

GUYANA: THE GOVERNMENT'S VISION OF DEVELOPMENT  
BY  
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Development is a harmonious blend of a developed physical infrastructure, adequate ~~natural~~ production, just distribution of the national wealth, and genuine social and cultural upliftment within a growing political, economic and social democracy. It is the progressive realization of the capacities, abilities and talents of each individual for his/her own satisfaction and enhancement of the social good, including the environment.

This concept one might refer to as 'human development' or 'people-centered' development ~~as~~ distinct from economic growth alone -- the growth of income and profits -- without ensuring the broad based distribution of those benefits. The vision of development can greatly influence the framework chosen for achieving economic growth and the broad distribution of these benefits. The government of Guyana is committed to attaining growth in a highly equitable manner and I intend to set forth here our strategy to that end and ways in which both the donor community and the Carter Center's Global Development Initiative can help us to realise this strategy.

Agriculture and natural resources have historically been the most important sectors of our economy in terms of employment, income, government revenues exports and our environmental heritage. Thus, policies and strategies which rapidly increase the production and productivity of those sectors while protecting the environment will be the most broad-based and equitable growth strategy in the short (one year) and medium (3 to 5 years) run while helping us to diversify our economy in the other sectors rapidly in the long run (5 to 10 years). Growth in agriculture and natural resources will create linkages and multipliers in the rest of the economy through the demand created by the employment and incomes of the workers. It will foster the development of our currently small manufacturing sector, although given the small size of our internal market and the scale economies in the manufacturing of many products, our entrepreneurs and those international entrepreneurs who invest in Guyana will have to look to the export markets for continued growth. Thus, trade and the private sector will play the leading role in our economy while the government will actively provide the urgently needed physical infrastructure and the investment in our human resources necessary to foster private investment and achieve our objective of human development. All this will be sought with a focus on sustainability; our natural resource base must be managed in a way that will protect and conserve it for future generations.

This broad-based and sustainable development agenda has implications for the allocation of resources. First, it suggests

that resources should be allocated in such a way as to have the most impact on human capability and development, not solely on profits. One of the most effective ways of ensuring this objective is to focus on increasing and enhancing educational and employment opportunities. This is the most direct means of enabling individuals to realise their potential since through their own earnings and resources they can secure the primary necessities of food, health, education, housing and recreation. Second, the concept of realizing our own potential places the emphasis on self-reliance, both in an individual and collective sense. This should not, however, mean insulating ourselves from the external world (i.e. autarky). Rather, external resources should be mobilised, to the extent necessary and desirable, to realise -- not suppress -- our full potential.

The means by which resources are allocated so as to achieve these ends must be determined through appropriate roles for the state, private and cooperative sectors and the strategic alliance between them. In other words, we are ultimately more concerned with the realization of our creative potential, the strengthening of self-reliance, the eradication of poverty and protection of the environment, rather than with handouts to relieve poverty.

#### CONSTRAINTS TO DEVELOPMENT

When free, fair and internationally supervised elections were held in October 1992, PPP/CIVIC gained power but inherited a weak, fragile and vulnerable economy. The Production base of the main pillars of the economy - sugar, rice and bauxite - had deteriorated significantly with output in these sectors in the early 1990's being half of the level achieved in the mid 1970's. The inflation rate had accelerated to double digit levels and the exchange rate had depreciated rapidly, moving from G\$1.74 per US\$ to \$126. The Central Government deficit was well over 45 - 50% of GDP, while the deficit was financed by overdraft and drawings from the local banking sector.

Having inherited an economy in a prolonged decline of well over two decades, the PPP/CIVIC Government is faced with many constraints to development. These include:

- 1) 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) Demoralization and lack of motivation.
- 10) Breakdown of standards and morals.

### The Vicious Cycle of Poverty in Guyana

More than 40% of the Guyanese people, according to estimates of the international financial institutions, live below the poverty line.

This large mass of poverty leads to a vicious cycle of deprivation and underdevelopment. Such poverty in Guyana has resulted in the lowest nutritional intakes, lowest life expectancy, and highest infant and maternal mortality rates for all CARICOM countries. Additionally, inadequate pre- and post-natal care, very high percentage of illegal abortions, homelessness, street children, and the primary school dropout rate evidence the dilapidated state of our social services. Guyana's high school examination scores are the lowest among CARICOM countries. The poverty ratchet has led to increased juvenile delinquency; crime; burgeoning prison population; production, use and export of narcotics; and emigration, especially of skilled people.

### The Narrow Revenue Base

Guyana's three main tax categories are income tax, consumption taxes and international trade taxes. Income and consumption taxes are narrowly based, while there has been widespread evasion of taxes on international trade and business profits.

While the economy grew in 1993, there has not been a corresponding growth in tax collection. This is due in part to overly generous fiscal incentives granted to some large companies that began operation in 1993. The burden of taxation fell on the public service workers and a small number of corporations. It is important to note that the sugar levy contributed significantly to revenue, in the amount of G\$3 billion in 1993. Tax collection, both direct and indirect, is heavily concentrated due to the narrow tax base.

