

DRAFT POLICY PAPER
Version II



Enhancing National Competitiveness

A National Competitiveness Strategy for Guyana

Government of Guyana
in
Partnership with the Private Sector



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Main Abbreviations and Acronyms

ACP	African, Caribbean and Pacific Group of States
BDS	Business Development Services
BEAMS	Basic Education Access and Management Support
BOAT	Build, Operate and Turnover
BOT	Build, Operate, Transfer
CAGI	Consultative Association of Guyanese Industries
CARICOM	Caribbean Community
CARIFORUM	Forum of the Caribbean ACP States
CBI	Caribbean Basin Initiative
CDB	Caribbean Development Bank
CIDA	Canadian International Development Agency
CJIA	Cheddi Jagan International Airport
CSM	CARICOM Single Market
CSME	CARICOM Single Market & Economy
DDL	Demerara Distillers Ltd.
DFID	Department for International Development (United Kingdom)
EIG	Economical Interest Groups
EPA	Economic Partnership Agreement
EU	European Union
FG	Farmers' Groups
FPMC	Forestry Products Marketing Council
FTAA	Free Trade Area of the Americas
FTSD	Fast-Track Sector Development
GASCI	Guyana Association of Securities Companies and Intermediaries Inc.
GDP	Gross Domestic Product
GEO	Guyana Economic Opportunities project
GMAS	Guyana Manufacturers and Services Association
GMC	(New) Guyana Marketing Corporation
GNBS	Guyana National Bureau of Standards
GOG	Government of Guyana
GO-INVEST	Guyana Office for Investment
GPL	Guyana Power and Light Company
GSC	Guyana Securities Council
GTIS	Guyana Trade and Investment Support project
GuySuCo	Guyana Sugar Corporation
HACCP	Hazard Analysis Critical Control Point
IAST	Institute of Applied Science & Technology
IDA	International Development Association
IDB	Inter-American Development Bank
ILO	International Labour Organization
IMF	International Monetary Fund
IPC	Investment Promotion Council
ISO	International Standards Organization
ITC's	International Technology Centres
JAMPRO	Jamaica Promotions Corporation
MFI's	Micro Finance Institutions
MINTIC	Ministry of Tourism, Industry & Commerce
MOE	Ministry of Education

MoF	Ministry of Finance
MinLA	Ministry of Legal Affairs
MinPW	Ministry of Public Works and Communications
MOFTIC	Ministry of Foreign Trade and International Cooperation
NAC	National Accreditation Council
NACEN	National Advisory Committee on External Negotiations
NARI	National Agricultural Research Institution
NCC	National Competitiveness Council
NCTVET	National Council for Technical and Vocational Education and Training
NGO	Non Governmental Organization
N-TNC	National Trade Negotiations Committee
NTS	National Trade Strategy
OAS	Organization of American States
PMU	Program Management Unit
PPD	Public-Private Dialogue
PSOs	Private Sector Organizations
SBC	Small Business Council
SIMAP	Social Impact Amelioration Program
SMEs	Small and Medium Enterprises
SSRP	Secondary School Reform Project
TA	Technical Assistance
TVET	Technical and Vocational Education and Training
TWG	Technical Working Groups
UG	University of Guyana
UNIDO	United National Industrial Development Organization
USAID	United States Agency for International Development
WTO	World Trade Organisation

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Executive Summary

The Need for Competitiveness Strategy: Guyana's Rising Competitiveness Challenge

Important progress has been made in Guyana in recent years in managing the process of adjustment to the new world economic environment through exercise of monetary discipline, improvements in the environment for private investment, reform of the tax system, creation of a property market, investing in basic education and infrastructure, and boosting productivity in traditional sectors of the economy. But important and pressing challenges still remain to be tackled. At the forefront is achieving the economic imperative of improving national competitiveness and diversifying the economy.

Whilst economic diversification has long been and remains a major aspiration of Guyana's policymakers, as a country we have historically been highly dependent on the exports of only a handful of natural resource commodities. This continues today with sugar, gold, rice, shrimp, timber and bauxite accounting for 86 % of exports (and 69% of GDP).

In the past an excessive burden of debt, high and unpredictable inflation, unmanageable fiscal and balance-of-payment deficits, and an absence of legislative foundations to give security to investors provided the explanation for why it was impossible for Guyana to compete and win in the global market place. However, today many of the necessary foundations are now in place, yet our economy remains dominated by exports of a small number of commodities. This lack of diversification would, in itself, not amount to a significant problem if the existing economic base was sufficient to generate a renewed momentum for growth and prosperity. But per capita income is not yet growing sufficiently fast to raise standards of living to those aspired to in the National Development Strategy. Moreover, the situation is now more critical than ever because the mainstay of Guyana's economy, Sugar, is under threat from the EU's reform of the Sugar Protocol which will reduce the landed export price received for Sugar by 36% over four years and could potentially amount to a loss equivalent to 5.1% of GDP and 5.4% of merchandise exports annually.

Guyanese stakeholders - both public and private sector - strongly support the need for diversification. But since the publishing of the National Development Strategy just five years ago, the rapid liberalization of trade, investment and technology flows, the real threat of imminent preference erosion, and the increasingly intense competition felt from other developing countries, have created a much more formidable set of challenges.

But globalization not only brings challenges; it also brings opportunities to tap into international markets and take advantage of increasing capital and technology flows which can lead to greater income and employment opportunities. For example, the Caribbean Single Market and Economy (CSME), the flagship of the Caribbean Community, will create a single economic space which will allow for the more efficient utilization of regional resources, provide access to a market of over 14 million consumers and encourage international standards of production. In time, Guyana will have increased access to capital, skills, and other inputs from across the region and the strengthening of the legal framework to facilitate the pooling of CARICOM resources will enable Guyana and all the Community to be more effective in international negotiations. This environment will provide the platform to enable Guyana and all the Community to integrate effectively and competitively with the

rest of the global economy through creating the conditions to enable our goods and services to compete and win in both intra-regional and extra-regional markets.¹

Nevertheless, the CSME also poses many competitive threats for Guyana. Neighboring countries are moving rapidly to prepare for success in new product areas and will leave Guyana behind if action is not taken today to seize the opportunities presented by CSME, particularly in promising sectors which can be engines of diversification and growth into the future.

As a country, we must therefore become more successful in developing value-added export potential. Although a number of our sectors have *comparative* advantages due to the availability of land, water, competitive wages, and an advantageous position as a potential exporter to CARICOM, in most sectors, Guyana has not been successful at building up *competitive* advantages.

What then is needed now is long term strategic analysis and planning by the Government, coupled with more effective and vigorous entrepreneurship by the private sector to ensure that we rise to these challenges and seize the opportunities through the formulation of policies aimed at enhancing national competitiveness and diversifying the economy. The rationale for National Competitiveness Strategy thus comes from the need to deliver on the goals of the National Development Strategy. It is necessary to chart a new way forward to generate a new momentum for growth and prosperity that is consistent with these more challenging competitive realities, with the ultimate objective of delivering a better quality of life for all Guyanese.

Partnership Approach to Building International Competitiveness and Diversifying the Economy

Stakeholders have expressed optimism that the aspirations of the National Development Strategy can be attained with the right application of effort and an understanding of the economic challenges the nation faces. The Government, Private Sector and other stakeholders must now work together to deliver on these goals by effectively upgrading the competitiveness measures in the National Development Strategy to take account of the new contemporary realities, changes in the national economy over the last five years, and the urgency to build on the foundations of recent years to create a new momentum for economic development.

Critically, the approach must acknowledge that the Government can only do so much, and that the emergence of a massively expanded, progressive and dynamic private sector is also critical to the economic expansion that must now be achieved. The Government's role is to pursue a pro-active policy agenda that is responsive to the needs of the Private Sector, while the role of private enterprise is to provide the impetus to achieve sustainable export expansion, employment, income generation, and economic growth in Guyana.

The National Competitiveness Strategy

The National Competitiveness Strategy is the practical expression of this partnership between the Government and Private Sector which recognizes the dual responsibilities that each must play in delivering enhanced national competitiveness and greater economic growth. It is the expression of the

¹ His Excellency, President Bharrat Jagdeo (Dec. 2003), Realizing the CSME: Prospects for National Development,, Seminar on CSME, Georgetown, Guyana.

need for a practical, action-orientated, solution-driven approach to working that is embedded in a close collaborative relationship between Government and the private sector.

Three Key Elements of Government Policy

The Government's work in National Competitiveness Strategy has three essential components:

1. **Core Policies** to improve competitiveness are economy wide measures which cut across most sectors of the economy and consists of *incentive* (or demand side) *policies* including macroeconomic policy, competition policy, taxation policy, and trade policy and *supply side policies* including policy measures with respect to education and training, business development services (including technology and standards), finance, investment promotion (including FDI), infrastructure, export promotion, red tape, and aspects of the legal system (including commercial dispute resolution).
2. **Sector Policies** are sector strategies to address the particular obstacles and opportunities facing enterprises on a sector specific basis.
3. **Strategic Sub-Sector Policies** aim to target centers of dynamism which provide the greatest opportunities for growth and diversification, so avoiding spreading effort and resources too thinly.

Current Situation in Guyana: National Priorities for Enhancing Competitiveness

Over the last few years much progress has been made in relation to these three key areas of policy. This progress is now being built upon and strengthened. Over the past six months, extensive consultations have taken place on the priority areas and the agenda for action has been expanded following the contributions gathered through the Partnership approach outlined above.

Core Policies

Incentive Policies: Over the last five years the Government has successfully maintained a stable and predictable **macroeconomic environment** with stability in the real exchange rate, inflation and the budget and balance of payments deficits. In addition, Guyana has secured extensive debt relief in recent years particularly under the E-HPIC and Multilateral Debt Relief Initiatives. The graduated **system of taxation** is becoming fairer and more transparent which will act as a long run catalyst to productive investment. Introduction of the VAT and Excise Taxes will lead to a broadening of the tax base and the elimination of extreme variations in rates. Nevertheless, significant challenges remain. As the VAT and Excise Taxes move to implementation in 2007, new priorities for the Government are emerging such as the need to unify and lower the Corporate Income Tax to a rate which will enable Guyana to be regionally and globally competitive, as well as improving the efficacy of the current system of fiscal and duty incentives and tariff structures.

Guyana has been taking a proactive stance on several fronts in relation to **trade policy** on issues such as Preferences erosion, Special & Differential Treatment, SPS and Small and Vulnerable Economies (SVEs) and the Government has also consulted widely to complete the National Trade Strategy. Nevertheless, in the arena of trade policy Guyana is unable to successfully defend its economic interests in international trade negotiations and further action is now required to concentrate efforts on priority trade relationships and to re-focus efforts on implementing a limited number of priority recommendations from the National Trade Strategy.

Steps are also being taken to break down barriers to **domestic competition** through the passing of Competition and Consumer Protection legislation and the setting up of a National Competition and Consumer Protection Commission.

Supply Side Policies: There are currently a number of factors inhibiting the competitiveness of Guyana's productive sector on the supply side of the economy. The Government is committed to systematically addressing these factors:

- **Investment Promotion and Facilitation:** Whilst the Government has delivered a more predictable and transparent legislative and regulatory regime for domestic and international investors, the challenge now is to ensure effective implementation of these measures through development of appropriate regulations and other measures, and the setting up of the Investment Promotion Council. Steps have been taken to accelerate institutional strengthening at GO-Invest and a number of additional measures will now be taken to further enhance GoInvest's ability to act as a facilitator for investment and deliver more dynamic investment promotion activities to local and foreign entrepreneurs.
- **Export Promotion and Facilitation:** The institutional framework for export promotion has performed well in recent years owing to strong sector representation, effective agency collaboration, and the provision of valuable policy advice on new or on-going policies. Steps will now be taken to improve collaboration between sectors on supply chain issues, improve private sector representation in the framework for export promotion, further empower the export promotion agencies, introduce an effective system for monitoring export performance, evaluate and identify corrective action to overcome new bottlenecks, and improve the system of export taxes, incentives for export, and export efficiency.
- **Access to Finance:** Government is taking steps to improve access to finance, and will consider further steps to strengthen the legal and regulatory foundations for a competitive and effective commercial banking system (*enabling environment*), encourage an active competitive market-place for financial institutions (*supply side*), and enhance the capacity of enterprises to access and deal with the banking system (*demand side*). However, the Government believes that the commercial financial sector does not take advantage of existing commercial opportunities and must deliver a more competitive financial services sector.
- **Human Resources:** The focus of Government strategy in this area is two-fold: i). to improve the quality of technical and vocational training; ii). to ensure that new knowledge, skills and competencies can be retained by the country, and are not simply exported via the so-called "brain drain." Steps have recently been taken by Government towards fundamental reform of TVET through formation of the National Accreditation Council (NAC) and the National Council for TVET (TVET Council). The challenge moving forward is to ensure effective implementation of these measures through improving public-private collaboration on TVET, improving the efficiency and effectiveness of the TVET system, and overcoming systemic problems in the TVET framework.
- **Business Development Services (including Technological Support and Standards):** Some steps are being taken to improve marketing support and business information services, deliver more effective technology promotion, provide more effective organization and management support services, and to improve the infrastructure for supporting standards, certification and sanitation issues. But considerable further strengthening will be required to promote a systemic increase in the quantity and quality of services supplied by the current BDS infrastructure.
- **Infrastructure:** Currently there are a number of large scale projects underway with respect to most major aspects of the road, air, and water transport infrastructure. Steps are also being

taken to reduce the cost and improve the reliability of electricity, and improvements have also been made with respect to the telecommunications infrastructure. Nevertheless, many challenges remain and there is a need to continue the momentum generated over recent years to deliver modern, efficient and flexible infrastructure for Guyana. This will help the country compete effectively in the global market place through (i) completion of the rehabilitation of the primary road, water and air network; (ii) liberalization of the telecommunications market place to deliver better service, lower costs, and support the emergence of new strategic growth poles within the economy; and (iii) expansion of the electricity grid, reduction in technical and commercial losses, and the introduction of alternative energy sources.

- **Bureaucratic Procedures (enterprise registration, land and property markets, commercial dispute resolution):** The Government has recently increased its efforts to streamline procedures, particularly in relation to enterprise registration, export and import procedures, land and property markets, and resolution of commercial disputes. These measures will have far reaching implications for competitiveness. These improvements will be reinforced by additional measures planned in the areas of business registration, land and property markets and commercial dispute resolution. Nevertheless, further measures will be required to support the reform process, particularly in the area of land and property markets.

Sector Strategies

Traditional Sectors

All major traditional sectors of the Guyanese economy including sugar, rice, forestry, and mining are being provided with strong strategic leadership and have measures in place for restructuring to improve competitiveness. The last year has seen the bauxite industry return to growth and an ability to compete globally. These efforts should of course continue. But further measures will be required particularly in the areas of Sugar and Rice in order to maintain the positive expansions of recent years and ensure that both sectors have realistic prospects of remaining competitive in the absence of preferential margins. For Sugar this will require implementation of measures identified in the Sugar Action Plan such as the construction of a sugar refinery for production of value added sugar products, installation of a packaging plant, continued mechanization of operations, and construction of further co-generation plants. For Rice this will require an emphasis on further international market diversification, production towards higher value added products, and increased support for research and development to improve productivity.

Key Diversification Opportunities

Whilst steps are being taken by Government to support the development of key diversification opportunities in Non-Traditional Agriculture, Fisheries, Manufacturing, Tourism, and ICT, full realization of the aspirations of the NDS will require substantial additional efforts to inject new momentum into these sectors that will allow for the creation of new skill and technological endowments:

- **Non-Traditional Agricultural Products (NTAPs):** Initial export supply chains in fruit and vegetables and beef will be supported through the Agricultural Diversification Programme but planning for the success of NTAPs in world markets will require further support to implement a livestock census, and increase the capacity of agri-extension services, as well as implement other competitiveness enhancing measures.
- **Fisheries:** To fulfill the potential of the fisheries sector as a significant contributor to the national product, the Fisheries Act is being updated to meet current national and international

requirements. Further action is needed to create a semi-autonomous Fisheries Authority to address critical human and technical capacity issues confronting the sector, rapidly assess the Seabob resource and the potential for exploiting deepwater resources, and implement complementary measures to significantly increase the quality of fish that Guyana produces.

- **Manufacturing:** Ensuring the future growth and development of the manufacturing sector in Guyana will require a targeted approach focusing on developing value-added activities in areas such as agro-processing and forest products complemented by a bold strategy to quickly create competitive niche sectors in global markets through the targeting of niche contract manufacturing/call centers.
- **Tourism:** Despite considerable growth in the tourism sector in recent years, unleashing the untapped potential of Guyana's wealth of world-class tourism attractions will require adequate support for rapid implementation of the new Five Year National Tourism Development Strategy to complement existing measures supporting development of the sector.
- **ICT:** Catalyzing development of the ICT sector as a crucial overarching enabler for the development of Guyana's productive assets will require rapid completion of the National ICT Strategy and a swift move to implementation. Critically it will also require a competitive telecommunications sector as discussed previously.

Policies Targeting Strategic Sub-Sectors

As part of the NCS, work has taken place to determine strategic sub-sector priorities using a wide range of economic development indicators. The most promising strategic areas include aquaculture, contract manufacturing and call centers, followed closely by convention tourism, non-traditional agriculture and agro-processing, forest products, eco-tourism, and organic food products. Whilst Guyana has made recent progress in targeting these dynamic areas of activity, efforts in targeting resources towards these growth poles need to be urgently revamped. There is now a need to develop a rapid response mechanism to help these strategic sectors quickly mobilize around priority actions to accelerate the development of complete supply chains required for exportation of goods and services.

The Strategy Development Process

Strategic collaboration between the private sector and the Government is the only way of uncovering where the most significant obstacles to competitiveness lie and what type of interventions are needed to remove them.

Historically, all parties in Guyana have recognized the need for a genuine partnership as expressed at the 1999 Presidential Business Summit which resulted in 28 specific agreements, 21 of which have subsequently been met. However, notwithstanding the importance of the Summit, it was nevertheless a one-off event which has not been repeated. Since then considerable consensus has been built which recognizes the need for a set of sustainable institutions that will enable all stakeholders to take part in the partnership process.

A process involving sustained dialogue and collaboration between Guyana's public and private sectors has been traversed over the last six months in completing this draft of the NCS. This has resulted in the achievement of the following goals:

1. **Agreement on a set of a) policies and other actions to be implemented by the relevant agencies b) policy recommendations for further consideration.** These are set out in this draft of the NCS.
2. **Design of the Support for Competitiveness Program** to address key priorities.

3. Agreement to establish a **National Competitiveness Council** to formalize the public-private partnership for competitiveness and a **Donor Harmonization Group** to maximize the effectiveness of donor interaction in this area. These institutions will now pave the way for the establishment of a more permanent platform that will ensure that the concept of partnership is embedded within the entire national framework for competitiveness on a moving forward basis.

Implementing the National Competitiveness Strategy

Action Plan for Enhancing National Competitiveness

Implementation of the NCS is being implemented through:

- **Regular activities of various Government agencies and private sector actors.**
- **Existing programs:** A number of programs are already working on the ground to support the achievement of the NCS objectives. Key among these include Guyana Trade and Investment Support, the Commercial Court Program, the Agricultural Support Services Program, the Linden Economic Advancement Program (LEAP), EU Support to the Competitiveness of Rice Industry in the Caribbean, private sector support programs, and numerous infrastructure projects.
- **New programs.** This includes the **Support for Competitiveness Program** (also referred to as the IDB-funded Competitiveness Programme) and the **Agricultural Diversification Program** (also supported by the IDB).

In addition, the **Sugar Action Plan** has been designed in the context of the objectives and priorities established by the NCS – the two documents are complementary and mutually supportive. However, large tracts of the Sugar Action Plan remain unfunded, and large front loaded investments will be needed in the near future to support the policy recommendations of the Sugar Action Plan.

NCS Institutional Structure: Policy Formulation

Moving forward, The National Competitiveness Council (NCC) will take ownership of the NCS and act as central point of public-private leadership to ensure ongoing strategy development and implementation. It will be made up of representatives of the Government, Private Sector and organized labor. The NCC will promote and communicate the strategy locally and internationally, search for solutions for key cross-cutting issues challenges facing the country's economic development, and search for synergies among donors to improve effectiveness of donor and lender institutions. The NCC will be supported by a new National Competitiveness Strategy Unit (NCSU) to provide the policy and technical support required for the ongoing development and implementation of the NCS and to act as the Secretariat to the new NCC.

NCS Institutional Structure: Implementation

The NCS will be implemented by numerous Government and private sector agencies across a whole gamut of different policy areas. In many instances, this will be done through the normal activities of the Ministry or agency. In other instances they will be done through specific programmes or projects.

Monitoring and Evaluation

To ensure that the NCS has the desired bottom line impact on jobs, investment, an overarching monitoring and evaluation structure will be put in place. This framework will incorporate progress against the latest competitiveness indices developed internationally by important institutions such as the World Economic Forum (WEF) and the World Bank in order to effectively to track progress and to benchmark progress against Guyana's competitors.

Part I

National Competitiveness Strategy

Rationale and Key Elements

CHAPTER ONE

THE RATIONALE FOR COMPETITIVENESS STRATEGY

“Guyana relies too heavily for its economic existence on the production and export of a few virtually unprocessed commodities. In other words, the country’s economy is almost totally dependent on the production and export of raw materials. Moreover, most of these products are sold in guaranteed preferential markets at prices which even now are generally higher than those that are obtainable in the non-preferential world. As a consequence, the Guyanese producer has had no incentive, indeed no overwhelming reason, to be competitive, to be as efficient as possible.... Moreover, because of the ready acceptance of certain of our export products in these favourable conditions, we have tended to concentrate on only a few products, and to continue to employ outmoded production practices. It is evident, however, that within less than a decade, primarily because of the inexorable process of globalisation and the pervasive influence of the World Trade Organisation, this special treatment will be removed. Indeed, the prices obtainable from the preferential markets are already being reduced. We must therefore both diversify our economy and increase our productivity, not only because of the impending worsening of trade conditions in our traditional markets but, more important, because it is intrinsically in our best interests to widen our production base, to become competitive, and to be as profitable as possible”

National Development Strategy, pg
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Guyana’s Rising Competitiveness Challenge: Charting A New Way Forward

Important progress has been made in Guyana in recent years in managing the process of adjustment to the new world economic environment through the exercise of monetary and fiscal discipline, improvements in the environment for private investment, reform of the tax system, creation of a property market, investments in education and infrastructure, and boosting productivity in traditional sectors of the economy. But important and pressing challenges still remain to be tackled. At the forefront is achieving the economic imperative of improving national competitiveness and diversifying the economy.

Whilst economic diversification has long been and remains a major aspiration of Guyana’s policymakers, as a country we have historically been highly dependent on the exports of only a handful of natural resource commodities. This continues today - gold and sugar account for over half of our exports, and when combined with four other commodities (rice, shrimp, timber, and bauxite), they account for 86% of exports (and 69% of GDP).

In the past an excessive burden of debt, high and unpredictable inflation, unmanageable fiscal and balance-of-payment deficits, and an absence of legislative foundations to give security to investors provided the explanation for why it was impossible for Guyana to compete and win in the global market place. However, today many of the necessary foundations are now in place, yet our economy

remains dominated by exports of a small number of commodities. This lack of diversification would, in itself, not amount to a significant problem if the existing economic base was sufficient to generate a renewed momentum for growth and prosperity but per capita income is not yet growing sufficiently to raise standards of living to those aspired to in the National Development Strategy.

Moreover, the situation is now more critical than ever because the mainstay of Guyana's economy, Sugar, is under threat from the EU's reform of the Sugar Protocol which will reduce the landed export price received for Sugar by 36% over four years and lead to a reduction in the value of the existing quota by €31.5 million (US\$ 37 million). This could potentially amount to a loss equivalent to 5.1% of GDP and 5.4% of merchandise exports annually.

Guyanese stakeholders – both public and private sector – strongly support the need for diversification through widening the productive base of the economy and improving competitiveness. But since the publishing of the National Development Strategy just five years ago, the challenges to be overcome to achieve this overriding goal have become ever more demanding. These challenges come from many sources all related to the forces of globalization which continue to fundamentally alter the speed and suddenness with which international competition affects our economy.

International agreements such as the Doha Round in the WTO and the EU's Economic Partnership Agreements (EPAs) continue to facilitate the rapid liberalization of trade, investment and technology flows, making competition ever more immediate and intense. At the same time, Guyana's traditional patterns of preferential treatment in trade with the EU under the Cotonou agreement are not just being eroded but are now in real danger of being eliminated altogether. Rapid technological progress also means that competition continues to take on new and constantly changing forms and the acceleration in the spread of globalised value chains means that technology is moving across countries ever more rapidly. Moreover, the competition that Guyana faces from other developing countries for low-cost exports has intensified with the emergence of competitors such as China, India and Vietnam.

For Guyana, this situation represents a much more formidable challenge than faced us even five years ago. Nevertheless globalization not only brings challenges but also opportunities for us to tap into international markets and take advantage of increasing capital and technology flows which can lead to greater income and employment opportunities.

For example, the Caribbean Single Market and Economy (CSME), the flagship of the Caribbean Community, will create a single economic space which will allow for the more efficient utilization of regional resources and provide access to a market of over 14 million consumers. It will also encourage international standards of production, enforced by the Caribbean Regional Organization for Standards and Quality. In time, Guyana will have increased access to capital, skills, and other inputs from across the region and the strengthening of the legal framework to facilitate the pooling of CARICOM resources will enable Guyana and all the Community to be more effective in international negotiations. This environment will provide the platform to enable Guyana and all the Community to integrate effectively and competitively with the rest of the global economy through creating the conditions to enable our goods and services to compete and win in both intra-regional and extra-regional markets.²

However, the CSME also poses many competitive threats for Guyana. Neighboring countries are moving rapidly to prepare for success in new product areas and will leave Guyana behind if action is not taken today to seize the new opportunities that CSME presents Guyana's private sector, especially in promising sectors which can be engines of diversification and growth into the future.

² His Excellency, President Bharrat Jagdeo (Dec. 2003), Realizing the CSME: Prospects for National Development,, Seminar on CSME, Georgetown, Guyana.

As a country, we must therefore become more successful in developing value-added export potential. Although a number of our sectors have *comparative* advantages due to the availability of land, water, competitive wages, and an advantageous position as a potential exporter to CARICOM, in most sectors, Guyana has not been successful at building up *competitive* advantages. The natural factors are there, but other integral parts of the system necessary for translating comparative into competitive advantage are missing.

What then is needed now is long term strategic analysis and planning by the Government, coupled with more effective and vigorous entrepreneurship by the private sector to ensure that we rise to these challenges and seize the opportunities through the formulation of policies aimed at enhancing national competitiveness and diversifying the economy. The rationale for National Competitiveness Strategy thus comes from the need to deliver on the goals of the National Development Strategy. It is necessary to chart a new way forward to generate a new momentum for growth and prosperity that is consistent with these more challenging competitive realities, with the ultimate objective of delivering a better quality of life for all Guyanese.

CHAPTER TWO

KEY ELEMENTS OF COMPETITIVENESS STRATEGY

Competitiveness, at the micro level, means the capacity of our firms to compete, to increase their profits and grow. It is based on costs and prices, but more vitally on firms' capacity to use technology and on the performance of their products determined by a wide range of factors including price, quality, design, packaging, delivery time, range and variety of products, and innovation in new products. At the economy wide level, competitiveness means our ability to make products that meet the test of increasingly open, domestic and international markets whilst at the same time simultaneously expanding our domestic real income.³

Building national competitive advantage is not a matter of a fixed production structure predetermined by a given and unchanging set of endowments. Competitive advantage does not simply exist. *It has to be created.* It has to be carved out of initial conditions through the right enabling environment, through conscious investments in technology, education, training, information search, engineering and even research and development to create new skill and technological endowments that can allow the economy to grow by diversifying and deepening the productive base.

Identifying the means to create this competitive advantage has been done through a partnership approach where the Government, Private Sector and other stakeholders have been working together to effectively upgrade the competitiveness measures in the National Development Strategy to take account of new contemporary realities.

This approach acknowledges that the Government can only do so much, and that the emergence of a massively expanded, progressive and dynamic private sector is also critical. The Government's role is to pursue a pro-active policy agenda that is responsive to the needs of the Private Sector, while the role of private enterprise is to provide the impetus to achieve sustainable export expansion, employment, income generation, and economic growth in Guyana.

That said, the National Competitiveness Strategy specifically addresses Government policy, and this is set out in more detail below.

Three Key Elements of Government Policy

The National Competitiveness Strategy has three essential components; core policies, sector policies and policies targeting strategic sub-sectors of activity.

Core Policies

Core policies to improve competitiveness cut across most sectors of the economy to generate a business-friendly investment climate. Core policies include two types of interventions.

³ Based on definition by OECD (1992), *Technology and the Economy: The Key Relationships*, Paris: OECD

- **Incentive Policies:** Policies which provide for a stable, predictable macroeconomic environment and those which exercise performance pressure on firms to become competitive. These policies include macroeconomic policy (including monetary, fiscal, and exchange rate policy), competition policy, taxation policy and trade policy.
- **Supply Side Policies:** Policies which are geared to overcoming systematic market failures in factor markets which impede the building up of competitive advantages by enterprises. These include policies with respect to education and training, business development services (including technology and standards), finance, investment promotion (including FDI), infrastructure, export promotion, procedure regulations (red tape), and aspects of the legal system (including commercial dispute resolution).

Note that some elements of these policies (e.g. investment and export promotion, skills development, finance, and business development services) naturally have to be geared towards strengthening the competitiveness of particular strategic sectors of the economy. In line with the supply chain approach, for these policy instruments, the focus should not be *horizontal* in terms of for example, “sanitation,” “credit,” or “research and development,” but rather focused on those same activities carried out in the context of fostering and strengthening a specific chain of production/exports.

These core elements of competitiveness policy are summarized in Figure 2.1. Many of these policies are touched upon by the National Development Strategy especially Chapter 4, *Macro-Economic Strategies and Management of the Economy* which tackles trade policy, monetary policy, exchange rate management, the taxation system, investment promotion, export promotion, quality standards, and micro-finance.

Sector Policies

Sector strategies are strategies to address the particular obstacles and opportunities facing enterprises on a sector-specific basis. If National Competitiveness Strategy is to build up the competitive advantage of the economy, it is therefore necessary to make an assessment of the competitive position of the major sectors of the economy to identify their strengths and weaknesses in order to determine what is required at the level of policy to enhance their competitiveness.

Policies Targeting Strategic Sub-Sectors

Whilst National Competitiveness Strategy, in-line with a systemic approach, should aim to deploy an arsenal of measures to provide a broad-based support framework for competitiveness including a strong business climate and the development of broad sector based strategies for enterprise competitiveness, it is not possible to address simultaneously all factors relevant for policy in all sectors of the economy.

If unlimited resources were available, the Government could intervene vertically and horizontally to address obstacles constraining sector-level competitiveness, unlocking bottlenecks across many complete sectoral supply chains simultaneously. But there are not enough resources to experiment with multiple export chains; such an approach would spread effort and resources too thinly, with little possibility of having significant impact. There is therefore a need for a focused strategy which targets key points for concentrating resources, programmes, and action to select market-driven public goods interventions that allow promising sectors to grow by alleviating bottlenecks across the supply chain.

There exists a strong natural symbiosis between the three instruments of competitiveness policy. The components each have prescribed goals but they are mutually reinforcing and supportive of one another and natural synergies and feedback effects exist between them. These elements mould together to provide the *systemic* platform for improving the national system of competitiveness. This is illustrated by Figure 2.2 which shows how the respective elements of competitiveness policy fit together to provide the overall platform for enhancing national competitiveness.

