

**STATEMENT BY HIS EXCELLENCY DR CHEDDI JAGAN,
PRESIDENT OF THE CO-OPERATIVE REPUBLIC OF GUYANA
AT THE CONFERENCE AND OPEN FORUM ACHIEVING SUSTAINABLE DEVELOPMENT:
THE ROLE OF THE STATE AND PRIVATE SECTOR
AT THE NATIONAL CULTURAL CENTRE, GEORGETOWN**

Friday, January 28, 1994

ACHIEVING SUSTAINABLE DEVELOPMENT: The role of the State and Private Sector.

Development is a broad concept. It is much wider than simply economic growth and development. It is possible to have economic growth and no human development or little human development. The UNDP Human Development Reports show some countries with high growth rates but a low human development index, and other countries with low growth rates and a high human development index. Even in the same country, there are differences in regions as regards growth rates and human development.

Economic growth is necessary for human development. Equally, human development is necessary for economic growth.

For Sustainable Development, it is necessary.

- i) to achieve a high growth rate;
- ii) to meet the basic needs of the people in accordance with the two UN Covenants on Human Rights -- economic, social and cultural rights; civil and political rights. To achieve sustainable development, both the public sector and the private sector have vital complementary roles. The World Bank in its World Development Report 1991 which was quoted in the UNDP's Human Development Report of 1992 refers to this complementary role of the Private Sector and the Public Sector: "It is not a question of state or market: each has a large and irreplaceable role."

According to the UNDP Human Development Report 1991: "While private spending on human development is quite important in both developing and industrial countries, the public sector often plays a critical, complementary role, especially where incomes are low and basic human needs would otherwise remain unmet. But public action in support of human development can take several forms...

Whatever the approach or mix of strategies, past development experience shows that markets alone cannot ensure good human development; and neither can over-extended public sector spending, because it is not sustainable."

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In Guyana during the 1964-92 period, the public sector not only became over-extended, but the state became an instrument for the enrichment of a minority, the administrative/bureaucratic elite and a ^{parasitic} section of the ~~parasitic~~ business community. Coupled with lack of representative participatory democracy, mismanagement, political and racial discrimination, extravagance, bribery and corruption, the over-extended public sector led to a vicious cycle of economic collapse, a steep decline in living standards, alienation, frustration, homelessness, anti-social activities and exodus.

Let me reiterate our position. The Government sees the Private sector as the leading sector in achieving economic growth while the public sector, whatever will be its size and contribution to growth and development, will serve chiefly a supportive and enabling role. This was the position of the PPP Government in the 1957-64 period, when the public sector facilitated the private sector with improved physical and social infrastructure -- drainage and irrigation schemes, marketing facilities, transportation, electricity, Industrial Estate, education, health -- leading not only to high economic growth rates but also to human development.

Our present Government will continue along the same path of sustainable development. As regards down-sizing the over-extended public sector, privatisation will be done according to the principles outlined in the Privatisation Paper that was laid in Parliament last June, and which was done in collaboration with the IMF and the World Bank - full consultation, maximum benefits for the local private sector and workers, respect for workers' rights and protection of the environment, this is the way that we see privatisation should take place. Investors must abide by the laws of Guyana. The Privatisation Unit needs expertise to make the process more efficient, and I have requested President Carter and the Carter Centre to help in this regard with technical personnel.

Incidentally the UNDP Report of 1993 lists Privatisation's seven sins, and I would like to list them for you.

- Don't only maximise revenue - create a competitive environment
- Don't replace public monopolies with private monopolies
- Don't sell through discretionary, non-transparent procedures, which invite allegations of corruption and nepotism
- Don't use sales proceeds to finance budget deficits - retire national debt
- Don't "crowd" financial markets with public borrowing at a time of public disinvestment
- Don't make false promises to labour - retrain them for new industries
- Don't rely merely on executive orders - create a political consensus.

As regards the concern which has been expressed about privatisation, let me make another comment because we have stated our position clearly about that and how we intend to go about it. Guyana is wide open for private investment. The World Bank says "Despite its many

problems, Guyana remains a country with much potential, including a productive agricultural sector, vast timber resources, and mineral resources that include bauxite, gold and diamonds. With recent massive devaluations, the relative cost of labour in Guyana is one of the lowest in the world."

