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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

GUYANA

PROJECT PAPER

BUILDING EQUITY AND ECONOMIC PARTICIPATION PROJECT

AID/LAC/P-871

PROJECT NUMBER: 504-0107

UNCLASSIFIED

D = Delete

UNTRY/ENTITY
Guyana

3. PROJECT NUMBER
504-0107

READ/OFFICE
RDO/Caribbean

5. PROJECT TITLE (maximum 40 characters)
Building Equity & Economic Participation

OJECT ASSISTANCE COMPLETION DATE (PACD)
MM 03 DD 31 YY 98

7. ESTIMATED DATE OF OBLIGATION
(Under "B" below, enter 1, 2, 3, or 4)
A. Initial FY 94 B. Quarter 3 C. Final FY 97

8. COSTS ($000 OR EQUIVALENT $1 = 1000)

A. FUNDING SOURCE	FIRST FY 94 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
D Appropriated Total						
(Grant)	(900)	(-)	(900)	(4,500)	(-)	(4,500)
(Loan)	( )	( )	( )	( )	( )	( )
1.						
2.						
st Country		300	300		1,600	1,600
her Donor(s)						
TOTALS	900	300	1,200	4,500	1,600	6,100

9. SCHEDULE OF AID FUNDING ($000)

PRO-TION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
DAP				0	0	4,500	0	4,500	0
TOTALS				0	0	4,500	0	4,500	0

ECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)
NA

11. SECONDARY PURPOSE CODE

PECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)
A. Code NA
B. Amount

ROJECT PURPOSE (maximum 480 characters)

to strengthen the business environment in Guyana in order to bring about economic growth with equity.

CHEDULED EVALUATIONS
Interim MM 04 YY 96 MM YY Final MM YY

15. SOURCE/ORIGIN OF GOODS AND SERVICES
☒ 000 ☐ 941 ☒ Local ☐ Other (Specify)

MENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

7. APPROVED BY
Signature Mosina H. Jordan
Title Mosina H. Jordan
Director, RDO/C
Date Signed MM 05 DD 18 YY 94

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

1230-4 (3-79)

EXECUTIVE SUMMARY
GUYANA BUILDING EQUITY & ECONOMIC PARTICIPATION PROJECT

In spite of the recent positive moves toward a market economy by the Government of Guyana (GOG), the business environment is still considered insecure and high risk by many Guyanese and foreign business persons. This is due to a number of factors, chief among which are delays in implementation of agreed-to policy, legal/regulatory/judicial (LRJ), and institutional changes necessitated by the policy reform process; a lack of transparent and broad-based dialogue between and among the public sector, private sector, and civil society (including non-governmental organizations, or NGOs) regarding priorities in the implementation process; and a possible bias which supports the large businesses to a greater degree than smaller businesses in terms of benefits of the reform process. Those who are outside of the formal business environment also find the means of entry to it inaccessible.

The international donor community, led by the IMF, Inter-American Development Bank (IDB), and World Bank, have worked closely with the GOG since 1987 in its macroeconomic reform efforts, and plan to continue to provide significant assistance to leverage additional reforms to increase trade and private investment in the coming years. The proposed A.I.D. Building Equity & Economic Participation Project (BEEP) was developed in close consultation with these multilateral agencies, and will complement their efforts and focus on improving the implementation and thus impact of reforms -- those enacted and those proposed -- through a number of venues over time.

The purpose of BEEP is to strengthen the business environment in Guyana in order to bring about economic growth with equity. The business environment is defined as the macroeconomic and fiscal policies, and the legal/regulatory/judicial (LRJ) and institutional framework that govern all public and private sector investment activities. The proposed project has two components:

1) the public sector component will provide long- and short-term TA and training to the critical economic ministries (Finance and Trade) in developing and implementing strategic management plans for the implementation of policy and LRJ reform measures that result in equitable outcomes and reduced poverty;

2) the private sector component will provide more limited TA and training to private sector and non-governmental organizations to broaden capacity for and participation in dialogue with the public sector, and particularly to increase the access of small, micro-, and non-traditional entrepreneurs to the benefits of the ERP.

The project is proposed for a 4 year period beginning in FY 94 at an LOP total of US$6.1 million, of which A.I.D. will provide US$4.5 million in DA funding, and the GOG will provide US$1.6 equivalent from PL 480 Title III generated local currency. The lead implementing agency will be a competitively selected U.S. small disadvantaged business or institution.

DRAFT PROJECT AUTHORIZATION

Name of Country: Guyana

Name of Project: Building Equity & Economic Participation Project

Number of Project: 504-0107

1. Pursuant to the Foreign Assistance Act of 1961, as amended, I hereby authorize the Building Equity & Economic Participation Project for Guyana involving planned obligations of not to exceed Four Million Five Hundred Thousand U.S. Dollars ($4,500,000) in grant funds over a four year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of the Project is four years from the date of initial obligation.

2. The goal of the Project is expanded economic opportunities for the urban and rural poor. The purpose of the project is to strengthen the business environment in Guyana in order to bring about economic growth with equity. At the end of the project, the Government of Guyana will have increased capacity to implement economic, financial, and other business-related policy and regulatory reforms to produce greater growth with equity; Guyana's private sector will expand participation of urban and rural poor and exhibit broader-based, inclusive, articulate participation in national and sectoral policy/regulatory formulation and implementation processes; and small, micro-, and non-traditional enterprises will have increased access to investment opportunities (e.g. increased skills, increased information, increased access to capital). The types of assistance that will be provided under the Project are long and short-term technical assistance, short-term in-country and participant training, and limited office equipment and supplies to strengthen key offices in the GOG and selected private sector and non-governmental organizations.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to such terms and conditions as A.I.D. may deem appropriate.

4. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the Project shall have their source and origin in the United States or Guyana, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the United States or Guyana as their place of nationality. Ocean shipping financed by A.I.D. under the Project shall be financed only on flag vessels of the United States.

Mosina H. Jordan
Director, RDO/C

5/18/94
Date

Clearances:

PDO:PBisek ___draft_____Date 4/7/94
PDO:RMacken __draft_____Date 4/7/94
RCO & A/EXO:AEisenberg AE Date 5/13/94
CONT:MHorween draft_____Date 4/18/94
TDO:DLSmith __draft_____Date 3/30/94
LEGAL:RMeighan _draft_____Date 4/15/94

drafted 1/25/94, revised 3/17/94, 4/7/94, 5/13/94:TDO:LMcPherson

GUYANA
BUILDING EQUITY & ECONOMIC PARTICIPATION PROJECT
(A.I.D. No. 504-0107)
PROJECT PAPER

Table of Contents

Project Data Sheet i
Executive Summary ii
Draft Project Authorization iii
Table of Contents v
Glossary of Terms Used vii
Map of Guyana ix

1. PROJECT RATIONALE 1

1.1 Background 1
1.2 Project Rationale and Strategy 2

2. PROJECT DESCRIPTION 8

2.1 Project Goal and Purpose 8
2.2 Detailed Project Description 9

2.2.1 Overview 9
2.2.2 Public Sector Component 10
2.2.3 Private Sector Component 19
2.2.4 USAID Oversight 26

3. COST ESTIMATE AND FINANCIAL PLAN 27

3.1 Cost Estimates 27
3.2 Financial Plan 31

4. IMPLEMENTATION PLAN 32

4.1 Project Management 32
4.2 Implementation and Procurement Schedule 33

5

GUYANA
BUILDING EQUITY & ECONOMIC PARTICIPATION PROJECT
(A.I.D. No. 504-0107)
PROJECT PAPER

Table of Contents - Continued

5. SUMMARIES OF ANALYSES 35

5.1 Technical 35
5.2 Social Soundness 39

5.2.1 Socio-Economic Context 39
5.2.2 Socio-Cultural Feasibility 43
5.2.3 Project Beneficiaries 46
5.2.4 Project Impact 47

5.3 Financial/Economic 48
5.4 Environmental 50

6. MONITORING AND EVALUATION PLANS 50

7. CONDITIONS AND COVENANTS 51

Annexes

A. PID Approval Action Memo
B. Logical Framework Matrix
C. Statutory Checklist
D. GOG Request for Assistance
E. Summary of World Bank/IDB Policy Matrix and TA Loan
F. Detailed Cost Estimates
G. Social Soundness Analysis
H. Public Sector Technical/Institutional Analysis
I. Private Sector Technical/Institutional Analysis
J. Poverty Assessment Mission Report
K. Initial Environmental Examination

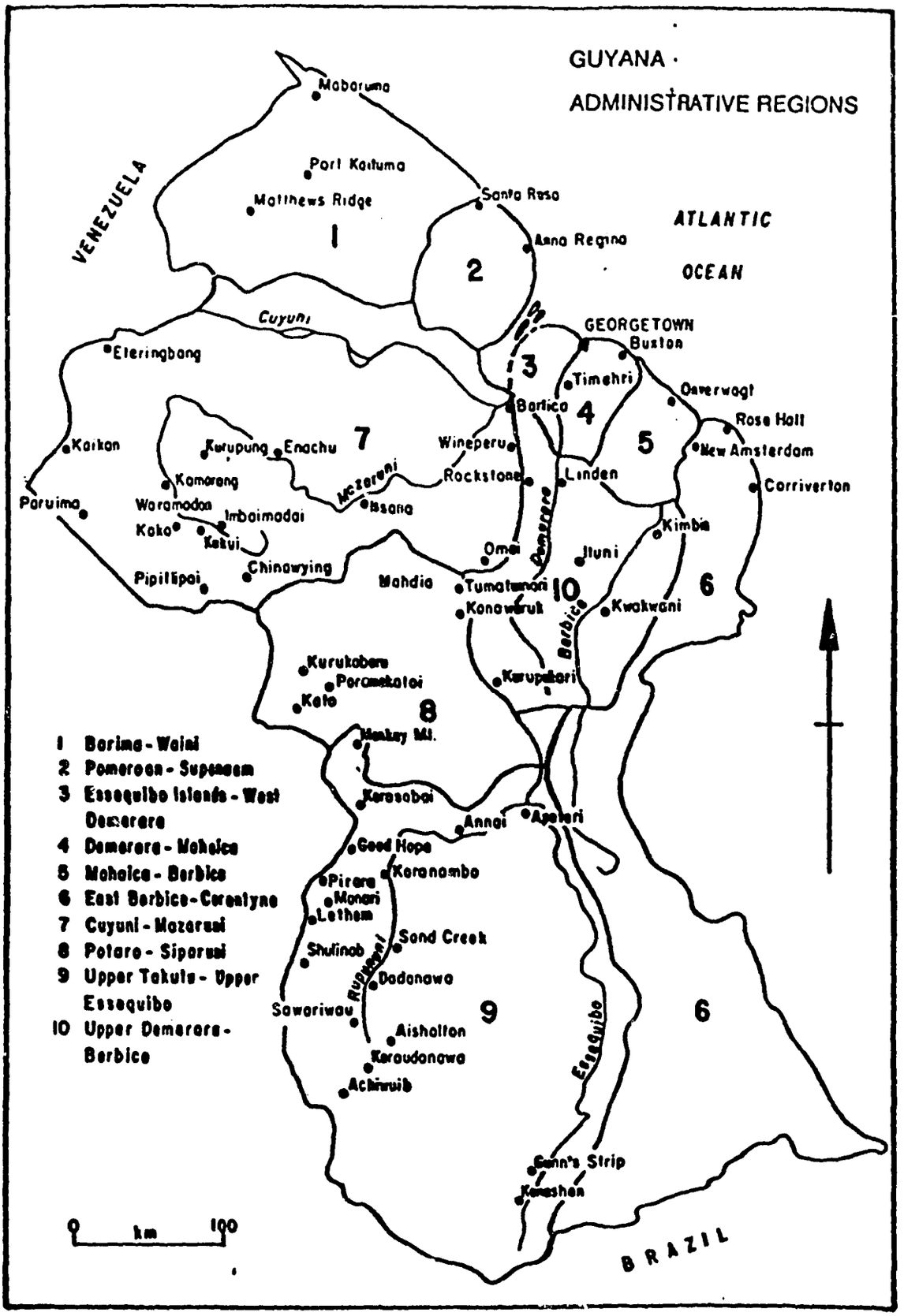
GLOSSARY OF TERMS USED

A.I.D.	:	U.S. Agency for International Development
ANTEG	:	Association of Non-Traditional Exporters of Guyana
BEEP	:	Building Equity & Economic Participation Project
BESO	:	British Executive Service Organization
CAGI	:	Consultative Association of Guyanese Industries
CARICOM	:	Caribbean Community
CDB	:	Caribbean Development Bank
CESO	:	Canadian Executive Service Organization
CET	:	Common External Tariff of CARICOM
CLDT	:	Caribbean Leadership and Development Training Project
CY	:	Calendar Year
DA	:	Development Assistance
EEC	:	European Economic Community
EOPS	:	End of Project Status
ERP	:	Economic Recovery Program
ESDA	:	Environmentally Sustainable Development Alternatives
ESOP	:	Employee Stock Ownership Plan
FPAG	:	Forest Producers Association of Guyana
FRLC	:	Federal Reserve Letter of Credit
FSN	:	Foreign Service National
FX	:	Foreign Exchange
FY	:	Fiscal Year
GCCI	:	Guyana Chamber of Commerce and Industry
GDP	:	Gross Domestic Product
GGDMA	:	Guyana Gold and Diamond Miners Association
GMA	:	Guyana Manufacturers Association
GNCB	:	Guyana National Cooperative Bank
GOG	:	Government of Guyana
GOINVEST	:	New parastatal investment promotion office to replace GUYMIDA
GSBA	:	Guyana Small Business Association
GUYMIDA	:	Guyana Manufacturing and Industry Development Agency
HIES	:	Household Income & Expenditure Survey
ID	:	Institutional Development
IDB	:	Inter-American Development Bank
IESC	:	International Executive Service Corps
IFAD	:	International Fund for Agricultural Development
IMF	:	International Monetary Fund
IPC	:	Implementing Policy Change Project
IPED	:	Institute for Private Enterprise Development
IQC	:	Indefinite Quantity Contract

GLOSSARY OF TERMS USED - Continued

LAC	:	A.I.D.'s Bureau for Latin America and the Caribbean
LC	:	Local Cost
LOP	:	Life of Project
LRJ	:	Legal/Regulatory/Judicial
LSMS	:	Living Standards Measurement Survey
LT	:	Long-Term
M&E	:	Monitoring & Evaluation
MOF	:	Ministry of Finance
MTTI	:	Ministry of Trade, Tourism and Industry
NGO	:	Non-Governmental Organization
OYB	:	Operating Year Budget
P.L. 480	:	Public Law 480, or the Agriculture Trade and Development Act of 1954, as amended
PID	:	Project Identification Document
PIO/T	:	Project Implementation Order/Technical
pm	:	person month
PNC	:	Peoples' National Congress
PP	:	Project Paper
PPP	:	Peoples' Progressive Party
PSC	:	Private Sector Commission
PSIP	:	Public Sector Investment Program
PSO	:	Private Sector Organization
py	:	person year
RDO/C	:	Regional Development Office for the Caribbean
RFP	:	Request for Proposals
SIMAP	:	Social Impact Amelioration Program
TA	:	Technical Assistance
TAG	:	Tourism Association of Guyana
TBD	:	To Be Determined
TCN	:	Third Country National
TDO	:	Trade Development Office
UNDP	:	United Nations Development Program
USDH	:	U.S. Direct Hire (A.I.D. officer)
USG	:	United States Government
USPSC	:	U.S. Personal Services Contract(or)
WB	:	The World Bank

The currency in Guyana is the Guyana Dollar (G$). In the last quarter of CY 1993, the average exchange rate was around G$125 = US$1.00.


GUYANA
ADMINISTRATIVE REGIONS
VENEZUELA
ATLANTIC
OCEAN
BRAZIL
Mabaruma
Port Kaituma
Matthews Ridge
Santa Rosa
Anna Regina
GEORGETOWN
Buxton
Timehri
Onverwagt
Rose Hall
New Amsterdam
Corriverton
Eteringbang
Cuyuni
Karikan
Kurupung
Enachu
Komareng
Mazaruni
Wineperu
Rockstone
Linden
Paruima
Waramadoa
Imbaimadai
Kako
Kaituni
Issano
Kimbia
Omai
Iluni
Pipilipai
Chinawying
Mahdia
Tumatumari
Konawaruk
Kwakwani
Demerara
Berbice
Kurukabaru
Paramakatoi
Kato
Karupukari
Haskay Mt.
Kaesobai
Annai
Apoteri
Good Hope
Karanambo
Pirara
Monari
Lethem
Sand Creek
Shulinab
Rupununi
Dadanawa
Sawariwau
Aishalton
Karaudanawa
Achiwaib
Essequibo
Gunn's Strip
Kamashen
1
2
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6
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9
10
1 Barima - Waini
2 Pomeroon - Supenaam
3 Essequibo Islands - West Demerara
4 Demerara - Mahaica
5 Mahaica - Berbice
6 East Berbice - Corentyne
7 Cuyuni - Mazaruni
8 Potaro - Siparuni
9 Upper Takutu - Upper Essequibo
10 Upper Demerara - Berbice
0 km 100

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GUYANA
BUILDING EQUITY & ECONOMIC PARTICIPATION PROJECT
(A.I.D. Project No. 504-0107)

1. PROJECT RATIONALE

1.1 Background

From its independence in 1966 until the democratic elections in late 1992, the Government of Guyana (GOG) was dominated by one party, the Peoples' National Congress (PNC), which maintained policies characterized as Cooperative Socialism. It nationalized most foreign-owned enterprises and maintained Government control over most productive sectors through the use of price controls and foreign exchange rationing. As the public sector grew significantly, the private sector declined and a significant parallel economy developed.

Economic performance in the early 1970s allowed for public sector investment to be maintained at reasonable levels. After 1975, declining sugar prices and mismanagement in key sectors resulted in widening public sector deficits, inflation averaging 20 percent per annum, and increasing reliance on foreign borrowing. Emigration of managers and workers to the U.S., Canada, the Caribbean, and the United Kingdom accelerated, and the productivity of government and public-owned enterprises deteriorated. Guyana could no longer service its foreign debts and became ineligible for foreign loans. By 1988, the situation had deteriorated to the point where the government had no choice but to launch an IMF-monitored Economic Recovery Program (ERP), which was based on a fundamental shift in policies away from socialism and toward a market-oriented economy.

The ERP has been largely successful. For calendar year 1992, GDP increased by 7.7 percent, inflation was down to about 14.2 percent, foreign exchange reserves were equivalent to about 4 months of imports of goods and non factor services, revenues increased 49 percent over 1991 levels, and continuing rescheduling and debt reduction arrangements had resulted in a decrease of almost US$700 million in public debt since 1989. For 1993, real GDP is measured as of 8.3 percent, against the year long prediction of 8.2 percent and the 7.8 percent targeted by the GOG. Importantly, the cost of living for 1993, while still high, appeared to be leveling off.

In October 1992, the country held what most international observers consider its first free and fair elections in over 20 years, and the (former) opposition party, the Peoples' Progressive Party (PPP), won. Although it has indulged in some predictable bashing of the previous regime's achievements, the new administration has essentially continued the market-oriented

10

reforms, with an increased emphasis on transparency and broad-based participation in decision-making.

The strategy to achieve the ERP objectives focusses on the private sector as the engine of growth. In February, 1993, the Minister of Finance summarized the strategy as follows:

> In line with the ERP's macroeconomic and development objectives, the Government's strategy calls for substantially reducing the size and scope of the public sector and stimulating investment and growth through private sector development. Under this approach, the private sector development would constitute the engine of growth and a modernized and efficient public sector would provide the enabling environment, including a sound regulatory framework and social and economic infrastructure. (Source: Finance Minister Asgar Ally's letter to The International Development Association, February 10, 1993)

As described in several A.I.D. and other donor studies, however, the business environment is still considered more insecure and high risk than "enabling" by many Guyanese and foreign business persons. This is due to a number of factors, chief among which are delays in <u>implementation</u> of agreed-to policy, legal/regulatory/ judicial (LRJ), and institutional changes necessitated by the policy reform process; a lack of transparent and broad-based dialogue between and among the public sector, private sector, and civil society (including NGOs) regarding priorities in the implementation process; and a possible bias against smaller businesses in terms of benefits of the reform process.

The GOG is aware of these problems, and has discussed strategies to overcome them with A.I.D. personnel. These discussions resulted in preparation of a Project Identification Document (PID) for the Building Equity & Economic Participation Project (BEEP), which was approved by the RDO/C Director on November 11, 1993 (see Annex A for the PID Approval Action Memorandum). In December 1993, RDO/C personnel, consultants from the centrally funded Implementing Policy Change Project (IPC, No. 936-5451), and a local business development specialist worked closely with relevant GOG, private sector, and NGO actors to develop more detailed specifications of technical assistance (TA) and training needs. The resulting proposed project, which also takes into account related donor activities, is described in the following pages.

1.2 Project Rationale and Strategy

RDO/C's interim strategy for Guyana identifies specific niches in which the proposed modest level of resources provided

can have a large impact in supporting the GOG strategy summarized above. These niches are:

- enabling Guyana to access the substantial resources available from other donors, held up because of lack of implementation capacity and counterpart support;

- enhancing the impact of those resources through broader participation and attention to equity and sustainability; and

- filling significant gaps, particularly in the areas of justice and democratic institutions, where other donors are not active.

The BEEP strategy focusses on the first two of these niches, i.e. increasing implementation capacity for measures which will produce growth with equity through provision of TA and training, and enhancing participation through establishment of specific mechanisms that assure broader-based inclusion of the urban and rural poor in the ERP process. Two of the "end-of-project-status" conditions, in fact, are a paraphrase of the strategic niches, and the third complements them; by FY 1998:

- The GOG will have increased capacity to implement economic, financial and other business-related policy and regulatory reforms [instituted by the multilateral lenders] to produce greater growth with equity ;

- The private sector will expand participation of urban and rural poor and exhibit broader-based, inclusive, articulate participation in national and sectoral policy and LRJ formulation and implementation processes; and

- Small, micro-, and non-traditional enterprises will have increased access to investment opportunities (e.g. increased skills, increased information, increased access to capital).

The project strategy to assure that these conditions are fulfilled has been designed to focus on areas identified by the private sector and non-governmental organizations (NGOs) as key impediments to growth. These impediments were identified in interviews in Guyana by separate RDO/C teams in March and July 1993 with over 150 micro-, small, medium, and large business persons and organizations which represent and serve them. The discussants identified the following priority problem areas for donor attention:

a) inadequate and/or deteriorated physical infrastructure;

b) lack of access to capital (equity capital is the major problem for large businesses, debt capital more so for the micro-, small, and medium ones);

c) inadequate quantity and quality of human resources; and

d) government "red tape".[1]

The Mission determined early in the design process that it would not have the resources to resolve any one of these problem areas on its own. Mission project identification thus focussed on if, and if so, how, it could help the GOG and/or private entrepreneurs assure that funding available from other donors for these purposes achieved the desired results. This focus, on improving the implementation of agreed to reforms and loan programs, was stressed in meetings at the highest and lowest levels, by Ministers and micro-entrepreneurs alike, and became the major theme of BEEP.

For example, the multilateral lenders are focusing efforts on the priority impediments of a) infrastructure and b) debt capital in a manner that will, when fully implemented, benefit all levels of investors. The IDB, CDB, and EEC in particular have invested in the Public Sector Investment Program (PSIP) in order to provide for rehabilitation of physical infrastructure. In 1993 alone, the PSIP was US$100 million, of which about 55 percent was for rehabilitation of the sugar, bauxite, and electricity industries and the remainder for priority physical infrastructure, including roads and the sea defense/ drainage and irrigation network so critical to maintaining agricultural production. A.I.D. has also contributed significantly to these efforts of other donors, through allocation of counterpart local currency generated under (former) Title I and (current) Title III programs.

Unfortunately, the GOG lacks experience in managing infrastructure programs of such size and complexity, and the pace of PSIP implementation has been disappointing. This has resulted in a high level of frustration on the part of management and labor, farmers and small entrepreneurs alike, and on inefficient use of scarce resources as the GOG must pay interest on undrawn loan capital. In an effort to be responsive to this problem, and in keeping with the Mission's "niche assistance" strategy, the BEEP project will focus on increasing the GOG's capacity to manage such programs, with an emphasis on assuring that management strategies include equity as a key consideration in decision-making. As described in section 2.2.1, one of the key tasks of the TA to the Ministry of Finance proposed under BEEP

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[1] Annex C of the BEEP PID provides more detail on impediments identified.

will be to assist the GOG in improving management, monitoring, and evaluation of PSIP implementation in a more timely and responsive manner.

The IMF, World Bank, and IDB are also focusing on improving the second major impediment, access to debt capital. The proposed US$25 million World Bank Private Sector Development Adjustment Loan, and the companion US$35 million IDB Financial Institutions Adjustment Loan, have as a pre-condition the passage of a new banking law that should alleviate many of the problems for large and medium businesses. As illustrated in Annex E and at Table 4 in Annex H, the World Bank intends to provide significant long- and short-term TA to the various financial institutions to support implementation of the new laws, and the IDB is planning to develop a similar and complementary TA package to support its loan as well. The IDB also plans to provide TA to assist a commercial bank in improving provision of loans to small farmers, possibly through a targeted rural credit effort. Both institutions plan to send the loans to their respective boards in July 1994, with implementation due to begin shortly thereafter. Again, RDO/C staff working on BEEP development have collaborated closely with Bank and IDB personnel as these loans are developed, and all believe that the TA provided under BEEP to both the public and private sectors can complement that provided by the banks in terms of easing this critical constraint to economic growth.

All recognize that there must be special attention paid to Guyana's large small and micro-enterprise sector. These entrepreneurs are currently benefiting from more geographically-focused efforts of the commercial ScotiaBank in the Georgetown area, and the non-governmental Institute for Private Enterprise Development (IPED), in New Amsterdam/Berbice. Both of the organizations are undertaking pilot micro-enterprise loan programs based on the highly lauded Grameen Bank model, and, at least in their first 6 months, both look promising. IPED has received 25 percent of the Title I generated local currency in prior years, and 10 percent of the FY 93 Title III generated local currency, to support its small enterprise loan programs. It is also receiving similar local currency assistance under the Futures Fund, which manages 60 percent of the currency generated through the Canadian fertilizer import program, and which has provided particular assistance in the micro-enterprise pilot. IPED currently receives some short-term TA through the Canadian Executive Services Organization (CESO), and is discussing possibilities with the A.I.D.-funded U.S. International Executive Services Corps (IESC). Short-term TA is proposed under BEEP to continue support to the micro-enterprise window of IPED and selected other NGOs working with micro-enterprises to assist them in improving their effectiveness.

In terms of the Mission's second strategic niche, the project will place particular emphasis on assuring that the reform process benefits a broader spectrum of society. The PID development team frequently encountered small entrepreneurs who believed that many of the policy and regulatory reforms were specifically designed to benefit only "big business," with little attention paid to the needs of emerging businesses. The PID and PP design teams were not able to find any studies which provided analysis of the benefits and opportunities resulting from macroeconomic and sectoral policies, disaggregated by business size. Likewise, the teams could not identify any studies which monitor the policy impact on the distribution and growth of productive assets among people and communities at various ranges of the wealth scale. As proposed herein, BEEP will provide TA and training to the relevant staff of the MOF and MTTI to assure that such factors are included in future analyses. The results of such analyses will be important in shaping policy that is responsive to equity concerns and the reduction of poverty.

The BEEP design process has recognized that, while both large and small businesses benefit from the removal of constraints which block productivity and efficiency, the needs and strengths of different types and sizes of firms vary. Small businesses, for example, may also need specialized assistance in further developing capacity to competitively produce and manage distribution/sales of their goods and services. The design presumes that policy makers need and want to understand these differential needs and strengths in order to be able to adequately craft policies to meet larger economic and social objectives.

One of the means to achieve this end will be project support to the planning and conduct of topic-specific public-private sector business fora on a periodic basis, with emphasis on broad participation and representation of positions of <u>all</u> interest groups. A second, related, means will be provision of TA and training to some of the nascent associations that represent small business, such as the Guyana Small Business Association (GSBA) and the Association of Non-Traditional Exporters of Guyana (ANTEG), the Guyanese Association of Indigenous Peoples, Red Thread Women's Development Program, and Environmentally Sustainable Development Alternatives (ESDA), so that they are better able to define, elaborate, and present their positions in these fora. Rural organizations and associations that represent or serve entrepreneurs that do not compete with U.S. industries will also be included. These more specialized associations in particular have good potential for influencing GOG policy makers, and simply need better skills and tools to do so.

A third means of assuring that policies will provide benefits to those most in need will be through the provision of TA and training directly to GOG policy makers, to help them

understand potential differential impacts their policies may have on different size businesses. The concept of targeting will be explored, recognizing that this seems to become problematic for some policy makers when micro- or small businesses are explicitly favored. Workshops, TA, and training provided under BEEP, however, will demonstrate the economy-wide benefits of a set of policies that better insure that the micro- and small enterprises have the opportunity to emerge, survive, and prosper, even as the larger businesses realize their potential.

As described in section 2.2, the project will address the human resource impediment through provision of numerous types of training for participating institutions in the public and private sector and NGO community. The training will be carefully planned to complement that which is provided by A.I.D. under the Caribbean Leadership Development and Training Project (CLDT, 538-0173), and by other donors where indicated. Particular attention will be paid to the public sector administrative training to be provided under the World Bank's Public Administration Project, and to private sector organizations by the Canadian Futures Fund.

Finally, in close consultation with the World Bank and the IDB personnel working on the joint Private Sector/ Financial Institutions loan, the long-term advisors under BEEP, supported by short-term TA where indicated, will address LRJ or "red tape" bottlenecks identified by the private sector as critical to improved efficiency. As cautioned in the social and economic analysis of this PP, assessment of critical bottlenecks, and potential solutions, will be made within a framework which stresses equitable benefits in resolution. Although no specific cases could be identified, there is a widespread belief that some of the policy reform to date has only benefited "big business", and both the GOG and the private sector have a stake in clarifying the reality and taking any necessary mitigating actions. All analyses of options, and presentations at the joint fora, will stress disaggregation of benefit streams to assure equitable treatment under LRJ reforms.

The project is thus designed to further the Mission's strategic niches in a manner that should both enhance the effectiveness of other donor efforts while at the same time assuring broad-based participation in the benefits of these programs. In so doing, it supports Agency-wide efforts at equitable economic development in a manner appropriate to Guyana's needs. Within projected A.I.D. funding levels and management constraints, the project thus addresses strategic objectives while remaining tactically feasible. It is considered a high priority for early implementation.

2. PROJECT DESCRIPTION

2.1 Project Goal and Purpose

The goal of the project is expanded economic opportunities for the urban and rural poor. This is also one of the Mission's two draft strategic objectives for the Guyana program overall. The indicators of goal achievement -- which are the same as the draft program indicators -- include increased value of non-traditional exports, increased private sector contribution to GDP, increased private sector employment, increased access to consumer credit, and more equitable income distribution. The critical assumptions for goal achievement are: 1) the GOG will maintain its market-led economic policy framework over time; and 2) a sound and equitable policy and LRJ environment and strengthened support services will combine to improve the business environment for all levels of entrepreneurs.

The purpose of the project is to strengthen the business environment in Guyana in order to bring about economic growth with equity. The business environment is defined as the macroeconomic and fiscal policies, and the legal/regulatory/judicial (LRJ) and institutional framework that govern all public and private sector investment activities. At the end of the project:

- The GOG will have increased capacity to implement economic, financial and other business-related policy and regulatory reforms to produce greater growth with equity;

- The private sector will expand participation of urban and rural poor and exhibit broader-based, inclusive, articulate participation in national and sectoral policy and LRJ formulation and implementation processes; and

- Small, micro-, and non-traditional enterprises will have increased access to investment opportunities (e.g. increased skills, increased information, increased access to capital).

The key public and private sector entities have been identified as the Ministry of Finance (MOF) and Ministry of Trade, Tourism, and Industry (MTTI) in the public sector, and several membership-based private sector organizations (PSOs) and NGOs which represent and/or serve micro-, small, medium, and large traditional and non-traditional business interests. The GOG, NGOs, and PSOs will need to create mechanisms to insure that dialogue occurs among the social partners which must explicitly include the poor and social partners and not solely their representatives.

More detailed descriptions of the organizations to be involved are found in the technical analyses at Annexes H, Public

Sector, and I, Private Sector. It is estimated that approximately 300 employees of the MOF and MTTI, 500 members of selected PSOs, and 600 clients of specific NGOs will be direct project beneficiaries, with all 730,000 Guyanese ultimately benefitting as the ERP is progressively implemented in an equitable manner. A more detailed description of how the end-of-project conditions and benefits will be achieved is presented in the following sections.

2.2 Detailed Project Description

2.2.1 Overview

The project will be implemented over a four year period by a competitively selected U.S.-based small disadvantaged institutional contractor, which will manage U.S. dollar and local currency funding under its contract. The contractor will establish a small project liaison office in Georgetown that will support the efforts of two long-term resident economic advisors, one to the MOF and one to the MTTI, to work with these ministries and the private sector to improve their capacities to implement the ERP to the benefit of <u>all</u> Guyanese. The efforts of the two long-term advisors will be complemented by an estimated 110 person months (pm) of short-term TA, of which approximately 50 pm are planned as expatriate and 60 pm as Guyanese TA. This ST TA will be provided through the institutional contractor. Given pre-existing relationships and a desire for program continuity, an additional 45 TA interventions of approximately two weeks each will be provided through a buy-in to the IESC worldwide core grant.

The ST TA will be collaboratively programmed on an annual basis with the key participants, based on evolving needs and on "fit" with other donor programs. At this time, based on the assessment of needs as presented in Annexes H and I, and on discussions with other donors, the ST TA is likely to range widely, from assistance to the ministries and selected PSO/NGOs in strategic planning, to technical analyses of policy options so that benefits are targeted to the poor, to very basic administrative systems development. More detail is provided in section 2.2.1 and 2.2.2 below.

The TA will be complemented by provision of numerous types of training over the life of the project. The project provides funding for the conduct of various in-country workshops or seminars over a four year period, in order to promote broad-based participation in the economic reform process. That is, at least one management retreat per year, and one follow-up, each for the MOF and MTTI will be held to review accomplishments to date and revise strategic management plans for specific organizational units for the coming year. Additionally, relevant short-term TA

18

that have completed a specific study or series of tasks may also conduct a short seminar, in order to present findings and recommendations. And, importantly, project advisors will work closely with relevant decision-makers to establish a program for periodic Public-Private Sector Forums or Roundtables to debate specific topics of interest in a transparent and participatory manner. In this regard, funds are budgeted for approximately 12 pm of short-term U.S. or Third Country participant training in addition to the Forum programs, in order to broaden knowledge of the policy options and tools available to the public and private sector decision-makers.

There is widespread recognition of a need to focus on more basic operations and administrative systems development in addition to the more technical policy activities noted above. Because of this, the project will support approximately 150 pm of in-country administrative training, focussing on providing support staff in the MOF, MTTI, and selected PSO/NGOs, with basic skills in word-processing, spreadsheet, and simple documents management. In order that trainees can utilize skills learned, a modest amount of funding is provided for procurement of informatics and office equipment and supplies for the targeted units in the MOF, MTTI, and PSO/NGOs involved.

The majority of the inputs above will be provided and managed through the competitively selected institutional contractor. Grant funds totalling approximately US$315,000 will also be provided to the International Executive Service Corps (IESC), to continue providing short-term TA to small and medium businesses, and the organizations that serve them. Project oversight will be provided initially by RDO/C, and later by USAID/Guyana as it is established. A.I.D. will thus retain U.S. dollar funding outside of the institutional contract to cover 3.5 years of a Personal Services Contractor (PSC) Project Coordinator to oversee this project, as well as 3 pm of short-term TA for a mid-term evaluation in FY 96 and funding for a final project audit in FY 98.

More detail on each of the major project components is provided below.

2.2.2 Public Sector Component

The proposed strategy for assisting the MOF and the MTTI to improve their capacity to implement the components of the ERP that fall under their responsibilities is intended to generate both immediate benefits to the GOG while laying the groundwork for sustained improvements over the longer term. By the end of the project, the following outputs will be achieved:

1) The Ministry of Finance will have an increased capacity to analyze and act on legal, regulatory, judicial,

19

organizational, and equity implications resulting from new policies; and

2) The Ministry of Trade will have an increased capacity to administer, improve, and monitor key sectoral economic variables consistent with the overall macroeconomic policy framework.

The "increased capacity" will be measured by a number of indicators which are elaborated in Annex B, Logical Framework Matrix. The following indicators are for the MOF; those for the MTTI are almost the same:

a) The MOF will establish phased strategic management plans on an annual basis, which include designation of management responsibility and staff, for implementation of new policies in key sub-sectors;

b) 250 MOF staffers will be trained in critical subject areas by 3/98; and

c) 3 operational or technical systems analyses, at least one of which assesses the socio-economic impact of a policy measure, undertaken each year beginning in Year Two, with an increasing percentage of LRJ, socio-economic, organizational recommendations implemented over the life of the project.

The following paragraphs summarize the elements of the strategy and the long-term and short-term TA needed to achieve these outputs. The conditions and risk factors for effective utilization of the TA and training are summarized in the summary Technical Analysis at section 5.1 and in full in Annex H.

As described in Annex H, the MOF and the MTTI both exhibit weaknesses in strategic management and basic management systems, and in linking strategic to routine tasks. Institutional strengthening can be targeted at a number of component levels, ranging from the organizational to the management subsystems tier. The institutional development (ID) strategy for the MOF and MTTI will be to focus institutional strengthening TA and training at two of these levels: 1) the organizational level, with an emphasis on strategic planning and management, and 2) the management subsystems level, targeting three major subsystems--project management, operational support, and policy analysis and guidance. Work at both levels will include attention to assuring that the planning and implementation of new policies and programs have a beneficial impact on the poor.

2.2.2.1 Organizational level: strategic planning and management

Assistance at this level will focus on putting in place a strategic planning and management system in both the MOF and the MTTI. The ID to be provided has three major objectives: a) to develop within each ministry a shared vision of its mission, work tasks (both long and short-term), and unit capabilities; b) to establish communication and guidance processes that forge links between the ministries' strategic tasks and their routine operations; and c) to build a working environment that provides more opportunities for recognition by ministry leadership for employee performance.

As elaborated in Annex H, the strategic management process can be thought of as a cycle of nine steps:

1. Agreement on, and commitment to, the strategic management process.

2. Identification and clarification of the institution's mission, objectives, and current operating practices.

3. Identification of the institution's internal strengths and weaknesses.

4. Assessment of the opportunities and threats present in the institution's external environment.

5. Identification of key constituencies and stakeholders along with their leverage and expectations.

6. Selection and analysis of the critical strategic issues confronting the institution.

7. Design of strategy options to address the critical issues identified.

8. Implementation of the strategy.

9. Monitoring and review of the strategy's performance.

This process will be initiated by holding a strategic retreat/workshop for each ministry that will begin the work on Steps 1-7. Because of the size and variety of functions in the MOF, as well as the availability of key staff, it may be necessary to conduct two workshops. For the MTTI, however, one start-up workshop will suffice. The workshop(s) will be held at an off-site location, preferably out of town to minimize interruptions, and will last one and a half or two days. It will be critical for all senior staff to attend all sessions. The emphasis of these kick-off workshops will be on developing a

shared vision and establishing two-way lines of communication between ministry leadership and functional subordinates.

The strategic management process will be critical in assisting the MOF and the MTTI to integrate and operationalize issues concerning equitable distribution of opportunity to participate in the business sector. Step 2 of the nine steps above will be crucial. The issue of equity will go nowhere unless the leadership and staff of the ministries genuinely embrace this concern as a priority. So as these institutions go about the process of identifying their mission and objectives, the facilitators and TA will need to ensure that the institutions give serious consideration to including equity goals such as equal access to opportunity, improved income and wealth distribution, and poverty reduction and alleviation, as part of their larger mission and objective. If they do embrace such objectives at the early stages, then all of the other remaining steps will respond to this concern.

Out of these workshops, informal task forces made up of members at differing organizational levels will be formed to address some of the issues identified and the next steps discussed. These task groups will assure continuity of effort so that issues raised are not forgotten and/or pushed aside in the day-to-day press of operational routine. They constitute the main mechanism for translating the workshops' outcomes into action, and as such contribute to moving the strategic process to Step 8. Their work will be supported by the long-term advisors, and by short-term TA as needed.

Given the project's focus on assuring that the ERP process promotes equitable distribution of benefits, a special task force group will be organized to address how the MOF and MTTI can treat the issues of equity and the distribution of economic opportunity in the development and implementation of policies aimed at strengthening the business environment. The task force will need to ask: "for whom should [a specific policy] be developed?" ... "how will [a specific policy] benefit, or hurt, different types of businesses or segments of society?" The resident advisor, and/or short-term TA as required, will assist the group through presenting relevant, compelling and interesting case studies to help illustrate possible results.

The task forces will be temporary, informal structures that will change over the life of BEEP as they accomplish their goals, and as new issues and needs emerge. They also are intended to contribute to job enrichment by giving employees opportunities to undertake significant work, to be recognized by ministry leadership and by peers, and to build their members' skills and knowledge. Possibilities for recognition mechanisms will be explored (e.g., certificates of appreciation, prizes, testimonial dinners, trips, etc.).

Over the life of the project, the MOF and the MTTI will hold one strategic retreat/workshop each year per ministry, as well as an additional mid-year review session. The project will provide for external facilitation to moderate these workshops. These events will be important to operationalize Step 9 of the strategic management process, and to integrate strategic issues into the annual work programs of the two ministries. In addition, they will contribute to institutionalizing the strategic perspective in the ministries. The tendency of crisis management and a sole focus on routine tasks to drive out any concern for long-term direction is a well-recognized pattern in developing country public sector agencies, and needs to be guarded against.

2.2.2.2 Management subsystems level: critical systems

At this level, the ID assistance will target the "nuts-and-bolts" systems that contribute to the MOF's and MTTI's abilities to function as viable agencies. Several subsystems will receive TA and training under BEEP.

a. Ministry of Finance: For the MOF, three subsystems will receive strengthening assistance:

i. Project management subsystem. This deals with the MOF's role in managing the Public Sector Investment Program (PSIP). Assistance will be provided to the Project Cycle Management and PSIP Division, which is under the Office of Planning and Policy Development, in the following areas:

- Monitoring and evaluation (M&E). TA and training will focus on developing a simple and feasible system for collecting and reporting data on PSIP projects. The utility and feasibility of the IDB-financed computerized project monitoring system, the "Information System for Project Cycle Management," will be assessed. Experience with similar systems suggests that it will need significant simplification and clarification of links to decision-making in order to be usable. As it currently stands, the system (which has yet to be made operational) represents information "overkill," requiring vast amounts of information in its nine multipage forms, which are difficult to fill out and call for calculations not found in most donor project documents (e.g. cost by activity). It also does not adequately address distribution of benefits, which should be factored in based on new data available from the Statistics Bureau (see 5.2, Social Soundness Analysis).

- Implementation and management analysis. TA and training will help division staff build skills in diagnosing and analyzing implementation and management issues in the PSIP as part of the M&E system. These skills will help staff to

become problem-solvers, not just another set of oversight personnel in the eyes of sectoral project managers. Further, acquiring these skills will contribute to employee job enrichment.

ii. **Policy analysis and guidance subsystem**. This subsystem addresses tracking of policy conditionalities (e.g., World Bank, IMF, and IDB), monitoring and reporting policy impacts, and analyzing policy alternatives and implementation issues. While donor agency staff and consultants fulfill these functions as an integral part of the ERP, the MOF has a strong desire to begin to create its own capacity to perform them as well, so as to move away from complete dependence on outside assistance in this vital area.

In principle, these functions reside in several units in the MOF: under the Office of Planning and Policy Development in the Macroeconomic Policy, Enterprise Monitoring and Private Sector Development, and International Financial Relations Divisions; under the Office of the Budget in the Fiscal and Monetary Division. In addition, the Privatization Unit also has policy analysis functions. TA and training for this subsystem will address approaches to indicative planning for market-led economies, data collection, database management, information reporting, methods of fiscal policy analysis, and budget and revenue monitoring. More specific needs will be worked out once the long-term TA team is in place and the MOF's revised structure has been finalized.

One need that is particularly clear at this time is the concern over adequately addressing the equity issue, which every unit needs to more effectively address. The MOF will be encouraged to develop its own equity and social indicators central to measuring "progress," and not to wait for the Bank or the IMF to define these for it. These targets will include indicators denoting how the business environment has been enhanced to be more inclusive and supportive of micro- and small enterprises and of more-disadvantaged people who seek to become active in enterprise development. In addition, these ERP targets will include the broader equity indicators for the society as a whole. Examples include poverty reduction, income and wealth distribution, quality of life, and employment, which together may offer insights about the impact of addressing equity as a central component of the ERP process. Annex J includes a more complete discussion of some of the dimensions that should be considered.

iii. **Operational support subsystem**. The focus of assistance here is on improving personnel records management, filing systems, information storage and retrieval, wordprocessing facilities and skills, and correspondence tracking and response. Basic manuals will be developed once systems have been developed,

tested, and installed. It is anticipated that most of the TA and training provided for this subsystem will draw upon local sources of expertise. Short, custom-tailored courses will be provided on a schedule to be determined by the long-term TA team in consultation with the MOF. In addition, the project will provide selected necessary commodities, financed from BEEP's PL-480 local currency budget. Examples of commodities to be procured include: file and storage cabinets, files, office equipment and supplies, etc.

The project's support to this subsystem will also contribute to improving working conditions and motivation for the MOF's secretarial and clerical personnel. Some of the staff trained will leave the ministry for the "greener pastures" of the private sector. BEEP's approach, however, is to overtrain in anticipation of this turnover, recognizing that it cannot be eliminated but can be slowed such that the investment made in staff training will yield more of a payoff, as some staff will decide to stay longer given the lure of the training and better working conditions.

b. **Ministry of Trade, Tourism, and Industry**. For the MTTI, with fewer staff and organizational units, two subsystems will receive strengthening assistance:

i. **Policy analysis and guidance subsystem**. Annex J (paragraph 11) summarizes analyses which indicate that enhancing exports, particularly of non-traditional products, may have a significant effect on poverty reduction in Guyana. TA and training will thus support the development of capacity in the areas of export and investment policy development and promotion, including promotional materials and manuals; data collection and reporting; and outreach to the private sector. Particularly important for supporting an export competitiveness strategy will be assistance in product quality control, including the design and implementation of a product standards certification program for local manufacturers and producers.

ii. **Operational support subsystems**. The MTTI's physical plant and the secretarial, clerical, and personnel functions require support. TA, training, and commodities will be provided for the MTTI along the same lines as described above for the MOF, although on a lesser scale.

2.2.2.3 TA and Training Inputs

TA and training provided under BEEP has been planned in consultation with the key ministries and with other donors. Annex H provides the most current listing possible of other donor plans, and demonstrates the proposed BEEP assistance is

25.

complementary to those efforts. However, it is stressed that the project will need to be flexible with regard to provision of short-term TA over time, in order to remain responsive and avoid redundancy with emerging other donor efforts. An annual planning process, and judicious consultation with other donor representatives, will be the key means of assuring that this happens.

a. Ministry of Finance. One resident advisor will be placed in the MOF's Office of Planning and Policy Development. S/he will have responsibility for working mainly with the Project Cycle Management and PSIP Division at first, working in a hands-on way with staff of this unit to improve M&E systems for project implementation. Once those activities are underway, the advisor will then progressively expand his/her scope of activities to support the Enterprise Monitoring and Private Sector Development Division, the International Financial Relations Division, and/or the Office of the Budget's Fiscal and Monetary Division. It is possible that the Enterprise Monitoring and Private Sector Development Division may be moved to the Privatization Unit, in which case the advisor would work with that unit as well. The actual choice of units to work closely with and the timeframe will depend upon the results of a project start-up planning session, and the advisor's assessment of which staff show the most interest and desire to work together.

Although located at the office level, the advisor will liaise regularly with the Minister. Through his/her participation in the strategic management component of the TA program, the advisor will facilitate the linkage between strategic tasks and routine operations.

The advisor's modus operandi will be to set up a number of task groups, similar to those outlined above for the strategic issues groups (in fact some of these task groups may be overlapping), and then rotate his/her assistance and collaboration among them, filling in with periodic short-term expertise in various topics. By having a number of TA actions underway simultaneously, the strengthening program should be less vulnerable to delays or crises that reduce the availability of staff to participate in the ID activities.

b. Ministry of Trade, Tourism, and Industry. A second resident advisor will carry out the dual role of advisor to the MTTI and to selected PSO/NGOs targeted for project assistance. That is, s/he will spend approximately half-time working in the MTTI at the division level, developing management subsystems outlined above for the divisions of Industrial Development, Foreign Trade, and Tourism. As part of his/her work with the MTTI, the advisor will also link with GOINVEST, the replacement organization for GUYMIDA which is to serve as a "one stop shop"

26

for the private sector, and the Export Promotion Council, which also serves private investor needs.

Because one of the primary mandates of the Ministry is to serve the private sector, the advisor will devote the other half of his/her time to the private sector activities described in section 2.2.3 below. More specifically, s/he will maintain close contact with the leadership, staff, and selected members of the PSO/NGOs targeted for project assistance, and will work with the PSO/NGOs to define short-term TA and training needs. Where possible, the TA and training will be tailored to meet the needs of the private sector and the key MTTI personnel who are supposed to support it. It is hoped that this dual role of advisor to the Ministry and liaison with the private sector will help foster an improved outreach to the private sector by the Ministry overall.

The Advisor will interact on a regular basis with the Minister to assure progress on the MTTI strategic plan developed at the initiating strategic management retreat, and to link those tasks to day-to-day functions. To the extent possible given the MTTI's smaller size, the advisor will use the same task team approach as suggested for the MOF. The Advisor will also interact on a regular basis with key leaders of the private sector community, with an emphasis on assuring representation of small and micro non-traditional businesses as well as the mainstream industries.

More detail on the level of effort and profiles of the advisors is provided in Annex H.

c. **Short Term TA**. Short-term TA will be provided to the public sector in three major categories: management support, operational support, and technical and policy support Definition of required types and needs will be undertaken on an annual basis by the resident advisors in close consultation with key counterparts in the MOF and MTTI, and with the World Bank, IDB, and British aid.

At this time, types of TA in the management support category include: assistance with strategic planning and management, workshop design and facilitation, analysis and tools for project implementation, design and installation of the PSIP M&E systems, with particular emphasis on methodologies to measure the differential impact of programs, and organizational development and job enrichment approaches. TA for operational support covers: data collection and data base management (including socio-economic data), organizational procedures manuals, wordprocessing, secretarial skills, filing systems, budgeting, and financial management. TA for technical and policy support encompasses: employee stock ownership plan (ESOP) design and development, non-traditional export promotion materials development, tourism promotion, private sector outreach, fiscal

policy and incentives, total quality management (TQM) programs for local industry, legal and regulatory frameworks (anti-dumping, product standards and safety), and design and conduct of public sector/private sector/NGO roundtables and symposia. A detailed illustrative listing is provided in Annex H.

d. Training. Training for the MOF and the MTTI will be of five types and will benefit approximately 300 staff of these ministries. First and foremost will be on-the-job training as an integral part of the technology and skills transfer activities of both long and short-term advisors. The second kind is action-training in the context of the workshops planned over the life of BEEP. For example, the strategic planning and management workshops have a training element to them, and much of the training in M&E and project implementation will be provided in this form. Third are short courses designed to fit the two ministries' needs. These will cover some of the areas listed above for short-term TA needs; in particular it is anticipated that much of the training for ministry support staff in secretarial skills, filing systems, and wordprocessing will be handled through short, targeted courses. Fourth are study tours for selected topics, where small groups will visit other countries in the region or the U.S. to observe successful practices, for example, in investment promotion and/or ecotourism. Included in the study tour category could also be participation for selected staff in conferences. The fifth type of training relates to the public-private sector roundtables, symposia, and fora planned under BEEP. While not training activities in the formal sense, they nonetheless serve a training function because it is anticipated that each one will be organized around a particular topic with the aim of informing participants about key issues, new approaches, innovative solutions, and so on as a means to stimulate discussion and exchange of views. Training of all types will be designed to complement the existing support being provided through A.I.D.'s Caribbean Leadership Development Training (CLDT) Project.

