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Report No. P-1601-GUA

REPORT AND RECOMMENDATION
OF THE
PRESIDENT
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED CREDIT AND A LOAN
TO
GUYANA
FOR A
SECOND EDUCATION PROJECT

April 3, 1975

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CURRENCY EQUIVALENTS^{1/}

Currency Unit	=	Guyana Dollar (G\$)
US\$1	=	G\$2.16
G\$1	=	US\$0.46
G\$1,000	=	US\$463.79
G\$1,000,000	=	US\$463,790.90
Fiscal year	-	January 1 to December 31

^{1/} As of March 24, 1975. (The Guyana Dollar has been floating with the Pound Sterling since July 1972.)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT AND RECOMMENDATION OF THE PRESIDENT TO THE EXECUTIVE
DIRECTORS ON A PROPOSED DEVELOPMENT CREDIT AND LOAN TO GUYANA
FOR A SECOND EDUCATION PROJECT

1. I submit the following report and recommendation on a proposed development credit for the equivalent of US\$4.0 million and a proposed loan for the equivalent of US\$8.0 million to Guyana to help finance a second education project. The loan would have a term of 30 years, including 10 years of grace, with interest at 8-1/2% per annum. The credit would be on standard terms.

PART I - THE ECONOMY

2. The Bank's most recent economic report (Current Economic Position and Prospects of Guyana, Report No. 242a-GUA, dated December 19, 1973) was distributed to the Executive Directors on December 27, 1973. An economic mission is scheduled for April-May, 1975. Basic data are shown in Annex I.

Recent Economic Developments and Prospects

3. The economic activity and population of Guyana are concentrated along a narrow coastal strip where sugar and rice are grown. With the exception of bauxite mining, the vast hinterland remains largely unexploited. The relatively efficient mining sector has assumed increasing importance in the economy and both the sugar and rice industry are comparatively modernized, but overall development has been retarded by a difficult physical environment, a small domestic market, and political uncertainty. Per capita GNP (US\$400 in 1972), while fairly evenly distributed, is low in comparison with per capita GNP in most other countries of the Western Hemisphere. The path of economic growth has been marked by persistent high unemployment, slow agricultural growth, poor export performance, and a lag in private investment. Real growth of the economy has been little more than the increase in population and has made no dent in the intractable 15% level of unemployment. GDP actually contracted during 1972 and 1973 because of adverse weather conditions and a depressed aluminum market.

4. The development strategy of Guyana since independence in 1966 has been to increase the role of the public sector and to promote cooperatives. The government has expanded state enterprises, created new state-owned financial institutions, and nationalized the country's whole bauxite/alumina industry. The public sector now occupies a dominant position in the commercial and industrial sectors. The growing role of the public sector is reflected in the increase in its share of gross domestic capital formation from 40% in 1968 to 60% in 1972. Increasingly, therefore, the level of public sector savings will depend on the surpluses realized by public enterprises.

5. Recently the economy of Guyana has been strongly affected by events in the world commodity markets, and this serves to illustrate the country's sensitivity to changes in external economic conditions. Higher oil prices came at a time when Guyana's economic performance was already weak. Guyana's external account worsened in 1973 as a result of an adverse movement in the terms of trade and

there was a serious loss of reserves. Early in 1974, the country's prospects gave cause for concern because of an expected further sharp adverse movement in the terms of trade, and the government was prompted to tighten import controls and to introduce new tax measures in an attempt to stabilize both the balance of payments and the public finances. Impressive though these measures were, they would not in themselves have been sufficient to restore equilibrium, however. In addition to the higher cost of petroleum, food imports increased by 30% in 1974--mainly because of higher prices--and this threatened to undermine the viability of the balance of payments. Guyana was saved from a financial crisis of severe dimensions only by subsequent developments in the world market for its principal exports, notably sugar and bauxite.

6. Bauxite export receipts are estimated to have been US\$90 million in 1974 compared with US\$65 million the previous year. About two-thirds of Guyana's production and exports of bauxite and alumina were handled by a government-owned corporation and the remainder by a subsidiary of Reynolds Metal Co. until the end of 1974. At that time agreement was reached between the government and Reynolds concerning the terms for nationalization of its subsidiary's assets. The net compensation to be paid by the government amounts to US\$10 million over a period of 13 years. All bauxite production and exports are now in government hands.

7. The precipitous rise in world sugar prices has caused a sudden improvement in Guyana's short-term prospects. As a result, Guyana was able to renegotiate terms for shipments to the United Kingdom during the second half of 1974. Sugar exports are estimated to total US\$130 million in 1974 compared with US\$36 million in the previous year. This increase in earnings from sugar was more than sufficient to compensate for the increased cost of both petroleum and food imports, and Guyana actually improved its position as a net exporter of agricultural commodities during 1974. Average sugar export prices in 1975 will likely be higher than the average 1974 level, and Guyana should be able to increase its earnings even more. Recently concluded negotiations with the EEC resulted in the renewal of the guaranteed market arrangement for Commonwealth Caribbean sugar producers at a fixed f.o.b. price of US\$25 per lb. in 1975. This compares very favorably with the previous renegotiated price of US\$14 per lb. at the end of 1974.

8. The good prospects for sugar exports in the near future will provide Guyana with an opportunity to build up its international reserves from the low levels to which they fell in 1973. Central government finances should also be strengthened during the next two years because export earnings from sugar are subject to high marginal tax rates. In the longer run, however, sugar prices may fall back to their 1972 level in real terms. It is of prime importance, therefore, that Guyana should prepare itself for this eventuality, and utilize the additional resources from sugar in the attainment of longer term growth targets. The success of the public sector in effectively mobilizing and managing the necessary investment resources will largely determine the course of growth over the medium-term. A sustained level of public sector savings equivalent to 5% of GDP is needed to finance an investment program sufficient to move the economy on to a 5% growth path. High sugar prices should enable this target to be achieved with relative ease in the next one or two years. Beyond that, however, it is unlikely that an adequate level of public sector savings can be maintained unless considerable restraint is exercised over the growth of government current expenditures. Efficient operation of public enterprises and pursuit of proper pricing policies will be other crucial determinants of the rate of public sector savings.

9. The rate of development that Guyana is likely to realize over the medium-term will depend heavily on its ability to increase the production and export of its key commodities -- bauxite, sugar and rice, which account for 30% of GDP and 85% of exports. Bauxite production has fallen in recent years, partly because of a weak market demand and partly due to a lack of product diversity (i.e., inadequate capacity for calcined bauxite production). Calcined bauxite capacity will increase substantially when the new investments being made by the government are completed. Production of sugar and rice will certainly be stimulated by higher prices, but a major effort must be made to overcome the basic structural deficiencies of the agricultural sector in order that the supply of these commodities may respond adequately to price incentives. There is a need for more investment in land improvement and associated infrastructure, as well as for expansion of credit facilities and agricultural extension facilities. In this respect, the supply of trained personnel in agriculture and other fields is an important constraint which can only be overcome by strengthening technical education and training.

10. The government's Second 5-Year Development Plan, 1972-76 (which is currently being revised and updated to 1980) outlines a fairly ambitious public sector program aimed at accelerating the annual real rate of growth of GDP to 8.5% and reducing unemployment from about 15% to about 5% by the end of the period. The allocation of public investment gives high priority to transport and communications (24.5%), manufacturing and power (16.3%), and agriculture (15.8%). For a variety of reasons, including shortages of skilled manpower and limited domestic savings, however, it is not likely that the plan objectives as a whole will be attained during the plan period. In view of the present prospects for domestic and external financing, a capital investment program of US\$430 million in constant 1972 dollars, about 25% lower than the planned level, with shares of public and private sectors amounting to US\$275 million and US\$155 million respectively, may be a more realistic target for the government to pursue. The real rate of growth during the Plan period may not exceed 5% per annum and unemployment may still remain well above the 5% target. Nevertheless, a real growth rate of 5% in GDP and a reduction in the unemployment rate would represent significant improvements over the past record. Among the sources of public sector financing for the Second Development Plan, current account surpluses may account for about 23%, net domestic borrowing from non-bank institutions such as the National Insurance Fund for 20%, other domestic borrowing for 12%, and net external borrowing for a further 45%. During the preceding 5-year period, net external borrowing accounted for about 40% of the total financing. The greater role of external financing under the current 5-year plan is justified in the context of substantially higher development efforts and the more vigorous mobilization of domestic resources.