Added to that of course ~~there~~ are many other things such as gems which are not listed with gold and diamonds and other minerals which are yet unexplored. In this regard we want and we have said it repeatedly, foreign and local capital investment in Guyana for development. There has been however, because of the recent divestment done under the last government with some big companies coming here, most of it ^{leading through} ~~going to~~ privatisation deals leading to foreign take-overs - much concern of local businessmen. They feel that they are being left out, that they are being treated unfairly. I want to assure you local business people, that this is not going to be the case with this government. While we encourage inflows of capital, managerial skills and new technologies, we will ensure the local private sector is given equal opportunities. We will encourage joint enterprises ~~at a recent visit by~~ ^{recently,} a Malaysian businessman who came here ^{to Malaysia} ~~there~~ in quest of investment in this country, has told me of a multi-million dollar investment in the timber industry with up-stream development in furniture and other uses for wood. I enquired of him, based on our experience recently, whether his company would be prepared to enter into a joint enterprise with local businessmen, and he made it clear to me that he would certainly do so. I asked him not only to speak with private people in this regard but also to become aware of some of the concerns like the Amerindian community and also the environmentalists, because we also want environmental protection and the rights of the Amerindian people to be protected.

In this regard, while we are talking of private sector development and we see this as the engine of growth, we have to see also that we have a socially and ethically responsible private sector. ~~In this regard~~ This government is setting ~~we hope~~ high standards of ethical and moral behaviour, and we hope that the private sector will follow, ~~That~~ it will be prepared to take a fair share of meeting the cost of human development and social security; that it will encourage and engage in sound industrial relations practices, that is; environmental protection, health and safety, union recognition and collective bargaining arrangements. I will give one example, ~~For~~ over 35 years, the private foreign-owned Sugar Producers Association (SPA) had established and maintained a company union, which was dislodged only after a 13-weeks strike in 1975; the Sugar Producers Association was then forced to recognise a union of the workers choice established through a secret poll. Let me say in this regard of company unionism, the previous PPP Government in 1953 and again ten years later in 1963 failed to get enacted a National Labour Relations Act which was patterned after the Wagner Act of the United States in order to bring about a poll, ~~for~~ instance, when there are more than two unions fighting for recognition and for union recognition for the purpose of collective bargaining. Regrettably, up to today, we have not yet got such a law on the Statute Books. # ^{The} Private sector should also agree to a new strategic government/private sector/labour union partnership to be based on mutual

confidence and consensus, clarity and predictability of policy, and organised forms of action: joint sectoral or multi-sectoral forces.

The private sector must not use its economic power to destabilise an elected government by unconstitutional and illegal means. We have experienced media incitement both in 1953 and early 1960's when my government was destabilised. We had experienced in the 1963 80-days strike, when there ^{with} was a shipping, airlines and fuel blockade when strife and strikes were fostered. Businessmen closed up their shops, who were organised in the Chamber of Commerce, and told their workers to go out in the streets and bring down "Jagan's communist government." That ^{was} is the kind of incitement, including racial incitement. This is why we do not believe that the private sector must have complete control of the media. Our experience over the last twenty-eight years showed us too that complete state control over the media can also be deleterious to the country's development and the people's development, and therefore, we do not agree with privately-controlled or state-controlled media. We believe ~~therefore~~, however, that in this situation government should have state media but it must not be monopolistic.

And now we come to constraints to development. I would like to say that in this situation which we have inherited it is very difficult for us to make progress without some assistance, and that is why we welcome you to this Conference. The constraints are the following:

- 1) a huge debt burden
- 2) an extremely weak public sector management capacity
- 3) small revenue base
- 4) ruined physical and social infrastructure
- 5) low level of technology
- 6) decline in quality and level of education
- 7) inadequate remuneration of our public sector employees
- 8) brain drain
- 9) demoralisation and lack of motivation
- 10) breakdown of standards and morals

How to attain our objectives of sustainable development:

- 1) Good governance
 - a) representative and participatory democracy - consensus building and broad-based decision-making through media discussions, consultations with TUC, ^{Private} ~~Public~~ Sector Commission and other institutions like the Forest Products Association, the Gold and Diamond Miners Association, academics at the University of Guyana. We hope to set up Standing Committees of the National Assembly and soon to set up a Presidential Advisory Social and Economic Council very broad-based with such ^{sub}committees dealing with various sectors of the economy;
 - b) High moral and ethical standards; the ending of corruption; the establishing ^{ment} of Integrity Legislation and ^{an} Integrity Commission;