2.2.3 Private Sector Component

The project will provide short-term TA and training to the private sector and selected NGOs in order to foster more broad-based, inclusive, and articulate participation in national and sectoral policy/regulatory formulation and implementation processes. At the end of the project, the following outputs will be achieved:

- Guyana's broad-based PSO/NGOs will have developed and be implementing functional processes which provide for broader participation -- with specific attention to small and medium traditional and non-traditional businesses -- and clearer articulation of private sector positions in GOG policy/LRJ dialogue process; and

- Special interest NGOs that work with micro- and non-traditional enterprises will have increased capacity for providing membership services, including increased market information and increased skills training.

Annex I estimates that there are about 50-75 large companies (both private and public), 300 to 400 medium-sized firms, over 2,000 small firms, and more than 20,000 microenterprises in Guyana. The country's PSOs are representative of almost all key economic sectors. However, the degree of representation of firms in PSOs is skewed in favor of larger companies. It is estimated that the PSOs represent about 95 percent of the large firms; approximately 75 percent of the medium-sized companies; and less than 2 percent of small businesses. Apart from NGO[2] interaction, there is currently no evidence of microenterprise representation at the PSO level.

Annex I provides analyses to support activities with nine PSOs in terms of strengthening their capacity to represent the broader private sector in the ERP process. The PID and PP teams identified three other PSOs that have similar potential, including two outside of Georgetown and one that focusses exclusively on small and micro-enterprises. The total of 12 PSOs that are targeted for assistance under the project are thus:

- The Association of Non-Traditional Exporters of Guyana (ANTEG);
- Tourism Association of Guyana (TAG);
- Guyana Small Business Association (GSBA);
- The Forest Products Association of Guyana (FPAG);
- The Guyana Gold and Diamond Miners' Association (GGDMA);
- Linden Chamber of Industry, Commerce, and Development;
- Berbice Chamber of Commerce & Development Association, Ltd.;
- The Georgetown Chamber of Commerce and Industry (GCCI);
- The Guyana Manufacturers' Association (GMA);
- The Consultative Association of Guyanese Industry (CAGI);
- The Private Sector Commission of Guyana (PSC);
- The Institute of Private Enterprise Development (IPED).

The Georgetown Chamber and the FPAG have each been in existence for at least fifty years, and are considered representative of the "old guard" of Guyanese businesses. GMA and CAGI were launched about 25 years ago, and the other organizations emerged within the last ten years. These newer

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[2] It is recognized that PSOs are, in fact, NGOs. For the purposes of this PP, however, the term "PSO" is used to refer specifically to membership-based organizations that represent the for-profit private sector, and "NGO" is used in a more generic sense for the non-profit private sector.

organizations have demonstrated stronger outreach and more inclusiveness than the "old guard," particularly with regard to emerging businesses. Because of the current transition of Linden from a bauxite "company town" to small urban area with a diverse economy, the Linden Chamber is considered oriented toward small and micro businesses. The Berbice Chamber, also outside of Georgetown, has an extremely diverse membership and may in some ways be the most broadly representative of the group.

In order to promote more participation by small and micro-enterprises, the PID and PP team also identified a number of NGOs that work with micro-enterprises and the more disadvantaged urban and rural poor. The following NGOs are illustrative of the types with which the project will work:

- Red Thread Women's Development Program;
- Guyanese Organisation of Indigenous Peoples;
- Environmentally Sustainable Development Alternatives (ESDA);
- a number of location-specific rural agricultural producers' cooperatives scattered throughout the country.

These organizations, and some others to be identified, are providing direct TA and training to rural and urban individuals and groups throughout Guyana to improve income-generation skills, particularly in handicraft production and basic agro-processing. BEEP funding will be used to work with these, and other NGOs to be identified, to move them from simply income-generation to more sustainable micro-enterprise development programs over time. TA provided under the project will specifically emphasize simple market analysis and information systems that will provide micro- and non-traditional enterprises with potential for growth in a sustainable manner.

The project will also work with and through IPED, although it is recognized more as a <u>service</u> than a <u>representative</u> association for such clients. IPED is a member of the Private Sector Commission (PSC) and shares a number of board members with it. TA and training provided under BEEP will seek to help IPED maintain a strong loan portfolio as a <u>service</u> organization, and move toward more articulate <u>representation</u> of the concerns of its micro- and small clients. As it achieves this broadening of its mandate, it will help strengthen the PSC in terms of the latter's knowledge of and service to more diverse and representative elements of Guyana's private sector.

In total, the 11 representative PSOs account for between 400-800 registered businesses throughout Guyana, the 3 NGOs listed serve about 600 existing and potential micro-entrepreneurs, and IPED may be considered to represent another 2000 - 3000 concerns. About 80 percent of the owners and/or managers of these enterprises will become indirect beneficiaries

under the project through assistance to the PSOs who represent and/or serve them.

Because of the comparatively low proportion of PSO representation of micro- and small enterprises in comparison to large, however, the project will focus specifically on some outreach activities to firms or groups of similar firms that may not be active in any formal association. Part of this will be accomplished through provision of TA and training to NGOs that serve the more disadvantaged Guyanese, as listed above. Additionally, IESC has initiated such activities under its current grant, and believes that this is a cost-effective way of providing quality TA at low cost. An IESC local representative will work closely with the GSBA, IPED, and the Scotiabank loan personnel, among others, to identify likely candidates for such assistance from among their clientele.

Over the life of the project, IESC will provide approximately 13 technical/managerial interventions per year of about 14 days each, or about 45 interventions in the 3.5 year implementation period. Some of these will be with individual firms (estimated at 15 interventions with 1 firm each, or a total of 15 firms), some with a group of similar firms (estimate 20 interventions with an average of 3 firms each, for a total of 60 firms), and some with PSO/NGOs or informal associations representing small businesses (estimate an additional 10 interventions benefitting 20 firms each, or 200 additional firms). Over the life of the project, approximately 275 small businesses will thus benefit from IESC support.

Other donor assistance to the private sector is to date modest. The EEC is providing U.S. $600,000 to help the Private Sector Commission establish an operational base and develop its own services and fee-generating capabilities. The UNDP, the Canadian Executive Service Organization (CESO), the British Executive Service Organization (BESO), and IESC all provide firm-specific assistance, and CESO and IESC have done some work with selected PSO/NGOs. The Futures Fund has also provided some assistance to the smaller PSO/NGOs in organizational development. However, outside of the new EEC grant to the PSC, funds have generally been narrowly targeted and none of have focussed on expanding the role of the private sector in the ERP dialogue process.

The BEEP private sector component is viewed as complementary to the assistance provided by other donors to the private sector, and through BEEP and other donors to the public sector to help it support the private sector as the "engine of growth". TA provided through BEEP will be short-term, both expatriate and Guyanese. The PP team carefully reviewed the needs and opportunities for a long-term advisor to one or more PSOs/NGOs. The team determined that the needs of the community were on the

whole too diverse to justify the cost of a full-time long-term advisor, and can be met more efficiently through judicious deployment of a series of short-term consultants.

As described above, the periodic identification of TA needs, development of scopes of work, and oversight of the short-term TA will be carried out by the resident advisor placed at the MTTI. In addition, the senior Guyanese Project Administrator at the contractor project support office will be tasked with maintaining contacts with the NGOs working with more disadvantaged entrepreneurs and providing knowledgeable backstopping to short-term consultants. This strategy of a combination of part-time Guyanese and expatriate oversight with targeted short-term TA should meet needs effectively but not excessively over the life of the project.

The three basic elements of PSO/NGO assistance are as follows: 1) TA to strengthen the regulatory environment, with emphasis on removing "red tape" that inhibits market entry or access of the more disadvantaged groups; 2) TA to improve PSO/NGO strategic planning to serve constituent needs; and 3) TA, training, and commodities to upgrade selected PSOs', NGOs', or informal groups' institutional capabilities to provide representation and services to all levels of entrepreneurs. These are each briefly described below.

2.2.3.1 Strengthening the Regulatory Environment

The project will provide short-term TA and other support as follows:

- impartial studies and assessments to examine operational constraints or draw conclusions about technical requirements and regulatory impediments to promote growth with equity in the economy; these studies will be carefully constructed in consultation with World Bank and other technicians working on specific regulatory concerns, will be undertaken only when viewed as critical to a broad spectrum of the private sector, and will be required to disaggregate analysis of impact in terms of size and types of businesses to be affected;

- hands-on technical assistance to help PSOs, NGOs, and government ministries/departments address outstanding regulatory issues which need to be clarified to create transparency about rules and regulations governing private sector activities in Guyana; and

- topic-specific private/public sector roundtables or forums with broad participation and open discussion to examine options for resolving outstanding policy or regulatory

issues that impede private sector growth and/or have a negative impact on the poor.

It is envisioned that much of the TA under this element would be jointly programmed with the MOF and/or MTTI. For example, design and implementation of administrative changes to improve investment and export regulatory/processing/approval systems is essential, but must be undertaken in consultation with the private sector, NGOs, and the new GOINVEST agency. Similarly, development of a tourism strategy is viewed as a priority within the private sector and NGOs who serve the Amerindian community as well as at the MTTI.

However, some of the TA that is specific to the private sector, such as the IESC assistance to IPED and Scotiabank clients, would be more independent of GOG plans. Where indicated, scopes of work for TA under this element will be developed with a view to meeting all stakeholders' needs.

2.2.3.2 Strategic Planning

The objective of the strategic planning element is to help the PSOs and NGOs examine ways to rationalize their operations; to help them expand their perspectives of their role in economic development; and to assist them in developing the capacity to provide representation and services to all levels of entrepreneurs. Particular emphasis will be placed on strengthening emerging groups of organizations and consortia, such as the proposed NGO Consortium. This element will have three interrelated sub-elements:

- TA to help the secretariats of the respective PSOs and NGOs, including the NGO Consortium as it evolves, to develop strategic planning capabilities and establish complementary common approaches to improving management and data information systems;

- TA to encourage the PSOs and NGOs to broaden their perspectives on dialogue, particularly with a view to benefitting small and micro-enterprises, and to assist them in developing methodologies to examine a broader range of economic and social issues which affect the private sector's longer term capacity to respond to emerging economic opportunities under the ERP; and

- seminars to help each PSO and NGO and its members identify immediate, near-term and long-term opportunities to provide effective representation and services to their clients and constituents.

This phase of PSO/NGO strategic assessment and planning must be undertaken to ensure that the private sector organizations

develop holistic perspectives on their roles, strengths, weaknesses, and capabilities. The process will also ensure that both the PSO/NGO and the BEEP contractor are in agreement on the PSO/NGO's immediate and short-term plans and TA expectations.

2.2.3.3 Institutional Strengthening

Because of the importance of establishing sustainable mechanisms for representing private sector concerns to government and for serving the more disadvantaged groups' needs, BEEP will also provide more specific assistance to individual PSOs and NGOs to help them find ways to improve their operations, financial viability, and overall effectiveness. This will include the following types of activities:

- TA to assist: a) the more established PSOs, like GMA, GCCI, and GGDMA, to improve their revenue generating activities and upgrade trade information, marketing and technical services to members; b) the emerging PSOs such as ANTEG, TAG, and GSBA to establish basic administrative systems to disseminate information to members and to increase membership; c) the NGOs such as Red Thread, the Organization of Indigenous Peoples, and ESDA to move beyond simple income-generation to more sustainable business development approaches to skills development with members and clients; and d) the nascent NGO Consortium, as it evolves, to carry out its advocacy and lobbying role in a more effective manner.

- TA to assist interested PSOs/NGOs in developing data collection and analysis capabilities so that they can participate on an informed basis in policy dialogue; this will include training in data analysis and management, particularly as it concerns how the poor or those possessing limited assets are effected by the business environment.

- short-term in-country and third country training programs for PSO and NGO secretariat executive secretaries in the form of 2-4 week work-study attachments with viable and self-sustaining PSOs and business development NGOs and NGO consortia in other Caribbean countries.

The purpose of this training is to allow the PSOs and NGOs to acquire hands-on experience of the key factors for success, and practical knowledge of operating practices of PSOs and NGOs that function at higher levels of efficiency than currently exist in Guyana.

- workshops for PSO/NGO clients and constituents , using successful business persons from other newly liberalized economies as resource persons, to illustrate techniques and strategies used to achieve benefits from economic

reform/recovery programs. Special emphasis will be placed on the establishment of backward and forward linkages with emerging enterprises as one means of stimulating growth with equity.

This latter effort will be more informal, along the lines of a "brown-bag lunch" effort, as different business persons visit Guyana. It is viewed as a low-cost/no-cost activity that can be arranged by the BEEP contract project support office, which will foster communication and awareness in the private sector community.

The project will also provide basic office equipment to established PSOs and NGOs that are actively improving their membership services in order to provide incentive and help achieve efficiencies. In this regard, however, careful planning will be undertaken with the PSC as it opens the proposed "private sector center" that is theoretically to provide such services to all PSOs. Depending on the evolution of the proposed NGO consortium and on its eventual mandate, the project may provide support to this advocacy group as well.

2.2.4 USAID Oversight

As stated in section 2.2.1, most of the inputs above will be provided and managed through the competitively selected institutional contractor. However, A.I.D. will retain funding to provide the following oversight of contractor activities:

- funding for 3.5 years of a PSC BEEP Project Coordinator at USAID/Guyana, who will provide backstopping and technical guidance to the institutional contractor, assure that A.I.D. approvals or guidance relating to required project inputs are delivered in a timely manner, and assure coordination of BEEP activities with other relevant A.I.D. efforts such as CLDT and Title III.

- funding for 3 pm of short-term TA for a mid-term evaluation in FY 96, which will basically assess project progress to date and make recommendations for necessary changes. The evaluation will be conducted by a separate contract, either an IQC or other mode chosen by USAID/Guyana.

- funding for a final project audit in FY 98, following standard USG guidelines for such audits.

Personnel at USAID/Guyana will also work closely with the BEEP project team to assure timely and sufficient flow of Title III generated local currency for project efforts. As described in section 3 below, at this time it is envisioned that the BEEP contractor would use the MOF's established procedures of

25.

reporting and reimbursement every two months for the Title III local currencies.

3. COST ESTIMATE AND FINANCIAL PLAN

3.1 Cost Estimates

The life-of-project (LOP) cost is estimated at US$6.1 million, of which US$4.5 million will be the A.I.D. contribution in DA funding, and US$1.6 million equivalent will be the GOG contribution. This latter will be provided from Title III generated currency under the new multi-year program.

Table 1 overleaf provides a summary of source and use of funds for the life of the project. Table 2 provides an indicative schedule of LOP obligations. Table 3 which follows provides the estimated LOP expenditures in U.S. dollars (FX) and local costs (LC). Annex F provides background information on the cost estimates for long- and short-term technical assistance.

Table 1: Guyana Building Equity & Economic Participation Project: LOP Source and Use of Funds (US$ 1,000)

Source / Use	AID	GOG	TOTAL
I. TECHNICAL ASSISTANCE	**3,479**	**762**	**4,241**
6 py LT expatriate	1,664	162	1,826
50 pm ST expatriate	1,500	0	1,500
45 IESC interventions	315	0	315
60 pm ST Guyanese	0	600	600
II. TRAINING	**180**	**303**	**483**
12 pm participant	180	0	180
150 pm local & workshops	0	303	303
III. COMMODITIES	**352**	**131**	**483**
MOF, MTTI, PSOs, NGOs	250	115	365
Contractor Supp. Office	92	16	108
USAID support	10	0	10
IV. OTHER COSTS	**298**	**316**	**614**
Contractor Supp. Office	25	316	341
USAID Support	273	0	273
Sub-Total	4,309	1,512	5,821
5% Contingency	215	76	291
GRAND TOTAL LOP	**4,524**	**1,588**	**6,112**
ROUNDED TO	**4,500**	**1,600**	**6,100**

26

Table 2: Guyana Building Equity & Economic Participation Project
LOP Obligations, DA Funds
(US$ 1,000)

		FY 94	FY 95	FY 96	FY 97	TOTAL
I.	TA	600	1,065	880	934	3,479
II.	Training	45	45	45	45	180
III.	Commodities	185	85	82	0	352
IV.	Other	30	43	133	92	298
	Contingency	40	62	60	29	191
	TOTALS	**900**	**1,300**	**1,200**	**1,100**	**4,500**

Assumptions:

Project Authorized March 1994
Project Year 1 April 1994 – March 1995
Project Year 2 April 1995 – March 1996
Project Year 3 April 1996 – March 1997
Project Year 4 April 1997 – March 1998

Table 3:
Life of Project Expenditures, by Element and by Year

	COST BASIS			YEAR ONE			YEAR TWO			YEAR THREE			YEAR FOUR			LIFE OF PROJECT TOTALS			
Line Item	Unit	Unit Cost FX	Unit Cost LC	No. of Units	FX	LC	No. of Units	FX	LC	No. of Units	FX	LC	No. of Units	FX	LC	Total No. Units	FX	LC	TOTAL IN FX
I. TECHNICAL ASSISTANCE																			
LT EXPATRIATE																			
MOF Economist	py	Annex F	Annex F		188,387	13,475		357,386	26,950		369,672	26,950		154,534	13,475	0	831,978	80,850	912,828
MTR Economist	py	Annex F	Annex F		188,387	13,475		357,386	26,950		369,672	26,950		154,534	13,475	0	831,978	80,850	912,828
SUB TOTAL LT EXPATRIATE				0	376,774	26,950	0	714,772	53,900	0	739,344	53,900	0	309,068	26,950	0	1,663,956	161,700	1,825,656
ST EXPATRIATE																			
PUBLIC SECTOR																			
– Strat/Plnng & Mgmt	pm	30,000	0	3	90,000	0	3	90,000	0	2	60,000	0	1	30,000	0	9	270,000	0	270,000
– PSIP M&E	pm	30,000	0	2	60,000	0	1	30,000	0	0	0	0	0	0	0	3	90,000	0	90,000
– Org. Devel.	pm	30,000	0	0	0	0	1	30,000	0	1	30,000	0	1	30,000	0	3	90,000	0	90,000
– Organiz.Procedures	pm	30,000	0	1	30,000	0	1	30,000	0	1	30,000	0	0	0	0	3	90,000	0	90,000
– ESOP	pm	30,000	0	2	60,000	0	0	0	0	0	0	0	0	0	0	2	60,000	0	60,000
– Stock Market	pm	30,000	0	1	30,000	0	1	30,000	0	0	0	0	0	0	0	2	60,000	0	60,000
– Trade/Export Promotion	pm	30,000	0	1	30,000	0	1	30,000	0	1	30,000	0	1	30,000	0	4	120,000	0	120,000
– Tourism	pm	30,000	0	0	0	0	1	30,000	0	2	60,000	0	0	0	0	3	90,000	0	90,000
– Fiscal Incentives	pm	30,000	0	0	0	0	1	30,000	0	0	0	0	1	30,000	0	2	60,000	0	60,000
– Standards/Quality	pm	30,000	0	0	0	0	2	60,000	0	1	30,000	0	0	0	0	3	90,000	0	90,000
PRIVATE SECTOR																			
– LRJ Studies	pm	30,000	0	1	30,000	0	2	60,000	0	2	60,000	0	1	30,000	0	6	180,000	0	180,000
– PSO Strat.Plan	pm	30,000	0	0	0	0	1	30,000	0	1	30,000	0	1	30,000	0	3	90,000	0	90,000
– PSO Strength	pm	30,000	0	1	30,000	0	2	60,000	0	2	60,000	0	2	60,000	0	7	210,000	0	210,000
SUB TOTAL ST EXP TA				12	360,000	0	17	510,000	0	13	390,000	0	8	240,000	0	50	1,500,000	0	1,500,000
IESC Interventions	.5 pm	7,000	0	3	42,000	0	13	91,000	0	13	91,000	0	13	91,000	0	46	315,000	0	315,000
ST LOCAL HIRE	pm																		
PUBLIC SECTOR	pm																		
– Strat/Plnng & Mgmt	pm	0	10,000	3	0	30,000	3	0	30,000	2	0	20,000	1	0	10,000	9	0	90,000	90,000
– PSIP M&E	pm	0	10,000	2	0	20,000	2	0	20,000	1	0	10,000	1	0	10,000	6	0	60,000	60,000
– Data Collect/Method	pm	0	10,000	2	0	20,000	2	0	20,000	2	0	20,000	2	0	20,000	8	0	80,000	80,000
– Organiz.Procedures	pm	0	10,000	2	0	20,000	2	0	20,000	2	0	20,000	2	0	20,000	8	0	80,000	80,000
– Trade/Export Promotion	pm	0	10,000	1	0	10,000	1	0	10,000	1	0	10,000	1	0	10,000	4	0	40,000	40,000
– PSO Outreach	pm	0	10,000	1	0	10,000	1	0	10,000	1	0	10,000	1	0	10,000	4	0	40,000	40,000
– Standards/Quality	pm	0	10,000	0	0	0	2	0	20,000	2	0	20,000	1	0	10,000	5	0	50,000	50,000
PRIVATE SECTOR																			
– Tech/LRJ Studies	pm	0	10,000	2	0	20,000	2	0	20,000	2	0	20,000	2	0	20,000	8	0	80,000	80,000
– PSO Mgmt. Trng.	pm	0	10,000	2	0	20,000	2	0	20,000	2	0	20,000	2	0	20,000	8	0	80,000	80,000
SUB TOTAL ST LOCAL HIRE				15	0	150,000	17	0	170,000	15	0	150,000	13	0	130,000	60	0	600,000	600,000
TOTAL TECHNICAL ASSISTANC					702,774	176,950		1,116,772	223,900		1,020,344	203,900		640,068	156,950		3,479,956	761,700	4,240,656
II. TRAINING																			
US/Third Country Participant	pm	15,000	0	3	45,000	0	3	45,000	0	3	45,000	0	3	45,000	0	12	180,000	0	180,000
Local																			
– Workshops/Seminars	event	0	3,000	6	0	18,000	15	0	45,000	18	0	54,000	12	0	36,000	51	0	153,000	153,000
– Operations/Admin	pm	0	1,000	25	0	25,000	50	0	50,000	50	0	50,000	25	0	25,000	150	0	150,000	150,000
TOTAL TRAINING					45,000	43,000		45,000	95,000		45,000	104,000		45,000	61,000		180,000	303,000	483,000

Table 3 Continued:
Life of Project Expenditures, by Element and by Year

	COST BASIS			YEAR ONE			YEAR TWO			YEAR THREE			YEAR FOUR			LIFE OF PROJECT TOTALS			
Line Item	Unit	Unit Cost FX	Unit Cost LC	No. of Units	FX	LC	No. of Units	FX	LC	No. of Units	FX	LC	No. of Units	FX	LC	Total No. Units	FX	LC	TOTAL IN FX
III. COMMODITIES																			
PUBLIC/PVT SECTOR																			
Informatics hardware, software, peripherals	set	10,000	0	8	80,000	0	8	80,000	0	8	80,000	0	0	0	0	24	240,000	0	240,000
Office furniture & equipment	lump sum	NA	NA		10,000	40,000		0	25,000		0	25,000		0	25,000	0	10,000	115,000	125,000
SUB-TOTAL PUB/PVT SECTOR					90,000	40,000		80,000	25,000		80,000	25,000		0	25,000		250,000	115,000	365,000
CONTRACTOR OFFICE																			
Sedan	unit	20,000	0	2	40,000	0	0	0	0	0	0	0	0	0	0	2	40,000	0	40,000
PCs and peripherals (printer,software,modem)	set	7,500	0	3	22,500	0	0	0	0	0	0	0	0	0	0	3	22,500	0	22,500
Generator, installed	unit	5,000	500	1	5,000	500	0	0	0	0	0	0	0	0	0	1	5,000	500	5,500
UPS, installed	unit	2,000	500	1	2,000	500	0	0	0	0	0	0	0	0	0	1	2,000	500	2,500
Other office equip. (e.g.fax,photocopy,phone)	lot	10,000	0	1	10,000	0	0	2,500	0	0	2,500	0	0	0	0	2	15,000	0	15,000
Office furniture	lot	5,000	10,000	1	5,000	10,000	1	2,500	5,000	0	0	0	0	0	0	2	7,500	15,000	22,500
SUB-TOTAL CONT. OFFICE					84,500	11,000		5,000	5,000		2,500	0		0	0	10	92,000	16,000	108,000
USAID SUPPORT																			
PC and peripherals (printer,software,modem)	set	10,000	0	1	10,000	0	0	0	0	0	0	0	0	0	0	1	10,000	0	10,000
SUB-TOTAL USAID SUPPORT				1	10,000	0	0	0	0	0	0	0	0	0	0	1	10,000	0	10,000
TOTAL COMMODITIES					184,500	51,000		85,000	30,000		82,500	25,000		0	25,000		352,000	131,000	483,000
IV. OTHER																			
CONTRACTOR OFFICE/GUY Personnel																			
- 1 Senior Administrator	PY	0	10,000	1	0	0,000	1	0	10,000	1	0	10,000	1	0	10,000	4	0	40,000	40,000
- 1 Admin. Assistant	PY	0	4,200	1	0	2,100	1	0	4,200	1	0	4,200	1	0	4,200	4	0	14,700	14,700
- 1 Bookkeeper/Account	PY	0	3,360	1	0	1,680	1	0	3,360	1	0	3,360	1	0	3,360	4	0	11,760	11,760
- 1 Driver	PY	0	1,200	1	0	600	1	0	1,200	1	0	1,200	1	0	1,200	4	0	4,200	4,200
Rent	month	0	4,000	6	0	24,000	12	0	48,000	12	0	48,000	12	0	48,000	42	0	168,000	168,000
Guard Service	month	0	425	6	0	2,550	12	0	5,100	12	0	5,100	12	0	5,100	42	0	17,850	17,850
Cleaning Service	month	0	160	6	0	960	12	0	1,920	12	0	1,920	12	0	1,920	42	0	6,720	6,720
Communications	month	500	0	6	3,000	0	12	6,000	0	12	6,000	0	12	6,000	0	42	21,000	0	21,000
Vehicle Ops Costs	month	0	500	6	0	3,000		0	0		0	0		0	0	6	0	3,000	3,000
Utilities	month	0	460	6	0	2,760	12	0	5,760	12	0	5,760	12	0	5,760	42	0	20,160	20,160
Supplies & Materials	lot/month	100	150	6	600	900	12	1,200	1,800	12	1,200	1,800	12	1,200	1,800	42	4,200	6,300	10,500
SUB-TOTAL OFFICE/GUY					3,600	47,670		7,200	88,340		7,200	88,340		7,200	88,340		25,200	316,890	340,890
USAID SUPPORT																			
Program Coordinator	PY	30,000	0	1	22,500	0	1	30,000	0	1	30,000	0	1	30,000	0	4	112,500	0	112,500
Coord. Travel	pm	200	0	9	1,800	0	12	2,400	0	12	2,400	0	12	2,400	0	45	9,000	0	9,000
Communications	pm	200	0	9	1,800	0	12	2,400	0	12	2,400	0	12	2,400	0	45	9,000	0	9,000
Supplies/Materials	pm	50	0	9	450	0	12	600	0	12	600	0	12	600	0	45	2,250	0	2,250
Mid-Term Evaluation	pm	30,000	0	0	0	0	0	0	0	3	90,000	0	0	0	0	3	90,000	0	90,000
Final Audit	lump sum	50,000	0	0	0	0	0	0	0	0	0	0	1	50,000	0	1	50,000	0	50,000
SUB TOTAL USAID SUPPORT					26,550	0		35,400	0		125,400	0		95,400	0		272,750	0	272,750
TOTAL OTHER COSTS					30,150	47,670		42,600	88,340		132,600	88,340		92,600	88,340		297,950	316,890	613,840
SUB-TOTAL ALL COMPONENTS					962,434	318,839		1,290,370	438,240		1,290,444	422,240		777,566	332,290		4,308,906	1,511,390	5,820,296
5 % CONTINGENCY					48,121	15,931		64,419	21,912		64,522	21,112		38,883	16,615		215,445	75,570	291,015
GRAND TOTAL					1,010,545	334,861		1,352,789	460,152		1,354,466	443,352		816,581	348,905		4,524,351	1,586,960	6,111,311

3.2 Financial Plan

Figure 1 provides a summary of the proposed Methods of Implementation and Financing. As shown in the table, all US dollar costs will be managed through the preferred methods of either Federal Reserve Letters of Credit (FRLC) or A.I.D. direct payment or reimbursement. The institutional contractor will request PL 480 Title III generated local currency from the Ministry of Finance as per the methods described in the PL 480 Title Program Title III Implementation Letter No. 2, Procedures for Financial Tracking and Monitoring of Local Currency, dated July 22, 1993. The MOF is gaining experience in these methods, and no problems are anticipated.

Figure 1: Guyana Building Equity & Economic Participation Project: Methods of Implementation and Financing (US$1,000)

Element	Procurement	Method of Financing	Cost
TA, Training Commodities Other Costs	AID Direct Contract	FX FRLC or Direct Reimb. GOG LC Direct Reimb.	FX 3,711 LC 1,524
IESC TA	HB 13 Grant (buy-in or direct)	FRLC	FX 315
Proj.Coord. & Support	AID Direct	AID Direct Payment	FX 143
Mid-Term Evaluation	AID Direct (IQC likely)	FRLC or Direct Pmnt	FX 90
Final Audit	AID Direct	FRLC or Direct Pmnt	FX 50
Contingency	TBD	TBD	FX 191 LC 76

Audit Plans: Based on the proposed methods of implementation and financing in Figure 1, the RDO/C Controller's Office has undertaken the required evaluation of audit needs in accordance with provisions of Handbooks 3 and 13. This evaluation determined that the U.S. institutional contractor will be the primary implementing agency, and will be responsible for the financial management of over 85 percent of project funds. A.I.D. will retain about 10 percent of the funding for oversight purposes, and IESC will manage about 5 percent.

40

The IESC grant is expected to be a buy-in, with annual audits undertaken through the core grant. If a buy-in does not prove practicable, funds will be reserved for annual audits within a Mission-direct IESC grant. For the funding through the institutional contractor, the RDO/C Controller's Office considers it prudent for the Inspector General's Office (IG/FA) to carry out one final audit at the end of the project. Funds are therefore budgeted accordingly.

4. IMPLEMENTATION PLAN

4.1 Project Management

Given a fluid A.I.D. management structure in the Eastern Caribbean and Guyana, and the fragile capabilities of the GOG, project design has focussed on management efficiencies wherever possible. The Project Grant Agreement will be structured so that the GOG authorizes A.I.D. to undertake all procurement actions on its behalf, both in terms of U.S. dollars and generated local currency. The Minister of Finance, or his designee, is expected to sign the Grant Agreement. As an early action under the project, the Minister will then designate a specific person -- probably the Secretary of the Treasury -- to act on behalf of the GOG for purposes of implementing the project.

Pending assignment of a US Direct Hire in Guyana, pre-implementation activities during the period February - June 1994 will be managed by RDO/C in Bridgetown, with project management by the Trade Development Office (TDO). These activities will involve monitoring the process of PP authorization, preparation of the Grant Agreement, participation in negotiation of the Grant Agreement with the Ministry of Finance, preparation of the PIO/Ts for the institutional contractor and the IESC buy-in, and management of the full procurement process for the two instruments.

It is currently assumed that the US Direct Hire (USDH) will be posted in Guyana in about April 1994, and will be able to progressively pick up BEEP management responsibilities. The USDH will be encouraged to hire a PSC Project Coordinator under BEEP funding as soon as practicable for this purpose. By the time the long-term advisors begin arriving, estimated at September 1994, the USDH and PSC Project Coordinator will be in position to manage all aspects of the project.

Given the limited size expected for the A.I.D. Mission in Guyana, the institutional contractor will be responsible for establishing its project support office and providing all logistic support for its operations. As stated above, funding is provided for local staff, office rental, furniture and equipment, two vehicles, and operating costs for this purpose. The

contractor will be required to develop an initial plan for the first six months of the contract (October 1994 - March 1995), and will collaboratively develop annual plans thereafter during the strategic planning sessions with the key ministries. These annual sessions will be complemented by workshops with key private sector leaders to assure inclusion of TA and training requirements of the private sector as well. All regional and U.S. participant training will be undertaken in accordance with required A.I.D. procedures.

Guyana activities under the proposed buy-in to the IESC core grant (or Mission-direct IESC grant) will be managed by the IESC regional representative in Barbados as long as he is there, and by the IESC headquarters in Stamford, Connecticut thereafter. IESC is developing a management structure in Guyana which relies on a part-time Guyanese Liaison Officer who will provide services on an as-needed basis. This type of relationship has proven management- and cost-effective in Central American countries, and it is believed that it can be maintained through Stamford should the Barbados office be closed. USAID/Guyana will encourage a close relationship between the IESC Liaison Officer and the institutional contractor personnel and support officer, and will encourage collaboration to obtain economies where possible.

As noted in section 3 above, the IESC buy-in and possibly the institutional contract are likely to be financed through a Federal Reserve Letter of Credit, which minimizes RDO/C and/or Guyana financial management of dollar funds. The use of Title III local currency for BEEP will be monitored by the PSC Project Coordinator in collaboration with the USPSC Title III Program Coordinator. A.I.D./Controller office backstopping will continue to be provided by RDO/C until the functions are transferred elsewhere.

USAID/Guyana will develop the detailed Scope of Work and contract for the Mid-Term Evaluation, proposed for the third quarter of FY 96. It will also contract directly for the final audit in FY 98.

4.2 Implementation and Procurement Schedule

Figure 2 overleaf provides a summary Implementation Schedule for the project, with all key direct A.I.D. procurement actions highlighted. As stated above, given the fragile capabilities of the GOG in many aspects of program implementation, all procurement under the project will be undertaken either by A.I.D. or the institutional contractor. The Project Grant Agreement will clearly note this, so that through signature of the Grant Agreement the GOG will indicate its agreement that A.I.D. undertake all procurements on its behalf.

42

Figure 2: BEEP Implementation Schedule

EVENT		PROJECT YEAR ONE				PROJECT YEAR TWO				PROJECT YEAR THREE				PROJECT YEAR FOUR			
		FY 94		FY 95				FY 96				FY 97				FY 98	
	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd
PP Authorized	X																
Grant Agree Sign		X															
Inst.Contract																	
PIO/T issued	X																
RFP issued		X															
Proposals Rec'd		X															
Contract Signed		X															
LT TA In Guyana			XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	
Proj. Support Office			XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
Annual Plans Devel.			X		X				X				X				
ST TA Provided			X	X X	X X	X X	y X	X X	X X	X X	X X	X X	X X	X X	X X	X X	
Contractor Q Reports			X	X	X	X	X	X	X	X	X	X	X	X	X	X	
IESC Buy-In																	
PIO/T issued	X																
Buy-in signed		X															
ST TA provided			X X	X X	X X	X X	X X	X X	X X	X X	X X	X X	X X	X X	X X	X X	
Quarterly Reports			X	X	X	X	X	X	X	X	X	X	X	X	X	X	
AID Managed																	
Coordinator		XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
Mid-Term Evaluation										XXX							
Final Audit																	XX

The major procurement under the project will be a competitively selected contract, limited to small disadvanted businesses as defined by A.I.D. regulations (see below). A scope of work and PIO/T will be developed and cleared in draft during February 1994, with final signature expected within days of signing the Grant Agreement. A Request for Proposals (RFP) with a 45 day response period will be issued in April 1994, with proposals due in June 1994.

RDO/C has carefully analyzed the breadth and depth of skills and experience to be required over the LOP, and has determined that an 8(a) setaside is not appropriate. Following the relevant A.I.D. procurement provisions, the RFP will be a competition limited to small disadvantaged businesses and similar institutions, as defined in Section 563 of the 1993 Foreign Appropriations Act. These include small business concerns owned and controlled by socially and eocnomically disadvantaged individuals, historically black colleges and universities, college and universities having a student body of which more than 40 percent of the students are Hispanic Americans, and private vountary organizations which are controlled by individuals who are socially and economically disadvanted. It is expected that the contract can be signed in August 1994, with mobilization beginning in September.

As stated above, the Contractor will be responsible for all required procurement of commodities as per A.I.D. procedures for dollar and generated local currency, including household and office furniture and equipment, two office vehicles, informatics for the MOF, MTTI, and selected PSO/NGOs, etc. The Contractor will also follow A.I.D. requirements for participant training, as indicated.

The second major procurement under the project will be the proposed buy-in to the IESC core grant. The current grant, A.I.D. number PDC-0012-G-SS-9007, terminates on January 31, 1994, and a new five year grant is expected to come on line on February 1, 1994. When the new grant is signed, RDO/C personnel will consult with the Grant Officer to determine exact procedures for undertaking a buy-in. Should a buy-in not be possible, the Mission will undertake a direct Handbook 13 grant with IESC. Should it be necessary, a justification for non-competition based on IESC's pre-existing relationships with PSO/NGOs in Guyana will be prepared.

5. SUMMARIES OF ANALYSES

5.1 Technical

As stated in section 1.2, the BEEP strategy seeks to enhance the impact of other, more significant, donor resources which

address factors identified by the Guyanese private sector as key impediments to economic development. The strategy is two pronged. On the one hand, it will increase the capacity of the public sector to carry out functions necessary to supporting the private sector as the nation's "engine of growth." On the other, it will increase the participation of all elements of the private sector in national policy and LRJ formulation and implementation processes so that benefits are more broad-based. Annexes H and I describe the key actors in these processes, and assess the feasibility of achieving project aims. While both annexes conclude the project is technically feasible, they highlight risk factors which may mitigate success. The following paragraphs summarize some of these factors, and note the means by which the project will address them.

As described in Annex H, the role of the Guyanese public sector is in the process of shifting from one of direct producer of the majority of goods and services to a facilitator role, responsible for creating and maintaining a suitable environment to ensure that the private sector can flourish. Its leadership role in this regard spans initiation and management of sound macroeconomic and fiscal policies, and maintenance of public sector organizational capacities, and establishment of the necessary legal/regulatory frameworks. Its current capacity to carry out these functions is limited by quantity and quality of all resources available to it, including human, financial, and physical.

As described in Annex I, the role of the Guyanese private sector is also in the process of shifting, from one of more covert producer of goods and services in a parallel economy, to the recognized "engine of growth," including source of employment, for the nation. Today's private sector can be characterized by a) a diminishing group of older pre-independence businesses whose owners remained in Guyana; b) a few groups of large and medium-sized companies, owned and developed by younger entrepreneurs, many of whom grew up during the socialist era; c) a proliferation of formal and informal medium-sized and small firms; and d) numerous micro-entrepreneurs, hucksters, and small producers whose strategy is to operate with minimum overheads and taxes.

Annex I and other project background analyses demonstrate that these groups have a wide -- and often competing -- range of interests in, and capacity to influence or manipulate, the policy and LRJ environment. Because of this diversity, private sector interests are not always cogently represented to GOG decision-makers. Constraints to such representation include lack of mechanisms to promote public-private sector dialogue on a regular basis, lack of strong PSO/NGOs to represent the different diverse levels of the private sector, and lack of capacity to conduct analyses that might capture private sector interests.

BEEP will provide TA, training, and modest commodity support to the key economic ministries and a wide range of representative and service PSO/NGOs to enhance their individual and collective capacities to carry out functions necessary to maintaining an enabling environment for private sector growth. As described in more detail in Annex H, there are a number of conditions for effective utilization of the TA and training that will affect the level of project impact on the public sector ministries, which can be extrapolated to cover many of the PSO/NGOs as well. These are summarized below, and comprise the primary feasibility issues which need to be monitored throughout the life of the project.

a. Perceived performance gap: The top leadership of both the MOF and the MTTI share a strong perception of a performance gap in their ministries. At the office director level, perceptions of performance problems are varied, with some directors expressing the view that their units are performing as well as could be expected, and others more sensitive to their units' deficiencies. In the private sector, most stakeholders (PSO and NGO leadership and members) agree that their organizations need to increase effectiveness. Overall, this facilitative condition seems to be fulfilled by all project participants.

b. Willingness and ability to commit resources to problem-solving: Top leadership in the MOF and MTTI expressed willingness and, in the case of the finance minister, impatience to address and resolve the performance problems of their agencies. However, their ability, as well as that of their senior staff, to commit resources to developing and implementing solutions is extremely circumscribed. Even projects such as BEEP that seek to provide such resources require something from the recipient agency, if nothing more than staff time to allocate to outside expertise. These problems are more severe among the PSOs and NGOs that must rely on volunteer time and management. On this facilitative condition, both the MOF and the MTTI and all PSOs/NGOs but CAGI appear vulnerable to nonfulfillment.

c. Openness to learning and experimentation: Nothing the BEEP design team heard would lead to the conclusion that people in the MOF, the MTTI, or any of the targeted PSO/NGOs are closed to learning or trying out new approaches. Interviewees regularly expressed interest in training opportunities, in materials that might be relevant to their jobs, or in the experience of other countries in dealing with similar problems and issues. This condition would seem to be strongly fulfilled on all counts.

d. Ability to plan actions and follow through: To a large extent, more so in the MOF because of the greater demands being placed upon the ministry, firefighting and crisis

management are the predominant managerial style in the public sector. BEEP's purpose, in fact, is to help ameliorate this situation. Yet this managerial style can threaten the performance improvement program the project seeks to provide. In the private sector, the lack of time (of volunteers) and understanding as to why strategic planning and management might be useful pose obstacles to improved institutional effectiveness. This facilitative condition is thus fulfilled only marginally, and poses a substantial risk to BEEP's possibilities for success. It should be closely monitored over the life of the project.

e. Minimum level of stability in the external environment: Documents and interviews reveal the high degree of change in the environment that surrounds all institutions in Guyana. Donor fund flows to the public sector have increased, but there too lie further uncertainties, some internal to Guyana relating to ERP performance, but others are external relating to donor policies and programs worldwide. This condition also appears to be fulfilled to a minimal degree, and bears watching during BEEP implementation.

In addition to monitoring the above-mentioned conditions for successful utilization of project inputs, Annex H also discusses the feasibility of the positive improvements under BEEP being sustained by the MOF and MTTI over time. Again, these conditions pertain to the PSO/NGOs to be assisted as well. As stated in Annex H, studies have demonstrated that sustainability is a process, and one that requires ongoing attention and allocation of resources. Further, the process is reversible, institutions that once were sustainable can deteriorate and decline.

The implication for BEEP is that the level of resources the project provides cannot alone turn around the downward spiral that the GOG's public and private agencies have traveled for the past twenty years. The success of BEEP's TA and training efforts of its long and short-term advisors will be highly susceptible to conflicting demands on MOF, MTTI, and PSO/NGO staff and boards, extremely sensitive to political agendas, and strongly dependent on other external resources. This vulnerability is not peculiar to BEEP, but characterizes almost all ID interventions that seek to support lasting organizational performance improvements. The project is coming on line at a promising time to make changes in the way that the MOF, the MTTI, and the key PSOs/NGOs do business individually and together, and helping to assure that key stakeholders are committed to seeing those changes through. However, it must be borne in mind that the payoffs and incentives as seen from a donor's design team perspective are rarely perceived in the same light by those living and working in the institutions in question. BEEP's ID strategy and TA approach need to remain flexible and open to redesign and reprogramming of

47

resources should it become apparent that the facilitative conditions reviewed above change significantly for the worse.

5.2 Social Soundness

5.2.1 Socio-Economic Context

The total population of Guyana was estimated at about 730,000 as of November 1992, of which approximately seven-eighths lives along the coastal plain. There are an estimated total of 167,716 households, with an average of 4.28 persons per household.[3] A separate analysis of gender specific data found that 49,540 households, or 29.53 percent, were women-headed.

The HIES estimates that approximately 31 percent of the total population is considered urban and the remaining 69 percent rural. The population consists of six races, with the following percentage shares by ethnic group of head of household nationwide: 'East' Indians, or Indo-Guyanese, about 49.49 percent; Afro-Guyanese, 35.63 percent; mixed race, 7.05 percent; Amerindian, 7 percent; Portuguese, 0.65 percent; Chinese, 0.34 percent; other, 0.04 percent. A separate analysis by ethnic group of <u>female</u> heads of household reflects a different distribution and cultural norms: Indo-Guyanese, about 35.20 percent; Afro-Guyanese, 50.83 percent; mixed race 10.19 percent; Amerindian, 2.62 percent; Portuguese, 0.78 percent; Chinese, 0.31 percent; and others 0.07 percent.

Historically, Guyana's health, nutrition, and education indicators have compared favorably with other countries in the Caribbean region. Recent evidence suggests, however, that some of the social indicators are in danger of being reversed. Recent GOG statistics indicate, for example, that life expectancy has declined from 70 years of age in 1985 to 65 in the beginning of he 1990s. UNICEF reports an infant mortality rate of 52 deaths per 1,000 live births for 1990 and a child mortality level of 71 deaths per 1,000 for children under five years of age. This latter is significantly above the rate of 45 deaths per 1,000 births that IFAD indicates existed in 1982.

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[3] These data are based on the Household Income and Expenditure Survey conducted in 1992-1993 by the Statistic Bureau, with World Bank and some Title III generated currency assistance. The survey actually derived a population of 717,458 persons as of November 1992, to which it adds about 12,500 to reach the 730,000. This 12,500 is meant to account for non-institutional population, floating population, and foreign nationals and their domestic servants.

48

The incidence of diseases such as typhoid, hepatitis, and gastroenteritis has increased substantially as a result of the breakdown in basic services such as water supply, sanitation services, and waste collection. The HIES found that only 9.1 percent of households have private taps piped into their dwellings, with 59 percent relying on public standpipes in their dwelling, yard, or a nearby area. The sewerage system in Georgetown is seriously overloaded, and the HIES found that over half of all households nationwide have no arrangement for sewerage removal at all.

In spite of these difficulties, literacy levels remain high. The HIES found that 98 percent of the population claims it is literate, with levels for men and women almost the same. However, almost half of the persons have only completed primary school, with the estimated number of "graduates and post graduates" constituting a meager 1.29 percent. Levels are about the same for men and women.

Although there is some evidence of decreasing sensitivities, the HIES demonstrated that race and gender continue to be important variables in terms of a number of socio-economic characteristics. The influence of these variables on employment and income/expenditure patterns is summarized in the following paragraphs.

5.2.1.1 Employment

The HIES found that the total number of "usually employed" persons aged 15 and over in the labor force was 245,592, which represents 55.97 percent of the productive population aged 15 to 64. Of this total, 39.6 percent of the labor force was considered self-employed (of which 34.8 percent was women), 52.4 percent received a regular wage/salary (of which 31.9 percent was women), and 8 percent was casual labor (of which only 14.1 percent was women; many consider this category, and women's participation therein, unreported). The unemployment rate was calculated as 18.1 percent.

The largest categories of employment for the population overall are as follows:

- "agriculture, hunting & forestry", at 27.1 percent of the total (of which 18.6 percent are women);
- "wholesale & retail trade," at 16.2 percent of the total (of which 45.4 percent women);
- "manufacturing," at 11.2 percent of total (29.6 percent women);
- "public administration & defence; etc.," at 7.4 percent of the total (of which 41.4 percent women);
- "transport, storage and communication" at 5.1 percent of the total (of which only 9.9 percent women); and

- "construction," at 4.1 percent (of which only 4.3 percent women).

Given the high number of state-owned enterprises active in agriculture and manufacturing in Guyana, it was not possible to sort out public and private sector employment by industry in the "wage/ salary" category. The World Bank's 1993 Public Administration Project stated that there were a total of 18,608 approved positions in the public service, which would probably equate to the "public administration" category at about 7.5 percent of total employment.

A separate analysis of women's participation in the labor force found that the proportion of women currently represented has increased by almost three percent since 1986.[4] Women have a larger share than men in the smaller fields of hotel and restaurants, financial intermediation, education, health and social work, and "private households with employed persons." Approximately 85 percent of all clients of the new Scotiabank micro-enterprise program are women.

In terms of ethnic variables, the Indo-Guyanese constituted about 48.5 percent of the labor force, and the Afro-Guyanese about 35 percent, which roughly matches their proportionate representation in the population. However, a full 62 percent of the Afro-Guyanese are part of the regular salaried labor force, as compared with only about 50 percent of the Indo-Guyanese; the latter have a larger share of self-employed (40 percent) and casual labor (10 percent) than the former, of whom 31 percent are self-employed and only 6 percent casual laborers. Persons of mixed race, the Chinese, and Portuguese tend to divide almost equally between salaried and self-employed. Not surprisingly, 75 percent of the predominantly rural Amerindians are self-employed.

These data support the general observation that the Indo-Guyanese have traditionally been more involved in private enterprise ownership and management, and the Afro-Guyanese have constituted much of the salaried workforce. However, the survey did not assess the extent to which individuals have more than one occupation. It is widely believed that many persons in low paying salaried employment, such as government work, also run their own micro-enterprises and/or engage in unreported casual labor. Thus many of the micro- and small enterprises working with IPED and Scotiabank are Afro-Guyanese owned and operated.

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[4] See "Some Social Indicators on Women in Guyana" prepared for the Seminar on HIES 1992-1993, Tower Hotel, October 1993.

5.2.1.2 Income/Expenditure

About 53 percent of all households have only one earner, followed by households with two earners contributing to 24 percent. The average number of earners per household is 1.45. These data were not available on a gender-disaggregated basis.

Annex G includes key tables from the HIES on distribution of households over different household income groups. The data demonstrate that about 40 percent of the households fall below US$120 per month, another almost 40 percent range from US$121 - US$ 240, and a top 20 percent earn above US$241 per month. These data were not available separately for women-headed households. The survey found very little deviation between income and expenditures by income group.

The World Bank's analysis found that salaries in the public sector were low in comparison to the private sector, and even to public corporations. Salaries in the high level administrative and technical positions are particularly low. The existing salary scales for the public service range from G$3,417/month (US$25) for an entry level Grade 1, to about G$27,990/month (US$224) for a senior Grade 16. The Public Administration Project will eventually raise many of these salaries, although most decision-makers admit they will still not come close enough to private sector levels to attract public servants back to government.

The HIES recorded an average monthly household consumption expenditure of about US$ 175. It states the following about the data:

> The striking feature is that for all three major ethnic groups, i.e. East Indians, Negro/Black and Mixed, the average monthly household consumption expenditure is of the same order of G$ 22,000. For the Amerindians, it is only G$15,302, which is explained away by the fact that their consumption is mostly from home-grown or produced goods and their housing expenditure is minimal. ... Even considering the proportionate expenditure on different item groups also, the consumption pattern is, by and large, similar in respect of East Indian, Negro/Black and "mixed" ethnic groups. (HIES, pp. 149-150).

Thus in spite of some occasional continuing strong ethnic sensitivities, and recognized differences in employment patterns, it appears that income and expenditure levels are roughly the same among the major groups.

5.2.2 Socio-Cultural Feasibility

Socio-cultural feasibility of BEEP must be addressed at two levels: a) the feasibility of the planned inputs, TA and training, achieving the desired outputs; and b) the feasibility of the combination of outputs achieving the end-of-project status conditions, purpose, and goal over time. Each of these levels is discussed in summary below.

5.2.2.1 Input-Output Feasibility

Both the MOF and MTTI, and a number of the targeted PSO/NGOs, have prior experience with expatriate and Guyanese TA, training, and receipt of commodity support, and no problems are foreseen in the provision of these inputs under the project. Project implementors will need to remain sensitive to potential barriers posed by ethnic and gender prejudices, and to devise means to overcome possible problems. For example, project management must assure that short-term TA and trainers encourage active participation of women in all skill training sessions, and, if necessary, establish percentage targets with each ministry to assure at least proportional representation. The same approach pertains to participation of the various ethnic groups.

