

GUYANA: THE GOVERNMENT'S VISION OF DEVELOPMENT  
BY  
HIS EXCELLENCY DR CHEDDI JAGAN  
PRESIDENT OF THE CO-OPERATIVE REPUBLIC OF GUYANA

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 ~~is~~ 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,