- c) ^{Taking steps} ~~The carrying out of the government which we call "lean"~~ to cut out extravagance; *when we call a lean government*
- d) Reconciling ^{the} interests of capital and labour ;
- e) Making the ruling PPP/CIVIC ^{alliance} distinguishable from the state * We do not subscribe to the doctrine of "party paramountcy" , where ~~the~~ critics of the ruling party were deemed enemies of the state, and when state institutions like the Army, Police and even civil, ~~organisations,~~ mass organisations had to swear loyalty to the ruling party;
- f) We believe in harnessing not ^{only} physical capital ~~only~~, but ^{also also} social and natural capital;
- g) We believe in efficient management. There must be efficient management, whether the enterprise is owned publicly or privately, and management should be independent from political interference;
- h) Protecting the environment and biodiversity ;
- i) steady improvement of living standards.

I understand that there was an editorial in the local newspaper today which talks of government's reliance and dependence on foreign help. We would like to say therefore that while that seems to be true we are to look at our present situation and we have repeatedly referred to the problems of our debt burden where ~~over nearly~~ 90% of our revenue last year went for meeting local and foreign debts, and where over 60% of our foreign earnings went to pay foreign debts. Obviously, in such a situation, we need outside help. Guyana has too small a population, and they are already overtaxed. In order to generate the surplus for our own development we need debt relief, we need grants, soft loans, investments, modern technology and skills and these can come only from outside. In this, we will involve multilateral financial institutions, donor countries, overseas Guyanese and Caricom governments and nationals. All this will fail, however, if we do not play our part. As I stated we are preparing a comprehensive development plan and the government is trying to manage resources in an efficient manner. We must understand that because of our present underdevelopment, we cannot expect our development and growth to be internally driven. We hope that this situation will not be permanent. I have seen this in the Far East where I recently visited.

Self-reliance -- self-help and mutual aid ~~will~~ will be the basis on which we will try to mobilise internal ^{social} capital. We hope also to improve the work ethic of our people, because of alienation over the many years

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and the no-care-a-damn ^{attitude,} as they say here in Guyana, with what is going on. We also hope to get our people to become disciplined. I do not say we must have exactly what is happening in Singapore and Malaysia. But it is good to see the kind of discipline there where the people do not throw things around all over the place which clutter-up and destroy ^{their} ~~our~~ environment.

Let me refer back to the question of participation which we totally ^{embrace} believe. In this regard, I would like to quote from the Human Development Report of 1993; this is what it says: "The central fallacy in the old ideological debate was that the state and the market are necessarily separate and even antagonistic and that one is benevolent and the other not." In practice both state and market are often dominated by the same power structure. This suggests a more pragmatic third option: both state and market should be guided by the people, the two should work in tandem, and people should be sufficiently empowered to exert effective control over both. They may do so through participation in governance as both producers and consumers or in many cases through people's organisations or Non Governmental Organisations." I have said already that the people's ^{organisations} will be recognised. We want social democracy also, not just political and economic democracy; we want social democracy where the people will have the right to establish organisations independently of any political party, especially the ruling party, and those organisations must be recognised by the state. ^{propose} And we ~~hope~~ that they will be brought in for consultation at all levels.

In this regard, let me say something about consensus building. The charge is sometimes made that we are not doing so. Well, first of all let me say that the PPP/CIVIC government is a government of a coalition, an alliance of all classes and strata in the society, that is, the working people, ~~the peasantry~~ the farmers, the middle strata and small and big business. This is what the PPP/CIVIC alliance is all about. ^{and} And therefore we have in this situation an attempt being made for partnership, that is, ~~with business in capital labour~~ ^{and} to sit around the table and hammering out things by consensus. ~~not only within the government but also with those bodies which will be established we hope in many, many NGOs and mass trade union organisations and farmers' organisations.~~ ^{will also consult} This is the way we hope to go in the future. The PPP/CIVIC is not only an alliance of various classes and strata, but we are also attempting to bring ideological balance and racial balance in our society. And in this regard, we hope to have unity in cultural diversity.

To conclude, let me say that we want partnership also and inter-dependence between ^{a new world order.} ~~countries~~ like Guyana in the South and the North in order to build ~~the New Global Humanitarian Order.~~ There are many challenging problems not only in our country, and some of these are growing both in the North and the South. ~~and we feel that we need a global strategy to alleviate poverty and to create as I said a New Global Humanitarian Order.~~

Thank you.