Figure 2.1: Core Elements of Competitiveness Policy

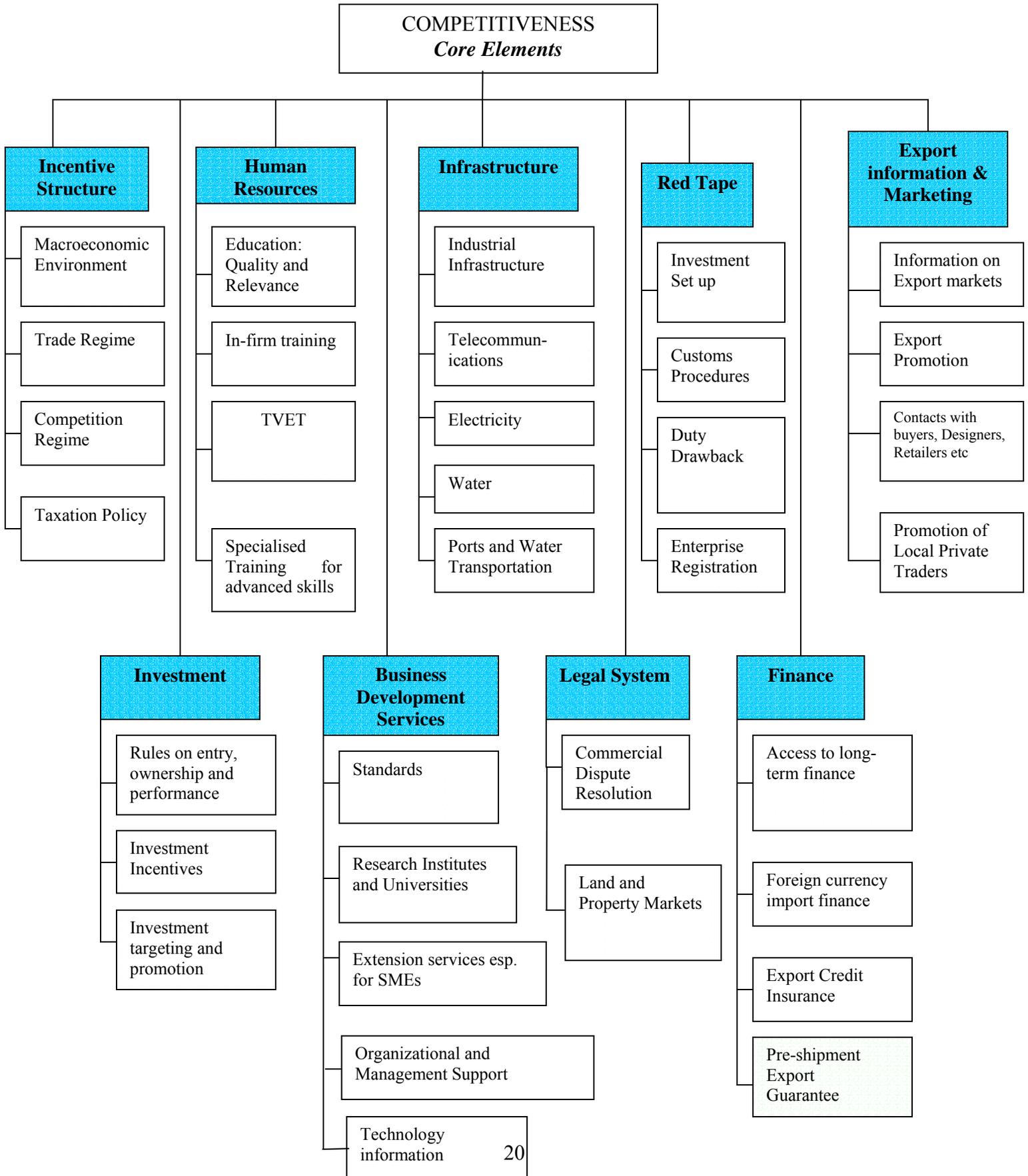
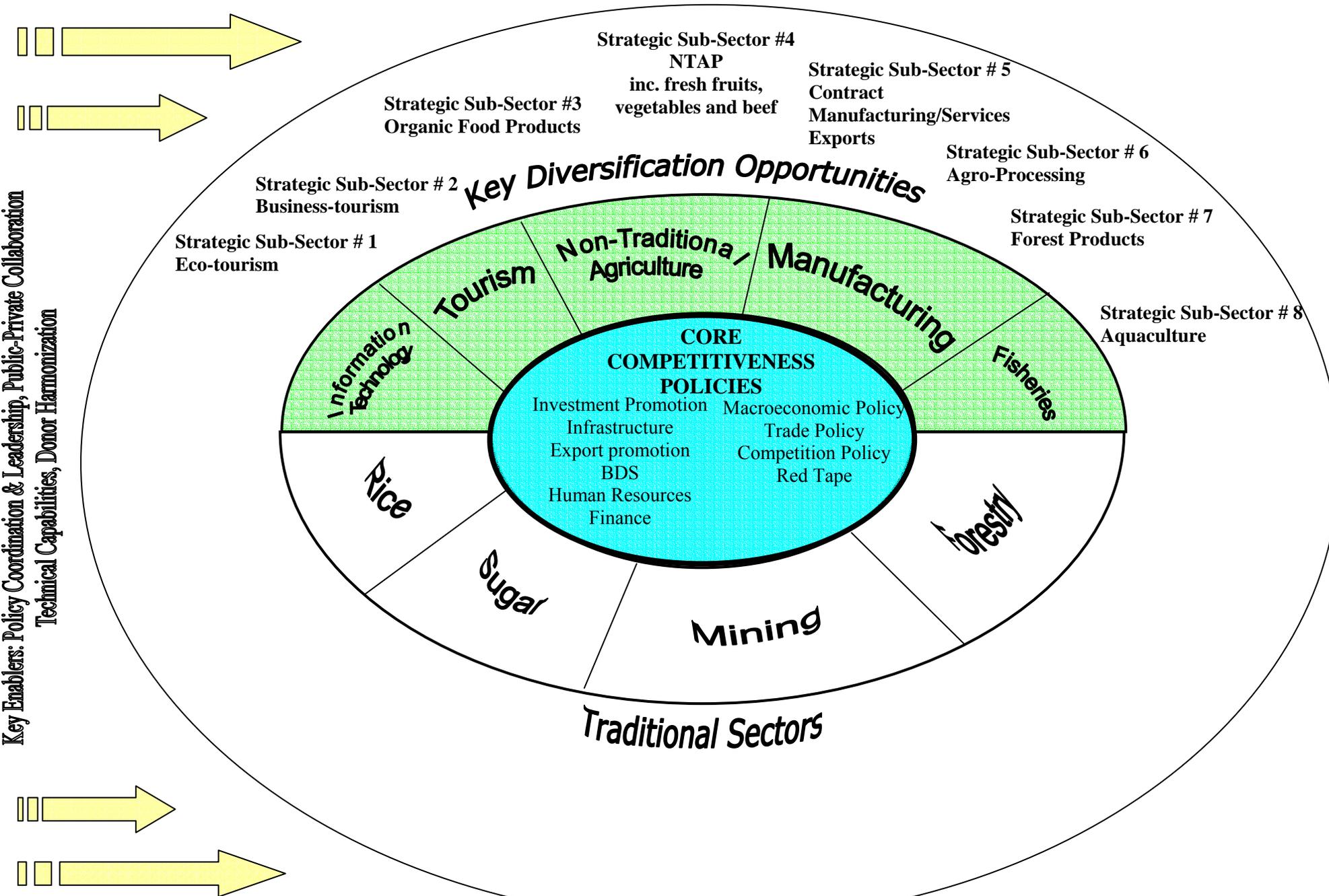


Figure 2.2: Competitiveness Policy: Targets and Instruments



Four Key Enablers

Supporting the effective formulation and implementation of measures in these three areas of competitiveness policy requires four key overarching enablers:

1. ***Policy Coordination and Leadership.*** To ensure ongoing competitiveness policy development and implementation requires policy leadership to not only monitor and coordinate the development of competitiveness policy, but also to ensure that the goals of competitiveness strategy are adhered to, the policies and programmes are implemented according to a strict timetable, the results are monitored, policies and programmes are altered in light of performance, and new policies and programmes are devised as necessary.
2. ***Public-Private Collaboration for Competitiveness:*** Strategic collaboration between the private sector and the Government is crucial to uncovering where the most significant obstacles to competitiveness lie, determining what type of interventions are most likely to remove them, and engaging public and private sector stakeholders in the implementation of activities that strengthen the competitiveness of the economy.
3. ***Improved Analytical/Technical Capabilities:*** It is crucial to combine the ability to coordinate policymaking with the analytical/technical capabilities to inform the policy decisions of higher level decision-making bodies.
4. ***Donor Harmonization:*** Successful coordination of competitiveness policy requires mechanisms to ensure harmonization in the scope, volume and timing of development assistance.

Five Guiding Principles for the NCS

Competitiveness policy is guided by five principles:

1. ***Systematic Approach to Competitiveness:*** The factors inhibiting competitiveness are not isolated to one area, but rather relate to a number of factors which inhibit the conversion of comparative to competitive advantage. Therefore, a holistic and systematic approach to competitiveness is needed, with an adequate focus on factors affecting the general business climate and incentives to invest.
2. ***Export Bias:*** Given the small size of the domestic market in Guyana, diversification must be sought in viable export activities; only export markets can provide ample space for supply growth.
3. ***Targeted Support:*** Many promising sectors still in the process of commercial development will need help in kick-starting the long and unpredictable process of “learning to become competitive”; this will inevitably mean Government providing some targeted support to the private sector to ensure that private enterprises have the capacity to compete, to increase their profits and grow.
4. ***Subsidiary Principle:*** Government interventions supporting the private sector should be strictly targeted to what is essential for success and should not compete with, replace, or crowd out private initiatives.
5. ***Complete supply chain approach:*** Support for the development of new exports in any sector requires working on the complete chain linking primary production with final markets.⁴ For growth to occur the complete chain from resourcing to production, to post production, and eventual transportation and trading at the final destination must be in place and working properly.

⁴ Whether the product is an agricultural product or an export service such as a tourism service/product.

In recent years much progress has been made in relation to the key areas of policy. Part II (Chapters 3 to 5) and Part III moves on to track this progress and indicate priorities for the next stage of strengthening.

Part II

Current Situation in Guyana

*National Priorities for
Enhancing Competitiveness*

(MDRI). Under the MDRI the Government will receive 100% cancellation of debts owed to the International Monetary Fund (IMF) and the International Development Association (IDA). As a consequence of this debt relief, the prospects for debt sustainability in Guyana have been greatly improved. However, unlike African nations included in the MDRI which had debt owed to the African Development Bank (ADB) cancelled, Guyana and other non-African countries have yet to receive cancellation of debt owed to the Inter-American Development Bank (IDB), Guyana's largest creditor.

Actions in Progress and Planned Activities

MF.A1: Continue to adhere to a sound macroeconomic framework including: monetary and exchange rate policies geared to meeting inflation objectives and maintaining competitiveness; and fiscal prudence to maintain debt sustainability and to enable the resources set free under the MDRI to be used effectively in support of economic growth and poverty reduction.

MF.A2: Pursue a strategy to seek debt relief from outstanding non-Paris Club bilateral creditors and Guyana's main multilateral lender, the Inter-American Development Bank.

MF.A3: Promote the operations of the Ministry of Finance's Aid Strategy Task Force (ASTF) with the key aims of diversifying donors, mobilizing additional high-quality grants and concessional loans, accelerating disbursements, reviewing the laws governing the aid and debt management process, and implementing the National Capacity Building Plan for Aid and Debt Management.

Recommendations

No further actions proposed at this time

Trade policy

Over the last decade, Guyana has significantly liberalized its trade regime with market access having been significantly enhanced under the process of progressive liberalization in CARICOM. In addition, under the WTO, Guyana has bound its entire tariff at a ceiling of 50% for non-agricultural products (with some exceptions) and at 100% for all agricultural products.¹⁰

Currently Guyana faces a number of fundamental challenges with regard to successfully defending our economic interests in international trade negotiations. These challenges are confounded by the rapidly-changing conditions for international trade with the appearance of new competitors and new treaties and agreements which result in the increased liberalization of trade, and of new technologies and quality requirements. Currently Guyana, together with other CARICOM member states, is simultaneously engaged in several key trade negotiations that all promise tremendous changes to the international trade environment in which Guyana's products will have to compete. These include the World Trade Organization (WTO) Doha Round, the European Union (EU) CARIFORUM negotiations, and the

¹⁰ Regarding import tariffs Guyana has bound its tariff regime at a general ceiling of 50 percent (with some exceptions leading to a simple average applied tariff of around 58 percent) for non-agricultural products and at 100 percent for all agricultural products. Under CARICOM's Common External Tariff (CET) regime Guyana applies a maximum tariff of 20 percent on industrial products and 40 percent on agricultural products (on goods entering from outside CARICOM) with a number of exceptions. Like other CARICOM countries Guyana may grant full duty exemption on some goods (on the Conditional Duty Exemption List).

potential Free Trade Area of the Americas (FTAA).¹¹ Combined with resource and institutional constraints, most countries within CARICOM, including Guyana, will find it a constant struggle to keep up with all international developments and have enough capacity to dedicate effort to autonomous trade strategy. Nevertheless, these are the contemporary realities and challenges which face us and we must now make building the capacity to defend our national interests a strategic priority.

In 2003, the Ministry of Foreign Trade and International Co-operation (MOFTIC) led the completion of the National Trade Strategy (NTS), which identified ways to improve the defense of our national interests by improving identification of negotiating objectives, internal and external coordination, and by enhancing MOFTIC's resources.

Since then, capacity constraints as well as diversion of key human resources to deal with issues such as the EU Sugar Reform have meant that MOFTIC continues to suffer from a lack of capacity to strengthen its trade strategy, negotiation, and implementation capabilities. This prevents Guyana from maximizing its ability to participate in significant trade negotiations, delays implementation of trade agreements, and limits the benefits to be realized from existing trade agreements.

Recent progress has been made in dealing with these issues. For example, MOFTIC and other trade related agencies have been working to accelerate progress in implementing the NTS with support from the Guyana Trade and Investment Support (GTIS) project.¹² Furthermore, MOFTIC has recently been taking a proactive stance on several fronts, in collaboration with many other agencies and like-minded alliances both regionally and internationally, on issues such as Preferences erosion, Special & Differential Treatment, SPS and Small and Vulnerable Economies (SVEs). Moreover, Guyana is among the first six countries to implement the CSME by the scheduled January 1, 2006 date, although there are still some outstanding actions which are to be completed in early 2006. In addition, the Guyana/Brazil trade agreement has recently been implemented by both sides and the agreement disseminated widely to the Private Sector.¹³ MOFTIC has also taken a strong lead in creating the National Coalition of Service Providers whose goals include, among other things, assisting policymakers in the development of positions to be pursued in GATS and other services negotiations.

Nevertheless, for the aspirations of the NTS to be realized substantial effort will now have to be made to ensure implementation of those outstanding elements of the strategy that are most important and relevant to Guyana's current reality; and that the strategy is constantly updated in light of changing international trade conditions.

¹¹ The completion of the WTO negotiations promise more tariff cuts and the removal of additional barriers to a wider range of goods and services as well as new rules by which WTO members will be required to conduct their trade; the European Union (EU) CARIFORUM negotiations will replace the current preferential arrangements (guaranteed and duty-free access) for Guyana's major commodity products with an "Economic Partnership Agreement" EPA that provides for reciprocal access to each others' markets; the Free Trade Area of the Americas (FTAA), if completed, could replace Guyana's preferential access to the United States and Canadian markets with a treaty providing for reciprocal access to each others' markets and those of the other countries in the Western Hemisphere (excluding Cuba).

¹² Sub-components 1 and 2 (of 4) of the GTIS project are designed to help support implementation of the NTS by 1) providing crucial public and private sector training to ensure a deeper national institutional understanding of trade issues; 2) to put in place systems that will support the work of MOFTIC; and 3) to ensure that current and future efforts have a positive impact on the private sector's ability to take advantage of emerging trade opportunities.

¹³ The Brazil-Guyana Joint Commission, which is tasked with addressing implementation of the Brazil-Guyana agreement is due to meet in the next few months to monitor progress.

Actions in Progress and Planned Activities

TP.A1: **Enhance knowledge and understanding of trade, business and investment issues within relevant agencies** by training a cadre of professionals that are sufficiently aware of trade fundamentals and have an ability to effectively participate in negotiations

TP.A2: **Facilitate the flow of trade information between public institutions** by developing a secure online knowledge management tool to provide trade officials with trade related information (legal documents, statistical databases) and to allow the exchange of sensitive negotiating documents.

TP.A3: **Facilitate implementation of commitments and obligations** by developing an inventory of trade obligations and action plan for implementation

TP.A4: **Assess civil society's role in the trade negotiation process** by an assessment of current mechanisms for public-private consultations before and during trade negotiations and development of an action plan to strengthen current mechanisms.

TP.A5: **Develop a civil society outreach program** to provide outreach to and facilitate dialogue, consultation, input and participation of civil society groups, in the context of negotiating trade agreements. The focus of this will be on sensitizing the public and private sectors to the opportunities that the CSME presents through development of a Public Education Initiative.

TP.A6: **Strengthen the private sector's capacity to advocate its interests in the trade negotiation process and the development of policies affecting the business enabling environment** by enhancing the private sector's ability to analyze key private sector, sector-specific issues and to develop and present their positions to counterparts in government.

TP.A7: **Create Trade Point Guyana at GoInvest and linked to the other trade related agencies** to provide the private sector with product and market-specific information about the requirements for entry into key export markets¹⁴ (this action supports IP.A3 in the section on Investment Promotion and Facilitation).

Policy Recommendations

TP.R1: **Concentrate on trade negotiating positions and trade relationships which:**

- i. Maximize use of preferential access and margins while they exist but prepare for their loss in the near future;**

¹⁴ Trade Point is a multi-faceted network of services including: a) a *trade facilitation center*, where participants in foreign trade transactions are grouped together under a single physical or virtual roof to provide all the necessary services for trade transactions. These participants include chambers of commerce, customs, banks, freight forwarders, transport agencies and insurance companies b) a *source of trade-related information*, providing actual and potential traders with data about business and market opportunities, potential clients and suppliers, as well as trade regulations and requirements. c) a *gateway to global networking*, in order to increase the participation of traders, particularly SMEs, in the emerging electronic commerce economy. The Trade Point network comprises over 120 member trade centers and is operated by the World Trade Point Federation (WTPF), of which each Trade Point center is a member. At least three Caribbean countries have already adapted Trade Points and re-engineered it to meet their specific needs. These include Trade Point Port of Spain (<http://www.tradetnt.com/marketintelligence.shtml>), Trade Point Jamaica (<http://www.jamaicatradept.com>), and Trade Point Curacao (<http://www.tpcuracao.com>).

- ii. **Develop time-limited, product-specific requests for Special and Differential Treatment aimed at addressing the non-tariff barriers that strategic non-traditional products face on world markets;**
- iii. **Support Guyana's position as a Small and Vulnerable Economy; and**
- iv. **Protect Guyana's advantages in the priority markets of Brazil and CARICOM, by:**
 - Facilitating the flow of information to the private sector about the export opportunities to these markets (this is supported by the action to invest in *Trade Point* above);
 - Ensuring that the mechanisms exist to defend the promised access by Guyanese goods to these markets (this is related to and supported by a policy recommendation to strengthen existing mechanisms to defend trade interests below); and
 - Focusing input into multilateral trade negotiations on ensuring that Guyana's advantage in the Brazil and CSM markets are not undermined in the immediate future by concessions granted in the course of multilateral and bilateral negotiations.

TP.R2: Refocus efforts on implementing a limited number of priority recommendations from the National Trade Strategy:

- i. **Update the list of Guyana's future trade negotiating objectives in light of international trade developments since 2003.**
- ii. **Strengthen the National Advisory Committee on External Negotiations (NACEN) and supporting Technical Working Groups;** this framework is central to the process by which Guyana can improve formulation of a proactive trade negotiating agenda. This effort must ensure more meaningful private sector input is received by; a). translating materials disseminated for discussion into layman's language; b). ensuring that smaller, successful businesses are incorporated into the process.
- iii. **Ensure staff attending WTO workshops also participate in World Trade Organization (WTO) activities while in Geneva;**
- iv. **Pursue the option of using the resources of the Agency for International Trade and Cooperation (AITC) in the absence of a permanent presence at the WTO in Geneva**
- v. **Address gaps in the collection, analysis, and dissemination of trade data**

TP.R3: Invest adequate resources in trade-related agencies to enhance capacity and achieve institutional strengthening. Investments should be prioritized towards providing additional:

- i. **Sector specific trade specialists in MOFTIC covering agriculture, goods, services and investment.**
- ii. **Trade specialists to other trade-related agencies such as the Ministry of Agriculture and to the private sector to improve their ability and readiness to participate in the Technical Working Groups of NACEN.**

TP.R4: Strengthen existing mechanisms to defend Guyana's trade interests. Trade interests and benefits, once negotiated, need to be defended. We must ensure that existing mechanisms support proper discussion, negotiations, and where necessary, litigation of our trade interests, focusing on the priority partnerships of Brazil and CSM (to support the work of Caribbean Court of Justice and a Brazil-Guyana Joint Commission). Mechanisms in need of strengthening include i) reporting mechanisms for exporters who believe their goods are being subjected to unfair trade practices; and ii) mechanisms to investigate and pursue relevant claims (some of which could be settled using the alternative dispute resolution methods permitted within the CSM while others would require representation before the CCJ or political resolution at the level of the Joint Commission).

Competition and Consumer Protection Policy

Like exposure to international competition, local competition can be an important factor in providing incentives to our local enterprises to invest in improving their competitive capabilities; the greater the competition that our firms face, the greater the incentives provided to gaining cost and quality competitiveness quickly.¹⁵ In Guyana, historical evidence suggests that barriers to domestic competition have been damaging to firm-level capability building.¹⁶ International evidence shows a positive relationship between competition and productivity, and between competition and the rate of productivity growth, which in turn is one of the main sources of economic growth. Moreover, whilst the existence of competition in national markets is not all that is required to achieve international competitiveness, a lack of domestic competition greatly reduces the prospects for domestic producers successfully entering export markets.¹⁷

In recognition of this the Ministry of Tourism, Industry and Commerce (MINTIC) drafted the Competition and Fair Trading Bill (CFTB) to conform closely with regional and international best practices.¹⁸ The aims of this Bill are to; (a) promote, maintain, and encourage competition and enhance economic efficiency; (b) prohibit anti-competitive business conduct which restricts competition or constitutes the abuse of a dominant position; and (c) promote the welfare and interests of consumers. The Bill provides for the setting up a Commission and Fair Trading Commission which will be responsible for pursuing these aims. The legislation also allows for the establishment of the Community Competition Commission (CCC) which CARICOM are establishing as part of the CSME; this body will work closely with the national authority to ensure that the benefits of CSME to Guyanese business are not undermined by cross-national anti-competitive business practices.¹⁹

After extensive public consultation and appropriate scrutiny by a cross-party Parliamentary Sub-Committee, the Competition and Fair Trading Bill was recently passed by Parliament [April 2006]. In parallel MINTIC has drafted complementary consumer protection legislation for enactment at roughly the same time. The aims of the Bill are to; (a) promote and protect consumer rights; (b) represent the collective interests of consumers before judicial or administrative bodies; (c) represents consumers' interests to Government and enterprises supplying or distributing goods or providing services; and (d) collect, process and disseminate objective information for the benefit of consumers. Like the CFTB, the Bill provides for the setting up a Commission, the Consumer Protection Commission, which will be

¹⁵ Lall, 2001, *Competitiveness, Technology and Skills*, Cheltenham, Edward Elgar

¹⁶ See Gafar, John, 2003, *Guyana: From State Control to Free Markets*, Nova Science Publishers

¹⁷ The experience of many countries has been that industries lacking domestic competition have greatly reduced incentives to innovate by adopting improved processes and introducing improved or new products. Competition law also promotes equal opportunity for smaller entrepreneurs. With free entry, smaller entrepreneurs and those who lack social or network connections, have a better chance at undertaking productive activities. Studies have also shown that the benefits of competition do not depend on having large numbers of firms. To obtain the benefits of competition some degree of competition, but not always competition by a large number of firms, is needed. Moreover, it is not just market structure but also the threat of entry – either by firms or by products – that determines the degree of competition in domestic markets.

¹⁸ The current draft of the Competition and Fair Trading Bill is based on the CARICOM draft model legislation; this was developed by CARICOM during 2003 to ensure as much harmonization as possible of national competition laws within the context of CSME. Through consultation Guyana's draft Bill has undergone various amendments to take account of Guyana's specific local circumstances. Nevertheless it retains the essential features of the CARICOM model legislation; as such it is in-line with Guyana's commitments on competition policy law under CSME.

¹⁹ For example, conduct by public and private enterprises to divide up markets geographically, fix prices, bid rig, engage in predatory behaviour or limit competition through exclusionary distribution agreements, amongst other strategies.

responsible for pursuing these aims. The Consumer Protection Act has recently been submitted to Parliament for consideration [April 2006].

The objectives of both pieces of legislation have strong synergies and are strongly inter-connected; together they will provide for a comprehensive competition and consumer protection system for Guyana. The strategy for implementation of the new system will be a progressive approach tailored to Guyanese circumstances and designed to maximize the benefits of the policies, minimise costs, and be administratively feasible. The system will also ensure the maintenance of incentives to invest for both local and foreign firms, preserve efficiency arising from economies of scale and scope, and avoid excess capacity and waste.

With regard to Competition Policy, the strategy recognises that the Competition and Fair Trading Commission will not have from the outset the resources and experience to go after every suspicious anti-competitive case and that the business community requires adequate time to understand and prepare for implementation of the law. As such the proposed implementation strategy sets aside a considerable amount of time for appropriate training of staff before any formal investigations are initiated, as well as the development of an extensive outreach program with the business community. In order to build credibility from the outset, businesses will have the proposed framework and rationale properly explained to them, and be given an explicit timeline for implementation.

Actions in Progress and Planned Activities

CP.A1: Set-up the Competition and Fair Trading Commission (CFTC). A Commission will be set up and assigned adequate financial and human resources using space currently available at the SOFIA complex.

CP.A2: Set-up the Consumer Protection Commission (CPC). A Commission will be set up and assigned adequate financial and human resources using space currently available at the Sofia complex. Existing staff currently engaged in handling consumer complaints in MINTIC, the PUC, and GNBS will be transferred to the new institution to provide the initial kick start required.

CP.A3: Ensure adequate training and internships. To provide consumers and firms with efficient responses and adequate handling of information and cases within each authority, in the short term there will be programs for training and internships for staff. In the case of the CFTC, moving forward, options will be explored for offering Graduate Scholarships in law and economics to ensure the long term availability of qualified and motivated human resources committed to the Commission. Options will also be explored for promoting a joint academic program in Competition Law and Economics between the University of Guyana and the University of West Indies to strengthen competition-related concepts in undergraduate students.

CP.A4: Develop an outreach program with the business community to create awareness among firms and the general population on the value of the system, its nature and impact. Short courses on Competition and Consumer Protection will be offered for interested parties.

CP.A5: Strengthen the consistency and public awareness of commercial legislation by reviewing relevant laws and developing a guide on commercial legislation in Guyana.

CP.A6: Conduct dialogue with private and public stakeholders on Mergers and Acquisitions (M&A), anti-dumping, and structure of institutional regulatory framework.

CP.A7: **Develop the collection and management of statistics at market, sector or business level** to ensure the availability of statistics to use as inputs for the production of material for case resolution and information diffusion.

CP.A8: **Coordinate actions on the widespread use of purchase receipts between Guyana Revenue Authority and Competition and Consumer Protection Commission.** This will provide a framework that allows for consumers to enforce consumer protection law by providing them the proof of their transactions. The proposed commercial invoice and VAT system will facilitate this activity.

CP.A9: **Strengthen consumer associations** to ensure the enforcement of the consumer protection legislation.

CP.A10: **Participate in CARICOM competition and consumer protection policy coordination** to ensure harmonization of regional and national consumer protection and competition policies.

Recommendations

No further actions proposed at this time

Taxation Policy

General Taxation

Taxation policy is important for national competitiveness because it helps to either retard or stimulate productive investment. The graduated system of taxation for competitiveness should where possible be fair, transparent, and progressive.

Since the early 1990s, Guyana's tax system has undergone a series of reforms aimed at stimulating investment. In recent years, the tax reform programme has accelerated significantly, and in 2000, the Government established the Guyana Revenue Authority (GRA) to lead the implementation of the accelerated programme. In addition, in 2004 various fiscal tax laws were amended to minimize discretion in the granting of fiscal incentives. For example, the Custom's Duties (Amendment) Order was issued to minimize discretion in the granting of exemptions.

The most important recent reforms, which have either been adopted or are in the pipeline are:

- **Introducing Value Added Tax and Excise Tax** to replace the Consumption Tax system. The effective date for the introduction of the Value Added Tax and the Excise Tax will be January 1, 2007; this timeframe will help ensure that the private sector and other stakeholders have sufficient preparatory time to ensure successful implementation of the system. The new system will help broaden the business tax base and help flatten the tax schedule by eliminating extreme variations in rates. The new excise tax schedule has been adapted accordingly to ensure a revenue neutral impact. To support these reforms, under the Ministry of Finance's Fiscal and Financial Management Programme, an integrated information technology system is being established at the Guyana Revenue Authority (GRA) to complement the recent establishment of a modern system for controlling and recording tax exemptions.
- **Increasing the annual threshold of personal income tax** beginning in 2006 from G\$240,000 to G\$300,000 and replacing the current rates of 20% and 33 1/3% with a single rate of 33 1/3%; this will ensure higher take home pay and removes approximately 20,000 persons from the income tax net.

As the VAT and Excise Taxes move to implementation in 2007, the next major challenge for the Government will be to unify and then lower the Corporate Income Tax to a rate which enables Guyana to be regionally and globally competitive whilst not unduly eroding the revenue base. In the recent past, a lower CIT has been delivered to companies through tax exemptions, but there is an argument that an across-the-board lower CIT not only broadens the tax base, but (importantly for Guyana, with our resource constraints) has a much lower administrative burden than exemptions.

In 2006, the Government will be commissioning a study to examine the various options for lowering the CIT, in conjunction with streamlining further the system of incentives provided (see following section).

Ongoing Actions and Planned Activities

TaP.A1: Implement the new VAT and Excise Tax including an outreach program with the local business community to sensitize them in the workings of the new system.

TaP.A2: Carry out a study to examine the various options for lowering the Corporate Rate of Income Tax (CIT). Following the results of the study, reduce the Corporate Rate of Income Tax (CIT) to a level that will be effective in stimulating higher levels of private investment whilst not unduly compromising Government revenue.

Recommendations

No further action proposed at this time.

Incentives for Attracting Investment

In order to facilitate investment and expansion in key sectors of the economy, the Government provides an array of across-the-board investment incentives, including benefits for industrial estates, accelerated depreciation, export allowances, loss carryforward, construction allowance, and research and development allowances. Guyana also offers several sector-specific programmes to promote trade and investment in several strategic sectors of the economy including tourism, fisheries, mining, forestry, manufacturing, and agriculture. Locals and foreign companies are treated alike with respect to these incentives. The In-Aid-of-Industry-Act also provides for the acceleration of depreciation on specific capital expenditures to specific industries and under the Industries Aid and Encouragement Act, prescribed items may be imported duty-free for the purpose of establishing a new industry or developing an existing one. Furthermore, Guyana offers duty-free imports and tax holidays to investors with a key consideration being generation of value added. The Small Business Act was also recently introduced to allow small businesses to enjoy incentives that are not currently available to them.

However, the world is changing to an open multilateral / regional regime i.e. one not based upon bilateral trading patterns and preferences, but one of multilateral competition and mobile investment. Within this environment it is particularly challenging to attract FDI.

The Government is cognizant of the view that the array of investment incentives currently offered does not always correlate with increased levels of investment, particularly FDI. Moreover, delays still afflict the approval process, and elements of the present incentive system including tax holidays may distort allocative efficiency, skew benefits towards large and established companies, and place a large administrative burden on GoInvest and MINTIC. Certain aspects of the system also remain discretionary in nature, leading to uncertainty among investors. In addition, the current tariff structure tends to favor raw material inputs over *intermediate and capital goods*; this affects the competitiveness of valued added products and Guyana's attractiveness for investment vis-à-vis producers/exporters in countries that have

across-the-board lower tariff rates. The duty exemption/drawback system has been used in the past as a solution to this issue, but there is an administrative overhead to this solution which should ideally be removed. Moreover, the system is of questionable usefulness as a means of reducing duty rates on intermediate and capital goods as many enterprises, especially SMEs, buy these goods locally.

For these reasons, in parallel with the study to determine the optimum level of Corporate Income Tax, options to improve the system of incentives and ensure that incentives are used only when they deliver significant competitiveness-enhancing value will be examined. To complement this, options will be explored to improve the tariff structure to attract increased investment and enhance the competitiveness of Guyanese enterprises.

Ongoing Actions and Planned Activities

TaP.A3: Carry out a study examining options for improving the efficacy of the current system of fiscal and duty incentives and tariff structures, as part of the same study that will be looking at the options for unifying and reducing Corporate Income Tax (CIT). Following the results of the study, refine the system of fiscal and duty incentives and/or tariff structure in a way that improves the business friendliness of the tax environment without unduly compromising government revenue.

Recommendations

No further action proposed at this time.

Supply Side Policies

There are currently a number of factors inhibiting the competitiveness of Guyana's productive sector on the supply side of the economy. Table 3.1 presents the basic problems relating to the core supply-side drivers of enterprise competitiveness. The Government is committed to systematically addressing these factors through the identification of a set of solidly-founded recommendations of policy actions and associated investments.

Table 3.1: Core Supply-Side Impediments to Competitiveness

Skills/Workforce	Finance	Infrastructure	Technology	Red Tape	Other
<p>Workforce with low productivity and narrow skill base</p> <p>Mismatch between supply and demand of skills in the labour market</p> <p>Weak vocational and technical training system that does not tailor skills to needs of economy</p> <p>Shortage of professional business management skills</p> <p>Absence of firm or sector specific specialised training</p> <p>Too little emphasis on vocational and technical training versus academic education</p> <p>Insufficient FDI inflows as a source of skills</p>	<p>Insufficient access to affordable finance for investment and working capital</p> <p>Market failure within banking sector (e.g. inability to assess risk)</p> <p>Insufficient FDI inflows as a source of capital investment</p> <p>Inadequate export related assistance e.g. no pre and post-shipment financing</p>	<p>High cost and unreliability of electricity supply</p> <p>High cost of shipping and long transportation times</p> <p>Insufficient supply of affordable factory space</p>	<p>Outmoded technologies</p> <p>Insufficient license purchases, capital goods imports, and FDI as sources of foreign technology</p> <p>Poor technological infrastructure</p> <p>Low level of informal technological efforts</p> <p>Lack of awareness of quality standards and access to standards services</p>	<p>Lengthy bureaucratic procedures e.g. lengthy duty drawback procedure, investors have to visit numerous Government agencies for permits etc...</p> <p>Lengthy customs procedures</p> <p>Over-regulated and complex regulatory and legislative environment</p>	<p>High level of labour turnover</p> <p>Low emphasis on quality, technical excellence, standards and compliance requirements</p> <p>Lack of strong and efficient commercial dispute settlement mechanism</p>

Investment Promotion and Facilitation

A predictable and transparent legislative and regulatory regime for domestic and international investors, coupled with dynamic and effective investment promotion institutions, are essential to Guyana's national competitiveness.

In recognition of this, the Government is following a two-prong strategy to deliver these two key ingredients: (i) through the implementation of world-class investment legislation and regulation, starting with the passing of the Investment Act in 2004; (ii) through the acceleration of institutional strengthening at GO-Invest, which is the critical interface between business and government on investment and export-related issues.

Investment Act 2004

The Investment Act was passed in 2004 to lay the foundations for improving the investment climate and providing reassurance to investors regarding foreign exchange, equal treatment, and expropriation. The objectives of the Act are to:

- provide legal protection for investment;
- increase the predictability, stability and transparency of the legal regime for investment;
- promote the development of international best practices regarding investment;
- streamline the existing procedures for investment;
- establish the structure, role and responsibilities of a new public-private Investment Promotion Council (IPC).