11. The education project, for which a development credit and loan are recommended in this report, would relate to the government's continuing development effort beyond 1976--the year in which substantial disbursements are projected to begin. In the five-year period following the 1972-76 Second Development Plan, a public sector investment program of some US\$350 million in constant 1972 dollars would be required in order that an annual growth rate of 5% be achieved. Of this total program, some 60% (US\$210 million) is likely to be of a project nature in which international financial agencies may participate, and within this amount foreign exchange costs would account for about US\$85 million. This amounts to about

25% of the total public sector investment program. If external lenders were to confine their financing to only the foreign exchange component of public investment projects, it would be insufficient to meet the overall financial needs of the program. Financing from domestic sources will be greater than under the Second Development Plan, but will still account for no more than 65% of total financing needs. Additional domestic sources of financing would be difficult to find in view of the fact that current fiscal revenues are already projected at a high 35% of GDP. It would appear, therefore, that the viability of the public sector investment program, upon which hinges the overall development effort, will depend upon external financing being extended to cover a reasonable part of local project costs. As an overall target, the government should aim at a level of external borrowing sufficient to finance 35% of the public sector investment program during the later years of the present decade.

12. The longer term economic prospects of Guyana are favorable, as discussed in the Bank's economic report. There should be considerable scope for development of the country's traditional exports. A substantial increase in the acreage under sugar and rice is planned. Considerable expansion in the capacity for producing calcined bauxite is also envisaged. Opportunities exist for greater diversification in the agricultural sector both for import substitution and for export. Government policy is aimed at increasing the output of fruits, vegetables and livestock. Imports of a wide range of agricultural commodities were banned at the end of 1971 to stimulate local production and to deflect consumer tastes towards domestic products. The country's forestry and fishery resources can be more effectively exploited. The existence of an adverse trade balance in forestry products, despite the fact that over 80% of the country's total land area is under forests, emphasizes the need to develop forestry. Export prospects for shrimp and fish are good, especially since other members of the Caribbean Community (CARICOM) have a deficit in these products. A greater rate of industrial development is also possible, provided foreign capital and expertise can be attracted to participate in development projects in Guyana and policies to enable the country to compete successfully with the industrially more developed CARICOM countries are pursued. Thus, with appropriate development strategy, including sound fiscal and monetary policies, Guyana should be able to improve its economic development performance significantly over the longer term.

External Assistance and Creditworthiness

13. Guyana has received considerable aid on concessionary terms in the past from bilateral donors. In its own lending activities, the Bank has taken into account the efforts of other multilateral and bilateral agencies, notably the UNDP, USAID, the United Kingdom (ODM), and Canada (CIDA). Guyana is not a member of the OAS or, as yet, IDB. USAID's program has been extensive, including road construction, water and sewerage projects, and agricultural assistance, mainly through the construction of a rice research station and six rice drying and storage installations. The Bank and USAID cooperated in the Tapakuma irrigation and drainage rehabilitation and development scheme (Loan No. 1016-GUA) and are cooperating in a similar project for the Black Bush Polder area. USAID-financed consultants prepared the feasibility study for Tapakuma and are

completing the feasibility study for Black Bush Polder. The Bank cooperation with CIDA is in the fields of education, forestry, and power. CIDA also financed a forestry products marketing study which, together with a feasibility study by a private Canadian concern, led to the Bank appraisal of a forestry project in February, 1974. CIDA joined with the Bank and ODM in a loan to the Guyana Electricity Corporation in FY1973. In view of Guyana's increased external capital requirements, there will be a greater need for aid coordination.

14. Past loans and grants by sector from the principal aid agencies are summarized below for the period 1966-1973 (in US\$ million):

<u>Loans/Grants</u> <u>(Commitments)</u>	<u>IBRD</u>	<u>IDA</u>	<u>USAID</u>	<u>CIDA</u>	<u>U.K. 1/</u>	<u>Total</u>	<u>Percentage</u>
Transport	-	4.4	25.0	6.0	-	35.4	(20.2)
Power, communica- tions	6.0	-	-	4.0	25.5 2/	35.5	(20.3)
Water, sewerage	-	-	2.6	2.3	-	4.9	(2.8)
Sea defense	10.4	-	1.0	-	7.2	18.6	(10.6)
Education	2.9	2.9	0.6	3.4	0.2	10.0	(5.7)
Agriculture	-	2.2	14.6	-	2.6	19.4	(11.1)
Other	-	-	13.3	5.2	32.9	51.4	(29.3)
Total	19.3	9.5	57.1	20.9	68.4	175.2	
Percentage	(11.0)	(5.4)	(32.6)	(11.9)	(39.1)		(100.0%)

1/ Includes grants of US\$18.6 million, based on disbursement estimates.

2/ Private bank loans and suppliers' credits guaranteed by government of Guyana.

15. It is estimated that some US\$30 million annually in inflows of long-term capital to the public sector in Guyana would be called for during the Second Development Plan period. Until recently, a considerable proportion of Guyana's capital requirements from abroad came on highly concessionary terms. As a result, the debt service ratio remained fairly moderate. The government borrowed in the Eurodollar market for the first time in 1973, and also placed increased reliance on suppliers' credits. It would appear, however, that the projected higher receipts from exports will enable Guyana to build up foreign exchange reserves to a reasonable level without further resort to the Eurodollar market. The external public debt outstanding and disbursed at the end of 1973 amounted to US\$158 million. The service charges on this debt amounted to 6.2% of the export proceeds and were expected to rise to 6.5% by 1979. Since exports account for over one-half of Guyana's GNP, a debt service ratio of this magnitude is quite high. With proper debt management, however, it should not prove to be overly burdensome. Guyana, while remaining creditworthy for Bank and other conventional long term lending, would also benefit from concessionary aid in order to ease its debt servicing problem. Extended amortization periods on conventional loans are also justified. It is estimated that the Bank Group's share in Guyana's projected debt may increase from 3% in 1972 to 14% in 1979, and the Bank Group share in debt service would rise from 4% to 13% over the same period.

PART II - BANK GROUP OPERATIONS IN GUYANA

16. The first Bank loan to then British Guiana was US\$1.3 million in 1961 for agricultural credit. The loan has been repaid in full. Since independence, Guyana has received from the Bank Group loans and credits totalling US\$41.7 million, US\$32.2 million from the Bank and US\$9.5 million from IDA. The proposed development credit and loan would be the eighth Bank Group operation since FY1969 and would be the only lending in FY1975. Infrastructure (sea defense, highways, and power projects) accounted for 50% of the Bank Group's past lending, education for 14%, and agriculture and livestock for 36%. There have been no IFC operations in Guyana and no investments are at present being considered. While some delays occurred in the early stages of the execution of the sea defense and education projects, performance has improved recently. There remain some problems in implementing the livestock and highway projects. In the case of the power project, the project entity has not attained the covenanted rate of return specified in the Bank's loan agreement (10%) and has had serious cost overruns (in excess of 87% in engineering work). Annex II contains a summary statement of Bank loans and IDA credits as of January 31, 1975, with notes on the status of on-going projects.

17. The Bank Group activities in Guyana are designed to meet part of the country's capital financing and technical assistance requirements and to support appropriate developmental policies which will contribute to a higher rate of economic growth. Our assistance is concentrated on the development of agriculture and natural resources, where Guyana has a comparative advantage, directly through agricultural projects and indirectly through projects such as transport and education which support agricultural and resource development. The objective is to promote agricultural diversification, help increase employment and raise incomes in the rural areas and stimulate agricultural exports. Following the Tapakuma project, which was approved by the Board in June 1974, a second major irrigation and drainage project is planned in the Black Bush Polder area to promote diversified crop production, including rice cultivation. A forestry project would support a program to process and market tropical hardwoods of a forest area of some 550,000 acres in central Guyana; it would also help open up the interior and increase the country's exports. Additional foreign exchange earnings would be derived from a proposed fisheries project, involving both the private and public sectors, which would provide for a fish processing plant and fish distribution facilities. It would also be an objective, through technical assistance components in these projects, to help strengthen the government agencies working in the agricultural sector. A water supply and sewerage project, for which a USAID-financed feasibility study is in progress, would help alleviate a serious sewage disposal problem in New Amsterdam and Georgetown and provide technical support. The Bank is Executing Agency for a UNDP-financed hydroelectric power survey which could lead to the development of low-cost electricity for aluminum smelting in Guyana. The Bank is also Executing Agency for UNDP-financed studies of water transport, airfield improvements in the interior and access roads to coastal agricultural areas. Finally, we propose to continue our association with the education sector through the second education project now before you. The project would help remedy existing deficiencies in the system and alleviate the shortage of skilled and technical manpower.

18. In view of Guyana's improved prospects, and the heavy demands upon IDA resources from poorer countries, we do not plan further IDA assistance to Guyana beyond that proposed in the present project.