### An Unmanageable, Unsustainable Burden of Debt

The sad legacy of PNC government was the huge external debt, amounting in October 1992 to US\$2.1 billion. The huge debt burden is the greatest factor contributing to poverty and underdevelopment. In terms of budgetary finance, debt service payments mushroomed due to devaluation in the structural adjustment period constituting 105% per cent of government current revenue in 1992 and 90 per cent in 1993. The tough policies implemented under structural adjustment, combined with virtually no disposable government revenues after debt service, left the health and education sector in dire need of assistance. Even with cost recovery measures currently being implemented external assistance will be required to rebuild these sectors.

The Commonwealth Study Group, headed by Sir Alister McIntyre, noted in its report in 1989 that Guyana's high debt service ratio was not conducive to sustainable economic growth. Even the World Bank and IMF have recognised the need for a major debt relief beyond the Paris Club agreement of May 1993. While the Paris Club measures provide debt relief in the form of consolidation, refinancing and rescheduling, as of yet the stock of external debt - at US\$2,600 per capita vis-a-vis US\$430 per capita GDP - has yet to be reviewed. Our continued ability to lead Guyana through the adjustment process is largely dependent on management of the stock of the outstanding external debt, the level of support from our friends and the growth of the debt and the terms of new borrowings. In this connection, we are gravely concerned with the projections for debt servicing to the year 2000 which reveal a serious worsening of the problem.

The relatively early repayment of recent drawings places a continuing and heavy burden on the financial resources of the country forcing it into further borrowings which prevent our heads from rising proverbially above the waters.

The imperative remains therefore to garner as much assistance as is practicable on concessional terms and as grant aid, to ensure the best returns from our development efforts.

### Complete Collapse of the Physical and Social Infrastructure

The ruined physical and social infrastructure is an impediment to economic growth. Sea and river defenses are collapsing, endangering the coastal fertile clay belt, so necessary for agriculture development. The major water control, drainage and irrigation schemes -- Black Bush, Boerasirie, Tapacuma, Mahaica/Mahaicony/Abary (MMA first phase) have been neglected; maintenance work in these areas has not been adequate.

The same applies to electricity, transport, telecommunications, roads, sewerage and water so necessary to facilitate private investment and for developing a modern society. Public buildings, including the Courts, have been allowed to deteriorate. So have schools and medical facilities. The neglect of health and education has also had its impact on the poor performance of the Guyanese students at the GCE and CXC examinations, and the high incidence of malnutrition in Guyana.

### Inadequate Administrative Capacity in the Public Sector

A low minimum wage of less than US\$2 per day and a maximum salary of less than US\$100 per month in the Public Service do not facilitate the entry or retention of special personnel in the

Public Service. Public Service salaries have been increased by 30% over the last twelve months and for the first time public servants enjoyed a real increase in pay, although in absolute terms, levels are still depressed. It is essential that the purchasing power of those salaries should not be eroded. Salaries in the private sector in the Caribbean and North America are much greater, leading to a high (3 per cent of population) migration rate. These emigrants are typically our brightest and most skilled Guyanese professionals, who are offered salaries commensurate with their abilities by both domestic and external private sector entities. We must build our private sector to retain these professionals at home and we intend to develop active strategies to bring back our Guyanese nationals and others concerned with Guyana's problems to help us accelerate our development.

In the interim, administrative capacity for project implementation is severely affected. For example, the InterAmerican Development Bank (IDB) approved US\$170M. for projects, but they could not be adequately implemented due in part to the lack of skilled technical and professional personnel. Guyana, with its large financial requirement, cannot afford this low rate of drawdown on concessional assistance provided by the major multilateral institutions. We need help also to improve our administrative capacity. Our understanding of the complex lending procedures of these institutions must be improved, as must our ability to articulate effectively our views and proposals on those procedures and conditionalities which are unsuited or unnecessary in the Guyanese context. It is vital that there should be a coordinated approach to address issues of absorption of development assistance and other implementation bottlenecks.

#### FROM COLLAPSE TO RECOVERY

In 1993, Guyana experienced one of its better years of economic performance. This performance is due to:

- 1) Good governance - a clean and lean government;
- 2) Much-needed reforms carried out on the recommendations of the international institutions after a long period of negative growth rate; and
- 3) Policies adopted by the new government since it came to office.

In 1993, all of the five main macro-economic targets of the economy had been achieved:

- 1) The economy grew by 8.3% in 1993. This growth is due mainly to the performance of the mining, agriculture, construction and distribution sectors.