Box 3.1:

Guyana's Investment Act: Key provisions

- The Act covers investments made by individuals and by legal entities;
- There is no discrimination between foreign and domestic investors;
- Investors may invest in all fields of lawful economic activity;
- Investments may be made in existing enterprises, either joint ventures or wholly-owned, by domestic or foreign investors;
- Private investment are guaranteed by the Government;
- Expropriation can only take place based on the laws of Guyana, promulgated on non-discriminatory basis and providing for fair and prompt compensation;
- Proceeds and profits from investments may be freely repatriated and out of the country business expenses in foreign currently are also permitted. Limitations may be placed on enterprises which are under bankruptcy or declared insolvent or the investor has a pending criminal proceeding;
- Investors can hire foreign personnel and these also have the right to repatriate their net earnings;
- Intellectual and property rights of investors are guaranteed under Guyanese laws;
- In case of disputes, mediation is the recommended form of conflict resolution. However, if settlement is not made amicably, the investor may seek international arbitration under the rules of the International Center for the Settlement of Investment Disputes (ICSID).

The challenge now is to ensure the effective implementation of the Act through the appropriate regulations and other measures, as well as setting up the Investment Promotion Council. Once these improvements have been delivered, the next set of reforms will be considered, including:

- Examining the number of conditional insurances within the Act to ensure that the discretionary aspects of the Act do not place excessive administrative burden on the Government, in particular, GO-Invest (when the resources of the agency could be better spent on more valuable investment promotion activities).
- Enhancing the legislation to enable the IPC to strengthen its role as a high-level public-private advisory council on all investment and export related policy issues. Currently, the act envisages a limited initial role for the IPC – an annual review of the Priority List (under the Income Tax Act); and annual recommendations to the regime of fiscal incentives.

Actions in Progress and Planned Activities

IP.A1: Ensure effective implementation of the Investment Act through a) development of appropriate regulations and other implementing measures b) setting-up the Investment Promotion Council.

Recommendations

IP.R1: Review the Investment Act (and other related legislation) to:

- i. **Revise Go-Invest mandate's** to i) make its facilitation, generation and advocacy mandate stronger ii) maximize the efficiency of Go-Invest's role in incentive administration iii) reflect its role with respect to export promotion iv) clarify the role of the Go-Invest Board and its relationship with the new IPC.
- ii. **Review and expand the role of The Investment Promotion Council to give the IPC a stronger mandate including:**
 - **Making it a pre-eminent, high-level public private dialogue advisory mechanism.** The Council should consist of an equal number of representatives from private sector organizations and from key government agencies that provide support to the traditional and non-traditional sectors. It should report to the National Competitiveness Council.
 - **Expanding its mandate to include export related issues and revising its name accordingly to the Export and Investment Promotion Council (X-IPC).** The X-IPC will act as the lead coordinator of a cohesive investment attraction and export strategy. See also Recommendation EP.R8 in the section on Export Promotion and Facilitation.
 - **Progressively ensuring that its role in incentive “fine tuning” does not compromise its effectiveness.**

GO-INVEST

GO-Invest has a crucial dynamic role to play as the main interface between business and Government on investment and export related issues. In recent years, GO-Invest has been expanded with impressive results.²⁰

- The latest client survey from 2003 conducted by the GEO project (supported by USAID) found that 91 percent of all respondents found the service provided by Go-Invest satisfactory or better.²¹ Furthermore, customer satisfaction has improved substantially based on a comparison of the findings of the 1999 and 2003 client surveys.

²⁰ GoInvest has received some support in recent years from the Guyana Economic Opportunity (GEO) Project (USAID) and now from its follow-up project, Guyana Trade and Investment Support (GTIS).

²¹ GEO Project (annually 2000-03), Results of a Client Satisfaction Survey for Go-Invest, (Guyana: USAID).

- A Report from 2002 by FIAS noted “a more dynamic Go-Invest [as] the most significant improvement ... identified,” and that the more active involvement of Go-Invest and the Government in the facilitation of key investors was an important step forward in Guyana’s reform program.

However, as the international economic environment evolves, and Guyana increasingly needs to compete globally instead of regionally, GO-Invest will have to change further. This will involve:

- Utilizing a limited human and financial resource base to deliver more dynamic investment promotion activities in the key areas – country image building, facilitation, investment generation, and policy advocacy – and spend less time on incentive mediation.
- Further improving GO-Invest’s ability to act as a facilitator for investment. Table 3.1 shows the number of agencies with which an investor or potential investor may have to deal. This is contrary to the role envisaged for GO-Invest by many private investors as the key autonomous facilitator for investors in Guyana.²²

**Table 3.1:
Ministries and Authorities that the Investor has to Potentially Deal With**

1. Central Board of Health	11. Guyana Telephone and Telegraph
2. Customs and Trade Administration	12. Guyana Water Inc.
3. Deeds Registry	13. Land & Surveys Commission
4. Environmental Protection Agency (EPA)	14. Ministry of Foreign Trade & International Cooperation
5. Fire Services Prevention Section	15. Ministry of Home Affairs
6. Food & Drug Department	16. Ministry of Labour, Human Services & Social Security
7. City Engineer's Department	17. Ministry of Tourism, Industry & Commerce
8. Guyana National Bureau of Standards	18. National Insurance Scheme (NIS)
9. Guyana Power and Light	19. Occupational Safety and Health Commission
10. Guyana Revenue Authority (GRA)	20. Secretary to the Treasury

Source: www.goinvest.gov.gy

In order to support Go-Invest in enhancing its effectiveness as a dynamic investment promotion agency, it will be necessary to improve the agency’s resources and incentive structure, reduce its role in mediating discretionary incentives, and make its facilitation, generation and advocacy mandate much stronger. Partly this is about improving the capacity and capabilities of Go-Invest, but it is also about raising its profile in the investment and export promotion framework, reducing the administrative functions in its mandate, and ensuring that it influences the investment policy process.

²² For example, see the results of repeated Client Satisfaction Surveys for Go-Invest, 1999-2003 (Guyana: USAID).

Box 3.2 What Should GoInvest Be Doing?

Investment Promotion

Go-Invest should be active in the four areas of investment promotion, and continue to expand its operations in a phased manner, concurrent with its capacity, and Guyana's state of investment maturity.

- *Proactive image-building* without devoting large budgets and numerous overseas activities. In the short-term, this can be helped by a professional web presence, although regional investment generation efforts could be valuable. Guyana should be careful to state the facts and not "over-claim". The best strategy for image-building for Guyana is to continue to improve the investment environment and develop a reputation for increasing investor-friendliness. Solid progress will advertise itself.
- *Investment facilitation* is of prime importance, but this should progressively be less about negotiating discretionary incentives, and more about proactive relationship building with existing investors, large and small (the latter through business groupings perhaps); facilitating inclusive public-private dialogue; mastering the procedures that businesses must navigate (rather than just capturing the theory about how they are supposed to work); and serving as a source of information on administrative procedures and business resources (e.g. supplier infrastructure, training resources, certification, and so on).
- *Investment generation* is important in a holistic sense. Along the spectrum of investment generation activities costly promotional missions are not as important as supporting domestic sectoral strengthening efforts, and helping shape public policy and investment decisions.
- *Policy advocacy* is an important extension of both investment facilitation and generation. On both fronts Go-Invest needs to provide high-quality advice to the government. It should do that through a more systematic and active relationship with its supervisory body, the Office of the President.

Export Promotion

GO-Invest is also currently charged with export promotion (see also section on Export Promotion). Investment and export promotion are closely linked in Guyana and much new investment (foreign and domestic) will be export-oriented. At the same time, Go-Invest ultimately must grow to serve investors throughout Guyana's large territory. In many ways, Go-Invest will have enough to do just fulfilling the investment function. The existence of NGMC, and of good investment and export promotion skills within Go-Invest offers a valuable possibility for NGMC and Go-Invest to work together as sister organizations in the future whilst concentrating on their own specialty.

- For the next year or two Go-Invest could continue to expand its export promotion skills and client base building upon the strong reputation it has, especially in the Georgetown area. In due course, Go-Invest's Export Promotion Officers could move to NGMC and act as the solid bridge between the two complementary organizations.
- In due course, Go-Invest will also need to expand services to domestic investors which will require field offices that GoInvest does not currently have. After one or two years a few of the expanded cadre of investment officers at Go-Invest could (in rotation perhaps) be deployed to joint regional offices established with NGMC.

Ongoing Actions and Planned Activities

IP.A2: Create a new vision for GoInvest to reflect its increasingly important role in country image building, facilitation, investment generation, policy advocacy, and export promotion by approving a new expanded charter through a revised Order under the Public Corporations Act. This action complements Recommendation EP.R9 in the section on Export Promotion and Facilitation.

IP.A3: Expand the capacity and capabilities of Go-Invest. This will initially involve partnering with a senior investment advisor to develop an institutional strengthening action plan to ensure GoInvest can fulfill its new expanded Charter including i) setting annual targets in new areas of responsibility ii) aligning organizational procedures and resources to achieve these targets; and iii) developing an appropriate governance structure in order to implement its targets. The plan will likely include:

- i. Recruitment of at least four additional investment officers to spend much of their time developing relationships with existing and potential new investors. Each officer should have a portfolio of clients, a sectoral lead responsibility, and a primary focus on domestic or international clients.
- ii. Recruitment of a long-term advisor to support Go-Invest in strategic investment facilitation and generation activities for a period of up to two years.
- iii. Study tours to good practice IPA countries (e.g. Jamaica, Costa Rica)
- iv. Development of a more comprehensive investor tracking system.
- v. Development of practical sectoral investment guides
- vi. Creating a remuneration plan that rewards proactivity and performance.
- vii. Helping to connect GoInvest to trade point software and provide complementary computer equipment and training material geared to providing export market information to businesses (see also TP.A7 in the section on Trade Policy).
- viii. Helping develop a business information access centre to host Trade Point (see also BDS.R7 in the section on BDS).
- ix. Strengthening GoInvest's investment facilitation role by simplifying the investment application process involving different steps at different agencies;
- x. Developing in-country image-building and product promotion programs in CARICOM countries
- xi. Developing strategic investment attraction programs
- xii. Developing an export support department providing export-readiness assessments and value-adding business advisory services in coordination with other export-development agencies (see also EP.A1 in the section on Export Promotion and Facilitation).
- xiii. Developing public training courses in business skills and investment procedures.
- xiv. Pursuing a stronger policy advocacy role
- xv. Developing and tracking investment performance and export indicators
- xvi. Developing a business model to assist in building, operating and maintaining turn-key industrial park facilities, along with support to evaluate sites and locations, establish the appropriate ownership/title structure, develop a master plan for refurbishing/construction, and market the idea among potential investors (see also Chapter 4 on Manufacturing).

IP.A4: Complete and disseminate an updated Go-Invest Investment Guide: “Doing Business in Guyana” for use as a marketing tool for attracting potential investors.

Recommendations

No further actions proposed at this time.

Export Promotion and Facilitation

An efficient and effective export promotion framework is a key prerequisite for export competitiveness. Most of Guyana's export promotion initiatives are currently performed under the aegis of three institutions:

- i. **GO-INVEST**, which as well as its Investment Promotion services, offers a full complement of services to exporters including; providing current and potential exporters with trade information for the successful exploitation of overseas markets; assisting exporters in promoting their products through participation in national and international exhibitions and trade missions; working closely with other exporting organizations to ensure that problems affecting exporters are expeditiously addressed; recommending to Government practical measures to stimulate export trade; advising the Government on the formulation of national export policies and the implementation of such policies; and collaborating with donors on identification of firm-level

exporter needs and endorsing/supporting the establishment of such programs to the private sector in key growth sectors

- ii. The **New Guyana Marketing Corporation (New GMC)** which provides more finely-honed assistance than GO-INVEST by helping to facilitate and coordinate the development of quality non-traditional agricultural produce for export. It provides assistance on export facilitation (e.g. advice/filling out of customs forms etc., to small exporters for a nominal fee); information on post-harvest technology and training programmes; monitoring of daily prices on local markets; and participation in trade fairs and expositions. Of exceptional value to Guyanese exporters are the New GMC's country-specific export marketing bulletins which provide profiles of key markets for products with strong export potential.²³
- iii. The **Forestry Products Marketing Council (FPMC)**; launched on 3rd December 2005 with a mission "to ensure the sustainability of Guyana's forest products industry by increasing value adding and improving its competitiveness through enhanced market access and increased trade opportunities". Its functions include market intelligence, trade missions, developing industry and product information and providing advice on export-related services such as product packaging and handling etc. The Council reports to the Ministry of Agriculture, Fisheries, Other Crops and Livestock and has guaranteed funding from Government for the first two years of operations. The FPMC has listed 15 activities and 13 desired projects in its first annual work plan (for 2005 – 2006). Of the 13 projects, 3 – industry training, legal and sustainable verification, identifying and promoting lesser-known species - are earmarked for immediate start up/technical assistance.

This institutional framework for export promotion has performed well in recent years, with a number of key strengths including good sector representation and a high degree of inter-agency collaboration.

The World Bank's Doing Business team recently compiled procedural requirements for exporting and importing a standardized cargo of goods into and out of Guyana, which indicated that Guyana's documentation processes are on par with the region and close to that of OECD countries.

Nevertheless, despite these strengths and recent achievements, there are a number of key challenges and issues confronting the system for export promotion which must be overcome to provide the type of conducive environment required for a step change in exports, especially of higher value added goods and services. For example, at the operational level:

- As outlined in the section on Investment Promotion, GO-INVEST only has a professional staff contingent of 8 and is operating at full capacity. As such it will not be able to contribute much more without: a) increasing its operating capacity; and b) concentrating on its core functions only.
- Whilst NGMC has been reasonably effective in providing developmental support to non-traditional producers and exporters, the agency still lacks the technical knowledge to provide support on value-added market development strategies.
- The FPMC was only recently established and, in the short term, is unlikely to make major contributions to the value-added thrust that is needed in the forestry/wood products sectors.

In the policy arena, a number of issues are also salient:

²³ Funded by USAID these rapid reconnaissance surveys provide pertinent information on export market requirements, market size, competitors, and "how to" information for potential and existing exporters.

- There is limited collaboration between sectors on supply chain issues in terms of optimizing overall export potential and there is insufficient coordination on export development agendas i.e. there is no overarching coordinating mechanism for export promotion/export development collaboration.
- Private sector representation at the policy formulation, strategic and operational levels is insufficient.
- GO-INVEST and GMC currently have no formalized legal mandates to carry out their export promotion activities.²⁴
- There is an absence of export performance targets and systems for monitoring, evaluating and identifying corrective action or areas for improvement to overcome new bottlenecks or constraints.
- There is no institutionalized capacity to assess/identify synergies along the supply chain that emerge as new markets open up for traditional and non-traditional products.
- Export promotion is focused almost entirely on producers and manufacturers with limited attention given to buyer priorities.

The framework for export promotion also faces a number of challenges in the area of laws, regulations, and export facilitation including:

1. The special incentives created to exempt profits on international exports only, are now inconsistent with the emerging strategy to increase exports to CARICOM markets.²⁵
2. Variations in export taxes, which range from 5% to 20%, favor some industries over others; high rates (e.g. 20%) make exports less competitive internationally and reduce the amount of retained earnings to finance improvements in operating systems by exporting firms.
3. The current tariff structure favors raw material inputs over *intermediate/capital goods*; this affects the competitiveness of Guyana's valued added products vis-à-vis exporters in countries that have across-the-board lower tariff rates (as before).
4. The duty drawback system is of questionable usefulness as a solution to high tariffs on intermediate or non-zero based goods (as before).
5. In terms of export efficiency, time to export for Guyana is about one-third longer than the average for the region and three times as lengthy as the average for Organization for Economic Co-operation and Development (OECD) countries.

Actions in Progress and Planned Activities

EP.A1: Refocus GoInvest's export promotion services to offer two key services at the firm-level: exporter readiness assessments and specific "value-adding" advisory services. See also Action IP.A3 in section on Investment Promotion and Facilitation and Action BDS.A6 in section on BDS.

EP.A2: Improve export facilitation efficiency to internationally-benchmarked standards by:

- i. Conducting a trade transaction study** with Customs, wharf operators, freight forwarders and a sample of exporters from traditional and non-traditional industries to develop an action plan/programme for improvements in export facilitation efficiency;
- ii. Implementing "quick hit" solutions identified by the study;**
- iii. Reviewing and endorsing longer term improvements by relevant Government entities.**

²⁴ In both cases, export promotion is not mentioned under their respective Acts.

²⁵ These incentive programs may be short-lived anyway because of Guyana's commitments under the WTO Agreements.

EP.A3: Carry out a study examining options for improving the system of export taxes and incentives for export (as part of the same study that will be looking at the options for unifying and reducing Corporate Income Tax (CIT) and improving tax incentives) to:

- i. Give equal treatment to exports to CARICOM (i.e. allow net profits earned from exports to CARICOM to be exempt from income tax)**
- ii. Reduce or eliminate export taxes**

Following the results of the study, refine the system export taxes and incentives for export to effectively stimulate exports (especially of higher value added goods) in a way which does not unduly compromise government revenue.

EP.R4: Study policy options for designing incentives to Business Development Services (BDS) providers to encourage the provision of firm-level business to business export promotion services, as part of the same study that will be looking at the options for unifying and reducing Corporate Income Tax (CIT) and improving the general structure of incentives. See Recommendation BDS.A4 in section on BDS for more detail.

Recommendations

The following recommendations are not focused on radical reform to the regulatory and institutional framework for export promotion and facilitation but instead focus on strengthening the roles that export promotion plays, in terms of its contribution to Guyana’s export-led growth.

EP.R1: Maximize use of NGMC’s limited resources by re-focusing its export promotion efforts on the provision of information and advisory services that support value added initiatives.

EP.R2: Maximize the initial impact of activities delivered by the FPMC by focusing resources on seeking out investment linkages with North American wood processors and CARICOM importers/distributors (in-line with the challenge of increasing Guyana’s regional market share).

EP.R3: Increase the provision of firm-level assistance to firms to strengthen their capacity to penetrate new markets with value added products. This activity should be market-driven with importers acting as both collaborators and key sources of information on market development opportunities. The activity would initially provide a) assistance to 50 – 100 firms in value-added product development; and b) support in-country image-building and product.

EP.R4: Develop in-country programmes to continually promote: a) Guyanese products in CARICOM markets; and b) integrated investment promotion/export promotion strategies for investors/exports. The objective of this policy measure is the same as for EP.R3. This recommendation is a second complementary part of EP.R3. While EP.R3 is focused on strengthening export capacity (i.e. on *producing* aspects of the supply chain) EP.R4 places emphasis on market penetration or the *marketing* end of the supply chain. Under this measure, funds will be made available to GO-INVEST, New GMC and FPC to implement “Buy Guyana” promotional awareness programmes in importing CARICOM countries.

EP.R5: Strengthen the capacity of Guyana’s Export Promotion Agencies (GoInvest, NGMC, FPMC) by: a) charging user fees; and b) marketing fee-based project management services to clients. Initially private sector contributions should be minimal but should be increased on a sliding scale basis.

EP.R6: Increase private sector representation at executive decision-making level in the Export Promotion Agencies. In the short term this policy measure requires the three export promotion agencies to increase private sector representation on their executive boards/councils to at least 50% within 12 months. In the long term it requires an across-the-board adoption of the same policy at decision-making levels in all key export development entities.

EP.R7: Expand the role of the IPC to act as: a) lead coordinator of a cohesive export strategy; and b) a central government-private sector interface on national export development issues (see Recommendation IP.R1 in the section on Investment Promotion and Facilitation for more detail).

EP.R8: Revise Go-Invest's and NGMC's charter to reflect their roles in the provision of export promotion services through a revised Order under the Public Corporations Act (see also Recommendation IP.A2 in the section on Investment Promotion and Facilitation for Go-Invest).

Access to Finance²⁶

Access to finance at competitive interest rates (for working capital and capital investments) is an obvious requirement for creating and sustaining competitiveness and is a critical element in investment decisions. It is Government policy that most finance for businesses should be provided through the commercial banking system, and not by the Treasury.

In line with this policy, Government strategy to improve the ability of enterprises to access finance is built on three planks:

- Providing the legal and regulatory foundations for a competitive and effective commercial banking system (*enabling environment*)
- Encouraging an active competitive market-place for financial institutions (*supply side*)
- Enhancing the capacity of enterprises to access and deal with the banking system (*demand side*)

Major challenges faced by enterprises in these three areas are summarized in Table 3.2.

²⁶ Note that policy options to increase access to finance, reduce its cost and to solve issues related to secured transactions have been identified and prioritised on the basis of feasibility within the current local financial services environment and expected impact (magnitude and period in which impact can be expected) i.e. short term (one year), medium (one to three years), long term (more than 3 years). Note also that a number of policies were identified during preparation of this draft of the NCS which were considered not feasible for priority consideration at this time and/or are likely to have little impact; these include the establishment of venture capital funds, extending leasing, linking savings with access to loans/collateral substitutes, strengthening the operating capacity of the stock exchange market, provision of additional funding to DFLSA, and facilitation of long term matching grant funds for banks.

Table 3.2: Challenges facing Enterprises in Accessing Finance

Supply side (financial institutions)	Demand side (enterprises)	Legal and regulatory framework
Limited range of financial institutions and services limiting the supply of short and medium loans	Export credit insurance to cover commercial and political risk of exporting enterprises	Legal framework restricts access to foreign currency accounts for enterprises working principally with locally purchased inputs
Relatively high interest rates	Lack of information about financial services and the requirements for accessing finance.	Legal framework does not permit (exporting enterprises) to borrow abroad
Banks try to reduce the impact of risk factors to a minimum	Weaknesses in the area of accounting, financial management and marketing	Time consuming and costly procedures to realize collateral
Limited capacity of the banks to appraise long-term projects, especially in non-traditional export areas	Limited quality of business plans and investment proposals	Time consuming and costly procedures to register mortgages
The credit information collection could be improved in terms of cost reduction and risk prevention	Quite a number of businesses do not comply with the type and value of collateral required by the banks	Land tenure not completely regularized and information systems not updated and accurate
Financial institutions (banks) prefer immovable property as collateral and the value of required collateral is relatively high		

Providing the Legislative and Regulatory Framework

The Bank of Guyana has statutory responsibility for authorizing and supervising all licensed financial institutions in Guyana. The BoG exercises its supervisory functions under the Bank of Guyana Act 1998 and the Financial Institutions Act 1995 which were recently amended to strengthen supervision and fiduciary oversight of the financial sector.

Despite the Government's position that the legislative and regulatory environment is adequate for a better-functioning banking system, the Government will continue to seek ways to improve the overall framework. In particular, the following issues will be further analyzed:

- **Restrictions governing the opening and use of foreign currency accounts and on borrowing abroad:** Currently only enterprises which import more than 35% of their materials are allowed to open foreign currency accounts and must use the foreign currency in these accounts for business purposes. Businesses/banks have to apply to open such accounts to the Bank of Guyana. This means that enterprises exporting goods prepared with locally purchased machines and inputs do not have the opportunity to open a foreign currency bank account and to receive export earnings on this account.
- **Weaknesses in the framework for secured transactions:** Despite recent improvements, large numbers of enterprises in Guyana do not have the collateral preferred by banks (immovable property and high value collateral). A number of factors contribute to this situation; buying and selling land is still a relatively time-consuming process (and banks want to be able sell the land of a borrower in case of default), legally unclear and uncertain titles remain with the resulting difficulties to use the property as collateral; a backlog exists in the registration of collateral; and it is still difficult to reinforce secured interest (execution of collateral). The impact of these issues on enterprise development and export competitiveness is that enterprises often have no access or

access under less favorable conditions to i) loans for working capital ii) loans for investment in modern production techniques.

Ongoing Actions and Planned Activities

This action supports and complements work described elsewhere in the NCS which will assist in the resolution of issues concerning secured transactions and the execution of collateral.

AF.A1: **Establish a commercial court** (this action supports CDR.A1 in the Resolution of Commercial Disputes section). This action addresses the issue of seizure and sale of immovable property and the establishment of secured interest in movable and immovable property.

Recommendations

As above, these recommendations reinforce, support and complement work recommendations presented elsewhere in the NCS.

AF.R1: **Develop a comprehensive land and property markets policy** (this recommendation supports LPM.R1 in the land and property market section). Particularly relevant for access to financing are i) support to the on-going transformation of government land into freehold land and ii) involving the financial sector in this process addressing issues such as investment and land and property markets.

AF.R2: **Improve land administration procedures** (this recommendation supports LPM.R2 in the land and property market section). This action should include the review of the procedures to establish and perfect secured interest in land.

AF.R3: **Promote understanding of property-related economic opportunities** (this recommendation supports LPM.R4 in the land and property market section). This action proposes activities to make the public aware of the possibilities to use their possessions (property, leases) as collateral.

AF.R4: **Review the legal framework in relation with establishment and perfecting secured interests in other property than land (both movable and non movable property)**

AF.R5: **Establish a legal framework which enables profitable leasing activities whilst providing adequate protection to licensed financial institutions.**²⁷

AF.R6: **Conduct a study examining options for reducing restrictions on borrowing abroad, opening foreign currency accounts and on the use of foreign currency. Following the results of the study, revise regulations governing borrowing abroad, opening foreign currency accounts and on the use of foreign currency to improve the efficiency of business transactions for export (without unduly risking large scale capital outflows).**

²⁷ Financial leasing is a service which is almost similar to lending but which has some advantages compared to lending. Leasing is a typical medium term form of financing (3 to 5 years) with the advantage that the ownership of the leased equipment remains with the bank or leasing company, which purchased the equipment. Leasing can be an advantage for enterprises who do not have additional collateral other than the equipment. In this case the equipment can be used as collateral – without the transaction cost involved in establishing and perfecting secured interest because the equipment is already owned by the bank – and the risks involved can be covered by higher interest rate and insurances.

Encouraging an Active and Competitive Banking Market-Place

The Government believes that the commercial banking system needs to address a number of fundamental issues in order to deliver the kind of financial services that will allow our enterprises to be competitive, expand their profits, and grow. It is imperative that the commercial banking sector rises to the competitive challenge and adapts to the new demands of the global market place in the delivery of high quality and efficient financial services.

The Government can support the process of change but ultimately the financial services sector needs to be proactive and work to develop effective strategies to address current weaknesses in the financial system. This includes addressing the following key issues:

- **Limited access to financial services for enterprises:** The range of financial institutions in Guyana is fairly limited and Banks currently do not offer financial services, fee rates and interest rates which differentiate between sub-sectors of the economy. Moreover, the relative importance of investments of the banking system in the enterprise sector has been on the decrease. In particular, access to long-term finance is limited and the absolute and relative importance of total loans and advances to the productive enterprise sector in the portfolio of banks has been on a downward trajectory in past years.²⁸ Funds are increasingly being used to purchase government treasury bills or for investments overseas. Thus the banking sector is very liquid yet shy to invest in productive economic activities, limiting itself to providing short-term working capital loans or advances.²⁹ Moreover, exporting enterprises are currently unable to access a number of financial instruments which would help facilitate their operation in international markets. For example, the financial sector does not currently offer comprehensive export insurance, transport insurance, and insurance against foreign currency exchange losses. In many countries banks pre-finance exporting enterprises on the basis of letters of credit or other types of draft but this service is not widely used in Guyana, partly because of the non-availability of export insurance.
- **The relatively high cost of finance:** High interest rates affect the competitiveness of Guyana's products and determine, with other factors, which products are profitable and which are not. In general the same factors affecting *access* to finance, also affect the *cost* of finance. Progress has been made in recent years in reducing lending rates; the Bank of Guyana weighted average lending rate was reduced from 14.73% to 9.7% in the period July 2004 – 2005. This rate is currently only a little higher than rates in surrounding CARICOM countries such as Trinidad and Tobago, where prime lending rates are roughly 9%. Yet Banks visited during the October 2005 specified annual rates of up to 18% (on a declining balance; floating according to inflation rates); the exact rate depends on the type of client, the loan term, the size of the loan, the risk involved on the one hand and the availability and value of the collateral on the other. Additionally, banks charge various fees which can go up from 1% to 3% calculated over the loan amount.³⁰ Annual micro finance rates fluctuate around 15% flat.

²⁸ The absolute decline is, for the major part, explained by writing off non-performing loans of the period before, which was characterised by a poorly-performing banking sector.

²⁹ The micro finance sector provides, per definition, only short-term loans and its influence is rather limited. The total amount of funds used for micro finance must be limited to USD 7.5, while the total number of clients does not exceed 10,000 on a national level. Other financial institutions providing services to the enterprise sector are non-existent or embryonic.

³⁰ Some commercial banks cite the reserve requirements required by the Bank of Guyana as the main reason for the high interest rates, but these are similar to requirements in the other CARICOM countries and even more advanced economies such as the US.

**Figure 3.1:
Typical interest rates for lending to enterprises in other Caribbean countries**

Guyana	8 – 18%
Suriname	14.5 – 18%
Trinidad and Tobago	9%
Barbados	6 – 12%
Grenada	9% and above

- **Financial institutions try to limit the impact of risk factors to a minimum:** Historically, banks in Guyana have been poor at identifying risk factors and managing the risk of lending. This is still true but progress has been made over the last five years with Banks starting to pay more attention to client and project selection, to introduce more professional instruments to do this, and to apply selection criteria in a stricter way.

Box 3.3: The Financial Services Sector in Guyana

There are currently six commercial banks¹ operating in Guyana, which offer a range of banking services; together commercial banks make up over 70% of the assets of the financial system.¹ In addition to these financial institutions, DFLSA was recently established in Guyana with the participation of the European Investment Bank and a US\$ 2.5 million loan from the Multilateral Investment Fund (IADB) for extending medium to long term loans to SMEs and selling bonds on the local market. There are also currently two Private Sector Organizations (PSO's) engaged with financing micro and small enterprises which accept more flexible forms of collateral and offer small, short-term loans usually with interest rates higher than commercial banks. These include the Institute of Private Sector Development (IPED) and the Small Business Development Finance Trust. The stock exchange is an alternative source for financing long-term investments; nevertheless, the Exchange is still in an embryonic stage and as such has an organizational and legal framework which will limit its potential for rapid growth in the short to medium term. There is a notable lack of credit unions and other such community-based financial organizations in Guyana.

Banks in Guyana mainly provide loans and advances to enterprises. Bonds offered by larger enterprises were traditionally popular but this financing instrument has slowly diminished in popularity with the introduction of regular taxes on dividends. Long-term loans with terms above three (3) years are rare, with the exception of DFLSA which will provide loans with terms of up to ten (10) years. Scotia Bank and Citizen Bank provide leasing facilities services but on a very limited scale. DFLSA has recently established a micro finance institution called MicroFin.

- **Limited capacity of the banks to appraise long-term projects:** As mentioned above, it is currently difficult in Guyana to obtain medium- to long-term loans for productive purposes. This is partly the result of constraints within the banking system in terms of capacity to appraise longer term projects, especially in the area of non-traditional exports.
- **Collection of credit information on clients is time consuming, costly and unreliable:** Credit information is information about the credit worthiness of a borrower. At present, Banks in Guyana collect this information in two ways i) at the bank itself, if the client is an existing one; ii) through other financial institutions and other types of institutions that sell goods or services on credit. The interchange of credit information between banks is currently informal, the process is lengthy and voluntary, and there is no guarantee concerning the reliability of the information. In contrast, in many other countries, private and/or public credit bureaus have been set up with this

information, which is normally available electronically and in real time. Improved quality and accuracy of client credit information, for example through credit bureaus, enables banks to reduce risks, and thus approve more loans. Furthermore, the availability of better information about the client reduces the relative importance of collateral.³¹

- **Strict collateral requirements of the banks:** Despite having given more weight to project appraisal and client selection in recent years, banks in Guyana still maintain strict collateral requirements which limit access to financing. Like elsewhere in the world, banks in Guyana prefer immovable property such as buildings and land as collateral. The most important reason for this is that the ownership is easy to establish and the property cannot be removed easily.³² Land is immovable property, but in Guyana historically most land was leased from the Government instead of being owned by those who use it. However, this situation has been changing rapidly and improvements have also been made by Government to lengthen lease terms. Nevertheless, little reduction has been seen in the requirements of the banking sector. In addition to the preference of banks for a certain type of collateral, the value of the collateral required by banks is relatively high in Guyana and is an obstacle to accessing financing.

Ongoing Actions and Planned Activities

These actions and planned activities can help to support the activities of the commercial banking sector but they are only part of the answer to delivering a globally competitive financial services sector. The commercial financial institutions must also be proactive and work with Government towards delivering this objective.

AF.A2: Determine if the competitive situation in the financial sector is delivering value to customers and the wider economy. If it becomes clear that the existing financial services sector in Guyana is not able to provide access to finance at regionally or globally competitive terms, then a study will be carried out to determine what actions are necessary to stimulate a more competitive market.

AF.A3: Adjust the Financial Institutions Act to allow for regulation in the use of confidential client information by credit bureaus.

AF.A4: Study policy options for extending temporary tax incentives for long term lending and investing in enterprises, as part of the same study that will look at options for unifying and reducing Corporate Income Tax (CIT). This recommendation builds on local experience related to bonds, which were in fashion before corporate tax had to be paid on profits, and local experience concerning tax incentives for loans for low income housing.

³¹ The results of a study based on information on more than 100 developed and developing countries show that on a macro level, the existence of credit registries is associated with a higher private credit to GDP ratio, after controlling for other country level measures. See Margaret Miller J. 2003, Credit Reporting Systems around the Globe: The State of Art in Public Credit Registries and Private Credit Reporting Firms. In Margaret Miller, ed., Credit Reporting Systems and the International Economy, Cambridge MIT press. A 2003 World Bank study found that more than 50% of banks reported that the presence of credit registries cut processing time, costs and defaults by 25% (Doing Business, 2004). In Chile, the use of credit reports is found to increase the volume of lending, while credit reports with longer historical records and more complete information have greater impact on credit decisions (Cowan and De Gregorio 2003).