Assuring broad-based participation by private enterprises and individuals in various private sector activities will be more difficult. Project imlementors will consult closely with leaders at Red Thread to determine ways in which women can be encouraged to become more active on boards or executive committees of the commercial PSOs. Again, TA and training will need to be designed to try to encourage more participation, where possible, either in the PSOs or at least in the various fora and workshops to be offered.

Although none of the associations are wholly one ethnic group or another, existing sensitivities or prejudices have resulted in some associations being dominated by one or the other of the major groups. Also, because of habitation patterns, the chambers in Linden and Berbice also tend to be more representative of the predominant group in the area, which for Linden is Afro-Guyanese and for Berbice is Indo-Guyanese. Project management will need to remain aware of potential prejudices and possible problems of credibility as broader fora and training sessions are planned, and to assure that representatives of both major groups are involved in planning and implementation to the extent possible.

Other potential obstacles to achievement of project outputs are inherent in the organizational/bureaucratic culture, and are summarized in section 5.1 above. Others are enumerated in the analysis of "key stakeholders and their interests" found in Annex

H. Of particular importance to feasibility of achieving project outputs are the following two observations:

- Guyana's PSO/NGOs generally support the objectives of the ERP, though some argue for protectionist policies that go against the grain of the ERP's reforms; and

- The interests of career civil servants in a better business environment are less clear; as private citizens, an enhanced business climate may mean better job opportunities outside the public sector, an option many bureaucrats with marketable skills are choosing. In their capacity as civil servants, the credibility and reputation of the public bureaucracy could improve by building a more supportive business environment, but how strong a concern that might be for the average civil servant is hard to estimate.

In terms of the first observation, the project recognizes that Guyana's private sector is diverse, and seeks to work with that diversity through multiple venues. It is conceivable that TA provided under BEEP to selected PSO/NGOs could help them undertake analysis that support a position that is contrary to what the World Bank or MOF is promoting under the ERP. This is particularly likely in terms of small or micro-enterprises promoting equitable spread of benefits. However, these groups need to have improved skills and venues to be able to argue such positions effectively, if they are to participate in the dialogue on the ERP. Thus, the diversity should be supported and different positions encouraged.

In terms of the second, the project accepts that many of the lower level civil servants in particular may not have a strong interest in an improved business environment. However, most do have an interest in learning new skills and working in an improved organizational setting. To the extent their supervisors begin to adopt strategic management concepts and skills, and utilize them to improve specific units' effectiveness, the lower level staff are likely to be more accepting.

To the extent that implementors remain cognizant of the issues summarized above, the project is considered socially and institutionally feasible. Should managers begin to limit participation to fewer actors or specific groups of actors, and allow a more exclusionary dialogue, benefits will be slower in coming and more limited. The challenge of project implementation will be to ensure the widest possible participation in activities, and thus benefits, possible while maintaining forward momentum on the reform process.

5.2.2.2 EOPS, Purpose, and Goal Feasibility

The project strategy to achieve the three end-of-project status conditions essentially focuses on increasing the dialogue between and among Guyana's primary economic actors in order to enhance Guyanese ownership of the policy reform process, and to assure that benefits of the process are broad-based. Given socio-cultural and economic disparities summarized above, it is important that project management assure that any work on macroeconomic and sectoral policies address potential distributional factors as they concern growth. It is essential that these factors be highlighted and considered if the project end-of-project status conditions are to be achieved in a sustainable manner. Annex J includes a more detailed discussion in this regard, with some summary examples provided below.

For example, the current administration has slowed its privatization efforts considerably due to negative feedback from the general population. It has only recently begun activities again, but this time with a specific plan for assuring the employee stock ownership plans (ESOPs) are an integral part of each privatization. It has suggested a minimum 10 percent ESOP requirement in all offerings, but encourages more. Such specific activities bode well for equity and the overall impact of the privatization efforts on salaried labor.

Another example concerns trade policy reforms. Guyana's removal of quantitative restrictions on imports and the country's commitment to tariff reductions under the Common External Tariff (CET) should increase the availability of goods consumed by the poor, and lower their cost. However, tariff reduction as now planned will be accompanied by a broadening of the range of dutiable items as well as the removal of some items from the zero-tariff categories. This broadening and reclassification should be carefully considered so as to exclude basic necessities that are important in the consumption baskets of the poor, and can be addressed by short-term consultants under the project.

In the tax policy area that the World Bank is addressing, the first G$120,000 of personal income is now exempt from direct taxes, and therefore by definition, the poor are exempt from these taxes. However, indirect taxes (e.g., consumption taxes) affect the poor. Again, project-supported analyses can examine if basic necessities should be exempt from consumption taxes, and other items taxed at a higher rate. Finally, as stated in section 1.2, reform of the banking system is required in order to increase access to debt capital for the small and micro-enterprises. It is encouraging that the new banking law has been introduced into parliament, and it is hoped that it will be followed by increased coverage of programs such as those of Scotiabank and IPED and some of the NGOs that directly help the poor. Short-term TA and training provided under BEEP, both

through IESC and the institutional contractor, would be available to these organizations to help them in this regard.

TA assigned under the project will assure that distributional issues such as those above are addressed in on-going analyses, and will highlight any problems at the highest levels. The current government is deeply concerned about equity issues, and is expected to be responsive to related recommendations. To the extent this and subsequent governments have the political will to act on these concerns, the end-of-project status conditions are considered feasible.

5.2.3 Project Beneficiaries

Direct project beneficiaries are as follows:

- approximately 300 employees of the MOF and MTTI will receive on-the-job training from resident and short-term TA, including workshops, seminars, and retreats, and an estimated 100-125 of these persons will participate in formal local training courses in administrative systems;

- approximately 25-50 staff and board members of participating PSO/NGOs will also receive the on-the-job training and local training courses in administrative systems and management; an additional 400-450 members of targeted PSO/NGOs will benefit from workshops, seminars, and roundtable discussions designed to enhance membership knowledge and skills in strategic planning and management.

- an estimated 275 small businesses, most of which are managed by individual owner/operators and have fewer than 25 employees, will benefit from IESC interventions;

- approximately 12 persons will benefit from off-shore training or study tours designed to demonstrate successful public-private sector collaboration in the ERP; representation between public and private sectors will be approximately equal.

In terms of indirect beneficiaries, the 11 representative PSOs account for between 400-800 registered businesses throughout Guyana, the illustrative NGOs have an additional 600 clients/constituents, and IPED and Scotiabank may be considered to represent another 2000 - 3000 concerns. About 80 percent of the owners and/or managers of these enterprises will become indirect beneficiaries under the project through assistance to the PSO/NGOs who represent and/or serve them.

Drawing from the data in the HIES, the 300 public sector employees (of whom approximately 40 percent are women) are among the poorest in the country. Because the project tacitly accepts

that some will use their project training to get higher paying jobs in the public sector, and thus provides for overtraining, these benefits will be significant to the individuals involved. Those that stay in the government will also benefit in terms of increased job satisfaction and efficiency.

The assistance to the private sector will be skewed to the smaller and micro-enterprises, again among the poorer in the country. As stated above, all efforts will be made to assure that all ethnic groups participate in, and thus receive equal benefits from, project activities. Also as stated above, efforts will be made to increase the active participation of women in the PSO, NGO, and other fora over time, to assure that their voices contribute to the non-governmental sector's dialogue with government.

The assistance to the public sector is structured to assure that equity concerns are integrated into TA and training provided. The training will provide guidance to the ministries on how to shape policies that specifically target micro-, small, and emerging businesses for sound and sustained development. The training workshops will also provide guidance in understanding the different needs of large, medium, and experienced businesses on the one hand, and micro-, small, and emerging businesses on the other.

Over the life of the project, as the MOF becomes more efficient and effective in implementing the PSIP, and both it and the MTTI implement provisions of the ERP on a more timely and equitable basis, the project will broadly benefit most of Guyana's population of 730,000.

5.2.4 Project Impact

Guyana is emerging from several decades of a centrally-controlled economy, dominated by state-owned enterprises and state-operated institutions. Private businesses are opening, and closing, almost daily, and economic growth is quite promising. The government, and selected public and private support and service institutions, need to increase their efforts to meet the needs of emerging and growing businesses if all segments of the population are to benefit and if this growth is to be sustained over time. To the extent A.I.D. can help the government and the private support and service institutions to meet these needs in a sustainable manner and on an equitable basis, the project should have a beneficial impact.

5.3 Financial/Economic

As summarized in section 1, the GOG has already undertaken a number of measures that have had a significant impact on economic performance. These include:

- price controls were almost completely eliminated starting with food and consumer items in 1988, and eventually including petroleum products and transportation in 1991;
- import prohibitions were eliminated for all items except food in 1988, and has agreed to eliminate all remaining items that do not pose safety or security risks as part of the multi-year Title III conditionalities;
- the structure of tariffs was reduced, in line with the CET;
- foreign exchange licensing for imports were essentially eliminated by making such licensing non-binding;
- a free market for the sale of foreign exchange was established among banks and registered dealers in 1990, and the official rate and the cambio rate unified in 1991;
- the GOG structure was rationalized to reduce the number of ministries from 18 to 11, and non-critical positions were eliminated;
- fiscal deficits and money supply growth were reduced, and inflation has decreased; and
- a free auction of government treasury bills has been introduced, and interest rates now reflect market conditions.

As discussed in more depth in several background papers to the recent Consultative Group, few countries have undertaken such a dramatic turnaround in economic policies. However, there are a number of challenges in the coming years. These will not be stroke-of-the-pen changes that have characterized the early reforms, and will entail detailed analysis, planning, and strategic management. The BEEP project is designed specifically to assist the GOG and private sector in that regard.

Because the project is an institutional development project, it is not possible to undertake a statistically rigorous benefit-cost analysis. However, some benefits can be identified on a more qualitative basis that demonstrate that the project is cost-effective.

Of specific interest to the GOG is the potential for savings in foreign exchange in terms of loan commitment fees under the PSIP. The GOG currently must pay 0.5 percent per month on undrawn loan capital prior to meeting the IDB/Bank equivalent of conditions precedent, and would like to be able to meet these conditions in a more timely manner. Although debt service payments for amortization and interest decreased between the first half of 1992 and the first half of 1993, scheduled debt

service charges, including commitment fees on these concessional loans, actually increased.[5] With over US$100 million of loans already outstanding, and much more in the pipeline, these fees are a significant sum of around US$2 million/year. The proposed assistance to the MOF in implementing the PSIP on a more timely basis should result in savings almost equivalent to the BEEP investment over the LOP.

The proposed TA and training will also help the GOG to analyze management, social, and other implications of proposed conditions in advance of loan negotiations, so that it can suggest any modifications that might be indicated. This ability to be more proactive in negotiations should also prove financially and economically cost-effective in the longer term, as more realistic schedules for achievement of conditionalities can be established.

Other benefits which will accrue will essentially consist of marginal savings/income due to specific policy reforms being enacted more comprehensively and in a more timely manner. In terms of taxes and tariffs, there will be increased income to the GOG, as it is better able to collect fewer/simplified taxes and tariffs, and increased income to individual businesses, as fewer/simpler taxes are paid. As discussed in section 5.2 above, TA provided under the project will assure that adequate analysis is done to assure that such benefits do not have a negative impact on the poor, or only benefit a small segment of society.

In terms of the project's assistance to the private sector, there is the potential for substantially decreasing transaction costs of small entrepreneurs, as the new banking act is enacted and as various LRJ systems are streamlined. That is, all businesses will benefit, but the opportunity costs for owner-operators to spend time processing paper rather than engaging in more productive activities are believed to be higher than the costs to a large businessman who simply sends an underling to do the work. Given the focus on distributional issues, there is also a likelihood of encouraging "democratization of capital" as policies that benefit a broader spectrum of businesses are implemented.

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[5] Debt service charges scheduled in the period January - June 1993 were US$3.8 million, as compared with US$0.8 in the same period of 1992. Debt service charges actually paid in January - June 1993 were only US$2.3 million, against US$2.7 million paid in the same period of 1992. (Ministry of Finance, 1993 Half Year Review, Table 7, p. 20)

28

5.4 Environmental

In accordance with Section 214.1 and 216.2 of A.I.D. Regulation 16, a categorical exclusion was approved for this project, subject to the following conditions:

(a) that there will be no support for timber extraction or significant deforestation;

(b) that there will not be procurement or use of pesticides;

(c) that this project will not have a negative effect on threatened or endangered species or their critical habitats.

These conditions will be included in the Amplified Project Description in the Project Grant Agreement. Although none of these conditions are presently anticipated to be a problem, the designated Mission Environmental Officer will monitor project progress to assure compliance.

A copy of the Initial Environmental Examination is found as Annex K.

6. MONITORING AND EVALUATION PLANS

As described in section 4, the project will be managed initially by RDO/C and later by USAID/Guyana, acting through the PSC Project Coordinator. These offices will maintain current knowledge of development policies and activities in Guyana, with specific attention to progress under the ERP as it affects the business environment. They will also maintain close and current contact with relevant IMF, IDB, World Bank, and other donor personnel and consultants working in relevant sector areas. It is extremely important that progress of the IDB and World Bank loans be monitored as well as BEEP interventions, to assure that BEEP TA is addressing priority needs.

The A.I.D. offices will also monitor and provide guidance to the institutional contractor, the IESC grant, and other implementation actions on a regular basis. It is expected that A.I.D. staff will interact with TA on a fairly regular basis, at least informally. On a more formal basis, both the institutional contractor and IESC will be required to develop and submit annual workplans, and to provide quarterly written reports which discuss progress against those plans. The contractor and IESC will also be required to submit short (1-5 pages) end-of-tour reports on each short-term TA or intervention funded by the project, which would be submitted on a decycled basis. Also, the A.I.D. staff will maintain independent relations with personnel in the MOF, MTTI, and selected PSO/NGOs to cross-check contractor reports and verify performance on a periodic basis.

Only one evaluation is planned, called a Mid-Term Evaluation, for early FY 96. This evaluation will specifically assess progress to date in achievement of outputs, as measured by the objectively verifiable indicators specified in the LogFrame (Annex B) and detailed in contractor and grantee reports. It will also assess progress toward achievement of end-of-project status, and assess the validity of assumptions affecting their achievement. The evaluation will recommend whether A.I.D. should continue extending or modifying the project, or terminating it on schedule in FY 98. Funding for a total of three person months of expatriate TA is included in the budget for purposes of the evaluation.

7. CONDITIONS AND COVENANTS

The Project Grant Agreement will include the following Condition Precedent to Disbursement:

First Disbursement: Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D., a statement of the name of the person holding or acting in the office of the Grantee, and of any additional representatives, together with a specimen signature of each person specified in such statement.

The Grant Agreement will also include the following Covenants:

Local Currency: The Grantee agrees to provide the local currency required for successful execution of the project to the institutional contractor selected for execution of the project following the methods mutually agreed to by the Grantee and A.I.D. under the PL 480 Title III program, as amended from time to time.

Salary Adjustments: The Grantee agrees to institute and maintain an improved civil service salary structure as developed under the Public Administration Reform Project.

The PID and PP design teams had extensive meetings with personnel of the Ministry of Finance during the six month period of project design, including several working sessions with the Minister. The Minister is committed to the objectives of this project, and negotiation of the Project Grant Agreement is expected to go smoothly.

ANNEX A

PID APPROVAL ACTION MEMO

61

NOTE TO READERS:

A.I.D. Project No. 504-0107 for Guyana has experienced a number of name changes during the course of its development. Thus, any reference in this Annex to the "Business Environment Enhancement Project," which was the name at the time of the PID, shall be understood to refer to the renamed "Building Equity & Economic Participation" Project. The major project elements remain the same.

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
REGIONAL DEVELOPMENT OFFICE CARIBBEAN

USAID

P.O. BOX 302
BRIDGETOWN
BARBADOS
OFFICE (809) 436-4910
FAX (809) 429-4438

October 21, 1993

ACTION MEMORANDUM FOR THE REGIONAL DIRECTOR, RDO/C

FROM : Paul Bisek, Chief, Program Development Office

SUBJECT: Guyana Business Environment Enhancement Project (No. 504-0107) Project Identification Document

Problem: Your signature is required to approve the Project Identification Document (PID) for the FY 94 Guyana Business Environment Enhancement Project (BEEP, No. 504-0107).

Background: Given positive political and economic developments in Guyana since the 1992 elections, A.I.D. is committed to providing assistance to the country. The FY 1994-95 Action Plan for the Regional Development Office for the Caribbean (RDO/C) includes preliminary strategic objectives for the proposed Guyana program: 1) increased and diversified trade; and 2) improved natural resources management. The A.I.D./W review of the Action Plan endorsed those two objectives, and added a third, 3) strengthening democratic initiatives. It is noted that all three objectives are considered preliminary, pending a strategy development exercise in the first quarter of FY 1994.

The RDO/C Action Plan included a New Project Description (NPD) for a Guyana Trade Development Project, for an estimated US$5 million life-of-project (LOP) funding level over a five year period. The A.I.D./W Action Plan review cable 93-STATE 207575 approved the NPD and delegated future development to the field. Since that time, evolving Agency and Mission strategy has led to a broadening of the project to encompass the greater business environment rather than the trade subsector alone. The FY 94 project development schedule developed by PDO in May 1993 targeted a PID by September 30, 1993, and a PP by the end of the second quarter FY 94.

63

The DRAFT PID for the renamed Guyana "Business Environment Enhancement Project," or BEEP, was circulated on September 29, 1993 and reviewed by the Project Committee on October 7, 1993. The meeting discussed several issues, which are summarized below, and agreed that the PID would be revised and sent forward for your approval within the next week.

Discussion: The international donor community, led by the IMF, Inter-American Development Bank (IDB), and World Bank, have worked closely with the GOG since 1987 in its macroeconomic reform efforts, and plan to continue to provide significant assistance to leverage additional reforms to increase trade and private investment in the coming years. The proposed A.I.D. project is designed to complement these multilateral efforts and focus on improving the implementation of reforms--those enacted and those proposed--through a number of venues over time.

The purpose of the proposed project is "to increase the capacity of key public and private sector entities to strengthen the business environment in Guyana." The business environment is defined as the macroeconomic and fiscal policies, and the legal/regulatory/judicial (LRJ) and institutional framework that govern all public and private sector investment activities. The proposed project has two components:

1) the public sector component will provide long- and short-term TA and training to the critical economic ministries (Finance and Trade) in developing and implementing strategic management plans for the implementation of policy and LRJ reform measures;

2) the private sector component will provide more limited TA and training to private sector organizations to broaden capacity for and participation in dialogue with the public sector, and to increase their access to the benefits of the ERP being implemented by the GOG.

The project is proposed for a 4 year period beginning in FY 94 at an LOP total of US$6 million, of which A.I.D. will provide US$4.5 million in DA funding, and the GOG will provide US$1.5 equivalent from PL 480 Title III generated local currency.

The Project Committee reviewed the draft PID on October 6, 1993. A key issue was the scope of the project, which the Committee agreed should be narrowed to focus on implementation of policy reforms. Other elements proposed in the draft would directly address small enterprises needs for skills and access to credit. While acknowledging the needs and that such assistance would match Agency policy priorities, the Committee agreed that policy implementation is a prerequisite and the most urgent need now. The Committee also determined that, although other donors are providing much larger levels of assistance in the same area, the proposed A.I.D. assistance will fill a crucial immediate gap, thus complementing the other donor programs and promising greater impact.

In conjunction with the decision to narrow the project focus, the matter of possible follow-on funding for IESC was specifically raised. The Committee noted various options available, including a separate project, an "add-on" to IESC's core agreement or a subsequent amendment to this project.

In considering the issue of host country contributions, the Committee recognized that, while significant host country counterpart involvement is essential, it may be difficult to monetize this in-kind contribution. Consequently, in the likelihood that a 25 percent contribution will be required, the project design should pursue including a cash allocation from PL 480 Title III generations for local costs associated with the technical assistance and training.

The PP will be developed by TDO, in close collaboration with the new PDO and the Controller's Office, assisted by specialized consulting assistance. Outstanding PP design issues include number, type, and placement of long-term advisors in both sectors, and allocation and management of the GOG local currency contribution. The first will be addressed by consultants from the centrally-funded "Implementing Policy Change" project (IPC, No. 936-5451), who will work with the public sector, and a Caribbean-based Business Development Specialist, to work with the private sector. The second issue will be addressed through consultation between RDO/C's Controller's Office, and the GOG's Ministry of Finance. A second quarter FY 94 project authorization is planned, with TA personnel arriving in the fourth quarter.

Relevant Authorities: 93 STATE 207575 delegates authority to the Mission to develop the project, within 599 constraints. With regard to Section 599, the project will not provide direct assistance to firms nor assist in development of export processing zones, and labor rights are well established in Guyana.

Recommendation: That you sign the facesheet of the enclosed PID for the Guyana Business Environment Enhancement Project, A.I.D. No. 504-0107.

Approved: _____

Disapproved: _____

Date: 11/8/93

File: U:\TDOPUB\DOCS\ACTIONME

Drafted: TDO:LMcPherson/PDO:PBisek
Revised: TDO:LMcPherson 11/03/94

Clearances:

TDO:DLSmith	(draft)	Date: 10/26/93
GDO:RWCohn	(draft)	Date: 10/26/93
CONT:MHorween	(draft)	Date: 10/27/93
A/EXO:AEisenberg	(draft)	Date: 10/27/93
D/DIR:BBurnett	(draft)	Date: 10/28/93

66

ANNEX B

LOGICAL FRAMEWORK MATRIX

ANNEX B: PROJECT LOGICAL FRAMEWORK
(Project No. 504-0107)

First FY: FY 94
Total LOP Funding: US$ 6.1 million
Date Prepared: 3/17/94

Goal	Conditions that Indicate Goal has been Achieved	Means of Verification	Critical Assumptions
Expanded economic opportunities for the urban and rural poor	Increased value of non-traditional exports. Increased private sector contribution to GDP. Increased private sector employment. Increased access to consumer credit. More equitable income distribution.	Central Bank and Bureau of Statistics reports	The GOG will maintain its market-led economic policy framework over time. A sound and equitable policy and LRJ environment and strengthened support services will combine to improve the business environment for all levels of entrepreneurs.

Purpose	End of Project Status	Means of Verification	Critical Assumptions
To strengthen the business environment in Guyana in order to bring about economic growth with equity.	1. The GOG will have increased capacity to implement economic, financial, and other business-related policy and regulatory reforms to produce greater growth with equity. 2. The private sector will expand participation of urban and rural poor and exhibit broader-based, inclusive, articulate participation in national and sectoral policy/regulatory formulation and implementation processes. 3. Small, micro-, and non-traditional enterprises will have increased access to investment opportunities (e.g. increased skills, increased information, increased access to capital).	1. IMF, AID, and Embassy reports. 2. Newspaper articles, AID and Embassy reports 3. Project reports, MTTI reports, Statistics Bureau reports.	In order to make Guyanese trade more competitive, the Guyanese public and private sector must collaborate in establishing transparent and equitable procedures to oversee management of the key factors of production. Transparent and equitable procedures need to be based on adequate information and broad-based participation by <u>all</u> economic actors in the policy dialogue process, including micro and small non-traditional businesses.

Outputs	Objectively Verifiable Indicators	Means of Verification	Critical Assumptions
1. Increased capacity of Min. of Finance to analyze and act on legal, regulatory, judicial, organizational, and equity implications resulting from new policies.	1. a. Min. of Finance establishes phased strategic management plans on an annual basis, which include designation of management responsibility and staff, for implementation of new policies in key sub-sectors; b. 250 Min. Fin. staffers trained in critical subject areas by 3/98; c. 3 operational or technical "systems analyses," at least one of which assesses the socio-economic impact of a policy measure, undertaken in-house each year beginning in Year 2, with increasing percentage of LRJ, socio-economic, organizational recommendations implemented over LOP.	1. a., b., c. Project progress reports.	Sufficient quantity and quality of GOG staff will be available and motivated to serve as counterparts and trainees under project activities.
2. Increased capacity of Min. of Trade to administer, improve, and monitor key sectoral economic variables consistent with overall macroeconomic policy framework.	2. a. Min. of Trade establishes strategic management plans on an annual basis, which include designation of management responsibility and staff, for administration and monitoring functions; b. 50 Min. of Trade staffers trained in critical subject areas by 3/98; c. 2 operational and/or technical "systems analyses," at least one of which is concerned with the impact of policies on micro- and small scale enterprises, undertaken in-house on an annual basis beginning in Year 2.	2. a., b., c. Project progress reports.	Other powerful ministries or politicians will support strengthening of Ministry of Trade, Tourism and Industry.

Outputs - continued	Objectively Verifiable Indicators	Means of Verification	Critical Assumptions
3. Broad-based PSOs will have developed and be implementing functional processes which provide for broader participation -- with specific attention to small and medium traditional and non-traditional businesses -- and clearer articulation of private sector positions in GOG policy/LRJ dialogue process.	3. a. 8 out of 11 PSOs implementing strategic plans which emphasize inclusion and dialogue by the end of the project, of which at least 2 shall specifically represent small and/or non-traditional businesses; b. 12 topic-specific fora/colloquia, or a minimum of 4/year for 3 years held among large, medium, small, and micro level businesses; c. 12 position papers developed by selected PSOs, of which 50% have visibly influenced GOG policy; d. 2 new or restructured venues for on-going mediation and dialogue among key actors identified, developed, functional over time.	3. Project reports	Class, race, gender, and other factors do not prevent different interest groups from working together in for common aims.
4. Special interest NGOs that work with micro- and non-traditional enterprises will have increased capacity for providing membership services, including increased market information and increased skills training.	4. a. Typology of micro-enterprises in Guyana established and needs assessment completed by 3/95; b. TA and training programs by at least 3 NGOs established and operational by 3/96; c. Market information & linkages established by 3/96.	4. Project reports.	Special interest NGOs such as Red Thread and Guyana Organization of Indigenous Peoples Guyana are committed to working on business development. Scotiabank and IPED will expand micro-enterprises lending programs as experience dictates and demand increases. Provision of training, information, and TA will increase ability of micro-enterprises to access credit and markets.

Inputs	Magnitude of Inputs			Means of Verification	Assumptions
Source	AID	GOG	TOTAL	A.I.D., institutional contractor, and GOG accounts.	PL 480 Title III program will and GOG will commit an average of US$500,000/year to this project over the LOP.
I. TECHNICAL ASSISTANCE	3,479	762	4,241		
6 py l-t expatriate	1,664	162	1,826		
50 pm s-t expatriate	1,500	0	1,500		
45 IESC interventions	315	0	315		
60 pm s-t Guyanese	0	600	600		
II. TRAINING	180	303	483		
12 pm participant	180	0	180		
150 pm local & workshops	0	303	303		
III. COMMODITIES	352	131	483		
MOF, MTTI, PSOs, NGOs	250	115	365		
Contractor Supp. Office	92	16	108		
USAID support	10	0	10		
IV. OTHER COSTS	298	316	614		
Contractor Supp. Office	25	316	341		
USAID Support	273	0	273		
Sub-Total	4,265	1,530	5,795		
5% Contingency	213	77	290		
GRAND TOTAL LOP	4,524	1,588	6,112		
ROUNDED TO	4,500	1,600	6,100		

ANNEX C

STATUTORY CHECKLIST

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to the eligibility of countries to receive the following categories of assistance: (A) both Development Assistance and Economic Support Funds; (B) Development Assistance funds only; or (C) Economic Support Funds only.

A. COUNTRY ELIGIBILITY CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND ASSISTANCE

1. Narcotics Certification

(FAA Sec. 490): (This provision applies to assistance provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance relating to international narcotics control, disaster and refugee relief assistance, narcotics related assistance, or the provision of food (including the monetization of food) or medicine, and the provision of non-agricultural commodities under P.L. 480. This provision also does not apply to assistance for child survival and AIDS programs which can, under section 522 of the FY 1994 Appropriations Act, be made available notwithstanding any provision of law that restricts assistance to foreign countries.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government): NA

(1) has the President in the April 1 International Narcotics Control Strategy Report (INCSR) determined and certified to the Congress (without

B

Congressional enactment, within 45 calendar days, of a resolution disapproving such a certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals and objectives established by the U.N. Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or that (b) the vital national interests of the United States require the provision of such assistance?

(2) with regard to a major illicit drug producing or drug-transit country for which the President has not certified on April 1, has the President determined and certified to Congress on any other date (with enactment by Congress of a resolution approving such certification) that the vital national interests of the United States require the provision of assistance, and has also certified that (a) the country has undergone a fundamental change in government, or (b) there has been a fundamental change in the conditions that were the reason why the President had not made a "fully cooperating" certification.

NA

2. **Indebtedness to U.S. citizens** (FAA Sec. 620(c): If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?

The Government of Guyana (GOG) has debt of approximately $15 million t a U.S. firm. The GOG has not denie the debt, but cannot repay it immed ately. Following guidance from the IMF and World Bank, the GOG has agreed to repay the debt with 15 ye government bonds.

3. **Seizure of U.S. Property** (FAA Sec. 620(e)(1)): If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to

No.

discharge its obligations toward such citizens or entities?

4. **Communist countries** (FAA Secs. 620(a), 620(f), 620D; FY 1994 Appropriations Act Secs. 507, 523): Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan?

Guyana is not a communist country.

5. **Mob Action** (FAA Sec. 620(j)): Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property?

No

6. **OPIC Investment Guaranty** (FAA Sec. 620(l)): Has the country failed to enter into an investment guaranty agreement with OPIC?

No

7. **Seizure of U.S. Fishing Vessels** (FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5): (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made?

No

8. **Loan Default** (FAA Sec. 620(q); FY 1994 Appropriations Act Sec. 512

15

(Brooke Amendment)): (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1994 Appropriations Act appropriates funds?

No.

No.

9. **Military Equipment** (FAA Sec. 620(s)): If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

N/A

10. **Diplomatic Relations with U.S.** (FAA Sec. 620(t)): Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

No.

11. **U.N. Obligations** (FAA Sec. 620(u)): What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.)

Guyana is up to date on payment of UN arrears.

12. **International Terrorism**

a. **Sanctuary and support** (FY 1994 Appropriations Act Sec. 529; FAA Sec. 620A): Has the country been determined by the President to: (a) grant

No.

sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons?

b. **Airport Security** (ISDCA of 1985 Sec. 552(b)): Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures? No.

13. **Countries that Export Lethal Military Equipment** (FY 1994 Appropriations Act Sec. 573): Is assistance being made available to a government which provides lethal military equipment to a country the government of which the Secretary of State has determined is a terrorist government for purposes of section 40(d) of the Arms Export Control Act? No.

14. **Discrimination** (FAA Sec. 666(b)): Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? No.

15. **Nuclear Technology** (FAA Secs. 669, 670): Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the No.

United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)

16. **Algiers Meeting** (ISDCA of 1981, Sec. 720): Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.)

Guyana was represented at the Algie meeting and has yet to enter reservation of the communique, but this was taken into consideration by the Administrator at the time of approv of the FY 94 Agency OYB.

17. **Military Coup** (FY 1994 Appropriations Act Sec. 508): Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance?

No.

18. **Exploitation of Children** (FAA Sec. 116(b)): Does the recipient government fail to take appropriate and adequate measures, within its means, to protect children from exploitation, abuse or forced conscription into military or paramilitary services?

No.

19. **Parking Fines** (FY 1994 Appropriations Act Sec. 574): Has the overall assistance allocation of funds for a country taken into account the requirements of this section to reduce assistance by 110 percent of the amount of unpaid parking fines owed to the District of Columbia as of September 30, 1993?

AID/W will address this matter.

B. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO DEVELOPMENT ASSISTANCE ("DA")

Human Rights Violations (FAA Sec. 116): Has the Department of State

determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy? — No.

C. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO ECONOMIC SUPPORT FUNDS ("ESF")

Human Rights Violations (FAA Sec. 502B): Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest? — NA

5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE? — Yes.

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. **Host Country Development Efforts** (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; — Yes.

(d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.	Yes.
2. **U.S. Private Trade and Investment** (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	The project is intended to enhance the environment for priva trade and investment from all sources, including the U.S.
3. **Congressional Notification**	
a. **General requirement** (FY 1994 Appropriations Act Sec. 515; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the Appropriations Act notification requirement has been waived because of substantial risk to human health or welfare)?	The Congress will be properly notified of this assistance activity.
b. **Special notification requirement** (FY 1994 Appropriations Act Sec. 520): Are all activities proposed for obligation subject to prior congressional notification?	Yes.
c. **Notice of account transfer** (FY 1994 Appropriations Act Sec. 509): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?	NA
d. **Cash transfers and nonproject sector assistance** (FY 1994 Appropriations Act Sec. 537(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice	NA

80

included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

4. **Engineering and Financial Plans** (FAA Sec. 611(a)): Prior to an obligation in excess of $500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? — Yes. Yes.

5. **Legislative Action** (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of $500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance? — NA

6. **Water Resources** (FAA Sec. 611(b)): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.) — NA

7. **Cash Transfer/Nonproject Sector Assistance Requirements** (FY 1994 Appropriations Act Sec. 537). If assistance is in the form of a cash transfer or nonproject sector assistance: — NA

a. **Separate account:** Are all such cash payments to be maintained by the country in a separate account and not commingled with any other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

b. **Local currencies:** If assistance is furnished to a foreign government under arrangements which result

in the generation of local currencies:

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

8. **Capital Assistance (FAA Sec. 611(e)):** If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively? NA

9. **Multiple Country Objectives (FAA Sec. 601(a)):** Information and conclusions

82

on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

Yes.

10. **U.S. Private Trade** (FAA Sec. 601(b)): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

See item A.2, page 9.

11. **Local Currencies**

a. **Recipient Contributions** (FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

Recipient country is expected to finance approximately 26% of project costs with local currency.

b. **U.S.-Owned Currency** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No.

12. **Trade Restrictions**

a. **Surplus Commodities** (FY 1994 Appropriations Act Sec. 513(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

NA

b. **Textiles (Lautenberg**

Amendment) (FY 1994 Appropriations Act Sec. 513(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel? NA

13. **Tropical Forests** (FY 1991 Appropriations Act Sec. 533(c)(3)(as referenced in section 532(d) of the FY 1993 Appropriations Act): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas? No.

14. **PVO Assistance**

a. **Auditing and registration** (FY 1994 Appropriations Act Sec. 568): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? Yes.

b. **Funding sources** (FY 1994 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? Yes.

15. **Project Agreement Documentation** (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

These procedures will be followed.

16. **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

Yes.

17. **Abortions** (FAA Sec. 104(f); FY 1994 Appropriations Act, Title II, under heading "Population, DA," and Sec. 518):

NA

a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

b. Are any of the funds to be used to pay for the performance of

85

involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? (As a legal matter, DA only.)

e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? (As a legal matter, DA only.)

f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization?

18. **Cooperatives (FAA Sec. 111):** Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

The project seeks to enhance the environment for all business activity, including cooperatives.

19. **U.S.-Owned Foreign Currencies**

a. **Use of currencies (FAA Secs. 612(b), 636(h); FY 1994 Appropriations Act**

Secs. 503, 505): Are steps being taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services. NA

b. **Release of currencies** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No.

20. **Procurement**

a. **Small business** (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Yes.

b. **U.S. procurement** (FAA Sec. 604(a): Will all procurement be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with the criteria of this section? Yes.

c. **Marine insurance** (FAA Sec. 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? NA

d. **Non-U.S. agricultural procurement** (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) NA

e. **Construction or engineering services** (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a NA

competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

f. Cargo preference shipping (FAA Sec. 603)): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? — No.

g. Technical assistance (FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? — Yes.

h. U.S. air carriers (International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? — Yes.

i. Consulting services (FY 1994 Appropriations Act Sec. 567): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? — Yes

j. **Metric conversion** (Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage? — Yes.

k. **Competitive Selection Procedures** (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? — Yes.

l. **Chemical Weapons** (FY 1994 Appropriations Act Sec. 569): Will the assistance be used to finance the procurement of chemicals that may be used for chemical weapons production? — No.

21. **Construction**

a. **Capital project** (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used? — NA

b. **Construction contract** (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

c. **Large projects, Congressional approval** (FAA Sec. 620(k)): If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress?

22. **U.S. Audit Rights** (FAA Sec. 301(d)): If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? NA

23. **Communist Assistance** (FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes.

24. **Narcotics**

a. **Cash reimbursements** (FAA Sec. 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? Yes.

b. **Assistance to narcotics traffickers** (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? Yes.

25. **Expropriation and Land Reform** (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized Yes.

property, except to compensate foreign nationals in accordance with a land reform program certified by the President?

26. **Police and Prisons** (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? — Yes.

27. **CIA Activities** (FAA Sec. 662): Will assistance preclude use of financing for CIA activities? — Yes.

28. **Motor Vehicles** (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? — Yes.

29. **Export of Nuclear Resources** (FY 1994 Appropriations Act Sec. 506): Will assistance preclude use of financing to finance--except for purposes of nuclear safety--the export of nuclear equipment, fuel, or technology? — Yes.

30. **Publicity or Propaganda** (FY 1994 Appropriations Act Sec. 557): Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? — No.

31. **Marine Insurance** (FY 1994 Appropriations Act Sec. 531): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate? — Yes.

32. **Exchange for Prohibited Act** (FY 1994 Appropriations Act Sec. 533): Will — No.

91

any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

33. **Commitment of Funds** (FAA Sec. 635(h)): Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement? No.

34. **Impact on U.S. Jobs** (FY 1994 Appropriations Act, Sec. 547):

a. Will any financial incentive be provided to a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business? No.

b. Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U.S.? No.

c. Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country, or will assistance be for the informal sector, micro or small-scale enterprise, or smallholder agriculture? No.

B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

1. **Agricultural Exports (Bumpers**

Amendment) (FY 1994 Appropriations Act Sec. 513(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?	NA
2. **Tied Aid Credits** (FY 1994 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits?	No.
3. **Appropriate Technology** (FAA Sec. 107): Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?	Yes.
4. **Indigenous Needs and Resources** (FAA Sec. 281(b)): Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.	The project specifically addresses the development of indigenous skills and institutions.
5. **Economic Development** (FAA Sec. 101(a)): Does the activity give reasonable promise of contributing to the	Yes.

93

development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

6. **Special Development Emphases** (FAA Secs. 102(b), 113, 281(a)): Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

The project seeks to enhance the capacity of public servants to understand and measure the impact of public policies on the local population, particularly lower income groups in both urban and rural settings. Private sector organizations will be assisted to broaden their representation of smaller businesses in policy dialogue with the government.

7. **Recipient Country Contribution** (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

Yes.

8. **Benefit to Poor Majority** (FAA Sec. 128(b)): If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

See item 6 above.

9. **Contract Awards** (FAA Sec. 601(e)): Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes.

10. Disadvantaged Enterprises (FY 1994 Appropriations Act Sec. 558): What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

The principal TA contract, representing most of the project's funds, will be awarded to a Gray Amendment firm.

11. Biological Diversity (FAA Sec. 119(g): Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

Project activities will be sensitive to biological diversity.

12. Tropical Forests (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act):

Although the project is not specifica focused on tropical forests, conservation concerns will be appropriately addressed in the event that environmental policies are considered under project.

a. A.I.D. Regulation 16: Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?

b. Conservation: Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives

95

to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c. **Forest degradation:** Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment

indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

d. **Sustainable forestry:** If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

e. **Environmental impact statements:** Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?

13. **Energy** (FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act): If assistance relates to energy, will such assistance focus on: (a) end-use energy — NA

efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

14. **Debt-for-Nature Exchange** (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management. NA

15. **Deobligation/Reobligation** (FY 1994 Appropriations Act Sec. 510): If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified? NA

16. **Loans**

a. **Repayment capacity** (FAA Sec. 122(b)): Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest. NA

b. **Long-range plans** (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

c. **Interest rate** (FAA Sec. 122(b)): If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at

least 3 percent per annum thereafter?

d. **Exports to United States** (FAA Sec. 620(d)): If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

17. **Development Objectives** (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

See item 6 above.

18. **Agriculture, Rural Development and Nutrition, and Agricultural Research** (FAA Secs. 103 and 103A):

See item 6 above.

a. **Rural poor and small farmers:** If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research,

has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

b. **Nutrition:** Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

c. **Food security:** Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

19. Population and Health (FAA Secs. 104(b) and (c)): If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

See item 6 above.

20. Education and Human Resources Development (FAA Sec. 105): If assistance is being made available for education, public administration, or human resource

See item 6 above.

development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

21. **Energy, Private Voluntary Organizations, and Selected Development Activities** (FAA Sec. 106): If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment; — NA

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations; — A U.S. PVO will provide some TA and training under the project.

c. research into, and evaluation of, economic development processes and techniques; — Project will strengthen capacity of key GOG institutions to access impact of development policies.

d. reconstruction after natural or manmade disaster and programs of disaster preparedness; — NA

e. for special development problems, and to enable proper utilization — NA

of infrastructure and related projects funded with earlier U.S. assistance;

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development. — See item 6 above.

22. **Capital Projects** (Jobs Through Export Act of 1992, Secs. 303 and 306(d)): If assistance is being provided for a capital project, is the project developmentally sound and will the project measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level? — NA

C. CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY

1. **Economic and Political Stability** (FAA Sec. 531(a)): Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA? — NA

2. **Military Purposes** (FAA Sec. 531(e)): Will this assistance be used for military or paramilitary purposes?

3. **Commodity Grants/Separate Accounts** (FAA Sec. 609): If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? (For FY 1994, this provision is superseded by the separate account requirements of FY 1994 Appropriations Act Sec. 537(a), see Sec. 537(a)(5).)

4. **Generation and Use of Local Currencies** (FAA Sec. 531(d)): Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so,

will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? (For FY 1994, this provision is superseded by the separate account requirements of FY 1994 Appropriations Act Sec. 537(a), see Sec. 537(a)(5).)

5. **Capital Projects** (Jobs Through Exports Act of 1992, Sec. 306, FY 1993 Appropriations Act, Sec. 595): If assistance is being provided for a capital project, will the project be developmentally-sound and sustainable, i.e., one that is (a) environmentally sustainable, (b) within the financial capacity of the government or recipient to maintain from its own resources, and (c) responsive to a significant development priority initiated by the country to which assistance is being provided. (Please note the definition of "capital project" contained in section 595 of the FY 1993 Appropriations Act. Note, as well, that although a comparable provision does not appear in the FY 94 Appropriations Act, the FY 93 provision applies to, among other things, 2-year ESF funds which could be obligated in FY 94.)

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123

ANNEX D

GOG REQUEST FOR ASSISTANCE

ANNEX E

SUMMARY OF WORLD BANK/IDB POLICY MATRIX AND TA LOAN

NOTE TO READERS:

Following is the Draft Policy Matrix for the World Bank Private Sector Development Adjustment Credit and the IDB Financial Sector Reform Loan from August 1993.

The World Bank is appraising the Private Sector Development Loan in late January 1994, with plans to take it to the Bank's Board in July 1994. Based on discussions with the Bank's Task Manager, it is likely that the Sector/Policy Areas and requirements for "Before Board Presentation" will remain the same, although the assessment of "Current Situation," and "Before Negotiations" may be discussed in more detail.

The IDB appraisal has been delayed, although it still plans to take its loan to its Board in July 1994.

The preliminary TA proposal for the World Bank complementary TA loan is also included, and will likely be fleshed out in more detail during appraisal.

No major shifts in sectoral/policy emphasis are foreseen by either bank.

Guyana: Private Sector Development Adjustment Credit (IDA) and Financial Sector Reform Loan (IDB)[1]: Draft Policy Matrix

August 7, 1993

Sector/Policy Area	Current Situation	Before Appraisal and Before Negotiations	Before Board Presentation	Before Second Tranche
1. Privatization Program	As of October 1992, 14 of the 32 corporations under the Public Corporations Secretariat (PCS) had been partially or completely privatized. However, the program suffered from a lack of transparency, and was halted in November 1992. As of August 1993, the government has issued a Privatization Policy Framework, and advertized for the head of the Privatization Unit. The PCS has been abolished,	Before Appraisal o Formal government approval of procedures for privatization. o Formal establishment of Privatization Unit and cabinet Privatization Board including: (a) the Director and staff satisfactory to IDA; (b) a cabinet level committee with full authority to implement privatization transactions Before Negotiations: o Firm up agreement on detailed objectives of Privatization program. Objectives should include: (a) policy for workers' participation in buying state entities; (b) publicize sequencing and time frame for privatization of entities to be divested; (c) Public launching of privatization program.	o Consistent with Privatization policy, bring to point of sale (POS) at least six entities; [these could include: Guyana Stores, Guyana Pharmaceuticals, GNEC, Guyana National printers, National Shipping and National Edible Oil corporations]. o Bring to POS the remaining govt. shares of Demerara Distilleries, Seals & Packaging, Forte Crest Hotels, and two of the three banks: GBTI, NBIC, GNCB Trust	o Continued implementation and adherence to timetable of the agreed privatization plan (airlines, second phase for financial sector, small and medium sized enterprises.)

[1] For Financial Sector Reform Loan (IDB), only Sector 2 is relevant.

Sector/Policy Area	Current Situation	Before Appraisal and Before Negotiations	Before Board Presentation	Before Second Tranche
2. Financial Sector Reform				
(i) Regulatory Framework for deposit-taking Institutions	The Banking Act contains inadequate enforcement provisions, archaic capital adequacy provisions, and inadequate specification of prudential requirements. Ministerial Order revising minimum capital requirements issued for new commercial banks.	Before Appraisal o Submission to Attorney General for drafting of a Financial Institutions Bill and amendments to the COFA Act including amendments acceptable to IDA and IDB which would *inter alia*: (a) strengthen the independence and the regulatory authority of the Bank of Guyana (BOG); (b) establish BOG regulation of all deposit-taking institutions except credit unions. (c) mandate satisfactory minimum capital and capital adequacy requirements; and (d) establish prudential standards including lending concentration and related party lending limits; Before Negotiations o Submission of revised Financial Institutions Act to Parliament.	o Passage and implementation of Financial Institutions Act and conforming amendments to COFA Act and related Acts. o Promulgation by BOG of plan for the issuance of prudential regulations.	o Further implementation of the Financial Institutions Act and issuing relevant regulations.

Sector/Policy Area	Current Situation	Before Appraisal and Before Negotiations	Before Board Presentation	Before Second Tranche
(ii) Reducing the Role of the State in Commercial Banking and Trust Activities.	The State owns 59% of commercial banking assets including Guyana National Cooperative Banks (GNCB-97%), National bank for Industry and Commerce (NBIC-53%), Guyana Bank for Trade and Industry (GBTI-30%), as well as owning the largest trust company (GNCB Trust-100%).	<u>Before Appraisal</u> o Sale of Govt. shares in these companies are indicated under Privatization Program o Complete an analysis of GNCB to examine restructuring and privatization options. o Adoption of plan by GNCB Board. <u>Before Negotiations</u> o Complete action plans for the privatization of NBIC and GBTI, GNCB Trust.	o Bring remaining government shares of at least two Banks or trust companies to point of sale. o Appoint consultant to execute restructuring plan for GNCB	o Conclude privatization measures for GBTI, NBIC, and GNCB Trust. o Compliance with targets of restructuring plan for GNCB.
	The State also owns Guyana Cooperative Insurance Service (GCIS), established to provide service to companies and individuals who did not have access to private insurance.	o Undertake valuation and legal modification of GCIS for privatization.	o Bring Government Shares of GCIS to point of sale.	o Conclude privatization of GCIS
(iii) Modernize the State's Role in Development Banking.	GAIBANK, a first-tier development banks, has serious financial difficulties and has proven unable to fulfill its mandate. A new GAIBANK Board of Directors and General Manager were appointed in June.	<u>Before Negotiations</u> o Approval by GAIBANK Board of a program to: (i) adjust the institution to second-tier lending; (iii) initiate of revised loan recovery measures; (iv) adopt financial restructuring program; and (v) upgrade the portfolio information system	o Compliance with targets for loan recovery.	o Compliance with targets for loan recovery and implementation of transition to second-tier lending

Sector/Policy Area	Current Situation	Before Appraisal and Before Negotiations	Before Board Presentation	Before Second Tranche
3. Foreign Trade Regime				
(i) Tariffs	Guyana has agreed to adopt the CARICOM CET structure. The tariff schedule must be approved by the Parliamentary Council.	Before Appraisal o Introduce CET 'fast track' conditions) by September 1, 1993.	o Implementation of CET fast track program.	o Implementation of CARICOM timetable for tariff reduction.
(ii) Tariff Exemptions and Remissions (see also Fiscal Incentives below)	Significant amount of revenues foregone, either through exemptions or remissions.	Before Negotiations o Agree on elimination of a list of tariff exemptions and timetable to achieve (i) a simplified publicized structure; and (ii) non-discretionary incentives.	o Execution of tariff exemption elimination plan, and adherence to timetable in plan.	o Elimination of all tariff exemptions agreed upon.
(iii) Quantitative Restrictions	Import and export prohibitions apply to a limited list of goods. A list of licensing requirements adds administrative complexity and inconvenience to importers.	Before Negotiations o Reduction of trade licenses (both export and import) to the minimum necessary for health, safety and environmental considerations, according to an agreed list to be specified for this purpose.	o Ensure that procedures are in place for granting of the required limited licenses (for health safety and environmental reasons) is operational.	

Sector/Policy Area	Current Situation	Before Appraisal and Before Negotiations	Before Board Presentation	Before Second Tranche
4. Tax Reform				
(i) Corporate and Personal Income Tax.	Income taxes are narrowly based. No linkage between corporate and personal tax rates. Broadening of the tax base and integration of corporate and personal income taxes are important objectives. Because corporate and personal taxes are not integrated, taxation of financial instruments is not equal.	<u>Before Appraisal</u> o Stabilize Corporate Tax rate at no more than 35%. o Develop plan to integrate corporate and personal taxes by (i) exempting dividends from personal taxes; (ii) fully tax interest received by residents, with a credit for withholding tax; and (iii) applying a withholding tax on all interest and qualifying dividends received. <u>Before Negotiations</u> o Agree on measures to broaden tax base through revised depreciation allowances, elimination of deduction for preference dividends, and assigning a minimum corporate tax.	o Implement plan to integrate personal income taxes and corporate tax rate. o Equalize top income tax rate and corporate tax rate.	o Reduce corporate tax rate further (to be agreed upon).

Sector/Policy Area	Current Situation	Before Appraisal and Before Negotiations	Before Board Presentation	Before Second Tranche
(ii) Consumption Tax	Consumption and excise taxes are poorly integrated. A high rate applies to manufacturing sales. Tax base is eroded by exemptions and remissions. Administrative problems in handling exemptions of the tax for registered business to business sales.	<u>Before Appraisal</u> o Review the options for: (a) extending the range of the tax to more goods and services, (b) limiting the number of tax rates and exemptions, and integrating consumption and excise taxes; and (c) changing administrative practices to using a rebate system for determining taxes. <u>Before Negotiations</u> o Draft an Action plan, acceptable to IDA, to reform consumption tax	o Implement plan to reform consumption taxes.	o Adhere to timetable for reform.
(iii) Fiscal Incentives	Fiscal incentives consist of income tax holidays, waivers of import duties, and waiver of consumption taxes on imports. Criteria for granting discretionary incentives are unclear.	o Eliminate waivers of consumption taxes. o Restrict waivers of import duties to an agreed list of exempt commodities, to eliminate discretion. o Develop plan to replace income tax holidays with more focused incentive schemes.	o Implement plan to eliminate income tax holidays, and waivers of import duties.	

