in the roles and responsibilities of a project steering committee

It was observed during the field mission that all measures planned at the design stage have been put in place. For example, budget support provided technical assistance to several ministries to strengthen their capacity. MTEFs have been developed but this achievement has been jeopardised by the lack of appropriation of the model by the respective ministries, a problem compounded by the fact that trained staff subsequently left the ministries. LEAP provided institutional strengthening to key institutions of Region 10. However, further strengthening is needed to empower local institutions. The MPP assisted community-based organisations in formulating and writing their project proposals. Without that help, several organisations would have not been able to submit proposals.

CCI have been only marginally supported by specific interventions (JC 7.3)

Cross-cutting issues have been supported only marginally by specific interventions in the sense that only two CCI - good governance and environment - out of five have been addressed. During the period concerned, seven specific interventions on CCI were agreed out of a total of 47: five on good governance and two on environment. They represent 2.6% of total commitments. Interventions in good governance have been financed under the 7th, 8th and 9th EDF NIPs and under the human rights and democratisation Budget Line. Interventions in environment have been financed under the environment and forest Budget Line. The table hereunder presents the details of Commission-specific interventions on CCI in Guyana. But it is worth mentioning that environment has not been addressed as a specific and crucial issue in the sea defences and low income housing programmes.

Table 8 - Commission specific interventions on CCI

Good governance (1,1% of total commitments)	Environment (1,4% of total commitments.)
- Financing the production of voter identification cards (1997) - General elections 2001 - financial needs assessment (2000) - Identification-preparation of the CSS for the 9 th EDF (2000) - Identification - preparation of the CSS for the 9 th EDF phase II (2001) - Consolidation of the democratic process (codep) in a polarised political situation involving support to national and regional elections (2005)	- Conservation and sustainable use of botanical diversity in Guyana (1998) - Conservation and utilisation of biodiversity in the Iwokrama forest (1998)

As far as HIV/AIDS is concerned, there is no specific Commission intervention which addresses this issue in Guyana at national level but the Commission provided funding to expand the regional response to HIV/AIDS through the “Strengthening the Institutional Response to HIV/AIDS/STIs in the Caribbean” (SIRHASC) Project (budgeted at €6,9m, to be implemented by June 2004). The project purpose was to strengthen the regional institutional capacity to plan and coordinate an effective response to the STI/HIV/AIDS epidemic, particularly in the worst affected countries (Haiti, Guyana, and the Dominican Republic). SIRHASC has indeed provided a platform for information sharing on HIV/AIDS by stakeholders, which has facilitated policymakers in their fight against HIV/AIDS. It has also contributed to an increase in the pool of skilled personnel at national and regional levels and has provided relevant information for the establishment of appropriate programmes⁸³.

The Commission interventions are in line with the positive developments of CCI in the country (JC 7.4)

The main indicators relating to CCI in Guyana present a positive evolution of gender, environment and HIV related considerations. As far as governance is concerned, Guyana is still perceived as a corrupt country by the international community. Specifically:

- Guyana has ratified most of the major international human rights instruments.
- According to the Corruption Perception Index (CPI) established by Transparency International, Guyana is classified as a corrupt country⁸⁴.
- Gender indicators globally improved in Guyana over the period 1997-2004. The gender-related development index has evolved from 0.691 in 1997 to 0.715 in 2004.
- Environment-friendly laws⁸⁵ should ensure effective management of natural environment and water resources.
- The prevalence of HIV/AIDS decreased between 1999-2005 from 3.01% to 2.4%⁸⁶.

⁸³ Source : ECORYS, Final report for the second external evaluation “Strengthening the institutional response to HIV/AIDS/STI in the Caribbean (SIRHASC)” (2007).

⁸⁴ Guyana’s rank is 121 out of 163 countries in 2006. Its CPI score is 2.5 for both 2005 and 2006. The CPI Score relates to perceptions of the degree of corruption as seen by business people and country analysts, and ranges between 10 (highly clean) and 0 (highly corrupt). The data is only available for 2005 and 2006 and it is therefore difficult to analyse the trend in corruption rates over the period 1996-2006.

⁸⁵ The Environmental Protection Act, The Forest Act, and The Water and Sewerage Act

The Commission has supported good governance through specific interventions with a positive impact. But environment has not been addressed beyond specific interventions while environment issues were critical (i.e. sea defences). Other Commission interventions address to some extent capacity-building and institutional development. It is however difficult to assess the extent to which Commission interventions contributed to the trends observed in Guyana. The Commission, as one donor among others, is only contributing to some extent to the evolution of CCI in the country. The UNDP is the main donor as far as good governance and environment are concerned and is viewed by country's representatives as having a major impact on the evolution of these issues in the country.

4.2.8 EQ 8: Coordination, Complementarity and Coherence with other donors

<p>To what extent has Commission support to Guyana been fostered by consideration of the 3Cs?</p>
<p>Justification for and coverage of the Question</p>
<p>This question seeks to verify how far the “3Cs” – Coordination, Complementarity and Coherence - have been taken into account and what have been the effects of their application or non-application.</p> <p>On the question of coherence, this question seeks to investigate to what extent the individual elements of the policy mix implemented in Guyana have been coherent and mutually reinforcing in terms of attaining the stated objectives of the Commission's support to Guyana and to what extent they have affected this Strategy. This question will investigate the trade agreements (sugar, rice, rum), the CAP policies, the programmable national and regional financial instruments and the non-programmable financial instruments (SYSMIN, SAF and Budget Lines).</p> <p>As regards coordination and complementarity, this question seeks to determine whether the Commission has used coordination mechanisms (government-donor, government-Commission and Commission-other donors) in Guyana to develop a coordinated approach to its interventions at country and sector levels and whether this has led to complementarity of actions undertaken.</p> <p>The question covers both programming and implementation (including alignment of procedures, monitoring and evaluation of Commission interventions).</p>
<p>Summary of findings</p>
<p>The extent to which the 3Cs were taken into account at programming stage has been difficult to ascertain due to the lack of institutional memory (staff both at the Delegation and within the Government have changed and no evidence was found on file about the preparatory phases of the 8th EDF NIP and 9th EDF CSP and NIP).</p> <p>Other Commission policies, trade agreements or non-programmable support have been mentioned in the programming documents but the potential resources linked to them do not seem to have been analysed or factored into the decision-making process on the choice of sectors and activities of intervention. In that respect, the current changes in the sugar protocol offer an interesting potential to increase coherence between trade and aid policies.</p> <p>During implementation, the different forms of support to Guyana and even the different</p>

⁸⁶ HIV worldwide prevalence rates range between 0.1 and 27.6 in 2005 according to the UNDP. UNDP statistics on Guyana are however contradicted by the Guyanese health services statistics which show negative trends in HIV over the period 2000-2004, viz. from 3.3% in 2000 to 6.3% in 2004.

interventions under the same financial instrument have remained compartmentalised, thus missing the opportunity to create synergies and complementarities.

As regards coordination with other donors, donors meet regularly and information-sharing is good. Donors also ensure that their activities do not overlap but cooperation among them, being undertaken on a case-by-case basis, is less developed than dialogue. There are however some recent improvements which may herald progress towards implementation of the principles of the Paris Declaration.