PART III - EDUCATION IN GUYANA

The Education System

19. The formal education system of Guyana consists of six years of primary education, extended for three more years ("tops" of primary) in most of the schools; five years of secondary education; and two to five years of post-secondary or higher education. The Ministry of Education has the major responsibility for all public education institutions except for the autonomous University of Guyana and the Guyana School of Agriculture. The education laws, which date from 1940, are out of date and inadequate to respond fully to the present needs. Most nonformal education and training activities are under the control of ministries other than the Ministry of Education.

Primary and Secondary Education

20. Since 1963, the government has been placing increased emphasis on the expansion of educational opportunities, particularly at the secondary level. Virtually all (92%) primary school-age children are enrolled and more than half (53%) of the children between ages 12 and 18 receive some form of secondary education.

21. The expansion of enrollments in recent years has not been accompanied by improvement in the quality of education. Only about 10% of primary school graduates pass the examination for entrance to the traditional secondary schools (grades 7-11); these secondary schools offer an academic curriculum geared to preparation for higher education. The 90% who fail to enter the secondary schools remain in the "tops" of the primary schools, where they receive only an extended primary education which prepares them little for further study or employment. Well over half of the teachers in the "tops" are inadequately trained by government standards.

22. There were 390 primary schools in Guyana in 1973. Of these, 227 (58%) were owned by denominational organizations; but the government financed the full operating costs. Private secondary schools are not regulated by the government and the Ministry of Education has no accurate statistics on their numbers or enrollments. For the public secondary schools and the primary "tops", the 1973 enrollments were about 24,000 and 38,000 students, respectively.

Teacher Training

23. Primary teacher training consists of a two-year post-secondary course provided in a newly-completed building financed under the first Bank/IDA education project. Although the college will double its annual output to 330 teachers by 1976, it will not be able to satisfy the demand for primary teachers unless the Government increases the supply of secondary school teachers, for trained primary teachers are being drained into the expanding secondary education system, which has a serious shortage of trained teachers. The annual output of about 30 teachers from the expanded Secondary Teachers' Training College will meet only some 20% of the annual requirements. A major constraint to training an adequate number of secondary teachers is the lack of proper facilities. The college is

temporarily housed in an old building which is unsatisfactory and unsuitable for expansion or remodelling. There is no institution that provides systematic training for the teaching of practical subjects such as science, agriculture, industrial arts and home economics.

Technical and Vocational Education

24. The Georgetown Technical Institute (GTI) produces 85% of the technicians and craftsmen who receive diplomas in Guyana each year. GTI also has the major role in upgrading the skills of employed workers. Each year, 150-200 students obtain craftsman certificates from GTI and a comparable number complete part-time courses. GTI's present courses are geared to British syllabi and examinations, which are not well-suited for Guyana's requirements. Some of the shortcomings in the courses also stem from a lack of close liaison with employers. The present buildings and most of GTI's equipment need to be replaced. These shortcomings, together with the heavy emigration of students who receive technical certificates, indicate the need for the government to undertake an in-depth study of vocational and technical education in Guyana.

25. Agricultural subjects are included in the curricula of a large number of primary and secondary schools. At the post-secondary level, agricultural training is offered to about 120 students at the Guyana School of Agriculture. The school, however, lacks adequate staff, boarding places, workshops and dairy sheds. The curriculum is overly academic and lacks the practical orientation needed by sub-professional level personnel in Guyana. The school at present offers certificate-level (grades 10-11) and diploma-level (grades 12-13) courses. No university-level education in agriculture is available in Guyana, and although scholarships have been set up to enable Guyanese to study at overseas universities, few training places have been available to them in specialized fields such as veterinary science. The manpower requirements in these specialized fields are small and no country in the Caribbean region can afford to build and operate a training center to satisfy its own requirements alone.

26. Nonformal Education and Training: Nonformal education and training programs have thus far had little impact on the economic life in Guyana. There is no consistency or coordination between the formal and nonformal programs in industrial training. Two technical institutes operate part-time and evening courses for about 220 trainees at the technician level and some 1,000 at the craftsman level. These courses upgrade the skills of workers. Small-scale apprenticeship schemes are under way in many small firms, under the control of the Ministry of Labor, with an intake of about 200 per year. Two major industries, sugar and alumina/ bauxite, conduct their own on-the-job training programs. The government's Industrial Training Center, established with USAID assistance, represents a significant departure from traditional education; however, its limited program, with an annual output of 100-150 students, has less impact on employment and the economy than the other programs.

27. There is little systematic training available for farmers or for agricultural extension agents. Programs are under way to motivate and organize farmers and workers for cooperatives and to train leaders and managers for these cooperatives, but so far they have had little impact. The extension service is

unable to perform effectively, being understaffed with inadequately trained agents. Its communications unit, for example, which is responsible for producing extension materials and operating radio programs, lacks the necessary facilities and equipment to operate effectively.

Education Development Strategy

28. As part of its education development strategy, the government intends to reorient the education system to offer practical subjects and skills, in addition to traditional academic attainments. Towards this end, multilateral secondary schools are being established with diversified curricula and workshops, laboratories and homecraft rooms; the first Bank/IDA education project is helping in this effort. The 63 community secondary schools which the government now plans to set up during the next ten years will offer relevant education for some 37,000 students at the "tops" level of primary schools; after school hours, they will also serve the needs of adults and out-of-school youth, becoming the focal point for nonformal education and training in each community. The ultimate objective is to have only two types of secondary schools--multilateral and community--with a built-in system of transfer between them. The government intends to implement the plan in two five-year phases. In the first phase, 30 community secondary schools will be established to accommodate some 17,400 students, leaving about 40% of secondary-level students in the "tops" of primary schools, compared with the present 75%. This will lead to a substantial increase in the demand for trained secondary school teachers, both for academic and technical subjects and for supervisory staff, which the government plans to meet by improving the facilities of the Secondary Teachers' Training College and by conducting a program for the training of technical subject teachers in cooperation with other teaching institutions specializing in the fields of agriculture, technology and home economics.

29. The government also plans to strengthen agricultural education and training. To this end, it will expand and improve the facilities of the Guyana School of Agriculture, the country's only agricultural education institution at the post-secondary level, and establish rural training centers which would train rural youth, women and farmers at a lower cost than at present. To meet manpower requirements in specialized fields, the government plans to collaborate with other Caribbean countries in establishing regional training centers such as the program for training animal health technicians. In the field of vocational and technical education, the government has established a tripartite advisory council, consisting of representatives from the government, employers and workers, for vocational and technical education, under the Minister of Education.

30. The government's education development strategy, as outlined above, is consistent with the socio-economic objectives of the Second Development Plan, although the strategy may be over-ambitious in some of its targets. The programs for establishing community secondary schools and new multilateral schools may be delayed due to a lack of qualified teachers. The financial constraints must also be taken into account. Experience may show that the proposed rates of expansion of the rural training centers as well as of the community secondary schools are too fast for the country to attain. Policies and programs for training manpower needed in the directly-productive sectors such as agriculture and live-stock warrant priority and should be supported.

Education Finance

31. Public education is free to the student from the primary through the secondary level. Dropout rates are low. Expenditures for both of these levels account for more than 80% of government recurrent expenditures on education. Public education is the largest single element in the government's recurrent expenditure. It is estimated that total government expenditures (current and capital) for education in 1974 amounted to about G\$53 million, or 5.8% of GDP. On a per capita basis, government education expenditures rose from US\$21 in 1969 to about US\$35 in 1974 (in 1974 prices). Yet, this expenditure accounted for only 14-15% of the government's budget during the past five years despite the sharp per capita increase (which reflects the rapid growth of the public sector in Guyana).

32. The financial difficulties in 1973 forced the government during 1974 to reconsider its development priorities and to give added urgency to more immediately productive projects. Accordingly, the education sector's share of government capital expenditure is not likely to exceed 10% during the next five years. This means that a maximum of about US\$8.5 million would be allocated each year for investment in the education sector. The government has to adjust the implementation of its education development program, particularly for the reform of secondary education, to the new pattern of priorities. The proposed project would require on the average an investment of about US\$5 million annually, which would be well within the limits of the government's financial plans.

33. The government's strategy for developing education and training stresses improvement in the quality of education and technical training in the industrial and agricultural fields. Increases in current expenditures per student are inevitable. However, since the education development strategy also has built-in efficiency factors--such as a more economical class size, a reasonable student/teacher ratio and a heavy use of nonformal training schemes--the overall increase in recurrent expenditures will not be intolerable. The proposed Bank/IDA project would generate new annual recurrent expenditures of about US\$2.7 million, which would constitute approximately 8% of the projected total recurrent expenditure on education in 1981. Since many of the institutions included in the project already exist, the project's recurrent cost will not constitute an undue burden on the government.