³² On the other hand, movable property is often unregistered, there may be doubt about the ownership, and it can disappear, be damaged or depreciated.

Recommendations

AF.R7: Develop an awareness program for financial services institutions designed to outline progress made in the areas of property rights and commercial dispute resolution and involve the financial services sector in all future activities related to property rights and commercial dispute resolution.

AF.R8: Establish a credit bureau with international links to improve the efficiency of the banks and the reliability of the information about the credit worthiness of their clients. The objective of this policy is to make available reliable information on a cost effective basis for financial institutions in Guyana which will reduce the risk and cost of lending and therefore makes lending to enterprises more attractive. It will also increase lending volumes to enterprises and improve lending conditions. Credit bureaus have a track record worldwide of providing reliable information in a cost reducing way. Furthermore, credit bureaus ensure that the whole financial sector have access to the credit information and not only the bank of the client; this results not only in a better client selection, but also pressure for the client to pay. Credit bureaus are especially useful for SMEs, because information about the client is relatively more important due to the lack of reliable business information. There are several models for credit bureau's, each with advantages and limitations; private, public, joint venture between state and banks, joint venture between member banks and foreign private bureaus among others. All will need to be explored in more detail to choose the most appropriate option for Guyana.

AF.R9: Establish an export credit insurance scheme and appropriate legal framework to reduce the commercial and political risk of exporters. The issue of political and commercial risk is not dealt with sufficiently by the financial services sector in Guyana. Only export credit insurance can cover political risk and commercial appropriately. Export insurance can be used by banks as collateral for a loan bridging the time between shipment of the goods and payment and so result in increased pre-financing of exporting enterprises on the basis of the insurance. Similar to the case of the credit bureau, different options can be established in which the government and already established private insurance companies may have a stake and a share. These options will have to be explored in more detail to define the most appropriate option for Guyana.

Enhancing the Capacity of Enterprises to access and deal with the Financial System

Reflective of Guyana's relatively recent development of an entrepreneurial business class, many businesses (particularly small and medium enterprises) in Guyana do not have the skills to access and deal with the financial system. Moreover, some businesses, especially small businesses and farmers, do not have enough collateral to comply with strict Bank requirements. The Government is addressing these issues through:

- i. the provision of Business Development Services to assist companies address weaknesses in their ability to grow and expand their businesses such as in preparing investment proposals and business plans, accounting, financial management and marketing. This is covered extensively in the section on BDS, and is not discussed further here.
- ii. the provision of support about the types of financial services available from the banking system and their costs.
- iii. the provision of direct financial support in the form of loans through PSO's such as the Institute for Private Enterprise Development (IPED).
- iv. the continuing transfer of Government land to freehold titled land.

Ongoing Actions and Planned Activities

No major actions planned at the current time.

Recommendations

AF.R10: Establish a Matching Grant Fund to address weaknesses enterprises in the area of business planning, project appraisal, accounting, financial management and marketing and also improve capacity of local financial institutions to appraise long term projects in non traditional exports. This recommendation will increase the capacity of financial institutions and BDS providers to appraise and elaborate long-term projects/business plans and to provide follow-up assistance to overcome weaknesses in enterprises. This should include improving the knowledge about strategic export sectors selected by Government to promote (see Chapter 5) and about the critical issues of enterprises in these sectors. The fund would be run independently from participating banks and BDS providers and entrepreneurs would match funds with their own contribution; banks would have to justify the use of the fund by showing clients are getting access to bigger and/ or longer-term loans or at better conditions, and by informing the Fund manager of the realization of Technical Assistance activities. The Matching Grant Fund can also be used to strengthen the capacity of the banks themselves, BDS providers and entrepreneurs in project and business plan preparation and appraisal. A number of banks have already expressed interest in the policy measure on the back of successful relationships established with existing BDS providers such as EMPRETEC.

AF.R11: Develop an awareness program for the business community about the availability of typical export finance services in Guyana for the (potential) exporter and prepare a catalogue describing the various services including costs, requirements of accessing them and possible restrictions.

AF.R12: Establish a Mutual Guarantee Fund with the involvement of small businesses, participating banks and the government to address the limited availability of collateral affecting principally small businesses and small farmers. This policy recommendation will help to overcome obstacles facing small enterprises and their suppliers regarding the collateral requirements of banks and the problems facing enterprises to provide acceptable collateral. The Fund would be formulated on the basis of tentative proposals already put forward by the Small Business Association for a portion of the Small Business Act Small Business Development Fund. Successful precedents for such funds already exist in Guyana, namely that of the Building Society which provides housing loans with contributions from the Society and homeowners. The proposed Fund would be managed strictly separately from other activities such as BDS or the Small Business Bureau/Council and will not cover more than 50% of the loan amount.

Human Resources

Within the new globalized era it is critical that workers are equipped with a diversity of skills to succeed in a fast-changing environment. Access to new knowledge, skills and competencies, and lifelong learning to cope with rapid changes to improve employability and entrepreneurship will be critical factors in ensuring that Guyana can adapt to a fast changing global economy.

As such, investments in skills at all levels are a vital pre-condition for improved national competitiveness. So too is ensuring that these skills can be retained by the country, and not simply exported via the so-called “brain drain”. These two areas are the focus of the Government’s strategy in this area.

Technical Training

The main education sector in Guyana has been accorded priority attention for the past several years by the Government – firstly through focusing on increased access to basic education, and now moving to improving the quality of education. There are currently a number of large programs at various stages of implementation geared towards improving the quality of basic education, modernizing assessment and streaming at the secondary school level, and revamping the teacher training frameworks necessary to rebuild the foundation of the education system.

However, the next set of challenges in education relate to vocational and technical training where there are large gaps in existing provision and a resulting shortage of skilled, technical labor.

Approximately 3,500 people are trained in technical and vocational areas annually in Guyana. The Ministry of Education (MOE) is responsible for the formal TVET system comprising six technical institutes and a Craft production and Design Division.³³ The Ministry of Labour has oversight for an apprenticeship program through the Board of Industrial Training; the majority of its apprentices work in the sugar industry (approx. 60%), with another 20-25% engaged in mining and quarrying activities. Although the Board has the authority to train over 1000 persons, enrolment has been declining rapidly to about 300 a year. The drop out rate is approximately 25%. All formal programs are free to students, with Government wholly funding the TVET system.

Some private and state organizations also conduct training for their own operations; for example, Guyana Power and Light Company accepts apprentices for a rigorous 5 year training scheme and GUYSUCO and other leading corporations such as DDL and Banks DIH, also conduct their own training in-house through highly structured programmes (see Box 3.4). Also, training is offered in technical and vocational skills by NGOs and UG (the Institute of Distance and Continuing Education offers courses in Architectural Drawing and Woodworking). Higher level tertiary technical courses are also offered by UG in mathematics, the sciences, engineering and information technology which will become increasingly important skills if Guyana is to enter into progressively more complex value added activities. There are few private training agencies for TVET.

³³ The Carnegie School of Home Economics (1933), the Government Technical Institute (1951), Guyana School of Agriculture (1963), the Guyana Industrial Training Centre (1968), the New Amsterdam Technical Institute (1972), the Craft Production and Design Division. One technical institute each in Essequibo and Linden. The Upper Corentyne Industrial Training Centre to be opened shortly...

Box 3.4: Guyana Power and Light Company An Example of Good HRD Practices

The example of Guyana Power and Light (GPL Inc.) which has a very low turnover of staff at all levels is indicative of what can be achieved even in a difficult context.

The company has an in-house training school and conducts a comprehensive training program for apprentices (in collaboration with the BIT) for five years. GPL also encourages continuous training for its staff and has an incentive system for employees engaging in lifelong learning (they are encouraged to attend outside training programmes relevant to their work). Career guidance is also offered. The company offers what is considered fair wages, salaries and benefits and other incentives based on collective agreements and performance. Recently, GPL started a rapid response programme of training for new recruits to meet the demands of its rural electrification plan. The company also showcases its operations, employee skill requirements, and its human resources programme at the annual University Day at the University of Guyana.

The GPL manages to train and retain its staff in an environment of increasing prices for its key production input of fossil fuel.

The company expects to continue its upgrading plans to Amerindian communities and schools etc. in support of the Government's development agenda.

Based on an interview (Jan 5, 2006) with GPL

The Government acknowledges that it is imperative to modernize TVET as one of the foundation stones of the NCS. Pre-vocational training in the revamped general secondary school system will provide a more solid foundation for TVET including enhancing the image of TVET. Moreover, there have been a number of small successes from recent projects with respect to vocational and technical training including the CPEC Project (Caribbean Regional Human Resource Development Program for Economic Competitiveness)³⁴ completed in July 2003 and the Guyana Training Agency (GTA) project.

Very recently more fundamental steps have been taken towards reform of TVET by the Government in line with delivering on the objectives of the NDS. In July 2004 a major step in the reform of TVET was completed with the Government successfully tabling two important legislative bills in Parliament which provide for the establishment of:

1. a **National Accreditation Council (NAC)** which will have among its responsibilities the following:
 - the establishment of standards for qualifications in education and training in tertiary institutions;
 - the establishment of accreditation criteria and procedures for the various levels of certification;
 - ascertaining equivalencies for levels of certification obtained both locally and overseas; and
 - compiling and disseminating information related to accredited institutions and programmes regionally and internationally.
2. the **National Council for TVET (TVET Council)** which will function as a semi-autonomous agency under the MOE and have oversight over all TVET and monitor the operations of the

³⁴ See <http://cpechrd.org> for details

technical institutes and the Board of Industrial Training. The TVET Council will have the responsibility for developing and implementing a reform agenda and for ensuring that TVET remains relevant to, and effective and efficient in meeting the human resources needs of Guyana's economic development strategy.³⁵

The challenge is now to ensure effective implementation of these measures. Specific challenges to be addressed include:

- *Private/public sector collaboration on TVET is sporadic and limited* which results in the output of TVET system bearing little relevance to actual labor market demand; best practice globally shows that that public/private sector partnerships in developing the training policy framework and implementing agreed plans is crucial for TVET success.
- *The TVET system lacks efficiency and effectiveness* and budgetary constraints have had and continue to limit investment in the system;
- *Systemic problems* relating to the entire framework for TVET that require large scale reform and interventions at the policy and investment levels.

Ongoing Actions and Planned Activities

HR.A1: Strengthen the National Council for TVET (TVET Council) and National Accreditation Council (NAC).

Recommendations

Short-Medium Term

HR.R1: Develop rapid response skills training by:

- Providing support for a rapid response to urgent labor demands and unemployment**
- Improving the private sector's capacity to formulate and implement training programs to meet urgent needs for different types of technical skills through a multiplicity of training centers.**

HR.R2: Design and implement a pilot development project for the forest products sector in partnership with the private sector (especially the FPMC) to test and agree on best practices for developing policy for future sector specific training with multiple partners. The forest products sector is recommended as it is well-established, knowledgeable, has been well-studied, and has a number of interested stakeholders from the public and private sectors including the Forestry Commission, the newly-formed FPMC, wood and wood products manufacturers, Iwokrama, and the University of Guyana, among others. Important expected results include a recorded process for private-public sector partnership to develop sector specific training that can be used as best practice for other strategic sectors in Guyana.

³⁵ More specifically, the TVET Council will have responsibilities including; undertaking curriculum review, analysis and design; establishing training and apprenticeship programmes and vocational qualifications that are relevant to the needs of Guyana; undertaking the development and implementation of a national system of Competency-based Modularised training; establishing national training standards and performance testing; establishing an inspectorate to ensure that curricula, standards, schemes and guidelines that are formulated are implemented by every registered Training Organisation and Technical Institute; and to monitor and evaluate the delivery of all technical and vocational education and training programmes.

HR.R3: Develop a public education and awareness campaign on TVET to i) enhance the image of TVET; and ii) increase awareness of the opportunities for obtaining employability skills through TVET, the importance of public/private sector partnership in reform of TVET, the value of TVET to enhance competitiveness, and success stories in TVET provision.

Long Term

HR.R4: Formulate with full participation of all stakeholders a comprehensive long-term, systemic, and multi-faceted National Policy Framework for TVET to initiate the modernization of TVET. The national policy framework should be designed to develop a dynamic system of education and training that meets the demands of the economy for skilled human resources in important/strategic sectors. Initial phases should involve setting up a multi-sector Steering Committee consisting of representatives from the private sector, the University of Guyana (especially the Faculties of Natural Sciences and Technology), training associations, the Government and civil society to work with the National Council for TVET (TVET Council) to elaborate the operational guidelines and legal framework for the modernization of the TVET sector.

HR.R5: Improve current mechanisms for the collection, analysis and dissemination of labor market information and establish a proper industrial classification of occupation, wage structure and trends in employment.

Addressing the “Brain Drain”

High levels of migration, especially of skilled people, is continuing to create a huge gap in the supply of labor. While remittances to Guyana offset the economic impact of the skills drain to some extent (estimated to be around US\$119m in 2005), it is unlikely that these private funds can compensate for the sunk and opportunity costs of the migrant human capital. Moreover, there is some uncertainty about third or fourth generation members of the Diaspora being disposed to providing a similar level of support or have the same strong ties as first time migrants. In addition, regional certification of skills to which Guyana is committed to under the CARICOM Single Market and Economy (CSME) could further contribute to the loss of skilled persons.³⁶

A number of key push and pull factors help to contribute to the skills situation - lower local wages, disparities in income and familial ties, and the ageing populations and low growth rates in many developed countries which is leading to increasing demand for skilled labor abroad.

Improving economic conditions in Guyana via the NCS to provide enhanced job and self-employment opportunities, increase skills, improve pay and working conditions, and provide a more conducive and facilitating business climate is a long term process and is not likely to significantly reduce the outflow of skills in the short to medium term. It may very well be that there has to be a higher increase in the number of people trained and working conditions improved so that a sufficiently acceptable number of skilled people will remain in Guyana.

It is critical that Guyana explore strategies to mitigate the impact of the huge loss of skills from Guyana. For this reason the Government is committed to exploring this issue in more detail through further research on the effectiveness and applicability of migration policies being discussed by most developing countries now. Possible policy options include:

³⁶ It is questionable whether Guyana can attract regional skilled persons to the country, given the current level of wages.

- **Strengthening links with the Diaspora communities.** There are many well-educated and wealthy Guyanese in the Diaspora who might be encouraged to return or to invest in particular sectors via the use of special incentives which do not contravene international trade agreements. Currently, there is evidence that much new investment in Guyana is generated by Guyanese living abroad, through their own funds or by encouraging foreign firms to enter the market as partners in joint ventures, using their knowledge of local conditions. Stronger links with the Diaspora and innovative use of their skills, experience, wealth, and emotional and familial ties to Guyana could lead to increased investment and “mobile visiting skills”. In the short term, reviewing, updating and promoting wider distribution through offices overseas of the Remigrant’s Information Manual which advises about the special concessions for remigrants would be a useful exercise.
- **Maximizing remittances** by supporting international electronic fund transfer capabilities via interchange venues; establishing strategic alliances between money transfer organizations and banks that support the deposit of money received into a recipient’s bank account; and forging alliances between banks in the United States and Canada and Guyanese banks.
- **Exploring the issue with CARICOM relating to agreements with third countries regarding controlled migration for specific labor contracts.**
- **Exploring possible special incentives for retention of skills.** Creating incentives for training programs for the private sector and for trainees, interest-free loans for public servants, bonus pay for teachers who engage in continuing training, improved working conditions, projectising work to facilitate higher salaries, reducing tax bands are all options that could increase disposable incomes and help to mitigate pull factors.
- **Donor modalities:** Creating project management units for donor funded programs in Guyana to offer higher salaries and benefits often draws skilled labor out of the public service. Options should be explored with donors to ensure the retention of specialist staff within the public service by offering appropriate incentives but without elevating levels of resentment within the workplace.

Ongoing Actions and Planned Activities

No major actions planned at the current time.

Recommendations

HR.R6: Assess the strengths and weakness of the current policy framework for the retention and attraction of skills and identify policy options for improving skill retention and attraction. Work should focus on options for:

- i. Strengthening links with the Diaspora communities**
- ii. Maximizing remittances**
- iii. Agreements with third countries regarding controlled migration for specific labor contracts**
- iv. Possible special incentives for retention of skills**
- v. Changing donor modalities**

Business Development Services (including Technology and Standards)

A fiercely competitive world of rapidly changing technologies, long learning cycles, and high technical standards dictated by consumers and buyers in developed country markets presents Guyanese firms with formidable challenges to adjust to new economic realities. To be competitive firms need to compete based on costs and prices, but more vitally being competitive is dependent on their capacity to use technology

and on the performance of their products determined by a wide range of factors including price, quality, design, packaging, delivery time, range and variety of products, and innovation in new products.

At the current time, many Guyanese enterprises suffer from a number of deficiencies in these areas which affect their ability to effectively compete. Table 3.2 summarizes these issues.

Table 3.2: Deficiencies Affecting Ability of Guyanese Enterprises to Compete

Product and related matters	Human Resources	Management, Practices and Related Matters	R&D, Technology, Techniques
<p>Export fragmentation Often volumes of products available for exports are divided into small lots that do not fit big importers' requirements in the countries of destination. Little consolidation of volumes exists among exporters, there is a lack of economies of scale in all preparation stages of exports, and fragmentation makes logistics difficult to organize and expensive.</p>	<p>Shortage of skilled human resources The educational system does not provide enough skilled people, especially in technical and vocational subjects, business management and computer science. This has a direct effect on production costs and thus on competitiveness</p>	<p>Lack of management and marketing know-how Some enterprises find it difficult to access export markets because products do not fulfill needs adequately, customers do not identify with products, and there is an overall inability of clients to rely on exporters' capacity to deliver.</p>	<p>Inconsistent conformity with required international certification Good Agricultural Practices (GAP); Good Manufacturing Practices (GMP); Forest Stewardship Council (FSC); Non Timber Forest Products (NTFP); Hazard Analysis Critical Control Point (HACCP), International Standards Organization (ISO) and organic certification are required certification for exports into most key world markets including the US and EU.</p>
<p>Low value added production Guyana's export profile is concentrated on raw products and commodities and not primarily on added-value products</p>	<p>Poor skills upgrading There are few opportunities to upgrade technical and management skills.</p>	<p>High production costs Compared to other countries production costs are relatively high. Contributing factors are low productivity and lack of economies of scale</p>	
<p>Lack of product diversification Exports are generally concentrated on only a few products per sector</p>			
<p>Poor product quality Quality is often poor and inconsistent e.g. packaging, recipes, labelling or the product itself do not follow customer specifications.</p>			
<p>Lack of export market diversification Guyana's main export volumes (especially for non-traditional</p>			

products) only go to a few markets, related all too often to the Diaspora (Miami, New York, Toronto, UK).			
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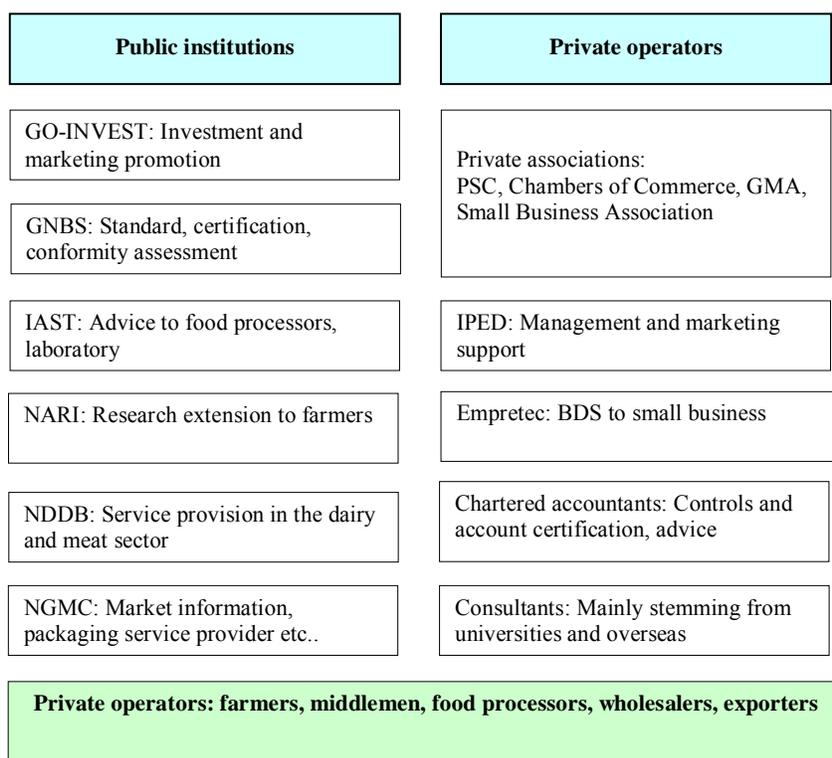
The deficiencies summarized in Table 3.2 are common to many enterprises across the Guyanese economy and must be placed within the context of a productive sector traditionally used to a relatively protectionist environment. As a result many enterprise and strategic sectors need help in kick-starting the long and unpredictable process of “learning to become competitive;” this inevitably means providing support along all phases of the supply chain to ensure that firms have the capacity to compete, increase profits, and grow.

The whole gamut of support services required to help in the learning process may be termed business development services (BDS) and can be divided into four main fields of action i) technology ii) standards and certification iii) marketing support and business information services and iv) management support.

In Guyana several types of operators provide or could be considered for providing BDS, namely:

- **Public and Quasi-public Institutions and Agencies:** GO-INVEST, NARI, IAST, National Dairy Development Board (NDDDB) and GMC are examples.
- **Donor supported Programmes:** GTIS, EMPRETEC are examples.
- **Private Sector Associations:** PSC, Chambers of Commerce, GMA, Small Business Association, etc.
- **Private Companies:** e.g. Small Business Development Finance Trust. Additionally, there are individual consultants working on their own or as subcontractors for consultancies.

Figure 3.1: Main BDS Actors in Guyana



These actors develop different types of tools of support and act at different levels of the BDS landscape: directly with private companies (on a one-on-one basis), with groups of companies through associations, for a specific sector, or at the regional or national level.

Substantial progress has been made in delivering effective BDS services to the enterprise sector in recent years. For example, the recent successes of GoInvest in delivering effective investment and export promotion services Guyanese companies has already been commented upon elsewhere. Similar successful service provision has also been delivered by NGMC in relation to non-traditional agricultural products. Furthermore, the Guyana National Bureau of Standards has been particularly successful in recent years in a number of important areas in relation to standards. For example, the GNBS is presently helping industries to improve competitiveness by offering technical assistance in the implementation of the ISO 9001:2000 (quality management systems) and ISO 14001 (environmental management systems). The bureau has also begun the process of aligning its conformity assessment activities to international requirements.

The GNBS has recently developed an SME standard which is currently being implemented in collaboration with EMPRETEC in the form of technical assistance based on guidelines for good management practices for SME's. Moreover, to support the recognized need to deliver quality BDS services and other support the SME sector, as mentioned before, the Government recently passed the Small Business Act. The Act makes provision for an incentive regime and BDS support programme for small business and also provides for the establishment of a Small Business Council, a Small Business Bureau, and a Small Business Development Fund.

A number of agencies, private sector associations, and enterprises in Guyana have been the recipients of BDS technical assistance in recent years from a number of current and past projects such as GTIS, GEO

and CPEC. These projects offered services such as sectoral and feasibility studies, training and technical advisory services, marketing, development of standards, and various other activities usually provided on a sector specific basis.

The Linden Economic Advancement Programme (LEAP) also offers a variety of BDS and other related services to enterprises in the Linden area (region 10) delivered through its Business Incubation Centre which is nurturing fledging businesses, provision of training and business support services, facilitation of new investments, and rehabilitation of economic infrastructure. A complementary micro-credit scheme has also been established for the provision of accessible micro small and medium credit facilities in support of economic activities.

Despite strong recent performances by a number of Guyana's main BDS actors, as a country we still face a number of critical challenges with respect to the provision of an adequate BDS support infrastructure. Regrettably the BDS market in Guyana in a number of critical areas is deficient in both quality as well as quantity. There are not actually many BDS suppliers currently operating in Guyana and their range of services is relatively limited. In some areas, BDS programs are completely non-existent (e.g. commercial analytical services for the provision of accredited quality control, safety analysis and research evaluation). Furthermore, in some cases, a mismatch can be observed between the existing supply of services and the demand and often programs are not sufficiently complementary or widely disseminated. The following represent the key challenges in the four main fields of action areas detailed above:

- **Marketing Support and Business Information Services:** Despite the recent successes of GoInvest and NGMC, in almost all sectors, companies still suffer from a lack of information about, advice on and assistance with accessing foreign markets. SMEs need tailor-made information solutions, i.e. business information services that assess, verify and apply information to a specific business problem. BDS activities unfortunately have all too often simply consisted of sporadic activities, studies and consultancies funded by international donors that were dispersed due to the limited duration of the programs. Moreover, the work carried out by international programs is often underutilized as there is a lack of coordination between institutional, public, semi-public and private organizations when it comes to facilitating market information dissemination.
- **Technology Promotion:** The situation regarding technology promotion is also critical. Despite progress in reactivating the Institute for Applied Science and Technology under the stewardship of a new head, the relatively small size of various sectors hinders the development of a sustainable technology promotion policy. The list of bottlenecks in this field is long: inadequate service provided by technology transfer institutions due to human and financial capacity constraints, insufficient technological learning due to poor understanding of technological needs and technical alternatives, and a shortage of skilled personnel especially in the food science and technology sector. These insufficiencies all lead to a limited knowledge base in Guyana that is heavily dependent on expensive foreign intervention. Access to information on domestic and foreign technology is a major problem for many firms, especially small and medium enterprises.
- **Organization and Management Support:** Adequate BDS programs of this type are available to enterprises in Guyana but for a fee. Therefore, only private operators of a certain size can afford and access these services. At the same time too, management support services primarily consist of providing advice on accountancy and finance. These services need to be expanded to also include strategic planning and business organization at all levels in order to target the factors that affect efficiency and productivity. Additionally, there is little cooperation among professional actors

horizontally or vertically along the supply chain and no support to address this lack of cooperation.

- **Standards/Certification/Sanitation Issues:** While institutions such as the GNBS are relatively strong and have made significant progress in recent years in developing and implementing reforms to improve product quality, the GNBS is in dire need of further training, skills, technology, testing, and calibration facilities to assist local manufacturers in providing assurance to overseas customers of conformity with standards.³⁷ Currently, demand for ISO 9001:2000 far outweighs the GNBS's capacity to deliver these services. Additionally, in the agricultural sector at the farm level, state extension services are struggling to adequately respond to the increasing requirements with respect to plant and animal health, pesticides residues, and traceability in the sector.

Actions in Progress and Planned Activities

BDS.A1: Develop a training program targeting the development of a National Conformity Assessment System for a number of international standards, including ISO 9001, ISO Guide 65 and ISO 17020.

BDS.A2: Update Weights and Measures act (1981) and the Guyana National Bureau of Standards Act (1984) to reflect regional and international metrology standards best practices. Updating the laws and regulations will help fulfill Guyana's WTO obligations in relation to the WTO Technical Barriers to Trade (TBT) Agreement and facilitate regional efforts to harmonize standards within CARCIOM.

BDS.A3: Assist firms and Government agencies in their efforts to receive certification in ISO 9001, 14001, 17025, 17020, 22000 guide 65 and GYS 231.³⁸ Activities will involve a compliance assessment, with follow-up support possible, depending on respective performance gaps in standards compliance, to help the parties receive proper accreditation.

BDS.A4: Establish a poultry laboratory and upgrade Guyana's veterinary diagnostic capacity. Once established, the laboratory will provide Guyana with the capacity to ensure the safety of poultry products, removing a major non-tariff trade barrier that has impeded export opportunities in the CARICOM Region.

BDS.A5: Upgrade the capacity of the Food and Drug Department to carry out nutritional analysis and risk based certification testing including for pesticide residue, dioxin, veterinary drug residue, and hormone detection and quantification. This capacity is important, as most export markets require that agro-processed goods meet risk based certification standards and include nutritional information. This activity will contribute to the ongoing upgrade of the FDD's capacity to provide the testing and analytical capability that will help Guyanese agro processors receive the accreditation and meet food safety/standards necessary to access international markets.

³⁷ WTO (2003), *Guyana: Trade Policy Review*

³⁸ ISO 9001-Quality Management Systems Requirements, ISO 14001- Environmental Management Systems Requirements, ISO 17020-General Criteria for Bodies performing Inspection Services, ISO 17025-General Requirements for the Competence of Testing and Calibration Laboratories, ISO 22000-General Requirements for a Food Safety Management System, ISO Guide 65-General Criteria for a Body operation a product certification programme, GYS 231- Guidelines for Good Management Practices for Micro and Small Enterprises.

BDS.A6: Provide BDS support to targeted non-traditional exporters to develop the systems, standards and capability to grow and become competitive in export markets³⁹ (this action complements Action EP.A1 in the section on Export Promotion and Action IP.A3 in the section on Investment Promotion and Facilitation).

BDS.A7: Study policy options for designing appropriate investment incentives that do not introduce overly burdensome administrative overheads to encourage the development of private BDS networks of service providers, farmers, and enterprises as part of the same study that will be looking at the options for unifying and reducing Corporate Income Tax (CIT) and improving the general structure of incentives. See also action EP.A4 in section on Export Promotion and Facilitation.

BDS. A8: Continue to foster entrepreneurship and enterprise for economic development in the Linden area through effective implementation of the LEAP programme.

Recommendations

The following prioritized policy recommendations consist of encouraging and promoting the implementation of a more efficient BDS infrastructure with an updated framework of regulations with a particular emphasis on the food safety system (this should be integrated into a regional initiative in order to benefit from synergies within CARICOM).

BDS.R1: Strengthen the institutional structure for delivering support to the SME sector through initial institutional strengthening of the Small Business Council and Small Business Bureau.

BDS.R2: Maximize the efficiency of existing BDS programs by stimulating existing networks of BDS service providers through the development of an organizational structure designed to:

- i. Create networks of farmers' groups to strengthen their performance.
- ii. Facilitate the creation of Economical Interest Groups (EIG) of exporting enterprises
- iii. Facilitate the creation of export/trading companies that provide BDS to attain consistent export volumes of goods appropriate for foreign markets.
- iv. Create networks of food processors to consolidate volumes of products through partnerships among groups of food processors.
- v. Create networks of suppliers and clients to strengthen the supply chain through forms of vertical integration.
- vi. Piggyback on networks of big exporters as facilitators to reach foreign markets.
- vii. Create networks of BDS providers to improve the quality of BDS through competition, duplication and the search for synergies.
- viii. Promoting permanent quality networks among private enterprises e.g. setting up "quality circles"

BDS.R3: Enhance certification quality management systems by focusing efforts in a number of strategic areas through:

- i. Introducing FCS and NTFP certifications for export markets in the forestry sector and**
- ii. Enhancing organic certification for export markets in the fruits and vegetables sector.**

³⁹ These services are to be provided in the short term by GTIS. The project is not planning to provide direct assistance in export promotion in 2006 and the scale of its programs will be relatively small (e.g. US\$10,000 per intervention) because of its limited budget.

BDS.R4: Increase support for ISO certification to enhance enterprises quality management systems in strategic sectors.

BDS.R5: Strengthen the technology promotion infrastructure by:

- i. Creating a food incubator linked to IAST to promote modernization, innovation and stimulation.**
- ii. Revamping and reactivating the IAST in order to have a fully functioning technology center providing BDS to companies.**

BDS.R6: Update the legal regulatory framework for BDS by:

- iii. Creating a “Guyana food label” with a coordinated quality insurance system**
- iv. Enacting the food control bill**

BDS.R7: Establish a Business Information Center / Knowledge Center affiliated to Go-Invest to provide marketing support and business information services through Trade Points software (this complements TP.A7 and IP.A3 in the sections on Trade Policy and Investment Promotion and Facilitation).

Infrastructure

An efficient infrastructure – transport (roads, water and air), telecommunications, and energy - is necessary for improved national competitiveness. Providing and maintaining infrastructure is one of the most costly activities undertaken by Government yet its adequate provision, particularly to serve key points of dynamism in the economy, is a critical factor in the determination of Guyana’s ability to compete internationally.

Transport – Roads, Water and Air

Currently, Guyana has adequate infrastructure coverage to support production, communication and access to regional and international markets in the short term. With over 2500km of paved and unpaved roads connected by the key coastal and inland arteries, the road network provides access to all the central services provided in the Georgetown area, as well as providing commercial links between urban and rural areas. In recent years, the key inland road to Brazil has been developed in conjunction with private operators and for the first time in Guyana’s history, is accessible all year round, opening up opportunities for trade with the vast untapped markets of Brazil and South America.

Other major transport hubs in Guyana also have reasonable short term capacity. For example, with over 40 separate wharves, the Port of Georgetown has sufficient capacity to serve Guyana’s current regional and international water traffic and with around 1000 km of navigable river waterways, most centres of economic activity in Guyana are easily accessible by boat to facilitate trade in goods and services.

Guyana’s current air transportation system provides direct links with the United States, Canada, Barbados, Brazil, Trinidad and Tobago, and Suriname and the recently refurbished Cheddi Jagan International Airport at Timehri is able to accommodate a wide range of large aircraft.

Improving the road network is an ongoing Government priority. Currently there are a number of large scale projects underway with respect to most major aspects of the road infrastructure. Recent achievements include the rehabilitation of segments along the coastal road, the construction and

upgrading of numerous bridges along the coastal road, upgrades to the four-lane Demerara Bridge Highway. Progress continues toward the construction of a US\$35 million floating bridge over the Berbice River to replace the existing ferry, the completion of which (expected in October 2007) will greatly improve east-west travel.