Other Commission policies and trade agreements potentially affecting Guyana were mentioned but not formally integrated in the NIP/CSP design (JC 8.1)

In the 9th EDF the resources available to Guyana under the trade agreements (sugar, rice, rum) are not cited as decision-making factors in the framework for selecting the areas of concentration. It is however mentioned that coherence with other Commission policies will be monitored on a permanent basis and that NIP funds could complement other funds for specific trade-related operations. It is also the case that some SYSMIN resources which were not used under the 8th EDF have been programmed in the 9th EDF (B envelope). No documentary evidence was found to substantiate that the design of the 9th EDF may have taken into account the results of specific analyses of alternative financial resources or of their potential uses.

The Commission has to some extent taken into account the resources potentially available under non-programmable support (namely SYSMIN, Budget Lines and the RIP) in the design of its NIP/CSP (JC 8.2)

Both the 8th EDF NIP and 9th EDF CSP mention that account has been taken of the coherence required between programmable NIP resources and the potential resources provided by other financing instruments (SAF, SYSMIN, STABEX, special Budget Lines devoted to democracy, good public management, environment, anti-drug campaigns, HIV etc.) and from the RIP. In the 8th EDF NIP indications were given as to the possible use of funds from these different financing mechanisms: for example, 8-10% of the programmable resources of the 8th EDF (€32m) were to be allocated to private sector development as a focal sector area, and SYSMIN resources have in effect been used to fund the LEAP programme.

The 8th EDF NIP reiterated the preferential treatment for Guyana's sugar, rice and rum exports, and, preferential access for sugar and rice is also mentioned in the 9th EDF CSP. Changes expected from the extension of this preferential access to other developing countries and from the EPA are also mentioned (and in particular the need to improve the productivity of the rice and sugar sectors) but the NIP itself does not offer any follow-up on this issue in terms of proposed interventions.

Activities programmed under the CSP/NIP did not need to be redesigned to remain coherent with actions implemented under other Commission policies and instruments (JC 8.3)

At this stage it appears that there is very little evidence of exchange of information between the different units of the Commission Services (HQ) dealing with the country, the commodity trade protocols (sugar, rice, rum) or the compensation schemes (STABEX, SYSMIN). This seems to be the case for programming as well as for the potential assessment of the impact of the various elements of the policy mix on implementation of activities and achievement of NIP/CSP objectives.

At country level there have been no major changes in EC policies or instruments which may have required the adaptation of existing programmes. However, the current changes in the sugar protocol offer an interesting case study where to date it would seem that the sugar issues are treated quite separately from the programming of the 10th EDF and that support to the sugar sector is being handled almost in isolation from the remainder of the EC's aid programme. The compartmentalisation of trade and aid thus still seems to be present despite the real possibility of investigating complementarities between the different financial instruments which all pursue the same ultimate objective.

A similar finding is made concerning synergies between the RIP and the NIP or within the NIP between different programmes and projects. Whereas clear choices have been made to concentrate Commission cooperation on a limited number of areas, there seems no reason why these choices should have precluded creation of synergies between different projects and programmes when these were undertaken in the same sectors or areas. Missed opportunities for capitalising on experience and reinforcing the benefits of the interventions seem to have occurred in the health sector (absence of links between the RIP and NIP interventions), in the social sectors (between BS and LEAP) and in the environment area (between the related budget lines and sea defences).

The choices of focal areas and interventions under the 8th and 9th EDFs have resulted in a basket of activities with few links between them so that potential synergies and complementarities have not been recognised and optimised.

There is no ascertained evidence that the Commission has built its strategy in close coordination with the GoG and other donors (JC 8.4)

Due to the lack of institutional memory (staff both in the Delegation and within the Government have changed) and the absence of documentary evidence on the preparatory phases of the 8th EDF NIP and 9th EDF CSP and NIP, the extent to which the intervention strategy was prepared in close coordination with the Government and other donors⁸⁷ could not be ascertained. However, according to informants met during the field visit, the Government-donor policy dialogue in Guyana is limited and this observation applies equally to the Commission despite its greater involvement in supporting the Government's overall policy through the provision of budget support.

Indeed, although the authorities show much interest in following at regular intervals the implementation details of each donor's portfolio, these meetings are bilateral and principally review the implementation progress of donor projects. They do not provide the opportunity to discuss strategic or policy issues.

The right forum for these policy discussions was provided by the Government in 2001/2002 at the launch of the PRSP when it created thematic groups with the objective for donors and Government of reviewing the strategies of the sectors contributing to the achievement of the PRSP goals, of filling potential resource gaps, of monitoring performance against sectoral targets, and of increasing the efficiency of donor interventions through better donor coordination. These groups functioned for a couple of years then lapsed although some revived after the 2006 elections; there are now groups on governance, health, water, infrastructure and competitiveness which meet twice a year. However, even in these thematic or sectoral groups, and unless the Ministry leading the group is actively pursuing implementation of a reform programme and interested in close

⁸⁷ The only Member State present in Guyana is the United Kingdom .

donor participation therein (such as in the health sector for example), the discussions are mainly focused on a sharing of information rather than on policy or strategy issues.

Whilst the question thus remains largely unanswered in terms of strategy, it has been verified that the design of specific interventions is done in close coordination with the Government and other donors: even though cooperation between donors is limited and recent⁸⁸, as is seen below donors in Guyana are particularly careful not to duplicate efforts and, if possible, look for complementing interventions when feasible.

The principal drawback of this lack of policy discussion and cooperation at the early stages of programming is that there is no common diagnosis of needs and no common identification of the priority areas that require support. The PRSP is the reference document for all parties involved but also lacks longer-term prioritisation of issues that need to be tackled: if everything is urgent, there is the risk that efforts are dispersed and that their effectiveness and impact remain very limited.

Commission activities are increasingly implemented in coordination with GoG and other donors for interventions in the same area (JC 8.5)

Apart from the monthly portfolio reviews with the Ministry of Finance and the biannual sector and thematic working group meetings, donors meet with the Government on a bilateral basis as needs arise and with other donors very regularly. There are weekly meetings of the ambassadors of the G8 group, weekly G8 meetings of the heads of aid missions and working groups on specific issues depending on what is important at that moment (there have been working groups on statistics, PRSP and M&E for example) or where there might be potential collaboration.

As a result there is no lack of contacts and information sharing is very good. However, cooperation is less developed: donors do ensure that their activities do not overlap and cooperation is undertaken on a case by case basis. Examples can be cited for support to the Ministry of Finance where CIDA and IDB, and the Commission and IDB, have closely cooperated on the same interventions, in the undertaking of the Democracy and Governance Institutional Assessment (joint IDB, CIDA and DFID review) and the Public Expenditure and Fiduciary Accountability (undertaken jointly by the Government, IDB, World Bank and EU). In the case of elections, the donors even set up a common fund managed by the UN. But otherwise, in particular sectors donors work alongside each other rather than together although again there are exceptions such as in private sector development where a Donor Coordination Unit (DCU) is in charge of the establishment of thematic groups involving donors and line ministries to review and develop project pipelines, to review the participation Action Plan and to strengthen the capacity of line ministries.