PART IV - THE PROJECT

34. A report entitled "Appraisal of a Second Education Project in Guyana" (No. 584a-GUA, dated April 3, 1975) is being circulated separately to the Executive Directors. The main features of the proposed lending and the project are summarized in Annex III. Initial discussions in September 1973 with the government concerning a second education project were based on a UNESCO project identification report of January 1973. The project was prepared by the government in May 1974 with UNESCO's assistance and appraised in May-June 1974. Negotiations were held in Washington from January 13 to 17, 1975. The government delegation was led by Mr. Winston King, Economic Adviser, Ministry of Economic Development.

Project Description

35. The main objective of the project is to assist the government in its effort to reshape the education system so that it will be more responsive to the development requirements of Guyana. It is designed to increase the practical content of secondary level curricula, to improve opportunities for nonformal education and training for the existing work force and to alleviate the shortages of skilled manpower in agriculture and other productive sectors.

36. More specifically the project would improve secondary education and strengthen agricultural education and training by enabling the government to:

- a. introduce a pilot program of new community secondary schools that would offer the majority of primary school graduates a more meaningful and employment-oriented education program;
- b. extend the diversified curriculum introduced in the multilateral secondary schools under the first Bank/IDA project to 10 existing secondary schools;
- c. provide new facilities for secondary teacher training; and
- d. expand both formal and nonformal training opportunities for farmers, rural residents, extension workers, animal health technicians and other agricultural technicians.

37. The project would assist in establishing seven pilot community secondary schools for secondary-level students who are presently in the "tops" of primary schools (para. 21). These schools would offer during the first three years a balanced general education, including practical subjects that would comprise 30% of the curriculum, and during the next year short-term vocational training courses in one or two selected skill trades based on the occupational needs of each community. These schools, each with about 640 student places, would have practical subject teaching facilities such as workshops, laboratories and homecraft rooms. When merited, students in the community schools would be allowed to transfer to regular secondary schools. Transfer would be allowed only once, at the end of the third year, up to which point the core courses would be common to both the community and the multilateral secondary schools. The community schools would also serve the training needs of adults and out-of-school youths after school hours, thus becoming each community's focal point for non-formal education and training.

38. These seven pilot community secondary schools would replace the "tops" of about 25 of the 373 primary schools which now have "tops", producing in due course about 1,000 graduates annually. Establishment of these new schools would enable the primary schools to improve the quality and efficiency of their education by alleviating existing overcrowded conditions. The additional teaching staff required in these schools would be supplied by the Teachers' Training College, also to be constructed under the proposed project.

39. The project would extend the diversified multilateral school curriculum introduced in the Bank's first education project to 10 existing multilateral secondary schools, providing practical-subject teaching facilities comprising 19 workshops, 19 laboratories and 19 homecraft rooms. These facilities would also allow an increase of about 1,680 in enrollments and would serve a total enrollment of 6,630 students, which is about one-fourth of total secondary school enrollment. The schools to be assisted, together with the six new multilateral schools being financed under the first Bank/IDA project, are selected with a view to keeping a balance among various ethnic groups in the country in their access to these improved facilities. Two of the schools would be located in Amerindian settlements in the interior; hence, four staff houses would be provided. Some workshops and laboratories in five of the schools would house equipment recently provided by CIDA.

40. The project would provide for construction of a new Secondary Teachers' Training College with a capacity of 450 student places to produce 150 trained teachers annually. Together with the annual output of 20-30 university graduates, this would ensure an adequate supply of secondary school teachers. The college would also develop a cooperative program with existing institutions in the fields of agriculture, technology and home economics. In addition to the three-year pre-service training course, the college would also provide systematic in-service training to upgrade the quality of existing secondary school teachers.

41. The project would provide for expansion and improvement of the facilities of the Guyana School of Agriculture to enable it to almost double its capacity from 128 to 216 student places. This would help overcome the scarcity of agricultural technicians and teachers by offering a larger applied and practical course content. The school would produce about 105 technicians annually, about half of whom would be absorbed by the extension service and the rest by other governmental agencies and by the private sector. The school would also offer courses in basic science and animal husbandry for the proposed Caribbean Regional Center for the training of animal health technicians (para. 44).

42. The project would provide for establishment of an In-Service Training and Communications Center in the Ministry of Agriculture. The Center would train annually about 400 agricultural officers in 1-2 week courses in extension techniques and advanced agricultural technology (cf. para. 45). The Center would also absorb the existing Agricultural Communications Unit, expanding the Unit's office space, equipment and other facilities.

43. The project would provide for the construction and equipping of six new rural training centers in areas where the government is developing major agricultural projects. Each center, except for one, would have, in addition to boarding facilities, a classroom for 36 trainees, two staff houses, either a workshop or home economics laboratory, and a demonstration farm. Two of the six centers would be provided with equipment to help farmers clear and cultivate forest land and open up new arable land. The centers would offer a variety of 1-2 week courses in commercial farming, organization of cooperatives, rural construction, nutrition, home economics and child care. The six centers altogether

would accommodate a total of about 8,100 rural people annually. The centers would also provide senior students of the Guyana School of Agriculture with field training and would become focal points for farmers' meetings and for exchanging information on all aspects of development activity in the areas they serve. The teaching staff would be provided mainly by the agricultural and livestock extension staff, who would also select the trainees and follow up on their training in the field.

44. The project would provide for establishment of a Caribbean Regional Center for the Training of Animal Health Technicians. Staffed by qualified veterinarians in the Caribbean region, it would offer a two-year course in animal health to train technicians to work under the supervision of qualified veterinarians. It would have a capacity for about 72 students and would be provided with a staff house and boarding facilities for all students. The Center would be located adjacent to the Guyana School of Agriculture in order to use the latter's basic science courses and existing amenities. Equipment and technical assistance necessary for the Center's development during the initial stage (1974-75) is being provided under a UNDP grant. The participating countries in the Caribbean would benefit from the economies of scale in producing technicians who would replace qualified professionals used in subprofessional work. The Center would meet the basic requirements for veterinarian services at a lower cost and make more effective use of the limited number of qualified veterinarians in each country. While Guyana would be responsible for financing the Center's physical facilities, other participating governments in the Caribbean would share in the operating costs. A condition of credit and loan disbursement (see Section 2.02 in both the Loan and Credit Agreements) for the Center would be that other Caribbean countries undertake to use, and share the operating costs of, not less than 50 student places.

45. Technical Assistance. The project would provide for seven man-years of specialist services and 57 man-years of fellowships. The specialists would assist the government in: (i) drawing up a new education law and programming the educational reform measures; (ii) developing curricula for the Georgetown Technical Institute and the Guyana School of Agriculture, and strengthening the liaison between these institutions and employers; and (iii) operating the rural training centers and the Agricultural Extension In-Service Training and Communications Center. The fellowships would be provided mainly to upgrade the quality of supervisory and teaching staff for practical subjects in the project institutions.

46. Provision would be made for a study to assess the effectiveness of the vocational and technical education and training system and to identify priorities for the long-term investment in education and training in these fields (para.24). The study would give particular attention to the causes and characteristics of migration of technically trained manpower, its impact on the labor market and manpower requirements in Guyana, and any education factors involved in emigration. It would also explore new measures to meet domestic manpower needs and to keep skilled workers from migrating to other countries.

Project Costs and Financing

47. The total cost of the project, net of taxes but including physical and price contingencies, is estimated at US\$18.9 million, of which US\$9.4 million or

50% represents the estimated foreign exchange costs. Construction costs make up 66% of the total cost; professional services, 8%; furniture and equipment, 19%; technical assistance, 4%; and the study and project administration, 3%. The proposed development credit and loan would finance 64% of the total project costs (US\$9.4 million of foreign exchange and US\$2.6 million equivalent of local costs). The balance of the project costs would be borne by the government. Base cost estimates are expressed in December 1974 prices. Total contingencies amount to 48% of the base cost. The development credit and loan would cover about 27% of the local costs; paragraph 11 above discusses the justification for some local cost financing in Guyana.

Project Administration

48. The Project Unit, which was established within the Ministry of Education for the first Bank/IDA project, has been performing satisfactorily and would be the implementing agency for the proposed project. Under a Project Director, it would be responsible for overall management, coordination with other ministries and parties involved in the project and liaison with the Bank. The Unit would be strengthened by the appointment of a Project Architect. The Project Educator in the first education project would continue his duties under the second project but he would also assume other administrative duties assigned to him by the Project Director. The Procurement Officer and Accountant positions would be retained. These are all full-time positions. The Project Director, while reporting to the Permanent Secretary of the Ministry of Education, would be empowered to make all day-to-day decisions related to the operation of the Project Unit and would at all times have direct access to the Minister of Education and to the Minister of Agriculture.