112

Sector/Policy Area	Current Situation	Before Appraisal and Before Negotiations	Before Board Presentation	Before Second Tranche
5. Customs and Tax Administration				
(i) Customs Administration	Current regime is characterized by delays in clearing goods, delays in payments to Customs. Incorrect declaration by importers is common. An action plan that focuses on trade facilitation through streamlined clearance and payment procedures needs to be developed.	<u>Before Appraisal</u> o Formulate objectives for streamlining of customs operations. <u>Before Negotiations</u> o Initiate action plan that would formulate steps to streamline operations, and specify performance targets.	o Establish performance targets, and implement action plan.	o Ensure adherence to action plan
(ii) Consumption tax Administration	Many Taxpayers are non-filers. *Ad valorum* consumption taxes and excise taxes are still operated as if they were per unit taxes. Similar administrative problem with import duties.	o Change method of reporting rates to reflect ad valorum rates. o Formulate an action plan to develop administrative measures to register taxpayers and check for non-filers.	o Begin implementation of action plan to register taxpayers, and establish performance targets.	o Adhere to performance targets.
(iii) Income tax Administration	Methods unavailable to ensure filing, and registration of non-complying corporations and individuals.	o Formulate an action plan to develop administrative measures to register taxpayers and check for non-filers.	o Begin implementation of action plan to register taxpayers, and establish performance targets.	o Adhere to performance targets.

13

GUYANA: Private Sector Development Adjustment Credit
Technical Assistance Component
November 8, 1993

Background and Rationale

1. Beginning with the Economic Recovery Program in 1988, significant funds for technical assistance have been provided under loans from multiple bilateral and multilateral sources. IDA loans have included the Technical Assistance Credit and Public Sector Reform Credit. The technical assistance and institution building measures contemplated would carefully complement those measures previously undertaken and currently being supported by IDA, IDB and bilateral credits.

2. Technical assistance funds which would be provided under this component of the above credit would support the development of those institutions critical to the application and implementation of the reforms supported under the adjustment program. In Guyana, institutional capacity is either weak or non-existent in each of the areas covered: Financial Institution Supervision, Improvement in the Financial Management of Public Financial Institutions, including GNCB, GAIBANK and the National Insurance Scheme, Development of a formal Over-the-Counter Market, Privatization of Public Enterprises, Improvement in Central Bank/Monetary Management and institutional Strengthening for Trade and Tax Administration. The attached Table provides a detailed budget for technical assistance proposed. Complementary technical assistance is as critical to the success of the reforms as are the policy measures themselves--with little capacity to implement measures, the aim of the technical assistance component is to build up a sustainable institutional capacity so that reforms would be sustainable.

Component Description

3. Financial Institution Supervision. The credit would support a three-year program to significantly increase the institutional capacity of the Bank of Guyana Banking Supervision Department. A Banking Supervision Advisor (36 months, @US$ 10,000/month) would lead the institutional development program, in coordination with the to-be-appointed Director of the Banking Supervision Department. Such an individual would direct multiple tasks of inspection, financial analysis, monitoring, reporting, licensing and application of prudential regulations. An on-sight Inspector Trainer/Advisor (36 months @ US$ 6,000/month) would work full time on on-the-job training of inspectors in the inspection of banks and other financial institutions. An offsite advisor (24 months @ US$ 6,000/month) would develop an improved financial reporting system and work with and train Banking Examiners in off-site financial analysis. Such an individual would be assisted by a specialist in systems design who would establish the software configuration and train staff so as to utilize financial reports on an automated basis (2 months @ US$ 2,500/month). Support would also be provided for scarce equipment and supplies, including a copier, two desk-top computers (for off-site analysis), three laptop computers (for on-sight analysis) two dot-matrix printers and a fax machine.

4. Improvement in the Financial Management of Public Financial Institutions. This component would support financial and operational restructuring measures of GNCB and GAIBANK and measures to improve financial management in the National Insurance Scheme. At GNCB, funds would be provided for an external advisor (30 months @ US$ 8,000/month)

FROM: IFC TO: 8094234438 NOV 15, 1993 11:17AM P.02

to direct the restructuring effort according to the plan to be adopted prior to Board Presentation of the Credit. Such an individual would be assisted in the initial phase by one or more financial analysts (18 person months total @US$ 3,000/month), accountants (18 person months total @US$ 3,000/month), an expert in organizational design, personnel management, recruiting and compensation design (18 months @ US$ 3,000/month), and assistance in systems design (6 person months total @US$ 2,500/month).

5. GAIBANK. Funds would be provided for the proposed restructuring of GAIBANK according to the plan to be adopted prior to Board Presentation of the Credit. Such financial and operational restructuring (including transition to a second-tier institution) would be guided by an external advisor (24 months @ US$ 8,000/month). Such an individual would be assisted in the initial phase by one or more financial analysts and accountants (24 person months total @US$ 3,000/month) and assistance in systems design (6 person months total @US$ 2,500/month).

6. National Insurance Scheme (NIS). Funds would support measures to modify and improve the accounting and financial control systems and procedures of the NIS so as to eliminate problems in voucher recycling. One individual would direct a revision in the finanical control system for approximately 8 months (8 person months @US$ 6,000/month). Further, an individual would be contracted to assist in the development of procedures and guidelines (including training) for investment of NIS assets (3 person months @US$ 6,000/month).

7. Development of an Over-the-Counter Market. The credit wold support a series of four visits by an external expert to assist in the development of an Over-the-Counter market. (4 visits @ 12 days each, @ US$ 425/day, plus US$ 160/day per diem). Such an expert would, during the first two visits establish the procedures for the operation of the market, including the training of staff in the carrying out of such procedures. Subsequent visits would include assistance in the development of legislation, implementing regulations and the procedures and expertise for such implementation. Support would also be provided for scarce equipment and supplies, including a copier, desk-top computer, dot-matrix printer and a fax machine.

8. Central Bank/Monetary Management. The Credit would support measures to implement a program of reforms in monetary management as well as restructuring of the Bank of Guyana. An expert in monetary management would work with the Governor and the Research department to apply a program of measures supported under the credit (30 months @US$ 8,000/month). Such an individual would be assisted by accountants (30 person months total @US$ 1,500/month) and specialized training by BOG staff in open market operations (Overseas training and travel expenses for 2 weeks for two individuals) and on-the-job assistance by a specialist advisor (1 month @ US$ 5,000/month + travel expenses).

9. The Credit would also support a study by external consultants specialized in organizational management and Central Bank management to design a staff restructuring plan, including an organizational structure, transition plan, job descriptions, hiring and evaluation criteria, and recommended compensation program (US$ 60,000). The Credit would also support the implementation of such a study's recommendations through the provision of a consultant for a period of one year to carry out such a restructuring (12 months @ US$ 5,000/month).

FROM: IFC TO: 8094294438 NOV 15, 1993 11:18AM P.03

10. For the combined tasks of improving monetary management and organizationally restructuring the Central bank, support would be provided for scarce equipment and supplies, including a copier, two desk-top computers, a dot-matrix printer, and a FAX machine.

11. Privatization of Public Enterprises. The Credit would support the privatization program supported under the credit by training and organizational support of the privatization unit guiding the privatization process. A comprehensive team would evaluate prospective companies for privatization and undertake the public offering itself. Support would be provided by a privatization manager or team leader (36 months @ US$ 10,000/month) supported by a financial analyst (30 months @ US$ 3,000/month), accountants (30 person months total @ US$ 1,500/month), a public (labor) relations expert (12 months @ US$ 2,500/month) and a corporate lawyer (18 months @ US$ 2,500/month). Support would also be provided for scarce equipment and supplies, including a copier, four desk-top computers, a laser printer, peripherals to support such printer, and a Fax machine.

12. Institutional Strengthening for Trade and Tax Administration. The credit would consider providing further assistance to the Commissioner of Inland Revenue or the Customs Service in order to improve the administration of the trade and tax administration regimes in connection with the policy reforms supported under the credit. Such reforms would complement those undertaken with the assistance of the IDA Public Sector Reform Loan and IDB Public Sector Loan. The amount estimated for this yet-to-be fully identified area is US$ 300,000.

13. Miscellaneous/Other. The credit would be managed under a management service agreement by UNDP or another vendor which would charge a commission for such administration. Further, approximately US$ 210,000 would be set aside under the credit for uses as yet unidentified.

Administration

14. Funds under the technical assistance component would be managed under a unit to be established in the Ministry of Finance. Consultant services and goods purchases would be procured in accordance with IBRD practices to be defined at Appraisal. The technical assistance program will extend for a period of 36 months while the adjustment program will be expected to be completed within 12 months.

FROM: IFC TO: 8094294438 NOV 15, 1993 11:19AM P.04

08-Nov-93

Sector Development Adjustment Loan
Technical Assistance Component Budget
(US$)

	Long-Term Experts			Advice/ Misc.	Travel Costs			Equipment				
	# of Person Months	Cost Per Month	Total	Lump Sum Amounts	Per Diem	Airfare	Total	# of Units	Cost Per Unit	Total	Total (Across)	Group total
I. Ministry of Finance Coordination of Adjustment Program												97,900
Coordinator of Adjustment Program	18	3,500	63,000								63,000	
Assistant Coordinator	18	1,750	31,500								31,500	
Copier								1	400	400	400	
Desk-top Computer								1	2,200	2,200	2,200	
Dot Matrix Printers								1	400	400	400	
Fax Machine								1	400	400	400	
Unallocated				5,000							5,000	
II. Financial Institution Supervision (BCO)												621,900
Banking Supervision Advisor	36	10,000	360,000								360,000	
On-sight Inspector Trainer/Advisor	36	6,000	216,000			1,300	1,300				217,300	
Offsite Advisor	24	6,000	144,000			1,300	1,300				145,300	
Systems Design/Advisor	2	2,500	5,000								5,000	
Caribbean/USA Courses for Inspectors					33,600	10,400	44,000				44,000	
Copier								1	900	900	900	
Desk-top Computers								1	2,200	2,200	2,200	
Laptop Computers								3	2,000	6,000	6,000	
Dot Matrix Printers								2	400	800	800	
Fax Machine								1	400	400	400	
Unallocated				40,000							40,000	
III. Improvement in the Financial Management of Public Financial Institutions												117,400
A. GNCB Sub-Total											241,300	
Restructuring Expert	30	8,000	240,000			1,300	1,300				241,300	
Financial Analyst	18	3,000	54,000								54,000	
Accountants	18	1,500	27,000								27,000	
Systems Design and Support 1/	6	2,500	15,000								15,000	
Organational Specialist	18	3,000	54,000								54,000	
Unallocated				20,000							20,000	
B. GAIBANK Sub-Total											264,000	
Restructuring Expert	24	8,000	192,000								192,000	
Financial Analyst/Accountants	24	3,000	72,000								72,000	
Systems Design and Support 1/	6	2,500	15,000								15,000	
Unallocated				15,000							15,000	
C. National Insurance Scheme											52,100	
Expert in Financial Control Systems	6	6,000	48,000			1,300	1,300				49,300	
Expert in Financial Management	3	6,000	18,000			1,300	1,300				19,300	
Unallocated				3,500							3,500	
IV. Development of An Over-the-Counter Market												33,000
External Expert 2/	2	9,000	18,000		7,040	5,200	12,240				30,240	
Copier								1	400	400	400	
Desk-top Computer								1	2,200	2,200	2,200	
Dot Matrix Printer								1	350	350	350	
Fax Machine								1	400	400	400	
Unallocated				2,500					500		2,500	

FROM: IFC TO: 8094294438 NOV 15, 1993 11:20AM P.05

Expert in Monetary Management	30	8,000	240,000				1,300	1,300				241,300
Accountants	30	1,500	45,000									45,000
Training in Open Market Operations	1	5,000	5,000			8,640	3,900	12,540				17,540
Study of BOG Organizational Design				60,000								60,000
Implementation of BOG Reat. and Staffing Plan	12	5,000	60,000				1,300	1,300				61,300
Copier									1	600	600	600
Desk-top Computers									2	2,200	4,400	4,400
Dot Matrix Printer									2	350	700	700
Fax Machine									1	400	400	400
Unallocated				20,000								20,000
X. Privatization of Public Enterprises												**615,600**
Privatization Expert/Team Leader	36	10,000	360,000				2,600	2,600				362,600
Financial Analyst	30	3,000	90,000				1,300	1,300				91,300
Accountants	30	1,500	45,000									45,000
Public (Labor) Relations Expert	12	2,500	30,000									30,000
Lawyer (Corporate)	18	2,500	45,000									45,000
Copier									1	900	900	900
Desk-top Computers									4	2,200	8,800	8,800
Laser Printer									1	1,200	1,200	1,200
Peripherals to Printer									1	400	400	400
Fax Machine									1	400	400	400
Unallocated				60,000								60,000
XI. Institutional Strengthening for Trade and Tax Reform												**300,000**
Unallocated				300,000								300,000
XII. Development of an Improved Investment Climate: Restructuring												**307,300**
Coordinator of Restructuring Program	30	10,000	300,000									300,000
Spec. Expertise in Inv. Promotion 2/	1	8,000	8,000			3,840	1,600	5,440				13,440
Staff Training 3/						5,760	5,200	10,960				10,960
Copier									1	900	900	900
Desk-top Computers									2	2,200	4,400	4,400
Laser Printers									1	1,200	1,200	1,200
Fax Machine									1	400	400	400
Unallocated				20,000								20,000
SUBTOTAL												3,481,430
Management Service Agreement (5.0%)												174,072
UNALLOCATED												344,499
GRAND TOTAL												**4,000,000**

1/ Such contracts may be on a lump-sum basis.
2/ Multiple Short-term visits
3/ Overseas courses.

ANNEX F

DETAILED COST ESTIMATES

BUILDING EQUITY & ECONOMIC PARTICIPATION PROJECT 504-0107

ILLUSTRATIVE SHORT TERM TECHNICAL ASSISTANCE BUDGET

EXPATRIATE CONSULTANT

LINE ITEM	UNIT	UNIT COST	No. UNITS	AMOUNT
Personnel				
Consultant	work day	300.00	28.00	8,400.00
Overhead	percent	1.20	NA	10,080.00
Fringe	percent	0.30	NA	2,520.00
International Travel				
US-Georgetown return	lump sum	1,000.00	1.00	1,000.00
Airport Charges & Other	lump sum	200.00	1.00	200.00
Per Diem				
2 days Washington @148	calendar day	148.00	2.00	296.00
2 days travel status @ 133	calendar day	133.00	2.00	266.00
28 days Georgetown	calendar day	133.00	28.00	3,724.00
Local Travel	work days	10.00	28.00	280.00
Communications & Repro	lump sum	NA	NA	200.00
Computer Rental	calendar day	30.00	10.00	300.00
Sub-Total				27,266.00
Fixed Fee	percent	0.10		2,726.60
TOTAL				29,992.60
Rounded to				30,000.00

GUYANESE CONSULTANT

LINE ITEM	UNIT	UNIT COST	No. UNITS	AMOUNT
Personnel				
Consultant	work day	150.00	26.00	3,900.00
Overhead	percent	1.20	NA	4,680.00
Fringe	percent	0.07	NA	273.00
Local Travel	work days	10.00	26.00	260.00
Computer Rental	calendar day	10.00	26.00	260.00
Sub-Total				9,373.00
Fixed Fee	percent	0.10		937.30
TOTAL				10,310.30
Rounded to				10,000.00

Assumptions:

Project Authorized March 1994
Project Year 1 April 1994 – March 1995
Project Year 2 April 1995 – March 1996
Project Year 3 April 1996 – March 1997
Project Year 4 April 1997 – March 1998

ANNEX F: BUILDING EQUITY & ECONOMIC PARTICIPATION PROJECT
LIFE OF PROJECT ESTIMATES, LONG TERM TECHNICAL ASSISTANCE

				YEAR ONE			YEAR TWO			YEAR THREE			YEAR FOUR			LIFE OF PROJECT TOTALS			
		Unit Cost																	
Line Item	Unit	FX	LC	No. of Units	FX	LC	No. of Units	FX	LC	No. of Units	FX	LC	No. of Units	FX	LC	Total No. Units	FX	LC	TOTAL IN FX
I. SALARY	py	75,000		1	37,500	0	1	76,875	0	1	80,719	0	1	41,344	0	3	236,438	0	236,438
II. ALLOWANCES																			
Post Differential	% of salary	0	30,000		9,375	0		19,219	0		20,180	0		10,336	0		59,109	0	59,109
Education	lump sum	6,200	0	1	6,200	0	1	6,200	0	1	6,200	0	0	0	0	3	18,600	0	18,600
Living Quarters	lump sum	0	20,000	1	0	10,000	1	0	20,000	1	0	20,000	1	0	10,000	3	0	60,000	60,000
III. TRAVEL & TRANSPORTATION																			
Shipment of Personnel Effects	lump sum	lump sum	0	NA	18,000	0	NA	0	0	NA	0	0	NA	18,000	0	0	36,000	0	36,000
Storage	calendar yr	4,000	0	1	2,000	0	1	4,000	0	1	4,000	0	1	2,000	0	3	12,000	0	12,000
Travel to/Return from Post	trip	1,000	0	4	4,000	0	0	0	0	0	0	0	4	4,000	0	8	8,000	0	8,000
Local Travel	various	0	various	NA	0	2,250	NA	0	4,500	NA	0	4,500	NA	0	2,250	0	0	13,500	13,500
Travel R&R	round trip	2,000	0	0	0	0	4	8,000	0	4	8,000	0	0	0	0	8	16,000	0	16,000
IV. OTHER DIRECT COSTS																			
Medevac Insurance	py	45	0	2	90	0	4	180	0	4	180	0	2	90	0	12	540	0	540
Health and Life Insurance	py	1,050	0	2	2,100	0	4	4,200	0	4	4,200	0	2	2,100	0	12	12,600	0	12,600
Medical Examinations	lump sum	300	0	4	1,200	0	0	0	0	2	600	0	2	600	0	8	2,400	0	2,400
SUB-TOTAL					90,465	12,250		118,674	24,500		124,079	24,500		78,470	12,250		401,687	73,500	475,187
OVERHEAD – 120% SALARY		1.20	0		45,000	0		92,250	0		96,863	0		49,613	0		283,725	0	283,725
FRINGE – 30% of SALARY.		.30	0		11,250	0		23,063	0		24,216	0		12,403	0		70,931	0	70,931
TOTALS					136,715	12,250		233,986	24,500		245,157	24,500		140,485	12,250	0	756,343	73,500	829,843
FIXED FEE – 10% of TOTAL		.10			13,672	1,225		23,399	2,450		24,516	2,450		14,049	1,225		75,634	7,350	82,984
GRAND TOTALS					150,387	13,475		257,385	26,950		269,672	26,950		154,534	13,475		831,977	80,850	912,827

121

ANNEX G

SOCIAL SOUNDNESS ANALYSIS

ANNEX G
SOCIAL SOUNDNESS ANALYSIS

1. Socio-Economic Context

1.1 Information Sources

Data on socio-economic conditions in Guyana are scarce and many are of questionable validity. The enumeration for the 1991 Census was undertaken, but the data have not yet been analyzed due to lack of human and financial resources. This Social Soundness Analysis is based primarily on new data presented in the Household Income and Expenditure Survey conducted by the Statistical Bureau during 1992 - 1993 (HIES 1992-93), which covered over 7000 households nationwide and was supported by a number of donors. Prior consumer surveys were undertaken in 1942, 1956, and 1970. Because of the lengthy interval since the 1970 survey, and significant differences in survey design, few trends can be drawn from the data. The HIES data, however, provide a fresh and generally reliable look at several variables which combine to describe the Guyanese society.

The analysis also draws from background work for the PL 480 Title III multi-year proposal, particularly as it relates to health and nutrition indicators. Other information has been gleaned from different donor reports, and is so noted. A map of the administrative regions is provided for easy reference.

1.2 Socio-Economic Profile

1.2.1 <u>**Basic Demographics**</u>. The HIES estimates the total population at about 730,000 as of November 1992, of which approximately seven-eighths lives along the coastal plain. There are an estimated total of 167,716 households, with an average of 4.28 persons per household.[1] A separate analysis of gender specific data found that 49,540 households, or 29.53 percent, were women-headed.

The HIES estimates that approximately 31 percent of the total population is considered "urban" and the remaining 69 percent "rural", although these categories are based on political-administrative boundaries rather than population density-per-area measures. The "urban" population is thus defined as those persons living in Guyana's one city or five

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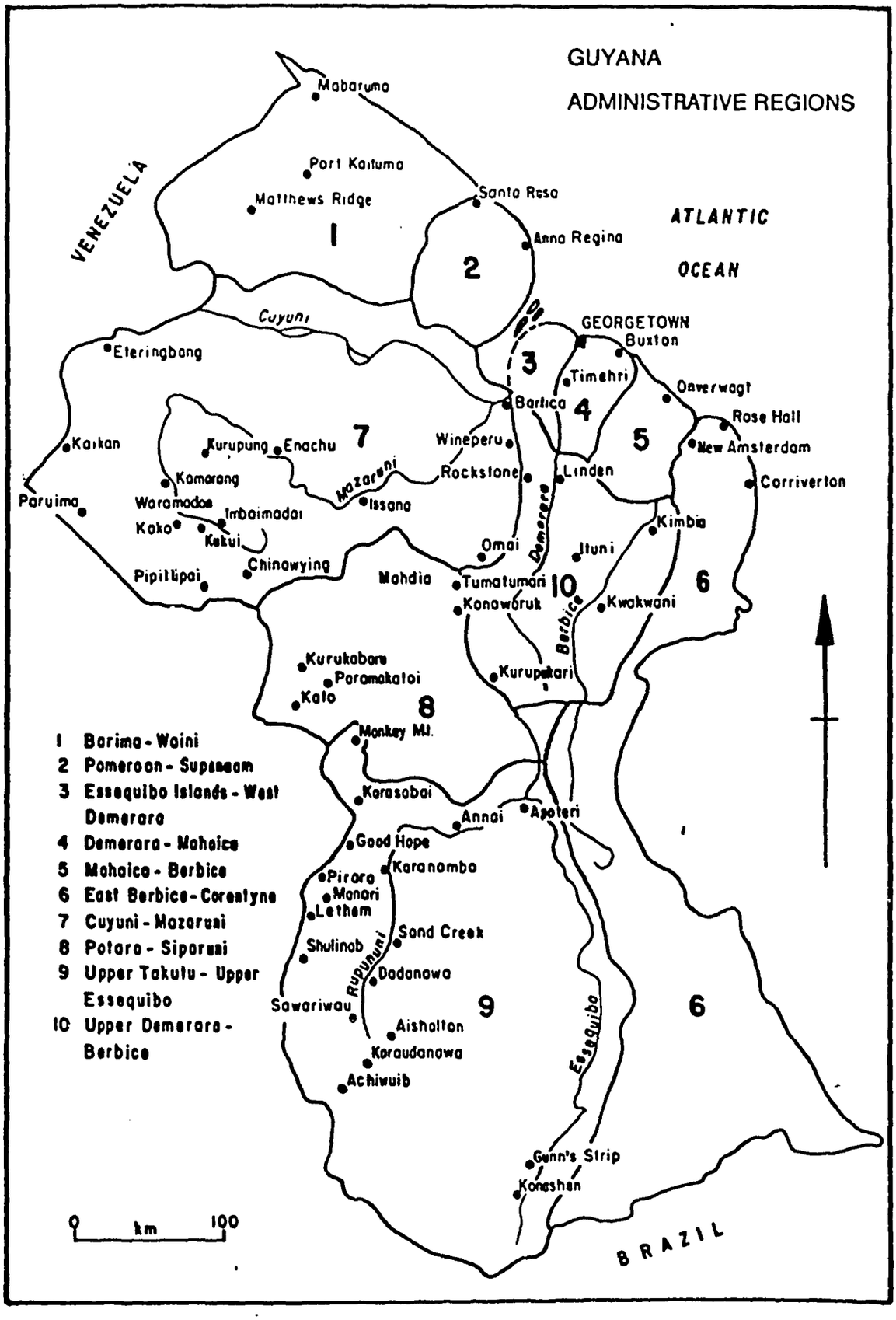
[1] The survey actually derived a population of 717,458 persons as of November 1992, to which it adds about 12,500 to reach the 730,000. This 12,500 is meant to account for non-institutional population, floating population, and foreign nationals and their domestic servants.


GUYANA
ADMINISTRATIVE REGIONS
VENEZUELA
ATLANTIC
OCEAN
BRAZIL
Mabaruma
Port Kaituma
Matthews Ridge
Santa Rosa
Anna Regina
GEORGETOWN
Buxton
Timehri
Onverwagt
Rose Hall
New Amsterdam
Corriverton
Eteringbang
Kaikan
Paruima
Kurupung
Enachu
Kamarang
Waramodoe
Imbaimadai
Kako
Kekui
Chinowying
Pipillipai
Cuyuni
Mazaruni
Issano
Wineperu
Rockstone
Bartica
Linden
Kimbia
Ituni
Omai
Mahdia
Tumatumari
Konawaruk
Kwakwani
Demerara
Berbice
Kurupukari
Kurukabaru
Paramakatoi
Kato
Monkey Mt.
Karasabai
Annai
Apoteri
Good Hope
Karanambo
Pirara
Manari
Lethem
Sand Creek
Shulinab
Rupununi
Dadanawa
Sawariwau
Aishalton
Koraudanawa
Achiwuib
Essequibo
Gunn's Strip
Konashen
1 Barima - Waini
2 Pomeroon - Supaneam
3 Essequibo Islands - West Demerara
4 Demerara - Mahaica
5 Mahaica - Berbice
6 East Berbice - Corentyne
7 Cuyuni - Mazaruni
8 Potaro - Siparuni
9 Upper Takutu - Upper Essequibo
10 Upper Demerara - Berbice
0 km 100

124

towns, as follows: Georgetown and its suburbs in Region 4, with 150,244 persons; New Amsterdam, Rosehall (Correntyne), and Corriverton in Region 6, with a combined total population of 39,071 persons; Linden in Region 10 with 31,127 persons; and Anna Regina in Region 2, with 2,480 persons. Although there is fairly high population density in some other areas along the coast (e.g. Regions 3 and 5), the rest of the population is considered "rural" by definition.

Gender and age ratios are similar to those for many countries. The ratio of women to men is approximately 1033 to 1000 nationwide, with no significant differences amongst regions. The survey found that a full 61.16 percent of the population is 15 - 64 years of age, or the most productive age group, with an overall age dependency ratio of 635/1000, or 0.6. This is much lower than that of many Third World countries, where dependency ratios may approach 1.0, and tends to refute the common perception that most of Guyana's productive population has left the country.

The population consists of six races, with the following percentage shares of by ethnic group of head of household nationwide: 'East' Indians, or Indo-Guyanese, about 49.49 percent; Afro-Guyanese, 35.63 percent; mixed race, 7.05 percent; Amerindian, 7 percent; Portuguese, 0.65 percent; Chinese, 0.34 percent; other, 0.04 percent (see Table 1 of the HIES). A separate analysis by ethnic group of <u>female</u> heads of household by ethnic reflects a different distribution and cultural norms: Indo-Guyanese, about 35.20 percent; Afro-Guyanese, 50.83 percent; mixed race 10.19 percent; Amerindian, 2.62 percent; Portuguese, 0.78 percent; Chinese, 0.31 percent; and others 0.07 percent.

The East Indians are concentrated in the agricultural and industrial areas along the coast in Regions 2, 3, 4, 5, and 6; about one-third are found in Region 4 (Georgetown), although they are equally divided by "rural" and "urban" in that region . The Afro-Guyanese are definitely more urban-based, with 55.6 percent in Region 4, followed by Region 10 (Linden) and 6 (New Amsterdam) with 12.44 percent and 10.96 percent respectively. The bulk of the Amerindians live in Regions 1, 2, 7, 8, and 9, with over 50 percent of all Amerindians living in Regions 1 and 9. In fact, in the remote Regions 1, 8, and 9, Amerindians form the majority group of inhabitants.

Although there is some evidence of decreasing sensitivities, the HIES demonstrated that race and gender continue to be important variables in terms of a number of socio-economic characteristics. The influence of these variables on employment and income/expenditure patterns are summarized in the following sections.

1.2.2 **Employment**. The total number of "usually employed" persons aged 15 and over in the labor force was 245,592, which represents 55.97 percent of the productive population aged 15 to 64. Of this total, 39.6 percent of the labor force was considered self-employed (of which 34.8 percent was women), 52.4 percent received a regular wage/salary (of which 31.9 percent was women), and 8 percent was casual labor (of which only 14.1 percent was women; many consider this category, and women's participation therein, unreported). The unemployment rate was calculated as 18.1 percent, with only 6.4 percent of economically active males unemployed and 11.7 percent of the same cohort of females unemployed.

Detail on the primary industry of the employed persons is found in the HIES Table 1.7.2 which is reproduced overleaf. The table demonstrates that the largest categories of employment for the population overall are as follows:

- "agriculture, hunting & forestry", at 27.1 percent of the total (of which 18.6 percent are women);
- "wholesale & retail trade," at 16.2 percent of the total (of which 45.4 percent women);
- "manufacturing," at 11.2 percent of total (29.6 percent women);
- "public administration & defence; etc.," at 7.4 percent of the total (of which 41.4 percent women);
- "transport, storage and communication" at 5.1 percent of the total (of which only 9.9 percent women); and
- "construction," at 4.1 percent (of which only 4.3 percent women).

Given the high number of state-owned enterprises active in agriculture and manufacturing in Guyana, it was not possible to sort out public and private sector employment by industry in the "wage/ salary" category. The World Bank's 1993 Public Administration Project stated that there were a total of 18,608 approved positions in the public service, which would probably equate to the "public administration" category at about 7.5 percent of total employment. Of this amount, about 67 percent of the employees are in the Ministries, 31 percent in the Regional Administrations, and 2 percent in the Constitutional Agencies, including Parliament and the Judiciary. These figures do not include employment in the semi-autonomous agencies and state-owned enterprises, including the state-owned banks.

Table 1.7.2 Estimated number of Usually Employed Persons of Age 15 and above classified by Socio-Economic Group of Head of Household, Industry, Employment Status and Sex

Industry	Self Employed			Regular Salaried			Casual Labour			Total		
	Male (1)	Female (2)	All (3)	Male (4)	Female (5)	All (6)	Male (7)	Female (8)	All (9)	Male (10)	Female (11)	All (12)
All Socio-Economic Group												
Agriculture, Hunting & Forestry	24,861	9,523	34,384	22,706	2,399	25,105	6,624	492	7,116	54,191	12,414	66,605
Fishing	3,274	600	3,874	2,288	270	2,558	978	23	1,001	6,540	893	7,433
Mining & Quarrying	2,288	253	2,541	5,385	918	6,303	957	35	992	8,630	1,206	9,836
Manufacturing	5,004	3,341	8,345	13,146	4,735	17,881	1,204	74	1,278	19,354	8,150	27,504
Electricity, Gas & Water Supply	94	-	94	2,020	437	2,457	56	-	56	2,170	437	2,607
Construction	2,600	138	2,738	5,429	257	5,686	1,649	43	1,692	9,678	438	10,116
Wholesale & Retail Trade	15,615	15,316	30,931	5,607	2,611	8,218	526	131	657	21,748	18,058	39,806
Hotels & Restaurants	372	527	899	598	1,582	2,180	18	-	18	988	2,109	3,097
Transport, Storage & Communications	3,567	205	3,772	6,803	986	7,789	1,009	53	1,062	11,379	1,244	12,623
Financial Intermediation	31	22	53	1,111	1,513	2,624	19	64	83	1,161	1,599	2,760
Real Estate, Rent & Business Activities	738	218	956	2,329	1,388	3,717	165	-	165	3,232	1,606	4,838
Public Administration & Defence; etc	311	87	398	10,102	7,290	17,392	191	111	302	10,604	7,488	18,092
Education	75	139	214	2,212	6,229	8,441	-	46	46	2,287	6,414	8,701
Health & Social Work	141	80	221	1,084	3,461	4,545	28	-	28	1,253	3,541	4,794
Other Community, Social & Personal Service	1,690	891	2,581	3,451	1,983	5,434	1,413	393	1,806	6,554	3,267	9,821
Private Households with Employed Persons	174	430	604	1,610	3,910	5,520	1,484	1,203	2,687	3,268	5,543	8,811
Etra-Territorial Organizations & bodies	-	-	-	93	22	115	-	-	-	93	22	115
No Industry	2,416	2,064	4,480	1,647	1,110	2,757	585	111	696	4,648	3,285	7,933
Total	63,251	33,834	97,085	87,621	41,101	128,722	16,906	2,779	19,685	167,778	77,714	245,492

A separate analysis of women's participation in the labor force found that the proportion of women currently represented has increased by almost three percent since 1986.[2] As shown in Table 1.7.2, women have a larger share than men in the smaller fields of hotel and restaurants, financial intermediation, education, health and social work, and "private households with employed persons."

In terms of ethnic variables, the Indo-Guyanese constituted about 48.5 percent of the labor force, and the Afro-Guyanese about 35 percent, which roughly matches their proportionate representation in the population. However, a full 62 percent of the Afro-Guyanese are part of the regular salaried labor force, as compared with only about 50 percent of the Indo-Guyanese; the latter have a larger share of self-employed (40 percent) and casual labor (10 percent) than the former, of whom 31 percent are self-employed and only 6 percent casual laborers. Persons of mixed race, the Chinese, and Portuguese tend to divide almost equally between salaried and self-employed. Not surprisingly, 75 percent of the predominantly rural Amerindians are self-employed.

These data support the general observation that the Indo-Guyanese have traditionally been more involved in private enterprise ownership and management, and the Afro-Guyanese have constituted much of the salaried workforce. However, the survey did not assess the extent to which individuals have more than one occupation. It is widely believed the many persons in low paying salaried employment, such as government work, also run their own micro-enterprises and/or engage in unreported casual labor. Thus many of the micro- and small enterprises working with IPED and Scotiabank are Afro-Guyanese owned and operated.

1.2.3 Income/Expenditure Patterns. About 53 percent of all households have only one earner, followed by households with two earners contributing to 24 percent. The average number of earners per household is 1.45. These data were not available on a gender-disaggregated basis.

Table 23 from the HIES,which provides the distribution of households over different household income groups, is reproduced below.

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[2] See "Some Social Indicators on Women in Guyana" prepared for the Seminar on HIES 1992-1993, Tower Hotel, October 1993.

178.

HIES Table 23: Usual Monthly Household Income Groups

Usual Monthly Household Income Group (Guyana dollars, to maximum US$)		ESTIMATED No. of HH	ESTIMATED % of HH
G$ - 4,000	(to US$ 32)	12,155	7.2
G$ 5,000 - 9,999	(to US$ 80)	25,122	15.0
G$ 10,000 - 14,999	(to US$ 120)	31,033	18.5
G$ 15,000 - 19,999	(to US$ 160)	27,894	16.6
G$ 20,000 - 24,999	(to US$ 200)	21,238	12.7
G$ 25,000 - 29,999	(to US$ 240)	13,388	8.0
G$ 30,000 - 34,999	(to US$ 280)	9,373	5.6
G$ 35,000 - 39,000	(to US$ 320)	5,707	3.4
G$ 40,000 - 44,999	(to US$ 360)	4,259	2.5
G$ 45,000 +	(above US$360)	17,547	10.5

NOTE: G$125 = US$1.00

Source: HIES Table 23

The table demonstrates that about 40 percent of the households fall below US$120 per month, another almost 40 percent range from US$121 - US$ 240, and a top 20 percent earn above US$241 per month. These data were not available separately for women-headed households. As might be expected, however, the survey found a positive correlation between income and number of income earners. Also, the survey found very little deviation between income and expenditures by income group.

The World Bank's analysis found that salaries in the public sector were low in comparison to the private sector, and even to public corporations. Salaries in the high level administrative and technical positions are particularly low, as reflected in the compression ratio which was estimated (and remains) about 6:1.[3] The existing salary scales for the public service range from G$3,417/month (US$25) for an entry level Grade 1, to about G$27,990/month (US$224) for a senior Grade 16. The Public Administration Project will eventually raise many of these salaries, although most decision-makers admit they will still not come close enough to private sector levels to attract public servants back to government.

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[3] The Bank defines the compression ratio as the ratio of the midpoint of the monthly salary for the highest salary grade to the midpoint for the lowest.

The HIES Table 31, which provides the average monthly household consumption expenditure by ethnic group, is reproduced below. These data were not available separately for women-headed households.

Table 31: Average Monthly Household Consumption Expenditure by Ethnic Group (G$)

Ethnic Group	Average Monthly HH Consumption Expenditure, G$
East Indian	22,372
Negro/Black	22,072
Amerindian	15,302
Mixed	22,350
Chinese	35,730
Portuguese	27,635
Other	34,830
All groups	21,967 (= US$175)

Source: HIES, Table 31, page 149

The HIES states the following regarding the summary table above, and its more detailed back-up tables:

> The striking feature is that for all three major ethnic groups vix East Indians, Negro/Black and Mixed, the average monthly household consumption expenditure is of the same order of G$ 22,000. For the Amerindians, it is only G$15,302, which is explained away by the fact that their consumption is mostly from home-grown or produced goods and their housing expenditure is minimal. ... Even considering the proportionate expenditure on different item groups also, the consumption pattern is, by and large, similar in respect of East Indian, Negro/Black and "mixed" ethnic groups. Only in respect of "Transport and communication" and "Miscellaneous Goods and Services", the "mixed" group appears to be spending more relatively, as compared to East Indian or Negro/Black. (HIES, pp. 149-150).

Thus in spite of some occasional continuing strong ethnic sensitivities, it appears that income and expenditure levels are roughly the same among the major groups.

1.2.4 **Health and Education**. Historically, Guyana's health and nutrition indicators have compared favorably with other countries in the Caribbean region. Recent evidence suggests, however, that some of the country's social indicators (mortality, morbidity, and nutrition) are in danger of being reversed. Recent Government statistics indicate, for example, that life expectancy in Guyana has declined from 70 years of age in 1985 to 65 in the beginning years of the 1990s. UNICEF reports an infant mortality rate of 52 deaths per 1,000 live births for 1990 and a child mortality level of 71 deaths per 1,000 for children under five years of age. This latter is significantly above the rate of 45 deaths per 1,000 births that IFAD indicates existed in 1982.

The most recent data on the nutritional status of young children, which are available from a small-scale survey that was conducted by GAHEF (Guyana Agency for Health Sciences Education, Environment and Food Policy) in 1991, also suggest that the nutritional status of young children has deteriorated since an earlier GAHEF survey in 1987 and since 1981 when the most recent most comprehensive, nation-wide survey was undertaken. According to these data, while the incidence of severe malnutrition appears to have risen only slightly, mild to moderate malnutrition was found in a significantly higher percent of the children in 1991 (23.6 percent) than in 1987 (20.7 percent).

The incidence of diseases such as typhoid, hepatitis, and gastroenteritis has increased substantially as a result of the breakdown in basic services such as the water supply, sanitation services and waste collection. The HIES found that only 9.1 percent of households have private taps piped into their dwellings, with 59 percent relying on public standpipes in their dwelling, yard, or a nearby area. The sewerage system in Georgetown is seriously overloaded, and the HIES found that over half of all households nationwide have no arrangement for sewerage removal at all.

Anemia due to iron deficiency in the diet continues to be a serious nutritional problem that affects people in all walks of life. Data from health centers from 1990 showed, for example, that over 76 percent of pregnant women attending suffered from mild/moderate anemia. Cases of severe anemia increased from around 5 percent of health center attenders in 1986 to over 9 percent in 1990. Approximately, 61 percent of all school children suffered from anemia in 1986.

Per capita calorie supplies, although they have declined since the mid-1980s, remain above the 2,300 calorie level which suggests that the percentage of people who are having difficulty accessing adequate calories may be less than in other countries with similar per capita income levels. Households' ability to access sufficient quantities of food is also influenced by food

prices. The prices of food, in fact, did skyrocket during the period 1989-1991 when food subsidies were removed and the currency was devalued. More recently, food prices seemed to have stabilized and overall inflation fell to only 14 percent in 1992. However, food prices in the country are still relatively high due in part to the combined impact of the country's tariff structure and consumption tax which has a negative impact on the purchasing power of households, poor households in particular. The new Consumer Price Index constructed based on the HIES 1992-93 will provide an important basis for monitoring possible changes as taxes and tariffs are reduced under the ERP.

In spite of these difficulties, literacy levels remain high as education is valued. The HIES found that 98 percent of the population claims it is literate, with the levels for men and women almost the same. However, these self-proclaimed literacy levels come into question when compared with data on the highest level of schooling. Almost half of the persons have only completed primary school, with the estimated number of "graduates and post graduates" constituting a meager 1.29 percent. Levels are about the same for men and women.

2. Socio-Cultural Feasibility

Socio-cultural feasibility of BEEP must be addressed at two levels: a) the feasibility of the planned inputs, TA and training, achieving the desired outputs; and b) the feasibility of the combination of outputs achieving the end-of-project status conditions, purpose, and goal over time. Each of these levels is discussed in summary below.

2.1 Input-Output Feasibility

Both the MOF and MTTI, and a number of the targeted PSOs and NGOs, have prior experience with expatriate and Guyanese TA, training, and receipt of commodity support, and no problems are foreseen in the provision of these inputs under the project. Project implementors will need to remain sensitive to potential barriers posed by ethnic and gender prejudices, and to devise means to overcome possible problems. For example, project management must assure that short-term TA and trainers encourage <u>active</u> participation of women in all skill training sessions, and, if necessary, establish percentage targets with each ministry to assure at least proportional representation. The same approach pertains to participation of the various ethnic groups.

Assuring broad-based participation by private enterprises and individuals in various private sector activities will be more difficult. There are few women's business and professional associations at this time, and -- with some notable exceptions -- women tend not to become too active on boards or executive

172

committees of the PSOs. Again, TA and training will need to be designed to try to encourage more participation, where possible, either in the PSOs and NGOs or at least in the various fora and workshops to be offered. Red Thread and the Women's Bureau of the GOG, are two logical places to help in publicizing such events.

Although none of the associations are wholly one ethnic group or another, existing sensitivities or prejudices have resulted in some associations being dominated by one or the other of the major groups. Also, because of habitation patterns, the chambers in Linden and Berbice also tend to be more representative of the predominant group in the area, which for Linden is Afro-Guyanese and for Berbice is Indo-Guyanese. Project management will need to remain aware of potential prejudices and possible problems of credibility as broader fora and training sessions are planned, and to assure that representatives of <u>both</u> major groups are involved in planning and implementation to the extent possible.

Other potential obstacles to achievement of project outputs are inherent in the organizational/bureaucratic culture, and are summarized in section above. Others are enumerated in the analysis of "key stakeholders and their interests" found in Annex H. Of particular importance to feasibility of achieving project outputs are the following two observations:

- Guyana's PSOs generally support the objectives of the ERP, though some argue for protectionist policies that go against the grain of the ERP's reforms; and

- The interests of career civil servants in a better business environment are less clear; as private citizens, an enhanced business climate may mean better job opportunities outside the public sector, an option many bureaucrats with marketable skills are choosing. In their capacity as civil servants, the credibility and reputation of the public bureaucracy could improve by building a more supportive business environment, but how strong a concern that might be for the average civil servant is hard to estimate.

In terms of the first observation, the project recognizes that Guyana's private sector is diverse, and seeks to work with that diversity through multiple venues. It is conceivable that TA provided under BEEP to selected PSOs and/or NGOs could help them undertake analysis that support a position that is contrary to what the World Bank or MOF is promoting under the ERP. This is particularly likely in terms of small or micro-enterprises promoting equitable spread of benefits. However, these groups need to have improved skills and venues to be able to argue such positions effectively, if they are to participate in the dialogue

on the ERP. Thus, the diversity should be supported and different positions encouraged.

In terms of the second, the project accepts that many of the lower level civil servants in particular may not have a strong interest in an improved business environment. However, most do have an interest in learning new skills and working in an improved organizational setting. To the extent their supervisors begin to adopt strategic management concepts and skills, and utilize them to improve specific units' effectiveness, the lower level staff are likely to be more accepting.

To the extent that implementors remain cognizant of the issues summarized above, the project is considered socially and institutionally feasible. Should managers begin to limit participation to fewer actors or specific groups of actors, and allow a more exclusionary dialogue, benefits will be slower in coming and more limited. The challenge of project implementation will be to ensure the widest possible participation in activities, and thus benefits, possible while maintaining forward momentum on the reform process.

2.2 EOPS, Purpose, and Goal Feasibility

The project strategy to achieve the two end-of-project status conditions essentially focuses on increasing the dialogue between and among Guyana's primary economic actors in order to enhance Guyanese ownership of the policy reform process, and to assure that benefits of the process are broad-based. Given socio-cultural and economic disparities summarized above, it is important that project management assure that any work on macroeconomic and sectoral policies address potential distributional factors as they concern growth. It is essential that these factors be highlighted and considered if the project end-of-project status conditions are to be achieved in a sustainable manner. Annex J includes a more detailed discussion in this regard, with some summary examples provided below.

For example, the current administration has slowed its privatization efforts considerably due to negative feedback from the general population. It has only recently begun activities again, but this time with a specific plan for assuring the employee stock ownership plans (ESOPs) are an integral part of each privatization. It has suggested a minimum 10 percent ESOP requirement in all offerings, but encourages more. Such specific activities bode well for equity and the overall impact of the privatization efforts on salaried labor.

Another example concerns trade policy reforms. Guyana's removal of quantitative restrictions on imports and the country's commitment to tariff reductions under the Common External Tariff (CET) should increase the availability of goods consumed by the

poor, and lower their cost. However, tariff reduction as now planned will be accompanied by a broadening of the range of dutiable items as well as the removal of some items from the zero-tariff categories. This broadening and reclassification should be carefully considered so as to exclude basic necessities that are important in the consumption baskets of the poor, and can be addressed by short-term consultants under the project.

In the tax policy area that the World Bank is addressing, the first G$120,000 of personal income is now exempt from direct taxes, and therefore by definition, the poor are exempt from these taxes. However, indirect taxes (e.g., consumption taxes) affect the poor. Again, project-supported analyses can examine if basic necessities should be exempt from consumption taxes, and other items taxed at a higher rate. Finally, as stated in section 1.2, reform of the banking system is required in order to increase access to debt capital for the small and micro-enterprises. It is encouraging that the new banking law has been introduced into parliament, and it is hoped that it will be followed by increased coverage of programs such as those of Scotiabank and IPED that directly help the poor. Short-term TA and training provided under BEEP, both through IESC and the institutional contractor, would be available to these institutions to help them in this regard.

TA assigned under the project will assure that distributional issues such as those above are addressed in on-going analyses, and will highlight any problems at the highest levels. The current government is deeply concerned about equity issues, and is expected to be responsive to related recommendations. To the extent this and subsequent governments have the political will to act on these concerns, the end-of-project status conditions are considered feasible.

3. Project Beneficiaries

Direct project beneficiaries are as follows:

- approximately 300 employees of the MOF and MTTI will receive on-the-job training from resident and short-term TA, including workshops, seminars, and retreats, and an estimated 100-125 of these persons will participate in formal local training courses in administrative systems;

- approximately 25-50 staff and board members of participating PSO/NGOs will also receive the on-the-job training and local training courses in administrative systems and management; an additional 400-450 members of targeted PSO/NGOs will benefit from workshops, seminars, and roundtable discussions designed to enhance membership knowledge and skills in strategic planning and management.

- an estimated 275 small businesses, most of which are managed by individual owner/operators and have fewer than 25 employees, will benefit from IESC interventions;

- approximately 12 persons will benefit from off-shore training or study tours designed to demonstrate successful public-private sector collaboration in the ERP; representation between public and private sectors will be approximately equal.

In terms of indirect beneficiaries, the 11 representative PSOs account for between 400-800 registered businesses throughout Guyana, the illustrative NGOs have an additional 600 clients/constiutents, and IPED and Scotiabank may be considered to represent another 2000 - 3000 concerns. About 80 percent of the owners and/or managers of these enterprises will become indirect beneficiaries under the project through assistance to the PSOs/NGOs who represent and/or serve them.

Drawing from the data in the HIES, the 300 public sector employees (of whom approximately 40 percent are women) are among the poorest in the country. Because the project tacitly accepts that some will use their project training to get higher paying jobs in the public sector, and thus provides for overtraining, these benefits will be significant to the individuals involved. Those that stay in the government will also benefit in terms of increased job satisfaction and efficiency.

The assistance to the private sector will be skewed to the smaller enterprises, again among the poorer in the country. As stated above, all efforts will be made to assure that all ethnic groups participate in, and tnus receive equal benefits from, project activities. Also as stated above, efforts will be made to increase the active participation of women in the PSO and other fora over time, to assure that their voices contribute to the sector's dialogue with government.

The assistance to the public sector is structured to assure that equity concerns are integrated into TA and training provided. The training will provide guidance to the ministries on how to shape policies that specifically target micro-, small, and emerging businesses for sound and sustained development. The training workshops will also provide guidance in understanding the different needs of large, medium, and experienced businesses on the one hand, and micro-, small, and emerging businesses on the other.

Over the life of the project, as the MOF becomes more efficient and effective in implementing the PSIP, and both it and the MTTI implement provisions of the ERP on a more timely and equitable basis, the project will broadly benefit most of Guyana's population of 730,000.

4. Project Impact

Guyana is emerging from several decades of a centrally-controlled economy, dominated by state-owned enterprises and state-operated institutions. Private businesses are opening, and closing, almost daily, and economic growth is quite promising. The government, and selected public and private support and service institutions, need to increase their efforts to meet the needs of emerging and growing businesses if all segments of the population are to benefit and if this growth is to be sustained over time. To the extent A.I.D. can help the government and the private support and service institutions to meet these needs in a sustainable manner and on an equitable basis, the project should have a beneficial impact.

ANNEX H

PUBLIC SECTOR TECHNICAL/INSTITUTIONAL ANALYSIS

NOTE TO READERS:

A.I.D. Project No. 504-0107 for Guyana has experienced a number of name changes during the course of its development. Thus, any reference in this Annex to the "Business Environment Enhancement Project," which was the name at the time of the PID, shall be understood to refer to the renamed "Building Equity & Economic Participation" Project. The major project elements remain the same.

IMPROVING GUYANA'S PUBLIC SECTOR POLICY IMPLEMENTATION CAPACITY TO FACILITATE PRIVATE INVESTMENT: AN INSTITUTIONAL ANALYSIS AND TECHNICAL ASSISTANCE STRATEGY

by

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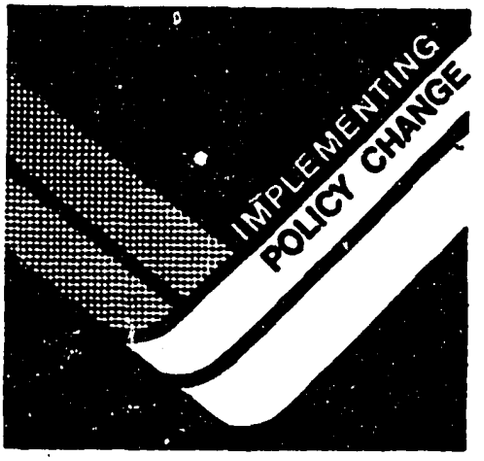
January 1994



U.S. Agency for International Development

Implementing Policy Change Project (No. 936-5451)
Management Systems International (lead contractor)
Abt Associates Inc.
Development Alternatives Inc.

140

Table of Contents

I.	INTRODUCTION	1
A.	Guyana and the Economic Recovery Program	1
B.	The role of BEEP in the ERP	2
C.	Overview of the report	3
II.	THE SETTING FOR POLICY REFORM IN GUYANA	3
A.	The ERP trade and investment agenda and the policy process	3
B.	Key stakeholders and their interests	5
C.	The role of the public sector and the primary institutions involved	6
III.	INSTITUTIONAL ANALYSIS OF THE MOF AND MTTI	7
A.	Ministry of Finance	8
B.	Ministry of Trade, Tourism, and Industry	17
IV.	TECHNICAL ASSISTANCE AND TRAINING FROM OTHER DONORS	22
A.	Ministry of Finance	22
B.	Ministry of Trade, Tourism, and Industry	24
V.	A STRATEGY FOR IMPROVING ERP IMPLEMENTATION PERFORMANCE OF THE MOF AND MTTI	25
A.	Institutional development for the MOF and MTTI	25
B.	Long-term and short-term TA and training	30
C.	Key issues and risk factors for the success of BEEP's public sector component	36
BIBLIOGRAPHY		40
ANNEX A		43
ANNEX B		45

141

I. INTRODUCTION

Guyana is a country with a wealth of natural resources and development potential. Located on the coast of South America neighboring Venezuela and covering an area of approximately 83 thousand square miles, Guyana has a population of about 730 thousand. concentrated along the Atlantic coastline. Despite its abundance of resources, Guyana's Gross National Product per capita, estimated at around US$400 per annum, is the lowest of the countries in the Eastern Caribbean region.