Good collaboration exists between the Government and donors and between donors themselves, and progress is being made on several fronts towards closer coordination and cooperation, but much room for improvement remains. For example:

- Government-donor dialogue takes place rather at discussing project implementation than at discussing policy and strategy issues.
- Donor-donor dialogue relies on information-sharing rather than on a sharing or devolution of responsibilities and reliance on each other's strengths. It is symptomatic that when working groups are formed, all donors tend to attend instead

⁸⁸ It is only in 2007 that donors have started undertaking common reviews in governance, public finance management systems and to work together on the preparatory phase of the PRSP II.

of designating a limited number of key resource persons who could work on behalf of the whole group.

- The information-sharing culture between donors could develop towards a sharing of missions to unburden both the donors and the Government.
- The donor group currently restricted to Western donors (Commission, World Bank, IMF, IDB, DFID, CIDA, USAID and Japan) could integrate the 'new' donors also active in Guyana (India, Brazil, and China).

This situation, very particular to Guyana, may stem from the fact that:

- the country's economy is small and donors are few, thus perversely creating the belief that cooperation is not required since the risk of overlap is minimal;
- depending on the sector, the authorities prefer working with each donor individually, not having experienced the benefits of alignment and harmonisation;
- Guyana's administration is heavily centralised;
- donors present in Guyana have very different objectives, working procedures, timetables for programming and common grounds for working together
- the lack of a strategy and action plan in some sectors impedes coordinated and prioritised interventions.

These various constraints, however, also exist in other countries where donors have managed to overcome them.

5. Overall assessment

This section presents an overall assessment of the Commission's cooperation with Guyana under three main headings or themes:

- The intervention logic
- The implementation modalities
- The constraints on the implementation of the programme: capacity building and brain drain

This overall assessment relies on answers to the Evaluation Questions, as illustrated in the table hereunder.

Table 9 - Links between evaluation questions and themes of the overall assessment

<i>Themes of the Overall Assessment</i>		1	2	3
		Intervention Logic	Implementation modalities	Capacity building and brain drain
<i>Evaluation Questions</i>				
1	Relevance of the strategy	★		★
2	Sea defences	★		★
3	Private Sector Development	★		★
4	Budget Support	★	★	★
5	Micro-Projects Programmes			★
6	Efficiency		★	
7	Cross-Cutting Issues			★
8	Complementarity, Coordination and Coherence	★	★	

★ : Strong link

★ : Weak link

5.1 Commission strategy

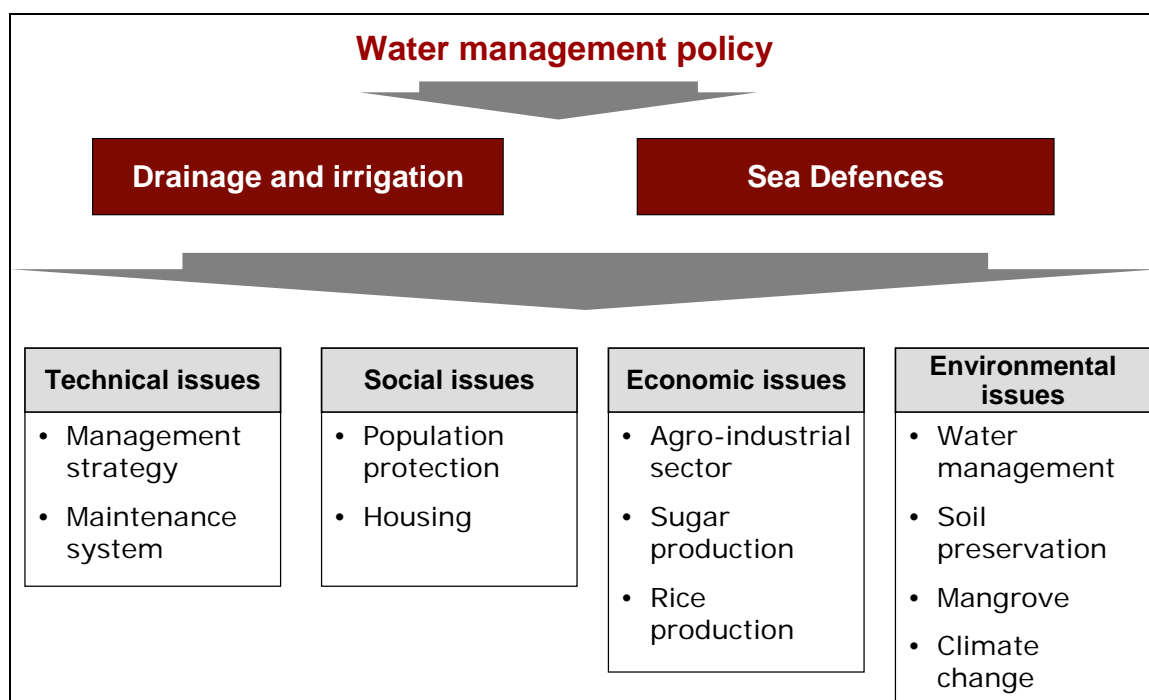
The analysis of the Commission strategy has shown that its different elements are relatively independent. Indeed, it is not shown how different interventions are inserted in the overall strategy and contribute to precise global objectives. This is particularly the case for sea defences for which social, economical and environmental impacts are not sufficiently reflected at strategy level.

Sea defences are of outstanding importance in Guyana as the coastal belt, which is below sea level, shelters 90% of the Guyanese population and most of the land under cultivation. Interventions on the sea defences not only contribute to enhancement of sustainable economic and social development but also promote a reduction in poverty levels. However, the GoG (NDS) does not make sea defences one of its major priorities.

The Commission has long experience of supporting Guyana's sea defences, which have been a focal sector of the Commission strategy since the 4th EDF. The Commission has even become the main donor in this sector. But the fact that the GoG does not have a national policy on sea defences in practice impedes the Commission from realising a workable strategy in this sector.

Moreover, the fact that, for the foregoing reasons, the objectives pursued by the Commission are not explicit complicates the choice of decision criteria at operational level. Indeed, the criteria used to choose the sea defences to be rehabilitated have only related to technical issues rather than encompassing economic, social and environmental issues.

The figure below illustrates the significance of sea defences in terms of the country's economic performance and its social and environmental development. Moreover, it shows that sea defences are part of a more global water management policy which also includes drainage and irrigation. Indeed, Guyana is at risk not only from inundations from the Atlantic Ocean but also from flooding from inland.



5.2 Implementation modalities: focus on budget support

Over the evaluation period, it appears that budget support has been the single most important mode of intervention of the Commission in Guyana in terms of the amount disbursed (€38m disbursed out of a total disbursement over the period – programmed and non-programmed - of €73,8m).

As previously explained, budget support has also demonstrated its efficient performance as regards the rate of disbursement. In practice 100% of the assistance programme in terms of budgetary support under the 8th and 9th EDF was fulfilled.

The Commission decided to move towards direct budget support under difficult circumstances. :

- the PRSP existed but there was an absence of policies and strategies for many sectors;
- macro-economic and fiscal policies showed signs of stress (Guyana went off track in 2002);
- PFM systems showed weaknesses but, more importantly, no reform programme was in place against which to assess progress.
- the weakness of social statistical data.

These kinds of constraint are not unusual in EC interventions countries but in Guyana some additional constraints to a successful budget support programme needed to be addressed: limited established Government-donor policy discussions and coordination; and limited capacity to analyse the effectiveness of policy implementation through budgetary trends and outcomes.