49. The Ministry of Agriculture and the Guyana School of Agriculture, also involved in the project, would each designate senior officials to implement the technical aspects of the project components related to them and to maintain liaison with the Project Unit. Extension of the services of the Project Director for the first project and appointment of the Project Architect and the liaison officers, acceptable to the Bank and the Association, would be a condition for effectiveness of the loan and credit. Assurances have been obtained from the government that it will select sites acceptable to the Bank for the community schools at an early date in order to avoid delays in project implementation (Section 3.05 (v) of the draft Loan Agreement and Section 3.02 of the draft Credit Agreement).

Procurement and Disbursement

50. Contracts for civil works would be awarded on the basis of competitive bidding advertised locally and in accordance with local procurement procedures, which are satisfactory to the Bank. Since most civil works are of small size, scattered throughout the country, foreign contractors are not expected to be interested, but they would not be precluded from bidding. Contracts for furniture and equipment would be awarded on the basis of international competitive bidding in accordance with Bank/IDA Guidelines. An exception would be made for furniture and equipment that cannot be grouped in packages of at least US\$5,000 each; these would be procured on the basis of competitive bidding advertised locally and in accordance with local procurement procedures. Procurement under these procedures would not, in aggregate, exceed US\$215,000 equivalent or 10% of the total cost of furniture and equipment. Domestic and other CARICOM member

countries' manufacturers would receive preferential treatment in bid evaluations. The preferential margin for domestic manufacturers would be limited to 15% of c.i.f. costs of imports or the applicable import duties, whichever is lower. Suppliers in the CARICOM countries other than Guyana would be accorded preference equal to 15% of the CIF price or to the difference in tariff between CARICOM and external suppliers, whichever is lower.

51. The credit and loan would be disbursed in five years, disbursement under the credit preceding disbursement under the loan. An amount of up to US\$300,000 would finance retroactively expenditures incurred after July 1, 1974 for professional services, project administration, and technical assistance required to begin implementation of the project. The disbursement schedule for the proposed credit and loan is given in Annex III.

Justification

52. Guyana's overall development effort is seriously impeded by its inadequate capacity to implement development projects, particularly in fields such as agriculture and the exploitation of natural resources in which Guyana has a comparative advantage. A serious lack of managerial and technical skills at all levels, both in the public and private sectors, has been a major reason for delays in project implementation, of which the Bank/IDA projects have also had their share (Annex II). The project is intended to assist in alleviating this problem through expanded technical and vocational training and improved facilities for nonformal education. The proposed multilateral schools and community secondary schools should provide the necessary base for the development of skills needed in the future. The proposed project is of high priority for Guyana at this time and will complement the Bank Group's lending operations in other sectors of the economy.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

53. The draft Loan Agreement between Guyana and the Bank, the draft Report of the Committee provided for in Article II, Section 4 (iii) of the Articles of Agreement of the Bank, the draft Development Credit Agreement between Guyana and the Association and the Recommendation of the Committee provided for in Article V, Section 1 (d) of the Articles of Agreement of the Association and the texts of the Resolutions approving the proposed development credit and loan are being distributed to the Executive Directors separately.

54. I am satisfied that the proposed development credit and the proposed loan would comply with the Articles of Agreement of the Bank and the Association.

PART VI - RECOMMENDATION

55. I recommend that the Executive Directors approve the proposed development credit and loan.

Robert S. McNamara
President

Attachments

April 3, 1975

ANNEX I

Page 1 of 3 pages

COUNTRY DATA - GUYANA

AREA
211,967 km²POPULATION
0.75 million (mid-1972)DENSITY
133 /a,b Per km² of arable land

SOCIAL INDICATORS

	Guyana		Reference Countries		
	1960	1970	Barbados	Jamaica	Trinidad & Tobago *
			1970	1970	1970
GNP PER CAPITA US\$ (ATLAS BASIS) /1	370 /c	400 /d	800 /d	810 /d	970 /d
DEMOGRAPHIC					
Crude birth rate (per thousand)	43	38 /e	22 /b	35 /b	24 /b
Crude death rate (per thousand)	10	7	9 /b	7	7 /b
Infant mortality rate (per thousand live births)	49 /w	38 /e	29 /b	26 /b	35
Life expectancy at birth (years)	61	66	71	69	68
Gross reproduction rate /2	..	2.8	1.7	2.5	1.9
Population growth rate /3	..	2.4 /f	0.2 /f	1.6 /f	1.8 /f
Population growth rate - urban	..	10 /g	..	6 /h	..
Age structure (percent)					
0-14	46	44	37	46	41 /ah
15-64	51	53	55	49	55 /ah
65 and over	3	3	8	5	4 /ah
Age dependency ratio /4	1.0	0.9	0.8	1.0	0.8
Economic dependency ratio /4	1.7	1.7	1.3	1.6	1.4
Urban population as percent of total	16 /i	30 /g	56 /i	37 /h	12 /k
Family planning: No. of acceptors cumulative (thous.)	..	..	..	..	..
No. of users (% of married women)	..	..	..	..	..
EMPLOYMENT					
Total labor force (thousands)	175	210	90 /l	750 /ah	350 /m
Percentage employed in agriculture	34	32	16	33 /ah	23 /m
Percentage unemployed	8	15	8	13-14 /ah	13 /m
INCOME DISTRIBUTION					
Percent of national income received by highest 5%	19 /n,o,p	..	20 /aj,ak	..	..
Percent of national income received by highest 20%	46 /o,p,q	..	44 /aj,ak	..	..
Percent of national income received by lowest 20%	4 /n,o	..	7 /aj,ak	..	..
Percent of national income received by lowest 40%	14 /n,o	..	19 /aj,ak	..	..
DISTRIBUTION OF LAND OWNERSHIP					
% owned by top 10% of owners	..	..	93.3	..	..
% owned by smallest 10% of owners	..	..	1.2	..	..
HEALTH AND NUTRITION					
Population per physician	..	4,310	1,920 /q	2,630	2,320 /e
Population per nursing person	..	6,430	1,570 /r	1,720 /r	360 /e,af
Population per hospital bed	..	210	100	210	230 /e
Per capita calorie supply as % of requirements /5	101 /w	92	94 /t	103	97
Per capita protein supply, total (grams per day) /6	35 /w	47	73 /t	56	64
Of which, animal and pulse	..	22 /s	46 /v	29 /u	34 /u
Death rate 1-4 years /7	..	..	1.3 /t	1.8 /ai	1.8
EDUCATION					
Adjusted /8 primary school enrollment ratio	129	..	112 /t	110 /t	110 /t,x
Adjusted /8 secondary school enrollment ratio	29	52	75 /t	22 /t	22 /t,x
Years of schooling provided, first and second level	13	13	13	15	15
Vocational enrollment as % of sec. school enrollment	14 /y	5 /z,x	4 /t	9 /e	10 /t,x
Adult literacy rate %	83 /z	..	97 /a,z	86 /t,z	90 /b,z
HOUSING					
Average No. of persons per room (urban)	1.7 /aa	..	1.0 /aa,ab,ac	..	..
Percent of occupied units without piped water	..	..	60 /ab	..	68 /v,ad
Access to electricity (as % of total population)	..	..	59 /ab	..	66 /v,ad
Percent of rural population connected to electricity	..	..	..	..	..
CONSUMPTION					
Radio receivers per 1000 population	65	133 /d	458 /d,ae	376	287 /b,ae
Passenger cars per 1000 population	18	28 /d	95 /b,ag	45 /d,ag	75 /d
Electric power consumption (kwh p.c.)	161	477 /d	812 /d	1,031 /d	1,254 /d
Newspaper consumption p.c. kg per year	1.9	0.9	3.5	4.3	5.9

Notes: Figures refer either to the latest periods or to the latest years. Latest periods refer in principle to the years 1966-69 or 1966-70; the latest years in principle to 1960 and 1970.

/1 The Per Capita GNP estimate is at market prices for years other than 1960, calculated by the same conversion technique as the 1972 World Bank Atlas.

/2 Average number of daughters per woman of reproductive age.

/3 Population growth rates are for the decades ending in 1960 and 1970.

/4 Ratio of population under 15 and 65 and over to population of ages 15-64 for age dependency ratio and to labor force of ages 15-64 for economic dependency ratio.

/5 FAO reference standards represent physiological requirements for normal activity and health, taking

account of environmental temperature, body weights, and distribution by age and sex of national populations.