Guyana has only recently begun to emerge from the effects of more than 20 years of state-led socialism following independence from Great Britain in 1966. Guyana's leadership closely controlled all economic activity, either directly through state-owned enterprises or indirectly through tight price, credit, and foreign exchange controls. The cost of economic mismanagement has been high: weak economic growth (less than one percent per year during 1966-89), massively deteriorated physical infrastructure, capital flight, lack of investment, a significant "brain drain" of human resources, increasing poverty, and a huge accumulation of debt compounded with debt servicing arrears. By the late 1980s, Guyana faced a crisis that its socialist leaders could no longer address with stopgap remedies. Fundamental changes in development strategy were called for, and the government of Guyana (GOG) turned to the international financial institutions for help.

A. Guyana and the Economic Recovery Program

Since 1988 the GOG has been implementing an Economic Recovery Program (ERP), initiated by the International Monetary Fund (IMF), that fundamentally reorients Guyana's economy from a state-directed to a market-led strategy. The ERP's structural adjustments and policy reforms are designed to establish a base for sustained economic growth while lowering inflation, addressing balance-of-payments problems through trade liberalization and export promotion, rescheduling debt payments, and integrating the official and underground economies. The IMF macroeconomic stabilization program forms the overarching framework for the ERP. Within that framework Guyana's other donors, both multilateral and bilateral, are providing assistance that is intended to help the GOG achieve the ERP's policy targets.

The World Bank has two efforts that are central to the government's ability to carry out the ERP successfully. The first is the Public Administration Project, with a budget of US$12 million, that started up in July 1993. This project has three components: a) reform of civil service employment practices and salaries; b) improved public sector management systems and procedures in financial and human resources management, and in local government at the regional level; and c) recruitment of qualified Guyanese from the diaspora into the civil service. The second is the Private Sector Development Adjustment Loan, which is in the process of being developed and negotiated. This US$25 million project targets divestiture and privatization of state-owned enterprises, financial sector reforms, liberalization of trade

142

regulation, and tax and customs reforms. Closely allied with the World Bank's private sector loan is a complementary US$35 million Interamerican Development Bank (IDB) loan for financial sector reform that focuses on the banking sector.

Guyana has been quite successful in turning the economy around over the past five years, largely as a result of "stroke-of-the-pen" reforms that eliminated the system of government controls that restricted economic activity. The challenge facing the Jagan administration, in office now for a year, lies in taking reform measures that will support and nurture the economic vitality that the elimination of restrictions has allowed to emerge. These measures, such as public sector reorganization and privatization, are not of the self-implementing nature of the earlier ones, but call for resource expenditure and proactive management on the part of the GOG over an extended time period. Without such reforms, the private sector will not be in a position to play its anticipated role in development so that Guyana's economic recovery is sustained over the long term.

Another important element in facilitating the expansion of private sector investment in Guyana is the public sector investment program (PSIP), which is intended to provide the necessary supportive infrastructure to make private investment both effective, and ultimately, profitable. The 1993 PSIP is about US$100 million (31 percent of Gross Domestic Product, GDP, according to the IMF). Rehabilitation of the sugar, bauxite, and electricity industries accounts for about 55 percent of the PSIP, with the remainder allocated to social and economic infrastructure. Successfully implementing the PSIP, as with the current set of policy reform measures, requires that key GOG agencies become effective and proactive development managers.

B. The role of BEEP in the ERP

Despite the impressive performance of the Guyanese economy in recent years, the country's environment for private sector investment is still considered relatively insecure and high risk. The current situation is characterized by delays in moving forward with legal and regulatory policies, lack of transparency and consistency in public-private sector dialogue on reforms and priorities, and debilitating holdups in making progress on PSIP implementation. In response to the need to address these problems, the U.S. Agency for International Development's (A.I.D.) Business Environment Enhancement Project (BEEP) targets the policy reform implementation capability of the GOG. The purpose of BEEP is to increase the capacity of key public and private sector organizations to strengthen the business environment in Guyana. BEEP is intended to complement the donor actions supporting the ERP that are in the process of being implemented in Guyana over the last several years. The project has two parts: a public sector component that provides support to the Ministry of Finance (MOF) and the Ministry of Trade, Tourism, and Industry (MTTI); and a private sector component that supports several business associations. BEEP is a four-year effort with a total budget of US$6 million (US$4.5 DA, US$1.5 LC).

C. Overview of the report

This report elaborates an approach to providing institutional development (ID) assistance to the MOF and the MTTI to strengthen their capacity for effective policy implementation and development management. It begins with an examination of the major features of the ERP policy environment as it relates to private sector trade and investment policy, and of the roles of the MOF and the MTTI in the policy process. The next section presents a detailed institutional analysis of the two ministries, highlighting key constraints and weaknesses, as well as noting strengths and successes. A description of technical assistance (TA) and training being provided to the ministries by other donors constitutes the following section. The final section of the report presents the details of the institutional performance improvement approach and planned actions for BEEP's ID support to the MOF and the MTTI; including some caveats regarding necessary conditions for effective utilization of TA and training, as well as issues of sustainability and impact. Documents consulted and other sources used in assembling the report are listed in the bibliography. Annex A contains a list of persons contacted, and Annex B is the scope of work.

This report uses data gathered from document review and in-country interviews and observation of work conditions and procedures in the MOF and the MTTI. The authors met for two days in Washington and one day in Barbados with RDO/C staff to review selected documents and prepare a workplan, and then undertook a mission to Guyana from December 1 to 11, 1993. A draft report was written and discussed with the RDO/C in Barbados during the following week. The final version of the report was prepared in Washington.

II. THE SETTING FOR POLICY REFORM IN GUYANA

This section reviews the ERP trade and investment policy agenda and the policy process, the key stakeholders and their interests, and the role of the public sector with a particular focus on the MOF and the MTTI.

A. The ERP trade and investment policy agenda and the policy process

The ERP comprises a comprehensive set of macroeconomic and structural policy and operational reform targets. These include: a) a floating exchange rate and market prices for commodities (except for sugar and electricity tariffs); b) strengthened public finances, including actions to improve public sector management efficiency and effectiveness on both the revenue (tax and customs) and expenditure sides; c) a public investment program that will rehabilitate the country's economic and social infrastructure; d) a public enterprise divestiture and privatization program; e) sectoral programs that promote sustainable use of Guyana's natural resources; f) monetary and credit policy reforms, including banking sector reforms; and g) revised external debt management policies to reduce indebtedness.

The GOG has realized significant achievements since the start of the ERP. The following figures provide some illustrative indicators. Inflation has been reduced from 104 percent per year in 1989, to 70 percent in 1991, 14 percent in 1992, and falling to 2.1 percent for the first half of 1993. Growth in the GDP has been reversed from the country's earlier negative growth rates to a consistently increasing positive trend since 1991, with GDP for 1993 in the eight percent range. Foreign exchange reserves are currently equivalent to approximately five months of imports, and government revenues for the first six months of 1993 are up US$18.5 million over the same period in 1992. The exchange rate has somewhat stabilized at about G$124 to US$1 except for seasonal periods when demand for imports increases. The value of the central government deficit declined from 51 percent of GDP in 1989 to 34 percent in 1992. The balance of payments deficit declined from US$113 million in 1989 to US$74 million in 1992. Public sector debt declined from US$1.85 billion in 1989 to US$1.83 billion in 1992.

The GOG's commitment to pursuing these reform targets, set primarily by the IMF and World Bank, is the main force behind the level of performance attained, especially in the last three years. The following is a list of illustrative measures taken that have contributed to the economic turnaround:

- Introduction of new players in the foreign exchange market to accelerate its liberalization;
- Removal of price controls, subsidies, and import restrictions;
- Modifications in the tax system, improvements in tax administration, and increases in revenue collection;
- Introduction of a liberalized interest rate regime.

Despite the progress made in meeting the IMF and World Bank targets, much remains to be done to put the Guyanese economy on a stable footing and further enhance the trade and investment climate so as to expand the scope of participation of private enterprise, which is expected to be the engine of growth and the main source for sustained economic development. Up to the present, the economic policy process has involved dialogue mainly between the GOG at the highest levels and donor agency representatives. The strictures imposed by the ERP and the lack of resources other than those provided by the donors limit to a large extent the possibilities for government, or other interest groups, to effectively pursue other policy agendas. Nonetheless, among a relatively small group of private sector actors, and between that group and senior GOG officials, a lively national dialogue on economic reform and the role of the private sector takes place, much of it reported on in the newspapers. The Jagan administration wants to expand the policy dialogue process to make it more open, more inclusive, and less ad hoc.

Moving in this direction, however, means responding more effectively to larger numbers of

145

interest groups and stakeholders, a difficult task for a government that has inherited a near-moribund public sector. The GOG must face the challenge of increasing the efficiency and effectiveness of the civil service, rehabilitating social and economic infrastructure, and strategically managing policies and programs to enhance the environment for private enterprise. Developing and communicating a shared vision about what economic policy objectives are feasible to private sector operators, civil servants, and the public at large will be central to creating a sufficiently strong constituency to pursue the ERP's long-term reform measures.

B. Key stakeholders and their interests

The key stakeholders in an improved environment for business in Guyana are: international donor agencies, private sector operators and investors, public sector agencies with a role in managing the economy, unions, wage earners, and consumers. Each category of stakeholders has a set of interests in policy reform in support of private sector investment.

The interests of the international donors, both multilateral and bilateral, revolve around seeing the targets of the ERP met, and assuring that their programs and projects can move ahead as planned. Donors funding individual projects in the PSIP are particularly concerned with seeing rapid progress made on increasing GOG absorptive capacity. Some projects have been sitting in the pipeline for years, unable to advance to implementation. In some cases these delays are costing the GOG large amounts of money in loan commitment fees.

In addition, donors are interested in maintaining Guyana's progress on democratization, human rights, environmental issues, and equity. All of these relate to some extent to the business environment. Democratization links to expanding the policy dialogue and increasing avenues for participation in economic decision-making. Human rights are important for portraying Guyana as an attractive place for foreign investment. Environment issues arise in terms of the sustainability of growth strategies based on exploitation of natural resources. And finally, equity issues relate to making the business environment accessible to small and medium entrepreneurs, not just the larger operators.

Private sector operators and investors are concerned with inadequate and debilitated physical infrastructure, lack of access to capital, bureaucratic impediments in licensing and regulation, and lack of transparency in GOG economic decisions and actions. This latter is particularly important in the context of the World Bank-supported divestiture of state-owned enterprises. Guyana has a number of commodity and business associations that serve to aggregate private sector interests, such as the Guyana Manufacturers Association (GMA), the Private Sector Commission (PSC), the Consultative Association of Guyanese Industries (CAGI), and the Chambers of Commerce. These entities are the major interlocutors with government on private sector policy issues. Members of this stakeholder group generally support the objectives of the ERP, though some argue for protectionist policies that go against the grain of the ERP's reforms.

GOG public sector agencies with some kind of role in managing the economy include the two that are the focus of BEEP: the MOF and the MTTI, as well as banks and other lending institutions. In addition, the Office of the President and the Cabinet have interests in enhancing the business environment. Key concerns for members of this stakeholder category bifurcate according to organizational level, with the leadership of these agencies having one set of interests and the career civil servants another. Interests of the leaders include: satisfying the conditionalities of the ERP and moving ahead with the PSIP, reforming the financial sector, revitalizing the Guyanese civil service so that the "ship of state" is more responsive to its PPP/Civic helmsmen, and making good on the promises of the Jagan administration. The interests of career civil servants in a better business environment are less clear; as private citizens an enhanced business climate may mean better job opportunities outside the public sector, an option many bureaucrats with marketable skills are choosing. In their capacity as civil servants, the credibility and reputation of the public bureaucracy could improve by building a more supportive business environment, but how strong a concern that might be for the average civil servant is hard to estimate. Those in the public sector banks are probably the most concerned.

Unions, especially of employees of public enterprises targeted for privatization, have interests in an enhanced business environment for reasons of maintaining their employment, or having viable options for alternative employment. President Jagan's association with the union movement increases the clout of this stakeholder group. Non-union wage earners concerns are those of direct self-interest, economic survival, and improved living standards. Consumers' concerns center around availability of new and improved goods and services that will emerge as a result of a more conducive private sector climate.

C. The role of the public sector and the primary institutions involved

The role of the Guyanese public sector is in the process of shifting from one of direct producer of the majority of goods and services to a facilitator role, responsible for creating and maintaining a suitable environment to ensure that the private sector can flourish. Its leadership role in this regard spans initiation and management of sound macroeconomic and fiscal policies, and maintenance of public sector organizational capacities, and establishment of the necessary legal/regulatory frameworks. Some specific functions include:

- Strategic and efficient allocation and management of resources in the PSIP to ensure that an adequate level of socioeconomic infrastructure is built and maintained.

- Development and execution of sound sector policies to attract small and large private investments from local and overseas sources.

- Maintenance of fiscal policies to ensure that adequate financial resources are available to the private sector.

- Management of efficient administrative systems to deliver satisfactory services to the business community.

- Maintenance of a cadre of competent and motivated personnel to provide direct services or carry out a range of analytical work to facilitate sound decision making.

- Development and execution of a suitable legal framework to promote fair competition.

- Development and execution of effective policy and legislative frameworks for sustaining the natural environment.

- Management of international economic cooperation programs and trade facilitation services to encourage exports.

The two GOG ministries with major responsibilities for fulfilling the above functions are the MOF and the MTTI. Their capacity to do so in assessed in the next section.

III. INSTITUTIONAL ANALYSIS OF THE MOF AND THE MTTI

A wide variety of perspectives exists from which to approach institutional analysis (see Brinkerhoff 1988, 1986). The approach taken here consists of a framework that examines three categories of institutional variables: a) institutional stock, or what the organization has; b) institutional capacity, that is, what the organization does with what it has; and c) institutional performance, which addresses the results and impacts of the organization's functional efforts. More specifically, this institutional assessment framework consists of three types of analysis:

- Assessment of institutional stock. This includes official mandate and authority, internal structure (formal and informal), systems and procedures, staff, equipment and facilities, budget and funding sources.

- Assessment of institutional capacity. The analysis encompasses gauging ability to effectively utilize institutional stock to achieve objectives and missions. Focus is on management decision-making patterns, leadership, access to resources and support, communications, delegation and operational discretion, and routine versus strategic orientation.

- Assessment of institutional performance. This analysis focuses on what the institution has actually been able to accomplish by identifying examples, or "critical incidents," that illustrate good (or poor) performance.

The sections in this part of the report apply this analytical framework to the Ministries of Finance and Trade, Tourism, and Industry.

A. The Ministry of Finance

1. Institutional stock

a. Mandate and functions

The MOF's mandate is to foster strong economic development by managing and maintaining sound public finances, providing a positive framework for public and private initiatives and mobilizing inflows and resources. The core functional tasks of the Ministry include:

- Coordination of the ERP
- Development and management of economic policies, and conduct of policy analysis and planning
- Management of public finances
- Collection of revenues (tax and customs)
- Monitoring of public enterprises
- Oversight of the privatization program
- Coordination of multilateral and bilateral donor and NGO programs
- Coordination of compilation and publication of demographic, social, trade, and economic data and statistics
- Valuation and disposal of GOG property and assets.
- Regulation, licensing, supervision and inspection of banks and other financial institutions
- Management oversight of the PSIP.

b. Structure

The MOF executes these core functions through an organizational structure comprising a central administration and nine autonomous statutory bodies. The ministry is in the process of restructuring, having recently absorbed the former State Planning Secretariat and the Department of International Economic Cooperation (DIEC). As currently planned, the

central administration comprises three division-level offices that report to the Secretary to the Treasury: the Office of the Budget, Office of Planning and Policy Development, and Office of Administration and Allied Services. In addition three departments also report directly to the Secretary: the Customs and Excise Department, the Inland Revenue Department, and the Accountant General's Department. A new Privatization Unit has been created to respond to the conditionality in the World Bank's privatization program. The MOF's statutory bodies are: the Bank of Guyana (the Central Bank), The Statistical Bureau, the Cooperative Finance Administration (COFA), the Guyana National Cooperative Bank (GNCB), the Guyana National Cooperative Bank Trust Corporation, the Guyana Agricultural and Industrial Development Bank (GAIBANK), the Guyana Cooperative Insurance Service and National Insurance Scheme, and the Dependants' Pension Fund.

The MOF's organizational structure is graphically displayed in Figure 1. Our institutional analysis focuses only on the central administration units of the ministry, mainly because this is the part of the organization being targeted for A.I.D. institutional strengthening. The other areas are either already receiving or under review for technical assistance from the World Bank, the IDB, the British Overseas Development Agency (ODA), and the United Nations Development Program (UNDP).

The MOF's organizational structure responds relatively clearly to its assigned mandate and functions. For example, most of the units in the central administration pursue interrelated tasks, which the structure as currently planned facilitates. The MOF's statutory organizations produce distinct services that justify their operations without a direct link to the central administration.

There is, however, room for modifications to the structure to make it a more efficient user of personnel, especially given the severe shortage of qualified human resources. Some opportunities also exist for structural adjustments that could help to reduce operating costs, improve efficiency and task turnaround time, and level of accountability. Possible suggested changes are: the Valuation Division could merge with the Accountant General Department, and/or the Fiscal and Monetary Policy Department could be moved from the Office of the Budget and re-assigned to Planning and Policy Development. All of the activities executed by the former DIEC could merge with the multilateral financial institutions unit. The Public Enterprise Monitoring and Private Sector Development Division under the Planning and Policy Development Office could be merged with the Privatization Unit.

c. Systems and procedures

The MOF's systems and procedures are generally inefficient, ineffective, burdensome, and inappropriate for good service to the internal and external clients. The absence of efficient systems and procedures is a major source of dislocation and inconvenience to the ministry and its clients, especially in the current situation of high employee turnover mainly because institutional memory is embodied in individuals (who may no longer work there). This

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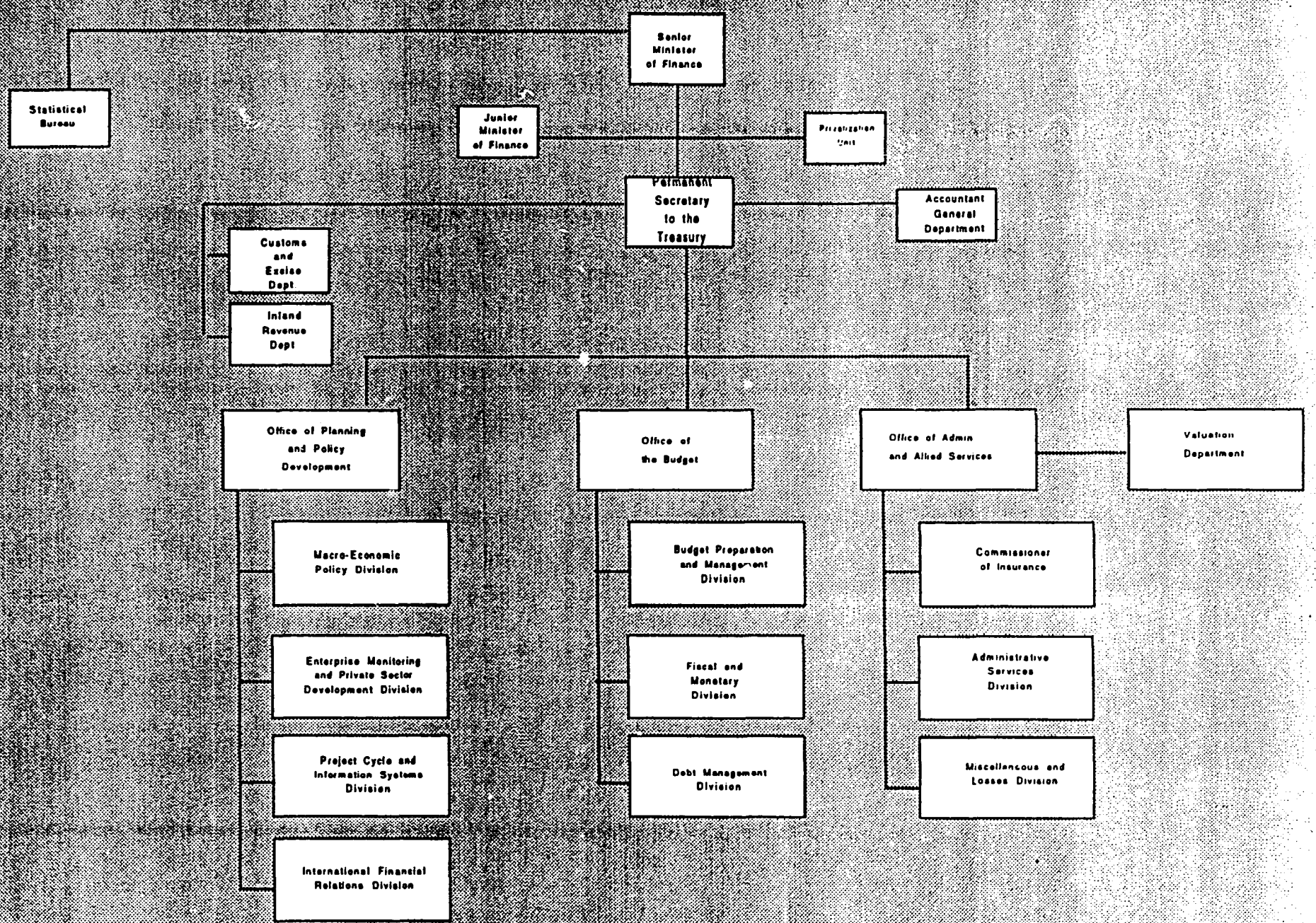


individualized work approach also impedes on-the-job training, or self-help learning, so a percentage of staff cannot perform their duties because their is no source of information on what to do and how independent of a particular person or person(s). Consequently, in many cases senior personnel are engaged in routine tasks that require lower levels of skills and knowledge to perform.

There are no operations manuals to guide personnel on administrative and technical practices. Hence, there are no reference standards for services or professional and technical practices. The absence of manuals denies personnel the opportunity to work with a minimum of supervision. Similarly, when there is a resignation the successor in the post doesn't have knowledge of systems and procedures to continue to work with.

Most information stored can only be accessed by the individual who stores it, so when he/she resigns or is absent from work, the ministry is not able to respond quickly to requests from the business community, or carry out analyses for the Minister at short notice. As a result, many senior personnel maintain their own personal files to enhance the quality of their performance. This individualized approach is very costly to maintain and is not effective.

Communications procedures suffer due to the scarcity of telephones. With over twenty persons per phone it is almost impossible to communicate to the business community. Most times the phones are located in the office of senior staff, who have to be frequently disrupted to accommodate telephone users.

Report production capability except for the budget preparation is very weak. The typing personnel have to use manual typewriters and stencils a great deal. Consequently they are not able to produce attractive, timely and accurate reports on a frequent basis. The manual personnel data system restricts the ministry from making staff appointments to positions expeditiously, recommending promotion and training on a timely basis, or computing employee benefits expeditiously.

All of the above examples are major contributors to the prevailing negative environment at the ministry. It can be characterized as: inefficient, a poor provider of customer service and a demoralizing working environment for employees. These factors, compounded by the low salaries in the public sector, contribute to staff absenteeism and turnover. There are small "islands" of efficiency in the ministry. For example, in the budget preparation section where the conditions are more favorable, records are computerized, budget preparation is computerized, the personnel work less with the manual filing system, and the office layout is a little better organized. Turnover in that section has been the lowest in the MOF on a consistent basis for the last three years.

d. Staff and skills

The Ministry and its attached departments have an authorized staffing level of slightly over

152

one thousand people. World Bank figures list a total of 1147 approved positions (World Bank 1993b: Annex G), while the GOG lists 1207 (GOG 1993b). The MOF central administration (minus Accountant General, Customs and Excise, and Inland Revenue, but including DIEC and the State Planning Secretariat) has about 240 persons on its established payroll, with 62 percent being managerial and professional and 37 percent belonging to other categories. The staffing structure and status are summarized in Table 1.

Table 1: Ministry of Finance, Positions and Staffing

Type	Authorized	Actual	Acting	Vacant
1. Managerial	66	59	4	9
2. Technical/ Professional	95	64	14	31
3. Other	82	60	18	22
Total	**243**	**183**	**36**	**62**
Percentage	**100**	**75**	**20***	**26**

* Percentage of positions filled.
Source: MOF data and consultants' estimates

The table shows that around 30 percent of technical/professional positions are vacant, slightly higher than the vacancy percentage for all positions, and that one-fifth of MOF positions are occupied by acting staff. Interviews revealed that persons can be in acting status for many years before finally being officially assigned. It is clear that there is a shortage of personnel, especially in the technical and managerial categories. Many of those in acting positions do not have the minimum requirements for the job, since assigning people to higher positions is one way the ministry has dealt with the low GOG salaries. Hence, it can be concluded that the Ministry is experiencing severe shortage of personnel and is executing many of its tasks with unqualified personnel. The driving force behind this staffing crisis is high employee turnover due to uncompetitive pay scales and unfavorable working conditions.

e. Equipment and facilities

The ministry has mainly outdated, inefficient office technology in support of its operations. For example, files are maintained in wooden cabinets, which are being destroyed by termites; office support staff use manual typewriters; telephones are scarce, with about one unit for every 20 persons; photocopiers are in short supply.

The manual filing system stored away in wooden cabinets is in poor physical state, disorganized and dirty. Consequently, the texts of some files cannot be read, personnel frequently cannot find reference material they need, and the heavy dust/dirt from some files and the required level of effort to pull, lift and move around files make working conditions somewhat unpleasant.

The ministry's physical plant consists of an old wooden three-floor main building, most of which is open-air, and several more modern brick and concrete structures with enclosed offices. Because of the regularity of power outages, the MOF has a back-up generator, but its capacity is not sufficient to run the air conditioners during blackouts. While the main building is of historical value as representative of Georgetown's distinctive architecture, the physical set-up is not conducive to protecting files from deterioration or electronic equipment from dust, temperature, and humidity. Upgrades in equipment and facilities will be needed to realize improved productivity.

f. Budget and financing

The MOF's planned budget for 1993 is G$3.4 billion, of which approximately 70 percent is for contributions and subsidies to state-owned enterprises and other statutory agencies (see GOG 1993b: Appendix A). It appears that the ministry's internal budget is G$1.02 billion, of which the wage bill (total employment costs) is G$626.4 million or 62 percent. As with all GOG ministries, the MOF's potential spending flexibility is relatively limited. Table 2 summarizes the MOF's budget.

Table 2: Ministry of Finance, 1993 Operating Budget

Item	Amount (G$M)
Wages and Salaries	$618.19
Other Wage-Related Costs	$9.20
Equipment, Supplies, Vehicle Spares, Rental, Telephone, Maintenance, Etc.	189.46
Electricity	63.37
Subsidies/Contributions to Local Organizations	2,348.65
Contributions to International Organizations	21.38
Other	137.30
Total	**3,386.55**

Source: GOG (1993b: 173-174)

154

2. Institutional capacity

This section examines the extent to which the Ministry uses its resources to get the best results from what it has. It assesses management decision-making, leadership, communication, access to resources and support, human resources practices, delegation and direction, and strategic versus routine orientation.

a. Management decision-making

Decision-making is concentrated at the apex of the organization, and rarely takes place in a team mode. The main reason for this pattern is that senior personnel are too busy addressing specific requests/assignments to come together to address either longer-range issues or internal functioning. Most of the activities are geared towards budget preparation and carrying out analysis for the IMF and World Bank and these activities do not require a great deal of team meetings. To move to a broader, more participatory decision-making style, the organization would have to change from an orientation geared to meeting IMF and World Bank targets to a strategic management focus.

b. Leadership

Most assignments are allocated by a superior to a single person who then has total responsibility for completing all stages of the work, and reports back directly to the superior without involving others at his/her own level. This is the classic "hub-and-wheel" pattern found in many developing country agencies. Leaders at the hub assign tasks to isolated individuals, who rely on their own skills and competencies to complete them. Team work is not frequently practiced. Consequently, team building, which is crucial for the creation and sustainability of technical competence in the ministry, is not very evident. The main reason for such a low level of team building is because middle level professionals, and managers are almost nonexistent in the ministry.

c. Communications

A great deal of one-way communication takes place from the Minister's office to division directors, advisors, and task leaders. However, there appears to be little communication originating from the divisions and departments upward to the top leadership. There is also very little communication between the senior staff and lower level support personnel. There are several reasons for this. The key one is that the Minister has been engaged in mostly outward-looking activities such as: dealing with the donors on the ERP, holding discussions on the PSIP with executing agencies, and establishing dialogue with the private sector.

155

Senior personnel do not have middle-level staff with whom to communicate effectively, and, as noted above, ministry work habits do not encourage team work. Inadequate communication is a major contributor to the present human relations environment and the lack of innovative strategies to address some of the operational issues in the ministry. Various staff expressed their malaise in interviews. Several senior professional personnel have doubts about their desire to remain with the MOF. Hence, the severe shortage of competent personnel is likely to worsen. Several professionals are not sure how they fit into the organization and what functions are expected of them. Some employees feel that they are no longer in the mainstream of the ministry. The Minister's vision for the MOF is not known to many senior, middle and lower level employees. They therefore work without objectives.

The climate for more effective communication could be improved shortly, because of two major developments. A Junior Minister has been appointed and it is envisaged that he will concentrate on the internal and operational affairs of the Ministry. A modified organizational structure was completed a few days ago. It is hoped that everyone will see how he/she fits into the structure.

d. Access to resources and support

The Ministry generally suffers from inadequate human, financial and technological resources to perform its functions. The inadequacy of human resources is mainly a result of unattractive pay, while limited availability of funds for systems development and improvement results from the present tight fiscal management and the restrictive cash flow in the Central Government's operating budget.

e. Human resources practices

The system for managing human resources requires improvement, especially in the areas of staff performance appraisal, staff development, staff appointment, staff records, and accountability. For example, many staff members do not have the opportunity to discuss their performance or to plan their career development with their supervisors. Staff members can work in acting positions for as long as twenty years before becoming appointed. The staff record system is not oriented to career development, performance, staff needs or placements. It focuses mostly on job grade, and length of service. Improvements in personnel practices in staff development career planning, appointment procedures and performance reviews will go a long way to improve staff morale in the Ministry.

Human resources are not properly utilized. Very senior and usually reliable middle order and junior personnel are very busy, often overloaded. However, the less reliable and untrained ones are not adequately utilized. Consequently, many of them are engaged in "extra curricular" activities, such as taking courses at the university, or holding second jobs.

156

f. Delegation and discretion

A great deal of delegation occurs from the Minister to a select group of very senior staff. It takes place at this level because the more competent personnel are the senior ones. Mid-level professionals and managers need much more development and familiarization with procedures to become competent. This low level of competence can be immediately improved through the use of operational manuals and on-the-job training regarding systems procedures and methodologies.

g. Management orientation

The prevailing management orientation in the MOF concentrates on completing routine tasks to meet deadlines, and reacting to crises as they emerge. The major tasks consuming managerial attention are: budget preparation, actions to fulfill IMF and World Bank targets, reviews of performance on the PSIP for donor agencies, response to issues from pressure groups, and assessment of general economic performance. There is, however, little management attention paid to strategies to improve services to the business community, work conditions for the staff, the various systems and procedures, or medium and long range performance of the economy. The recent initiative to merge the former State Planning Secretariat with the MOF should set the stage for more strategic planning and management.

3. Institutional performance

The MOF has performed impressively on most of the targets set by the IMF and World Bank. For example, the indicators for growth, balance of payments, exchange rate stabilization, and central Government balances are all positive. It is also on target with pricing policies, trade liberalization policies, tax reform and tax administration systems and financial sector policies. The only major area of poor performance on the IMF/World Bank targets is on privatization. The Ministry has not performed as impressively on domestic issues relating to the private sector on the viability of the organization itself, or on strategies for long term sustainability of growth. For example, private investment has been constrained because progress on the PSIP is too slow to generate the level of infrastructure required to accommodate new enterprises in the pipeline. More than twenty Private Investment proposals are in the pipeline awaiting factory sites, and other infrastructures. Many investors have complained about the inefficient bureaucracy and long delays to secure fiscal benefits and other services that they perceive to be automatic entitlements, such as tax holidays and exemptions from import duty on machinery.

The private sector generally complains about the discretionary nature of fiscal benefits. The GOG has no strategic plan for diversifying the economy or attracting private investment into new areas. The unsatisfactory performance on the PSIP, the administration of fiscal

157

incentives and the strategic plan, and privatization are contributing to the excess liquidity in the economy and to uncertainty in the private sector. If this situation prevails much longer, there could be increased pressure on the exchange rate as well as increased capital flight.

B. The Ministry of Trade, Tourism, and Industry

1. Institutional stock

a. Mandate and function

The MTTI was created in 1991 with a mandate "To formulate and provide an effective mechanism for the implementation evaluation and improvement of policies, the aim of which will be to facilitate economic and social improvements through coordinated actions in the areas of trade liberalization, tourism, industrial development and consumer affairs" (World Bank 1993a: Annex A). More specifically, its functions are to facilitate: investment and industrial development, international trade, development of the tourism industry and hospitality products, international economic cooperation in collaboration with the Ministry of Foreign Affairs and the MOF, and fair trading practices and competition.

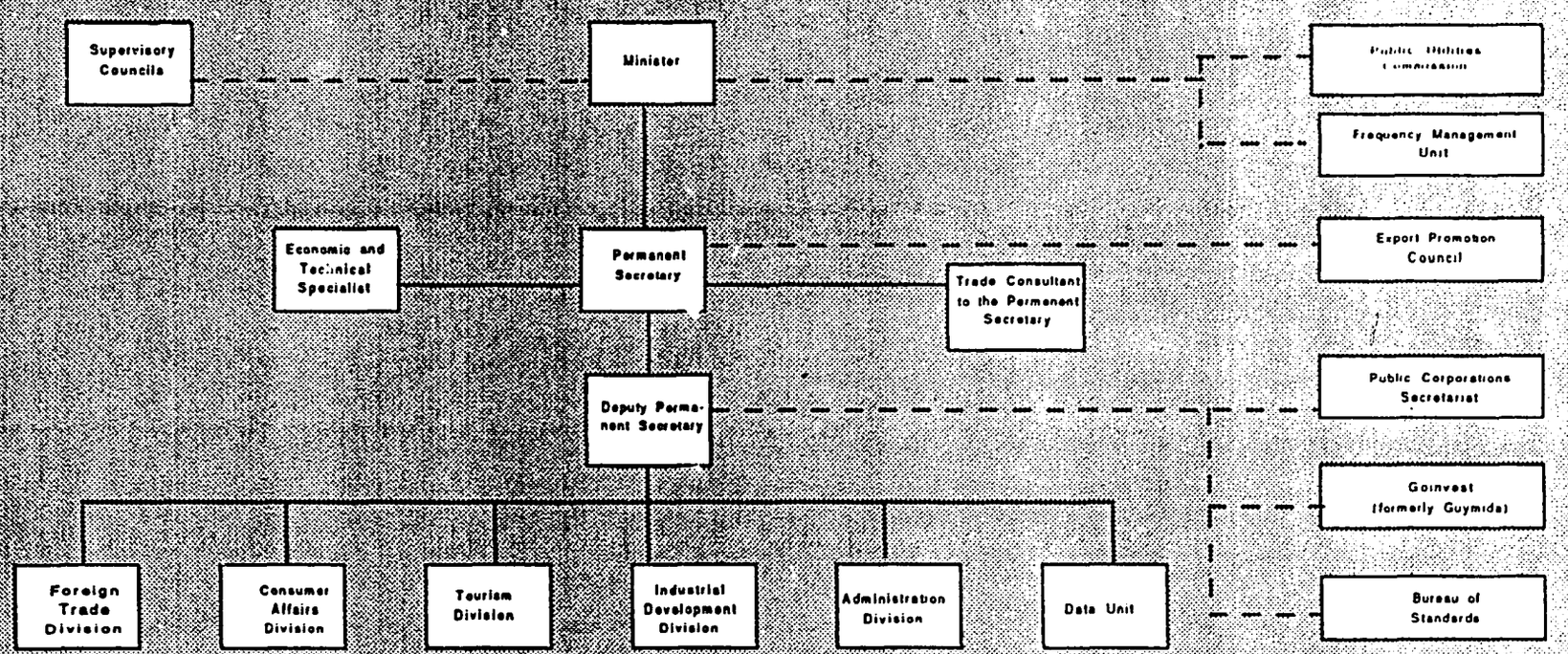
b. Structure

The MTTI provides the above range of services through a central administration, three main statutory bodies, and several ancillary entities. The central structure has a permanent secretary (PS) with overall executive responsibility for the ministry, and five divisions below the PS level: the Foreign Trade Division, Tourism Division, Industrial Development Division, Consumer Affairs Division, and an Administration Division. The three major statutory bodies are: the Export Promotion Council (EPC), the Guyana Office for Investment (GOINVEST), and the National Bureau of Standards. GOINVEST, which is very new, will subsume the duties of GUYMIDA and the EPC. Figure 2 illustrates MTTI's structure. The major strength in the structure is that each division has a clearly defined scope of work. A major weakness is that it has no working relationship with international donor agencies.

c. Systems and procedures

The Ministry and its statutory organizations have not clearly defined the administrative procedures that would enable staff to effectively fulfill the MTTI's mandate. The operational capacity for this systems development task is inadequate due to the shortage of qualified and experienced personnel, suitable office technology, and the limited practical work experience of the incumbents in the present jobs. For example, there is no systematic capacity for researching and analyzing business data to enhance sound decision-making for the sector.

Figure 2: Structure of the Ministry of Trade, Tourism, and Industry



Most data on trade, investment and tourism are stored and retrieved on a manual basis. There are no comprehensive policy guidelines for promoting investment. There is no operational manual for each cluster of activities. The procedure for facilitating investors is fragmented throughout the Government in a wide range of agencies such as commodity boards and associations. There are no systems and procedures for monitoring trade practices such as dumping, price fixing and product quality. The general lack of systems and procedures causes the MTTI and its associated agencies to make too many ad hoc decisions, which sometimes gives the private sector a negative perception of the ministry.

d. Staff and skills

The MTTI has 94 established positions on its staff with 63 filled, while the Bureau of Standards has an authorized level of 32 with 22 filled. The vacant positions are concentrated in the senior managerial and professional positions. For example, the following senior positions in the MTTI are vacant: Permanent Secretary, Director of Tourism, Analyst Researcher in Consumer Affairs, Confidential Secretary to the Minister, Personnel Officer, and Senior Foreign Trade Officer. The following senior positions are vacant in the National Bureau of Standards: six of the nine Technical Officers positions, Head of Certification and Quality Assurance, Head of General Administration, and Accountant.

The reasons behind the high vacancy rates are the same as throughout the civil service: low pay, poor working conditions, inadequate office technology, lack of opportunity for skills development, and lack of opportunity to realize self potential. Most of the MTTI's personnel are highly educated, but they do not have the relevant skills, training, or experience to make them credible interlocutors with investors or the business community. For example, none of the senior employees in tourism have worked in the hospitality industry or have training in that sector. None of the senior employees in industry or trade have worked in marketing or investment promotion prior to taking positions in the MTTI.

e. Equipment and facilities

The MTTI and the National Bureau of Standards have very limited equipment and facilities to enhance the productivity of their office and the quality of their work. For example, data processing infrastructure is weak because the research framework and data base is outdated and computer facilities are extremely limited. The Bureau of Standards does not have a product testing laboratory. It relies mostly on the use of obsolete and unreliable testing equipment available among business enterprises. The MTTI's building is shabby and offices are in need of upgrading. There is no backup generator to allow work to continue in the face of the frequent electricity blackouts that plague Georgetown. The office facilities at the National Bureau of Standards also need a lot of upgrading so that general working conditions are improved.

f. Budget and financing

A significant portion of the MTTI's budget goes for salaries and related costs, with about 15 percent allocated to operating costs. The ministry spends very little on systems support services. The largest single budget item is contributions to regional and international organizations, representing 66 percent of the current operating budget. Table 3 summarizes the ministry's financial picture.

Table 3: Ministry of Trade, Tourism, and Industry, 1993 Operating Budget

Item	Amount (G$M)
Wages and Salaries	$10.81
Materials and Equipment	2.48
Office Supplies	1.46
Print and Non-print Material	1.02
Contributions to EPC	4.58
Contributions to GUYMIDA	16.01
Contributions to GNSB	6.17
Contributions to Consumers Association	0.25
Contributions to Regional and International Organizations	95.28
Other	6.23
Total	**$144.29**

Source: GOG (1993b: 185-188)

2. Institutional capacity

Overall, the MTTI's institutional capacity is weak. The ministry is relatively new, it is small in size, and beyond its minister has not managed to establish itself as a key player in the dialogue between the GOG and the private sector.

a. Management decision-making

The absence of well communicated procedures, clearly defined investment policies, and guidelines for policy application has restricted the ability of technical staff to operate

autonomously. Most decisions are directed to the Minister. Senior management takes very few decisions. Thus management decision-making in the MTTI is relatively centralized.

b. Leadership

Team building, employee initiatives, and motivated employees are the main signs of sound leadership at all levels of an organization. These attributes are not prevalent within the MTTI mainly because there is still a lot of groundwork to be done in the areas of: setting a vision for the ministry and sharing it with staff, defining ministerial policies that can be managed with autonomy at the technical level, and setting measurable performance targets and timetables for achieving them.

c. Communication

A great deal of internal communication takes place between the senior personnel and the Minister, but little between the senior management and the mid-level personnel. Relatively little external communication below the ministerial level occurs with the private sector. Consequently, the MTTI's operations are not oriented to serving the business community. This communications pattern contributes to the private sector's claim that dialogue with the GOG is not effective. Ministry personnel do not have a firm handle on the issues affecting the business sector and therefore cannot articulate the most workable policies for the sector. There is continued dependence on the Minister or other Cabinet Ministers to initiate solutions to problems in the business sector.

d. Access to Resources and Support

The MTTI has not been targeted as a main center for impacting on the economy, and none of the funding provided by the IDB, the World Bank (except for GOINVEST), UNDP, or ODA is earmarked for the ministry. It is seen as a marginal player in the ERP, and has a very limited and weak base of support. As the above section on the budget shows, most of its resources are allocated to needs outside the ministry itself.

e. Human resources practices

Human resources services concentrate on payroll, appointment, employee fringe benefits and maintaining mandatory staff records in outdated manual information systems. Other services/practices such as personnel development, performance appraisal, work conditions and worker incentives are not given any meaningful support. As with other GOG ministries the MTTI suffers from high employee turnover, low morale, and lack of innovative performance.

162

f. Delegation and discretion

Tasks are assigned directly by the Minister to those with demonstrated competence. Staff shortages mean that there are few mid-level technical staff to delegate assignments to, and little opportunity for staff interested in learning to obtain guidance or challenging assignments. Senior managers and professionals are working under too much pressure to spare the time to train others.

g. Management orientation

The management and professional personnel concentrate on completing tasks for meeting immediate deadlines. Very little attention is paid to creating longer term strategies for serving the private sector more effectively and for long term viability of the organization. Crisis and routine drive day-to-day operations.

3. Institutional performance

Although the ministry has been interfacing with numerous potential investors and giving them sound guidance on the investment opportunities and the process for successful start-up, it is not viewed as a credible performer. It has not made much progress on reducing the level of bureaucratic red tape to enhance quick implementation of projects. For example, many projects are experiencing long gestation periods for start-up due to long delays in securing licenses, building and other permits, or land and factory sites. The planned "one stop" shop service through the newly-created GOINVEST is intended to help alleviate these bottlenecks.

IV. TECHNICAL ASSISTANCE AND TRAINING FROM OTHER DONORS

To help the GOG implement the ERP, the donor community is providing a range of technical assistance and training services to both the MOF and the MTTI, with the MOF receiving the bulk of the assistance. The development of BEEP has been pursued with ongoing attention to the need for donor coordination, and the assistance to be funded under BEEP complements the TA that the World Bank and the IDB have provided or are planning to provide. This section summarizes this assistance.

A. The Ministry of Finance

The World Bank, under the TA component of the Private Sector Development Adjustment Credit, is in the process of programming approximately US$4 million in TA and related services for a three-year period. This TA will be primarily concentrated on strengthening the banks, financial institutions, and departments (tax and customs) that are among the statutory

163

entities attached to the MOF. A secondary focus is on the privatization of public enterprises, with assistance to the privatization unit located within the ministry that was recently established in fulfillment of one of the conditionalities for the loan.

The IDB's assistance, managed by the UNDP, supports the Financial Sector Reform Loan with about US$2.7 million of TA in the areas of tax and customs administration, and budgeting and financial management. Although approved to start in 1990, TA personnel did not begin to arrive in-country until mid-1993. Several of the advisor positions remain vacant. The intended timeframe for IDB long-term advisors (LTA) is up to three years. From 1990 through 1993 the IDB and the UNDP furnished experts and training assistance to the State Planning Secretariat, now integrated into the MOF, to develop a computerized information system for project monitoring and macro-economic planning (US$1.8 million).

From 1988 through 1993, the UNDP provided assistance to the Statistical Bureau for census data collection and analysis, with a budget of US$62 thousand. For 1993-1994, the Caribbean Development Bank is supporting a Study and Expert Fund (STEP) for the MOF to increase the ministry's capability to conduct economic analyses (US$1.4 million). The British Overseas Development Authority (ODA) is currently funding a long-term advisor in the customs department, who has helped establish the popularly-termed "fraud squad" that is cracking down on corrupt customs practices and smuggling. Table 4 summarizes the ongoing and planned TA for the MOF.

Table 4: Technical Assistance for the Ministry of Finance

Type of TA	Donor	Level of Effort	Status
Tax Administration, Systems Development, Organization & Methods	IDB	4 LT TA, max 3 yrs each	2 LTA in place, 2 vacant
Customs Administration, Systems Development, Organization & Methods	IDB	5 LT TA, 1-3 yrs each	1 LTA in place, 4 vacant
Budgeting Systems and Financial Management	IDB	1 LT TA, max 3 yrs	LTA in place
Accounting Systems, Auditing Procedures and Systems	IDB	3 LT TA, max 3 yrs each	2 LTA in place, 1 vacant

Table 4: Technical Assistance for the Ministry of Finance			
Customs Administration, Anti-Fraud and Corruption	ODA	1 LT TA, 1 year	LTA in place
Studies, Consultants, Macro-Economic Planning	CDB	Variable, on demand	Ongoing
Bank of Guyana, Banking Supervision	World Bank	3 LT TA, 3 yrs each; 2 p/m ST TA	Planned
Guyana National Cooperative Bank, Financial Management	World Bank	1 LT TA, 2.5 years; 60 p/m ST TA	Planned
GAIBANK, Financial and Operational Restructuring	World Bank	1 LT TA, 2 yrs; 30 p/m ST TA	Planned
National Insurance Scheme, Accounting and Financial Systems	World Bank	11 p/m ST TA	Planned
Over-the-Counter Capital Market Development	World Bank	2 p/m ST TA	Planned
Bank of Guyana, Reform and Restructuring	World Bank	1 LT TA, 2.5 yrs; 31 p/m ST TA	Planned
Privatization Unit	World Bank	4 LT TA, 1-3 yrs; 30 p/m ST TA	Planned

B. The Ministry of Trade, Tourism, and Industry

The MTTI has received relatively little TA or training. From 1986 through 1993, the UNIDO and UNDP funded consultants, training, and studies for one of the ministry's statutory bodies, GUYMIDA, with a budget of US$2.6 million. GUYMIDA's successor, GOINVEST, is scheduled to receive some TA under the World Bank's privatization credit. The MTTI does not have any current TA for the ministry itself, except for a short-term Organization of American States (OAS) consultant, who is doing a needs assessment for a tourism awareness campaign. The OAS plans to support some training for MTTI staff in ecotourism development and tourism marketing. A few staff members have received some

165

training opportunities, for example, the director of the Foreign Trade Division recently attended a seminar on the GATT.

V. A STRATEGY FOR IMPROVING ERP IMPLEMENTATION PERFORMANCE OF THE MOF AND MTTI

The proposed strategy for assisting the MOF and the MTTI to improve their capacity to implement the components of the ERP that fall under their responsibilities is intended to generate both immediate benefits to the GOG while laying the groundwork for sustained improvements over the longer term. This section specifies the elements of the strategy, details the long-term and short-term TA needed, and discusses conditions and risk factors for effective utilization of the TA and training to be provided.

A. Institutional development for the MOF and MTTI

As Section III's institutional analysis points out, the MOF and the MTTI both exhibit weaknesses in strategic management and basic management systems, and in linking strategic to routine tasks. Institutional strengthening can be targeted at a number of component levels, ranging from the interinstitutional to the management subsystems tier. These levels are interrelated, and can be conceptualized as a hierarchy, as shown in Figure 3. The ID strategy for the MOF and MTTI is to focus institutional strengthening TA and training at two of these levels: 1) the organizational level, with an emphasis on strategic planning and management, and 2) the management subsystems level, targeting three major subsystems--project management, operational support, and policy analysis and guidance. These areas are represented by the shaded boxes in Figure 3.

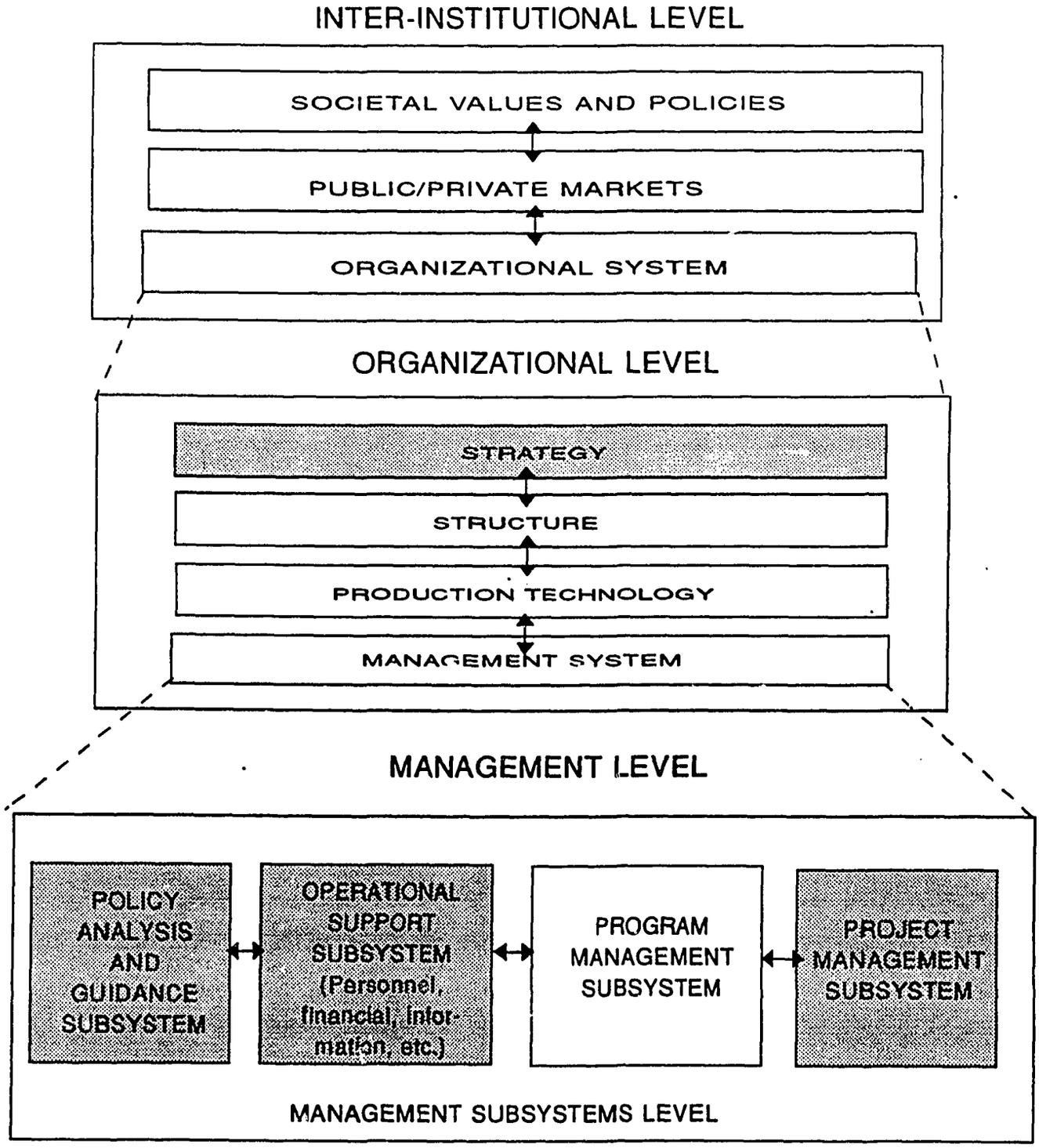
1. Organizational level: strategic planning and management

Assistance at this level will focus on putting in place a strategic planning and management system in both the MOF and the MTTI. The ID to be provided has three major objectives: a) to develop within each ministry a shared vision of its mission, work tasks (both long and short-term), and unit capabilities; b) to establish communication and guidance processes that forge links between the ministries' strategic tasks and their routine operations; and c) to build a working environment that provides more opportunities for recognition by ministry leadership for employee performance.