The Government is also committed to improving the air transport infrastructure to meet world class standards. Improvements to the terminal at Cheddi Jagan International Airport at Timehri have recently been completed and private operators have been working to double the size of the Ogle runway to accommodate small to mid-size regional aircraft for passenger flights to Caribbean destinations. These improvements are being complemented by Government funds to help bring the airport into compliance with the standards of the International Civil Aviation Organization.

Although significant improvements have been made or are in the pipeline with respect to numerous aspects of Guyana's transport infrastructure, the Government recognizes that many challenges remain. There is now a need to continue the momentum generated over recent years to deliver a modern, efficient and flexible transport system for Guyana that will help the country compete effectively in the global market place. The private sector has a role to play in achievement of this goal and Government is committed to liberalizing the sector and to increasingly the role of the private sector in transport provision.⁴⁰

In order to achieve these goals, the Government recently engaged funding from the EU to develop a coherent approach to the transport sector based on a comprehensive analysis of the sector. This study will now help Government to formulate a coherent and consistent strategy for development of the transport sector over the next ten years responding to needs in the areas of policy, legislation, regulation, institutional arrangements, service provision and implementation. The strategy will allow for the sustainable growth of the sector through implementation of an indicative investment programme consistent with the Government's anticipated financial capacity.

Telecommunications

Guyana has better availability and reliability of telecommunications services than it did in the early 1990's. This includes a significant increase in the number of working landlines - from 13,000 in 1991 to 114,000 in February 2006. Guyana's landline infrastructure (excluding mobile telecommunications) is owned and maintained, on a monopoly basis, by the Guyana Telephone and Telegraph Company (GT&T). GT&T links several remote villages via satellite and provides international connectivity via the Americas 11 cable (by way of overland links through Suriname and French Guiana). Three companies currently provide cellular service in Guyana, with GT&T being the dominant service provider. There are currently around 277,000 cellular subscribers and this number is growing rapidly. Internet is offered via a combination of Dial-up, DSL and wireless technologies.

Though there have been significant improvements in the sector since 1991, the current monopoly results in a lack of agility in responding to the emergence of new, dynamic ICT-enabled growth poles in the economy. This results in higher costs and lower quality of services. The Government wishes to see liberalisation of the telecommunications market-place in Guyana, believing that the properly-regulated introduction of market forces will reduce the costs and improve the quality of services to all customers. This will be particularly valuable for the newly-emerging ICT-enabled services sector which has the potential to generate large numbers of jobs and exports.

⁴⁰ Guyana: Transport Sector Study 2006

Energy

The cost and reliability of electricity is also recognised by Government as a major constraint for profitability and smooth business operations, especially in energy intensive industries such as mining and manufacturing. A combination of Government and private sector initiatives suggests that measurable improvements in the supply and distribution of electricity could nevertheless be achieved in the near future. Several larger businesses have recently set-up operations to generate their own power facilitated through various incentives offered by Government. This will help to reduce pressure on the grid. A roadmap has also been drawn up for the re-introduction of private participation in GPL to help improve its operating efficiency. In the meantime GPL is steadily moving forward on a US\$120 million plan to introduce 50 megawatts of new generation within two years and reducing transmission losses—estimated at 44 percent of total power output in 2004. The Unserved Areas Electrification Programme is expected to link at least 30,000 additional households in 200 under-served and unserved communities to the electricity grid. As part of Guysuco's Skeldon Modernization Project, a new co-generation plant is also expected to contribute 10 MW of power to the national grid. Moreover, in March 2005, Omai Services Inc. (OSI), whose diesel plant has an installed capacity of 12 MW, was granted a licence to supply electricity to the Linden Electricity Company.

While these developments in the energy sector will have a positive short-term impact, the most promising option is the development of Guyana's hydropower potential. In this regard, GPL and other investors are currently negotiating a power purchase agreement that once completed could lead the way for three projects, including a 100 MW scheme at Amaila Falls in western Guyana. In other alternative energy plans, the Guyana Energy Authority is facilitating a private investor to construct a wind farm at Good Hope, which is expected to have an installed capacity of 12 MW.

Ongoing Actions and Planned Activities

I.A1: Complete reconstruction of the Mahaica/Rosignol road including the Ithaca section.

I.A2: Construct and rehabilitate bridges along the Timehri/Georgetown/Rosignol highway through implementation of the Road Rehabilitation Programme Phase II (Bridges Rehabilitation).

I.A3: Complete rehabilitation of Moleson Creek - New Amsterdam Road.

I.A4: Consolidate structural reforms in the electricity sector, promote the development of markets for energy efficiency, and promote rural energy development through implementation of Unserved Areas Electrification Programme.

I.A5: Complete construction and rehabilitation of paved road network through completion of four lane highway, the Harbour Bridge to Ruimveldt, resurfacing of Demerara Harbour Bridge and replacement of wooden bridges along West Demerara Road.

I.A6: Rehabilitate the non-paved road network through implementation of the Rural Transportation Program.

I.A7: Support reforms to i). address Guyana's capacity to finance, operate, maintain and expand urban infrastructure and services on a sustainable basis; ii) rehabilitate infrastructure and reestablish municipal services in Guyana's six urban municipalities through implementation of the Urban Development Program.

I.A8: Prepare a Secondary Towns Development Plan to improve the governance systems, infrastructure and the quality of basic services provided to Charity, Supernaam, Parika and Bartica through implementation of the Towns Development Project.

I.A9: Complete Berbice River Bridge project to improve access to the Berbice region and commercial links with Suriname.

I.A10: Work with Brazil to encourage successful completion of the Takutu Bridge Project to improve access to Lethem and other interior locations, Brazil and the rest of South America.

I.A11: Steadily upgrade and improve maintenance of the Linden-Lethem road including bridges to support container trucks.

I.A12: Support the private sector in completing the expansion of Ogle Aerodrome to enable development of regional air linkages with Caribbean and South American markets.

Recommendations

I.R1: Construct a deep water berth in Berbice, to reduce transport costs (note: this is a recommendation of the Sugar Action Plan – see Chapter 4). Currently the Port of Georgetown is limited in its ability to handle large cargo vessels because of its low tide water depth, which ranges from about 5 to 6.5 meters. For sectors such as Sugar, this restricts the volume of produce that can be loaded at the Demerara Shipping Terminals (DST) per vessel, thus limiting Guyana's ability to obtain reasonable freight rates. Options could also be explored to re-instate the level of dredging previously put in place by DIDCO.

I.R2: Develop a legal framework and policies for public-private-partnerships (PPPs). Part of this will involve reform to the institutional and statutory framework governing water (sea & river) and aviation and airports (CDJI and Ogle) to deliver increases in efficiency, autonomy and competitiveness in the two sectors.

I.R3: Develop more advanced road maintenance and bridge construction schemes, such as BOAT, to deliver higher quality roads and bridges along the entire transport chain.

I.R4: Revise the legislative and regulatory framework governing the telecommunications sector so as to encourage, facilitate and effectively regulate a fully competitive sector that will act as an engine of growth for the economy.

I.R5: Assess the feasibility of providing air cargo space storage with refrigeration facilities at CJIA and Ogle. Export operators have indicated that the lack of such a facility is an important constraint on export development.

I.R6: Assess the feasibility of introducing an Integrated Management Information System (MIS) and Electronic Data Interchange (EDI) for the shipping community. This would be designed to establish a platform of information needed to monitor port performance, utilization of existing facilities, and assessment of future port development requirements.

I.R7: Develop an action plan for short term priority infrastructure improvements for the Cricket World Cup in 2007.

I.R8: Strengthen the maritime sector by reorganizing MARAD’s operating structure to enhance planning and regulation of the port and maritime sector.

I.R9: Conduct a spatial analysis of the location of strategic sectors likely to drive growth and diversification and develop an action plan to serve their immediate, medium, and long term projected transport needs.

Bureaucratic Procedures

Striking the right balance between appropriate legislation and regulation of business, and freeing enterprises from excessive “red tape” and inefficient, duplicative and time-consuming procedures greatly enhances enterprise competitiveness.

Recognizing that recent legislative and regulatory reforms have increased the burden on businesses (largely due to more comprehensive international requirements), the Government has recently increased its efforts to streamline procedures, particularly in four areas:

- Enterprise Registration and Operation
- Export and Import Procedures
- Land and Property Procedures
- Resolution of Commercial Disputes

Note that improvements in these areas will have far reaching implications for competitiveness aside from their direct effects in reducing the administrative burden on business.

Enterprise Registration and Operation

Enterprise registration is the set of administrative processes by which a business sets up as a unique legal entity in order to engage legitimately in commercial activities. From an economy-wide perspective, efficient business registration is important for several reasons:

- Efficient business registration procedures help make business ventures less risky, and increase their longevity and chances of success.
- Formalized companies have better access to finance and public services including recourse to the judicial system in the case of commercial disputes.
- Business registration provides information on the business sector and so can help inform Government public policy and investment decisions.
- Business registration is also the first contact of business with Government and so strongly impacts perceptions of the investment climate.

In terms of the number of days and procedures required to establish a business, Guyana performs relatively well. Most companies interviewed in preparation for the NCS did not find the procedures particularly burdensome⁴¹; this was true for the key procedure of business registration as well as for the other procedures involved in starting a business: filing for a tax identification number, registering for PAYE, registering for consumption tax, registering employees with the social security administration, and making the company seal. Nevertheless, whilst many businesses do not find the procedures overly burdensome, many use a lawyer to complete the process which makes the costs of registration in Guyana

⁴¹ Although smaller companies tend to be less aware of some of the procedures required

high. A useful comparison is with Jamaica, the Caribbean’s acknowledged leader in business registration reform.

Figure 3.2: Starting a Business in Guyana and Jamaica (2005)

Indicator	Guyana	Jamaica	Region (LAC)	OECD
Procedures (number)	8	6	11.4	6.5
Time (days)	46	9	63.0	19.5
Cost (% of income per capita)	101.4	8.3	56.2	6.8
Min. capital (% of income per capita)	0.0	0.0	24.1	41.0

Source: Doing Business 2006

Hence, whilst the process of registering a business from a user’s perspective in Guyana is relatively unproblematic, business registry in Guyana is in need of improvement mainly to enhance Government efficiency and gather legitimate information on business activity which would have multiple benefits for Guyana including enabling crucial economic oversight and being able to provide potential foreign investors with reliable information about possible business partners.

Presently the Deeds Registry is charged with registering businesses in Guyana. The registry currently faces a number of challenges with respect to the procedures for business registration:

- All registration processes are currently manual
- There is no in-house legal expertise.
- Registration turnaround times are not set and turnaround times are thus inconsistent (the official registration turnaround time for company incorporation can be anywhere between 3 days and 2 weeks).
- Storage facilities for companies and business name records are poor and because records are not maintained properly, the search facilities at the Registry are inadequate.
- The agency has inadequate links with other complementary government agencies such as the GRA.

Some recent progress has been made by in addressing these challenges. Although not directly in relation to improving enterprise registration, recent improvements were made to the operations of the Deeds Registry to strengthen the legal framework and administration procedures for secured transactions in movable and immovable property. The Deeds Registry Authority Act was drafted a number of years ago as a model for modernization of the Deeds Registry by establishing it as a semi-autonomous body to promote its efficient and orderly operation as an executive agency. However, although the legislation is “ready to go”, detailed implementation plans have not been prepared.

Box 3.5:
Business Registration Reform Process in Jamaica: The Gains from Turning a registry into Semi-autonomous Agency

Pre-reform: In Jamaica, prior to when major reforms commenced in business registration (BR), there were lengthy registration turnaround times, manual work processes, high delinquency rates among companies, registration backlogs, registration fees below cost and the numbers, levels and competencies of staff were inadequate to meet service demands. In 1996, the Office of Registrar of Companies (ORC), under the Ministry of Industry, Investment and Commerce (MIIC) operated BR, but did not have autonomy to spend any of the revenues it earned. Pre-reform, the World Bank observed the ex-ante situation:

- 14 day turnaround time for registration of business names and companies
- Weak legislative framework out of step with modern business practices and international practices
- Weak compliance unit with high delinquency rate and low penalties for businesses
- High volume of unregistered businesses leading to weak regulatory framework and tax collection
- Weak staff skills/academic qualifications and many temporary staff, all using inadequate facilities

Foundations for Reform- Preparation/Drivers/Champion: In mid-1990s, Office of Prime Minister established a public sector modernization program Reforms encouraged by World Bank Private Sector Modernization Program loan (1996-2002). Business registration reform was championed by Cabinet Secretary in Office of Prime Minister and the Minister with portfolio responsibility for

Reform Process: Non-radical institutional reforms, updating company legislation, and ORC's newfound autonomy as an agency resulted in new incentives and efficiencies.

Ex-Post Impacts: ORC's semi-autonomous status and improved organizational management has resulted in the following ex-post situation: 4 days for normal service and 1 day for expedited, compliance rates for filing of statutory returns up from 12% to 35%, accessibility of company information improved through searchable database, improved skills among staff and customer service-oriented through training & incentives

Ongoing Actions and Planned Activities

ER.A1: Bring the Deeds Registry Authority Act into effect and make the Deeds Registry semi-autonomous by giving the agency the ability to manage its budget, retain a portion of the fees it earns, charge higher fees commensurate with the cost of providing services, and hire more qualified staff.

ER.A2: Reorganize the Deed's Registry's workforce and develop a training program for staff to learn new automated procedures and to establish methodologies for ensuring that they meet new set targets for registration turnaround times.

ER.A3: Expand the use of Information Technology to allow for the automation of all registration procedures, the conversion of all manual records into digitized images, and the backward integration into the new Tax Identification Number (TIN) system at GRA. This will ensure the lowering and standardization of registration turnaround times, better search facilities, the introduction of new fee structures where necessary, and ensure that the registry is hooked into the tax administration system (both technologically and organizationally this makes sense given that registration software has already been developed for the GRA tax system, collecting much of the information needed for business registration).

Recommendations⁴²

No further actions proposed at this time.

⁴² The following recommendations draw heavily on the knowledge and experience of the lead business registration consultant in reforming, and now serving as CEO of, the Jamaican Companies Registry.

Export and Import Licenses

An efficient import licensing process is important for the smooth transaction of goods imports for use by consumers and as inputs into the productive process. An efficient export license procedure is important for similar reasons i.e. to allow the smooth transaction of goods exports in traditional and value added product sectors.

Considerable progress has been made in this area; the number of items requiring an export license has now been reduced to modest levels and complementary efforts have been made by the Government to streamline licensing procedures by offering a web-based presence for explaining processes and uplifting forms.

Ongoing Actions and Planned Activities

No major actions planned at this time.

Recommendations

No further actions proposed at this time.

Land and Property Markets

There is a general consensus on the positive relationship between making land rights more secure and transferable, and the promotion of investment.

In recognition of this, the Government has been strengthening land and property markets, which have been historically weak or non-existent in Guyana. These reforms will:⁴³

- i Guarantee that land will not be appropriated by the Government or other agents and so encourage long term investments in land;
- ii Improve the chances for productive enterprises to obtain loans to finance investments through the development of an efficient land market and;
- iii Relax the obstacles to factor mobility and enable the allocation of land towards the most productive agents.

Recent improvements in Guyana's lands and property markets include:

- The establishment of the Guyana Lands and Survey Commission (GLSC);
- Computerisation of land information (by GLSC, GGMC);
- Development and dissemination of a transparent mechanism of land distribution;
- Introduction of a new type of lease with duration of 50 years and the right to transfer, sale, sublet, renew and inherit;
- Development of standard operating procedures for processing leases;
- Computerisation of application and lease issuance process;

⁴³ Studies looking at the impact of property rights on investment normally find a straightforward empirical relationship between individual property rights and incentives to invest in land. For example, see Field, Ericka, Property Rights and Investment in Urban Slums, Journal of the European Economic Association Papers and Proceedings, MIT Press. April-May 2005, 3(2-3) and the World Bank's World Development Report 2005 which found that firms in Poland, Romania, Russia, Slovakia, and Ukraine, that believed their rights were secure reinvested between 14 and 40 percent more of their profits than those that did not.

- Processing of more than 15 000 claims, issuing either a 50-year lease or a certificate of title (most of the coastal area is already complete);
- Completion by GLSC of 90% of a Cadastral Plan index;
- Considerable progress in Land Tenure Regularisation (LTR); and
- Establishment of an adjudication procedure to address disputes.

The program of institutional strengthening over the last few years at the Guyana Lands and Surveys Commission stands out as an especially important development. GLSC recently established standardised operating procedures in order to improve the administration of leasing of public lands and conversion of “leasehold” to “freehold” lands. Efforts have also been made to organize land systems procedures, standardise formats, train personal and clarify information given to investors. In this respect, the Commission has computerized the application and lease issuance processes and the parcels database has also been computerized using the geographic information system (GIS) which enables the monitoring of leases on the ground in a parcel-by-parcel basis. The Commission’s financial sustainability function was also recently automated, allowing for networking between its finance and lease issuance divisions through the rent portfolio, as well as the tracking of revenues against costs. In 2004 the GLSC tenured leases and titles of 5 900 parcels of land, and titles were registered for more than 200 urban parcels.

Recent progress has also been made elsewhere. For example, the Land Registry is on track to meet its goal to reduce the time for Land Registry Transfers by private landowners. Bureaucratic procedures in general involved in land administration are more agile and less complex than before; lengthy procedures are now more of an exception than a rule as a result of more efficient administrative processes.

Nevertheless, despite this progress, there are still issues that hinder security of land tenure, as well as the land administration system, and thus continue to adversely affect private investment in Guyana:

1. Guyanese land administration continues to have different regimes and systems that generate different procedures governing the allocation or sale of land, that are still complex, time-consuming and costly.
2. As a consequence of the variety of regimes and systems, land administration functions are fragmented between many different agencies including; the Deeds Registry and Land Registry; the Guyana Lands and Surveys Commission; the Guyana Geology and Mines Commission; the Guyana Forestry Commission, the Ministry of Tourism, Industry and Commerce (MTIC) Go-Invest and the National Industry and Commercial Investment Ltd. (NICIL); and the Central Housing & Planning Authority (Ministry of Housing) (see Table ?). This is another factor that makes the sector complex and inefficient for potential investors.
3. Even though improvements have been made, a complete, accurate and institutionally comprehensive land information system is required for the accuracy of lease and ownership documents and for avoiding or reducing conflicts that undermine tenure security over land rights.
4. Besides a legal and institutional framework that allows property rights to be bankable⁴⁴, the promotion of potential development opportunities as a consequence of new property rights is required.
5. Even though significant advances had been made in improving land and property markets, there is no integrated national policy to ensure a pattern of growth and use of land that supports sustainable land development in Guyana.

⁴⁴ The State Lands Act established the “right to mortgage”, providing one way for property rights to become bankable.

Figure 3.3: Agencies in Charge of Land Administration in Guyana

LAND ADMINISTRATION AND LAND SYSTEMS MAP

	Publicly Owned Land	Freehold Private Land	
		Transport System	Index of Land Transfer of Title
Deeds Registry		Registration of transactions related to transported land	
Land Registry			Registration of transactions related to titled land
Guyana Lands and Survey Commission	Mapping and administration of public lands		
Guyana Geology and Mines Commission	Administration of State mineral lands		
Guyana Forestry Commission	Administration of State forest lands		
MTIC, Go-Invest, NICIL	Management of Industrial Estates		

Ongoing Actions and Planned Activities

LPM.A1: **Improve land administration by streamlining the land lease allocation system, standardizing procedures in order to reduce elements of discretion, and establishing a fast track system for allocation of land leases for small farmers and export oriented producers** (note: this is an ongoing action of the Sugar Action Plan – see Chapter 4)

Recommendations

General

LPM.R1: **Development of a Comprehensive Land and Property Markets Policy.** Even though significant advances have been made in improving the Lands and Property markets, there is currently no integrated national policy to ensure a pattern of growth and use of land that supports long term land development while addressing specific key issues, in order to achieve a sustained system as a whole. Many Caribbean countries face the same situation and are currently carrying out projects for land policy development. Guyana must develop and implement a comprehensive land and property markets policy that:

1. Addresses key issues such as (i) title security; (ii) regimes and systems of land tenure; (iii) land administration processes; (iv) unregistered land; (v) access to land; (vi) land information systems; (vii) economic development through security of tenure; and (viii) environmental sustainability. These issues should be addressed in a systematic and participative way, in order to guarantee the

definition of a coordinated and integrated national policy. The policy would be integrated into the overarching strategic framework behind enhancing national competitiveness and fostering economic growth.

2. Continues the process of transforming state-owned lands into freehold private lands and considers redefinition of constraints related to the current limits set for transformation⁴⁵ (even though limits were originally conceived in order to protect the most vulnerable, alternative ways should be evaluated to protect the vulnerable that would not be an obstacle to the greater tenure security guaranteed by the transformation).

Specific reforms

The development of a comprehensive land and property market policy requires significant research efforts to further diagnose the situation and integrate all policy issues into an ideal and feasible legal framework. However, given the existence of urgent issues to be addressed, specific short to medium-term reforms should be addressed promptly while a national policy is designed and formulated.

LPM.R2: Further improve land administration procedures by i) transferring delegation of the transports certificates administration from the Land Registry to the GLSC ii) medium term transformation of transported into titled land iii) consolidating processes relating to land administration into the GLSC, including mapping of parcel boundaries iv) training staff accordingly

LPM.R3: Establish a complete, accurate and comprehensive Land Information System, by expanding existing efforts. Relevant institutions should survey the unregistered areas for them to be included in the system, update existing information, maintain and upgrade the digital records continuously, and train key staff members.

LPM.R4: Promote tenure security as an opportunity for economic development, through i) information campaigns to generate a proactive population with incentives to register their properties and remain formal ii) improving coordination between projects for property market reforms and other projects with which synergies may be created, and iii) raising awareness among financial institutions of progress with respect to titles as sources of more secure collateral.

Resolution of Commercial Disputes

Guyana's judicial system which is responsible for upholding the sanctity of contracts plays an important role in affecting investment decisions and therefore national competitiveness.

The judicial system currently faces a number of challenges and does not have the physical capacity to uphold its legal mandate; this ultimately acts to discourage investment and undermine national competitiveness. It can sometimes take several years for a case to move from filing to completed trial in the High Court, and this erodes the courts' ability to settle investment or contractual disputes, which can cause particular concerns for foreign investors.

These issues have a direct impact on business in Guyana because the limitations of the judicial system affect disputes such as:

- Enforcement of contracts (of any kind).
- Recovery of debt (arising from promissory note, bill of exchange, check, guarantee, trust, mortgages);

⁴⁵ Lands must measure less than 15 acres and the corresponding leases must be of 25 years

- Recovery of goods (on property for land or movable goods or for security payment);
- Companies stake-holders disputes;
- Company reorganization and bankruptcy.

These problems mentioned above seem to originate from the following causes:

- A litigation culture that stimulates the filing of judicial cases (litigious tendency) and impedes the promotion of alternative dispute resolutions methods. This cultural conditioning seems to be promoted by low cost court filing fees.
- Complex procedural rules and judicial practices that allow delay in process. These rules and practices allow unnecessary adjournments, delaying tactics (used by lawyers) and stays of execution.
- Lack of modern organization and equipment (technology) in Courts. At the current time, records are kept manually and there are old practices for Court Administration (and management of cases). This situation creates problems in finding case files, noticing, etc., sp adding more complexity to the judicial processes.
- Limited productivity of the judiciary and limited number of magistrates.
- Lack of appropriate support staff.

Although the problems mentioned above are generalised for all the judicial system and affect all Guyana's sectors, their direct effects on debt-collection processes and the enforcement of contracts particularly damage business development, restraining financing and reducing levels of economic activity and Guyana's overall competitiveness.

The main policy option in the short-run for tackling these deficiencies in the judicial system is the establishment of a Commercial Court to deal specifically with disputes among businessmen or firms for issues related mainly to debt-collection and enforcement of contracts. Even though comprehensive judicial reform is the ideal long term scenario in order to address the structural problems behind dispute resolution, this option is not feasible in the short term and hence partial reform of the judicial system – the commercial court route – will help to address specific problems relevant to competitiveness.

The Government is committed to the establishment of a Commercial Court. To bring effect to this objective, Guyana has recently received a grant from the Inter-American Development Bank (IDB) toward the cost of establishing a Commercial Court. Two implementation scenarios for the Commercial Court are possible: i) a Commercial Court with alternative dispute resolutions mechanisms (ADR) included in the system or ii) without ADR included. Currently, in Guyana there is no mandatory ADR system and no formal link with the judicial system. However, a mediation centre has been established with the cooperation of The Carter Centre and USAID (a pilot project).⁴⁶ This system is currently voluntary but is supported by the High Court Judges and the Bar Association. Some cases, with the agreement of the parties, are already referred to the Centre for mediation. The grant from the Inter-American Development Bank (IDB) toward the cost of establishing a Commercial Court nevertheless will provide for the setting up of an ADR system.

However, it is important to note that not everybody in Guyana is confident with ADR. In particular, Banks and others in the financial sector are concerned about the dysfunctional use of the ADR system which can potentially be used to delay issues in relation to difficult debt-collection, mortgage execution

⁴⁶ This project has trained lawyers in mediation. It is trying to create public awareness about the advantages of mediation and giving support to the cases referred to the mediation centre. Currently, the trained lawyers are working in mediation pro bono.

and other court orders. Hence, it is imperative that any ADR system exclude very clearly situations where there is certainty and no real conflict (for example in cases of debt recovery, mortgage execution and other securities).

Despite these issues, in the case of Guyana's litigious tendency, ADR should be studied as a complementary system to discourage litigation. Mandatory ADR would increase the costs of litigation. By increasing the costs for frivolous litigation (considering that one more step means higher costs in time and resources), a reduction of judicial litigation should be expected.

Ongoing Actions and Planned Activities

CDR.A1: Set up Commercial Court and appropriate ADR mechanism

Recommendations

Whilst the Commercial Court and ADR mechanism is already in the process of being established, there are certain activities that should be reinforced

CDR.R1: Develop a public awareness and promotion of accountability campaign with members of the Bar, academia (university professors), NGOs, international cooperation agencies and other governmental authorities to draw public attention to the judiciary's role and specific advances in the establishment of the Commercial Court.

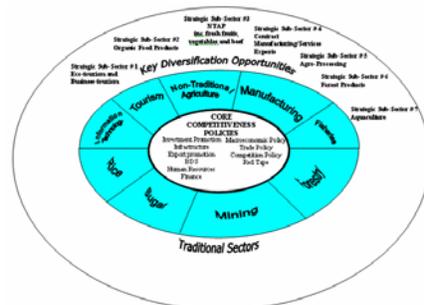
CDR.R2: Set up a Coordination or Consultative Board, integrated by representatives of the institutions mentioned above, to receive information and reports about the establishment of the Commercial Court.

CDR.R3: Identify and measure factors having an impact in the judiciary and administrative staff productivity and make recommendations to strengthen judiciary and administrative staff

CDR.R4: Evaluate the benefits of establishing a mandatory ADR system and make recommendations for establishment of a potentially suitable system taking into account experience with the USAID-Carter Centre including the issue of financial sustainability.

CHAPTER FOUR

SECTOR STRATEGIES



Introduction

The following chapter analyses the current situation in Guyana with respect to selective aspects of sectoral performance and key sectoral policies designed to enhance competitiveness. As described above, the fundamental concern of National Competitiveness Strategy is to build up the competitive advantage of the economy. For this purpose, it is necessary to make an assessment of the competitive position of the major sectors of the economy to identify their strengths and weaknesses to determine what is required at the level of policy to enhance their competitiveness. Hence, in addition to implementing core broad-based policies to enhance the competitive environment, the policy must draft strategies to address the particular obstacles and opportunities facing enterprises on a sector specific basis. This Chapter will help to track national progress at the sectoral level and highlight those areas of policy deserving priority attention in the development of National Competitiveness Strategy. These are summarized in a list of actions and policy recommendations.

Strategic Focus: Diversification for Future Growth

The productive side of the Guyanese economy can be divided into nine broad sectors in line with those identified in the National Development Strategy. As discussed previously, the strategic focus of a competitiveness strategy must be diversification for future growth and competitiveness. Hence, for our purposes, these nine broad sectors can then be divided into two categories; **traditional sectors** and **key diversification opportunities** i.e. the middle pie of Figure 2.1.

Figure 4.1:
The Productive Sectors of Guyana's Economy for the Purposes of Competitiveness Strategy

Traditional Sectors

1. Sugar
2. Rice
3. Forestry (logging)
4. Mining

Key Diversification Opportunities

5. Non-traditional agriculture
6. Fisheries
7. Manufacturing
8. Tourism
9. Information Technology

Traditional sectors

Generally, all the major traditional sectors of the Guyanese economy are being provided with strong strategic leadership and direction and have measures in place for restructuring to improve sector competitiveness. These efforts should of course continue.

Sugar

Guyana is heavily dependent upon the Sugar Sector both economically and socially. Sugar now accounts for 18% of GDP, 57% of agricultural GDP and 30% of merchandise exports. However, in the early 1990s the industry was experiencing difficulties; sugar production had declined to just 132,000 tonnes and it was recognized by Government that GuySuCo would need to be given greater management autonomy to improve its performance and productivity. An experienced management from Booker Tate was therefore contracted to lead an effective programme of rationalization. This culminated with the 1998 launch of GuySuCo's Strategic Plan.

As the largest and leading producer in the Caribbean, GuySuCo's aim, as expressed in the Strategic Plan, is to reform the industry into a competitor on the world market and reduce its dependence upon preferential markets. The industry plan aims to cut estate production costs from an average of 17 US cents/lb in 2005 to 12 US cents/lb in 2010. The Sugar industry is also looking to expand its production to 460,000+ tonnes per annum, through the development of new markets especially in the Caribbean. The main elements of this Action Plan for the development of the industry until 2015 are:

- Expand production in line with new marketing opportunities;
- Add value by producing direct consumption brown and refined sugars, branding and packaging for retail;
- Increase sales to CARICOM countries in addition to the EU and US markets;
- Implement an agricultural improvement plan covering improved agricultural practices and mechanization aimed at increasing yields;
- Improve sugar quality through factory upgrading;
- Introduce a refinery for production of value added sugar products;
- Introduce electricity co-generation; and
- Diversification into ethanol production.

Since the difficulties of the early 1990's the Sugar industry has grown and performed well due to improved management and strategic direction. There have been notable improvements in terms of boosting output, brand development and marketing of value added products. For example, whilst producing only 132,000 Mt in 1990, production of the industry had expanded to over 300,000 Mt by 2004. The sector currently employs 18,000 permanent workers and 4,000 temporary workers. In addition there are 5,000 workers on independent cane farms and cooperatives. In total around 125,000 persons, or some 17% of the population, are directly reliant upon the sugar industry. In addition the Sugar Sector provides a wide range of social services to its workers and their communities, including health, education, housing, infrastructure and other community services.

Despite progress, massive challenges still confront the industry, most notably, the industry's continued reliance on preferential access to the EU market; preferential sales of sugar to the EU market still account for half of production volume and 70% of industry revenues. But as touched upon in the introduction this preferential access is under imminent threat; the recently announced scheduled changes to the EU Sugar Regime will result in a total price cut of 36% over four years starting in 2006 which will reduce the landed export price received for raw sugar from €523.7 per tonne to €335 per tonne by 2009/10. This will

lead to a reduction in the value of the quota by an estimated US\$ 37 million per annum, equivalent to 5.1% of GDP and 5.4% of merchandise exports annually.⁴⁷

Such a severe shock will be reflected in the balance of payments, Guyana's reserve position, the exchange rate and capacity to service debt. Reduced revenues to the Sugar Industry could also jeopardize the implementation of its Strategic Action Plan. Nevertheless, with the post EU reform price set at approximately 18.2 cents/lb, should the industry succeed in fully implementing the Strategic Plan, Guyana does have realistic prospects of being competitive in Sugar.

In March 2006, Guyana launched the National Sugar Action Plan designed to present a comprehensive strategy to respond to the EU sugar price cut. It has been prepared in response to draft EC Regulation issued in June 2005 that invites Sugar Protocol countries to prepare multi-annual adaptation strategies as a basis for requests for financial and technical assistance from the European Commission.

The overall objective of the National Sugar Action Plan (SAP) is to generate economic growth by i). bringing about sustainable improvements in the competitiveness of the sugar industry ii). promoting the growth and development of specific non-traditional agriculture sub-sectors, and iii). providing infrastructural and human resource development support to achieve i) and ii).

The major thrust of the Action Plan is to support the first of these three objectives by leveraging funding from the European Commission to allow the industry to make the investments necessary to enable it to remain competitive following the EU price cut. The Sugar Action Plan has been designed in the context of the objectives and priorities established by the NCS – the two documents are complementary and mutually supportive. However, large tracts of the Sugar Action Plan remain unfunded, and large front loaded investments will be needed in the near future to support the policy recommendations of the Sugar Action Plan.

Below presents ongoing actions, planned activities and recommendations for strengthening the sugar industry; considerable more detail can be found for each of these activities in the SAP. Recommendations from the SAP pertaining to the development of non-traditional agricultural products (NTAP) and providing infrastructural and human resource development support for NTAP and are located elsewhere.

Ongoing Actions and Planned Activities

S.A1: Construct a raw sugar factory, Skeldon: This factory will increase production from 40,000 tonnes to 110,000 tonnes of sugar annually. In addition the factory will provide value added opportunities from co-generation.

S.A2: Construct a co-generation plant, Skeldon. Power generation will commence in 2007 with the incorporation of a 10Mw diesel plant and in 2008 from bagasse fired high pressure boilers. This facility will provide a continuous source of power to the Berbice region.

S.A3: Improve agricultural practices and mechanisation aimed at increasing yields by implementing the Agricultural improvement plan. The aim of the agricultural improvement plan is to raise cane yields from around 70 tonnes cane per hectare to 91 tonnes cane per hectare and to raise the sucrose content of sugar (pol% cane) from 10.55% to 11.66%.

S.A4: Brand new products such as Demerara Gold, for value addition. GuySuCo intends to further develop new markets for branded "Demerara" sugars in North America and Europe, aiming initially at the

⁴⁷ LMC/OPM (2003) 'Addressing the Impact of Preference Erosion In Sugar on Developing Countries'.