- 2) The rate of price inflation was 7% for 1993. This performance is better than the 9% target for 1993 and 60% below the level achieved in 1992. The low level of inflation is explained by the price stability of the food items that constitute the greatest share of the basket of goods.
- 3) The average exchange rate for the Guyana dollar remained stable in 1993. However, there was a slight depreciation in the last quarter of 1993, due to pressures from seasonal demand. In 1993, the average exchange rate was \$126.90 to the US dollar.
- 4) The overall fiscal deficit of the Central Government was reduced from the targeted 40% of GDP to an estimated 27% of the GDP in 1993. This improved fiscal performance is due mainly to improved revenue performance at the Customs and Excise Department, stringent expenditure control and debt relief.
- 5) The increase in gross international reserves had surpassed its budgeted level by threefold. In 1993, gross international reserves of the Central Bank stood at US\$250 million, equivalent to 7 months of imports.

Real incomes have increased. Wages and salaries increased by 10 per cent from January 1993 from the very low levels prevailing at the end of 1992. An administrative scheme for the upgrading of salaries, with grant aid from the World Bank and the British Government, permitted a 20% increase from July 1993.

For personal income tax, the threshold for non-payment will increase from \$72,000 to \$120,000 per annum, making an additional 30,500 low income earners exempt from taxation.

In 1993, under a Social Impact Amelioration Programme, mothers and children, NIS pensioners, social assistance recipients and widows received income supplements of \$500 per month. The Means Test for old age pensioners was abolished.

The Government has done much to achieve economic growth, while maintaining the pace of macroeconomic reforms, but we have a major agenda before us to advance the objectives of human development, social justice and eco-justice as a means of sustaining our newly acquired freedom.

The restoration of democracy has impacted positively on economic development by creating confidence in government and institutions and a conducive investment climate. The beauty of democracy is the political stability it tends to create, on which investors

place a high priority. It also facilitates examination and correction of the mistakes of dictatorship.

The Government is pursuing a multi-faceted strategy to implement the much-needed reforms and lay the foundations for long-term growth. The elements of this strategy are:

- (1) Focusing on agriculture, which is fundamental to employment, income, exports, government revenues, and growth linkages with the rest of the economy.
- (2) Promotion of private sector development in manufacturing and export industries by facilitating the establishment of industrial estates.
- (3) Measures to stabilise the energy sector and introduce new generation capacity.
- (4) Targeting small private entrepreneurs as an important source of growth.
- (5) Forging an enabling role for the public sector in its partnership with the private sector.
- (6) Financial liberalization.
- (7) Tax reform.
- (8) Trade reform.
- (9) Mobilizing additional revenues through cost recovery in various sectors.
- (10) Generating savings in overall administration to boost expenditures in education, health and social services.
- (11) Improving salaries and wages of civil servants.
- (12) Greater accountability of institutions coupled with and enhanced role of the Auditor General.
- (13) A vigorous campaign against corruption.

We intend to follow the steps we have undertaken during our first year of government with a substantial public sector investment programme in specific sectors to improve our social and physical infrastructure and as a means of providing incentives to the private sector. We would like donors to help in the financing of sector-specific strategies in agriculture, health, education and

infrastructure. We intend to present such sector-specific strategies to them in the coming year. We need assistance from the donors to help us develop these strategies and to boost our absorptive capacity, given that current disbursement rates in some cases are only 30% of what they could be. We hope the Carter Center will work with us to help develop our sectoral and macro-economic plans during the coming year while strengthening our capacity to better articulate our needs to the donors for their financial assistance and the reduction of our stock of debt.

### Democratic Institutions are Helping us to Build Consensus

The October 1992 elections restored democratic, representative administrations at the national and regional level. In the first half of 1994, we propose to complete elections in the municipalities, village districts and Amerindian villages, so that democratic, representative administrations will be established throughout the country.

Decisions are being made by consensus. Regular consultations are taking place with mass organisations and NGO's. I have monthly meetings with the Private Sector Commission (business) and the trades Union Congress (labour), and this is being expanded to include other sectors. A broad-based Presidential Advisory Socio-Economic Council is being established to expand the consultative process with the Government alliance, which not only represents all classes and strata, but also provides racial/ethnic and ideological balance.

Our democracy is representative participatory and consensual. We are putting an end not only to bureaucratic/command methods of government administration, but also to bureaucratic/command type of management. Through their trade unions, workers are taking a greater role in work place management and decision-making. Establishing an internal political consensus for broad-based and sustainable development requires time to invest in education and information sharing with our population. That slows the process of economic reform relative to governments that use autocratic means of imposing reforms on their population, as was done under the PNC government. If donors mean business about democratic reforms, they will need to give us time to develop processes for building internal political consensus. The pace of reforms is most certainly a contentious issue between us and the donors; they have to appreciate the effort necessary to forge these new institutions and make them legitimate in the eyes of citizenry. We need the time to make this happen, but this is no excuse for inaction, as we intend to demonstrate to the donors during the coming year.

### Guyanese are Participating in the Development Process



At the grassroots/village level, the people are being empowered to help in building their communities. Broad-based Citizen Committees (NGO's) comprising all political parties, religious bodies, businessmen, professionals and teachers have been developing rapidly since the October 1992 elections. On the principle of self-help, they are embarking on many infrastructure projects, co-operating with police in community-policing groups, and fighting against narcotics and smuggling.