Moreover, during implementation other issues emerged which might have benefited from adaptation of the programme: the monitoring and evaluation system of the PRSP was never

fully implemented, no new data became available on poverty levels and trends, and the floods of late 2004 and early 2005 caused major economic and social disruption. All these elements made it particularly difficult to assess the effectiveness of public expenditure and its eventual impact.

As a result, the budget support programmes of the 8th and 9th EDF have missed the opportunity to give the Commission enough leverage to foster policy dialogue based on a deeper and coordinated analysis of government policy, to improve coordination with other donors or to contribute significantly to an improvement in the management of public finances.

Budget support has given the Government more room for manoeuvre in shifting public expenditure towards the social sectors so as to maintain their share of total expenditure and increase it significantly as a share of GDP. Whether or not this expenditure has had the desired effect on the availability, quality and use of public service delivery has not been measured, and the question of whether or not this has had a positive impact on the extent and depth of poverty and on improvements in social conditions in general will have to be ascertained once the results of the latest survey become available.

As regards the seven criteria usually applied by the Commission when undertaking budget support during the observation period, the findings are synthesised in the table below. It must be underlined that the criteria have to be interpreted as priority fields of improvements and not just a form of limited conditionality. For example, the budget support programme has been implemented in a general context of improved management of public finance systems.

Criteria	Findings	Comments
Macroeconomic framework	Under supervision by the IMF	No or limited policy dialogue between the Government and donors
Strategic framework	PRSP	Lack of indicators
Medium Term Expenditure Framework	MTEF developed at sector level with the support of Commission-funded TA	Not updated
Public Finance Management	No PFM reform programme	But improved management of public finance with some reforms in the fields of capacity building, fiscal management, transparency in tender procedures...
Donor coordination	Effective	But limited to exchange of information
Performance monitoring	Limited to some indicators	Statistical system ...
Institutional capacity	Not assessed	

These findings demonstrate the difficulty of setting up direct budget support in Guyana. All these issues were known at the design stage but the question remains how to address them to mitigate the risks associated with them.

5.3 Major constraints in the implementation of the programme: Capacity Building and Brain Drain

This evaluation showed that implementation of almost all examined Commission interventions in Guyana has been heavily constrained by a lack of capacity-building. And in spite of the efforts of the Commission to programme capacity-building components into most of its interventions, implementation of the interventions suffered from a particular challenge Guyana is facing: the brain drain.

Emigration has indeed been a major challenge for Guyana since its independence. A recent IMF working paper⁸⁹ quantified the magnitude and nature of migration flows from the Caribbean region, which has the highest emigration rates in the world: about 12% of the labour force has migrated to OECD member countries. Migration has even been described as « embedded in the Caribbean psyche ». The most important destination for migrants from the Caribbean is the United States, the percentage being 65% over the period 1965-2000. Moreover, the percentage reduction in the labour force is much larger in the higher-school categories. In Guyana, the tertiary-educated labour force has been reduced by 89% over the period 1965-2000 owing to emigration in OECD countries. The magnitude of these migration rates suggests that emigration can have massive impacts on local labour markets⁹⁰.

At the same time, emigration confers important benefits on the source countries through transfers from abroad or remittances. Worker remittances are indeed becoming increasingly important as a source of external funding for developing countries. Remittances constituted about 13% of the Caribbean region's GDP in 2002. In 2003, remittance flows exceeded the combined flows of FDI and ODA to the region. But for Guyana, total remittances represented under 2% of GDP over the period 1980-2002, which is far below the rate observed for most Caribbean countries⁹¹.

The IMF working paper also shows, however, that for the Caribbean region the total losses due to skilled migration on average outweigh the recorded remittances. For Guyana, the author estimates the total emigration loss as 7.8% of GDP whereas remittances represented 1.9% of GDP over the period 1980-2002.

The magnitude of this brain drain issue also constitutes a major constraint on the Commission programmes. The difficulty of finding and retaining local staff within public entities such as ministries is a serious constraint on these entities and also an impediment to the effectiveness and sustainability of Commission interventions.

The sea defences programme focused on the delivery of training to SRDD to compensate for the shortage of skilled staff within this division. But the greater marketability of the trained staff and the lack of career prospects favoured their emigration. Within the NAO Task Force several local advisers who had received training then left for employment in international organisations abroad.

⁸⁹ Source : IMF, Mishra P., « IMF Working Paper : Emigration and Brain Drain : Evidence From the Caribbean », 2006

⁹⁰ Source : IMF, Mishra P., « IMF Working Paper : Emigration and Brain Drain : Evidence From the Caribbean », 2006

⁹¹ Source : IMF, Mishra P., « IMF Working Paper : Emigration and Brain Drain : Evidence From the Caribbean », 2006

The National Competitiveness Strategy identified large gaps in provision of vocational and technical training which give rise to a shortage of skilled, technical labour force as a main constraint. It also underlines that high levels of migration, especially of skilled people, are in the meanwhile continuing to create a huge gap in the supply of labour. The strategy proposes investment in education but also seeks to ensure that skills acquired are retained in the country and not simply exported via the brain drain. It also explores strategies for mitigating the impact of the loss of skills from Guyana through migration policies.

In that respect, one of the two Commission interventions in the PSD, the Guyana Training Agency, was an attempt to reinforce the technical and vocational training sector in Guyana. Even if the design of the project has been evaluated as relevant in the monitoring reports, the effectiveness of the intervention is called into question by the brain drain issue and the absence of a national policy on migration of the skilled workforce.

6. Conclusions

The Conclusions have been organised under three main themes:

- The Commission strategy
- The impacts of the interventions
- The implementation modalities

The conclusions derive from the analysis presented in the previous sections 4 & 5. They are derived either from the Evaluation Questions (EQs 1-8) or from the themes developed under the overall assessment (OA1 to OA3).

6.1 Commission strategy

Conclusion 1 - Relevance of the Commission Strategy		
Priority XX	Origin : EQ 1	Recommendation 1, 3 & 5
<p>The Commission co-operation strategy is largely in line with the development priorities of the GoG. However, some GoG priorities have either not been funded by the Commission to the extent expected (private sector development and vocational and technical training) or have not been addressed in their wider context (sea defences as part of water management).</p>		

The overall and specific objectives and the design of the Commission co-operation with Guyana reflect the objectives of the partner country. Commission interventions in the area of social and economic infrastructures support the GoG's objectives of promoting a sustainable growth process. Indeed, sea defences and transport are both necessary infrastructures for the development and diversification of Guyana's economy in a manner conducive to social development. On the other hand, structural adjustment and budget support programmes should have contributed to stabilising the macroeconomic framework and fostering reforms in public administration and public finance management systems while supporting implementation of the PRSP and hence poverty reduction⁹². Although not so explicitly reflected in the Commission strategy, the GoG's objectives of promoting investment to diversify the country's productive basis and increase its competitiveness are covered by support to the private sector and to the sugar and rice sectors.

However, some GoG priorities have not been funded through the Commission's support to the extent expected. This is particularly the case of private sector development, vocational training, the sugar sector and the transport sector.

In fact private sector development benefited from the SYSMIN instrument mobilised during the first period under observation but during the second period no other funding was agreed at the time when GoG finalised its National Competitiveness Strategy and Guyana Action Plan for the sugar sector.