The strategic management process can be thought of as a cycle of nine steps (see Crosby 1991):

1. Agreement on, and commitment to, the strategic management process.

Figure 3: Hierarchy of Institutional Levels and Targets for BEEP Institutional Strengthening



167

2. Identification and clarification of the institution's mission. objectives, and current operating practices.

3. Identification of the institution's internal strengths and weaknesses.

4. Assessment of the opportunities and threats present in the institution's external environment.

5. Identification of key constituencies and stakeholders along with their leverage and expectations.

6. Selection and analysis of the critical strategic issues confronting the institution.

7. Design of strategy options to address the critical issues identified.

8. Implementation of the strategy.

9. Monitoring and review of the strategy's performance.

This process will be initiated by holding a strategic retreat/workshop for each ministry that will begin the work on Steps 1-7. Because of the size and variety of functions in the MOF, as well as the availability of key staff, it may be necessary to conduct two workshops. For the MTTI, however, one start-up workshop will suffice. The workshop(s) will be held at an off-site location, preferably out of town to minimize interruptions, and will last one and a half or two days. It will be critical for all senior staff to attend all sessions. The emphasis of these kick-off workshops will be on developing a shared vision and establishing two-way lines of communication between ministry leadership and functional subordinates.

Out of these workshops, informal task forces made up of members at differing organizational levels will be formed to address some of the issues identified and the next steps discussed. These task groups will assure continuity of effort so that issues raised are not forgotten and/or pushed aside in the day-to-day press of operational routine. They constitute the main mechanism for translating the workshops' outcomes into action, and as such contribute to moving the strategic process to Step 8. Their work will be supported by the long-term advisors, and by short-term TA as needed (see V.B below). The task forces will be temporary, informal structures that will change over the life of BEEP as they accomplish their goals, and as new issues and needs emerge. They also are intended to contribute to job enrichment by giving employees opportunities to undertake significant work, to be recognized by ministry leadership and by peers, and to build their members' skills and knowledge. Possibilities for recognition mechanisms will be explored (e.g., certificates of appreciation, prizes, testimonial dinners, trips, etc.).

Over the life of the project, the MOF and the MTTI will hold one strategic retreat/workshop

each year per ministry, as well as an additional mid-year review session. The project will provide for external facilitation to moderate these workshops. These events will be important to operationalize Step 9 of the strategic management process, and to integrate strategic issues into the annual work programs of the two ministries. In addition, they will contribute to institutionalizing the strategic perspective in the ministries. The tendency of crisis management and a sole focus on routine tasks to drive out any concern for long-term direction is a well-recognized pattern in developing country public sector agencies, and needs to be guarded against (see Kiggundu 1989).

2. Management subsystems level: critical systems

At this level, ID assistance targets the "nuts-and-bolts" systems that contribute to the MOF's and MTTI's abilities to function as viable agencies. Several subsystems will receive TA and training under BEEP.

a. Ministry of Finance

For the MOF, three subsystems will receive strengthening assistance:

i. **Project management subsystem.** This deals with the MOF's role in managing the PSIP. Assistance will be provided to the Project Cycle Management and PSIP Division, which is under the Office of Planning and Policy Development, in the following areas:

- Monitoring and evaluation (M&E). TA and training will focus on developing a simple and feasible system for collecting and reporting data on PSIP projects. The utility and feasibility of the IDB-financed computerized project monitoring system, the "Information System for Project Cycle Management," will be assessed (see IV.A above). Experience with similar systems suggests that it will need significant simplification and clarification of links to decision-making in order to be usable. As it currently stands, the system (which has yet to be made operational) represents information "overkill," requiring vast amounts of information in its nine multipage forms, which are difficult to fill out and call for calculations not found in most donor project documents (e.g. cost by activity).

- Implementation and management analysis. TA and training will help division staff build skills in diagnosing and analyzing implementation and management issues in the PSIP as part of the M&E system. These skills will help staff to become problem-solvers, not just another set of oversight personnel in the eyes of sectoral project managers. Further, acquiring these skills will contribute to employee job enrichment.

ii. **Policy analysis and guidance subsystem.** This subsystem addresses tracking

of policy conditionalities (e.g., World Bank, IMF, and IDB), monitoring and reporting policy impacts, and analyzing policy alternatives and implementation issues. While donor agency staff and consultants fulfill these functions as an integral part of the ERP, the MOF has a strong desire to begin to create its own capacity to perform them as well, so as to move away from complete dependence on outside assistance in this vital area. In principle, these functions reside in several units in the MOF: under the Office of Planning and Policy Development in the Macroeconomic Policy, Enterprise Monitoring and Private Sector Development, and International Financial Relations Divisions; under the Office of the Budget in the Fiscal and Monetary Division. In addition, the Privatization Unit also has policy analysis functions. TA and training for this subsystem will address approaches to indicative planning for market-led economies, data collection, database management, information reporting, methods of fiscal policy analysis, and budget and revenue monitoring. Specifics of this assistance will be worked out once the long-term TA team is in place and the MOF's revised structure has been finalized.

iii. **Operational support subsystem.** The focus of assistance here is on improving personnel records management, filing systems, information storage and retrieval, wordprocessing facilities and skills, and correspondence tracking and response. Basic manuals will be developed once systems have been developed, tested, and installed. It is anticipated that most of the TA and training provided for this subsystem will draw upon local sources of expertise. Short, custom-tailored courses will be provided on a schedule to be determined by the long-term TA team in consultation with the MOF. In addition, the project will provide a substantial amount of commodities, financed from BEEP's PL-480 local currency budget. Examples of commodities to be procured include: file and storage cabinets, files, office equipment and supplies, etc The project's support to this subsystem will also contribute to improving working conditions and motivation for the MOF's secretarial and clerical personnel. Some of the staff trained will leave the ministry for the "greener pastures" of the private sector. BEEP's approach, however, is to overtrain in anticipation of this turnover, recognizing that it cannot be eliminated but can be slowed such that the investment made in staff training will yield more of a payoff, as some staff will decide to stay longer given the lure of the training and better working conditions.

b. Ministry of Trade, Tourism, and Industry

For the MTTI, with fewer staff and organizational units, two subsystems will receive strengthening assistance:

i. **Policy analysis and guidance subsystem.** TA and training will support the development of capacity in the areas of export and investment policy development and promotion, including promotional materials and manuals; data collection and reporting; and outreach to the private sector. Particularly important for supporting an export competitiveness strategy will be assistance in product quality control, including the design and implementation of a product standards certification program for local manufacturers and

170

producers.

ii. **Operational support subsystem.** The MTTI's physical plant and the secretarial, clerical, and personnel functions require support. TA, training, and commodities will be provided for the MTTI along the same lines as described above for the MOF, although on a lesser scale.

B. Long-term and short-term TA and training

For BEEP's public sector component, two long-term advisors are recommended. One will be located in the MOF, and the other in the MTTI. They will be complemented by short-term TA, both external and local. The discussion below outlines the placement, modus operandi, and profiles of the long-term TA; describes some illustrative areas for short-term TA; and makes some recommendations for training.

1. Long-term technical assistance

a. Ministry of Finance

For the MOF, it is proposed to place one long-term advisor in the Office of Planning and Policy Development with responsibility for working mainly with the Project Cycle Management and PSIP Division at first, working in a hands-on way with staff of this unit to improve M&E systems for project implementation. Once those activities are underway, the advisor will then progressively expand his/her scope of activities to support the Enterprise Monitoring and Private Sector Development Division, the International Financial Relations Division, and/or the Office of the Budget's Fiscal and Monetary Division. It is possible that the Enterprise Monitoring and Private Sector Development Division may be moved to the Privatization Unit, in which case the advisor would work with that unit as well. The actual choice of units to work closely with and the timeframe will depend upon the results of a project start-up planning session (TPM: team planning meeting), and the advisor's assessment of which staff show the most interest and desire to work together.

Although located at the office level, the advisor with liaise regularly with the Minister. Through his/her participation in the strategic management component of the TA program, the advisor will facilitate the linkage between strategic tasks and routine operations.

The advisor's modus operandi will be to set up a number of task groups, similar to those outlined above for the strategic issues groups (in fact some of these task groups may be overlapping), and then rotate his/her assistance and collaboration among them, filling in with periodic short-term expertise in various topics. By having a number of TA actions underway simultaneously, the strengthening program should be less vulnerable to delays or crises that reduce the availability of staff to participate in the ID activities.

b. Ministry of Trade, Tourism, and Industry

For the MTTI, one long-term advisor will be placed at the division level to work with three of the ministry's divisions on the management subsystems developed outlined above: Industrial Development, Foreign Trade, and Tourism. The advisor will also link with GOINVEST, the replacement organization for GUYMIDA, and the Export Promotion Council. He/she will interact on a regular basis with the Minister to assure progress on the MTTI strategic plan developed at the initiating strategic management retreat, and to link those tasks to day-to-day functions. To the extent possible given the MTTI's smaller size, the advisor will use the same task team approach as suggested for the MOF.

c. Long-term advisor level of effort and profiles

The proposed MOF advisor will serve fulltime in the ministry for a two-year period, with the possibility of a third year, subject to a joint status review by the GOG and A.I.D. The MTTI advisor will work halftime in the ministry, with the other half of his/her time dedicated to identifying and programming the project's short-term TA and training, and to serving as BEEP team leader. This advisor will also have a two-year tour with a potential third-year option.

The MOF advisor position calls for a senior-level person with an advanced degree in economics (macroeconomics, fiscal and financial policy), planning, policy analysis, or development management. Eight to ten years' applied field experience in developing countries and/or donor agencies is required, with a preference for a minimum of one previous long-term overseas assignment. Hands-on experience in ministries of finance and/or planning and with project monitoring and evaluation is a prerequisite. It will be critical for the advisor to have the ability to work in an operational capacity with MOF staff, while at the same time passing on skills and tools to his/her counterparts. He/she needs to be an effective communicator and team player, able to interact effectively with staff at all levels of the ministry. Knowledge of and experience with strategic planning and management and/or workshop/training design and delivery are desirable, but not critical (most of this TA will be provided by short-term assistance). Experience in the Caribbean region is an asset, but not a requirement. Fluent spoken and written English is required.

The MTTI advisor position requires a mid to senior-level person with an advanced degree in business management, marketing, policy analysis, or economics (macroeconomics, microeconomics, trade, investment). At least six years' applied field experience in developing countries and/or donor agencies is required, with a preference for a minimum of one previous long-term overseas assignment, or more years of significant short-term experience. Required substantive areas of expertise include: hands-on previous work on trade and investment policy, and export promotion; and experience with ministries of trade, commerce, and/or finance, plus private sector entities (e.g., chambers of commerce,

manufacturers and trade associations, export promotion groups, etc.). The advisor needs to have the ability to work in an operational capacity with MTTI staff in a team mode, and to transfer skills and tools to his/her counterparts. He/she needs good communications skills, and the ability to interact effectively with staff at all levels of the ministry, as well as members of the private sector. Knowledge of and experience with strategic planning and management and/or workshop/training design and delivery are pluses. Knowledge of A.I.D. procedures and reporting requirements is critical, and previous experience in leadership positions is highly desirable. Experience in the Caribbean region is an asset, but not a requirement. Fluent spoken and written English is required.

2. Short-term technical assistance

Short-term TA will be provided in three major categories: management support, operational support, and technical and policy support. Types of TA in the management support category include: assistance with strategic planning and management, workshop design and facilitation, analysis and tools for project implementation, design and installation of the PSIP M&E systems, and organizational development and job enrichment approaches. TA for operational support covers: data collection and data base management, organizational procedures manuals, wordprocessing, secretarial skills, filing systems, budgeting, and financial management. TA for technical and policy support encompasses: employee stock ownership plan (ESOP) design and development, establishment of a stock market, trade/export promotion materials development, tourism promotion, private sector outreach, fiscal policy and incentives, quality management programs for local industry, legal and regulatory frameworks (anti-dumping, product standards and safety), and design and conduct of public-private sector roundtables and symposia. Table 5 summarizes proposed illustrative short-term TA.

Table 5: Illustrative Short-Term Technical Assistance

Category	Description	Target Agencies	Estimated Level of Effort
<u>Management Support</u> 1. Strategic planning and management	Design and conduct of strategic planning exercise, establishment of strategic management process, linkage to annual workplanning.	MOF and MTTI	16 person months

173

Table 5: Illustrative Short-Term Technical Assistance			
Category	Description	Target Agencies	Estimated Level of Effort
2. Workshop design and facilitation	Design and conduct of action-training workshops for particular tools and approaches (could be done in conjunction with TA in technical support areas listed below).	MOF and MTTI	7.25 person months
3. Analysis and tools for project implementation	Support to long-term advisor and MOF counterpart team in specific implementation areas, e.g., diagnosis of implementation problems, project scheduling techniques, etc.	MOF	3 person months
4. Design and installation of the PSIP M&E systems	Support to long-term advisor and MOF team in M&E systems, e.g., computerization, evaluation techniques and tools, outreach program to sectoral ministries, etc.	MOF	2-4 person months
5. Organizational Development and Job Enrichment	Team-building, communication skills, design and installation of employee performance award programs, etc.	MOF and MTTI	3-4 person months
<u>Operational Support</u> 1. Data Collection and data base management	Analysis of data needs and design/installation of improved systems and procedures for data base management.	MOF and MTTI	6-12 person months
2. Organizational procedures manuals	Design and preparation of manuals for ministry systems and procedures. Could include information/training sessions on contents of manuals.	MOF and MTTI	6-12 person months
3. Wordprocessing	Locally designed and delivered wordprocessing orientation and training courses, follow-up technical support.	MOF and MTTI	6-8 person months

174

Table 5: Illustrative Short-Term Technical Assistance			
Category	Description	Target Agencies	Estimated Level of Effort
4. Secretarial skills	Training in basic skills, e.g., telephone answering, appointment scheduling, correspondence tracking, etc. Combination of locally-provided short courses and OJT.	MOF and MTTI	4 person months
5. Filing systems	Design and installation of basic filing systems. This will provide input to data base management, procedures manuals, and secretarial training.	MOF and MTTI	4-5 person months
6. Budgeting and financial management	Selected analyses and subsystems development to complement other TA, could be some training.	MOF and MTTI	2-4 person months
<u>Technical and Policy Support</u> 1. Employee stock ownership plan (ESOP)	Design and development of options for ESOPS in context of WB privatization program.	MOF	2 person months
2. Establishment of a stock market	Analysis of legal and institutional framework and suggested options for setting up a local stock market.	MOF	2 person months
3. Trade/export promotion materials development	Support to long-term advisor and MTTI counterpart team in developing promotional materials	MTTI	2-3 person months
4. Tourism promotion	Support to long-term advisor and MTTI counterpart team in developing promotional strategies and materials. Could include study tours.	MTTI	2-3 person months

175

Table 5: Illustrative Short-Term Technical Assistance			
Category	Description	Target Agencies	Estimated Level of Effort
5. Private sector outreach	Assessment of options for customer and service orientation ("reinventing government"), linked to strategic planning, and organizational development TA.	MOF and MTTI	2-3 person months
6. Fiscal policy and incentives	Develop analytical and operational framework for macroeconomic planning and monitoring, and design system for interunit cooperation in data collection and analysis.	MOF	4-6 person months
7. Quality assurance programs for local industry'	Design, test, and marketing of quality management programs for selected local manufacturer to increase export competitiveness.	MTTI and Bureau of Standards	2-6 person months
8. Legal and regulatory frameworks (anti-dumping, product standards and safety)	Analysis and recommendations for laws and regulations, design of information outreach programs. Linked to export promotion TA.	MTTI and Bureau of Standards	2-4 person months
9. Public-private sector roundtables and symposia	Design and conduct of two fora per year particular topics of interest to GOG and private sector. Arrangement for preparation of background materials and papers to be presented, follow up for publicity.	MOF and MTTI	9 person months

3. Training

Training for the MOF and the MTTI will be of five types. First and foremost will be on-the-job training as an integral part of the technology and skills transfer activities of both long and short-term advisors. The second kind is action-training in the context of the workshops planned over the life of BEEP. For example, the strategic planning and management workshops have a training element to them, and much of the training in M&E and project

176

implementation will be provided in this form. Third are short courses designed to fit the two ministries' needs. These will cover some of the areas listed above for short-term TA needs; in particular it is anticipated that much of the training for ministry support staff in secretarial skills, filing systems, and wordprocessing will be handled through short, targeted courses. Fourth are study tours for selected topics, where small groups will visit other countries in the region or the U.S. to observe successful practices, for example, in investment promotion and/or ecotourism. Included in the study tour category could also be participation for selected staff in conferences. The fifth type of training relates to the public-private sector roundtables, symposia, and fora planned under BEEP. While not training activities in the formal sense, they nonetheless serve a training function because it is anticipated that each one will be organized around a particular topic with the aim of informing participants about key issues, new approaches, innovative solutions, and so on as a means to stimulate discussion and exchange of views. Training of all types will be designed to complement the existing support being provided through A.I.D.'s Caribbean Leadership Development Training (CLDT) Project.

4. Procurement of technical assistance services

It is recommended that TA and training expertise for BEEP be provided by an institutional contractor, selected through full and open competition, according to A.I.D. procedures and regulations. If placed on a fast-track by the RDO/C, this process could arrive at a procurement by July-August 1994. To respond to the need to begin assistance sooner, expressed in particular by MOF top leadership and the U.S. Ambassador, A.I.D. should consider accessing services through other means, such as IQCs or other pre-competed contracts. Both the MOF and the MTTI indicated that following the presentation of the GOG budget at the end of March would be an appropriate and desirable time to hold the strategic management workshop/retreats. Conducting these in April 1994 would be an effective way of initiating BEEP ID assistance, as well as demonstrating A.I.D. responsiveness to the GOG's needs.

C. Key issues and risk factors for the success of BEEP's public sector component

1. Conditions for effective utilization

Experience with ID in a variety of situations has led to the identification of a set of minimum conditions that facilitate the effective use of TA and training for purposes of institutional strengthening (see Brinkerhoff 1986). Assessing the status of these conditions in the MOF and MTTI provides one way of specifying some of the key risk factors associated with the public sector component of BEEP. Each of these conditions is examined below.

a. Perceived performance gap

Without a sense on the part of those directly associated with the institution that a problem exists with institutional performance, there can be little motivation to seek a solution. It is not enough for outsiders to see a problem. The top leadership of both the MOF and the MTTI share a strong perception of a performance gap in their ministries. From their perspective as newcomers to the GOG public sector, the institutions they are in charge of appear weak and unresponsive at best, and politically suspect at worst. This situation creates frustration and overload of the small cadre of capable and trusted staff charged with doing what needs to be done. At the office director level, perceptions of performance problems are varied, with some directors expressing the view that, given public sector working conditions, their units are performing as well as could be expected. Others, however, appear to feel the gap in performance more keenly, particularly in cases where their units have key roles to play in the ERP. Overall, though, this facilitative condition seems to be fulfilled.

b. Willingness and ability to commit resources to problem-solving

Solving institutional performance problems requires resources above and beyond those needed for day-to-day operations. Top leadership in both ministries expressed willingness and, in the case of the finance minister, impatience to address and resolve the performance problems of their agencies. However, their ability, as well as that of their senior staff, to commit resources to developing and implementing solutions is extremely circumscribed, being essentially limited to what the various donors are willing to provide. Civil service rules and regulations are another constraining factor, hampering flexibility in particular in the area of salaries and personnel. Also impeding the MOF's and MTTI's ability to assign resources to solving performance problems is the pressure placed on key staff to deal with the pressing and immediate tasks imposed by the conditionalities and actions of the ERP. Organizations need slack resources to have the capacity to address longer-term problems and issues. Without donor support, neither the MOF nor the MTTI can enjoy that luxury. The danger is that even projects that seek to provide such resources require something from the recipient agency, if nothing more than staff time to allocate to outside expertise. On this facilitative condition, both the MOF and the MTTI appear vulnerable to nonfulfillment.

c. Openness to learning and experimentation

Successful ID requires people to question current practices and to be willing to test alternatives with an eye to learning what works best. Nothing the BEEP design team heard would lead to the conclusion that people in the MOF or the MTTI are closed to learning or trying out new approaches. Interviewees regularly expressed interest in training opportunities, in materials that might be relevant to their jobs, or in the experience of other countries in dealing with similar problems and issues. This condition would seem to be strongly fulfilled.

d. Ability to plan actions and follow through

Once ID objectives are set, making progress depends upon planning a specific set of actions and pursuing them to completion. To a large extent, more so in the MOF because of the greater demands being placed upon the ministry, firefighting and crisis management are the predominant managerial style. Ad hoc decision-making and quick fixes characterize actions at the top, and they filter down to the lower levels of the two ministries as well. BEEP's purpose, in fact, is to help ameliorate this situation. Yet this managerial style can threaten the performance improvement program the project seeks to provide. Effective follow through, in particular, will be crucial to the success of ID for the two ministries. Staff will quickly perceive whether their leadership is truly behind the intended changes, or whether their attentions have turned elsewhere. Their willingness to work closely with the project-provided long-term advisors to follow through on plans made will "make or break" BEEP. This facilitative condition is fulfilled only marginally, and poses a substantial risk to BEEP's possibilities for success. It should be closely monitored over the life of the project.

e. Minimum level of stability in the external environment

High levels of environmental instability and uncertainty make it difficult to engage in the planning-action-learning cycle that ID must follow to generate better performance. Documents and interviews reveal the high degree of change in the environment that surrounds the MOF and the MTTI. Of major concern is the extreme level of deterioration of the Guyanese public sector, which introduces a high degree of instability in the working environment of most civil servants. Salaries are very low, in most cases one third to one quarter of private sector salaries for comparable jobs. Civil servants at all levels are resigning, leaving many positions vacant and/or subject to rapid turnover. Working conditions are poor, with facilities and equipment in disrepair, and basic supplies often lacking.

These features characterize both the MOF and the MTTI. The World Bank's public sector reform project is intended to improve the salary situation, whose specific terms are in the process of being worked out, with President Jagan, the public sector unions, and the donors all seeing things somewhat differently. The outcome is unlikely to become clear in the near future, and this adds a critical element of instability and uncertainty. Other sources derive from the Guyanese economy's state of flux; the macroeconomic indicators look encouraging at the moment, but sudden shifts are possible. Donor fund flows have increased, but there too lie further uncertainties, some internal to Guyana relating to ERP performance, but others are external relating to donor policies and programs worldwide. This condition also appears to be fulfilled to a minimal degree, and bears watching during BEEP implementation.

179

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ANNEX A: PERSONS CONTACTED

GOVERNMENT OF GUYANA

Ministry of Finance

Hon. Asgar Ally, Minister
Winston Jordan, Director, Office of the Budget
Carol Hebert, Deputy Secretary to the Treasury
Clyde Roopchand, Director, Office of Planning and Policy Development
Desiree Field-Ridley, Macroeconomic Advisor
Tarachand Balgobin, Head, Project Cycle and Information Systems Division
Denise DeSouza, Head, Enterprise Monitoring and Private Sector Division
Cecilia McAlmont, Head, Bilateral Department
Martin Boodhoo, Executive Director, Privatization Unit
Cheryl Walcott, Senior Personnel Officer
Thomas Barri, Systems Analyst
Sarah Parris, Systems Analyst

Ministry of Trade, Tourism, and Industry

Hon. Michael Shree Chan, Minister
Tarchand Ramgulam, Director, Industrial Development Division
Paul Wharton, Director, Consumer Affairs Division
Tesa Fraser, Director-designate, Tourism Division
Maureen Paul, Marketing Officer, Tourism Division
Winston Harlequin, Senior Foreign Trade Office, Foreign Trade Division
Grace Chichester, Principal Assistant Secretary, Administration Division

Guyana National Bureau of Standards

Melvin Sankey, Chairman
Jennifer Bentick, Senior Technical Officer
Norman Agard, Technical Officer

Office of the President

Horace Balgobin, Project Coordinator, Public Administration Project

183

GUYANA PRIVATE SECTOR

Alston "Kim" Kissoon, President, Guyana Manufacturers Association
David Yankana, Executive Director, Consultative Association of Guyanese Industry
Clarence King, Managing Director, King's Shipping and Trading Company
Cecil Rajana, Director, Caribbean Engineering and Management Consultants, Ltd. (former Director, Department of International Economic Cooperation)
Winston King, Director, Caribbean Engineering and Management Consultants, Ltd. (former World Bank staff, and GOG advisor)

INTERNATIONAL DONOR AGENCIES

U.S. Agency for International Development

Laura McPherson, Consultant, Trade and Development Office, RDO/C, Barbados
Thomas Whitney, PL-480 Title III Policy Advisor and Coordinator, U.S. Embassy/Guyana

United Nations Development Program

Carlos Martinez, Resident Representative
Swinder Paul Sodhi, Chief Technical Advisor in Budgeting and Financial Management, MOF, Office of the Budget
Ronald Dobrydnio, International Program Coordinator
Douglas Allan, Chief Technical Advisor in Customs Administration, MOF, Customs and Excise Department
Sesvin Hamilton, Systems Analyst/MIS Advisor, MOF, Inland Revenue Department

Inter-American Development Bank

Charles Greenwood, Resident Representative
Judd Herriott, Project Officer, Financial Institutions Adjustment Credit

World Bank

Sanjivi Rajasingham, Principal Financial Officer, Latin America and Caribbean Region
Adrienne Taptich, Economist, Latin America and Caribbean Region

Other

Paul Spencer, Resident Representative, Organization of American States
Joel Fessaquet, Representative, European Economic Community
Robert Webb, Deputy High Commissioner, British High Commission

ATTACHMENT A: SCOPE OF WORK

A. PURPOSE

The purpose of this Order is to obtain expertise available through the A.I.D. "Implementing Policy Change" (IPC, No. 936-5451) project to work with Guyana's Ministry of Finance and Ministry of Trade, Tourism, and Industry to help them identify specific technical assistance (TA) and training requirements that will improve their respective and joint capacities to implement the conditions -- those agreed to and those proposed -- of Guyana's on-going Economic Reform Program (ERP).

B. BACKGROUND

In spite of the recent positive moves toward a market economy by the Government of Guyana (GOG), the business environment is still considered insecure and high risk by many Guyanese and foreign business persons. This is due to a number of factors, chief among which are delays in implementation of agreed-to policy, legal/regulatory/judicial (LRJ), and institutional changes necessitated by the policy reform process; a lack of transparent and broad-based dialogue between the public and private sectors regarding priorities in the implementation process; and a possible (unintended) bias against smaller businesses in terms of benefits of the reform process.

The international donor community, led by the IMF, Inter-American Development Bank (IDB), and World Bank, have worked closely with the GOG since 1987 in its macroeconomic reform efforts, and plan to continue to provide significant assistance to leverage additional reforms to increase trade and private investment in the coming years. The proposed A.I.D. Business Environment Enhancement Project (BEEP) will complement these multilateral efforts and focus on improving the implementation of reforms -- those enacted and those proposed -- through a number of venues over time.

The purpose of BEEP is to increase the capacity of key public and private sector entities to strengthen the business environment in Guyana. The business environment is defined as the macroeconomic and fiscal policies, and the legal/regulatory/judicial (LRJ) and institutional framework that govern all public and private sector investment activities. The proposed project has two components:

1) the public sector component will provide long- and short-term TA and training to the critical economic ministries (Finance and Trade) in developing and implementing strategic management plans for the implementation of policy and LRJ reform measures;

2) the private sector component will provide more limited TA and training to private sector organizations to broaden capacity for and participation in dialogue with the public sector, as well as increase their access to the benefits of the ERP being implemented by the GOG.

The project is proposed for a 4 year period beginning in FY 94. The final budget has not yet been set, but will probably range between US$4-6 million total, including the host country contribution from generated currency. A draft Project Logical Framework forms Attachment C to the PIO/T. A Project Identification Document (PID) will be provided to the team prior to the start of the contract.

As part of project development, RDO/C would like to provide short-term TA to the Ministries of Finance and Trade to help them better define what resources they require to improve their capacity to implement policy and LRJ reform measures. The results of the TA should be immediately useful to the two ministries, and should also provide A.I.D. and other concerned donors with more detail on possible short, medium, and long-term TA and training needs. The final report of the results will constitute the Technical Analysis of the A.I.D. Project Paper.

C. DETAILED STATEMENT OF WORK

1. Objective

The objective of this statement of work is to assist RDO/C and Guyana's Ministry of Finance and Ministry of Trade, Tourism and Industry to: 1) reassess their strategic plans in view of ERP progress to date; and 2) identify preliminary steps and resources necessary to developing and implementing strategic management plans to strengthen implementation of the ERP process, and gain greater participation in emerging free trade agreements such as NAFTA and GATT. The results will be used by A.I.D. and other donors in on-going project development efforts.

It must be emphasized that the work requested in this scope of work is intended to complement other BEEP project development efforts of RDO/C. These include on-going social/institutional, financial, and economic analyses by Mission personnel, including a PSC Project Development Specialist in the Trade Development Office, the Mission's Senior Financial Analyst, and the Program Economist. Additionally, the Mission will contract separately for a short-term Business Development Specialist to work with Mission and IPC personnel, to undertake a more in-depth analysis of the TA and training needs of PSOs. While the results of the IPC work are expected to be useful to the GOG and other donors in and of themselves, they are also expected to fit into the overall RDO/C project development process.

2. Methodology and Tasks

a. Methodology. This scope of work is meant to stress a participatory process to help the GOG identify resources (primarily TA and training) required to enhance its capacity to implement the ERP. The team is expected to undertake standard consulting methodologies of documents review and interviews with key informants in Guyana and Washington, D.C. (World Bank, IDB, A.I.D.). It is also expected to develop a workplan that stresses collaboration with key personnel from participating Guyanese agencies to the maximum extent practicable. In this regard, individual and group consultation with personnel from the key economic ministries in Georgetown will be primary activities. The conduct of a workshop would also normally be indicated, but, given the extreme workload of the relatively few capable people in the GOG, may not be considered feasible at this time. The team is encouraged to recommend more creative methodologies, as long as the collaborative process is encouraged.

b. Tasks

As stated in a. Methodology above, "This scope of work is meant to stress a participatory process to help the GOG identify resources (primarily TA and training) required to enhance its capacity to implement the ERP. ... The team is encouraged to recommend more creative methodologies, as long as the collaborative process is encouraged.' The tasks listed below are thus considered indicative, and RDO/C hopes that the expertise gained in previous work by IPC will be brought to bear on suggesting more creative, effective, means of achieving the scope's objectives.

1. Pre-Departure, Washington D.C.:

o Assure that all team members are briefed on and conversant with of key Guyana domestic development issues, and regional affiliations and issues, including, inter alia, CARICOM, APC/GATT, and NAFTA;

o Review relevant documents provided by RDO/C, including RDO/C Action Plan, BEEP PID, various World Bank, IMF, IDB reports, etc.

o Meet with key personnel from the World Bank and IDB that are preparing current Private Sector Development and Financial Institutions loans (RDO/C will supply names and phone numbers) who may provide insight into the policy implementation process;

185

o Meet with LAC/CAR personnel to obtain AID/W perspective on Guyana program evolution;

o As part of TPM, develop preliminary workplan, schedule, and report outline to share with RDO/C;

2. Initial Barbados Briefings:

o Continue to review relevant documents, as provided by RDO/C;

o Meet with other donor representatives in Barbados identified by RDO/C who cover Guyana and may provide insight into the ERP implementation process;

o In consultation with RDO/C, revise workplan, schedule, and outline of final report. The revised workplan will include more detailed information as to sections/units of the various ministries with which the team might work.

3. In Guyana:

o Meet with key ministry personnel and discuss detailed workplan/schedule for time in Guyana; undertake interactive process to identify objectives and desired end results; to the extent possible, arrange to work in the Ministries side-by-side with Guyanese professionals for up to 7 working days, in order to gain hands-on practical experience with the Ministries' workloads, successes, and constraints;

o Meet with key personnel from the U.S. Embassy, IDB, EEC, UNDP, and other donors as appropriate and necessary to understanding the process of policy change, and the role of external agencies in that process, in Guyana;

o Undertake individual and group meetings with GOG personnel, as appropriate, to obtain information and develop consensus as to steps and resources required to improve capacity to better manage the policy reform process.

o Prepare draft report of findings and recommendations;

4. Upon return to Barbados:

o complete first draft and submit to RDO/C;

o participate in RDO/C debriefing(s), and obtain feedback on first draft.

188

5. Upon return to Washington:

o provide de-briefing to R&D/EID on activities to date;

o finalize report and submit to RDO/C.

5. Deliverables and Reporting Requirements

1. A preliminary workplan, schedule, and report outline will be provided to R&D/EID (one copy) and to RDO/C (two copies) upon arrival in Barbados. The report will include coverage of, but not be limited to, the following:

- a current description, as feasible, of the policy reform decision making process, including actors involved, in Guyana, and of outstanding policy reform agendas (agreed to, proposed) related to trade and investment, and the human resource impediments faced by the GOG in trying to implement policy reforms;

- an up-to-date, reconnaissance level, description and analysis (with tables, figures, or other graphics as appropriate) of structure, functions, and personnel composition of the Guyanese Ministries of Finance and Trade, Tourism and Industry, with comments as to the capacities (strengths and weaknesses) of the organizations in implementing the various agreed-to and proposed policy reforms (note: this discussion can reference existing descriptive work, where accurate, and focus primarily on the <u>analysis</u> of institutional capacity for specific tasks);

- an up-dated discussion (with tables or other graphics as appropriate) of types, levels, duration, and funding source (donor) of all current and proposed technical assistance, training, and other assistance, to the Guyanese Ministries of Finance and of Trade, Tourism and Industry, and an analysis as to the relation (or lack thereof) of these resources to the existing/planned organizational structures and functions to implement policy reform agenda (agreed-to, proposed).

- a set of recommendations as to specific steps and resources required over the next 3-5 years, including but not limited to TA and training, to improve their capacities to implement the ERP.

189

2. Two copies of a draft report (not to exceed 50 pages) following the agreed-to outline will be provided to RDO/C at least 2 days prior to the departure of the team from Barbados. This will enable RDO/C personnel to review and discuss the document with the team prior to its departure. One copy will be provided to R&D/EID upon return to the U.S.

3. A final report (not to exceed 50 pages) incorporating all RDO/C and R&D/EID comments and revisions to the first draft, and suitable for sharing with the Government of Guyana, will be provided to R&D/EID (2 copies) and RDO/C (5 copies) no later than two weeks after the tear s departure from Barbados.

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190

Team Composition

The skill areas required are Macroeconomic/Financial/Economic Policy Analysis, and Development Management or Organizational Development. The persons should possess advanced degrees in disciplines relevant to those skills areas, and be seasoned development professionals with a minimum of five years experience working on economic development programs. They should each have prior overseas experience carrying out work under the IPC project. Prior experience in Guyana, and/or in the CARICOM region, is highly desired. Fluent written and spoken English language skills are required.

A six day work week in authorized.

Professional level of effort is 52 person days.

Office space will be provided by the mission and/or cooperating country.

Period of Performance - 2 months

ANNEX I

PRIVATE SECTOR TECHNICAL/INSTITUTIONAL ANALYSIS

NOTE TO READERS:

A.I.D. Project No. 504-0107 for Guyana has experienced a number of name changes during the course of its development. Thus, any reference in this Annex to the "Business Environment Enhancement Project," which was the name at the time of the PID, shall be understood to refer to the renamed "Building Equity & Economic Participation" Project. The major project elements remain the same.

DISCLAIMER

THE STATEMENTS MADE WITHIN THIS REPORT ARE THE OPINION OF THE CONTRACTOR/WRITER, AND DO NOT NECESSARILY REPRESENT THE OPINIONS OF THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT.

Regional Development For the Caribbean/Barbados
January 14, 1994

194

FINAL REPORT

RECOMMENDATIONS FOR ASSISTING PRIVATE SECTOR ORGANIZATIONS IN GUYANA

USAID Purchase Order
No. 538-0000-0-00-4208-00

Prepared
For
USAID/RDO/C

Prepared By
MICHAEL V. JULIEN
MANAGEMENT CONSULTANT

JANUARY 18, 1994

195

PREFACE

On November 29, 1993 USAID's Regional Development Office/Caribbean (RDO/C) issued a 21-day Purchase Order No. 538-0000-0-00-4208-00 to Michael Julien, Management Consultant. The purpose of the order: To obtain a set of detailed recommendations for a 3-4 year technical assistance program in Guyana. The technical assistance recommendations are to be used as essential inputs for the private sector component of the proposed Business Environment Enhancement Project Paper (BEEP, 504-0107).

* * * * *

Michael V. Julien, M.Sc, Economic Development, has fourteen years senior experience in the design and management of private sector projects. Between 1979-92 he was Managing Director of a private agri-business firm, Project Manager of a $12 million industrial credit facility and Chief Of Party of a $20 million venture capital and export development program. In 1991 he designed the private sector components of USAID-funded enterprise and export projects in The Gambia (FAPE), and Kenya (KEDS). Within the last two years he has been Team Leader of private sector project appraisals in Kenya, Jamaica, Belize and Barbados. He has also worked in Guyana and Pakistan during that period.

Mr. Julien travelled to Guyana on December 4 and was briefed by the BEEP Project Design Team Leader in Georgetown on December 5. Between December 5 - 18 he met with the leaders and secretariats of 9 private sector organizations, held discussions with three senior government officials and interviewed 11 private sector companies. He also met with various project managers and international donor agency representatives to discuss the availability and impact of on-going enterprise assistance programs.

An interim in-country summary of key findings and conclusions was sent to RDO/C on December 9 and field work completed on December 18, 1993. Mr. Julien submitted his draft report to RDO/C on January 3, 1994. The final report was delivered on January 19, 1994.

* * * * * *

I would like to express my appreciation to Ms. Laura Mc Pherson for her guidance and ideas in the development of this report. Also, I would like to thank the leaders of the private sector organizations, members of the PSOs, and public sector officials in the Ministries of Finance and Trade who met with me to provide the background and suggestions which formed the basis of my findings, conclusions and recommendations for the BEEP Project Paper.

Michael V. Julien
January 18, 1994

196

ACRONYMS

AGMs	Annual General Meetings
ANTEG	Association of Non-Traditional Exporters of Guyana
BCCDA	Berbice Chamber Of Commerce and Development Assn.
BESO	British Executive Service Overseas
CAGI	Consultative Association of Guyanese Industry
CAIC	Caribbean Association of Industry and Commerce
CARICOM	Caribbean Community
CESO	Canadian Executive Service Overseas
CET	Common External Tariff
CHA	Caribbean Hotel Association
CIDA	Canadian International Development Agency
EC	European Community
ERP	Economic Recovery Program
FDI	Foreign Direct Investment
FF	Futures Fund
FPAG	Forest Products Association of Guyana
GCCI	Georgetown Chamber of Commerce and Industry
GGDMA	Guyana Gold and Diamond Miners' Association
GMA	Guyana Manufacturers' Association
GOG	Government of Guyana
GRMA	Guyana Rice Millers Association
GRPA	Guyana Rice Producers Association
GSBA	Guyana Small Business Association
GUYSUCO	Guyana Sugar Corporation
IESC	International Executive Services Corps
IMF	International Monetary Fund
IPED	Institute of Private Enterprise Development
LOE	Level Of Effort
LRJ	Legal, Regulatory, Judicial systems
MOF	Ministry of Finance and Planning
MTTI	Ministry of Trade & Tourism and Industry
NGOs	Non Governmental Organizations
PSC	Private Sector Commission
PSIP	Public Sector Investment Program
PSOs	Private Sector Organizations
PSOJ	Private Sector Organization of Jamaica
RDO/C	[USAID's] Regional Development Office/Caribbean
SOW	Statement of Work
TAG	Tourism Association of Guyana
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency For International Development
VSO	U.K.s Volunteer Service Overseas
WB	The World Bank

TABLE OF CONTENTS

Preface		i
Acronyms		ii
Executive Summary		iii

SECTION I
APPROACH TO ASSIGNMENT

I. 1	Purpose	1
I. 2	Scope of Work	1
I. 3	Approach	1
I. 4	Report Structure	2

SECTION II
ANALYSIS OF PRIVATE SECTOR ORGANIZATIONS

II. 1	Country Profile	3
II. 2	The Private Sector	5
II. 3	Private Sector Organizations	7
II. 4	PSO Institutional Framework	8
II. 5	PSO Roles, Services, and Issues	10
II. 6	Assessment of PSOs	17
II. 7	PSO Capacity To Carry Out Key Tasks	20
II. 8	Dialogue and The ERP	21
II. 9	Technical Assistance to PSOs	22

SECTION III
RECOMMENDATIONS FOR ASSISTING PSOs

III. 1	Summary of Key PSO and Private Sector Needs	25
III. 2	Suggested Approach	25
III. 3	Specific Recommendations	25
III. 4	Implementation Strategy	28
III. 5	Institutional and Economic Impact	30

APPENDICES

Appendix A: Statement of Work
Appendix B: Persons Interviewed
Appendix C: Documents Reviewed
Appendix D: A Strategy for Assisting Small and Microenterprises
Appendix E: CANA BUSINE$$ Country Profile On Guyana.

EXECUTIVE SUMMARY

Purpose. The purpose of this report is to provide USAID with a set of detailed recommendations, with supporting analyses and rationale, for a 3-4 year technical assistance program to help Guyana's private sector organizations (PSOs) better undertake broad-based, inclusive participation in national sectoral policy/ regulatory formulation and implementation processes under the proposed Business Environment Enhancement Project.

Approach. Thirteen PSOs representing key and secondary sectors of the economy were considered for this study; nine were selected for in-depth assessments. The consultant reviewed essential data and met with senior government officials, top PSO management, project managers of relevant donor programs and executives and owners of large, medium and small businesses. The purpose of these meetings was to obtain information on the history, roles, and key concerns of private sector organizations; to gain perspectives on private sector activities at different economic levels; and to develop an understanding of Government's perceptions of the business community.

Findings. Guyana's private sector consists of 50 - 75 large companies with near monopolies in production and marketing of consumer products; 300 - 400 medium-sized firms, many of which are retailers and import-substitution manufacturers; approximately 2,000 small businesses that dominate low income sales and services; and over 20,000 micro-enterprises, many of which are market vendors, hucksters, and fresh produce retailers.

PSO representation of private sector interests is skewed in favor of large and medium sized companies. Less than 2% of small businesses are members of trade associations and there is no evidence of microenterprise representation at the PSO level.

Of the nine PSOs reviewed only one, the Consultative Association of Guyanese Industry (CAGI), is financially sustainable and has the institutional capacity to carry out key tasks. CAGI is successful because it has developed profitable income generating activities. This allowed the association to strengthen its secretariat's capabilities and provide consistent high-quality services to its members.

The private sector is concerned about the lack of regulatory support systems at the GOG administrative level; the perceived negative effects of new taxes and the elimination of tax concessions under the Economic Recovery Program; the continuing deterioration of physical infrastructure; and the institutional instability of their respective PSOs. Government shares the private sector's views of the PSOs but is more concerned about the business community's lack of entrepreneurial initiative in investment and trade opportunities under the ERP.

199

SECTION I
APPROACH TO ASSIGNMENT

I. 1 Purpose

The purpose of this assignment was to develop a set of recommendations to be used as key inputs in the design of the BEEP private sector component. The objective of the private sector component is to provide technical assistance and training to private sector organizations (PSOs) in Guyana to help them better undertake broad-based participation in a) national and sectoral policy and b) legal/regulatory/judicial systems formulation and implementation processes.

I. 2 Scope of Work

The consultant was required to 1) provide a reconnaissance level description of Guyana's private sector and 2) carry out an analysis to assess the roles, capabilities and institutional capacity of leading PSOs. The consultant was also required to develop descriptions of the private sector's involvement in the policy reform/decision-making process and provide a short summary of on-going and planned technical assistance to the private sector from Government of Guyana (GOG), other donors and non-government organizations (NGOs). The detailed Scope of Work (SOW) is presented as Appendix A.

I. 3 Approach

I. 3. 1 Organizations Selected

Thirteen private sector organizations were considered for this study:

1) Georgetown Chamber of Commerce and Industry (GCCI);
2) Guyana Manufacturers' Association (GMA);
3) Consultative Association of Guyanese Industry (CAGI);
4) Private Sector Commission of Guyana (PSC);
5) Association of Non-Traditional Exporters of Guyana (ANTEG);
6) Tourism Association of Guyana (TAG);
7) Guyana Small Business Association (GSBA);
8) Forest Products Association Of Guyana (FPAG);
9) Guyana Gold and Diamond Miners' Association (GGDMA);
10) Guyana Rice Producers Association (GRPA);
11) Guyana Rice Millers Association (GRMA);
12) Berbice Chamber of Commerce and Development Association (BCCDA);
13) Linden Chamber of Commerce (LCC).

Recommendations. The BEEP private sector component should consist of three elements: 1) Technical assistance to strengthen the regulatory environment; 2) Technical assistance to improve PSO strategic planning; and 3) Technical assistance, training and commodities to upgrade the PSOs institutional capabilities. Highlights of proposed TA and training are summarized below:

- Impartial studies and assessments to examine operational constraints or draw conclusions about regulatory impediments to more rapid growth;

- Hands-on technical assistance to help PSOs and government ministries/ departments address outstanding regulatory issues and joint private/public sector problem-solving workshops at the administrative/government department level to improve regulatory efficiency;

- Technical assistance to help the secretariats of the respective associations develop strategic planning capabilities; establish common approaches to improving management and data information systems;

- Advice to encourage the PSOs to broaden their perspectives on dialogue and seminars and workshops to help the private sector identify immediate, near-term and long term opportunities under the ERP.

- Assistance in financial planning and administrative systems to help PSOs improve their revenue generating activities and upgrade trade information, marketing and technical services to members.

- Short-term training programs for PSO secretariat executive secretaries in the form of 2-4 week work-study attachments with viable and self-sustaining PSOs in other Caribbean countries.

- Procurement of computers, photocopying machines, fax machines, software programs and office equipment for the PSOs to help them establish/upgrade their administrative and information management systems.

- Training of PSO office staff in data processing, customer service and office management to ensure that the associations' operational efficiency is improved.

Implementation Strategy. The estimated level of effort for the BEEP private sector component is 69 person months of short-term technical assistance and training. The Ministry of Trade should serve as the executing entity for the private sector component. The Technical Advisor assigned to the Ministry of Trade under the public sector component should coordinate the private sector component.

SECTION II
ANALYSIS OF PRIVATE SECTOR ORGANIZATIONS

II. 1 Country Profile

II. 1. 1 Economic Base

Guyana has an area of 83,000 square miles and is a natural resource economy. Of its 730,000 people, more than 90% live on the Atlantic coast on about 5% of national territory. In 1992, Guyana's agriculture, forestry and fisheries sectors contributed 31% of the country's Gross Domestic Product (GDP) or about US$430 million. Gold mining and bauxite production accounted for 12%, construction and manufacturing 14%, and services the remaining 43%. In the same year, 43% of the country's imports were capital goods, 18% intermediate material and 20% fuel and lubricants. Consumer goods were less than 20% of official imports[1].

II. 1. 2 The Economic Recovery Program

Since 1987, the international donor community (the International Monetary Fund, Inter-American Development Bank, the World Bank, United States Agency for International Development and the European Community) has been helping the Government of Guyana (GOG) with the design and implementation of an Economic Recovery Program (ERP). The purpose of the program is to eliminate distortions in commodity and factor markets, reduce the size of the public sector, restore Guyana's international economic relations and facilitate private sector export-led growth.

Initial ERP implementation was carried out with above average efficiency: Within the last three years GOG has a) eliminated almost all price controls; b) established a floating exchange rate; c) eliminated import licensing and reduced tariffs; d) launched a privatization program; e) reduced the public sector work force; f) raised taxes; g) eliminated its arrears to international agencies; and h) agreed to a major program of rescheduling for its bilateral debts.

The Program has also produced tangible results. In 1992, GDP grew by 6.5%, and inflation subsided to 10 - 15%. Sugar production also increased from an all time low of 129,000 tonnes in 1990 to 242,000 tonnes in 1992. Rice production rose to a record 190,000 tonnes and gold production passed 80,000 ounces in the same year.

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[1] Information and data excerpted from 22 November 1993 U.S. Embassy cable "1993 Investment Climate Statement: Guyana".

204

The rice producers and rice millers associations were not interviewed in deference to the U.S. rice lobby in Congress. Neither the Berbice nor the Linden Chamber of Commerce could be contacted for interviews during this assignment.

I. 3. 2 Data Limitations

An essential requirement of this study was to provide an up-to-date reconnaissance level description and analysis of Guyana's private sector. To this end the consultant contacted the Ministry of Finance, Central Statistics Office, Inland Revenue, and resident missions of international agencies to seek out quantitative and descriptive information on the private sector.

However a comprehensive overview was difficult to develop within the time spent in-country because a) no prior studies or databases exist on private sector activities in Guyana and b) many businesses, especially in the case of the small firms and micro-enterprise operators, were reluctant to provide details on their activities because they operate outside of Government's fiscal and regulatory systems. Consequently, the private sector description in this report consists of economic and business information complied from World Bank, U.S Embassy and PSO reports plus impressions from interviews with business persons.

I. 3. 3 Changes in Underlying Assumptions

An implicit assumption of this study was that technical assistance to small and micro enterprises could be effectively delivered through PSOs like the Guyana Small Business Association (GSBA). However, as field work progressed, the consultant discovered that none of the PSOs had i) a large "captive" small or microenterprise constituency or ii) the resources to provide the type of help which small and micro-enterprises need: finance/credit and management/ administration training. The consultant therefore considered other ways of delivering TA to the small and micro sectors and has outlined a strategy for doing so as Appendix D to this report.

I. 4 Report Structure

This report is sub-divided in three sections. Section I, (this section) provides a synopsis of the assignment. Section II contains keys findings about PSOs and their roles, capabilities, and institutional capacity. Section II also contains an assessment of on-going and planned technical assistance to the private sector. Section III provides descriptions of key areas for BEEP technical assistance and training, suggested levels of effort, expected impact, and conditions precedent to USAID transfers of BEEP resources to beneficiary private sector organizations.

203

II. 2 The Private Sector

II. 2. 1 Recent History

In the Seventies and Eighties, the socialist policy of the State was to miniaturize the private sector and dominate the economy. Government acquired at least 45 foreign and locally-owned companies during that period. These acquisitions shut-out private firms or relegated them to secondary participation in a number of sectors.