NGO's are being supported. Much more needs to be done, with the aim of building a strong and vibrant NGO Community. We propose to work with our NGO's in the coming years to develop a stronger base of community participation and facilitate the channelling of assistance from donors to their activities.

The Government is bringing into reality the enjoyment of the civil, political, economic, social and cultural rights for all Guyanese. Our focus will be the provision of basic needs to our citizens, among them: power, water, sewerage disposal, housing, health, education (with the emphasis on science and skills). While the previous administration had a poor track record on reporting to the UN its progress on human rights issues, this government has ratified the Optional Protocol to the two UN Covenants on Human Rights, and the powers of the Ombudsman are to be extended.

#### Promoting Multi-Cultural and Ethnic Diversity

The Government respects fully the independence of State institutions, which deal with employment and promotion. Employment and promotion will be carried out regardless of political affiliation, race and ethnicity and religious persuasion. Qualification, merit and experience are the bases for employment and promotion.

In this regard, and also to cope with fears of racial/ethnic insecurity, a Task Force on Race Relations has been set up under the leadership of the distinguished Archbishop of Guyana, the Rt Rev. Bishop Randolph George. A draft report is being circulated for broad discussion with the objective of enacting a Race Relations Act and establishing a Commission to deal comprehensively with all forms of discrimination and racist incitement.

#### Amerindians

The Government is committed to accelerated development of the Amerindian people. A Task Force has been set up to elaborate a comprehensive Development Plan and projects for the separate communities.

The Guyana Airways Corporation (GAC) has instituted in 1993 a scheduled air service to various parts of the Interior. This has proved to be a boom, particularly for the Amerindians.

### Women

Women play an important role in Guyanese society. They are well-represented in the National Assembly and in the Cabinet. It is proposed in 1994 to enact legislation to guarantee equality of opportunity for women, to provide greater opportunities for education and to embark on urban and rural projects for gainful employment among this group.

### Youth

Young people have been affected seriously by the maladministration of the PNC regime. The decline in educational standards along with the absence of sports, cultural and leisure facilities contributed significantly to the demoralisation of Guyanese youth leading to migration, drug addiction and other social vices.

### Culture and Sports

In the cultural field, Government is working towards the broadening of training. There is a need for skilled personnel and equipment for developing cultural houses throughout the country. Similar needs exist for sports coaches and equipment. The provision of facilities in culture and sports will greatly assist in diverting the youths from alcohol and narcotics. It will also facilitate the improvement in educational standards and technical skills.

### Securing our Natural Resource Heritage for years to come

The expansion of operations in the fields of mining and forestry has raised concerns about effects on the environment. These concerns cannot be overstated since Guyana's environmental resources are one of its greatest assets. However, we must protect and conserve these assets if future generations are to reap the benefits from our tremendous natural wealth. Just as important is the protection of our indigenous peoples who reside within the vast forests of our hinterland. By protecting these resources, we ensure these peoples' access to resources required for their livelihood. We must also ensure that they benefit from any resource management schemes implemented.

There is a serious shortage of trained personnel in the environmental Sector. Government is in the process of establishing an Environmental Protection Agency. Assistance in terms of equipment and training of personnel is urgently needed.

An Environmental Protection Act will shortly be presented to Parliament and a National Environmental Action Plan is being prepared with the assistance of the World Bank.

Beginning in January 1994, The University of Guyana will offer a degree programme in Environmental Science run by an inter-faculty Environmental Studies Unit, assisted by the European Union.

#### POLICY AND STRATEGY FOR HUMAN DEVELOPMENT

The Government recognizes an appropriate role for the State which will be centred broadly around:

- guaranteeing the security of the individual and the people collectively - social, racial, regional, legal and constitutional, economic and military.
- maintaining a macro-economic policy environment conducive to development.
- ensuring a self-reinforcing balance among productive investment (agriculture, industry, services) infrastructure investment, social expenditure.
- supporting the private sector in its effort to expand production, create employment and improve productivity.
- fostering a strategic alliance between government and the private sector using joint institutional arrangements at the sectoral, multi-sectoral or national level.

Apart from the annual capital development programme, the Government is embarking on a four year development plan with a 15 to 20 year perspective through a Development Planning Unit in the Ministry of Finance, which will take into consideration global development trends and concrete internal factors as cited above, with technical assistance from the Commonwealth Secretariat and the international and regional financial institutions.

The aim of the development plan is to put the economy on a path of sustainable recovery, growth and human development. It will project balanced agricultural and manufacturing growth on the one hand and infrastructural growth on the other. A proportionally balanced development programme is contemplated in keeping with the returns to investment in the various sectors, so as to ensure that the debt burden is reduced progressively over time.