⁹² The results of the budget support programmes are analysed under EQ 4.

Moreover, vocational and technical training, which has to be the main focus of human resources development in Guyana owing to the brain drain problem, was allocated only €1,3m - for the Guyana Training Agency - and no funding for extension or replication.

Finally, one major constraint hampering the economic and social development of Guyana has not been addressed in the Commission strategy: flooding from upcountry. Indeed, the rehabilitation of sea defences as defined in the financing agreements did not address the problem in the wider context of overall water management including flooding from upcountry and storm water as well as inundation from the ocean.

Conclusion 2 – Strategy Design

Priority XXX	Origin : OA1	Recommendation 1
<p>Commission interventions are not sufficiently inscribed in an encompassing, clear and explicit strategy, notably in the sense that their contribution to precise global impacts lacks clarity. In particular, the central role of sea defences is not sufficiently reflected in the Commission strategy.</p>		

The Commission strategy suffers from a lack of a clear structuring. Indeed, it does not show how different interventions are inserted in the overall strategy and contribute to precise global objectives. This is particularly the case for sea defences : interventions in sea defences not only contribute to enhancement of sustainable economic and social development, but also favour a reduction in poverty levels. **The central role of sea defences, notably with respect to poverty reduction, is not sufficiently reflected in the Commission strategy.**

Sea defences are of outstanding importance to Guyana as they protect both most of the Guyanese population and agricultural production areas. Indeed, the coastal belt, which is below the sea level, shelters 90% of the Guyanese population and most of the cultivable lands; yet GoG policy (NDS) does not include sea defences as one of its major priorities.

As sea defences is a focal sector of the Commission strategy since the 4th EDF, the Commission has gained long experience in this field. It has even become the main donor in this sector. The fact that the central role of sea defences is not sufficiently reflected in the Commission strategy is illustrated by the criteria used to choose the sea defences to be rehabilitated. Indeed, these relate mainly to technical issues and not to economic, social and environmental issues.

Conclusion 3 –Capacity Building and brain drain

Priority XX	Origin : EQs 2, 7 & OA3	Recommendation 5
<p>The low human resources capacity, recognised as a major constraint in the implementation of the strategy, has been partially addressed by the capacity-building component of Commission interventions. But support in this field has been hampered by the brain drain issue.</p>		

Almost all Commission interventions in Guyana have been heavily constrained by a lack of capacity-building. The Commission has now made efforts to address this challenge, and most interventions provide in their design a capacity-building component (LEAP,

MPP, Sea defences) or an institutional building component (LEAP, budget support). Measures for fostering human resources development have been put in place. For example, budget support provided technical assistance to several ministries to strengthen their capacity.

But the impact of Commission support to human resources development has been constrained by the brain drain issue. For budget support, MTEFs have been developed but this achievement has been jeopardised by a lack of appropriation of the model by the respective ministries, a problem compounded by the fact that trained staff subsequently left the ministries.

6.2 Impacts of the interventions

Conclusion 4 – Effectiveness & impact of the interventions		
Priority XXX	Origin EQs 2, 3 & 5	Recommendation 2, 3
<p>Most of Commission interventions have quite satisfactorily met their targets, but the global impact of the interventions on the overall objectives of the Commission strategy in Guyana is rather limited.</p>		

Most Commission interventions in Guyana over the period 1997-2007 have successfully achieved their targets. Interventions related to private sector development, micro-projects programmes and budget support have all approximately achieved their goals.

However, the impact of these interventions on the overall objectives of the Commission strategy in Guyana is quite limited. On the one hand, the overall objectives of the strategy still need to be addressed, and on the other the contribution of the interventions to these overall objectives is quite negligible. The main reasons relate to problems in the design of the interventions:

- mismatching between the overall objectives of the interventions and the resources allotted to them (LEAP, GTA)
- interventions seldom integrated into a national policy (sea defences)
- lack of exit strategy (LEAP, GTA, MPP)
- insufficient strengthening of the local institutions (LEAP, MPP)
- maintenance of the infrastructure not addressed (sea defences)

Conclusion 5 – Impact of Budget Support on poverty reduction

Priority XXX	Origin EQ 4, OA 2	Recommendation 6, 6.1
<p>The absence of data on poverty levels constrains both the budget support process and the assessment of its impact. Due to the lack of reliable data, there is no ascertained evidence of the impact of Budget Support on the reduction of poverty levels.</p>		

Budget support should provide an incentive for budgetary allocations to be better aligned with PRSP policies and priorities, improved impact of budget allocations on service delivery and finally stronger achievement of the country's PRSP objectives.

The policies and priorities outlined in the PRSP have indeed been implemented: the government accomplished more than 80% of its planned actions in 2004 and more than half the PRSP targets were achieved by 2005.

It is however difficult to assess whether this has had an impact on the population's living conditions owing to the absence of recent and reliable data on poverty levels and trends (the results from the Household Income and Expenditure Survey which was launched in September 2005 to update the 1999 baseline are still awaited).

Conclusion 6 – Sustainability of the interventions

Priority XXX	Origin : EQs 2, 3 & 5	Recommendation 2
<p>The sustainability of Commission interventions is weak. The interventions have for most of the time not included an exit strategy at the design stage nor developed one during implementation and before closure. Moreover, appropriation of the interventions by the beneficiaries has not always been facilitated and has even often been constrained by the low capacities of the beneficiaries.</p>		

The sustainability of the interventions financed by the Commission in Guyana is a key issue. Almost all the interventions are indeed suffering from a lack of sustainability, which in turn constrains the ultimate impact of the interventions. There are several reasons:

- absence of an exit strategy, both at design stage and during implementation (LEAP, GTA, MPP, Sea defences)
- lack of appropriation of the interventions by the beneficiaries (GTA)
- low beneficiary capacity, not always correctly addressed by the capacity building/institutional development components of the interventions (MPP, LEAP, sea defences).
- absence of a maintenance strategy (sea defences)

6.3. Implementation modalities

Conclusion 7 - Efficiency of programme implementation		
Priority XXX	Origin EQ 6	Recommendation 7
<p>In a very difficult context related to the specificity of Guyana, the efficiency of programme implementation has been challenged by two main factors: weaknesses of the institutional set-up and delays to most examined programmes and projects.</p>		

First, the organisational structure does not allow for a clear distribution of roles at each level of project implementation. For instance, the organisational structure and the respective roles of the different actors involved in BS had been insufficiently defined at the outset of the programme to allow a smooth process of tranche release evaluation.

Second, it appears that most Commission programmes in Guyana suffered significant slippage in their planned implementation time schedules due to starting delays, TA problems, local staff shortages and turnover, and weaknesses in the definition of the roles and responsibilities of the key stakeholders.

One should however keep in mind that strong constraints specific to Guyana constrain the cost-effectiveness of the implementation of the Commission programme. Indeed the difficult political dialogue between the GoG and donors does not ease the putting in place of an adequate regulatory and administrative set-up, while the low capacity of the beneficiaries and partner institutions impedes adherence to time schedules.

Conclusion 8 – Policy dialogue		
Priority XXX	Origin : EQ 8	Recommendation 3 & 4
<p>Even if the situation has improved, the political dialogue between the GoG and donors focuses on the implementation of the interventions rather than on strategic issues.</p>		

The Government-donor policy dialogue in Guyana is limited. Even if the Commission is increasingly involved in supporting the Government's overall policy through the provision of budget support, the GoG-Commission policy dialogue remains narrow.