/6 Protein standards (requirements) for all countries as established by ISSA Economic Research Service provide for a minimum allowance of 60 grams of total protein per day, and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are somewhat lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey.

/7 Some studies have suggested that crude death rates of children ages 1 through 4 may be used as a first approximation index of malnutrition.

/8 Percentage enrolled of corresponding population of school age as defined for each country.

/a Cultivated area; /b 1971; /c Computed by applying to the 1970 figure the growth rate of the GNP per capita in real terms from 1960 to 1970; /d 1972; /e 1968; /f 1960-72; /g Definition not available; /h Kingston metropolitan area and selected main towns; /i City of Georgetown and town of New Amsterdam; /j Bridgetown, St. Michael, Christ Church; /k Port of Spain, Amira borough and San Fernando town; /l Those 15 years or older who either worked or sought jobs actively during the twelve months preceding census; /m Estimate based on the results of a labor force sample survey; /n 1955-56; /o Households; /p Excludes self-employed persons; /q Number on the register, not all working in the country; /r Personnel in government services only; /s 1967; /t 1969; /u 1964-66; /v 1966; /w 1961; /x Government maintained and aided schools only; /y Including data on in-service training of teachers; /z 15 years and over; /aa UN estimate; /ab Data refer to living quarters; /ac Total; /ad Refer to dwellings; /ae Number of receivers in use; /af Including midwives; /ag Including government vehicles; /ah Estimate; /ai 1965; /aj 1969-70; /ak Income recipient.

* Trinidad and Tobago is selected as an objective country since it is one of the developed countries of the Caribbean Common Market, and it shares similar problems and development objectives as Guyana.

GUYANA - ECONOMIC DEVELOPMENT DATA
(Amounts in millions of U.S. dollars)

	Actual			Estimated		Projected		1960-1965	1965-1970	1970-1975	1975-1979	1960	1970	1979
	1965	1970	1972	1973	1974	1979								
NATIONAL ACCOUNTS														
	3-Year Averages at 1967-69 Prices & Exchange Rates						Average Annual Growth Rates				As Percent of GDY			
Gross Domestic Product	212.1	263.9	262.8	259.7	274	358	3.1	4.5	1.8	5.5	102.7	100.4	99.4	
Gains from Terms of Trade (+)	4.4	-1.1	-6.9	-14.6	9	2	.	.	.	.	-2.7	-0.4	0.6
Gross Domestic Income	216.5	262.8	255.9	245.1	283	360	3.3	3.9	1.8	5.0	100.0	100.0	100.0	
Imports (incl. NFS)	132.2	133.3	125.7	130.1	142	184	5.8	0.7	2.3	5.4	55.1	50.7	51.1	
Exports (import capacity)	128.5	138.6	129.9	102.9	147	194	3.2	2.4	1.9	5.7	59.6	53.2	53.9	
Resource Gap	3.7	-5.3	-4.2	27.2	-5	-10	.	.	.	.	1.8	-2.0	-2.8
Consumption Expenditures	176.1	203.5	206.8	223.4	210	262	4.9	2.9	1.0	4.5	71.2	77.4	72.8	
Investment " (incl. stocks)	44.1	51.0	44.9	48.9	68	88	3.2	4.1	6.0	5.3	24.0	20.5	24.4	
Domestic Savings	40.4	59.3	49.1	21.7	73	98	-1.6	8.0	4.8	6.0	25.8	22.6	27.2	
National Savings	27.1	43.2	39.1	15.7	68	91	-5.7	9.8	9.8	6.0	18.3	16.4	25.3	
MERCHANDISE TRADE														
	Annual Data at Current Prices						Average Annual Growth Rates				As Percent of Total			
Imports	31.7	48.5	43.1	50.2	68	131	0.7	8.8	10.3	14.0	35.6	36.4	25.5	
Capital Goods	23.2	27.1	34.7	45.6	62	111	7.4	3.2	20.0	12.4	18.9	20.3	21.5	
Intermediate Goods (excl. fuels)	9.4	11.5	13.4	21.2	78	152	7.6	4.1	50.0	14.2	7.5	8.6	29.5	
Fuels and Related Materials	-	-	-	-	-	-	-	-	-	-	-	-	-	
of which: Petroleum	41.2	46.3	51.2	56.8	69	121	4.7	2.4	11.0	11.9	38.0	34.7	23.5	
Consumption Goods	105.5	133.4	142.3	173.8	277	515	4.1	4.8	19.0	17.2	100.0	100.0	100.0	
Total Merch. Imports (cif)														
Exports	97.6	127.3	137.1	124.0	279	532	6.9	5.8	20.0	13.8	92.0	95.7	95.5	
Primary Products (excl. fuels)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Fuels and Related Materials	-	-	-	-	-	-	-	-	-	-	-	-	-	
of which: Petroleum	7.1	5.7	8.8	11.7	12	25	3.4	-6.3	18.0	15.8	8.0	4.3	4.5	
Manufactured Goods	103.3	133.0	145.9	135.7	291	557	6.6	5.2	20.0	13.8	100.0	100.0	100.0	
Total Merch. Exports (fob)	1.1	3.4	3.3	..	..	..	..	25.0	..	..	1.1	2.6	..
Tourism and Border Trade														
Merchandise Trade Indices	Average 1967-69 = 100						Average Annual Growth Rates				As Percent of Total			
Export Price Index	92.8	107.1	121.1	130.5	230	312	3.7	2.9	16.9	6.3				
Import Price Index	99.2	113.4	128.4	151.7	214	308	0.6	2.7	15.4	7.5				
Terms of Trade Index	93.5	94.4	94.3	86.0	107	101	3.1	0.2	1.2	1.3				
Export Volume Index	89.6	104.6	98.3	84.8	98.9	140.8	2.4	3.1	0.5	7.3				
VALUE ADDED BY SECTOR														
	Annual Data at 1972 Prices and Exchange Rates						Average Annual Growth Rates				As Percent of Total			
Agriculture	50.2	48.2	50.6	46.8	..	..	1.0	-0.8	..	..	26.2	19.3	..
Industry and Mining	62.0	81.6	95.4	89.4	..	..	9.6	5.6	..	..	31.0	32.6	..
Services	96.3	120.3	111.2	121.2	..	..	0.2	4.5	..	..	42.8	48.1	..
Total	208.5	250.1	257.2	257.4	271.6	354.9	2.7	4.7	..	5.5	100.0	100.0	..	
PUBLIC FINANCE														
(Central Government)														
	Annual Data at 1972 Prices and Exchange Rates						Average Annual Growth Rates				As Percent of GDP			
Current Receipts	50.4	72.4	73.4	70.1	106.9	117	4.9	7.5	10.2	1.9	21.4	28.9	33.0	
Current Expenditures	50.6	63.9	70.0	93.0	89.4	99	8.4	4.8	8.7	2.0	18.2	25.5	28.0	
Budgetary Savings	-0.2	8.5	3.4	-22.9	17.5	18	.	.	15.5	.	3.2	3.4	5.0	
Other Public Sector	..	11.0	14.9	..	..	..	..	..	..	..	..	4.4	..
Public Sector Investment	10.7	29.8	35.7	50.2	50.5	67.5	-	23.0	6.2	6.0	6.4	11.9	19.0	
CURRENT EXPENDITURE DETAILS														
(As % Total Current Expend.)														
	Actual		Prelim.	Est.	Proj.	DETAIL ON PUBLIC SECTOR INVESTMENT PROGRAM				US \$ million At end 1972 P and ER				
	1965	1970	1971	1972	1973					1968-72	% of Total			
Education	17.8	16.4	15.6	16.8	17.0	Social Sectors				16.3	11.6			
Other Social Services	15.2	14.0	12.2	11.8	11.2	Agriculture				30.4	21.6			
Agriculture	5.3	5.6	5.4	5.8	5.1	Industry and Mining				..	..	
Other Economic Services	5.3	3.1	3.6	3.0	2.6	Power				6.6	4.7			
Administration and Defense	30.0	33.3	31.8	33.4	33.5	Transport and communications				35.0	24.9			
Other	31.7	27.6	31.4	29.2	30.6	Other				52.5	37.2			
Total Current Expenditures	100.0	100.0	100.0	100.0	100.0	Total Expenditures				140.8	100.0			
SELECTED INDICATORS														
(calculated from 3-year averaged data)														
	1960-1965	1965-1970	1970-1975	1973-1978	FINANCING									
Average ICOR	6.12	5.08 ^{2/}	6.73	4.50	Public Sector Savings				26.2	18.6				
Import Elasticity	1.97	1.33 ^{2/}	0.81	1.00	Program aid counterpart				60.8	43.2				
Marginal Domestic Savings Rate	-0.12	0.41	0.28	0.26	Foreign Project Aid				53.8	38.2				
Marginal National Savings Rate	-0.08	0.34	0.38	0.21	Total Financing				140.8	100.0				
LABOR FORCE AND OUTPUT PER WORKER														
	Total Labor Force				Value-Added per Worker (1972 Prices and Exchange Rates)									
	Thousands		% of Total		1960-70 Growth (Percent)		US\$		% of Average		1960-70 Growth (Percent)			
	1960	1970	1960	1970			1960	1970						
Agriculture	59.8	57.4	37.1	32.2	-0.4	975.1	893.5	64.4	61.8	-0.9				
Industry	32.4	33.9	20.1	19.1	0.5	2221.3	2482.6	146.6	171.7	1.1				
Service	69.0	86.7	42.8	48.7	2.3	1651.0	1406.6	109.9	97.3	-1.6				
Total or Average	161.2	178.0	100.0	100.0	1.0	1514.7	1446.2	100.0	100.0	-0.5				

1/ Defense, Justice and police

2/ Average of years 1965-67 and 1970 being an unrepresentative year.