The programme will take into consideration the accomplishment of:

- a) an expanded and diversified export structure;
- b) rationalisation of state enterprises and utilities, including privatisation, to ensure efficient management and the removal of any financial burden on the government and taxpayers.

### Major Goals of Reconstruction

We intend to pursue, in an atmosphere of expanding democracy, consultation, consensus building, financial prudence, accountability and transparency, the major goals of reconstruction as follows:

1. Obtain meaningful relief from the debt that is strangling the country and impeding economic growth.
2. Expand and diversify the productive base by giving high priority to agriculture and natural resource industries.
3. ensure sustainable development of natural resources.
4. Increase the tax base of the economy.
5. Increase factor productivity by adopting new technologies.
6. Rehabilitate and expand the dilapidated physical infrastructure.
7. Invest in human resource development.
8. Improve earnings of the labour force by increasing their productivity.
9. Expand investment in social sectors and ensure their quality and broad-based access to them.

The social services sector was allocated in 1992 a totally inadequate 8% of current budgetary expenditure. As a result of cuts, particularly in Foreign Affairs and the Presidential Secretariat, social services expenditure was increased to 14% in 1993. But even this amount is inadequate in view of our run-down health and educational services. Debt payments still constitute 90 % of our current expenditure. Consequently, it is unlikely that social goals will be achieved without debt relief.

### The Private Sector as the Focal Point of Economic Development

The Government considers the private sector, both local and foreign as the leading edge of economic growth and the best tool for increasing production and expanding our export base. Nevertheless, the roles of the public and private sectors in our economic development have been made unnecessarily controversial, since I perceive that donors believe that the PPP/CIVIC will not permit a strong role for the private sector. Let me reiterate that we see the private sector as the leading sector in achieving economic growth while the public sector will serve a chiefly supportive, enabling and complementary role.

The government's policy of openness to the private sector offers great scope for development, especially in view of Guyana's rich natural resources, land availability, competitive labour rates and access to the CARICOM, North American and European markets. To this end, facilities are being created to improve infrastructure and, at the same time, to work out in collaboration with the World Bank a system of fiscal incentives to attract investors. We will encourage the private sector to establish economically efficient and flexible sources of power generation.

Indeed, the government has removed state controls in many areas. Our reform thrust pays special attention to creating the enabling environment for the Private Sector to thrive. Licences for the importation of goods have been removed except for a few vital categories. Customs duties are removed on goods originating in the CARICOM territories. There are no quantitative restrictions. Subsidies on certain commodities and price controls have been removed. There is a floating exchange rate, and virtually no state control on the movement of foreign currency. In fact, our economy is now less protected than that of many of our donor supporters.

#### A Privatising Agenda for State-Owned enterprises (SOEs)

The government of Guyana in co-operation with the IMF and World Bank, tabled a State Paper on privatization in the National Assembly in June 1993. It has also set up a Privatization Unit which is now actively working to determine which state enterprises should be privatised and what form privatization/divestment should take. Privatisation policy will be driven by purely economic considerations. Government intends to move as quickly as possible on the privatization programme.

Privatization at all costs is by no means a panacea. In the past, for example, privatization in Guyana ignored the four fundamental precepts which are the basis of the present government's privatization programme: transparency; preservation of the national assets; equal opportunities for Guyanese; and true partnership with foreign investors.

1. In several cases we do not believe the Government got

fair market value for their assets, nor was an adequate tax base created such that those companies, through their contributions, could participate in Guyana's development goals. With a bankrupt economy, and starved of cash, the previous government carried out a hastily-contrived privatisation programme, which was criticised by the World Bank. Many of the divestment deals had been made secretly and hastily at give-away prices.

2. The rice mills were divested to millers unqualified to meet farmers needs. The delays caused in rice payments under the private sector would have been far more disastrous for our rice production and exports had it not been for the public sector rice mill, which performed a yeoman's task.
3. Private banks have invested in trading and high interest government bonds instead of lending to our rice millers so that they can pay the farmers. The credit squeeze on our small farmers and private manufacturers is one of our most severe constraints which the donors have overlooked to date and one which I hope they will help us address in the coming year.
4. The lack of access to credit has inhibited the ability of our indigenous private sector to compete on many small and medium projects in which they are fully qualified and able to compete. Our entrepreneurs are demanding access to credit to develop the local private sector and I indent to ask for assistance from donors to ensure that the needs of our private sector on financial and technical assistance (which have received less attention than the issues of divestiture) are addressed in the coming year.
5. The state owned Guyana Sugar Corporation (GUYSUCO) sank to the lowest depths in production and productivity under the PNC Government. We have shown that privatization, through a Booker/Tate management contract, coupled with improved wages, salaries and bonuses and proper collective bargaining arrangements with the unions, can cause unprecedented growth in production which reached over 20% per year in 1991-92. Even with the rundown machinery, the new management achieved in 1992 what it had planned to achieve in 1995!