Caribbean communities in the Diaspora and “fair trade” shoppers. The large European tourist sector in the Caribbean will also be targeted.

Recommendations

S.R1: Construct a sugar refinery at Skeldon for production of value added sugar products. GuySuCo’s current marketing plan projects sales of refined sugar to CARICOM will reach 130,000 tonnes per annum by 2015. The planned refinery will have an initial capacity of 120,000 tonnes pa, but will be expandable to 180,000 tonnes pa.

S.R2: Construct a distillery at Skeldon. GuySuCo plans to enter into a joint venture for a distillery to be sited adjacent to the factory at Skeldon.

S.R3: Upgrade factories at Albion, Blairmont, and Enmore to improve productivity and operating efficiencies, reduce costs, and raise the quality of the finished product. The planned investments will include projects for increased extraction, improved recoveries and better sugar quality at all factories, the manufacture of Very High Pol (VHP) sugar at one factory (Albion) to supply the additional sugar needed for the proposed refinery (Skeldon), and the enhancement of the facilities at the factory currently producing packaged sugar (Blairmont).

S.R4: Install packaging plant at Enmore. GuySuCo presently sells around 2,000 tonnes of packaged sugars per annum into the local and CARICOM markets under the Demerara Gold brand name and has recently secured a 1,700 tonne market in the EU. There is the potential to increase sales of packaged sugar and GuySuCo expects to sell around 20,000 tonnes by 2010.

S.R5: Upgrade the Enmore Factory to facilitate production of high value Demerara Gold direct consumption raw sugar to meet strong demand for the Demerara Gold product.

S.R6: Expand the Blairmont operations. GuySuCo has considered expanding production beyond the target of its current marketing plan given the strong possibility of additional access to the EU market, increasing demand for refined sugar in Caricom, declining regional sugar production and changes in stocking policy to match the needs of a market driven business strategy. Blairmont estate can be expanded to increase annual sugar production from 50,000 tonnes to 80,000 tonnes by taking in a further 4,300 hectares of land to raise the area under cane to 11,500 hectares.

S.R7: Continue mechanization of operations. In order to reduce dependence on costly manual cane cutting and stacking there is the need for GuySuCo to progressively convert field layouts to allow fully or semi-mechanized operations.

S.R8: Construct further co-generation plants at Albion and Enmore. To create further substantial energy savings for GuySuCo but also to provide a more secure power supply to Guyana’s national grid.

S.R9: Diversify into ethanol production from sugar cane. As clearly illustrated by Brazil there is great potential for the production of agricultural ethanol for vehicle fuel use. Ethanol as a renewable fuel does not increase net CO₂ in the atmosphere. The recent sharp escalation in petroleum prices has resulted in an improved market value for fuel ethanol.

S.R10: Provide support to private cane farmers for the establishment of farmer organisations, provision of land preparation, harvesting, husbandry and drainage equipment for use by private farmers, and construction of a Link Canal from the Skeldon Private Farmers to the Skeldon Estate to enable the movement of cane by water from the farmers land to the new factory under construction.

S.R11: Improve drainage and irrigation at Wales and Uitvlugt to improve cane yields. Drainage is a major problem at Wales and Uitvlugt, mainly as a result of the lack of investment over the past 20 years, but also because of the rising sea levels and silting of the river outfalls.

S.R12: Address the storage, shipping and logistical constraints facing the Sugar industry. The anticipated increase in production, inadequacies in existing storage, the advent of new products and the increasing rates for stevedoring, road transport and sea freight require that urgent attention should be given to addressing problems of storage, and shipping and logistics, with a view to developing a least cost and more efficient system.

S.R13: Provide support to the West Indies Central Sugarcane Breeding Station. The West Indies Central Sugarcane Breeding Station in Barbados undertakes breeding of improved cane varieties for the Caribbean sugar producing countries. This function will be particularly important over the next few years because new varieties will be required that are suitable for co-generation and ethanol production. In order to meet this demand there is a need to strengthen human resources, improve laboratories and conduct field and factory tests of available germplasm.

S.R14: Address basic human capital constraints facing the sugar industry by offering training in basic literacy, numeracy, computer and book-keeping skills for workers in the sugar industry.

S.R15: Reduce flooding amongst settlements and farmlands adjacent to the sugar estates by increasing regular maintenance work on drainage and irrigation structures through the development of a water-user management scheme. Because of the interconnecting nature of the D&I coastal network, flooding in adjacent areas causes severe problems with drainage in the sugarcane cultivations.

S.R16: Improve access to sugarcane cultivations and farms in backlands neighbouring the sugar estates through the development of a programme of all-weather road construction and improvement to assist producers in accessing their lands and reducing transport costs and post harvest losses by more timely delivery to the market place. There is a general need to improve access to sugarcane cultivations and farms in backlands neighbouring the sugar estates.

S.R17: Improve the supply of more highly skilled workers needed by the sugarcane industry through the expansion of the Technical Training Programme at the Guysuco/ Port Mourant Apprentice Training College and the creation of a new college at Enmore.

S.R18: Implement recommendations of SAP concerning agricultural diversification (see later).

Rice

After Sugar, Rice is the most important agricultural sector in the economy. Rice contributes around 4% of total GDP and 12% of agricultural GDP. Since the problems experienced in the early 1990s, the Rice Industry has experienced strong growth, with an average annual growth in production since 1992 of 7.1% and export growth of 13.9%. In 2004 the production of Rice stood at 500,474 tonnes with a value of US\$54.8 million exported. These improvements have partly resulted from improvements in productivity facilitated by GRDB's technology transfer programme, with yield per hectare growing annually by 2.8% over the same period. The industry employs over 150,000 persons both directly and indirectly, and contributes heavily to rural development given that much production is made up by small farmers. The

EU remains the most important export destination, with 45% of exports destined for the EU market in 2004.

Nevertheless, despite this progress, significant competitiveness challenges confront the industry. Rice is another major commodity that has experienced declining margins of preference in the EU market. These changes implemented in September 2004, saw the intervention price on ACP imports into the EU fall from €300/tonne to €150/tonne, combined with the full tariff falling proportionately more than the tariff applied to ACP imports. This placed a burden on an industry whose yields on average are only at half the internationally competitive level. Exports to CARICOM have also been constrained because in certain cases the Common External Tariff (CET) on Rice is not been implemented, despite being noted by the CARICOM Rice Monitoring Mechanism. Insufficient access to finance has also constrained the industry, with banks offering high interest rates and only short pay back periods. The industry also suffers from an inadequate level of Research and Development, and has not always been able to satisfy national needs for germplasm.

Some progress has been made in dealing with these challenges. *The Agricultural Sector Support Programme*, supported by the IDB, has provided US\$25 million for work related to the sector. US\$17 million of this is for the rehabilitation of Drainage and Irrigation systems in order to boost productivity. The remainder of this money has been spent on research to improve seed paddy and other projects to boost productivity. The EU through the *Programme for Supporting the Competitiveness of the Rice Sector* has provided €11.7 million to be used for Drainage and Irrigation support, provision of sustainable credit and the provision of technical assistance to the sector in terms of policy development, research services and extension services.

It is imperative moving forward that the Rice industry continues to reduce its reliance on the EU market for significant contributions to export earnings. As such Caribbean and US markets must be more fully exploited. The industry must also seek to add value moving beyond the export of bulk “Cargo” rice, and into branded package products as well as rice products such as rice flakes, popped rice and rice straw. The industry must also continue with its research on increasing productivity, decreasing the variability of yields, increasing pest resistance, enhancing quality and developing and maintaining those characteristics demanded by export markets and domestic consumers.

Actions in Progress and Planned Activities

R.A1: Support agricultural support services through i) civil works to rehabilitate primary and secondary D&I systems in selected areas ii) D&I institutional development including farmers’ training and extension, and establishment of Water User Associations (WUA’s) in those selected areas iii) rice seed research and production through implementation for the Agricultural Support Services Programme.

R.A2: Support the rice sector through targeted measures to i) strengthen the Guyana Rice Development Board and Rice Producers Association ii) support water rehabilitation through improving drainage and irrigation systems, and iii) provide credit to rice farmers currently restricted due to high interest rates, short payback periods and lack of collateral through implementation of the Support for Competitiveness of Rice in the Caribbean program (funded by the EU).

R.A3: Support research to be conducted at Burma Rice Station. Burma Rice Station carries out research in high quality seed cultivars to improve productivity of rice production.

R.A4: Construct new seed paddy sites: This is a necessary activity in order to ensure full coverage of seed paddy provision across all the rice growing regions of Guyana.

R.A5: **Conduct quality control consultations.** There have been isolated incidences of low quality rice exports, which are damaging to the reputation of Guyana as a rice producing country. These incidences need to be eliminated through quality control consultations.

Recommendations

R.R1: **Further diversification of international markets to reduce dependence on EU.** Guyanese rice producers should seek new export markets particularly within the region where demand is high and where protection of the CSME is offered.

R.R2: **Diversify production to include value added products.** In order to access new markets, Guyanese rice producers need to produce higher quality and higher value added types of rice for export. This includes moving away from the sale of bulk “cargo” rice, to the sale of high value added packaged rice.

R.R3: **Increase support for Research and Development (R&D) to bring Guyana’s productivity in line with internationally competitive levels.**

Forestry

The forestry sector is made up of numerous enterprises involved in log production, plywood, timber, round wood, non-timber forest products, fuelwood, manicole palm, and production of value added forest products (e.g wooden furniture). The sector currently contributes around 4% of GDP,⁴⁸ around 20,000 to employment, and around 6% to total exports.⁴⁹ Guyana’s abundant supply of high quality raw forest, including many lesser known species, provides this sector with the means to become a significant economic driver of the national economy. However, lack of policy definition in the past, deteriorating infrastructure, lack of business reinvestments, evolving unfavorable market conditions, and little apparent interest in generating value added jobs in timber processing have all contributed to the diminishing importance of traditional forestry products in the national product during the past two decades.

Nevertheless, whilst in the past, the timber industry has been largely unregulated, making it difficult for companies to invest, things have started to change. Through the Forestry Commission’s National Forestry Plan of 1997, measures have been put in place for the conservation, protection, management, and utilisation of Guyana’s forest resources, while ensuring that the productive capacity of the forests for both goods and services is maintained or enhanced.⁵⁰ For example, it is now compulsory for all concessions in excess of 8000ha to conduct an Environmental and Social Impact Assessment Plan (ESIA), a Forestry Management Plan, and a Forestry Inventory (FI) prior to issuance of a concession. A Code of Practice for Forest Operations detailing environmental and social procedures must also be complied with. A national management level inventory has recently been completed and necessary supporting systems are in place to guard against illegal logging. As a result of these measures, Guyana is now deemed by the International Community to be conducting Sustainable Forest Management at the level of the Forest Concession. There have also recently been positive investments in the sector with a number of new projects as well as several expansions which have created additional employment and increased activity in the sector.

The Government through the GFC continues to promote strategies in partnership with all stakeholders to enhance the development of the forestry sector. However, despite this recent progress, difficult challenges

⁴⁸ Guyana Forestry Commission, 2006

⁴⁹ GTIS cluster profile: Forest Products

⁵⁰ Guyana Forestry Commission, 2001, National Forestry Plan, p.1.

confront the sector. The fact that Guyana's forestry resource is so much larger than the rest of the other CARICOM countries should signify that Guyana can take advantage of the CARICOM region's considerable forest product-related demand, especially the demand of the substantial and growing Caribbean tourism industry. But the sector's comparative advantage is constrained by many factors such as high energy and transportation costs and out-dated technology and equipment. Thus the forestry sector currently suffers from poor economies (high harvesting and production costs) partly due to mediocre tree stocks (low tree concentration per hectare; wide range of varieties), expensive infrastructure, the high-cost of production inputs (such as energy) and unproductive labor. Whilst Guyana's log to timber recovery rate is similar to that of some other countries, some experts maintain that with the right policies and appropriate milling technology, the current recovery rate yield could be doubled to 65-70 percent.

A key factor determining Guyana's potential to export value-added wood products is the actual availability and cost of timber production, followed by the cost of transformation and transportation and the technological ability to produce to tight specifications.⁵¹ Hence, improvements at the extraction end will be crucial to the long term viability of the value added forest products sector (see Chapter 5).

Actions in Progress and Planned Activities

See Chapter 5 for an elaboration on actions to develop the value added forest products sub-sector.

F.A1: Improve forestry management by continuing ongoing projects designed to conduct surveys of forestry resources, silviculture, pilot inventories and forest zoning.

F.A2: Improve forestry management and product promotion by holding awareness and training courses/workshops on differing aspects of forestry management and product promotion including timber grading and quality control, forest products marketing and promotion of lesser known species, tree and wood identification, directional tree felling, forest harvesting operations, forest management and planning, and reduced impact logging.

Recommendations

F.R1: Monitor progress of workplans set by the Forestry Commission.

Mining and Petroleum

Mining is an important sector of the economy, contributing about 13% to GDP, 35% to exports and employing some 10-15% of the labor force.⁵² Despite recent hiccups, the mining sector is on the road to recovery. For example, the bauxite industry has been on a path of recovery over the last few years showing substantial growth. Last year bauxite production rose by 6 percent to 1,594,294 tons reflecting in part the restructuring of, and new investments, in the industry. Significantly, the output of the very special high grade RASC calcined bauxite, grew by 61.7 percent to 213,000 tons.

The two bauxite companies which were nationalized in the 1970's and ensured many difficulties have now been re-privatized. CAMBIOR, the parent company of Omai Gold Mining Ltd (OGML), now has 70% equity in the refashioned bauxite operations, Omai Bauxite Mining Ltd (OBML). Similarly, the Government recently signed an agreement with Russian Aluminum group (RUSAL) for an investment to privatize the Berbice operations of the bauxite industry (90% RUSAL, 10% Government). A subsidiary of

⁵¹ For example, see Zweig, 2004: Profile of Wood Products Sector in Guyana

⁵² Guyana Transport Sector Study Working Paper 5, 2006

RUSAL, BCGI, took over the Berbice operations in March, 2006. RUSAL, looking to extract 2 million tons of bauxite per year over the next 20 years has put US\$20 million into the operations and has signed up Oldendorf Carriers for the barging, transshipment and ocean shipment of its bauxite products for the next 10 years. Oldendorf is investing US\$60 million in a new barging fleet and in improvements of the transshipment station which is part of the first phase deep water shipping facility at the mouth of the Berbice River. RUSAL has also begun a study of the feasibility of establishing an alumina refinery on known bauxite deposits in the Linden and Ituni areas for which RUSAL has taken leases.

Declarations by small gold miners have also been steadily increasing in recent years; gold declarations reached an all time high of 162,527 ounces last year. However, overall gold production fell by 26.3 percent to 267,556 ounces reflecting the significant loss of output of Omai Gold Mines Ltd (OGML/OMAI) which ceased operations in September 2005 having exhausted known reserves the previous year. Diamond declarations, whilst still the second highest declaration, fell by 19.8 percent to 356,948 carats. It was these declines that caused the output of the mining and quarrying sector to contract by 17.7 percent in 2005.⁵³

The mining and petroleum sector in Guyana is sharing in the worldwide boom. There is great excitement about a number of gold prospects currently being pursued. There have also been new applications for uranium prospecting rights and the Pakaraima laterite bauxite deposits are being reappraised. A survey of iron ore possibilities in Guyana is being undertaken as a possible feed for a new iron and steel plant to be built in Trinidad.

Nearly all of the prospective petroleum areas in Guyana are currently under lease – offshore, near on shore, and the Takatu basin. Interest remains high in the so-called overlap off-shore Corentyne area, awaiting boundary demarcation between Guyana and Suriname. Three wells drilled on-shore along the Corentyne coast did not find any oil, but having reworked all data, a new programme of drilling is being projected for 2006-2007 along a band about 10 miles further inland.

In spite of recent progress, a number of key challenges in the sector remain. These include the need to overcome deeply ingrained habits relating to environmental practices especially among small miners; the need for better physical infrastructure and communications; and reducing the impact of health risks endemic to the sector including malaria, STD's/HIV-AIDS and other health related risks. It will also be necessary to continue developing the monitoring and inspectorate capabilities of the GGMC and the EPA, and to improve technical and professional training throughout the industry.

Actions in Progress and Planned Activities

M.A1: Implement workplan set by the Guyana Geology and Mines Commission to:

- i. Promote mineral development;**
- ii. Provide technical assistance and advice in mining, mineral processing, mineral utilisation and marketing of mineral resources;**
- iii. Facilitate mineral exploration;**
- iv. Provide research in exploration, mining, and utilization of minerals and mineral products;**
- v. Enforce the conditions of Mining Licenses, Mining Permits, Mining Concessions, Prospecting Licences (for Large Scale Operations), Prospecting Permits (for Medium and Small Scale operations) and Quarry Licenses;**

⁵³ Budget Speech 2006

- vi. Collect rentals, fees, charges, levies etc. payable under the Mining Act;**
- vii. Continue hall marking**

M.A2: Enact Mining Amendment Act and implementing regulations to improve incentives to invest in the sector and provide adequate environmental protection.

Recommendations

No further recommendations proposed at this time.

Key Diversification Opportunities

Key diversification opportunities are sectors for which the development and implementation of broad-based sector strategies should be accorded priority attention in National Competitiveness Strategy for purposes of diversification. As the National Development Strategy points out, non-traditional agriculture, manufacturing, tourism and other high-value services in I.T sectors remain at a nascent stage of development yet it is envisaged that by 2010 the economy will have become much more diversified, with in particular the manufacturing, service and information technology sectors making much more significant contributions to GDP than they do now. This objective is reaffirmed by the Sugar Action Plan which seeks to explore avenues for diversification within the agricultural sector.

Non-Traditional Agriculture

The non-traditional agricultural products sector (NTAP) in Guyana is a nascent sector that has shown strong potential to become an important corner stone of the Guyanese economy; as such the sector should be seen as a strategic growth pole with the ability to broaden the productive base and to mitigate the potential impact of future adverse shocks to our major commodities.

While the level of exports of the sector (4,560 tonnes in 2004) is still minimal when compared with traditional exports of rice and sugar, there is great potential for further growth in exports to CARICOM, US and EU markets. Total exports of fruit and vegetables have grown by 93% in value since 1998, at an average annual rate of 12%. Products with the most promising marketing opportunities include coconut base products, pineapple, pepper, plantain, pumpkin and passion fruit. There is also strong potential for Guyana's beef sector, due to Guyana's inherent comparative advantages in terms of land and water resources necessary for raising cattle.

In recent years, the Guyana Marketing Corporation has taken an active role in the identification of markets, promotion of Guyanese products and technical field visits to provide extension services to producers of non-traditional agriculture. Exports of fruits and vegetables have begun to the Caribbean region, with exports of Coconut Oil, Copra, Pepper, Plantain and Pineapple enjoying particular success. Guyana has achieved foot and mouth disease free status but this must be internationally certified. Some recent support has also been delivered through the GTIS project for advanced training in the product development, storage, post harvest handling, processing, packaging, quality control and marketing of peanuts.

A number of key competitiveness challenges confront the sector; these need to be overcome to unleash the sector's potential. For example, in the non-traditional sector there is a lack of private sector leadership and coordination, due to its status as a fledgling industry, which means that the private sector is unable to direct itself in terms of identifying and securing markets and coordinating entire supply commodity

chains. While Guyana is free of Foot and Mouth there is no adequate animal or plant health systems currently in place which are necessary conditions for the export of products to stringent markets such as the US and the EU. The sector also suffers from severe constraints in accessing finance; non-traditional products are often produced by small farmers who do not have collateral with which to secure loans. There is also a lack of skilled human resources in the sector, with the knowledge necessary to drive the sector forward.

Diversification of the agricultural sector into non-traditional agricultural products is a major strategic priority for the Government. Implementation of this strategic priority will be spearheaded i). via implementation of the Sugar Action Plan; ii). via implementation of the Agricultural Diversification Program (ADP). These form the basis for the actions and recommendations outlined below and are summarized in more detail in the NCS Action Plan. Both the Sugar Action Plan and Agricultural Diversification Program (ADP) have largely reached completion of high-level design stage and the exact details of programmable activities to be covered under each will be finalized in the near future.

Actions in Progress and Planned Activities

NTAP.A1: Support agricultural support services through i) civil works to rehabilitate primary and secondary D&I systems in selected areas ii) D&I institutional development including farmers' training and extension, and establishment of Water User Associations (WUA's) in those selected areas iii) agricultural diversification promotion through implementation for the Agricultural Support Services Programme.

NTAP.A2: Support the development of initial export supply chains in fruit and vegetables and beef to produce a sustainable increase in non-traditional exports of fruit, vegetables and beef through implementation of initial measures identified under the Agricultural Diversification Programme (see Chapter 5 for an elaboration on strategies under the ADP to develop the fruit and vegetables and beef supply chains)

Recommendations

NTAP.R1: Establish a comprehensive Plant Health System (this is a recommendation of the Sugar Action Plan (SAP)). Phytosanitary requirements for imports to the EU and other markets are increasingly important technical barrier to trade. The need to develop a more effective phytosanitary control system to meet the demands of developing the fruit and vegetables export industry is critical. A Plant Health Unit has been established within the Ministry of Agriculture, but there is an urgent need to develop a more comprehensive phytosanitary system. Activities should focus on:

- i. Improving plant inspection at points of entry.
- ii. Installing a rapid response unit to control outbreaks of pests.
- iii. Improved Pesticide Residue Control.
- iv. Training farmers on use of pesticides.
- v. Achieving international accreditation on phytosanitary standards.

NTAP.R2: Establish a comprehensive Animal Health System (this is a recommendation of the Sugar Action Plan (SAP)). In order to begin large scale exports of beef Guyana must put in place an effective animal health system to meet international sanitary requirements. Activities should focus on:

- i. Completing a full livestock census.
- ii. Improving inspection at points of entry.
- iii. Establishing an animal movement control system.

- iv. Installing a system of continuous sample testing of randomly selected animals.
- v. Installing a drug intake control system.

NTAP.R3: **Construct an Abattoir to International Standards.** Another necessary requirement for the export of beef and other livestock products. Currently there is no abattoir in Guyana that is certified for the export of beef to markets such as the EU and the US. This is an opportunity which should be examined by private sector investors.

NTAP.R4: **Increase capacity of government institutions to provide extension services.** The service currently offered by extension officers of the Ministry of Agriculture and the Ministry of Fisheries, Crops and Livestock is limited by human and technical capacity constraints.

NTAP.R5: **Develop an Agricultural Business Development Unit** (this is a recommendation of the SAP). The objective of this unit is to develop the skills, knowledge, market information and organisation within the private sector to scale up production of non-traditional agricultural commodities. The Unit should focus on the following activities:

- i. *Provision of market intelligence* to ensure that production is demand-led. The aim initially will be to secure niche markets for Guyanese products rather than try to compete with more efficient producers.
- ii. *Provision of export marketing support*, which is considered essential given the lack of marketing experience for the targeted commodities. This should include training on Sanitary and Phytosanitary (SPS) requirements.
- iii. *Value chain analyses.* Value chain analysis takes an integrated view of commodity systems linking together all agents and institutions in the production and marketing chain with a view to identifying and addressing constraints and opportunities for further development.
- iv. *Establishment of producer organisations* to procure important inputs, such as seed, fertiliser and pesticides, as a means to reduce costs through bulk purchasing.
- v. *Provision of general business development advice* to producers in the non-traditional agricultural sectors.
- vi. *Engage in dialogue on key policy issues affecting the development of the non-traditional agricultural sectors.*

NTAP.R6: **Provide specific support to the fruits and vegetables sector through strengthening the capacity of NARI to** (this is a recommendation of the SAP):

- i. Implement ongoing programmes related to fruit and vegetable propagation and production, pest and disease control practices, soil and water management, organic agriculture and sheltered agriculture.
- ii. Promote the cultivation of new commercial tropical fruits and vegetables, including organically grown products.
- iii. Enhance the genetic base of high quality cultivars by supplementing local tropical fruit and vegetables varieties with high quality foreign varieties.⁵⁴
- iv. Propagate selected materials in nurseries applying up-to-date tissue culture techniques and distribute materials on a large scale.
- v. Provide training activities aimed at improving the skills of NARI staff and fruit and vegetable growers.

⁵⁴ The development of high quality cultivars targeted at strategic export markets will help to increase the attractiveness of Guyanese exports. Improvements in quality will also improve yields and thus increase profit margins.

- vi. Establish suitably equipped seed testing facilities.

NTAP.R7: Provide specific support to the beef sector to strengthen the production for export on the intermediate savannas. Specific support should be directed at strengthening the capacity of the Livestock Division in the Ministry of Agriculture (this is a recommendation of the SAP) to deliver the following activities:

- i. Establish three breeding programme centres in the major beef producing areas of Guyana. Breeding programmes will be based on well established breeds. The centres will be responsible for semen collection, processing, storage and distribution.
- ii. Conduct scientific analysis of appropriate forage suited to local agroclimatic conditions and the breeds to be introduced.
- iii. Promote on a large scale improved quality forage in beef producing regions of Guyana.

NTAP.R8: Establish credit facility for non-traditional exports (this is a recommendation of the SAP). The aim of the facility would be to extend credit to the non-traditional agriculture sector using the model developed by IPED. The scheme would be solely targeted at exporters of nontraditional products with lending linked to the development of business plans by prospective borrowers that will indicate how they will expand production for export.

NTAP.R9: Address basic human capital constraints facing individuals engaged in agricultural activities by offering training in basic literacy, numeracy, computer and book-keeping skills for workers in non-traditional agriculture (this is a recommendation of the SAP).

NTAP.R10: Improve the supply of more highly skilled workers needed by the non-traditional agricultural sector through the expansion of the Technical Training Programme at the Guysuco/Port Mourant Apprentice Training College and the creation of a new college at Enmore (this is a recommendation of the SAP).

Fisheries

The fisheries sector is a significant contributor to Guyana's economy, with 3% of total GDP accruing from the sector (as much as rice in some recent years). The fishing industry employs around 6,500 people in harvesting and a further 6,000 people in processing, with many more benefiting indirectly through fishing related industries such as boat building and gear supply and repair.

Much progress has been made towards sustainable development of the industry in recent years. For example, the fishing industry has achieved the requisite Fish Quality Control Standards for export of fish to the EU market and has commenced exporting to the EU. Guyana has also implemented and enforced regulations on Turtle Excluding Devices (TEDs); this allows for the export of fish and fishery products to the US market. The local market has also been extensively exploited with per capita annual consumption of fish increasing dramatically from 9kg in 1980 to 45kg in 2003. As a member of CARICOM Fisheries Resource Assessment and Management Programme (CFRAMP), work has begun on assessing the status of the shrimp and ground-fish stocks.

Despite this progress, a number of competitiveness constraints confront the sector. A major constraint to the sector is the lack of sufficient regulatory support. Moreover, the Fisheries Department of the Ministry of Fisheries, Other Crops and Livestock suffers from severe constraints in terms of human and technical capacity to help inject further momentum into the sector. As a result Guyana's marine resources are not being managed in a sustainable manner. An illustration of this was the collapse of the Prawn industry in

the 1990s due to over-fishing. The Government did not have the capacity to set sustainable Total Allowable Catches because of insufficient human and technical capacity necessary to carry out an accurate scientific survey of the resource. It is feared that another important resource, Seabob, is currently also being over-fished due to decreasing catch sizes; a scientific survey is required to verify this (it is noteworthy that some work has recently been done with the support for GTIS to help assess and address issues of fisheries resource management).

Moreover, whilst Guyana has some of the most abundant marine resources in the region, many resources remain under-exploited especially the deep water resources. This is due to the lack of ability to carry out scientific surveys of the resource. For sustainable development of the sector there is a need to properly survey marine resources to establish their suitability in terms of available technology and economic returns.

Note, as part of preparing the NCS, detailed work has been undertaken in the aquaculture sector, which suggests that aquaculture is a particularly promising sub-sector of fisheries (see Chapter 5 for more details).

Actions in Progress and Planned Activities

Fi.A1: Update the Fisheries Act to be more relevant to current national and international requirements. Adjustments to the Fisheries Act are required to ensure that the industry is complying with international standards for export of fish and fish products. With the emergence of aquaculture as a potential strategic sector there is the need to provide extra legislative support to the sector.

Fi.A2: Facilitate seafood/fisheries cluster working group activities that focus on identifying factors impacting the competitiveness of the sector and developing action initiatives to improve the competitiveness of the sector/cluster.

Recommendations

Fi.R1: Create a semi-autonomous Fisheries Authority to address human and technical capacity issues (this is a recommendation of the SAP). Despite the fact that fish and fish products contribute almost as much to the economy as rice, the sector is not adequately supported. Human and technical capacity constraints undermine the support that is given to the sector. As such a reconfiguration is required.

Fi.R2: Assess the Seabob resource to establish Maximum Sustainable Yield. It is generally felt that the Maximum Sustainable Yield would allow for 30 boats to harvest this resource. Currently there are 100 boats licensed to fish Seabob in Guyana. In order to prevent further over exploitation of this resource a survey is required to set an accurate Maximum Sustainable Yield.

Fi.R3: Demonstrate simple cost effective ways for coastal fishers to significantly increase the quality of fish. There is concern about the quality of fish currently being produced by Guyana, with many fishermen only able to maintain Grade A fish for 10 days, while the current market climate requires fish to remain at Grade A for 20 day; thus cost effective methods to increase fish quality would help to improve the competitiveness of the Guyanese product.

Fi.R4: Assess the potential for exploiting deepwater resources. Guyana is blessed with an abundance of deepwater resources such as Atlantic Tuna. However, a survey is needed to assess the state of these resources to evaluate the potential profitability of production.

Manufacturing

In Guyana the manufacturing sector remains small, narrow and rudimentary, devoted primarily to the low-value processing of our major agricultural, mineral, and forestry products. The sector currently accounts for only 3% of GDP.⁵⁵

Whilst in 2005 the manufacturing sector showed growth of 2 percent⁵⁶ reflecting the expansion of existing products and diversification into some new activities, the expansion and diversification of the manufacturing sector is currently not proceeding at the rate it must. Currently Industry Division of the Ministry of Tourism, Industry and Commerce, which is responsible for managing the industrial estates and setting policy, has a staff contingent of only three people and there is not currently in place an overarching strategy to bring together the disparate attempts of various agencies in developing the sector. At the current time only the GTIS project (see Chapter 5) is undertaking development activities focusing on centers of potential dynamism within the manufacturing sector (i.e. agro-processing and forest products).

Ensuring the future growth and development of the manufacturing sector in Guyana will now require a commitment to develop a radical and comprehensive strategy aimed at helping the industrial sector to build up its technological capabilities through policies designed to overcome sector-specific constraints currently inhibiting the sectors growth and development.

To achieve this objective will require a targeted approach focusing on developing value-added activities areas such as agro-processing and forest products (see Chapter 5). But these efforts will need to be complemented by a strategy to quickly create competitive niche sectors in global markets through a program aimed at targeting niche contract manufacturing/call centers.⁵⁷ Guyana has a number of key competitive advantages such as affordable labor costs, market access in sectors such as garments under the CBI, an English speaking population, a trainable workforce and special advantages for call centers such as accent, same time zone as US and Canada, among others. These advantages have recently been confirmed by a few pioneer investors with expansion projects in garments and call centers in 2006. Nevertheless, this slight competitive edge can easily be whittled away quickly unless the core interventions highlighted in Chapter 3 are not promptly implemented to deal with factors such as high transaction costs due to overregulation, red tape, discretionary concessions process, customs delays etc.

To position the Contract Manufacturing/ Call Centers sector as a driving element in the generation of jobs and exports will require a bold strategy aimed at taking advantage of the current opportunities and competitive advantages of Guyana and those to be generated. This will essentially require developing “islands of competitiveness” for the export-oriented light manufacturing/services industry through the creation of new industrial areas offering a more advanced infrastructure especially in buildings for long term lease to new investors.

Actions in Progress and Planned Activities

M.A1: Organize trade fairs through Go-Invest for the manufacturing sector and facilitate the attendance of the local private sector.

⁵⁵ Guyana Transport Sector Study Working Paper 5, 2006

⁵⁶ Budget Speech 2006

⁵⁷ Call centers here are treated here as the same as contract manufacturing for analytical purposes as competitive advantage is routed in roughly the same factors.

M.A2: Conduct a Strategic Investment Opportunity Assessment for agro-processing and forest products to provide the basis for GoInvest to launch a proactive investment attraction programme for the two sub-sectors.

M.A3: Support the Guyana Manufacturers' and Services Association to build capacity through the funding of key positions.

M.A4: Improve factory layout and management, production processes, quality control, scheduling and plant/employee safety by engaging services of an industrial engineer to spend 6 months working with manufacturers in various sectors.

M.A5: Reduce the trade deficit in manufacturing products by developing a Pride in our Industry campaign to encourage the purchase of locally produced manufactured products.

Recommendations

M.R1: Implement integral plan to promote and attract FDI into labor intensive manufacturing operations (e.g. garments) and exported services. The operation of successful pioneering investments in garment and call centers in Guyana have been expanding in recent years even in the face of a number of competitive challenges. It makes sense to use the experience of these investors to expand the sector and create larger economies of scale and a process of development of specialized infrastructure.

M.R2: Create a new agency or establish practical ways to combine and upgrade existing functions present in MINTIC, Go-Invest, and/or NICIL to more effectively manage the operation of industrial parks development in Guyana. Based on the experience of other countries, including Mexico (state of Chihuahua), and on the operation models used by free zones in Central America, the creation of the new governmental institution would be in charge of the development, construction, promotion, and sale of industrial zones and parks.

M.R3: Develop a new turn-key industrial Zone with buildings for immediate lease and specialized services, potentially including customs' on site and the hiring of specialist personnel. This will require making use of an existing industrial areas and buildings that are not in use at the Sanata Industrial Site to develop the kind of zone that has been so successful in many countries in Latin America and the Caribbean.