Indeed, although the authorities show considerable interest in following at regular intervals the implementation details of each donor's portfolio, these meetings are bilateral and mainly review progress in implementing donor projects. They do not provide the opportunity to discuss strategic or policy issues.

The GoG provided the right forum for these policy discussions in 2001/2002 at the launch of the PRSP when it created thematic groups with the objectives, for donors and Government, of reviewing the sector strategies for contributing to achievement of the PRSP goals; of filling potential resource gaps; of monitoring performance against sectoral targets; and of increasing the efficiency of donor interventions through better donor coordination. These groups functioned for a couple of years then lapsed although some were revived after the 2006 elections; there are now groups on governance, health, water, infrastructure and competitiveness which meet twice yearly. However, even in these

thematic or sectoral groups, and unless the Ministry leading the group is actively pursuing implementation of a reform programme involving close donor participation (such as in the health sector), the discussions mainly focus on sharing of information rather than on policy or strategy issues.

The principal drawback of this lack of policy discussion and cooperation at the early stages of programming is that there is no common diagnosis of needs and no common identification of the priority areas that require support. The PRSP is the reference document for all parties involved but lacks the longer term prioritisation of issues that need to be tackled: if everything is urgent, there is the risk that efforts are dispersed and that their effectiveness and impact remain very limited.

Conclusion 9 – Impact of Budget Support on policy dialogue		
Priority XXX	Origin EQ 4, OA 2	Recommendation 4, 6, 6.1, 6.2
Budget support programmes have had limited leverage on policy dialogue at either global or sector level, or on public finance management issues.		

The Commission has had major difficulty in establishing a policy dialogue with the authorities, at either global (macro-fiscal, PRSP) or sector levels or on public finance management issues. The budget support programmes have had limited leverage on policy and sector discussions owing both to the circumstances particular to Guyana and to a choice of performance indicators uncondusive to debate at higher level.

Commission financial aid programmes have gradually evolved towards provision of direct (non-targeted) Budget Support released in tranches. In that context, active engagement in a policy dialogue on macro-economic, fiscal, public finance management (PFM) and poverty reduction strategy issues has become of increasing importance. The PRBS 2004-2007 indeed introduced the need for regular policy dialogue as one of three preconditions for the release of Budget Support funds. Despite having formalised the requirement for policy dialogue in this manner, the condition was never satisfactorily fulfilled.

Moreover the choice of performance indicators retained as triggers for variable tranche release of the PRBS was uncondusive to creating an opportunity for policy level discussions. PFM indicators were indeed input-output indicators and four out of seven depended on the performance of the Commission and another major donor rather than on that of the Government.

Conclusion 10 – Coordination with other donors

Priority XX	Origin EQ 8	Recommendation 3 & 4
<p>Coordination with other donors has been a priority of the Commission since 2001. Overall this coordination relies more on information-sharing than on cooperation. The different donors work in their own area but without a systematic attempt to obtain synergies with other interventions.</p>		

In practice donor-donor dialogue relies on information-sharing rather than on a sharing or devolution of responsibilities and reliance on each other's strengths. Donors meet very regularly (e.g weekly G8 meetings of the Heads of Aid Missions) and there have been working groups on specific issues (statistics, PRSP and M&E for example). As a result, there is no lack of contacts and information-sharing is very good.

However, cooperation is less developed: donors do ensure that their activities do not overlap and cooperation may even be undertaken on a case-by-case basis. Examples can be cited for support to the Ministry of Finance where CIDA and IDB, and the Commission and IDB, have respectively cooperated closely on the same interventions, and on undertaking the Democracy and Governance Institutional Assessment (joint IDB, CIDA and DFID review) and the Public Expenditure and Fiduciary Accountability (undertaken jointly by the Government, IDB, World Bank and EU). In the context of elections, the donors even set up a common fund managed by the UN. Otherwise, in particular sectors donors work alongside each other rather than together. This lack of coordination minimises the global impact of the interventions of the whole donor community.

Conclusion 11 – Coherence with other Commission policies and instruments

Priority XX	Origin EQs 1&8	Recommendation 1
<p>The choices of focal areas and interventions under the 8th and 9th EDF have resulted in a basket of activities that had little links between them so that potential synergies and complementarities with other Commission policies and instruments have not been recognised and optimised.</p>		

Other Commission policies, trade agreements or non-programmable support have been mentioned in the programming documents but the potential resources linked to them do not seem to have been analysed or factored into the decision-making process on the choice of sectors and activities of intervention.

The synergies between the RIP and the NIP or within the NIP between different programmes and projects have not been optimised. Missed opportunities for capitalising on experience and reinforcing the benefits of the interventions are evident in the health sector (absence of links between the RIP and NIP interventions), in the social sectors (between BS and LEAP) and in the environment area (between the related budget lines and sea defences).

Non-programmable instruments have even been mobilised independently of the 8th NIP and 9th CSP strategic orientations. As a result, dispersion of funding is significant in Guyana in spite of the definition of areas of concentration with the aim of avoiding such scattering.

As far as current changes in the sugar protocol are concerned, the sugar issues are treated (so far) quite separately from the programming of the 10th EDF and the support to the sugar sector is being handled almost in isolation from the remainder of the EC's aid programme.

7. Recommendations

In line with the Conclusions of the evaluation, the team has drawn up a set of nine recommendations which take account of the orientations of EDF 10 and which have a dual objective:

- (i) to reinforce the coherence, impact and sustainability of the Commission strategy in line with the GoG's development policy and other donor interventions;
- (ii) to improve the efficiency and the effectiveness of the Commission's interventions.

7.1 To reinforce the coherence, impact and sustainability of the Commission's strategy in line with the GoG's development policy and other donor interventions

Recommendation 1 – Reinforce the coherence of the Commission's strategy in line with the GoG's development policy

Priority XXX	Origin C1 & 2
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The Commission should reinforce the coherence of its strategy by promoting synergies between interventions. Its support to sea defences should be incorporated within the comprehensive National Water Strategy and should be placed at the centre of the Commission's strategy, given that the Commission is the main donor in this field and has the necessary experience.

The Commission should incorporate its sea defences support as defined in the NIP 2008-2013 (focal sector 1, social infrastructure/sea defence) *within* the National Water Strategy. As the main donor in sea defences, the Commission could use its comparative advantage and experience to rethink its overall strategy in line with the new GoG strategy which was lacking during EDFs 8 and 9 and consequently impeded the Commission's efforts to realise a workable strategy in practice.

During EDF 10 the Commission's primary focus will be support for the Government's sector policy on coastal management, which is aimed at prioritising the investments needed to upgrade critical sea defence structures, support the preventive maintenance programme, and promote capacity-building within the sea defence administration.

The Commission needs to take into account the core aspects of the new National Water Strategy as presented hereunder.

Technical, institutional and legal aspects. Beyond the Commission's technical approach which focused on sea defence infrastructures and maintenance, Commission support should focus on institutional strengthening, not only in the Ministry of Civil Works but also in all those public institutions (national and local) and private entities involved in the Water Master Plan. The aim is to ensure smooth and effective functioning of the National Water Strategy.