The sugar industry is strategic. It directly employs about 27,000 persons and indirectly about 100,000 persons, comprises 15% of GDP, 12% of current government revenue and 40% of exports, and contributes substantially to foreign exchange earnings. To maintain efficiency,

a management contract will be continued; financing which we are securing from the World Bank, the Indian Government and GUYUSCO will contribute to the modernization of our factories.

This procedure for selecting enterprises for divestment as set out in the privatisation paper is already in train. Government has identified four state enterprises which will be divested before the end of 1994; one before the end of March 1994. This Unit will continue its work in selecting and preparing other state enterprises for privatisation while continuing to explore the use of other instruments of Private Sector involvement.

### SECTORAL DEVELOPMENT

#### Agriculture as the backbone of our economy

Guyana's agriculture is narrowly based on sugar and rice and, to a lesser extent, on fisheries, coconut, cattle, poultry and traditional root crops. The Government is encouraging vertical integration and expansion in the major exports, sugar, rice and fisheries. At the same time, diversification of agriculture is being planned - inland fisheries with fish ponds, cut flowers, bee and honey, fruit orchards, peanut and cashew nuts, pineapples, cattle and milk, etc.

Land policy is aimed at preventing the development, as in Latin America, of latifundia and minifundia, and the non-beneficial holding of land. In the fertile coastal area, 5 per cent of large farm holders control 47 per cent of the arable land, while 50 percent of small farm holders control only 23 percent of land with holdings of 15 acres and below.

Security of tenure is being provided through 25 years leases, with automatic extensions for an additional 25 years, once the land is beneficially used.

It is proposed to establish additional agricultural schemes -- extension of the Mahaica/Mahaicony/Abary project; development of the Manarabisi; the Greater Canje and the intermediate and Rupununi Savannahs.

Small farmers will be encouraged to form agricultural cooperatives to carry out infrastructure works and establish machinery pools and marketing facilities.

Government is committed to assist in research, leading to the development of new varieties and better husbandry practices, which will lead ultimately to better yields and more productive use of our lands. A plan for our agricultural sector development will be proposed this year by our Minister of Agriculture with the help of

the Carter Center. By strengthening our sectoral planning capacity we will be able to present that plan, including what donors could do, to assist us in agriculture at the next donors meeting.

### Effective Management and Safeguarding of our Forests

Guyana has one of the few remaining virgin rain forests. About 70% of its land area is covered by mixed stands of hard wood of high quality. Regrettably, the timber and other ancillary industries are not fully developed. We would like assistance from donors to improve our environmental monitoring efforts. The capacity for a big expansion on an environmentally sustainable basis is proposed. Recently a foreign based company - Barama - begun production of high quality plywood, which is being exported to Venezuela and to North America. There is also a large potential market in the Caribbean for good quality lumber and furniture. Efforts are being made to expand this industry on a sustainable basis with the help and cooperation of foreign and local private entrepreneurs.

We need to promote production and exports in this sector while maintaining environmental quality and the rights of the indigenous people. Our natural resources are vast; however, they must be exploited on a sustainable basis and with the assurance that the benefits from such exploitation are broadly distributed within the domestic economy. Our own capacity to monitor our forestry management practices must be developed; We seek donor assistance for this purpose.

### Transformation Toward Manufacturing

Guyana has made little progress in manufacturing, as compared with other countries in Latin America and the Caribbean. Its share of manufacturing in the GDP is quite insignificant. It is proposed to facilitate the private sector in accelerating industrial production based on our own natural resources and by processing our agricultural primary products.

In the industrialisation drive, foreign and local investment is being actively encouraged. As a result of our small domestic market, export-led growth is being pursued. Encouragement is being given for the investment of local savings in productive ventures, and for small and medium scale entrepreneurial development through the Institute of Private Enterprises Development and the Scotia Enterprise. It is proposed to increase productivity through appropriate technology transfer with the aim of reducing unit labour costs while simultaneously increasing real wages. A strong financial, legal and communication framework is being created. In the Ministry of Trade and Industry, a One-Stop Agency is being established to attend to the various needs of private investors.



The Ministry of Finance and the Ministry of Trade, Tourism and Industry, in collaboration with the World Bank are elaborating a regime of incentives. Guyana generally offers a favourable climate for investment: political stability, competitive wage rates, a labour force quick to adapt to new technology and modern practices, industrial estates, easy access to CARICOM, North American and European markets, no natural disasters, free movement of capital as well as labour from the CARICOM region.

### The Mining Sector

The Mining Sector is largely based on primary production. In the bauxite industry, production has not only fallen, but the alumina plant has been closed for the last twelve years. It is proposed with foreign participation, as in Aroaima, to expand bauxite production and utilize bauxite and some of its overburden for the fabrication of other products like ceramics and building blocks. Kaolin has good possibilities. With the current deep-seated recession and the US government's decision to sell bauxite from its stockpile, the marketing prospects for bauxite exports are unfavourable. Even major multinationals such as Reynolds are cutting back on their production. We will need to consult the private sector to determine where we should go from here.