3/ Including US\$19.3 million for sea and river defense.

GUYANA--BALANCE OF PAYMENTS, EXTERNAL ASSISTANCE AND DEBT
(Amounts in millions of U.S. dollars at current prices)

	Actual				Est. 1973	Projected					Avg. Annual Growth Rate 1974-1979	
	1969	1970	1971	1972		1974	1975	1976	1977	1978		1979
SUMMARY BALANCE OF PAYMENTS												
Exports (incl. NFS)	147.2	151.9	163.7	166.8	156.1	314	357	399	451	520	597	13.7
Imports (incl. NFS)	137.7	152.9	154.8	161.4	197.4	304	349	394	443	500	567	13.3
Resource Balance (X-M)	9.5	-1.0	8.9	5.4	-41.3	10	7	5	8	20	30	.
Interest (net)	-0.6	-1.8	-2.3	-2.9	-8.2	-8	-11	-12	-13	-14	-15	13.4
Direct Investment Income	-19.9	-19.4	-14.4	-10.1	-4.8	-6	-6	-6	-6	-7	-7	3.1
Workers' Remittance	-	-	-	-	-	-	-	-	-	-	-	.
Current Transfers (net)	0.3	0.2	0.2	-	4.1	3	2	1	-	-	-	.
Balance on Current Accounts	-10.7	-22.0	-7.6	-7.6	-50.1	-1	-8	-12	-11	-1	+8	.
Private Direct Investment	9.2	4.3	-4.6	-0.2	-1.1	-	-	-	-	-	-	.
Official Capital Grants	2.1	0.6	1.8	0.1	1.5	-	-	-	-	-	-	.
Public M & LT Loans												
Disbursements	10.8	11.3	15.3	8.5	19.0	42	30	31	31	31	24	-10.5
-Repayments	3.1	3.6	2.3	-1.8	-4.1	-8	-10	-12	-13	-14	-16	14.8
Net Disbursements	7.7	7.7	13.0	6.7	14.9	34	20	19	18	17	8	-12.0
Other M & LT Loans												
Disbursements	1.1	2.1	6.5	..	..	-	-	-	-	-	-	.
-Repayments	2.8	2.1	2.0	..	..	-	-	-	-	-	-	.
Net Disbursements	-1.7	0.0	4.5	4.8	4.8	-	-	-	-	-	-	.
Capital Transactions n.e.i.	-11.3	7.8	-0.9	2.4	7.8	7	-	-	-	-	-	.
Change in Net Reserves	4.7	1.6	-6.2	-6.2	22.2	-40	-12	-7	-7	-16	-16	.
GRANT AND LOAN COMMITMENTS												
Official Grants & Grant-like loans	2.0	2.0	1.0	1.0	0.0							
Public M & LT Loans												
IBRD	2.9	-	5.4	-	6.0							
IDA	2.9	2.2	-	4.4	-							
Other	-	-	-	-	-							
Other Multilateral	-	-	-	-	-							
Governments	25.6	3.2	11.2	9.0	13.5							
Suppliers	-	-	-	-	-							
Financial Institutions	7.3	-	-	-	14.9							
Bonds	-	-	-	-	-							
Public loans n.e.i.	-	-	53.8 ^{2/}	-	-							
Total Public M & Lt Loans	38.7	5.4	70.4	13.4	34.5							
EXTERNAL DEBT												
	Actual Debt Outstanding on Dec. 31, 1973											
	Disbursed Only		Percent									
World Bank	6.5		4.1									
IDA	2.2		1.4									
Other Multilateral	-		-									
Governments	78.1		49.6									
Suppliers	-		-									
Financial Institutions	12.6		8.0									
Bonds	5.4		3.4									
Public Debts n.e.i.	52.7 ^{2/}		33.5									
Total Public M< Debt	157.5		100.0									
Other M< Debts	-		-									
Short-term Debt (disb. only)	-		-									
						DEBT AND DEBT SERVICE						
						Actual					Estimated	
						1969	1970	1971	1972	1973		
Public Debt Out. & Disb.						63.7	71.9	143.5	151.9	157.5		
Interest on Public Debt						2.6	2.9	3.1	5.7	5.3		
Repayments on Public Debt						2.5	3.1	1.5	2.6	4.2		
Total Public Debt Service						5.1	6.0	4.6	8.3	9.5		
Other Debt Service (net)						-	-	-	-	-		
Total Debt Service (net)						-	-	-	-	-		
Burden on Export Earnings(%)												
Public Debt Service						3.6	4.2	3.1	4.1	6.1		
Total Debt Service						-	-	-	-	-		
TDS Direct Invest. Inc.						17.1	17.0	11.9	9.6	8.3		
Average Terms of Public Debt												
Int. as % Prior Year DO&D						4.8	4.5	4.3	4.0	3.5		
Amort. as % Prior Year DO&D						4.5	4.8	2.1	1.8	2.8		
IBRD Debt Out. & Disbursed						0.1	0.3	2.0	4.0	6.5		
" as % Public Debt O&D						0.2	0.4	1.4	2.6	4.1		
" as % Public Debt Service						0.1	1.0	2.2	3.0	4.8		
IDA Debt Out. & Disbursed						0.1	0.4	0.5	0.8	2.2		
" as % Public Debt O&D						0.2	0.6	0.3	0.5	1.4		
" as % Public Debt Service						-	-	0.1	0.1	0.1		

^{1/} Public Debt Service only

^{2/} In respect of DEMBA nationalization

Country Programs Department II
Latin America and Caribbean Regional Office

STATUS OF BANK GROUP OPERATIONS IN GUYANA

A. Statement of Bank Loans and IDA Credits (as of February 28, 1975)

Loan or Credit No.	Year	Borrower	Purpose	(US\$ million)		
				Amount (less cancellation)		
			Bank	IDA	Undis- bursed	
559 ^{2/}	1968	Guyana	Sea Defense I	4.7	-	-
583)	1969	Guyana	Education	2.9	-	1.4
139)3/				-	2.9	-
221	1970	Guyana	Livestock	-	2.2	2.0
765	1971	Guyana	Sea Defense II	5.4	-	3.0
301	1972	Guyana	Highway	-	4.4	3.3
875	1973	Guyana Electricity Corporation	Power	6.0	-	3.9
10164/	1974	Guyana	Irrigation	12.9	-	12.9
		Total (net of cancellations)		31.9	9.5	26.5
		of which has been repaid		0.1	-	
		Total now outstanding		31.8	9.5	
		Amount sold	0.1			
		of which has been repaid	0.1			
			1/			
		Total now held by Bank and IDA		31.8	9.5	
		Total undisbursed		21.2	5.3	26.5

1/ Prior to exchange rate adjustments.

2/ Loan fully disbursed.

3/ Credit fully disbursed.

4/ Loan not yet effective.

B. Statement of IFC Investments (as of February 28, 1975)

There have been no IFC investments in Guyana.

C. PROJECTS IN EXECUTION 1/

Ln. No. 583 Education Project; US\$2.9 Million Loan and US\$2.9 Million
Cr. No. 139 Credit of January 31, 1969;
 Closing Date: December 31, 1975

The new premises for the primary teacher training college are in the second year of utilization and construction of all project schools is expected to be completed by May 1975, about five months after the original closing date of December 31, 1974. Delays in project execution resulted principally from delays in appointing consultant architects and in awarding civil works' contracts following opening of bids. Project implementation has since proceeded according to the revised schedule. The delay has resulted in about a 25% increase in estimated project costs, which is borne by the Borrower. Procurement of furniture and equipment is progressing satisfactorily and in accordance with the revised construction schedule. The Closing Date was extended to December 31, 1975.