Social aspects should be addressed through involvement of the population and definition of socio-economic indicators which aid assessment of the effectiveness and impact of the cooperation. In this respect macroeconomic support should be considered (focal sector 2 of the NIP) to enable the Government to release funds for recurrent expenditure in social sectors in line with the PRSP II and MDGs objectives. Moreover there is also a need to ensure coherence and complementarity with specific ongoing programmes of EDFs 8 and 9 such as the Low-Income Housing (LIH) programme, the Micro-Projects Programme (MPP) and the new support outside the EDF 10 areas of concentration (improved governance, and assistance to non-State actors and other critical stakeholders).

Economic aspects of the water management policy should be taken into consideration through two key aspects of Commission support:

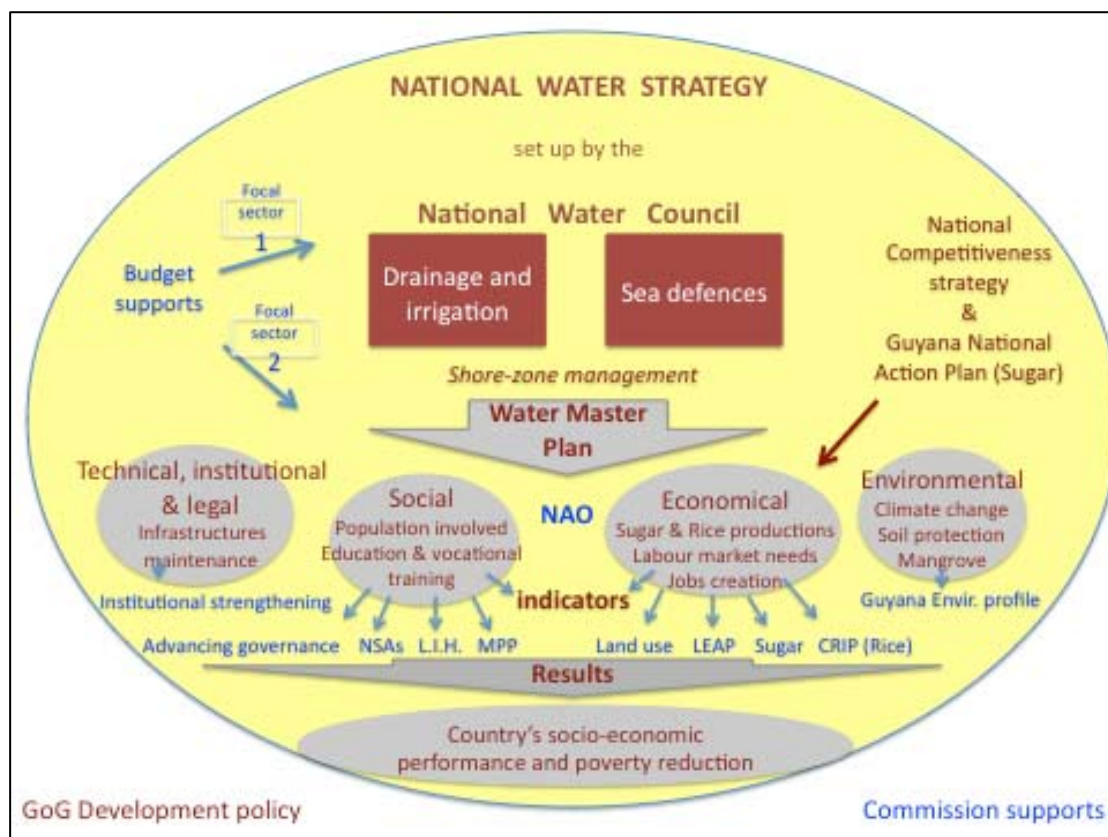
- (i) accompanying measures in support of national adaptation strategies on sugar (including development of non-traditional agricultural sub-sectors and human resource development);
- (ii) the Caribbean Regional Indicative programme, of direct interest to Guyana in respect of improving the competitiveness of the rice sector.

Lessons learnt from the Linden Economic Advancement Programme (LEAP) should be highlighted with a view to possible duplication of this significant and successful experience in other regions of Guyana. Other support outside the EDF 10 areas of concentration should also be implemented in coherence with the above support, namely development of a Land-use Master Plan and of a comprehensive land register system.

Environmental aspects related to climate change, soil preservation, and mangrove management should take in consideration the Guyana Country Environmental Profile recommendations (see annex 3 of the Country Strategy Paper 2008-2013).

Support to the NAO is central to providing the GoG with means to strengthen the overall efficiency of the whole institutional set-up of the National Water Strategy under the umbrella of the National Water Council.

The following diagram illustrates the overall coherence of Commission interventions with the National Water Strategy.



Conditions and risks

Eleven programmes can be identified within the NIP 2008-2013 from six different main financial instruments (EDF 10 envelopes A and B, investment facility, EDF 10 CRIP, accompanying measures for National Adaptation Strategies on sugar, 2006 assistance to the Sugar Adaptation plan) and from other possible funding sources such as the general budget of the Commission and the European Investment Bank's own resources.

Coherence will thus be at risk if no precise coordination is set up between the Commission's central and deconcentrated levels of decision-making. The coherence, complementarity and coordination of the Commission interventions, as well as cross-cutting issues, have to be considered from an early stage in the design of the Commission strategy and throughout programme implementation.

With the view to optimising the coherence of all the Commission's interventions, the team recommends strengthening of the geo-coordinator role at the Commission's central and Delegation-based decision-making levels *vis-à-vis* the country authorities and programme stakeholders. The purpose is to ensure that Commission decisions in respect of the non-programmable instruments take into consideration prior commitments already planned or implemented.

Recommendation 2 – Build in exit strategies to ensure adequate impact and sustainability of the Commission's interventions

Priority XXX	Origin C6
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The Commission should prepare, in coordination with the GoG, an exit strategy for all its interventions at the design stage and update it throughout the implementation process

For all its future interventions, the Commission should prepare at the design stage an exit strategy and update it during the implementation process. This approach will help build up the capacity of the stakeholders and better focus the programme objectives and results. During implementation beneficiaries will then have time to strive for training and correlated job creation with the clear aim of taking over all activities before the project ends.

For specific ongoing interventions, the table below presents the challenges to be addressed and possible solutions.

Intervention	Challenge	Possible Solution
Sea Defences	- Maintenance of the sea defences - Crest level	- Issue to be addressed by the National Water Council as component of overall maintenance of the water infrastructures in respect of irrigation, drainage and protection against flooding from the sea or from inland.
LEAP	- Take-over of the programme by local institutions	- Tender process to choose a local institution capable of taking over the programme (the Institute for Private Sector Development - IPED - could be an option)

Recommendation 3 – There should be joint GoG and donor funding for water management support

Priority XX	Origin C1, 9 & 10
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In line with recommendation 1, the Commission should expand its sea defences support to embrace water management policy as a whole and adopt a funding modality, such as basket funding mechanisms, that ensures complementarities between donors.

This recommendation relies on the firm willingness of the GoG and donors to build up a qualitative policy dialogue based on strong coordination at strategic level.