State-owned firms dominated sugar and bauxite production, telecommunications, export trade, and fisheries, gold, rice, and bauxite marketing. Government controlled livestock, leather, petroleum distribution, paint, soap and detergent, rum production, and transport companies and is still heavily invested in electricity, edible oil, textiles, coconut, mining, banking, mortgage finance, packaging and shipping firms. Under the ERP, GOG divested ownership in about a third of the 45 state-owned companies between 1989 and 1992 but still controls 30 large firms in keys sector of the economy[2].

When nationalization began the private sector was already entrenched in all of the major productive and service sectors of the economy. Therefore, although Government took complete control over sugar, bauxite, and banking, a number of private firms continued to survive in rice, fisheries, manufacturing, gold and diamond production, non-banking financial services, and retail trade.

II. 2. 2 Private Sector Culture

Companies that endured did so by accommodation and duplicity. Large businesses over-invoiced imports; under-invoiced exports; bribed government officials; leveraged and did not repay loans from government-owned banks; and shared profits on large procurement transactions for state corporations with senior management of those companies. Smaller firms imported contraband goods from neighboring countries; created multiple companies to hide profits and shift inventory; and maintained different accounting and financial records to avoid corporate and consumption taxes. Many honest entrepreneurs, however, liquidated their businesses and migrated rather than succumb to unprincipled business practices and the uncertainty of the next socialist intrusion.

Thus, after 28 years, mistrust and secrecy are ingrained in every strata of Guyana's private sector. While ethical business practice is increasing, many companies, particularly small and medium sized ones, are reluctant to discuss their activities because they fear that such information could be used against them.

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[2] A list of companies owned, controlled and divested by GOG, is provided in the "Privatization Policy Framework Paper", Ministry of Finance, June 1993.

Sugar and bauxite brought in about two-thirds of 1992's total export earnings of US$322 million. However, production at the new Omai mine will soon make gold Guyana's second largest export earner after sugar and should contribute 20% - 25% of total exports. Rice and Shrimp account for 12% and 4% of exports respectively. Forestry's share of export earnings, currently 2%, should expand significantly as a result of recent large investments in that sector.

II. 1. 3 Underlying Problems and Constraints

Despite these gains, longer term prospects for sustained growth are constrained by the cumulative impact of prior government policies. Most public sector infrastructure - both physical and social - has deteriorated to minimal levels of utility. Furthermore, there is an acute shortage of high quality personnel in the public sector because of a substantial decline in real wages. This deficiency is making infrastructure rehabilitation and effective government administration even more difficult to achieve.

At the same time, Government has to address other urgent priorities. These include a major overhaul of the tax system, a substantial adjustment of public sector wages and the introduction of user charges in the social sectors. However in 1992 debt service took up 90% of revenues and 70% of export earnings. GOG therefore needs to negotiate further concessionary debt rescheduling to free up resources for its public sector investment program (PSIP).

II. 1. 4 The Role of BEEP in the Recovery Program

The purpose of BEEP is to increase the capacity of key private and public sector entities to strengthen the business environment in Guyana. The business environment is defined as the macroeconomic and fiscal policies, and the legal/regulatory/judicial (LRJ) and institutional framework that govern all public and private sector investment activities. The proposed project has two components:

1) the public sector component will provide long and short-term TA and training to the critical economic ministries (Finance and Trade) in developing strategic management plans for the implementation of policy and LRJ reform measures;

2) the private sector component will provide more limited TA and training to private sector organizations to broaden capacity to participate in dialogue with the public sector as well as to increase access to ERP.

The project is proposed for a four year period beginning in FY 94. The final budget has not been set but will probably range between US$4 - 6 million, including the host country contribution from generated currency.

205

One noticeable characteristic of large companies is their significant market share or near-monopolies in some industries. Demerera Distillers has at least 25% - 50% in its sector; others, like Banks DIH, at least 80%. In tourism, three companies - Woodbine, Forte Creste and Tower Hotel - account for more than 50% of stayover visitors in Georgetown. Another general attribute is competent staff, efficient information systems, and proactive financial management.

Skills and competence levels at medium-sized and small businesses are well below the caliber of larger firms. Also, medium-sized companies compete more intensively for local market share. There are at least eight firms in the tool and die sub-sector; five food processors that make jams, jellies and snack foods; nine companies listed as furniture makers, and fourteen garment manufacturers. Many of these businesses are situated in run-down industrial parks and complain about lack of access to credit and low productivity among staff.

In terms of opportunities and constraints, small businesses seem to function in an entirely different economic environment to the large and medium-sized firms. Lacking economies of scale, small firms are concerned about high rental costs, increasing utility bills, prohibitive interest rates, transport constraints, and exorbitant fees charged for legal and accounting services. To make money, many small operators own and manage at least 2 - 3 ventures. Once adept at avoiding duties and taxes, these entrepreneurs are finding it more difficult to evade payment as Government steps up its programs to broaden the tax base, increase collection efficiency and clamp down on contraband activities.

It is estimated that there are about 50 - 75 large companies (both private and public), 300 to 400 medium-sized firms and over 2,000 small firms in Guyana. Based on current population of 730,000, an average family size of 5 - 7 persons, and the likelihood that one in five families operate a microenterprise, there should be more than 20,000 microenterprises throughout the country. Because these ventures are so small, start-up and failure rates are exceedingly high. The volume of microenterprises also changes during the year due to seasonal opportunities and part-time participation by entrepreneurs in that sector.

II. 3 Private Sector Organizations

II. 3. 1 Degree of Representation

Private sector organizations in Guyana are representative of almost all key economic sectors. However, the degree of representation of firms in PSOs is skewed in favor of larger companies. It is estimated that the PSOs represent about 95% of the large firms; approximately 75% of medium-sized companies; and less than 2% of small enterprises. Apart from NGO interaction, there is no evidence of microenterprise representation at the PSO level.

II. 2. 3 Description of Guyana's Private Sector

Today, Guyana's private sector is an amalgamation of a) a diminishing group of older pre-independence businesses whose owners remained in Guyana; b) a few groups of large and medium-sized companies, owned and developed by younger entrepreneurs, many of whom grew up during the socialist era; c) a proliferation of formal and informal medium-sized and small firms; and d) numerous micro-entrepreneurs.

These enterprises can be classified into four main groups:

- Large Businesses with revenues of over G$130 million in annual sales or more than 100 employees. Examples include GUYSUCO, Demerera Distillers, Bank DIH, Omai Gold Mines, Correria's Holding Company, Kissoon Group of Companies, National Bank of Industry and Commerce, Forte Creste and Tower Hotels, Texaco West Indies and Guyana Telephone and Telegraph Company.

- Medium Sized Businesses with revenues between G$13 million and G$130 million or with 20 - 100 employees. Most manufacturers, like Astral Wax, Adventure Manufacturing, Demerera Tobacco and Vinelli Industries fit into this category. A number of professional businesses, like medical clinics, accounting firms, engineering partnerships and legal practices, generate more than G$13 million in annual revenues but, on average, employ 10 - 20 persons.

- Small Businesses with revenues between G$65,000 and G$13 million or with 2 - 20 employees. This group would include the typical GSBA potential member: auto parts sales, real estate agents, grocery shops, arts and crafts specialists, computer training businesses, small contractors, shippers and brokers, small restaurants, taxi services, small guest houses and small farmers and miners.

- Micro-enterprises with revenues less than G$65,000 per year with 1 - 2 self employed persons. This category would include sidewalk vendors, hucksters, confectionery cart operators, one-person garment makers etc[3]. Micro entrepreneurs are well known for their mobility, high product turnover, informal and often contraband trade, low overheads and a creative ability to evade personal, consumption and import taxes.

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[3] Micro enterprises were not interviewed as part of this study since they are not PSO members. Their technical assistance needs are being addressed by Institute of Private Enterprise Development, Red Thread [a self help womens' group], Sociabank's grameen loan program and by the NGO project, Futures Fund.

II. 4. 3 Administration and Staffing

Of the nine PSOs, five - the Georgetown Chamber of Commerce and Industry (GCCI), Guyana Gold and Diamond Miners' Association (GGDMA), the Forest Products Association of Guyana (FPAG), The Guyana Manufacturers' Association (GMA) and the Consultative Association of Guyanese Industry (CAGI) - have functioning secretariats. Of these five, four have full-time Executive Secretaries to run day to day operations. Each secretariat employs one secretary and an accounts or administrative assistant. CAGI is more well staffed with a training manager, two secretaries, an accounts clerk and office assistant. CAGI's and GMA's offices are situated in the PSC's recently acquired building in Georgetown. GCCI's secretariat is located in an adjacent building.

II. 4. 4 Membership

In total, the nine PSOs represent between 400 - 800 registered businesses in Guyana. Membership levels vary among PSOs. (Table I). Many of the 400 - 800 businesses hold memberships on at least two other key PSOs: GCCI, GMA and CAGI. For example, 30 of Forest Products Association's 44 affiliates are also members of GMA. Companies that do not have multiple membership, own subsidiaries or hold equity positions on associate firms that have adequate representation, via executive council appointments, in other PSOs.

Table I
Membership in PSOs in Guyana

Organization	Total Members	Fina. Members	Non-Paying Members
1. PSO	5	5	0
2. GMA	137	85	52
3. FPAG	44	30	14
4. GSBA	125	20	105[4]
5. CAGI	57	52	5
6. ANTEG	32	7	25
7. GGDMA	244	73	171
8. TAG	30	25	5
9. GCCI	126	100	26
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	800	397	403
	===	===	===

Source: PSO Data. December 1993.

[4] The GSBA's membership level could not be substantiated by the association's executive chairman.

The nine private sector organizations (PSOs) targeted for detailed assessments of institutional capacity, roles in dialogue with the GOG, and involvement in the Economic Recovery Program (ERP) implementation process were:

1) The Georgetown Chamber of Commerce and Industry (GCCI);
2) The Guyana Manufacturers' Association (GMA);
3) The Consultative Association of Guyanese Industry (CAGI);
4) The Private Sector Commission of Guyana (PSC);
5) The Association of Non-Traditional Exporters of Guyana (ANTEG);
6) Tourism Association of Guyana (TAG);
7) Guyana Small Business Association (GSBA);
8) The Forest Products Association Of Guyana (FPAG); and
9) The Guyana Gold and Diamond Miners' Association (GGDMA).

GCCI and FPAG have each been in existence for at least fifty years. GMA was launched 25 years ago while the other six organizations emerged within the last ten years.

II. 4 PSO Institutional Framework

II. 4. 1 Structure

The nine PSOs reviewed in this study are all legally registered entities. Seven of the nine are limited liability companies without share capital. The exceptions are the Gold and Diamond Miners' Association and the Forest Products Association which are both registered under the Trades Union Act.

Each organization has an elected board of directors. Members choose presidents, vice-presidents, treasurers, board secretaries, and appoint executive members at annual general meetings (AGMs). The size of the boards, known as executive councils or committees, range from 21 at the Georgetown Chamber of Commerce to five at the Tourism Association of Guyana.

II. 4. 2 Management

The frequency of executive and membership meetings vary among PSOs. The GCCI's council meets every two weeks while its membership is invited to monthly "update" sessions. The seven-member executive committee of Association of Non-Traditional Exporters of Guyana (ANTEG) meets monthly while full membership meetings are held on a quarterly basis. In comparison, FPAG meets monthly but, apart from its AGM, only invites its full membership to emergency meetings during the year. On average, about 50% of the PSOs' membership attend AGMs to elect executive councils.

-8

II. 5. 2 Consultative Association of Guyanese Industry

CAGI began as an employers' federation in 1962, and was big businesses' response to manipulation of the work force by nationalist political parties in the pre-independence era. The association was accepted by Government as the central employers' organization and was recognized in that capacity by the Guyana Trades Union Congress. CAGI is careful to define itself as an independent consultative and advisory organization on employment and labor matters which affect all businesses, whether public or private sector, and not as a special interest lobbying group.

CAGI's membership has grown from a handful of companies to the most broad-based representation of Guyana's formal private sector and government-owned firms. The association has 18 [large] ordinary members, 35 associate members, and a number of affiliate associations like the GMA, the Public Corporation Secretariat, the Insurance Association of Guyana and the Shipping Association of Georgetown.

The association's members employ approximately 60% of Guyana's 190,000 formal work force [those paying N.I.S contributions]. At one point, as much as 80% of CAGI's ordinary members were government-owned companies. Today, partly because of increasing numbers of new private sector members, and divestment of state-owned corporations, government-owned companies account for no more than half of its larger affiliates. CAGI's largest member, the Guyana Sugar Corporation (GUYSUCO), employs 27,000 workers. To quality for membership, its smallest associates must employ at least 10 people.

At first, CAGI provided advisory services and training courses in industrial relations and gradually expanded its training programs to cover employee training and management development. It now offers three programs: *in-residence, in-house, and open* courses.

In-residence and in-house courses are held in Personnel Management and Industrial Relations, Marketing Skills, Law and the Manager, and Inventory Procurement and Stores Management. Most of these courses are intensive five-day programs.

The *open* courses offer basic skills training in areas like Effective Telephone Communications and Secretarial Services in 1 - 2 day workshops. Course fees range from G$27,000/participant for the five-day programs to G$4,000/participant for the shorter open classes. Courses are well attended but mostly by large and medium-sized firms. Less than 5% of the participants come from firms that are not members of the association.

As the table shows, about half of the PSO's 800 registered members pay annual dues and subscriptions (the "financial" members).

II. 5 PSO Roles, Services, and Issues

The nine private sector organizations profiled below have broad goals and offer similar services. However, each PSO had distinctly different constraints and priorities. They are also at different stages of institutional development. Three are relative newcomers to lobbying, dialogue and special interest work. Some association members have benefitted (exporters, producers and hoteliers) while other have regressed (manufacturers, timber producers) as a result of ERP implementation.

II. 5. 1 The Private Sector Commission of Guyana

The Private Sector Commission was formed by GMA, GCCI, FPAG, CAGI and the Berbice Chamber of Commerce and Development Association (BCCDA) in January 1992. The PSC's main objectives are to promote the principles of private enterprise and to work with Government on the study and implementation of national economic development plans. The PSC also wants to promote better co-operation among existing private sector organizations; and to boost research, training and technical assistance within the private sector. The Commission sees itself as the Guyana equivalent of Jamaica's umbrella private sector organization, PSOJ, and as a smaller version of the region's private sector "think tank", the Caribbean Association of Industry and Commerce (CAIC).

In its first full year the PSC held eleven meetings with various government ministries and formed part of Guyana's official delegation at a number of CARICOM policy sessions. The Commission also held several discussions with the World Bank and the International Monetary Fund (IMF). In November 1992 a three-story building was acquired to serve as the PSC secretariat and as a business centre and organizational headquarters for the Commission's PSO members. The acquisition was financed by a GOG grant of G$31 million of Title I PL 480 reflows. Since then, the Commission has approached the European Commission (EC) for technical assistance to establish the centre's operations and research functions.

However, like other new organizations, the PSC has growing pains. The Commission is still to define its operational role in relation to other PSOs. It is also autocratic and not yet fully representative of Guyana's private sector associations. For example, the Commission pre-empted participation of some member-organizations in key negotiations with Government on the 1993 Budget. Only five of the 13 PSOs are PSC members. These concerns have created an internal conflict and has led to reservations in the business community about the Commission's real motives and agenda.

The GGDMA's 244 members represent the broadest cross section of entrepreneurs in terms of size, vertical integration, range of technology used and impact on remote communities. Larger firms, like Correia's Holdings, are vertically integrated and are involved in mining, dredging, international exports through the Gold Board and owns retail outlets within the region. Correia's also offers drilling services to small miners and operates a light aircraft freight service to central points in the Interior. Omai Gold Mines, a large, recently established foreign firm, uses up-to-date technology and employs overs 400 laborers and technicians in its dredging and processing divisions.

Apart from four large firms, the precious metal industry is dominated by 600 - 1,000 small independent prospectors. Because these "pork nockers" make repeat trips to the Interior, they also provide delivery and distribution services to about 10,000 small farmer families in rural areas. They carry medical supplies, dry goods and spares to villages, and purchase and transport fresh fruits and vegetables to Georgetown and New Amsterdam. Small miners adopt this approach to offset speculative work with more predictable activities and, in the process, play an essential role in Guyana's rural communication and distribution systems.

GGDMA, however, has perpetual difficulties collecting fees, particularly from individual members whose whereabouts in the Interior are not willingly revealed to anyone, including the association. For example, 1992 fees and subscriptions of G$884,000 only covered a third of its operating costs. Corporate members had to contribute G$1,370,000 as special donations to make up for the shortfall in annual fee income.

Nevertheless, the association's executive council consists of no-nonsense, results-oriented entrepreneurs. For this reason the organization dialogue with GOG has been relatively successful. Government now consults GGDMA on key issues affecting the industry. For instance, on the recommendation of the association, GOG agreed to a simplified 2% turnover tax on gold sold to the Gold Board to replace consumption and other taxes on small miner operations.

GGDMA needs technical assistance to prepare a formal response to GOG's draft rules and regulations under the new Mining Act. The association's key concerns are its narrow revenue base, its inability to provide technical/ production references and geological information to members, and the negative effects of the Gold Board's monopoly over exports.

The secretariat is also concerned about transient membership. Since its inception, between 400 - 500 small miners have joined and then dropped out as registered members. The reasons: small members expect immediate solutions and are not familiar with institutional processes. Additionally, the entry and exit rate for such a speculative industry is high. Finally, the association would like to change the industry's negative public image as a group of modern day "pirates" who have become wealthy by avoiding taxes and by operating largely outside the rules and regulations of the formal economy.

241

CAGI spends considerable time identifying its members' training needs. To institutionalize this process at the firm level, the association would like to access technical assistance to help its larger members develop the capacity to carry out their own needs assessment independently of extensive CAGI guidance. The secretariat would also like to upgrade its training equipment and acquire a training centre since it spends up to 40% of its revenues from training on rental costs for similar facilities from hotels and government organizations.

II. 5. 3 The Georgetown Chamber of Commerce and Industry

The Georgetown Chamber of Commerce and Industry (GCCI) was formed over 100 years ago and was Guyana's first PSO. The Chamber's 126 members include commission and export agents, distributors, early manufacturers, banks, insurance companies, and various state-owned corporations.

The GCCI's secretariat acts as a clearing house for trade and investment offers from overseas firms. It is responsible for arranging consultative meetings with the government on taxation, import trade and customs regulations and procedures. The association's main sources of income are 1) membership fees and 2) fees charged to exporters for trade certificates of origin. Membership is limited to registered firms. [Although registered, professional businesses have not been invited to join GCCI.]

During the previous government's 28-year tenure of extensive nationalization, GCCI was transformed from an elite private sector league to an organization dominated by large government-owned companies. Consequently, its role as a private sector interest group was neutralized by public sector control of its executive council.

Once the most prestigious and influential association, the Chamber is now the worst run and least effective of the five PSOs with functioning secretariats. For instance, its audited accounts are three years past due and the Georgetown organization has no formal contact with the smaller chambers of commerce in Guyana's other two towns, Linden and New Amsterdam.

II. 5. 4 The Guyana Gold and Diamond Miners Association

GGDMA was created in 1983 as a defence mechanism against the former government's monopoly of precious minerals trading and export through the creation of the Guyana Gold Board. Two of its primary objectives are 1) to protect the rights, interests and welfare of miners; and 2) to enter into negotiations with relevant authorities for the improvement of the mining industry and for reasonable and adequate prices to be paid to miners for gold and other precious stones.

The association has lobbied incessantly but failed to get the Government to remove taxes and duties on raw materials and equipment imposed under the Economic Recovery Program. At the regional level, the association has pressed for extended protection under the Common External Tariff (CET) to circumvent increasing competition from foreign imports in Guyana and within CARICOM. However, an increasing number of CARICOM governments are committed to economic liberalization. To survive, Guyana's manufacturers must transform their import substitution operations into viable, competitive, export-oriented businesses.

II. 5. 6 The Forest Products Association Of Guyana

FPAG was registered in 1944 under the Trade Unions' Act as a union of employers to foster the industry's development. The association's 44 members consists mostly of the bigger historical saw millers and logging firms. Eight of the 44 firms export processed lumber and wood products to CARICOM countries and the U.S.A. Like other sectors, the industry is now strapped with consumption taxes and duties from which it was previously exempted. The established firms are also facing increasing competition from chain saw operators who avoid land utilization taxes and whose lower overheads allow them to undersell the millers at the retail level.

Like other PSOs, the Forest Products Association has severe funding difficulties. Despite an increase in dues and subscriptions in 1992, total annual revenue was only G$386,000 (US$3,000). In 1992 the association had to solicit special contributions from its members to pay its G$40,000 PSC membership fee. Its secretariat is run by an Executive Officer and an assistant who coordinate Executive Committee meetings and disseminate reports to members.

FPAG's members want the organization to get the GOG to 1) strengthen its Forestry Commission to better regulate the industry; 2) eliminate consumption taxes and fuel surcharges; 3) reduce import duties on spare parts; and 4) grant equal concessions to local investors as it does to foreign investors in the forestry industry. The Executive Committee has discussed these issues with GOG and has negotiated some tax changes on its members' behalf. FPAG gains about 4 - 5 new members each year but loses an equal number because of its financial handicap. With limited resources, the association in not in a position to upgrade staff or take on additional responsibilities. To save on overhead costs, FPAG plans to move its secretariat into the PSC's private sector centre by June 1994.

II. 5. 7 The Association of Non-Traditional Exporters of Guyana

ANTEG was formed in 1988 by a group of exporters who shared common problems in post-processing and post-farm services. The association's 32 members export seafood and fresh produce to CARICOM, Europe and the U.S.A.

II. 5. 5 The Guyana Manufacturers' Association

The GMA was established in 1967 to leverage the industrial sector's lobbying role during the early years of Guyana's industrialization program. The association was also formed to circumvent growing conflicts between traders and manufacturers within the GCCI over import substitution policies and licensing controls on imported foreign goods. GMA classifies its 137 members in eight groups:

1) Agro-industrial products [22];
2) Engineering [10]:
3) Forestry [30];
4) Jewellery [7];
5) Industrial [35];
6) Printing [7];
7) Textiles [19];
8) Associate Members [7].

Most members are import substitution manufacturers of processed fruit products, seasoning, plastic containers, aerated beverages, cigarettes, edible oil, soaps and detergents, furniture, agrochemicals, packaging material and jewellery. Some firms are involved in shrimp processing, tool and die services, logging and lumber production, garment assembly, pharmaceuticals, office equipment and supplies, paints and building supplies and industrial gases.

Unlike the Georgetown Chamber, whose membership includes large government-owned corporations, most GMA members are medium size companies with 20 - 100 employees. About 50% export some products to CARICOM countries. Almost all are heavily dependent on local sales to cover fixed operating costs. In terms of technology, access to investment capital and market knowledge, most firms are ill-equipped to successfully penetrate foreign markets.

GMA's secretariat, located in the PSC's PL 480-funded new private sector center, has been functioning without an executive secretary since November 1992. Like GCCI and GGDMA, the association's limited revenues compromises its ability to provide full services to its membership.

To keep costs down, GMA has concentrated on accessing donor funded technical assistance for its garment, furniture and woodworking membership. Still, GMA ran out of cash in 1992 and had to increase its dues and subscriptions three-fold to finance its operating costs. The association advertised for an executive secretary in December 1993 but will continue to face financing and operational constraints unless it develops innovative income-generating programs of its own.

II. 5. 9 The Guyana Small Business Association

GSBA was formed in 1988 as the small man's response to the long-standing exclusion from the "old boy" associations. The association's objectives are to represent small entrepreneurs' interests at the national and international levels; to provide profiles and commercial activity information on the sector; and to train and/or facilitate the organizational development of small operators. GSBA defines a small business as one with less than 15 workers that is owner-managed.

GSBA claims to represent 125 businesses. Its membership list includes entrepreneurs involved in mining, food retailing, real estate, auto sales, woodworking and craft furniture, computer training, distribution of electrical appliances, shipping, leather craft and fruit and vegetable processing. GSBA also lists members in farming, scrap metal, fishing, timber, agricultural equipment and taxi services. These businesses are small [but are not microenterprises] and are located in Georgetown, Berbice, East Coast Demerera and Linden.

It is not clear how many of the 125 businesses are GSBA members or whether they are listed as members because they were invited to join the organization in its earlier years. GSBA has suffered from personality conflicts, political manipulation and dictatorial executive management. These problems have tarnished its reputation. The association has lost most of its members who became disillusioned about its commitment to helping small businesses.

GSBA does not have a secretariat. The organization gave up its office space in its first year because of an acute shortage of funds. Since then, it has used the offices of various executive council members to disseminate information and encourage its members to participate in small business training programs.

GSBA is the least credible of the nine PSOs assessed in this study. In terms of transparency, membership representation, and commitment, the organization has not had an AGM since 1990, membership could not be quantified and its current services and role difficult to identify. In 1993, GSBA asked two donor agencies to underwrite its capital and operational budget for a secretariat but has not convinced those donors to finance those costs.

II. 6 Assessment of PSOs

II. 6. 1 PSOs' Views of Strengths and Weaknesses

Almost all PSOs see their strengths as their in-depth knowledge of sectoral opportunities and constraints and their capacity to articulate key concerns to relevant government ministries. The recently formed associations, like ANTEG and TAG, claim to be more dynamic than the mainstream institutions. However they concede that they have greater difficulty in delivering basic services and in developing private sector support for their activities.

245

ANTEG estimates that another 15 - 20 firms are exporting similar products but are not members of the association. Total nontraditional exports however are still relatively low: About 1,900 tonnes of pineapple, plantains, limes, heart of palm, cut-flowers and coconut shell powder were exported in 1992.

With only 7 financial members, the association functioned without a secretariat for the first five years of existence. Fortunately, ANTEG's chairman and its executive council are highly committed to improving the role and status of nontraditional exporters.

This commitment has produced an impressive list of accomplishments. For instance, although ANTEG's annual revenues are less than G$80,000 or about US$615.00, it interacts regularly with government agencies like the Ministry of Agriculture, New Guyana Corporation, Bank of Guyana, and Customs and Excise Department to sensitize officials about key constraints affecting non-traditional exporters. It also seeks out technical assistance for its members, prepares comprehensive annual reports, and adheres to its governing rules and regulations. ANTEG's future priorities are to 1) establish a secretariat, 2) develop revenue generating activities to sustain its services and 3) broaden its membership base.

II. 5. 8 The Tourism Association of Guyana

TAG was formed in August 1991 and registered in January 1992. The association's 25 financial members represent three large hotels, eight small eco-tourism resorts in the Interior and a number of travel agencies, airline offices, local charter companies and ground tour operators.

The association has performed well since its inception. TAG joined the Caribbean Hotel Association (CHA), negotiated GOG subventions to attend world trade fairs/shows in Germany and the U.K. and published a tourism brochure - all within its first year of existence. The association also publishes a monthly eight-page eco-tourism feature in local newspapers to promote tourism and create awareness of the industry's economic impact and potential within Guyana.

TAG faces three problems: 1) the lack of a strong tourism development authority within the Ministry of Trade to provide clear guidelines for the industry's development; 2) limited understanding of the association's role among its smaller members and 3) intransigence on the part of its members in pursuing overseas marketing/promotional opportunities identified by TAG. According to the association's president "the biggest challenge [facing the association] is to develop an awareness and understanding at the government level about the role of tourism in Guyana". TAG does not want to set up a full blown secretariat but would like to contain overhead costs by sharing office space with other PSOs at the PSC's private sector centre.

- "An association [in this case GSBA] is not the best mechanism to help small businesses overcome their two biggest problems"... These problems are 1) Access to credit and 2) Training in finance and administration. This is the main reason why GSBA has had limited success in its efforts to gain support among the small business community.

Notwithstanding the negative implications of these statements, the same PSO members were optimistic that their associations can improve services and that the PSC will overcome its growing pains and resolve internal conflicts. Some are also satisfied that the PSOs are doing as much as they can to keep Government aware of their problems. They believe that, over time, the PSC will resolve its early conflicts, establish a pragmatic operational framework and that ultimately, the Commission's activities will strengthen the private sector's relationship with Government.

II. 6. 3 Government's Assessment of PSOs

Government perceives the PSOs as institutionally weak, fragmented, and lacking the analytical capacity to support their proposals for changes in public sector policy. According to the Minister of Finance, the PSOs are not organized and dialogue is not well structured. In some cases, the PSOs views are repetitive and in others instances they present conflicting proposals on issues like taxation and import licensing control. Government is also concerned that the associations do not always update members on agreements or decisions reached through dialogue with the private sector.

Other government perspectives on private sector organizations and on entrepreneurship in the business community include:

- "The Chamber of Commerce represents a group of importers who consume foreign exchange without contributing to its generation"... GCCI members make a marginal contribution to Guyana's economic development.

- "There is too much in-fighting and political posturing among members of the GMA's executive council"... The GMA represents the views of its executive and not necessarily the views of the majority of its membership.

- "Neither the bigger organizations [GCCI, GMA, PSC and FPAG] nor the smaller ones [ANTEG, GSBA] are fully representative of Guyana's private sector"... The bigger ones seek their own interests; the smaller ones don't, because membership is so small [estimated at less than 2% of small businesses] in the first place.

- "The private sector is not market driven"... Guyanese businessmen are comfortable functioning in a predictable domestic market. The ERP calls for entrepreneurs who 1) focus on markets; 2) analyze marketing infor-

One common weakness is that most members are reluctant to take on leadership tasks in their organizations. The job of running the associations is left to one or two motivated persons on the executive councils. When those individuals withdraw, momentum is lost and institutional capacity declines considerably. As noted in the preceding section of this report, another deficiency is lack of financial resources. The PSOs know that these constraints compromise each organization's services and result in lacklustre member support.

The PSOs are generally apprehensive about the Private Sector Commission's plan to offer "walk-in" technical assistance and support services to the business community. That approach could inadvertently undermine the *raison d'etre* of almost all the PSOs by duplicating services already offered by them and by offering new income-generating services which they now want to introduce to improve viability and strengthen institutional capacity.

II. 6. 2 Members' Views of PSOs

Members agree that the PSOs ready access to Government is their most positive feature. However, a number of comments were expressed about image, reputation and focus:

- "The PSC will safeguard the interests of big business"... It is not clear how the PSC will reconcile fundamentally different, and often conflicting, priorities of its member-organizations. Also, the Commission has not yet outlined a strategy for representing each PSO in cases where proposed changes will benefit one business sector at the expense of others.

- "Government controls the Georgetown Chamber [of Commerce]"... Some leading trading firms show almost no interest in the Chamber's activities. The association's executive council lacks drive and motivation as well as the capacity to develop strategic plans, prepare annual action plans or solicit new members. One succinct comment... "GCCI needs to revive its private sector role and membership after 28 years of public sector dominance and organizational inertia..."

- "The GMA has not protected its members' interests"... There are too many big egos in the organization. Still, members appreciate the GMA's work in coordinating firm-level technical assistance [eg. United Nations Industrial Development Organization and Canadian Executive Service Overseas] to their firms.

- "ANTEG is taking on much more than it can handle."... The association should concentrate on identifying ways to a) eliminate regulatory red tape and b) simplify cumbersome customs procedures, both of which affect the on-going operations and profits of all exporters.

II. 8 Dialogue and The ERP

II. 8. 1 Progress and Constraints

Constructive dialogue between the GOG and PSOs was initiated three years ago by the former government through the creation of private sector advisory committees at the ministry level. Monthly meetings were held to discuss key issues with each PSO. This practice was retained by the current administration. Within it first twelve months in office, the new government held numerous meetings with key PSOs to discuss priority concerns of the private sector; to pass on ERP information; and to incorporate private sector perspectives in the budget. Government also adopted policies intended to improve or liberalized its regulatory functions and processes.

Within the last 18 months, the Private Sector Commission has assumed the role of lead PSO in dialogue with Government. Nevertheless, although GOG acknowledges the PSC's mandate, it continues to meet separately with other associations on an "as-needed" basis. In this way dialogue is maintained with organizations like ANTEG, TAG, GGDMA, the Guyana Rice Producers Association (GRPA), and the Guyana Rice Millers Association (GRMA) that are not yet members of the PSC.

However, Government, affected by its human resource limitations, would prefer to rationalize dialogue with private sector organizations. The PSC, partly in response to this concern and partly in an attempt to broaden its representation and consolidate it power base, has invited ANTEG, TAG, GGDMA, GRPA and GRMA to join the Commission.

At the time of this report, four of these five organizations (TAG, ANTEG, GRPA and GRMA) had agreed to Commission membership[6]. This would increase PSO representation at the PSC level from five to nine organizations by mid-1994. Although not a private sector organization, the Institute of Private Enterprise Development (IPED) has also been invited to join the PSC.

GOG is concerned that the individual PSO's only motive is to use dialogue fora to extract as many fiscal concessions as possible. Some officials would like to see the private sector develop the capacity to make contributions to other priority national concerns. Government points out that the PSOs have shown far less interest in contributing to longer term development solutions that would benefit them, such as rehabilitation of the educational system, although they were invited to participate in dialogue on that issue.

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[6] The GGDMA prefers to become a CAGI member and will let CAGI present the miners' views at the PSC level.

219

mation; and 3) transform this intelligence into new products. GOG believes that the private sector has not yet understood this and is therefore still lobbying for a return to outdated protectionist policies.

One senior Government official suggested that the PSOs top priority should be to increase membership and hire good management to run their organizations. Another official recommended that the PSOs and Government develop a mutual database on employment, imports, exports and skills trends. Such information would allow Government to determine how it should modify its educational programs to meet private sector priorities and allow the private sector to substantiate its requests with quantitative data.

II. 7 PSO Capacity To Carry Out Key Tasks

II. 7. 1 Institutional Capabilities

Of the nine PSOs, only CAGI has developed the institutional capacity to carry out its key tasks with an above-average degree of competence. One key reason: The association is managed by a capable Executive Director. He provides adequate representation on industrial relations and has successfully expanded CAGI's industrial relations courses for employers into a comprehensive management training program for the private sector.

Other reasons for its success include, a captive clientele of large government-owned companies, proper planning a sound management information system and competent staff. For example, the association has already prepared its 1994 training program. Also, unlike other special private sector interest groups, CAGI's has had a stable history because its industrial relations and training functions are of mutual benefit to both private and public sector companies. This stability is respected by members and other PSOs. The result: annual increases in CAGI membership of 4 - 6 firms between 1988 and 1993.

II. 7. 2 Financial Sustainability

Only CAGI is financially sustainable[5]. The organization is viable because it had successfully developed and marketed profitable fee-based training to the private sector. Training fees now account for as much as 80% of CAGI's revenues but no more than 50% of direct costs. This strategy is in marked contrast to other PSOs', most of whom have failed to broaden their revenue programs. For the five other PSOs for which financial information was available, membership fees and subscriptions fall far short of basic operating costs.

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[5] It is highly likely that the Private Sector Commission will also be financially sustainable if it offers services to the private sector.

2) Futures Fund, a large Canadian International Development Agency (CIDA) funded NGO established in the 1980s to utilize generated currency from a Canadian PL 480-equivalent fertilizer reflow program; and

3) donor programs like the European Commission and USAID.

II. 9. 2 Volunteer Services

Over the last three years, VSO and CESO have provided volunteers for in-country assignments. Usually, these volunteers are attached to beneficiary firms for problem-solving work on a cost-sharing basis. In those cases, the volunteer program bears 75% of the TA costs while the beneficiary is expected to pay the volunteer's in-country costs of approximately 25%. In Guyana however, most of the local costs are picked up by a PSO or financed via local grant programs like Futures Fund. The CESO program has carried out about 50 individual volunteer assignments since 1991 through IPED, FPAG, GMA and Futures Fund. A UNIDO/ United Nations Development Programme, channelled through GMA, also provides IESC-type technical assistance to manufacturers in the Garment, Metal Working and Furniture sectors.

II. 9. 3 NGO Support

Futures Fund has earmarked Can$640,000 (G$61,440,000) of it remaining Can$8 million grant fund for technical assistance to PSOs. In existence for one year, the Fund's private sector component has been poorly utilized by the private sector. Only one strategic planning workshop with four PSOs, [the Linden Chamber of Commerce, ANTEG, FPAG and the Rice Growers Association], has been implemented to date.

Futures Fund's resources can pay for technical assistance as well as procurement of commodities such as computers and office equipment. Maximum grant size is G$15 million or about US$115,000 per grantee. The Fund has requested proposals from the four PSOs it assisted but has not had a serious response, eight months after the offer was made to those organizations.

The PSOs have not access Futures Fund's grants for two reasons. First, feedback from private sector organizations suggests that the strategic planning workshop was too theoretical and did not address the basic needs of the participating organizations. Second, Futures Fund, functioning at full capacity, is more attuned to meeting the needs of rural NGOs, and had not had the time to work closely with the PSOs in the project proposal/preparation process. The Fund must commit all of its remaining resources to approved projects by mid-1994. Its current high capacity utilization, preference to assist NGOs and the slow rate of response from PSOs would suggest that funding for the private sector component will be probably re-allocate to another component prior to the mid-1994 deadline.

II. 8. 2 Private Sector Understanding of ERP

Apart from CAGI and the PSC, the private sector organizations have limited knowledge about the full scope of the ERP. It is important to note that the private sector has only responded to Government's ERP initiatives by reacting to tax proposals or decisions taken by Government on regulatory reform such as the elimination of tax concessions for the industrial sector. This approach has led to a narrow and negative interpretation of the Economic Recovery Program, particularly among manufacturers and the small business community.

Because the private sector has not carefully analyzed the ERP it has not "seen" some of the longer term opportunities and growth implications for the business community. One example: as Government moves to privatize and divest ownership in the remaining 30 state owned corporations, there will be increasing opportunities for the local private sector to acquire and/or manage those businesses.

There will be similar openings for small businesses to set up modern printing operations; to expand computer training services; and to sell tool and die services to companies that buy state corporations as the new owners change corporate names and focus on improving staff productivity and equipment efficiency. Another example: Because of a liberalized exchange rate policy, Guyanese companies can now access long-term foreign currency debt in overseas financial markets at interest rate well below the domestic cost of credit. This opens up the market for specialized financial services - opportunities which are being pursued by foreign firms rather than local companies.

In summary, most PSOs have not analyzed the strategic implications of the ERP or fully explained the potential benefits to their members. For this reason, many companies have negative perceptions about the Program and have been slow to react to emerging opportunities because of the general lack of understanding of its downstream advantages. Paradoxically, the private sector is yet to use its close contact with business communities in other liberalized economies like Jamaica, to gain insights about new, profitable investment opportunities that actually emerged for local investors in those countries.

II. 9 Technical Assistance to PSOs

II. 9. 1 Technical Assistance Sources

Guyana's PSOs access technical assistance from three sources:

1) voluntary service organizations like the U.K.'s Volunteer Service Overseas (VSO), Canadian Executive Service Overseas (CESO) and the U.S.A.'s International Executive Service Corp (IESC);

SECTION III
RECOMMENDATIONS FOR ASSISTING PSOs

III. 1 Summary of Key PSO and Private Sector Needs

The key PSO and private sector needs identified in this study are:

- Improvements in the regulatory environment to facilitate on-going private sector growth;
- Clarification of the role, and benefits of the ERP and confidence-building to encourage the private sector to take up opportunities in Guyana's new liberalized economy; and
- The need to strengthen the PSOs institutional capabilities and capacity at the strategic and operational level.

Proposed BEEP technical assistance, including a suggested approach, specific recommendations, implementation strategy, and expected impact, is outlined below.

III. 2 Suggested Approach

Given the limited resources available for the BEEP private sector component, two primary criteria were used in identifying potential areas for BEEP technical assistance and training: commonality of PSO needs and avoidance of duplication of other donor commitments. These parameters will allow USAID to focus its resources on a few important areas that would maximize the potential long term impact of its technical assistance.

III. 3 Specific Recommendations

The BEEP private sector component should consist of three elements: 1) Technical assistance to strengthen the regulatory environment; 2) Technical assistance to improve PSO strategic planning; and 3) Technical assistance, training and commodities to upgrade the PSOs institutional capabilities[7].

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[7] The Private Sector Commission will benefit from a US$500,000 EC grant to help the Commission establish an operational base and develop its own services and fee-generating capabilities. USAID should therefore concentrate its resources on helping the other 8 PSOs and avoid duplicating this EC initiative under BEEP.

-23

II. 9. 4 Direct Donor Support

By mid-1994, the European Community will compliment A.I.D's initiative by providing an ECU 400,000 (US$500,000) institutional-building grant to the PSC. The primary purpose of the EC grant is to help the PSC develop its institutional capability to provide fee-based services to its member-organizations and investors. In addition, the PSC wants to use the grant funds to develop an information and research capability to improve private sector representation and strengthen its dialogue with the GOG. The grant will fund equipment and software and will pay for the services of three local hire professionals to fill marketing, finance and administration positions and the services of an expatriate advisor for one year.

1) Technical assistance to help the secretariats of the respective associations develop strategic planning capabilities and establish common approaches to improving management and data information systems;

2) Seminars to help each PSO and its members identify immediate and medium term opportunities under the ERP; and

3) Technical assistance to encourage the PSOs to broaden their perspectives on dialogue and to assist them in developing methodologies to examine a broader range of economic and social issues which affect the private sector's longer term capacity to respond to emerging economic opportunities under the ERP;

This first phase of PSO strategic assessment, and planning must be undertaken to ensure that the private sector organizations develop holistic perspectives on their roles, strengths, weaknesses and capabilities. The process will also ensure that both the PSO and the BEEP implementing agency are in agreement on the PSOs immediate and short term plans and technical assistance expectations.

III. 3. 3 Institutional Strengthening

The objective of the institutional strengthening element is to help the PSOs find ways to enhance their operations and financial viability. This element should consist of the following sub-elements:

1) Technical assistance, to assist a) the more established PSOs, like GMA, GCCI and GGDMA, improve their revenue generating activities and upgrade trade information, marketing and technical services to members and b) the emerging PSOs such as ANTEG, TAG, and GSBA to establish basic administrative systems to disseminate information to members; and to increase membership.

2) Short-term training programs for PSO secretariat executive secretaries in the form of 2-4 week work-study attachments with viable and self-sustaining PSOs in other Caribbean countries.

The purpose of this training is to give PSOs opportunities to acquire hands-on experience of key success factors and practical knowledge of operating practices of PSOs that function at slightly higher levels of efficiency than currently exist in Guyana.

3) Workshops for PSO members, using successful business persons from other newly liberalized economies like Jamaica and Trinidad as resource persons, to illustrate techniques and strategies used to achieve business benefits from economic reform/recovery programs.

III. 3. 1 Strengthening the Regulatory Environment

The objective of this element is to improve the regulatory framework to better facilitate on-going private sector growth in Guyana. Strengthening the regulatory environment should consist of three sub-elements:

1) impartial studies and assessments to examine operational constraints or draw conclusions about technical requirements and regulatory impediments to more rapid growth in emerging sectors of the economy that are beginning to benefit from the ERP;

2) hands-on technical assistance to help PSOs and government ministries/departments address outstanding regulatory issues which need to be clarified to create transparency about rules and regulations governing private sector activities in Guyana; and

3) joint private/public sector workshops at the administrative/government department level to discuss practical solutions to regulatory impediments to faster and more efficient private sector growth.

Technical studies should be undertaken to provide government and the private sector with clear indicators of key regulatory factors for success in those industries or sub-sectors. These studies or assessments should lead to agreed-to government and private sector implementation plans to improve regulatory efficiency. They should also lead to dismantling of redundant rules, regulations and processes that are left-over systems and procedures from the pre-ERP period of bureaucratic public sector administration. The studies should take into consideration the GOG's acute human resource deficiencies and should therefore present practical changes and improvements that can be readily incorporated under existing GOG management systems.

Hands-on technical assistance should include analysis and assessment of the regulations governing the new Mining Act, assistance to the Ministry of Trade, Tourism and Industry to establish the policy, regulatory and operational framework for future development of the tourism industry, and the implementation of administrative changes designed to improve investment and export regulatory/processing/approval systems.

III. 3. 2 Strategic Planning

The objective of this element is to help the PSOs examine ways to rationalize their operations; to help them expand their perspectives of their role in economic development; and to assist them in developing the capacity to identify opportunities under the ERP. This element should have three interrelated sub-elements:

III. 4. 2 Delivery Mechanism

It is recommended that the Ministry of Trade serve as the executing agency for the private sector component. This implies that the technical advisor to that Ministry [under the public sector component] would assume responsibility for initiating and managing the private sector component. Possibly, the advisor would be the most appropriate team member to serve as Chief of Party for the project.

III. 4. 3 Eligibility Criteria

To obtain BEEP assistance, each PSO should demonstrate bona fide organizational status, transparency, accountability and broad-based membership representation by:

- Verification of current legal status of their organizations (for example, a confirmation letter from the Registrar of companies or trade unions that the organization has filed its annual records with the registrar of companies)

- Evidence of up-to-date adherence to by-laws and constitution of the association (annual general meetings held, minutes recorded of executive meetings, and full membership meetings)

- Evidence of functioning executive boards (reports or minutes which record active participation by elected officials in carrying out their assigned tasks and responsibilities and action being taken on agreed-to tasks)

- Evidence that at least 51% of the association's membership has fully paid up dues and subscriptions (as a barometer of financial commitment to their organizations' activities)

- Evidence of financial accountability and at least primary account/record keeping systems in place (audited financials approved by Executive Council or physical evidence that the financial records are up to date and are being maintained in accordance with basic acceptable accounting practices)

- Evidence that actual and planned revenue generating programs (for fees, subscriptions and donations from members) will generate adequate inflows to cover basic operating costs.

227

This type of contact would raise the private sector's confidence level about future business prospects in Guyana after they are exposed to strategies and success stories of entrepreneurs who are now thriving in liberalized economies.

4) Procurement of computers, photocopying machines, fax machines, software programs and office equipment for the PSOs to help them establish/ upgrade their administrative and information management systems.

5) Local training of PSO office staff in data processing, customer service and office management to ensure that the associations' operational efficiency is improved.

III. 4 Implementation Strategy

III. 4. 1 Recommended Level of Effort

The following level of effort will be required to implement the BEEP private sector component:

Table II
Illustrative Tasks and LOE

Tasks	Est. LOE
1. Improving the Regulatory Environment	
- Short Term Expatriate Specialists	
a) 4 - 6 Technical Studies	11 per. mths
b) Hands-On Assistance/Govt Departments	24 per. mths
c) 6 - 8 Joint Private/Public Sector Workshops	1 per. mth
2. Strategic Planning	
- Short Term Expatriate Specialists	
a) Technical Assistance to 7 PSOs	3 per. mths
b) In-county Seminars	1 per. mth
3. Institutional Strengthening	
- Short Term Expatriate Specialists	
a) Technical Assistance to 7 PSOs	8 per. mths
- Short Term Guyanese Specialists	
a) Management, Staff Training, etc	14 per. mths
- Regional Short Term Training Requirements	
a) In-Country Workshops; PSO 2-4 wk. attachments	7 per. mths
Total Estimated Level of Effort	69 per mths.

278

III. 5. 3 Economic Impact

The results of BEEP technical assistance will be improved relationships between the private sector and government, and transparency in the regulatory process. This should allow the private sector to make decisions on expanding investment, increased employment, and improving export marketing with a greater degree of confidence and predictability.

Likewise, improvements in export handling and document processing and approval systems resulting from BEEP assistance will allow exporters to respond more effectively to requests from foreign buyers. Such improvements should lead to increased production and export sales as Guyana's reputation as a reliable and efficient supplier is acknowledged by importers in hard currency markets.

However, although the institutional and economic implications of BEEP TA could be articulated, the economic outcome of assistance on different socioeconomic groups in Guyana could only be described in broad based terms. For example, the project should have positive but indirect impact on the poorest of the poor if:

- Future private sector investment continues to be directed into labor-intensive rural-based agriculture and mining activities;
- Eco-tourism projects materialize and result in spin-off income generating benefits for nearby rural communities; and
- Agreement is reached between GOG and foresters on environment protection guidelines and fiscal dis-incentives are removed to encourage increased commercial activities in the Interior.

Finally, the overall impact of BEEP will also depend on the effect of other donors' assistance efforts as well as the GOG's improvements in other aspects of fiscal, administrative and infrastructural management that are beyond the control or direct influence of the project.

229

- Presentation of a plan of action, approved by executive council, which outlines key objectives, such as increased membership, special income-generating activities and expected results; the assignment of tasks to key personnel; and an implementation schedule for the next year of operations.

- Evidence of use of membership screening criteria which ensures that PSO members are bona fide business operators (whether firms, proprietorships or partnerships)

III. 5 Institutional and Economic Impact

III. 5. 1 Underlying Assumptions

Success of the BEEP private sector component is based on a number of assumptions. First, it assumes that senior members of the various private sector organizations will become actively involved in institutional development of their associations. Second, BEEP impact will depend on the resolution of on-going conflicts between the Private Sector Commission and some of its founding member-associations. Third, success will also depend on the maintenance of harmonious working relationships between the PSC and other leading business associations in Guyana.

Three other key assumptions are that Government will 1) increase the level of private sector participation in future ERP formulation or modification; 2) formalized the dialogue process and 2) follow through on its stated commitments to improve regulatory systems, eliminate ambiguities about investment concessions and introduce further fiscal reforms to induce the private sector to pursue emerging investment opportunities.

III. 5. 2 Institutional Impact

Project impact will originate at the institutional level. Technical assistance will help government ministries and departments define regulatory requirements for private sector investment in tourism, forestry and the manufacturing sectors[8]. In a similar way, information generated from BEEP technical studies and from initiating new or improved PSO databases on trade sources and export markets will allow the private sector to tap into up-to-date technology. This information should strengthen private sector/GOG dialogue and allow the GOG to prioritize the next step in the ERP implementation process with more clarity than currently exists.

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[8] TAG's members want to build eight upscale 10 - 20 room eco-tourism resorts in the Interior but have postponed those plans pending GOG clarification on environmental and regulatory requirements and investment incentives.

230

APPENDICES

APPENDIX A
STATEMENT OF WORK

SCHEDULE

I. STATEMENT OF WORK

A. PURPOSE

The purpose of this order is to obtain a set of detailed recommendations, with supporting analyses and rationale, for a 3-4 year technical assistance (TA), short-term in-country and off-shore training program that will help Guyana's pri ate business community better undertake broader-based, inclusive, articulate participation in national and sectoral policy/ regulatory formulation and implementation processes. The recommendations will be used in the design of the proposed A.I.D. Business Environment Enhancement Project (BEEP, 504-0107) in Guyana.

B. BACKGROUND

In spite of the recent positive moves toward a market economy by the Government of Guyana (GOG), the business environment is still considered insecure and high risk by many Guyanese and foreign business persons. This is due to a number of factors, chief among which are delays in implementation of agreed-to policy, legal/regulatory/judicial (LRJ), and institutional changes necessitated by the policy reform process; a lack of transparent and broad-based dialogue between the public and private sectors regarding priorities in the implementation process; and a possible (unintended) bias against smaller businesses in terms of benefits of the reform process.

The international donor community, led by the IMF, Inter-American Development Bank (IDB), and World Bank, have worked closely with the GOG since 1987 in its macroeconomic reform efforts, and plan to continue to provide significant assistance to leverage additional reforms to increase trade and private investment in the coming years. The BEEP Project will complement these multilateral efforts and focus on improving the implementation of reforms -- those enacted and those proposed -- through a number of venues over time.

The purpose of BEEP is to increase the capacity of key public and private sector entities to strengthen the business environment in Guyana. The business environment is defined as the macroeconomic and fiscal policies, and the legal/regulatory/ judicial (LRJ) and institutional framework that govern all public and private sector investment activities. The proposed project has two components:

1) the public sector component will provide long- and short-term TA and training to the critical economic ministries (Finance and Trade) in developing and implementing strategic

233

recommendations obtained under this purchase order are expected to fit into the overall RDO/C project development process.

2. Deliverables

1. A preliminary workplan, schedule, and report outline will be provided to RDO/C within 3 days of countersigning this Purchase Order.

