



**MILLENNIUM
CHALLENGE
CORPORATION**

REDUCING POVERTY THROUGH GROWTH

FRANCES C. MCNAUGHT
VICE PRESIDENT, CONGRESSIONAL AND PUBLIC AFFAIRS

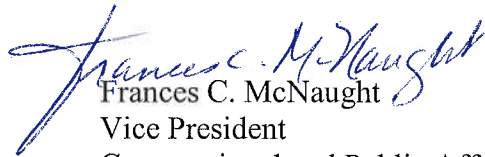
COURTESY NOTIFICATION

We wish to provide you a courtesy notification that the Board of Directors of the Millennium Challenge Corporation (MCC) approved Threshold Program assistance for Guyana of up to US\$6,711,000 in fiscal year 2005 MCC program funds. In addition, up to US\$469,770 will be made available to USAID for administrative expenses associated with Guyana's program.

MCC's Threshold Program is designed to assist countries that are committed to undertaking the reforms necessary to improve their policy performance and potentially qualify for Millennium Challenge Account Compact assistance.

The attached summary outlines Guyana's program. Members of MCC's staff are available to meet with you to discuss the planned program. If you or your staff would like to arrange a meeting, please contact Ellona Fritschie or Mackenzie Coon at (202) 521-3850. The attached summary is being sent to the Congress on June 27, 2007.

Sincerely,



Frances C. McNaught
Vice President
Congressional and Public Affairs

Enclosure:
As stated

THRESHOLD PROGRAM SUMMARY

<u>COUNTRY</u>	Guyana
<u>BUDGET</u>	\$6,711,000
<u>FISCAL YEAR FUNDING</u>	2005
<u>ESTIMATED PROGRAM DURATION</u>	2 years
<u>INDICATOR FOCUS</u>	Fiscal Policy; Days to Start a Business; Cost of a Starting a Business

PRINCIPAL OBJECTIVES

The main objective of the Guyana Threshold Program is to improve performance on the *Fiscal Policy* indicator by increasing government revenues, improving expenditure planning, management and controls and improving the fiduciary oversight capacity of Parliament. The Guyana Threshold Program will also streamline business registration procedures to improve performance on the *Days to Start a Business* and *Cost of Starting a Business* indicators.

BACKGROUND

In recent years, Guyana's fiscal situation has worsened due to several factors: restructuring costs for public sector production of sugar to enhance competitiveness, rising energy prices and severe floods in 2005 and 2006. In fiscal year 2007, Guyana scored in the bottom four percent of all lower income countries on MCC's *Fiscal Policy* indicator.

The Guyana Threshold Program was developed with extensive input from the International Monetary Fund and the Inter-American Development Bank and is part of Guyana's broad fiscal reform strategy designed to address the country's weak fiscal performance. In particular, MCC assistance will be used to support implementation of the new value-added tax, which was introduced in January 2007 and is a key component of Guyana's fiscal reform strategy.

Furthermore, capacity enhancements implemented at the Guyana Revenue Authority under the Guyana Threshold Program will enable the government to maintain and strengthen its reform efforts beyond the life of the program. MCC support for economic policy analysis and forecasting, as well as fiscal legislative oversight, will enable Guyana to make better economic and fiscal decisions in an environment of accountability.

PROGRAM OVERVIEW

Assist in Reforming Guyana's Tax Structure:

1. Strengthen tax administration by preparing a taxpayer assistance program and developing filing, payment and audit systems;

2. Support implementation of the country's new VAT structure by providing technical assistance to the Guyana Revenue Authority and supporting the ongoing VAT education campaign;
3. Provide training and technical assistance to the Ministry of Finance and the Guyana Revenue Authority to develop the capacity to conduct tax policy and forecasting analysis;
4. Strengthen customs controls in order to reduce import and export tax evasion and reduce corruption in customs operations;
5. Develop systems within the Guyana Revenue Authority to deter tax evasion.

Control Government Spending:

1. Improve the capacity of the Ministry of Finance to conduct expenditure policy and planning within a macro-economic framework;
2. Increase transparency and improve efficiency in the public procurement process.

Increase Parliament's Fiduciary Oversight:

1. Strengthen parliamentary fiduciary oversight committees by providing training to key staff and assisting with the introduction of reforms;
2. Enhance capacity of the Committees' Secretariat through staff training and modernization of research facilities.

Reduce the Number of Days and Cost Associated with Starting a Business:

1. Modernize business registration systems;
2. Establish a one-stop business registration system.

HIGHLIGHTS OF EXPECTED RESULTS OF THE PROGRAM:

1. Achieve a VAT compliance ratio (actual receipts to potential receipts) of 82 percent.
2. Reduce the number days for customs clearance by 50 percent.
3. Decrease the average number of days to register a business from 46 to 30.

IMPLEMENTING PARTNER:

The United States Agency for International Development will oversee implementation of the program on behalf of MCC.