In the area of water management, a dialogue has been entered into between the GoG and donors with the aim of formulating a sector programme. Once this programme is finalised, the Commission could join up with other donors active in this area (including the World Bank and the Inter-American Development Bank) by setting up or participating in a basket funding arrangement as the appropriate implementation

modality to ensure sufficient funding levels, along with coordinated action which takes account of sector priorities and synergies built on complementarity of interventions. A basket funding approach based on the existing sector programme would further foster sector dialogue between the GoG and the donors.

Recommendation 4– Strengthen coordination both between donors, and between them and the GoG, in the interests of policy dialogue

Priority XXX	Origin C8
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A consensus on the need for strengthened coordination between GoG and donors, and within the community of donors, should lead the GoG to build up capacity indicators agreed on and synthesized with other donors, and thereby discourage donors from avoid entering into superfluous M & E exercises.

The aim is to favour policy dialogue, especially focused on the PFM outputs. Overall, GoG-donor coordination should enhance policy discussion and cooperation at the early stages of programming, with two objectives: (i) to promote common diagnosis and identification of priority areas that require support (i.e. on the National Water Strategy); and (ii) to agree on the objectives to be reached, measurable capacity indicators, and harmonized M & E interventions (such as the Public Finance Management Review conducted jointly by the EC, the World Bank and the IDB).

7.2 To foster efficiency and effectiveness of Commission interventions

Recommendation 5 – Support Human Resources Development through creation of the National Observatory Function for education and vocational training linked to labour market needs.

Priority XX	Origin C3
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The Commission should support interventions that foster human resources development and help minimise the brain drain, notably through vocational and technical training and capacity-building interventions targeted on labour market needs and the job-creation opportunities emerging from the restructuring of the sugar and rice sectors and the non-traditional agricultural sub-sectors.

The employment context in Guyana is constrained by lack of skilled human resources and a massive brain drain due to a lack both of identified jobs and of national institutions devoted to jobs creation. Thus the Commission should support interventions in the field of vocational and technical training and capacity-building focused on labour market needs and job-creation opportunities. The interventions should be developed in partnership with the GoG as it explores ways of minimising the brain drain through migration policies. They also should be coordinated with implementation of the National Competitiveness Strategy for Guyana.

Specific support should be associated with the creation of the Guyana Observatory Function, the aim of which is to analyse the appropriateness of the education and vocational training programmes (supply level) to labour market needs (demand level). Education and training is useless if not conducive to the job creation which is necessitated by the restructuring of the traditional sectors (sugar & rice) and by the new entrepreneurship emerging in all sectors (traditional or otherwise). The National Observatory Function, set up as a network of public and private institutions collecting information on relevant indicators, should provide analysis and recommendations to policy-makers on adaptation of the education and vocational training curricula in response to labour market requirements.

The in-depth experience of the Commission in this field and formalised by the European Training Foundation could be made available to the GOG.

Eventually the Commission interventions should offer the opportunity of systematically introducing education and vocational training components into project design in response to labour market needs. This approach should be also linked to exit strategies defined at the early stages of programme and project implementation in the interests of sustainability (see also recommendation 2).

The relevance of the Commission interventions in Human Resources Development is also illustrated in the National Water Strategy diagram (see above) through the setting-up of adequate indicators to assess the rationale of support for the social and the economic components of the Water Master Plan.

The financial modalities suggested for the feasibility study on the Guyana Observatory function are the Technical Cooperation Facility and specific thematic budget lines from the Commission's general budget.

Recommendation 6 – Enforce key elements to promote effective results of the Budget Support, as assessed with adequate indicators

Priority XX

Origin C5& C9

In view of the difficulties encountered with the budget support implementation modality in Guyana, mostly in terms of policy dialogue and measurement of performance, the Commission should focus on improvement of the criteria it stipulates for the undertaking of Budget Support. Meanwhile, until these conditions are realised, it should favour interventions through other instruments such as the basket funding modality.

The leverage usually associated with the provision of Budget Support as a basis for discussion of general policy orientations has not materialised in Guyana. Moreover, the programme has missed a major opportunity to put PFM at the forefront of GoG policy. Finally, the weakness of social statistical data and the fact that no new data has become available on poverty levels and trends, has made it particularly difficult to assess the effectiveness of public expenditure and its potential impact.

Based on continued Budget Support to the country reforms and strengthening of existing policies to achieve the PRSP and MDG objectives, the following recommendations (R6.1 and R6.2) are therefore proposed as priority fields for improvements:

Recommendation 6.1– Reinforce Guyana’s statistical systems	
Priority XX	Origin C5
The Commission budget support programme should address the soundness of the statistical systems used by the various social ministries and the need for statistical improvements more generally in Guyana (including at the level of the Bureau of Statistics). The aim is to assess the overall effectiveness and social impact of Budget Support through both output and capacity indicators.	

Statistical systems constitute the basis for policy dialogue and play a key role in the monitoring of the PRSP. Moreover, Budget Support’s real impact on social conditions and on the services in place can only be effectively verified and measured with the aid of reliable statistics and operational information systems.

It is therefore highly recommended that the soundness of the statistical system generating social statistics receives due attention: other donors are already active in the area of reinforcement and improvement of Guyana’s statistical systems and the Commission could usefully cooperate with them, clearly expressing its particular needs (which do not differ from those required for normal budget programming) and offering its expertise in this area.

The Public Finance Management review completed in 2008 highlights the need for, and urgent definition of, adequate indicators to monitor the effectiveness and impact of Budget Support.

Recommendation 6.2 – Develop a Public Finance Management reform programme	
Priority XX	Origin C9
To ensure the effectiveness of its Budget Support, the Commission should strongly support the Government in elaboration and implementation of a PFM reform programme which could be supported by the entire donor community.	

The existence of an exhaustive PFM reform programme with a prioritised, scheduled and costed action plan that is actively managed and implemented by the Ministry of Finance, is of essential importance to the success of any Budget Support programme. Based on the conclusions of the recently completed (2008) Public Finance Management Review, the development of such a reform programme can be undertaken by the Government with support from the donor community. The existence of this reform programme and the monitoring of its implementation should form one of the bases for decision-making on renewed Budget Support. The result should be a speeding-up of public service reform to increase efficiency in delivery of public services.

Recommendation 7 – Foster efficiency

Priority XXX

Origin C7

Foster efficiency through a rational institutional set-up for programme implementation, with agreed evaluation criteria and indicators.

An adequate institutional set-up being a pre-condition for efficient implementation, the Commission should ensure that the organisational structure and management culture generates well-defined and agreed procedures and job roles, in particular at the levels of the NAO Task Force, the Delegation and project management. Prior identification of all involved stakeholders should lead to determination of their respective responsibilities and roles in programme implementation with a view to avoiding confusion and overlapping of interventions, and thereby ensuring project efficiency and effectiveness.

In addition, to foster efficiency and boost beneficiary incentives to attain the desired objectives and results, there is a need for common agreement between the GoG, Commission and other donors on the evaluation criteria and indicators to be defined at the early stages of programme implementation. Accordingly M & E interventions by the GoG and the donors should be coordinated and agreed on a multi-annual basis.

A mid-term review of all Commission interventions *via* all financial instruments should be undertaken (in practice in early 2010). This review should provide an opportunity of updating the Commission strategy, in the light of the results achieved on the basis of the initially-agreed recommendations, evaluation criteria and indicators.