Cr. No. 221 Livestock Project; US\$2.2 Million Credit of November 27, 1970;
 Closing Date: December 31, 1976

Progress on the execution of this project has been much slower than estimated at appraisal, due largely to difficulties in granting long-term leases to potential sub-borrowers. The government has agreed to resolve the difficulties and there has been some recent improvement. A number of loans already have been approved and others are being processed. Other aspects of the project, including the financing of private ranches in the interior and the conduct of pasture grazing trails, are now proceeding fairly well.

Ln. No. 765 Second Sea Defense Project; US\$5.4 Million Loan of June 24, 1971;
 Closing Date: December 31, 1976

The project costs were estimated at 36% above the appraisal estimate as of November 1974. A number of factors have affected costs: devaluation, a lag of 1.5 years between appraisal and bid opening, construction difficulties with the cofferdam on the first sea defense project (Ln. No. 599), and accelerated erosion of the foreshore. The lowest bid for the civil works was almost double the appraisal estimate. The government proposed to construct the sea wall by force account since it believed that contractors' assessment of the risks involved was an important cause of these high bids. After a detailed examination of this proposal by consultants and Bank staff, the proposal was accepted by the Bank. At the time of appraisal, the economic rate of return on the project was estimated at 31%; with a 36% increase in estimated costs, the project's rate of return should still be above 20%. Although the project

1/ These notes are designed to inform the Executive Directors regarding the progress of projects in execution, and in particular to report any problems which are being encountered, and the action being taken to remedy them. They should be read in this sense, and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

as a whole is now progressing satisfactorily, past delays in reaching agreement between the government and the consultants on the rehabilitation of sluice outfalls and delays in the construction of the Georgetown seawall necessitated an extension of the present closing date to December 31, 1976.

Cr. No. 301 Highway Project; US\$4.4 Million Credit of April 26, 1972;
Closing Date: December 31, 1976

The start of construction work was delayed until July 1973, and progress has since been slow due primarily to the contractor's lack of experience. The government has terminated, with Bank approval, the present contract and will propose for the Bank's approval a program for completing the project. Although the estimated cost of the project is now approximately 15% greater than at the time of appraisal, the economic rate of return (15%) is still acceptable.

In. No. 875 Power Project; US\$6.0 Million Loan of January 12, 1973;
Closing Date: June 30, 1977

Because of delays in project engineering and other difficulties, the execution of the project has been delayed by about six months and overall costs (excluding engineering) increased by about 23% due to inflation and other factors. The increase in engineering cost is in excess of 87%, mainly due to weaknesses in project management and in engineering consultants' work. Discussions were held with the government, the Guyana Electricity Corporation (GEC) and the other external financing agencies (ODM and CIDA) on the measures necessary to strengthen the finances, management and technical expertise of GEC to ensure the successful completion of the project. The rate of return on GEC investment has remained below the level (10%) originally agreed with the Bank. The government is concerned about the impact on its incomes policy of a steep increase in the electricity rates. It was agreed that the GEC tariffs will be increased to yield in 1975 a 7.5% rate of return. As a temporary measure, however, the government will offset the effect of the increase on the consumer by paying to GEC a subsidy which is intended to alleviate the impact of the tariff increase on the cost of living and to avoid claims for raises by wage and salary earners in Guyana. The government and GEC have agreed that GEC should consider raising tariffs by mid-1976 or at the time of the next general wage/salary increase in the public sector, whichever occurs first. The Bank will make provision to meet the increase in engineering costs, and to absorb part of the increased project costs, the existing arrangements for the financing of the project by ODM and CIDA will be amended with a view to ODM and CIDA bearing a larger share of the equipment and construction costs. The government will bear any additional costs necessary to complete the project.

In. No. 1016 Irrigation Project; US\$12.9 Million Loan of June 25, 1974;
Closing Date: December 31, 1979

The Bank has approved the appointments of a Project Manager and a Project Engineer to assist in the project execution. The government is negotiating a contract with consultants to assist in project execution; its appointment of such consultants is a condition of effectiveness.

GUYANA - SECOND EDUCATION PROJECT
DEVELOPMENT CREDIT/LOAN PROJECT SUMMARY

Borrower: Guyana

Amount: Credit: US\$4.0 million equivalent in various currencies
Loan: US\$8.0 million equivalent in various currencies

Terms: Credit: Standard
Loan: Payable in 30 years, including 10 years of grace,
at an interest rate of 8¹/₂% per annum.

Project
Description:

The project would help to make the education system more responsive to development needs in Guyana. It would increase the practical content of secondary level curricula and improve nonformal education and training. More specifically, the project would provide for:

- (a) Construction, furnishing and equipping of secondary education facilities, consisting of:
 - (i) 7 new Community Secondary Schools with about 4,500 student places;
 - (ii) extensions to 10 existing secondary schools consisting of 19 workshops, 19 laboratories and 19 homecraft rooms for about 1,680 additional student places and 4 staff houses; and
 - (iii) one new Secondary Teachers' Training College with approximately 450 student places.
- (b) Construction, furnishing and equipping of vocational and agricultural training facilities, consisting of:
 - (i) extension to the Guyana School of Agriculture for an additional 88 students;
 - (ii) 6 new Rural Training Centers for about 216 trainees, including boarding facilities for about 152 trainees and 10 staff houses;
 - (iii) an Agricultural Extension In-Service Training and Communications Center with places for approximately 30 agricultural officers, boarding facilities for about 26 officers and 2 staff houses; and
 - (iv) a Caribbean Animal Health Technicians' Training Center with places and boarding facilities for about 72 students and one staff house.
- (c) 7 man-years of technical assistance and 57 man-years of fellowships.
- (d) A study to assess the effectiveness of the vocational and technical education and training system.

<u>Estimated Cost and Financing Plan:</u>	<u>Components</u>	-----US\$ Million-----		
		<u>Local</u>	<u>Foreign Exchange</u>	<u>Total</u>
	Community Secondary Schools	2.8	2.8	5.6
	Multilateral Second- ary Schools	1.3	1.1	2.4
	Secondary Teacher Training College	0.5	0.4	0.9
	Agricultural Techni- cian Training Institute	0.2	0.2	0.4
	Agricultural In-Service Training and Communica- tions Centers	0.2	0.2	0.4
	Rural Training Centers	0.7	0.7	1.4
	Caribbean Animal Health Technicians' Training Center	0.3	0.2	0.5
	Technical Assistance Study and Project Admi- nistration	-	0.6	0.6
		<u>0.4</u>	<u>0.2</u>	<u>0.6</u>
	Subtotal	6.4	6.4	12.8
	Contingencies:			
	Physical	0.5	0.5	1.0
	Price	<u>2.6</u>	<u>2.5</u>	<u>5.1</u>
	Subtotal	3.1	3.0	6.1
	Total	9.5	9.4	18.9

The Bank/IDA would provide the foreign exchange requirements and US\$2.6 million of the local costs; the government of Guyana would meet the remainder of the costs.

<u>Estimated Disbursements:</u>	<u>FY</u>	-----US\$ Million-----	
		<u>Annual</u>	<u>Cumulative</u>
	1975	0.1	0.1
	1976	1.2	1.3
	1977	3.0	4.3
	1978	4.3	8.6
	1979	3.1	11.7
	1980	0.3	12.0

Procurement
Arrangements:

Contracts for civil works would be awarded on the basis of competitive bidding advertised locally and in accordance with local procurement procedures, which are satisfactory to the Bank/IDA. Contracts for furniture and equipment would be awarded on the basis of international competitive bidding except for furniture and equipment that cannot be grouped in packages of at least US\$5,000 each. These would be procured on the basis of competitive bidding advertised locally and in accordance with local procurement procedures. Procurement under these procedures would not, in aggregate, exceed US\$215,000 equivalent or 10% of the total cost of furniture and equipment. An amount of up to US\$300,000 would finance retroactively expenditures incurred after July 1, 1974 for professional services, project administration and technical assistance required to begin implementation of the project. Domestic and other CARICOM member countries' manufacturers would receive a preferential margin in bid evaluations. For domestic manufacturers, this would be limited to 15% of c.i.f. costs of imports or of the applicable import duties, whichever is lower. Suppliers in the CARICOM countries other than Guyana would be accorded preference equal to 15% of the CIF price or to the difference in tariff between CARICOM and external suppliers, whichever is lower.

Appraisal Report:

Report No. 584a-GUA, dated April 3, 1975.