M.R4: Assess the potential for introducing EPZ regulations on tariffs for the new zone taking into account i) future likely deliberations in the WTO and ii) Guyana's position as close to the \$1000 GDP threshold set by the WTO for regulations governing export subsidies.

M.R5: Implement marketing plan for the new zone

M.R6: Develop and implement a specialized training for industrial estates managers and investment attraction specialists in Go invest: The development of more advanced industrial zones offering buildings for lease requires highly specialized knowledge. The implementation of an investment attraction program requires basic knowledge on the methodology to detect and promote investors to the country. Hence, the implementation of a specialized training program is recommended including site visits to successful free trade zones in the Caribbean or Central America to learn investment attraction basics and skills in industrial park management, operation and promotion.

M.R7: Set-up a Fast Track "Production Sharing" Action Team (see also Recommendation FTSD.R1). The clothing and call center industry has grown in Guyana based on few participants in the face of a number of competitive constraints and also limited private-public collaboration. To accelerate progress, the strategy must be developed with key stakeholders including government officials, industrial estates managers, investment advisors, manufacturing companies in operation and key service providers.

M.R8: Develop Fast-Track Action Plan to support start-up of New Tech Park (for Call Centers and IT). A private investor is interested in developing a new IT Park in Guyana in order to attract investment in exported services. The site of the proposed new Technology Center is adjacent to the new World Cup Cricket Stadium. Private investors are ready to construct the new buildings on a "turn-key" basis to lease them to call center investors. By mid-2006, private investors are planning to construct a 30,000-square-foot, state-of-the-art, smart building that will offer quality space with "plug & play" readiness where new call center investors can move immediately to begin operations. Fiber cable infrastructure is already available in preparation for the Cricket World Cup media; hence it will be available for the new Tech Park.

Tourism

The Government has designated the Tourism sector as a priority sector of the economy and aims to double international tourism by 2010. The sector currently contributes approximately 7% to GDP and provides directly 2,000-3,000 jobs. With Guyana's wealth of world class natural tourism attractions including vast trails of wilderness, rainforests, river systems, mountains and a variety of cultural and historic recognition of the country's abundant natural resources, Guyana's tourism product continues to grow and attract significant interest from investors and visitors alike.

The National Development Strategy marks tourism as a sector that can contribute to the sustainable development of Guyana by earning foreign exchange and providing job opportunities, while conserving the natural environment and the multi-faceted culture of the country. The strategy goes on to list a number of elements that need to be implemented. So far the GOG has initiated a number of actions to give effect to the strategy outlined in the NDS. In particular, the National Tourism Authority has been set-up; the Guyana Office for Investment (GOINVEST) has mandated certain concessions for the tourism sector to encourage its development; significant improvements have been made to Cheddi Jagan International Airport; improvements have been made to the road between Timehri and Georgetown; and the GTA is in the process of licensing tourism businesses.⁵⁸

The GTIS project has also helped to strengthen the tourism sector by helping to ensure that improvements in the sector meet the design and appearance standards of the international tourism industry, by carrying out training needs assessments and nation wide consultations on the development of regulations governing tourism standards and certification, and facilitating the attendance of GTA at the ITB German Travel and Trade Fair. These various activities have helped contribute towards an increase in tourist arrivals into Guyana from around 99,000 in 2001 to over 120,000 in 2004.⁵⁹

Nevertheless, despite general recognition of the country's abundant natural resources, Guyana has not been as successful as it could at translating our natural touristic resource base into a viable tourism industry. To become a more competitive destination and to widen Guyana's appeal further field, i.e. outside of the Guyanese Diaspora, it will be necessary to improve firstly the image of the country, to make some focused improvements to the transport infrastructure for greater connectivity and more airlifts,

⁵⁸ Guyana National Tourism Development Plan 2006 - 2010

⁵⁹ GTA, 2005

reduce travel time/ travel cost, revise the view of Guyana's Tourism Potential (i.e. too much focus is given to eco-tourism), extend marketing efforts to improve our market position, increase and improve tourist facilities, increase standards within the industry (both service and product), and increase funding to institutions that support tourism development.

To ensure that this happens, a Five-year Tourism Development Plan (FYTDP) was recently completed aimed at defining the actions that will guide policy making investments in the sector and bring about realization of the vision defined in the NDS.

Actions in Progress and Planned Activities

T.A1: Expand and rehabilitate the Ogle Aerodrome and improve rural airstrips and other infrastructure to support tourism. These measures are designed to allow for increases in tourist traffic and improve access to various tourist destinations around Guyana with the objective of improving Guyana's image as a viable tourist destination. See also Recommendation IA11 in the section on Infrastructure.

T.A2: Improve communication, attitude and general hospitality skills and services within the sector through implementation of CIDA funded program for the tourism sector. This program supports training programs convened by THAG targeted at tourist operators, chefs, waiters, waitresses and other personnel so as to improve communication, attitude and general hospitality skills and services.

T.A3: Continue ongoing marketing and support services through the Guyana Tourism Authority. The Guyana Tourism Authority is continuously engaging in national tourism marketing, product development, human resource development, product standards (licensing), research and information aimed at the development of the tourism sector.

T.A4: Facilitate tourism cluster development working groups activities that focus on identifying factors impacting the competitiveness of the sector and developing action initiatives to improve the competitiveness of the sector.

T.A5: Develop training program in collaboration with MINTIC, GTA, THAG and private sector firms to upgrade tourism and hospitality services in preparation of the 2007 Cricket World Cup.

T.A6: Strengthen the capacity of the Linden community to promote tourism through implementation of a LEAP project to produce a tourist guide and develop the Linden Tourism and Hospitality Website.

T.A7: Strengthen GTA's capacity to network, share information, and engage in website development and management through provision of personnel, hardware and software to upgrade GTA's IT capacity.

T.A8: Develop a birding marketing strategy. The strategy will include an assessment of Guyana's competitive position in the global birding tourism industry, the identification of tour operators potentially interested in conducting birding trips to Guyana, and recommendations for Guyana to further develop and market this niche tourism industry.

T.A9: Assess Guyana's potential in the yachting market to look at the potential of developing the yachting industry.

Recommendations

To complement the ongoing actions and planned activities outlined above, the Five Year Tourism Development Plan recommends that steps are taken to:

T.R1: Improve air access transport. The strategic approach should be to improve air access infrastructure and support services, deregulate to facilitate provision of air services, establish an air access promotion campaign and encourage the setting up of a privately owned Guyanese airline.

T.R2: Diversify and expand the tourism product. The FYTDP recommends the following strategic initiatives: designate and develop product destinations (Georgetown, Bartica, Kaieteur/Orinduik; Rupununi), develop a main-stream tourism product portfolio, expand the eco-tourism product portfolio, establish a Protected Area Management System, and establish accommodation classification system.

T.R3: Increase market demand. This would require identifying the three main customer segments (i) Diaspora; (ii) vacation/leisure (iii) business, and formulating a promotional campaign for each segment, producing a range of collaterals, upgrading the GTA Web-site, undertaking promotional activities, tapping more benefits from CTO Membership, and undertaking market research.

T.R4: Upgrade service skills and standards. There is a need to provide training for persons wishing to enter the hospitality sector and on-going on-the-job training for existing staff within the industry who currently lack adequate skills to perform their jobs in a satisfactory manner.

T.R5: Invest in infrastructure and services. The main tourism infrastructure investments required are (see also Recommendations outlined in section on Infrastructure):

- i. upgrade Linden – Annai – Lethem road**
- ii. upgrade Linden – Bartica road**
- iii. regional airport at Lethem**
- iv. improvements to Timehri airport**
- v. improvements to Ogle**
- vi. marina at Bartica**

T.R6: Make tourism investment attractive. As Guyana is not currently top of the list for international investors, the package of incentives must be made more competitive. This will involve designing an investment package providing for:

- i. Improved fiscal incentives (double capital allowance, accelerated depreciation etc)**
- ii. Introduction of tax concessions for staff training**
- iii. Improved access to investment capital**

T.R7: Organize the sector for growth. The development of the Guyana tourism sector will not simply happen. It has to be stimulated and the activities of the various tourist enterprises coordinated. This means having the right organizational structures in place and operating effectively.

Information Technology

The ICT sector in Guyana is evolving; in 2005 six projects were financed, including two new ones, totaling G\$5.480 billion and creating 285 new direct jobs and at least 200 indirect jobs.⁶⁰ A recent report by Go Invest, shows that activity facilitated by developments in the ICT sector has led to the development of a number of call centers and back office processing centers, creating thousands of job opportunities for young people. Also, GoInvest was recently approached one of the largest call centre companies in the world to establish one of their operations in Guyana.⁶¹ Nevertheless, development of the sector has been hindered in recent years by a number of factors such as the ongoing telecommunications monopoly described previously.

The Office of the President is now leading work across Government to develop and implement a National ICT Strategy using inputs from various sources including a recently completed a draft policy discussion paper produced by MINTIC entitled, “*Towards an E-Commerce Strategy for Guyana*” designed to provide a platform from which to translate topical issues around e-commerce into Government policy on E-Commerce. The National ICT Strategy will be released at the end of April 2006.

Actions in Progress and Planned Activities:

ICT.A1: Review and revise draft E-Commerce legislation and support necessary public consultations throughout the process.

ICT.A2: Develop and implement a National ICT Strategy

Recommendations

ICT.R1: Establish suitable mechanisms to monitor implementation of the National ICT Strategy.

⁶⁰ ETG/ITG(2006), Fast Track Action Plan: Niche Light Manufacturing and Exported Services prepared for Government of Guyana and IDB

⁶¹ Ibid

CHAPTER FIVE

POLICIES TARGETING STRATEGIC SUB-SECTORS

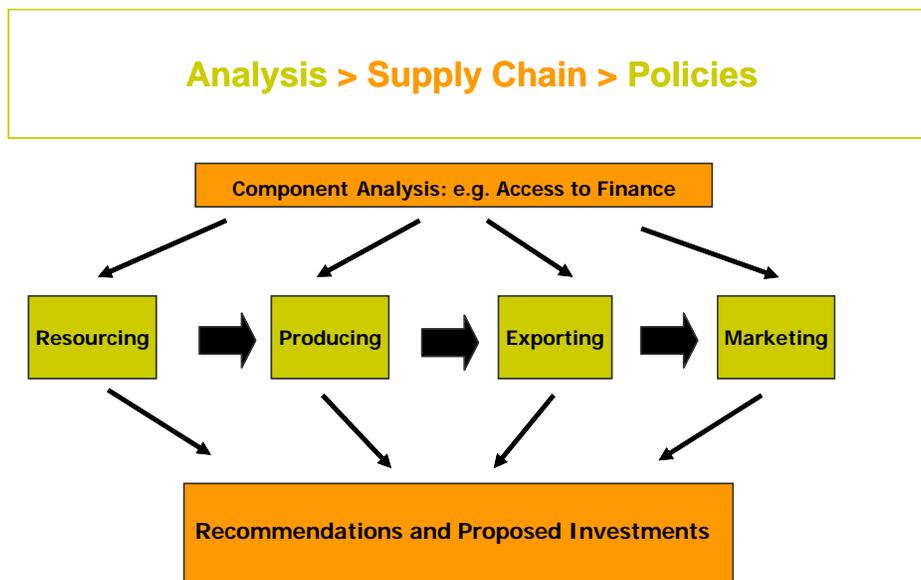


The following chapter analyses the current situation with respect to targeting strategic sub-sectors of activity. It presents a framework and recommendations for fast-tracking the development of promising sectors with the general objectives of diversifying Guyana’s economic activities, rapidly increasing exports and job creation, and improving general economic conditions and the welfare of Guyana’s people.

Selection of Sectors: What Strategic Sectors to Target?

As before, whilst National Competitiveness Strategy, in-line with a systemic approach, should aim to deploy an arsenal of measures to provide a broad-based support framework for competitiveness including a strong business climate and the development of broad sector based strategies for enterprise competitiveness, it will not be possible, however to address simultaneously all factors relevant for policy in all sectors of the economy. Moreover, the principle of developing and strengthening complete export chains in a context of scarce resources preclude us from attempting to foster many export chains at a time. This leads us to the question of how to go about the difficult decision of which chains to foster through various policy instruments that allow promising sectors to grow by alleviating bottlenecks across the complete supply chain.

Figure 5.1: The Supply Chain Approach to Export Development



In Guyana, there is currently a dearth of information on the performance and capabilities of the various productive sub-sectors, particularly in non-traditional sectors important for diversification. Nevertheless, some work in identifying areas of strategic importance has begun and we now have a good idea of where our priorities should lie.

However, recently as part of the NCS development process, work has taken place to determine strategic sectors using a logical selection process grounded in sound economic analysis. A comprehensive two stage process has been employed for the NCS whereby sectors are initially selected on the basis of a combination of economic performance and readiness for fast-track development criteria. Then, the selection of viable export chains within sectors is based on market signals which demonstrate signs of some export activity and indicate the levels of high profitability needed to leverage the private sector investment required to complement targeted public supply-chain interventions.

The initial stage involves a two-step process, first involving a rapid analysis to narrow the range of possible strategic areas (see Table 5.1), followed by a more detailed analysis of each sector by evaluating their potential on the basis of a wide range of criteria of economic performance and other key success factors.

Table 5.1: Results of 1st Stage Filtering Process

Sector	1 st Filter Indicators
<i>Most Promising</i>	
Light Manufacturing (“production sharing”)	Competitive labor cost advantage, time to market, preferential trade agreements under CBI
Call Centers	Low labor costs, linguistic and cultural ties to major markets
Convention Tourism	Unique convention-oriented assets including CARICOM headquarters, new convention center and 2007 Cricket World Cup
Aquaculture	Established technical support within country, climatic suitability, high productivity, hardiness, disease resistance and market accessibility, rapid growth in similar countries (Colombia, Brazil), strong growing US market for Tilapia, very profitable
<i>Promising</i>	
Eco-Tourism	Well endowed product offering (pristine natural resources including forests, lakes, rivers and beaches), and growing global eco-tourism market. But natural capacity constraints make the sector a slow burner.
NTAP and agro-processing (fresh fruits and vegetables and cattle for domestic use and export, as well as food processors, farmers, transportation and other input suppliers)	Comparative expertise in agriculture, abundant arable land and water resources, time to market advantages, proximity to major export markets, certified Foot and Mouth Disease free status. But development process lengthy and relatively slow current growth in agricultural products and cattle.
Organics	Comparative expertise in agriculture, abundant arable land and water resources, time to market advantages, proximity to major export markets. But quality-related challenges to comply with tight international regulations
Forest Products	Large natural resource base vis-à-vis rest CARICOM (signifies opportunities to take advantage of considerable CARICOM forest product-related demand), similarly endowed Central American countries successfully reoriented segments of sector to value-added activities, potential niche market opportunities to the CARICOM market. But problems at extraction end including poor economies (high harvesting and production costs), expensive infrastructure, the high-cost of production inputs (such as energy) and unproductive labor. Low timber recovery rate.
<i>Less Promising:</i>	
Traditional sectors (sugar, rice, mining, traditional fisheries)	Declining growth, modest diversification opportunities, and national strategic plans already in place to drive future growth

A wide range of key indicators were used in the selection of national priorities including:

Economic Impact Indicators:

1. *Current Performance*: Current size and growth of sector, includes jobs, value added, exports, market share, output and/or sales;
2. *Growth Potential*: Expected growth of the sector, includes jobs, value added, exports, output sales and/or capacity to enter new markets;
3. *Economic Impact*: Overall potential impact on Guyanese economy, includes multiplier effect, growth of new companies, SME's, target population growth and poverty reduction;
4. *Strategic Alignment*: Alignment with national economic development strategies;
5. *Resource Reutilization*: Labor/resource redeployment from declining traditional sectors, like sugar and rice.

Indicators for Fast-Track Sector Development Success Indicators:

6. *Comparative Advantage*: Factors affecting sector competitiveness;
7. *International Success*: Documented comparable fast track sector success story in other similarly-factor-endowed countries;
8. *Readiness*: Promptness of business leadership to take action as well as the degree to which the process can be fast-tracked and will not be delayed by structural, procedural (and/or other) obstacles;
9. *Networking*: Level of collaboration and networking that exists (i.e. social capital);
10. *Synergy Potential*: Offers synergies with other ongoing economic competitiveness activities in Guyana.

Table 5.2 provides a brief guide to eight strategic sub-sectors which represent good candidates for development as fast-track sectors to drive diversification and growth of the economy. The most promising are aquaculture and a combination of contract manufacturing and call centers (combined because of the related focus on investment attraction and importance of developing industrial zones to foster development) followed closely by convention tourism, non-traditional agriculture and agro-processing (fresh fruits and vegetables and cattle, as well as food processors), forest products, eco-tourism, and organic food products.

Table 5.2: Selection of Strategic Fast Track Sectors: Indicators and Rankings

Indicator	Weight	Call Centers	Contract Mfg.	Aquaculture	Convention Tourism	Eco-Tourism	Non-traditional value added Agriculture and agro-processing	Organic Food Products	Forest Products
Economic Performance									
1. Current Performance	0.1	3	3	2	3	3	3.5	2	2.5
2. Growth Potential	0.15	3.5	4	4.5	4	4	3.5	3.5	3
3. Economic Impact	0.1	4	3.5	3	4	4	3.5	3	3
4. Strategic Alignment	0.125	4	4	4	4	4	5	4.5	4.5
5. Resource Reutilization	0.05	3	2	4	1	2	5	4.5	1
Fast Track Success Potential									
6. Comparative Advantage	0.15	2.5	3.5	4	3.5	2.5	4	3	3.5
7. International Success	0.125	4.5	4.5	4	3	4	3	4	3.5
8. Readiness	0.075	4	3.5	4	2	1.5	2.5	2	3.5
9. Networking	0.075	2	3.5	3	3	2.5	1	1	4
10. Synergy Potential	0.05	1.5	4	4	4	3.5	3	4	3
FINAL SCORES	$\Sigma=1$	3.34	3.66	3.70	3.33	3.25	3.49	3.19	3.29

The first stage framework outlined above, should ideally also where possible be augmented by a more detailed assessment of specific product export chains. For example, the Government Agricultural Diversification Program, supported by the IDB, has championed the importance of using market driven profitability signals within the non-traditional agriculture sector. Profitability estimates have also been used to derive feasibility for rapid growth in aquaculture. Furthermore, evidence of market signals by recent new investments in call centers and garment contract manufacturing, has confirmed a willingness to invest despite various challenges in these export chains. Similar indicators should be adapted to meet the needs of various other goods sectors.

Strategic Sector Profiles and Action Plans

Strategic sector action plans have been developed for each of the strategic areas outlined above, the most advanced of which are comprehensive plans already largely developed for aquaculture, contract manufacturing/call centers, non-traditional agriculture (fruit and vegetables and beef), eco- and business-tourism (via the FYTDP), and to a lesser extent agro-processing, and forest products. Most have used standard methodologies to conduct sector competitiveness and supply chain analysis to feed into the development of these strategic plans. Analysis has including a mixture of:

- *Sector mapping exercises* to determine a map of the relationships between the final goods producers or exporters and their suppliers to identify any export supply chain gaps that exist in the sector.
- *Competitiveness Assessments* to analyze existing and likely future export opportunities.⁶²
- *Sector Product Supply Chain and Market Analysis* to provide an assessment of the product and market opportunities
- *Economic Infrastructure Assessments* to assess the institutional environment i.e. the capabilities of various public, private, academic and non-governmental institutions to assist in the export process, and by extension, to assist in the process of forming a more competitive mentality among entrepreneurs and business leaders.
- *Benchmarking* to monitor the progress of a sector.

The following section provides brief profiles of the selected strategic sectors and an outline of the strategic action plans developed.

Aquaculture

Commercial Aquaculture is one of the most promising economic activities in Guyana with high potential for rapid export and job creation growth. Aquaculture also has great potential for improvements in food security status of rural communities, especially as other farming systems (in particular Rice) can be adapted to incorporate aquaculture production, thereby increasing production endowments.

At present aquaculture is a nascent sub-sector in the initial stages of development, though with potential for strong growth. It is estimated that some 2,000 hectares are cultivated. This land area produced a production value of US\$1.2m in 2003, experiencing average annual growth of 14.4% since 1995. However, in the wider context of regional production, Guyana's output is still low and made up only 0.02% of the total production of Latin American and Caribbean Countries in 2003. There are a number of pioneer investors operating in the sub-sector. Of these *New Line Aqua Farm*, based in the West Demerara Zone is the most advanced, and has been the only company to begin small scale exports in 2006.

There have been several important developments for aquaculture in recent years:

- **Mon Repos Aquaculture Station:** In June 2001, Mon Repos Freshwater Aquaculture Demonstration Farm and Training Centre was commissioned. This facility's main functions are to conduct basic adaptive research, provide training to farmers and to supply seed-stock for the emerging aquaculture sub-sector.

⁶² For example, Harvard Business School Professor Michael Porter's framework for Competitive Assessment of industries and sectors is highly applicable.

- **Introduction of Suitable Species:** In 1999, the Jamaican Red Tilapia was officially introduced into Guyana as a viable species for commercial rearing. Also, at this time, a re-introduction of the Nile Tilapia was made, since the existing stock had deteriorated. The Giant Malaysian Freshwater Prawn, *Macrobrachium rosenbergii*, was introduced for experimental rearing, which proved successful. Efforts are being made to establish a commercial hatchery for this species. More recently, in 2003, *Colossoma macropomum* was introduced from Brazil, also for experimental rearing.
- **New Fisheries Act:** The Government of Guyana has recently prepared a new Draft Fisheries Act, a part of which has already been presented in Parliament early in 2003. The additional parts, which contain among other things the Draft Aquaculture Bill, will be presented in Parliament in the near future.
- **Food and Agriculture Organization:** The FAO has recently completed a successful project in Region 6 to introduce Aquaculture and Integrated Pest Management practices to rice farmers, where fish are introduced to rice fields in order to replace pesticides. This allows Rice farmers to diversify production for increased income and improved nutrition.

Tilapia is one of Guyana's native aquaculture products with the best market opportunities due to a number of key factors including climatic suitability, high productivity, hardiness, high growth rates, disease resistance and market accessibility. Estimates of local pioneer investors⁶³ have shown that Tilapia production can be a very profitable operation; estimates indicate that net revenue per acre in the sector is approximately US\$3,400 which is considerably higher than the margins for producing rice in Guyana that amount to between US\$80 – US\$120 per acre.⁶⁴ Estimates for Export Price of fish indicate a figure of US\$2.75 per pound, which would increase estimated gross revenue to over US\$40,000. However, it should be noted that while aquaculture production for the local market yields much higher absolute returns, net margins can be higher on some high yielding and large rice farms. Some risk averse small farmers may therefore prefer the less risky option of rice farming, thus some clear examples of success stories in aquaculture may be required to properly expand the sector.

Global market demand for aquaculture products has been growing dramatically. According to the FAO aquaculture is the fastest growing food production sector in the world, with output growing at 10% per annum.⁶⁵ This is coupled with the fact that there has been a sharp decline in the world's ocean captures. In the past decade total world capture fisheries has reached maximum sustainable yield in terms of volume. Thus with increasing demand for fish products the price for fish products has seen a general increase worldwide.

The US market in particular is very promising for Tilapia. With Guyana having achieved the necessary Sanitary and Phytosanitary Standards (SPS) for the export of fish products, there is not a problem in accessing the US market. The US import demand has also been rapidly increasing, with average annual growth since 1997 at 24.9%, and annual imports of Tilapia into the US at 112,939 Metric Tonnes in 2004.

Infrastructure developed for rice production can be easily adapted for Commercial Aquaculture. The cost per acre of converting an existing rice field to aquaculture is estimated at US\$1,500. This is compared to the development of a "Greenfield Site" which would entail costs of between US\$3,800 and US\$5,500.

There is already established technical support within the country in the form of the Mon Repos Aquaculture Station, which conducts research, provides training and supplies seed stock. Moreover, there have been successful experiences of rapid growth of Commercial Aquaculture in neighboring countries.

⁶³ New Line Aqua Farm Business Plan, East Coast Aquaculture Business Plan

⁶⁴ Investment/Credit Study: Support to the Competitiveness of the Rice Sector in the Caribbean (2005)

⁶⁵ "Aquaculture - New Opportunities and a Cause for Hope" <http://www.fao.org/focus/e/fisheries/aqua.htm>

Brazil, Chile, Ecuador and Colombia are all showing impressive growth in production and have become leading aquaculture producers in the world.

Access to growing export markets, especially in the US but also in the Caribbean, where demand is likely to increase to satisfy a growing regional tourism industry. Exports to the Caribbean Region will benefit from the protection of the Common External Tariff, with average tariff rate for fish products at 31%.

Whilst there is considerable potential for growth of the sub-sector, the logistics of maintaining freshness throughout the entire distribution chain must be carefully assessed. At the moment there are questions of the reliability of supply and transportation. Airline cargo transportation (critical for the transport of fresh fish to markets such as New York) is limited due to the small size of the country and limited exports. Furthermore, semi-intensive tilapia aquaculture and processing requires the extensive use of electricity; high oil prices and the unreliable nature of electricity provision in Guyana are limiting factors to the development of aquaculture in Guyana.

Access to finance is also a major constraining factor for the Agriculture Sector in general, with banks offering only restrictively high interest rates and short pay-back periods. This issue is exacerbated for the aquaculture sub-sector due to the fact that aquaculture is in its early stages of development. Banks do not have previous experience in lending to the aquaculture sector and this has led to pioneer investors experiencing problems in obtaining credit. Technical support provided by the Government is also currently limited, due to the fact that the human capacity of the Mon Repos Aquaculture Station is in short supply, and so cannot satisfy the needs of the entire country.

There is a lack of legislative support for the aquaculture sector. A clear example of this are the problems attached to the export of fresh fish on ice, an export market with good opportunities for exploitation by Guyanese producers. Procedures for certifying fresh fish for export involve delaying export by a few days. This is compromising for the freshness of products to demanding markets.

Actions in Progress and Planned Activities

A.A1: Pass Aquaculture Legislation: At present there is no legislation in force to manage the aquaculture sector specifically. There is a Draft Aquaculture Bill scheduled to be placed before the National Assembly. When approved, this bill will become part of the new Fisheries Act (2003). The Draft Aquaculture Bill will govern licensing of farms, specification of rearing areas, specification of inputs to be used in the rearing process, waste disposal, movement of aquatic species and other measures absolutely necessary for the development of aquaculture in Guyana.

A.A2: Encourage the expansion of aquaculture in interior locations by facilitating the use of cage technology. The Institute of Private Enterprise Development (IPED) is working to expand cage fishing in the Takatu River.

Recommendations

A.R1: Enhance Technological Capacity: Aquaculture is an activity requiring a strong and in-depth technological foundation since it faces continuous technical and scientific challenges. In order to accelerate the development of aquaculture towards a competitive commercial profile, it is necessary to strengthen the physical and human infrastructure of the Mon Repos Aquaculture Station, in particular:

- Increase its capacity to give technical support to new aquaculture operations generated in the country.

- Increase its fingerlings production capacity to serve both commercial and social fish farming endeavors.
- Increase its capacity to form specialized human resources.
- Improve training equipment.
- Improve the fish production and transportation equipment.
- Improve human resources and incorporate new technical personnel.
- Continue working with educational institutions to include and develop the concept of aquaculture.

A.R2: Establish a Brackish Water Aquaculture Station: While Mon Repos Aquaculture Station provides support to the Freshwater Aquaculture sub-sector there is no similar station to provide support to brackish water aquaculture. Local brackish water activities have been practiced in Guyana for over 50 years. However, local production is very ad hoc and relies on the tidal inflows of high tides. A Brackish Water Aquaculture is therefore required to move to more semi-intensive commercial production systems. The move to semi-intensive methods will reduce the volatile year-on-year yields currently experienced in ad hoc production and make brackish water production a viable commercial operation.

A.R3: Develop Specialized Physical Infrastructure and Identifying Priority Areas for Aquaculture Development: In order to allow for economies of scale that favor a sector's competitiveness it is beneficial to concentrate farms in a specific geographical location. Centralizing aquaculture improves the sector's visibility and facilitates its promotion to the private sector. In order to facilitate this process a number of activities must be completed:

- Identification of geographical areas with technical and infrastructure characteristics appropriate for aquaculture activities.
- Development of a preliminary master plan on the growth of the aquaculture development area.
- Analysis of the electrical and hydraulic infrastructure, as well as the as the environmental impact caused by aquaculture development.
- Identification of appropriate lots.
- Promotion of the area among private investors.
- Assignment of lots to investors after an in-depth analysis of their financial and technical capacities.

A.R4: Expand Integrated Pest Management in Rice Production (this is a recommendation of the SAP): This activity aims to expand on the successful FAO project conducted in Region 6, which introduced fish into the rice farming system, to all rice growing regions in Guyana. This activity aims to integrate aquaculture into small rice-based farming systems to diversify production for increased income and improved nutrition. A Farmer Field School approach is recommended to demonstrate the benefits of Integrated Pest Management to naturally risk adverse farmers. By demonstrating the benefits of such practices using practical methods it is hoped there will be greater take up.

A.R5: Strengthen the ability of the sector to attract private investors by developing credible business-focussed plans that make commercial sense to investors.

Non-Traditional Agriculture

As outlined in Chapter 4, non-traditional agriculture is a very promising sector especially the beef and the fruits and vegetables supply chains. *This section is designed to complement that contained in Chapter 4.*

Beef

Livestock production in Guyana is currently oriented completely to the domestic market, which means that there is almost no export activity to serve as a signal that such export activity could be potentially profitable. Nevertheless, the cost of meat production in Guyana is low and Guyana has several advantages as a beef exporter including abundant land and water resources necessary for raising grass fed cattle, and our certified Foot and Mouth Disease free status⁶⁶. These characteristics position Guyana as one of the few players with the comparative advantage required to be a potential long run player in the export of beef.⁶⁷

Presently, beef is not exported from Guyana because of a number of constraints which include the need to implement appropriate animal health legislation, develop veterinary diagnostic facilities, establish an abattoir of international standards, utilize improved quality forage, introduce improved cattle breeds, promote improved husbandry techniques, and develop measures to tackle the problem of rustling.

Nevertheless, there has been some recent progress made towards developing the export of beef, in the area of setting up an abattoir for beef export. Interest has been shown by a number of private operators.

Fruit and Vegetables

As detailed in Chapter 4, the fruits and vegetables supply chain has strong potential for growth. Guyana's non-traditional agricultural exports (mainly of vegetables and fruits) grew by 12% in 2004 accounting for 0.8% of total exports. In recent years non-agricultural products have increased both in terms of output and exports. As before, products with the most promising marketing opportunities include coconut base products, pineapple, pepper, plantain, pumpkin and passion fruit.

Actions in Progress and Planned Activities

As detailed in Chapter 4, the Ministry of Agriculture with support from the IDB funded Agriculture Diversification Program is planning to initially target the export chain for beef and fruits and vegetables (see NCS Action Plan for more detail). The following actions have been identified for immediate attention:

BFV.A1: Support the vegetable and fruit, and beef supply chains through the setting up of an institutional arrangement to provide incremental public goods to current exporters and enterprises with agribusiness potential including training and knowledge sharing, Technical Assistance in export processes, Research and Development, the building of a basic abattoir, and technical assistance and training to promote new business plans through contract farming.

BFV.A2: Strengthen public services needed to support the livestock and fruit and vegetable chains by providing support to i) technology development and transfer; ii) support implementation of animal and plant health systems; and iii) facilitate access to foreign markets.

⁶⁶ Sugar Action Plan 2006

⁶⁷ Jorge Quiroz C. & Associates (2006), Preparation of an Action Plan for Agricultural Diversification in Guyana: Rapid Assessment of Fruit, Vegetable and Meat Product Priorities prepared for Government of Guyana and IDB

BFV.A3: Streamline agri-business processes related to i) Sanitary and Phytosanitary Systems (SPS) and quality certification systems and ii) land applications and related incentives for agribusiness investors.

BFV.A4: Upgrade the SPS inspection service process for outgoing products.

BFV.A5: Design and implement an information system for land lease requests.

BFV.A6: Set up a non-discretionary land lease and water rights allocation system.

BFV.A7: Conduct a pilot program for allocating relative large land plots in order to attract larger investors.

BFV.A8: Design an investment strategy to attract the private investors, both local and foreign.

The Agricultural Support Services will also help to contribute towards the development of the two chains. Other activities in progress or are planned by other implementing agencies to support these two supply chains (led mainly by GTIS) include:

BVF.A9: Assess feasibility of establishing a central cold storage facility for perishable goods, the lack of which is considered a key constraint to the growth of exports in certain non-traditional agricultural products.

BVF.A10: Improve innovation and the diffusion of new agriculture-related products and services of a technological nature through an evaluation of Guyana's agriculture-related R&D infrastructure and the developing an action plan for improvement.

BVF.A11: Support the New GMC in establishing linkages with American pepper buyers. The activity will bring together the New GMC, Guyana Agri-Business Association (GABA) and Laparkan and a number of farmers from within the various Regions of Guyana to produce "bull nose" hot pepper for a contract market in the USA.

BVF.A12: Develop a training program for the Ministry of Agriculture and a number of private operators to establish HACCP procedures for slaughtering and meat handling. A system will be developed and implemented to track cattle from the farm gate to the Abattoir. The program will start in Regions 5 and 6.

BVF.A13: Conduct a feasibility study on the production and export of sheep and goats. This activity (which focuses on Von Better on the West Coast of Berbice) aims to identify potential and activities necessary to sustainably produce sheep and goats for the export market

BVF.A14: Carry out a census of livestock in Regions 5 and 6. The objective is to establish a database of livestock in the two regions in preparation for the export of meat to the CARICOM Region.

BVF.A15: Support the New Guyana Marketing Corporation (New GMC) in efforts to improve the post-harvest packaging and quality of Guyanese non-traditional agriculture exports.

Recommendations

Recommendations relevant to the development of fruits and vegetables and beef are already outlined in Chapter 4. The recommendations of the Sugar Action Plan are especially pertinent.