At the same time, approaches are being made for the rehabilitation of the alumina plant and to coordinate with Jamaica and Trinidad for aluminum smelting in Trinidad from alumina derived in Guyana and Jamaica; also, to collaborate with Suriname which already has a small aluminum smelting industry, based on high grade ore and hydro-electric power.

Gold is mined in small scale, medium and large scale production. Raw gold is exported abroad and not even refined in Guyana. We propose to look at the development of a gold refining and a gold jewellery industry.

Diamond production is small-scale, and semi-precious gem production is negligible. We propose to determine the feasibility of these two areas for further expansion.

### Electricity

The Government recognises that an adequate and inexpensive supply of electricity is the key to development. Regrettably equipment which were purchased by the PPP government in 1962 and should have been scrapped long ago are still being patched up at great expense. Past inefficient management and little maintenance in election year 1992 led to serious outages in 1993. Consequently, emergency generating equipment, not programmed for previously had to be procured. The government, in collaboration with the IDB, has agreed to a management contract with an established utility

company and for a medium and longer-term energy supply which will be developed with private sector cooperation, and based on renewable sources -- hydro, solar, wind, wood, rice and sugar waste -- in view of the present consumption of large quantities of costly imported fuel.

### Tourism

The focus on this industry will be on eco-tourism. Guyana cannot provide the sand-sea-sun and other leisure facilities of the Caribbean islands. But it can offer a different and complementary form of tourism which is focused on ecology, wild life and rainforest. The Organisation of American states is rendering assistance to develop this sector.

### Building our Human Resource Capacity

Human resource development -- an educated and healthy population and workforce and a clean environment are essential for economic growth and human development. The consequence of our currently dilapidated economy is the tremendous institutional weakness at all levels within the public and private sectors, as well as the NGO community.

For this government to play both a supporting and facilitating role in an economy led by the private sector, strong administrative and managerial capacity within the public sector is fundamental. Building such a capacity will not only allow us to draw down already committed resources more rapidly; it will also help us to articulate our needs for additional assistance, which will be crucial given our huge debt burden.

This government is taking steps to increase significantly science education at all levels (primary, secondary and tertiary). The decline over the last two decades has resulted in an almost total collapse of the education system with the most drastic effects in the area of science. There is an urgent need to establish science laboratories or equip them properly where they do exist, train science teachers and make appropriate science literature available to students. At the same time, we are introducing cost recovery for higher education.

Efforts are being made also to improve technical training at the immediate post-secondary level at the Technical Institutes and at the Faculty of Technology at the University. The requirement of qualified staff and the procurement of the necessary equipment are very serious difficulties experienced in this drive.

Government is actively pursuing efforts to attract overseas-based Guyanese, who have acquired technical/professional and managerial skills that are vitally needed in our process of reconstruction.

In this regard, special incentives are being instituted. It is also proposed to mobilise expatriate Guyanese savings through (1) Guyana Development Bonds issued overseas and (2) a foreign exchange account in the bank in Guyana.

We further propose a four-fold strategy, to build our human resource base, which will consist of:

1. A youth service corps to address the shortage of educators and health workers in the rural areas by utilizing our young university students who are our greatest national asset;
2. Encouraging expatriate Guyanese to return to Guyana for short to medium term positions to transfer needed managerial and administrative skills to public servants, private enterprises, and NGO's;
3. Foreign nationals such as academics and career professionals to serve on a consistent long term, but intermittent basis, to work on technology and skills transfer as a means of building human capacity within Guyana to its once high levels;
4. Young volunteers from abroad to work with young Guyanese on practical problem solving related to our country's development goals;

We hope to establish a small umbrella organisation with the help of the Carter Center and with donor assistance which will be a clearing house for the massive mobilization of human resources. We want to do so by using many existing programmes in which donors such as UNDP have committed resources that we are currently unable to use.

## 1. Debt Relief

First and foremost, we cannot realistically contemplate a long-term development strategy without giving some consideration to the monumental external debt burden we currently face. Every man, woman and child in this country is indebted to the tune of US\$2,600 - this in a country where as I've already stated that over 40% of the population live below the poverty line and per-capita GDP hovers around US\$430. Additionally, 76.6% of all loans and grants is consumed by debt servicing.

Perhaps the most effective initial assistance we could request from the international donor community is a re-evaluation of our debt portfolio with an emphasis on reducing our debt burden, through some form of debt forgiveness. The Paris Club terms, reached in May 1993, apply to consolidation, refinancing and rescheduling of bilateral debt and provide us with approximately US\$39 million in annual debt service reduction. Whereas prior to these Paris Club terms, 90% of our current revenues went towards debt service, under the new arrangement the percentage is reduced to 67% of current revenues.

However, as previously stated, even the World Bank and IMF are in agreement that the stock of debt must be reduced if this country is truly going to embark on a sustained path of economic recovery. The Paris Club terms call for a review of the stock of debt within three years, provided that Guyana maintains a satisfactory record in complying with the terms of that agreement. This review should be expedited. With two-thirds of government revenues committed to debt service, any meaningful additional contribution towards revamping the public sector and the social services is severely hindered. This will further erode public sector viability and inhibit its ability to provide the needed enabling and facilitative role being demanded of it by private sector development.

## 2. Grants and soft Loans for Housing

Assistance for housing in the form of grants and soft loans is vitally needed to cope with the serious housing shortage and extremely high rentals which have led to squatting and are a deterrent to overseas Guyanese wishing to remigrate. At the existing high interest rates for mortgage loans, it is not possible for lower income groups with low wages and salaries to afford even a minimum-cost house: too great a percentage of wage/salary will have to be utilized for mortgage payments. Financial assistance is required for low-interest mortgage loans and for costly infrastructure works at housing sites.

### 3. Improving Administrative Capacity

We need to build and improve our ability to address and solve our development challenges at all levels of society. Civil servants need massive investment in training to execute their roles effectively in a public sector that will be capable of encouraging private sector development. NGOs need organisational and management training, as well as financial backing, to realise their agenda in community-based efforts. Private entrepreneurs need practical training in business management skills and new methods of technology, such as computers and telecommunications, to permit them to effectively compete in the aggressive global marketplace.

We ask the donors to work with us in increasing our administrative and managerial capacity within the public sector, including the parliament, cabinet, and other participatory processes. As stated repeatedly, ours is a government of consensus. Therefore, the institutions that foster and promote consensus building among the citizens of Guyana must and should be nurtured. Furthermore, for Guyana to catch up with the rest of the world, the public sector must be highly supportive of private sector development. Also, and no less important, the public sector must safeguard our rich environmental assets so that they can continue to serve the people of Guyana for many generations to come. Hence, we must actively build capacity in the public sector in order for it to exercise its legitimate role.

We also request that the donors work with us to improve our understanding of their policies and procedures so that our drawdown of committed external funds can be improved. For example, as stated earlier, the IDB has committed funds of US\$170 million for development projects in Guyana and this government has only been able to draw down approximately \$30 million. This woefully inadequate drawdown of funds bogs down our recovery process and detracts from our working relationship with multilateral lenders, who seek to see these funds put to use. Help us build capacity in our middle rank of officials to understand, negotiate, mobilise and utilise complex donor assistance so that our mutual interests - those of the lenders and the Guyanese people - can be better served.

### 4. Human and Institutional Development

We want to place greater emphasis on human and institutional development. Given the urgency with which we need to reconstruct our human resource base, additional development assistance needs to be directed toward capacity building within our citizenry.

Government welcomes assistance from international agencies, including The Carter Center in:

- i) Creating a better understanding within Guyana and the donor community of the Constraints and opportunities that exist mutually and their implications for how the government proceeds.
- ii) Developing public sector capacity in -
  - (a) the designing of a clear development strategy at the macroeconomic and sectoral levels: agriculture, mining, forestry, health, education, water. We have made a beginning but there is a long way to go. Initially this will have to be done by determining what can be achieved, while simultaneously increasing training of nationals so that they can do it themselves in the long run.
  - (b) improving public sector management, from the highest level of government to the lowest levels of the public service, in their ability to more effectively address the issues which are pertinent at their particular levels of responsibility, and
  - (c) increasing accountability and performance of the civil service,
- iii) Developing capacity of the government in mobilising new investments for Guyana, including savings of Guyanese living abroad.
- iv) Mobilising young Guyanese from universities to play an active role as school teachers, health workers.
- v) Mobilising of external Guyanese and non-Guyanese brainpower (including of US universities, private enterprises etc.) to improve the planning, implementation and evaluation of investments in the private, public and the NGO sectors.
- vi) Mobilising overseas personnel through volunteer organizations, such as UNDP, Peace Corps (USA), VSOs (UK), CUSOs (Canada), University Foundations, CESO (Canada), BESO (UK), IESC (USA) and others.
- vii) Developing our NGO sector to more adequately respond to micro-level, community-based needs. Already organizations such as GEMCO, Red Thread and many others are beginning to make an impact on social and

environmental issues. This government is committed to proposing legislation that will create the legal framework for our NGO sector. We ask the donors to help us build this sector through both managerial and administrative capacity building.

4. The preservation of the Environment

We must ensure that our environmental resources are managed and conserved in a manner that will permit their sustained, long-term use. We ask the donors to help in the training of our forestry professionals so that they can more effectively safeguard the interior forest lands. These resources comprise 80% of our total territory and recent figures indicate that only 1% of this territory has been deforested. We must develop and promote policies that permit sustainable yield management of our forestry resources. While private investment will remain a fundamental element of Guyana's economic recovery we must not allow this investment to adversely impact our natural resources base. Help us to develop strategies that will protect this valuable asset for years to come.

The PPP/CIVIC Government is prepared to be open and flexible in our consideration of the various recommendations that arrive from this important conference.

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