Agro-Processing (Food and Drink products)

The Agro-processing sector is mainly made up of small and medium sized enterprises in the processing of traditional agricultural products and fresh fruits and vegetables for domestic use and export including margarine, beer, jam's and jelly's, coconut oil, condiments and snacks, fruit juices, and various pastes. There are a number of competitive constraints that currently hinder the expansion of the agro- processing sector, including limited quantity and quality products, poor product consistency, expensive and unreliable transportation, poor quality packaging, fluctuating local prices and lack of cold storage. Moreover, in order to be successful, the processed foods industry requires an adequate supply of quality agricultural raw materials, which is where improvements in the fruits and vegetables supply chains will be imperative for future success of the sector.

Developing the sector is crucial in the drive to add value to the expanding production of raw non-traditional agricultural products; this will provide greater job creating opportunities while diversifying the economy. The sector has many linkages with other sectors in the value chain, such as agricultural inputs, transportation, packaging, marketing and distribution. Hence, the indirect impacts of development of the sector are significant and if additional value can be added through further processing then actual economic impact will be substantially higher.

Moving forward to effectively compete against imported products and into export markets will require Guyana to meet the price, quality and delivery requirements demanded by the market; this will mean improving quality and cost of packaging materials and improving technology and manufacturing expertise in the sector. Some progress has been made; for example, technical assistance has been provided recently via the GTIS project to assist a local agro-processing firm *to develop a packaging facility in order to respond to market demands* and avoid the need to import high cost packaging. Such efforts need to continue.

Ongoing Actions and Planned Activities

AP.A1: Support efforts of local agro-processors to improve marketing activities efforts.

AP.A2: Facilitate agro-processing cluster working group activities that focus on identifying factors impacting the competitiveness of the sector and develop action initiatives to improve the competitiveness of the sector.

Recommendations

AP.R1: Develop a strategic plan for the sector with the aim of removing the constraints that hinder its development and competitiveness.

Contract Manufacturing/Services Exports

The actions identified here supplement and complement those sectoral actions and recommendations identified in the strategic action plan outlined for the manufacturing sector with regard to contract manufacturing/services exports (see Chapter 4). The emphasis here is on contract garment manufacturing.

Garments

The Garment sector in Guyana is small consisting of one major manufacturer and numerous other small garment manufactures and independent designers specializing in hand sewn garments. The sector contributed to about 3% of total exports (roughly 12 million US dollars) in 2004⁶⁸ and is an important contributor to the socio-economic development of Guyana through provision of employment to unskilled female labor and helping to empower women in poverty stricken areas.

The sector faces a number of significant challenges, foremost of which is increased competition from overseas competitors (especially China and India) with the recent phasing out of the Agreement on Clothing and Textiles (which provided quota restrictions on Chinese and Indian products into Guyana's main export markets). However, notwithstanding these challenges, there are still opportunities for growth within the sector through 'contract' manufacturing or 'production sharing' which is currently practiced by the largest manufacturer within the sector, Denmor, using imported raw materials.

Recent steps have been taken by Government to help support the development of the sector. For example, the Ministry of Tourism, Industry and Commerce in collaboration with the Ministry of Foreign Trade and International Co-operation produced a report in December 2004 which examined the potential ramifications of the phasing out of the ATC and potential mechanisms for supporting the sector deal with the increasing competitive threat. On the basis of the recommendations of this report, steps have been taken via a number of participatory sector workshops to identify a strategy for sector development to help alleviate some of the adverse effects of the expiration of the Agreement on Textiles and Clothing.

Actions in Progress and Planned Activities

CM.A1: Sensitize key sector stakeholders to the ramifications of the ATC and develop possible actions initiatives for sector development.

Recommendations

Outstanding recommendations from MINTIC's preliminary action plan including both short and long term measures including:

Short term

CM.R1: Update and create new sector standards.

CM.R2: Facilitate cooperation between fabric suppliers and local garment manufacturers to improve consistency of supply to manufactures

CM.R3: Encourage fabric designers to form an informal association, where they can meet and share ideas/information and resources and become a stronger voice when articulating SME needs.

CM.R4: Facilitate cooperation between small fabric designers and manufacturers and the larger garment manufacturers to encourage sub-contracting of work as a basis for achieving greater economies of scale and independent design capabilities within larger companies.

CM.R5: Support industry stakeholders in finding new markets

⁶⁸ ETG/ITG(2006), Fast Track Action Plan: Niche Light Manufacturing and Exported Services

Long Term

CM.R6: Develop and implement a comprehensive action plan for the future development of the sector focusing on:

- i. Identifying niche markets** in the Caribbean and North America
- ii. Assessing machine requirements**
- iii. Developing the Carnegie School of Home Economics** including developing a “train the trainers” program provision of modern equipment, and revision of the curriculum in line with the demands of the sector.
- iv. Developing an appropriate testing facility at Guyana National Bureau of Standards**

Organic Food Sector

The organic food sector in Guyana is currently small in size and embryonic in scope, currently there are about 28 farms occupying 109 hectares of farm land. Similar to other value-added agricultural activities, organic food products can have a tremendous beneficial impact in several economic and social aspects, including health, diversification of agricultural exports, resource conservation, and new market development.

The demand for organically grown products has been increasing in the markets of the EU and the US as persons have become more health conscious and Guyana’s has the possibility of developing a competitive advantage in the production of organic produce with its arable lands, access to natural fertilizers and relatively cheap farm labor which make growth prospects for the sub-sector promising.

However, in order to enjoy potential rapid growth in the sector, Guyana must adapt to the stringent standards set for organically grown products in Europe and North America which will require strengthening technical capacity and composition formulation of testing standards.

In recent years, embryonic sector development has been supported by two projects; the organic Cocoa Production Project in Region # 1 supported by the British High Commission and the organic sugar production project embarked upon by GuySuco. The Government has taken some recent steps to enable the sector to reach the stringent standards dictated in Europe and North America. For example, the Government has recently launched an implementation unit through the Pesticide and Toxic Chemical Board, established by the Ministry of Agriculture, to provide and promote the necessary infrastructures required for the establishment of a comprehensive registration scheme.

Actions in Progress and Planned Activities

O.A1: Provide and promote the necessary infrastructures required for the establishment of a comprehensive registration scheme through the Pesticide and Toxic Board. This registration system allows for technical assistance as well as extension services to be administered to the farmers. A proper registration and records scheme ensures that there is accountability of organic exports, so as to ensure that standards suited for organic farmers are complied with as farmers export to the North American and EU markets.

O.A2: Provide technical assistance through the National Agriculture Research Institute (NARI). This includes research on plant varieties, soil types, organic fertilizers and systems for growing organic produce.

Recommendations

O.R3: Develop a comprehensive strategic plan for development of the sector as the basis for increasing sector support to focus initially in the areas of:

- i. Standards: Development, implementation and monitoring**
- ii. Technical and financial assistance**
- iii. Infrastructure for growth**
- iv. Transport and storage facilities**

This would entail a detailed study of the sector with the aim of deriving a number of recommendations as well as an action plan for the development of the sector with a special emphasis on the four impediments to the growth of the organic sector identified above.

Business Tourism and Eco-Tourism

The profiles detailed here for business and eco-tourism should be seen within the context of those actions and recommendations identified in the FYTDP (see Chapter 4 on the tourism sector). As such, no additional recommendations are put forward at this time.

Business Tourism

Convention and business tourism is new to Guyana, so it has not been historically pushed as a strong economic driver. But with new recently acquired assets e.g. the convention centre donated by the Chinese Government and a number of new hotels, there is now a willingness by all stakeholders to move into the convention and business tourism market as an opportunity to not only diversify the export base but also to diversify Guyana's tourism product.

The sector is currently comprised of new facilities and hotels capable of meeting international business traveler standards and accommodating a large number of meeting or convention attendees, and support services and related transport and logistical support firms.

Eco-Tourism

Guyana is endowed with vast and pristine natural resources, including forests, lakes, rivers and beaches that give the country a unique natural asset pool. There is a growing global eco-tourism market and Guyana is making the necessary improvements to develop products to capture this including bird-watching, yachting etc. Nevertheless, our tourism product lags in the key areas of infrastructure development, eco tourism certification and control, and resource management. Moreover, the sector's performance is undermined by: infrequent international flight connection access, inadequate infrastructure in many areas to facilitate the expansion of eco-tourism-related activities and scope of eco-tourism-related product offerings, substandard human resource training levels and a general lack of international awareness of Guyana as a tourism destination. Implementing the recommendations of the FYTDP will be imperative to move this sector forward.

Forest Products

The forest products sector is made up of firms engaged in the value added manufacture of wood products including activities such as veneer and flooring, plywood manufacture, outdoor wooden furniture, liana cane furniture, and crafts. The sector currently contributes marginally to national product and exports.

Nevertheless, some recent initiatives have been taken to inject renewed momentum into the sector. For example, as detailed in Chapter 3, the FMPC was launched on 3rd December 2005 with a mission “to ensure the sustainability of Guyana’s forest products industry by increasing value adding and improving its competitiveness through enhanced market access and increased trade opportunities”. Its functions include market intelligence, trade missions, developing industry and product information and providing advice on export-related services such as product packaging and handling etc. A number of action initiatives have already been identified and earmarked for technical assistance. Improvements at the extraction end will also help (see Chapter 4).

The FPMC faces a number of tough initial challenges including; encouraging more distributors of yellow pine and other US-supplied hard and soft woods to import more Guyanese products; encouraging Guyana’s processing sector to move up the value chain, particularly into furniture and ready to use products for the rapidly growing tourism and affluent housing markets in CARICOM countries; convincing log exporters to turn away from lucrative Asian contracts and/or transform those relationships into Guyana-based value-added production; and devising promotional campaigns within CARICOM to stimulate stronger buyer and user interest in Guyanese woods.

Combined with a new policy focus to create more value added employment supported by the work of the FPMC, considerably greater economic benefits can be derived from this once vibrant SME sector in terms of generating higher value exports. Growth in the forest products sector will require a focus on the entire supply chain, not just on improvements in the availability of lumber at the extraction end. It is the improvement in the entire supply chain that is needed which will require manufacturers of wood products to better understand their current and past experience in export markets and with specific customers, their product availability, processing capability and cost of production, identify new buyers, and specific interventions to address weaknesses/issues identified jointly with buyers.

Potential niche market opportunities are available to supply, in particular to the CARICOM market, products such as blocks or blanks, wood dimension stock (kiln dried lumber cut to size) for the kitchen cabinet and furniture industry, high-end kiln dried milled work such as moldings (e.g., for chair rails and/or crown molding), doors, flooring, machined furniture components, fencing, decking, railway sleepers, smaller wood pieces such as toys, ornaments, etc. and products made of unique forest raw materials (such as cane furniture; sculptures made from rubber tree sap).

Actions in Progress and Planned Activities

FP.A1: Work with a cross section of loggers, manufacturers and other stakeholders such as the FPMC to put in place a forest products strategy to ensure maximum value added is generated by Guyana’s forestry resources. This strategy will consider policy options to help alleviate the insufficient supply of raw lumber available to value added producers

FP.A2: Improve quality control and production efficiency of high-end, hardwood door manufacturers as they attempt to respond to a potential long term contracts with U.S. buyers.

FP.A3: Upgrade the Guyana Technical Institute (GTI) training capacity in wood working. With the delivery of a specialized double spindle moulder, local industry experts will work with the GTI pro bono to develop a curriculum and provide the necessary technical guidance to implement an upgraded ongoing wood industry training program that teaches students and workers how to use the machines and jigs as a means to increase the quality and efficiency of furniture and door production.

FP.A4: Assist furniture firms in designing, developing prototypes, producing and promoting furniture products as well as providing technical assistance in plant design and production efficiency to help in the expansion of exports in the US, the EU, and CARICOM.

Recommendations

No further actions proposed at this time.

Need for Further Action: Developing a Framework for Fast-Track Sector Development in Guyana

Despite these developments in determining strategic priorities and actions, efforts in targeting resources towards these growth poles need to be urgently revamped. There is a need to develop a rapid response mechanism to help strategic sectors quickly mobilize around priority actions to accelerate the development of the complete chain required for exportation of goods and services. This would be designed to make strategic, “fast-track” interventions to accelerate the development of existing sectors (forest products, eco-tourism, value-added agriculture etc...) and to “kick-start” promising emerging sectors (aquaculture, call centers etc..).

Ongoing Actions and Planned Activities

No actions planned at the current time.

Recommendations

FTSD.R1: Implement a Fast-Track Sector Development Program (FTSD) designed to fast-track the development of the identified strategic sectors. The program should:

- a. Start with three-pilot sub-sectors; aquaculture, non-traditional agriculture, and contract manufacturing/call centers**
- b. Slowly integrate other strategic areas and the current activities of GTIS**

The proposed FTSD program should employ the rolling mechanism identified above to identify and prioritize sectors for support on an ongoing future basis and be a market-based approach which allows for Government to support the removal of barriers impeding sectoral development along the supply chain.

In line with the *Five Guiding Principles of the NCS*, the program should:

1. Apply a “supply chain” approach to export development;
2. Prioritize supporting necessary business climate conditions to encourage private sector investment for export development and
3. Apply the subsidiary principle i.e. Government interventions are strictly targeted to what is essential for export success and should not compete with, replace, or crowd out private initiatives.⁶⁹

⁶⁹ In general terms, subsidiarity would imply that the only case in which the Government should provide a service, either directly or by subsidising it, is when it is a public good and the private sector is unable to provide it. Thus i) if the private sector can or is doing it, there is no rationale for the government to be doing it ii) only if it is a public good (i.e. there are substantive externalities), the government can subsidize private provision of the good iii) only if

Part III

Supporting the National Competitiveness Strategy *Overarching Enablers*

it is a public good and the private sector cannot provide it, the government can provide it directly. Hence, the program must have strict criteria about what and when to subsidize activities divided into i). activities and functions that need to be financed and executed by the government ii). activities and functions that need to be totally or partially subsidized, but not executed by the government. iii). actions and functions that are financed and executed by the private sector.

CHAPTER SIX

OVERARCHING ENABLERS

As outlined in Chapter 2, four overarching enablers are required to support the effective formulation and implementation of measures in the three elements of competitiveness policy which form the backbone of the NCS. The following chapter analyses the current situation in Guyana with respect to these overarching enablers as set out in Figure 2.2.

Policy Coordination and Leadership

Development of the NCS has so far been led by a number of interim groups. These include i) the Government Cabinet Steering Committee on Competitiveness chaired by the Minister of Tourism, Industry and Commerce and comprising of key Ministers and agency heads; ii) the PSC's Trade and Investment Sub-Committee; and iii) an interim public-private Steering Committee composed of representatives of the Office of the President, MINTIC, and the PSC. These groups coordinated the development of this draft of the NCS. **Further detail is outlined in Chapter 7.**

However, development and implementation of the NCS will never end – the nature of global competition means that a permanent ability to monitor Guyana's competitive situation and take appropriate action is needed. Hence, the institutional structure must reflect this reality, and develop these interim arrangements into a more sustainable formation.

Public-Private Collaboration for Competitiveness

Policy coordination and leadership must incorporate strategic collaboration between the private sector and other relevant stakeholders, and the Government with the aim of uncovering where the most significant obstacles to competitiveness lie, determining what type of interventions are most likely to remove them, and engaging public and private sector stakeholders in activities that strengthen the competitiveness of the economy.

Improved Analytical/Technical Capabilities

To ensure ongoing development of the NCS, it will be imperative to combine the ability to coordinate policymaking with adequate analytical/technical capabilities to provide the crucial analytical inputs to inform the policy decisions of higher level bodies. Currently, MINTIC's Commerce Division which produced the initial ENC document in collaboration with the Office of the President has been providing most of the key technical policy inputs. It will now be crucial to institutionalize these crucial functions in order to provide ongoing policy and analytical capabilities.

Donor Harmonization

To date, the development and implementation of the National Competitiveness Strategy have received strong support from the donor community in Guyana. Several donor agencies are already supplying valuable assistance through the provision of advice as well as actual financial assistance.

However, to build on this existing support, Government and donors alike have acknowledged the need to address issues caused by underdeveloped donor harmonization in this area. Examples of these issues include (a) sometimes, the lead time required to produce donor reports is so excessive that by the time they are published, they are out of date; (b) multiple donor compliance requirements are time consuming and often require replicate efforts by understaffed Government and Private Sector institutions and organizations; (c) the resulting plethora of consultancy work leads to i). duplication of effort and a continuous *reinventing of the wheel* ii). wastage of resources on expensive consultancies iii). *consultant fatigue* which undermines the capacity of Government and private sector agencies to do their everyday jobs and iv). a framework for repeated exploration that is almost always focused on the negative,⁷⁰ resulting in a “problem orientation” that manifests in thought processes, discussion, language, and stories.

The Government and key donors have committed to addressing these and other issues within the context of the Paris Declaration on Donor Harmonization. Practical measures within this context will help the Government and donors achieve shared objectives in support of Guyana’s economic goals

Ongoing Actions and Planned Activities

OE.A1: Design and set-up a permanent and sustainable institutional structure to ensure continuing development, implementation and coordination of the NCS which incorporates:

- i. strong policy coordination and leadership;**
- ii. appropriate public-private collaboration;**
- iii. adequate supporting technical/analytical capabilities; and**
- iv. improved donor harmonization.**

Further details are set out in the NCS Action Plan.

Recommendations

No further actions proposed at this time.

⁷⁰ i.e. consultants work to identify problems, bottlenecks, impediments, lacks, inadequacies and weaknesses

Part IV

The Strategy Development Process

CHAPTER SEVEN

THE PARTNERSHIP APPROACH

Introduction

Genuine partnership is an essential part of identifying measures to enhance national competitiveness. Strategic collaboration between the private sector and the Government is the best way to uncover where the most significant obstacles to competitiveness lie and what type of interventions are needed to remove them. But the foremost payoff of partnership is that reforms become actualized, change becomes real, and public, private and other stakeholders become mutually engaged in the implementation of activities that strengthen the competitiveness of the economy.

Historically, all parties in Guyana have recognized the need for a genuine partnership. For example, one of the most notable successes in public-private dialogue in Guyana was the 1999 Presidential Business Summit which was attended by over 300 business and government leaders. The Summit resulted in 19 tangible public-private agreements (and 28 specific agreements) issued in a Joint Communiqué in which the Private Sector and Government committed to work together to achieve, among other things, implementation of an Investment Act, establishment of a Guyana Tourism Authority, reform of land policy including establishment of a semi-autonomous Lands and Surveys Commission, and tax reform. The Summit represented a “sea change” in the decades of distrust previously existing between the Government and the Private Sector and was noted as a landmark in Government-business relations. The pay-offs of partnership in this case were high with the partnership fully or partially delivering on 21 of the 28 specific agreements made. Importantly, the event showed the enthusiasm of the Guyanese private sector in responding to real invitations to participate in dialogue and cooperation in the service of strengthening the economy.

However, notwithstanding the importance of the Summit, it was nevertheless only a one-off singular event, which has not been subsequently repeated. Since the event considerable consensus has been built that recognises that for partnership to really work, a set of sustainable institutions are needed that will enable all stakeholders to take part in the partnership process including Government, the private sector, organised labour, Members of Parliament, wider civil society, and Guyana’s development partners from the donor community. The following Chapter outlines the process which has been traversed over the last six months by the Government and the private sector in completing this draft of the NCS which will now pave the way for the establishment of this more permanent platform for partnership.

Origins of the Partnership

In July, 2005, the Office of the President and the Ministry of Tourism, Industry and Commerce released the first draft policy discussion paper on competitiveness entitled: “Enhancing National Competitiveness: Implementing the National Strategy”. The Enhancing National Competitiveness (ENC) document set out the Government’s initial assessment of the actions necessary to deliver a step-change in the competitiveness of the economy, in order to support the next wave of economic growth. The Minister of Tourism, Industry and Commerce sent the draft paper to a wide range of private sector organizations, companies, individuals and donors in order to gather analysis and build consensus on how the recommendations, and the overall strategy, could be improved.

Following release of the paper, in September 2005, His Excellency, President Bharrat Jagdeo delivered two key-note speeches, which placed the NCS work within the context of his Government's overall economic vision for the country. The President emphasized the Government's desire to work with the private sector in a meaningful way in identifying as much consensus as possible around the actions needed to improve the competitiveness of the economy.

The Guyanese private sector responded positively to the President's remarks with the Private Sector Commission publicly welcoming the President's speeches and expressing a strong desire to work in partnership with Government towards the development and implementation of a National Competitiveness Strategy for Guyana.

Box 7.1:
Evidence of Strong Mutual Desire by Government and Private Sector to Engage in Partnership

In September 2005 His Excellency, President Bharrat Jagdeo delivered two key-note speeches, which placed the work to develop the NCS within the context of his Government's overall economic vision for the country.

"I want to re-state that my Government's principal strategic economic objective is to generate economic growth and enhanced national competitiveness.....we are taking practical steps to make this priority a reality. My staff have led work across the Government to produce a draft policy discussion paper setting out how we envisage the next wave of this vital work. They are working with the private sector to build consensus around the priority actions that we will move to implement as soon as possible.

I have welcomed the work that members of the private sector have done so far in working with my staff to broaden the consultations on our next wave of policies, and hope that this continues. Without this practical, action-oriented, problem-solving approach, it is difficult to deliver the change that supports the highly successful private sector which is a fundamental cornerstone of my Government's economic vision."

The Private Sector Commission welcomed the President's speeches, as well as other statements of the Government's desire to work with the private sector on this issue. In a letter dated 22 September 2005, Mike Correia, Vice Chairman of the PSC, remarked.

"..... we strongly endorse his [President Jagdeo's] desire for a Government – Private Sector partnership. The Private Sector Commission is very committed to future work in this regard. The "Enhancing National Competitiveness" document has been discussed extensively by the PSC Council, and has garnered strong support. The PSC looks forward to the upcoming collaboration with the Government to further develop the document and to identify priority initiatives that can be immediately implemented."

In an article recently carried in Stabroek news, Mike Correia, at the close of the first wave of NCS consultations also noted that such wide consultations between the government and private sector was not seen since the National Development Strategy.

"The process to this point has been good and I feel confident that the final reports that are produced by our consultants will be a good basis on which to start the more important second phase – the phase where we take the printed word – and translate these into an agreed process of implementation and ongoing partnership", Correia told the gathering at the Le Meridien Pegasus last Wednesday.

"It is now important that we now expand on this good faith to include all the senior players who will have a critical role in the implementation of an eventually agreed strategy and that the process of private/public partnership as opposed to consultation is ingrained in the government's formal structures of operation. This new perspective in government's policy, we believe, can have far reaching implications for growth and development and if it is maintained, we believe can set the stage for national unity," Correia asserted.

Following these statements of intent from both the Government and private sector, a number of groups were set up or engaged to lead the partnership in its early days. These included i) the establishment of a Government Cabinet Steering Committee chaired by the Minister of Tourism, Industry and Commerce and supported by a strong technical team; ii) the PSC's Trade and Investment Sub-Committee; and iii) an interim public-private Steering Committee composed of representatives of the Office of the President, MINTIC, and the PSC.

Principles for Partnership

Five principles were agreed upon by these parties for moving forward with the partnership approach to strategy development:

Comprehensive: *The strategy development process should be as comprehensive as possible.* It was agreed that attention should be given to gathering feedback from all groups of Guyanese stakeholders:

- Private Sector individuals, companies, and organizations
- Government Ministers and officials:
- Organized Labor
- Members of Parliament
- Wider civil society
- Donor agencies

Inclusive: *All stakeholders should have the opportunity to engage in the conversation.* The Partnership agreed on the importance of reaching out to the entire private sector to ensure the inclusion of more young entrepreneurs, small businesses, and women in the process and the greater involvement of the regions.

Fact-Based: *To elevate the national conversation, the conversation must be based on “fact, not anecdote”, so that the expectations of all involved could be met.* It was agreed that consultations with stakeholders should take place on the basis of accepted facts and universally acknowledged challenges, rather than anecdotes and rumors, in order to provide a solid basis for discussing possible competitiveness enhancing solutions.

Open: *The entire conversation should be open to anybody who wishes to join in.* Although it was agreed that initially certain groups should be actively encouraged to participate, it was agreed that any individual or organization would be welcome to comment.

Phased: *The conversation should be carefully expanded in phases.* Despite the desire to include all parties in the conversation, it was agreed that in order to extensively consult with certain groups, active encouragement for participation should be done at a measured, planned pace. It was agreed that the conversation should start with Government, Private Sector, and the Donor Community and be expanded to actively encourage participation of other groups within twelve months of the start of the process.

Overall Approach to Initial Period of Partnership

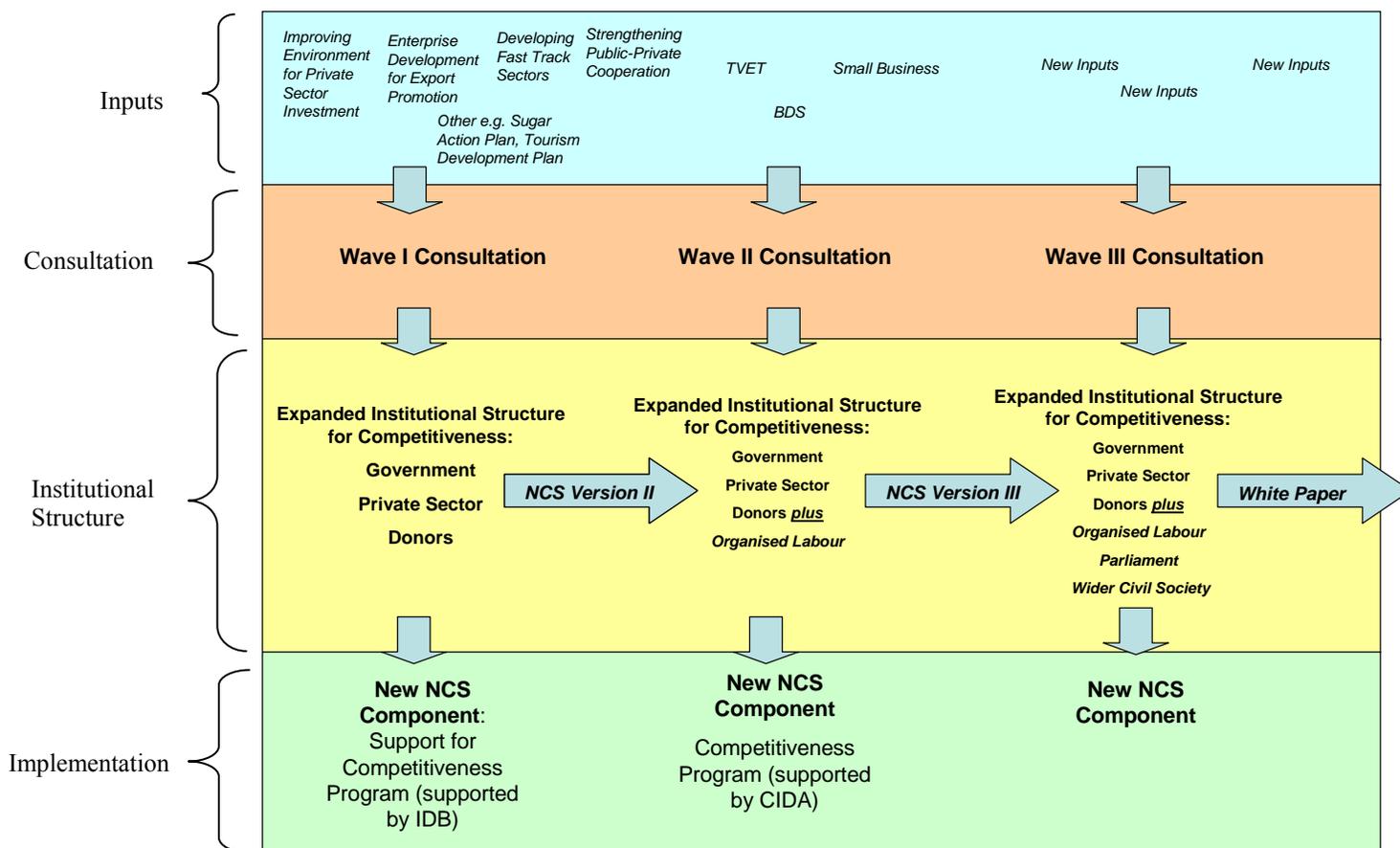
In order to find an approach which met all five principles, the initial eighteen months of the partnership have been designed around three waves of consultation:

- **Wave 1** (September 2005 – March 2006): Consultation involving the Government, the Private Sector and the Donor Community
- **Wave 2** (March 2006 – September 2006): Consultation involving the Government, the Private Sector, the Donor Community + Organized Labor
- **Wave 3** (September 2006 onwards): Ongoing consultation involving Government, Private Sector, Donor Community + Organized Labor + Parliament + Wider Civil Society (in parallel with a Parliamentary White Paper process).

The objectives of each wave of consultation are threefold:

1. **Agree a set of a) policies and other competitiveness enhancing actions to be implemented by the relevant agencies b) policy recommendations for further consideration.** At the end of each wave of consultation, the NCS is updated and re-released.
2. **Where necessary, design a new NCS implementation component.** There will be times when the actions agreed under item 1 will require the formation of a new program or project.
3. **Expand the institutional structure for competitiveness:** The parties engaged in the wave move from consultation to formal participation in a sustainable institutional structure for moving forward (i.e. to translate the temporary arrangements into appropriate long-term institutions).

Figure 7.1: The NCS Process for Moving Forward



Progress to Date: Wave I Consultation

Wave I consultation is now complete. The process involved five key steps.

1. Engagement of Consultant Teams

The Government, with support from the Inter-American Development Bank (IDB), engaged the services of four teams of international consultants to look at four areas of competitiveness policy:

1. **Strengthening the Environment for Private Sector Investment** with a focus on a. investment opportunities b. the institutional and regulatory framework for private sector investment c. commercial dispute resolution d. land and property markets e. business registration f. competition and consumer protection policy. This work was led by Nathan Associates, US.
2. **Strengthening Enterprise Competitiveness for Export Development** with a focus on a. export opportunities b. the framework for export promotion c. trade negotiation d. access to finance e. business development services (including technology and standards) f. infrastructure for competitiveness. This work was led by a team from SOFRECO, France.
3. **Developing Fast-Track Sectors of the Economy:** This work was led by the Economic Transformations Group, US.
4. **Strengthening Public-Private Dialogue for Competitiveness:** This work was also led by the Economic Transformations Group, US.

The Government, the PSC and the IDB worked together to finalise the Terms of Reference for consultancies to cover each area.

2. Coordination and Review of Consultant Reports

The Government and PSC closely liaised with the consultant teams to facilitate their discussions with public officials, private sector companies, individuals and organizations. Between October 2005 and February 2006 many individuals from across Government, the private sector, and other organizations met with the consultants. Various drafts of their work were disseminated at different points, and many stakeholders from across Government and the private sector commented on their work through its various iterations. Following this, the Partnership agreed to facilitate discussions with key private and public sector leaders around the key policy areas to arrive at consensus on the findings of the consultants.

3. Public-Private Focus Groups

At the end of January the Partnership held focus group meetings in seven specific policy areas which mapped to the consultants work:

1. Investment Promotion / Red Tape (Nathan team)
2. Competition Policy / Consumer Protection /Dispute Resolution (Nathan team)
3. Framework for Export Promotion / Trade Negotiation (Sofreco)
4. Technology, Skills, Financing and BDS (Sofreco)
5. Developing Fast Track Sectors (ETG / IGT): Aquaculture
6. Developing Fast Track Sectors (ETG / IGT): Contract manufacturing/services exports
7. Facilitating Public / Private Sector Cooperation (ETG / IGT)

The Partnership worked to ensure that the appropriate mix of government and private sector stakeholders attended the focus groups with the aim of achieving gender balance, small business representation, regional coverage, and a dynamic youth business presence from across the country and from different sectors. Furthermore, the Partnership worked to ensure that stakeholders brought a variety of different experiences but also had specific knowledge in the area's being discussed.

Overall, there was a good turnout at the focus groups with between 20 and 40 people attending each session. Each session was chaired on the Government side by chair of the Competitiveness Steering Committee, the Hon. Minister of Tourism, Industry and Commerce or the Chief Executive of GoInvest and on the private sector side by the Private Sector Commission.

Each focus group session involved a mixture of presentations and interactive discussion sessions that allowed for critical and dynamic interchange between and among participants. At each session the strategy development process was outlined to participants and input from participants was gathered in each policy area via a mixture of small and large group discussions and questionnaires based on proposed policy options (see Appendix A which outlines the results of each session and a list of participants).

4. Round Table

As a round-up to the focus groups and to signal the end of Wave I consultation, on February 1st a Round Table meeting was held at the Le Meridien Pegasus, which was attended by the Prime Minister, a number of other Ministers, and high-level representatives from Government and the private sector. At the session, the teams of international consultants presented their recommendations and results from the focus groups and leaders were invited to discuss and prioritize recommendations put forward.

5. Finalization of NCS Version II

The final consultant reports were then discussed jointly between the Government and the PSC, to reach maximum consensus on how recommendations to be taken forward were to be incorporated into the NCS. After these deliberations this latest version of the NCS was finalized.

Next Steps: Wave II Consultation and Beyond

In line with delivering on the objectives set out for each wave of consultation, completion of Wave 1 has successfully achieved the following goals:

1. **Agreement on a set of a) policies and other actions to be implemented by the relevant agencies b) policy recommendations for further consideration.** These are set out in the NCS Version II.
2. **Design of a new NCS component:** A new component of the NCS i.e. the Support for Competitiveness Program is now almost completely designed following the consultation process (further details of this are outlined in NCS Action Plan, Chapter 1).
3. **Expansion of the institutional structure for competitiveness:** Agreement has been reached about the establishment of (see NCS Action Plan, Chapter 2 for more details):
 - A National Competitiveness Council to formalize the public-private partnership for competitiveness
 - A Donor Harmonization Group on Competitiveness to maximize the effectiveness of donor interaction in this area.