The workplan and schedule will be based on approximately 21 work days, of which it is estimated that 15 work days will be spent in Guyana in consultation with selected key GOG officials and members of the private sector community. The consultation shall emphasize a broad-based spectrum of organizations and individuals representing micro-, small, medium, and large businesses. A list of private sector organizations, key personnel, and contact numbers will be provided to the Supplier by RDO/C at the start of the contract, although the Supplier need not be limited by the list. The schedule will also provide for adequate consultation in Bridgetown and/or Georgetown with RDO/C technical staff and members of the IPC team.

The report will include coverage of, but not be limited to, the following:

- an up-to-date, reconnaissance level, description and analysis (with tables, figures, or other graphics as appropriate) of Guyana's "private sector" and its representative organizations, with comments as to the roles and capabilities (strengths and weaknesses) of existing PSO's in representing membership views to the GOG, and in servicing membership needs. For each PSO, the analysis will discuss: a) the PSO's own assessment of its own role and capabilities, including its influence on the ERP process; b) selected members' assessments of its role and capabilities in representing their interests; c) other PSOs and business persons assessment of its role and capabilities vis a vis "the private sector" in general; and d) the GOG's assessment of its role and capabilities, in relation to the broader business community.

  This discussion must, wherever possible, disaggregate "the private sector" respondents by business size (micro-, small, medium, and large) and note differences in effective representation and service of PSOs for the different sizes of businesses. The discussion should reference existing descriptive work, where accurate, and focus primarily on the analysis of institutional capacity for specific tasks;

- a current description, as feasible, of discernible "private sector" (individual businesses, PSOs) involvement in the policy reform decision making process, including

management plans for the implementation of policy and LRJ reform measures;

2) the private sector component will provide more limited TA and training to private sector organizations to broaden capacity for and participation in dialogue with the public sector, as well as increase their access to the benefits of the ERP being implemented by the GOG.

The project is proposed for a 4 year period beginning in FY 94. The final budget has not yet been set, but will probably range between US$4-6 million total, including the host country contribution from generated currency. A Project Identification Document (PID) will be provided to the Consultant prior to the start of the contract.

As part of project development, RDO/C is obtaining expertise available under a centrally-funded A.I.D. project, "Implementing Policy Change." The expertise will focus primarily on the public sector component of the project, working closely with the Ministries of Finance and Trade to help them better define what resources they require to improve their capacity to implement policy and LRJ reform measures. This Scope of Work is aimed at obtaining a set of complementary recommendations from a private business point of view for work with Guyana's private sector organizations.

C. DETAILED STATEMENT OF WORK

1. Objective

The objective of this statement of work is to obtain a set of recommendations, with supporting analyses, for technical assistance and training for key private sector organizations (PSOs) in Guyana for a 3 year period that will assist them to develop and undertake broader-based, inclusive, articulate participation in national and sectoral policy and legal/ regulatory/judicial (LRJ) systems formulation and implementation processes. In all cases, reference to "the private sector" shall be meant to include micro, small, medium, and large commercial businesses. Where differential participation is indicated, the recommendations should disaggregate by size of business.

The work requested in this scope of work is intended to complement other BEEP project development efforts of RDO/C. These include on-going social/institutional, financial, and economic analyses by Mission personnel, including a PSC Project Development Specialist in the Trade Development Office, the Mission's Senior Financial Analyst, and the Program Economist. Additionally, the Mission will contract separately for two person months of short-term assistance to the public sector through the Implementing Policy Change (IPC) project. The set of

235

APPENDIX B
PERSONS INTERVIEWED

Rt. Hon Asgar Ally	Minister of Finance, Ministry of Finance and Planning, Government of Guyana, Main Street, Georgetown. Tel:
John Newton	Chief Technical Advisor, UNIDO Manufacturing Project. Guyana Manufacturers' Association; 157 Waterloo Rd. South Cummingsburg, Georgetown Tel: 2 70870
Kim Kissoon, MP	President, Guyana Manufacturers' Association and Managing Director, Kissoon Group of Companies, Main Street, Georgetown. Tel: 2 69261 - 5
David Yankana	Executive Director, The Consultative Association of Guyana Industry Ltd, and Executive Secretary, Private Sector Commission, 157 Waterloo St. Cummingsburg, Georgetown. Tel: 2 57170
Dr. Leslie Chin	Program Director, Business Advisory Services, Canadian Executive Service Organization, 110 Barrack St. Georgetown Tel: 2 60203
Leslie Johnson	Senior Executive Director, Georgetown Chamber of Commerce, 156 Waterloo St., South Cummingsburg, Georgetown. Tel: 2 63519
Tarchan Ramgulam	Director Of Industrial Development, Ministry Of Trade Tourism and Industry, Main and Urquhart St., Georgetown. Tel 2 68957
Yesu Persaud	Chairman, Private Sector Commission; Chairman, Demarara Distillers Ltd, Kingston, Georgetown and Chairman, Institute for Private Enterprise Development. Tel: 2 56850 - 5
Percival Boyce	Chairman, Association of Non Traditional Exporters, and Chairman, Double B Enterprises Ltd, 47 Dadanawa St. Section K Campbellville, Greater Georgetown. Tel 2 61063
Sanjivi Rajasingham	Principal Financial Officer, Trade Finance and Energy Division, Country Department III, Latin America and the Caribbean Region, The World Bank. Tel 202 473 1192

actors involved, and fora (symposia, conferences, periodic meetings, etc.) used; and of outstanding GOG/donor policy reform agendas (agreed to, proposed) related to trade and investment that are priorities in the eyes of the private sector;

- a short summary (one or two tables are adequate) of technical assistance and training being provided to and proposed for the private sector over the next 3-4 years, both through the GOG and directly, by other donors, including NGOs; and

- following from the analyses above, a set of recommendations for technical assistance and training for key (specified) private sector organizations (PSOs) -- representing the interests of the small, medium, and micro enterprises as well as larage businesses -- in Guyana for a 3 year period that will assist them to develop and undertake broader-based, inclusive, articulate participation in national and sectoral policy and legal/regulatory/judicial (LRJ) systems formulation and implementation processes.

2. **A draft report** following the agreed-to outline will be provided to RDO/C for review and comments no later than December 20, 1993.

3. **A final report** incorporating all RDO/C comments and revisions to the first draft, will be provided to RDO/C no later than two weeks after receipt of RDO/C's comments on the first draft.

II. RELATIONSHIPS AND RESPONSIBILITIES

All services specified in this Contract will be provided by the Consultant under the technical direction of the Chief, RDO/C/TDO or his designee. Technical directions are clarification and explanation of the scope of work of the contract, and must be within the terms of the contract. No technical direction may be considered a change within the clause of this contract entitled "Changes." If the contractor believes that a change has been authorized, he must first consult with the Contracting Officer.

III. LOGISTIC SUPPORT

The vendor will be responsible for all logistic support.

IV. PAYMENT

The vendor shall submit all invoices to the Controller's Office, USAID/RDO/C. Vendor may submit his vouchers per the following schedule:

237

PERSONS INTERVIEWED
Page 3

Patricia Lowes	President, Tourism Association of Guyana, c/o Hotel Tower, Main Street, Goergetown. Tel 2 72011
R. L. Singh	Managing Director, T. Geddes Grant (Guyana) Ltd., 25 Main Street, Georgetown. Tel: 2 68606
G. Trevor Jones	Director and General Manager, Grace Kennedy (Guyana) Ltd. 65 Main Street, Georgetown. Tel: 2 74414.
Kirk Rodriques	Director, Ricks and Sari Industries Ltd. 27 Industrial Estate, Ruimveldt, Greater Georgetown. Tel: 2 61714
L. Van Sluytman	Guyana Representative, Co-operation for Development, 165 Atlantic Gardens, East Coast Demerara, Guyana. Tel: 2 02202
Cpt. Fidna Stoll	Proprietor, Organic Juice Products, 61 Croal Street, Stabroek, Georgetown, Guyana. Tel: 2 64346
Godfrey Freso	Owner, Luciano International Ltd., 34 Kings Street, Lacytown, Georgetown. Tel: 2 72858
Shivindra Persaud	Manager/Secretary, Institute for Private Enterprise Development, 253 South Road, Bourda, Georgetown. Tel: 2 53067, ? 64675.
Christoper Correia	Managing Director, M.C. Correia Holdings Ltd. 159 Charlotte St. Lacytown, Goergetown. Tel: 2 51171
Brian Gittens	Managing Director, Guyana Wood Products Ltd, 12 Water Street Georgetown, Tel:
Dharam Seelocham	Statistician in charge of National Accounts, Central Statistical Office, Government of Guyana. Tel:

PERSONS INTERVIEWED
Page 2

Flavio Camacho	Training Manager, Consultative Association of Guyanese Industry, 157 Waterloo Road, South Cummingsburg, Georgetown. Tel 2 57170
John Willems	Managing Director, Willens Timber and Trading Company Ltd and Chairman, The Forest Products Association. 7A Water Street, Georgetown. Tel 2 72046/7
Maurice Alarie	Field Director, Futures Fund. Guyana/Canada Development Project, 26 Lamaha Ave and Irving St. Tel 2 65891
Patrick Zephyr	President, Zehpyr Enterprises Ltd and President, Guyana Small Business Association, Tel 2 51192
Ron Webster	Managing Director, Seals and Packaging Industries Ltd and Chairman, New Guyana Marketing Corporation. Tel:
Boyo Ramsaroop	Partner, Double B Exotic Gardens, and ANTEG Member, 58 Lamaha Gardens, Georgetown Tel: 2 52023
Hans Neher	Manager, Interior Flowers Ltd. 62 Main Street Georgetown, Tel: 2 65732
Richard Humphrey	Executive Chairman, Emerald Tower Ltd., and Member of the Tourism Association of Guyana, 74/75 Main St. Tel: 2 67163.
H.Z. Houseman Ali	Managing Proprietor, Ink On Paper, 73 Main Street, Georgetown. Tel: 2 53456
Winston Jordan	Director, Office of Budget, Ministry of Finance, Government of Guyana. Tel: 2 73420
Edward A. Shields	Executive Secretary, Guyana Gold and Diamond Miners Association, 350 A New Market Street, North Cummingsburg, Georgetown. Tel 2 59217
Hans W. Barrow	President, Georgetown Chamber of Commerce and Industry, 156 Waterloo St. South Cummingsburg, Georgetown. Tel 2 63194, 2 70932.
Joel Fessaguet	Resident Delegate, European Commission, Kingston, Georgetown. Tel:

APPENDIX C
DOCUMENTS REVIEWED

Research Department, Bank of Guyana, Statistical Bulletin, March 1993.

Guyana Small Business Association, Funding Proposals for The Guyana Small Business Association, Undated.

Guyana Small Business Association, Constitution. Undated.

Guyana Small Business Association. Introduction, Objectives, Needs, Proposed Budget for Funding. Undated.

Guyana Manufacturers Association Ltd. Annual Report and Accounts. 1992

Beauregard, Clovis F. Commission To inquire into the problems facing the Private Sector in Guyana and to make recommendations therein and on all other related matters. July 1991.

Ministry of Finance, Cooperative Republic of Guyana. Privatization Policy Framework Paper. June 1993.

Consultative Association of Guyanese Industry Ltd. What It Is and How It Is Managed Undated.

Consultative Association of Guyanese Industry Ltd. Course Programme. 1994

Consultative Association of Guyanese Industry Ltd., Report of the Council and Accounts. 1992.

Private Sector Commission. Report of the Council of the Private Sector Commission of Guyana Ltd. 1992.

APPENDIX D
A STRATEGY
FOR ASSISTING SMALL AND MICROENTERPRISES

D. 1 Rationale

The propose of this study was to develop technical assistance and training recommendations for key private sector organizations (PSOs) in Guyana. However, during the course of the assignment it was observed that the needs of small and microenterprises were significantly different from those of larger businesses. Furthermore, those needs are not being addressed by the PSOs: the only PSO with a small business focus - the GSBA - is nonfunctional. This Appendix was developed as a preliminary outline of an alternative strategy for delivering assistance to small and microenterprises in Guyana.

D. 2 Sector Profiles

D. 2. 1 The Small Enterprise Sector

Over 2,000 small businesses exist in Guyana. This estimate was derived from data provided by IPED, the country's leading small business loan and technical assistance program. In seven years IPED provided 2,257 loans to small clients. The 2,000 estimate used here is based on the assumption that each IPED borrower has had two loans during that period and that the Institute has a 50% market coverage[9].

A small enterprise generates between G$65,000 and G$13 million in annual sales and employs between 2 - 20 persons. They include auto parts sales, real estate agents, apparel suppliers, grocery shops, arts and crafts, computer trainers, contractors, shipping brokers, fishermen, small restaurants, livestock, taxi services, mechanical workshops, guest houses and regular small farmers.

Observers believe that the number and variety of small firms grew exponentially during three decades of socialism. The reason: Government's attention was directed at displacing or regulating medium-sized and large firms. As socialist mismanagement set in, small firms emerged to compensate for increasing shortages in government-owned companies; to take advantage of distortions in controlled costs and prices; and to respond to the basic needs of urban and middle class consumers.

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[9] The Institute's statistics show that it only lends for productive sector activities. Commercial trading and retailing are not financed by the organization.

Institute of Private Enterprise Development. 7th Report and Accounts. 1992.

Association of Non-Traditional Exporters Of Guyana. Profile of ANTEG. Undated.

Association of Non-Traditional Exporters Of Guyana. Review of Association's Performance. 1992 - 1993.

World Bank, Guyana Private Sector Development, Report No. 11705-GUA, Washington, D.C., June 4, 1993

World Bank, Guyana Public Sector Review, Volumes I and II., Report No. 11753-GUA, Washington, D.C., May 17, 1993.

World Bank, Guyana: Private Sector Development Adjustment Credit - Technical Assistance Component, November 12, 1993.

USAID RDO/C, Project Identification Document, Business Environment Enhancement Project, October 26, 1993.

L.A. Atherly and Co., Guyana Gold and Diamond Miners Association. Financial Statements For the Year Ended 31st December 1992. 1992

Rajasingham C. Sanjivi, Back to Office Report, Guyana Private Sector Development Adjustment Loan Preparation Mission. World Bank, LA 3TF, August 1993.

- The decline in real wages has forced many salaried employees to offer "sideline" services and products to recapture lost income. Such services include one-person accounting, plumbing, repairs, electrical work etc.

- Significant increases in foreign direct investment and the growth in sugar, rice and gold production has generated employment in rural areas[10]. The surge in rural wages has provided start-up capital for microenterprises to be launched by the still-unemployed members of those families.

- Economic growth in the productive sectors has not only created start-up capital for microenterprises but has also increased purchasing power within rural communities and fueled microenterprise trade in those locations.

Even perceived negative side effects of the structural adjustment program, such as increased import duties and higher utility costs, could have inadvertently fueled microenterprise growth. That sector has always eluded government bureaucracy and is more adept at avoiding direct transfers of tax and utility price increases because it functions outside the formal economy. Thus, micro entrepreneurs have implicit cost advantages that allow them to offer some price savings to consumers during the early phases of economic reform.

D. 3 Technical Assistance Needs

The priority technical assistance needs of the small business sector are a) Access to finance; b) Training and business development; and c) Product procurement and marketing information:

a. Access to Finance. Small enterprises identified access to capital as their key constraint. Traditional commercial banks demand at least as much collateral as they are prepared to lend to smaller businesses and are generally reluctant to finance such ventures.

   Effective interest rates, although now on the decline, are still prohibitive and force small firms to turn to money lenders and family members for their essential financing needs.

b. Training and Business Development. Many small operators have not been exposed to basic management and business appraisal methods and lack the capacity to adopt simple management systems to upgrade their businesses.

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[10] Foreign Direct Investment (FDI) increased from US$6 million in 1989 to US$166 million in 1992. Total FDI over the three year period 1990 - 1992 was US$241 million. FDI occurred mostly in [rural] employment generating industries: bauxite, timber, oil exploration and gold production [Source: 22 November 1993 U.S. Embassy "Guyana Investment Climate Statement". Unclassified].

Small enterprises have been hit hard by the structural adjustment/ economic recovery program. For example, the ERP has resulted in more visible trade after import restrictions were eliminated. This has reduced the black market for high-profit consumer durables - a key source of income for small businesses during the 28-year socialist era. In addition, small operators are now competing with larger firms that have re-entered the consumer durables market with stronger purchasing power and better financing arrangements.

Small operators have been also affected by foreign exchange liberalization and by Government's commitment to improve the operational efficiency of public utilities. In the case of liberalization there is almost no scope today for earning big arbitrage profits from two-way black market transactions.

One outcome of Government's attempts to improve utility services has been increasing electricity and telecommunication costs - expenses which small business must now pay but were habitually delinquent on or simply did not bother to honor in the past. Small entrepreneurs are also worried about excessive collateral requirements for accessing credit, high interest rates, and exorbitant fees charged for legal/accounting services. To compensate for these cost increases and growing competition from large hire-purchase firms, many small operators now own and manage at least 2 - 3 ventures.

D. 2. 2 The Microenterprise Sector

There are possibly more than 20,000 microenterprises in Guyana. This estimate is based on current population of 730,000, an average family size of 5 - 7 persons, and the likelihood that one in five families operate a microenterprise. These entrepreneurs earn less than G$65,000 per year and are run by 1 - 2 self employed persons. This category would include sidewalk vendors, hucksters, confectionery cart operators, cottage industries and product repair specialists. However, the sector is almost impossible to quantify because start-up and failure rates are high and because seasonal trends and part-time participation continuously change the size of the sector. On top of all this, the line between Microenterprise and Small Business is often blurred by efficiency, economic context and labor intensiveness.

Like Small Business, the microenterprise sector flourished under socialism by responding to the needs of *poorer* consumers in urban areas. However, unlike Small Business, it is quite probable that microenterprises are thriving in the initial phase of economic reform. There are four reasons why growth may have continued despite early ERP "constraints":

- Exchange rate adjustments have compelled urban consumers to continue to buy necessities [local foods and essential utility-type/repair maintenance services] from micro entrepreneurs. Although now readily available, imported items are even more expensive than before.

The Institute obtains 90% of its loan funds from USAID PL 480 reflows. Over the last seven years, IPED lent G$406 million to 2,257 clients for artisanal fishing, food manufacturing, agro-processing, garment/craft/furniture manufacturing, poultry and livestock farming, rice cultivation and mechanical repair shops.

In 1992, 794 IPED clients [borrowers] benefitted from 754 hours of training in both large and small groups. Clients were also trained individually on their project sites. While no details were provided in its 1992 report, IPED's training is similar to that of National Development Foundation (NDF) training programs in the Eastern Caribbean [usually one-week book-keeping, basic management, and technical workshops to pass on operational skills to clients].

IPED's TA and training programs reach a fair number of small businesses and help to strengthen the viability of start-up and expansion projects. The Institute's major limitation is its narrow focus: TA and training are restricted to productive sector clients who borrow funds from the Institute. Like NDF programs, IPED's services are not financially sustainable since its services are offered at nominal cost to clients.

D. 3. 2 Programs for Microenterprises

Most microenterprise assistance is packaged as self-help NGO-type micro programs. The leading programs are run through Red Thread, Scotiabank, Futures Fund and, more recently, IPED. It was not possible to determine which approach works best since the effectiveness and impact [of these programs] has not been analyzed or compared by the various donors.

Red Thread is a small 100 -150 member women's self help group that offers 5 - 30 day revolving credit to its members. Scotiabank's Grameen loan program is a self-managing micro credit facility. The Scotia program lends to individuals in small groups and establishes group responsibility for ensuring that each borrower repays his/her loan. Futures Fund, the largest NGO project, emphasizes institutional strengthening of rural NGOs. It responds to rather than leads community initiative in accessing grant funds for small projects.

In 1993, IPED formally established a microenterprise soft window for group lending to NGO community based projects. The G$74 million PL 480-funded program is targeted for 30 months and is expected to contribute the equivalent of 1% to the country's GDP. According to IPED's manager, the program will allow NGOs to offer two-week revolving credit and will also offer technical assistance and training to NGO clients. However, TA and training and the amount of resources that will be allocated for that purpose are still to be developed by IPED's Board of Directors.

There is limited knowledge in such areas as business planning, financial management, budgeting and employee relations. Most businesses are run by "seat of the pants" methods and invariably do not get beyond the start-up or small operator stage of development. Many firms are also reluctant to train employees for fear of losing them to larger competitors.

c. Product Procurement and Marketing Information. Small businesses incur high purchasing costs because they buy products through wholesalers or other middlemen.

Limited information is available on new products [in more developed markets] that could be introduced in Guyana or on potential niche opportunities [successfully pursued by small entrepreneurs in nearby countries] that could be replicated in the domestic market.

Microenterprises have similar but more "nuts and bolts" requirements. For example, new entrepreneurs need to learn cash flow rather than financial management and basic record keeping instead of formal accounting. At this level, it is more important to help first-time businesses develop the practice of setting simple quantitative goals rather than [preparing] comprehensive business plans. Microenterprises would also benefit more from hands-on technical know-how than from training in process-flow procedures and systems.

D. 3 Technical Assistance Programs

The needs of small and microenterprise are being addressed by various programs and projects with different resources, technical capabilities, and objectives. The descriptions below highlight the activities of some of the key players in small and microenterprise assistance:

D. 3. 1 Programs for Small Businesses

The small business sector benefits from TA from UNDP, CESO, BESO, VSO, IPED and Futures Fund. In most cases, assistance is provided on an ad hoc basic via a) hands-on advice from volunteer executives; b) small business seminars and workshops funded by UNDP and loan-related training initiated by IPED[11]; and c) NGO institutional strengthening funded by Futures Fund.

Formed in 1986, the Institute of Private Enterprise Development offers credit facilities, business guidance and technical assistance to small entrepreneurs to encourage private sector growth.

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[11] A brief description of technical assistance provided by UNDP and by volunteer executive programs like CESO and the NGO, Futures Fund, is presented under Section II. 9 Technical Assistance To PSOs, in the body of this report.

D. 5. 1 Business Development Centre

A Business Development Centre (BDC) should be structured so that it exists as an independent operation with close ties to the main small and microenterprise institutions. The organizational relationship between the BDC and its contributing members could be arranged through interlocking Boards of Directors, institutional affiliation or other analogous means. The Centre's key functions should be to provide technical assistance and training services on a cost-sharing basis to the small business sector.

All small businesses should be eligible for assistance. The Centre should assist service sector as well as productive sector operators. The BDC's services should be available to walk-in prospects, referrals from banks, PSOs, micro credit organizations or suppliers or clients of small firms. After the Centre develops its institutional capabilities it can offer its services on a contractual basis to commercial banks as well.

It is critical that the BDC be linked, at least operationally, to one leading small business organization like IPED. This linkage has obvious advantages over starting an entirely new, separate entity:

- Kick Start. Valuable experience, perspectives and operational practices already developed by small business programs and lenders would be directly available to the new BDC. The program would save at least 12 months of start up time and financial resources.

- Captive Clientele. The BDC could tap into past and future IPED, Scotiabank and Red Thread borrowers. For example, IPED plans to lend to 600 new clients in 1994. The implication: the BDC initial target market would be 1,500 - 2,000 small businesses.

- Information Base. The Centre would have immediate access to an information base of at least 1,500 small businesses [names and addresses, business profiles and strengths and weaknesses, from IPED, Scotiabank and Red Thread files]. The Centre could use this information to carry out needs assessment surveys and develop technical assistance and training programs based on the results of the surveys.

- Linkages and Graduation. Close relationships between the BDC and its member organizations will allow the BDC to access valuable institutional and operational advice from PSOs like CAGI and Scotiabank. This network will also make it easier for the Centre to help its member organizations graduate successful small clients to medium-sized operations.

However, while it is important that the Centre work closely with one leading organization, it is equally important that its operations are not be constrained or dictated by any member organization or by influential PSOs.

Two universal problems affect the delivery of technical assistance to NGOs and microenterprises [in Guyana]. First, many NGOs are fledgling part-time organizations with no permanent co-ordinating structure or management capacity. Second, most NGOs are not financially sustainable and require extensive grant support, hand-holding, and logistical support just to deliver moderate levels of assistance in rural communities.

A recent UNDP directory lists almost 300 NGOs in Guyana. Nonetheless, many are social, educational, health care, or philanthropic groups that are not involved in microenterprise development. Other larger associations [like the Rotary Clubs] encourage private enterprise development in the course of their civic and social activities.

D. 4 Summary Of Needs and TA Effectiveness

- The technical assistance and training needs of the small business sector are a) access to capital; b) improved management and business practices; and c) access to procurement and market information.

- The microenterprise sector has more basic needs. These needs include improvements in cash flow management, introduction of basic record keeping, and setting simple quantitative goals for business growth.

- To date, technical assistance is heavily weighed in favor of Small Business, particularly those involved in productive sector activities. The specific needs of microenterprises are only now being addressed by organizations like IPED.

- Part of the technical assistance and training requirements of <u>some</u> small and micro-enterprises are being addressed by on-going donor programs. However, none of the programs offer a comprehensive range of TA and training services nor does any one program cover all of the key [small business or micro-enterprise] sub-sectors in Guyana.

D. 5 Suggested Strategy

Two effective ways to improve the delivery of technical assistance and training to small businesses and microenterprise are:

- Create a Business Development Centre to offer comprehensive TA and Training to the small business sector; and

- Provide technical assistance to help key NGOs develop the capacity to manage micro credit and offer advisory/training services to microenterprises.

APPENDIX E
"CANA BUSINE$$"
COUNTRY PROFILE ON GUYANA.

D. 5. 2 NGO Institutional Strengthening

As mentioned before, microenterprise assistance is at a much earlier stage of progress than that of small business assistance programs. For this reason, further investigative work needs to be done before USAID makes any specific commitments to assisting that sector. Nonetheless, one way to consider helping microenterprises would be to a) strengthen the institutional capacity of NGOs currently on-lending micro credit funds and b) increase the number of NGOs that can perform such functions.

The purpose of both types of assistance would be to assist the poorest of the poor by helping NGOs to develop the institutional capacity to provide financial and business advice to microenterprises in there respective communities.

An important first step would be to carry out a follow-up assessment of the UNDP listing of NGO organizations in Guyana. This assessment should start with a review of on-going strategies and activities being carried out by Futures Fund and other NGO donor-based projects. It should include an appraisal of IPED's new microenterprise program. It should also determine the extent to which existing and/or future PL 480 reflows could be made available for additional institutional building activities under the umbrella of the IPED G$74 million micro credit window.

Another essential step: explore ways to channel microenterprise assistance through already established NGO support programs like Futures Fund and the newly created Guyana Volunteer Consultancy Program. Although currently a Canadian funded program, Future Fund intends to localized its status by incorporating as a Guyana NGO after its second phase of CIDA funding expires in June 1994. It would be eligible for multi-donor funding thereafter.

In summary, the concept of using established NGOs requires a more careful assessment of the effectiveness and impact of those programs. Like most donor-funded programs, there have been mixed reviews about the modus operandi and effective of on-going NGO activities. Finally, more information needs to be collected before firm commitments can be made to provide additional assistance to the microenterprise sector in Guyana.

250

Seven to 10 per cent growth projected for 1993

GUYANA: Investors Cashing in?

BY COLIN KING

Economic liberalisation and the advent of certified fair elections which brought the Cheddi Jagan government to power 14 months ago are slowly changing Guyana's socio-economic prospects.

No one expects a rapid correction of the deterioration in social and economic infrastructure and a foreign debt in excess of US$2.1 billion.

"Let us dismiss from our minds that there is a quick fix for Guyana. There is none," says Executive Director of the Consultative Association of Guyanese Industry (CAGI) David Yankana. "Any government in office now must lay the groundwork for the longer term recovery."

But continuing growth in gross domestic product (GDP) and the level of foreign and local investment and investor interest in mining, forestry, distribution, finance and other sectors confirm that a decided upswing is underway.

"All the indicators are the economy is headed in the right direction," says President of the Apex Private Sector Commission (PSC) Yesu Persaud, who is also current chairman of the Caribbean Association of Industry and Commerce (CAIC).

Central Bank senior economist Rajendra Rampersaud adds that the International Monetary Fund (IMF) found that at the mid-year review the economy's performance was "more than satisfactory".

"The government has continued critical policies to maintain the process of recovery," adds Rampersaud, referring to the IMF-World Bank supervised structural adjustment process, started by the (previous) Desmond Hoyte administration, which ended successive years of economic contraction with 6.1 per cent growth in 1991 and 7.7 per cent in 1992.

Gross international reserves of the central bank reached US$219 million at the end of September, compared with US$141 million at September 1992. The bank's net international reserves climbed to a positive US$42.9 million from negative US$24.8 million at September 1992.

First half 1993 inflation retreated to 2.1 per cent from 14 per cent in 1992. The inflation reflected continuing stability in the exchange rate, which remained around the GUY$126=US$1 level although a seasonally linked depreciation was observed among non-bank cambios in the past two months.

Eight to 10 per cent growing in GDP in 1993 is anticipated by Rampersaud, who concurs with other analysts' anticipation that growth will stabilise in the three to five per cent per annum range over the next few years.

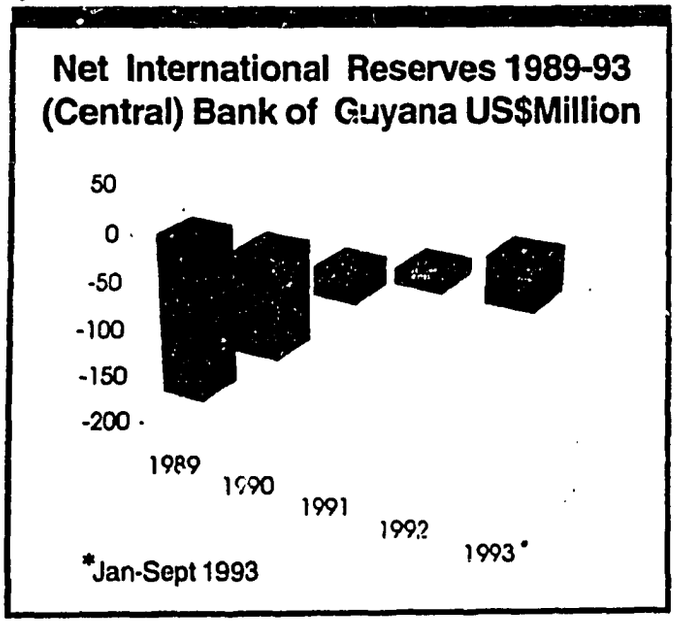
David Yankana

Recent performance is linked to: sugar's recovery from a low of 129,000 tonnes to 240,000 tonnes under UK Booker Tate management of the state-owned industry, revival of rice farming with liberalisation of pricing and new local and foreign private involvement in milling, the advent of Canadian majority owned Omai Gold Mines Limited, which is tripling national gold production and the impact of foreign-owned Demerara Timbers Limited and Barama Company Limited in boosting forestry sector exports, also threefold.

Barama, for example, represents a major strike in Guyana's industrialisation. The Malaysian South Korean owned company manufactures plywood with a 300 per cent value added for export.

The absence of big new foreign investment since the new government took over may be partly linked to the suspension of US OPIC coverage of new investments here while a protracted dispute between the US-based Atlantic Tele Network (ATN) owned Guyana telephone utility and the Public Utilities Commission (PUC) is settled.

There however continues to be growing local, Caribbean and wider investment, in many



Guyana Readying for Stock Exchange

BY COLIN KING

recent upsurge in informal brokerage activity is leading the way, but when a Guyana Stock Exhange will formally start up is still an open question.

ıere is demand but the supply of shares ... problem," says Hewley Nelson, General Manager of GNCB Trust Corporation.

"We have too few companies to justify a full-fledged exchange trading in Guyana alone, "adds Steve Backer of Globe Trust and Investment Company.

"Education of the public about the benefits of trading shares, realising the value of an asset, is important for the development of the market," observed Chico Beharry of Beharry Stockbrokers Limited.

Beharry, GNCB Trust, and Globe Trust - the only three brokers trading - have all gone public in recent months with offers to buy and sell shares in some or all of a dozen companies in Guyana.

The upsurge of more or less unregulated broker activity is linked to indications that longstanding official interest in establishing a stock exchange may soon produce results.

Officials of the (Central) Bank of Guyana confirm that experts from the Inter-American Development Bank (IDB) expected in Georgetown shortly, could finalise recommendations for establishing an exchange. IDB-financed English consultant Harry Sasson recently completed a study and indicated there is "potential for a small capital market in Guyana".

Consultants are said to favour the establishment of a call market, where brokers work under the umbrella of the Central Bank acting as a clearing house for transactions on perhaps a weekly basis.

The call would provide an intermediate step towards the eventual establishment of a full stock exchange, much as Trinidad and Tobago did in the 1960s. The full Trinidad exchange was opened in 1981.

"People are setting up brokerages in anticipation of the establishment of the call markets," said GNCB's Nelson. However, Backer at Globe Trust points out that a new Financial Institutions Act, yet to be prepared, is indispensable to the functioning of a stock exchange.

For now, public interest is weak, prices vary widely among brokerages, transparency is non-existent, and brokers trac ıeir own account.

The attitude of Guyanese to shareholding is but one of the constraints that emerging brokers are finding in the long way towards a market.

Although there are an estimated 15,000 to 20,000 persons who own shares in public companies and public issues floated in the past decade have been oversubscribed with few exceptions, brokers say traditional practice is to hold shares for dividends.

Secondary trading has therefore been minimal, a trend encouraged by attractive dividends, as high as 100 per cent in 1992 in the case of partly state-owned National Bank of Industry and Commerce (NBIC) which sold at par (face value) in its only public issue a decade ago.

"Shares should be traded actively to maximise profits and not to be held for long periods," advised Beharry Stockbrokers in a full-page press advertisement quoting bid prices for shares in 15 companies.

Even among the brokers, problems exist. One brokerage is linked to interests who made a well-publicised, unsuccessful attempt to take directors' seats on the board of Guyana Refrigerators Limited (GRL), whose shares the brokerage had been buying.

GNCB Trust, which was not selling this week, was buying a few "blue chip" shares, among them Guyana Bank for Trade and Industry (GBTI). It was bidding 15 dollars (one Guyana dollar equals 0.8 US cents), or 40 per cent less than the 25 dollars offered at the same time by Beharry Stockbrokers. The third broker was inviting negotiations on a price for GBTI.

While all brokers report enquiries by overseas-based Guyanese as a major part of existing demand, GNCB Trust was the only broker reporting "institutional" customers.

GNCB Trust manages the biggest pension fund portfolio in Guyana, estimated at some G2.5 billion dollars and is in the secondary market for shares.

Brokers, whatever they may be accused of, have their own complaints about the way companies themselves operate, to the detriment of a properly functioning stock market.

According to brokers, some companies remain closely held in family circles, shelter inside interlocking directorships, and, in extreme cases, do business with private firms in which their executives hold interest.

All of which suggests that even with a call market in place, it could be early days yet in the drive for a full-fledged stock market.

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252

facturing, distribution, and financial services for example.

Jamaica-based Grace, Kennedy and Company has set up operations this year, while older entrants from Trinidad-based Ansa Mcal and Neal and Massy are expanding and strengthening operations.

UK-headquartered Courts (Furnishers) PLC in November launched five Courts stores in Guyana in a joint venture with Neal and Massy group company T. Geddes Grant (Guyana) Limited, giving a new competitive impetus to a long languishing retail sector.

Diversified local giant Banks DIH Limited has also been a major investor, opening a new distribution and service complex, and launching a new line of products a month ago. The company has also teamed up with Cannings of Trinidad, a Neal and Massy company, to use excess capacity at the Cannings Trinidad plant to produce UHT (ultra high temperature) packaged juices under Banks' "Bimbo" trade name.

The Guyanese company, soon to install a state of the art bottling plant to boost output and efficiency at its complex, is exploring with Neal and Massy the use of excess capacity in the complex on behalf of the Trinidad-based company.

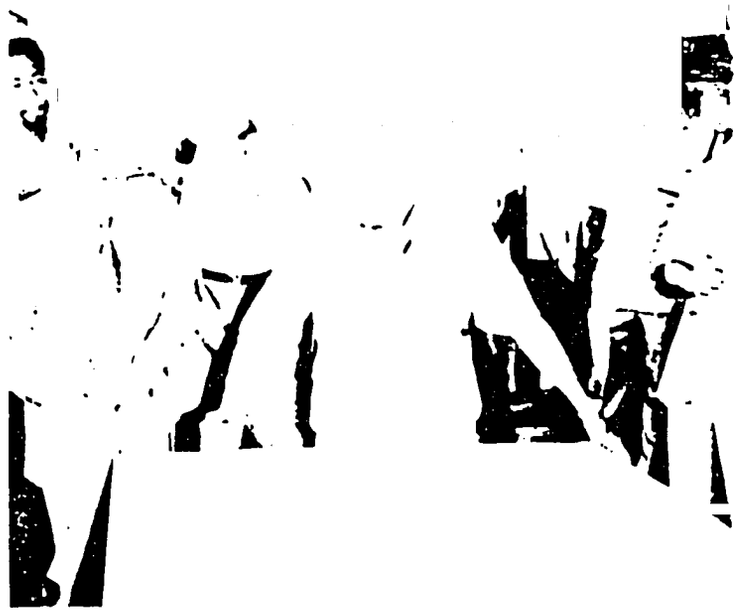
Bank licenses are expected to be issued by month-end to a local company Demerara Bank Limited, and to Jamaica Citizens Bank for a Guyana operation. Three insurance licenses are also under consideration, as are two other bank licenses, one of which is for a company with overseas linkages.

The government, which has reported the granting of about 30 new concessions to new and existing businesses for investments representing some US$24 million, is currently setting up a new one-stop office for investment (Go-Invest).

A privatisation unit is also being constituted to pursue the privatisation agenda set out in a government policy paper published about five months ago. Analysts however point to a number of issues w constrain the pace of investment, and the spinning off of benefits to the wide population.

"What is required now is for growth to expand and show itself in the social infrastructure, says CAGI's David Yankana.

"More ought to be expected in better health, better water supply, and better road connections, electricity for example. It is that area of social infrastructure that we are not yet seeing any major improvements," says Yankana.



President Dr. Cheddi Jagan at the commissioning of Guyana's modern, new Barama plywood plant.

"Infrastructure needs urgent attention, ultimately because the production cost per unit keeps rising," observes chairman and managing director Clifford Reis of bottling and fast foods giant Bank DIH Limited.

"With bad roads, it costs us more per case to distribute," he adds to highlight the problem.

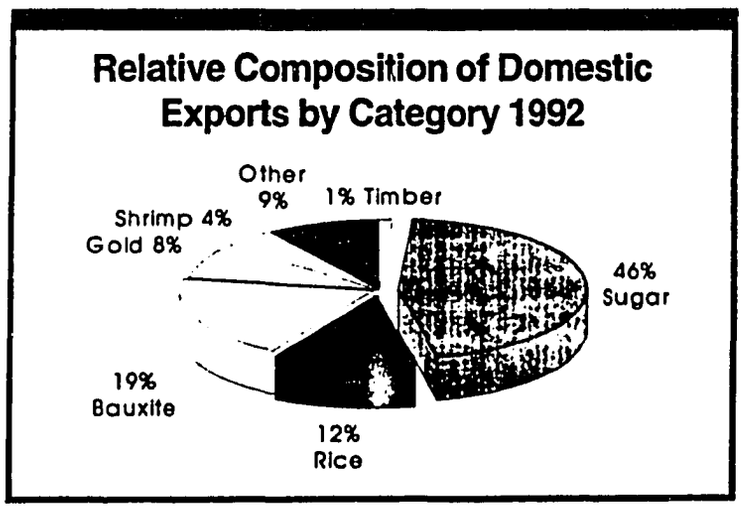
The government has received commitment on World Bank and Inter-American Development Bank funding for a more than US$30 million programme, to start by June 1994, to overhaul the city water supply and sink wells in urban and rural areas.

Tenders have been completed for aspects of a three-part programme of road repairs covering the most built-up areas of the country, and work by contractors including a Brazilian and a Trinidadian firm, is expected to be completed early in 1995.

The electricity generation capacity should be boosted by 11 megawatts by February, as a result of the installation of new equipment. But the peak generation in the system will still fall about 20 megawatts short of the estimated general demand of about 65 megawatts.

Chamber of Commerce President Hans Barrow puts electricity generation second only to maintenance of sea defences, and believes unstable power is a big turn-off to many foreign investors.

"We cannot tell them we hope the electricity supply will be all right in six months' time. People who have to lay out hard-earned cash don't take those sorts of risks based on political promises," warns Barrow.CAGI's Yankana believes physical and managerial overhaul of the electricity can come only with private involvement in the currently wholly state owned Guyana Electricity Corporation (GEC).



"What is required is a new plant, reliable generation, efficient management, and that seems to be a mix that could only be achieved with private financing in collaboration with the private sector," says Yankana.

Central Bank economist Rampersaud says the longer-term solution, as seen by the current administration, is cost efficient hydropower.

"The vision of the president is to have a hydropower system by the year 2000. If you're talking about expanding industry, you have to be cost competitive with power."

Expanding industry will also make big demands on Guyana's manpower resources, which observers like chartered accountant Christopher Ram of Christopher L. Ram and Company believes are deficient after years of deterioration in a state-run free universal education system and public sector pay levels.

"Public sector morale is very low and this is reflected in the service you get. "I think you have to pay them more money and take the business

(continued on page 27)

GUYANA *(from page 11)*

approach that you will get value for money," the accountant argues.

But rule out any one off correction in the pay levels, CAGI's Yankana advises: "It needs to be done maybe over the next three to four years, keeping in line with inflation and then picking up the backlog."

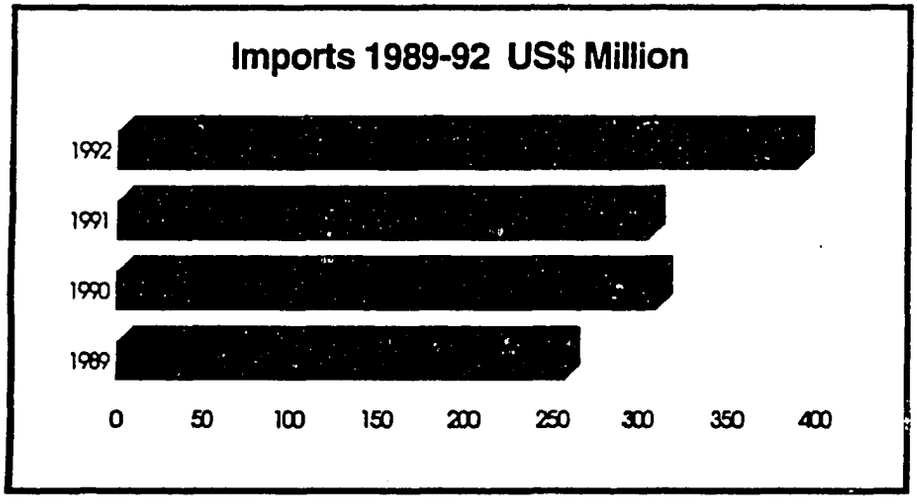
Wage settlements, infrastructure, and virtually all areas of government expenditure are constrained by a huge burden of debt servicing, which defies short-term solution.

"At present, debt servicing takes up around 90 per cent of revenue and 70 per cent of export earnings," points out the Central Bank's Rampersaud. "We have to reduce debt servicing to around 20 per cent, which you could live with."

The economist suggests that this will have to be addressed on an ongoing basis by reschedulings, while meeting those debt payments that come due.

Yankana believes that at the end of the day, government is faced with the need to optimise the resources available to achieve the greatest benefit - in which event he anticipates three to four per cent growth in coming years.

To optimise resources, the government will probably need to implement a regime of incentives in particular priority sectors, a matter which is still unclear, for fundamental reasons, according to chartered accountant Christopher Ram.



"The government is unable to determine its incentive policy or to articulate its incentive policy because it does not appear to have a proper industrial policy," Ram contends.

"That they don't have an industrial policy, and a certain investment incentive policy, is unsettling to potential investors. That uncertainty does the country no good," he adds.

Banks DIH chairman Clifford Reis, who believes there is an unnecessary bias in incentives to some sectors at present, agrees on the need for a general policy on incentives.

"Every company is still negotiating its own arrangement with the government. There should be one prepared document, setting out what is available under the various categories - manufacturing, tourism, mining, banking and so on," Reis observed.

Chamber president Hans Barrow also makes a strong plea for the government to be more explicit and realistic in stating its position on private investment and its preferred mode of economic and social development, in the light of reference to its "working class" orientation.

"I don't think that this government is opposed to big investment... It is my view that what (President Cheddi Jagan) would like to ensure is that the workers are not exploited and that these participate to some degree in the enterprises themselves."

his is not an unreasonable expectation of any leader or government.

at I think that the time has come when those objectives should be put over in language that e relevant to heading a market economy."

ASGAR ALLY *(from page 13)*

our foreign exchange earnings is used to service this debt. The Government over the last year has made some progress in addressing the debt problem by rescheduling existing loans with the Paris Club and other multilateral institutions. More importantly, many countries, such as the United States, Great Britain and Canada, have written off all or large portions of their bilateral debt which has provided some breathing room. In addition, the government recently rescheduled its debt with Trinidad & Tobago and it has been involved in debt for equity swaps with this country and is looking at barter arrangements with Brazil. However, despite these efforts, the external debt problem will continue for several years. This problem will only be resolved if the economy can expand its level of exports faster than imports, or if further debt rescheduling can be successfully negotiated or the international community can be convinced to write off most of Guyana's external debt.

CANABUSINE$$: What are your priorities for the economy as the country moves towards the 21st century?

ALLY: The priorities of the government will be, first and foremost, to rebuild the roads, sea defenses, power and water supply. In addition, the Government will continue to be involved in improving the education and health delivery systems and the supply of affordable housing throughout the country. These are our current and future priorities because the Government feels that they are fundamental to making the private sector productive and improving the quality of life of individuals in Guyana.

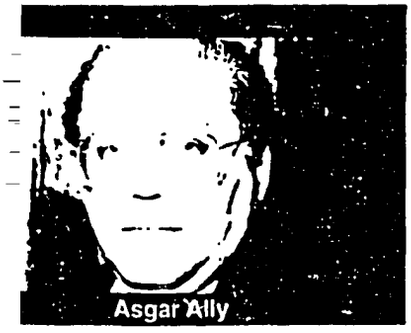
The Government will also continue its efforts to rehabilitate the traditional sectors of the economy, which include the sugar, rice and bauxite industries. In addition, it will continue to provide a stable macroeconomic environment to promote private sector investment in agro-industries, gold mining, forestry, fishing and other natural resource areas. Furthermore, the Government will continue to encourage the development of better trading relationships, particularly with our neighbors, such as Brazil, Venezuela, Suriname and the Caricom countries. These efforts will endeavor to increase our exports by expanding the markets for our products abroad.

Notwithstanding these initiatives which we feel will generate higher incomes and create jobs, the Government will continue its existing efforts to alleviate poverty over the short and medium term. In this light, it will continue to support the SIMAP programme and will encourage private sector individuals who may be disadvantaged by the structural adjustments that are taking place in our economy at this time.

government's policies and plans with CANABusine$$

"Private Sector will be Engine of Growth"

Area	83,000 Sq.Mls
Population (1990)	275,000
GDP (1992)	US$550M
GDP Per Capita (1992)	US$733.3
Growth Rate (1991/1992)	6.1 / 7.7 %
Unemployment (est. June '93)	15%
External Debt (March '93)	US$2.1B
Domestic Debt	N/A
Inflation (June '93)	2.1%
Currency Rate (US$1)	GUY$128


Asgar Ally

CANABUSINE$$: What is your projection for growth in GDP over the next few years and which [illegible] ...itical sectors in this?

...e are expecting the economy to grow [illegible] 7 - 8 percent over this year. Over the [illegible], that is over the next 2 - 5 years, we [illegible] an annual average growth of 5 per- [illegible] the growth will continue to come [illegible] tional sectors, such as sugar, rice and [illegible] oduction from these sectors expand. [illegible] habilitation works that are currently [illegible] ented. Moreover, we are expecting [illegible] ng industry to play a major role in the economy over the next few years. Growth in this [illegible] al during 1993. The reason for [illegible] wth was the opening up of the [illegible] operation in January of this [illegible] from Omai is expected to be [illegible] he year, which is 400 percent [illegible] ns that are expected from all [illegible] operations. The forestry sec- [illegible] o show high levels of growth [illegible] ing of the Barama ply-board [illegible] er major investments...

[illegible] $$: How much of a constraint [illegible] pose and what is the Government doing to address this?

ALLY: Infrastructure poses a severe constraint on business and economic activity in the country. Years of inadequate maintenance and neglect have contributed to the present poor state of our roads, sea defenses, irrigation canals and electricity supply. The lack of adequate infrastructure means that business activities experience relatively higher costs in producing goods and services. For example, many businesses in Guyana have the added expense of supplying emergency back up power to keep their operations running at reasonable levels of efficiency. As a result, despite the Government's efforts to put in place policies to promote business initiatives, and the fact that our labour costs are low relative to other countries in the region, Guyanese businessmen still experience difficulty in competing and selling locally manufactured products in the domestic and world market.

The government fully recognizes the deficiencies in the infrastructure and the added costs that are incurred because of its current dismal state. In response to the deficiencies in this area, the Government, with the help of the Inter-American Development Bank, the World Bank, European Economic Community, as well as other multilateral and bilateral donors, is implementing a comprehensive Public Sector Investment Program that will continue over the next four years to restore and rebuild our roads, sea defenses, irrigation, electricity supply and the other essential systems.

CANABUSINE$$: What is Government's policy on private investment in Guyana?

ALLY: This Government welcomes private investment. We recognize the private sector as the engine of growth in the economy and we are doing our best to encourage its growth and development in a structured and environmentally sound manner. For example, the Government is continually working to reduce bureaucratic red tape that hinders private business initiative by eliminating import and export licenses, foreign exchange controls, etc. In addition, the Government is working closely with the private sector institutions, such as the Private Sector Commission and the Chamber of Commerce, to formulate investment and trade.

CANABUSINE$$: How is Guyana promoting and facilitating domestic and foreign private investment?

ALLY: The government is continuing to review the business environment and is committed to promoting policies that would encourage both domestic and foreign investment. For example, over the last year, government policies have worked to provide a stable macroeconomic environment in which the private sector can grow and prosper. Over the last year, we have seen the inflation level move downward from around 15 percent in 1992 to an average of about 5 percent today. Exchange rates have stabilized over the last twelve months at around G$127/US$1, except for fluctuations due to seasonal factors. Interest rates during this period have also been falling. All these factors work to promote confidence which facilitates trade and investment by the community.

In addition, the Government has recently opened a new institution, GO-INVEST, which will function as a one-stop-shop for foreign and local investors who are interested in pursuing business activities in Guyana. This institution will provide information on investment opportunities and Government's priority areas. It will also provide information on the investment code, government policies and tax incentives that are available in each sector. The Government is also planning to establish a stock exchange which will function to promote investments in existing and new businesses in Guyana.

CANABUSINE$$: Is privatization coming to the front-burner soon, and how will the programme unfold hereon in?

ALLY: The Government is committed to privatization. However, it is not committed to giving away the nation's assets or in deals that lack transparency. The Government has recently established the Privatization Unit which will be responsible for selecting, valuing, and recommending candidates for privatization. Moreover, a Privatization Board, which is comprised of members from the government, the private sector, the unions, consumer affairs and the public, has also been established. The objective of the unit and the board is not only to ensure that the privatization process runs smoothly, but, more importantly, to ensure all the important issues, such as valuation, lay-offs, workers salaries and benefits, environmental concerns, etc., are addressed in a competent and transparent manner.

CANABUSINE$$: How are you faring with external debt?

ALLY: The external debt still presents a major problem for Guyana, since a significant amount of

(continued on page 27)

ANNEX J

POVERTY ASSESSMENT MISSION REPORT

Guyana Poverty Assessment
Preliminary Findings of Multi-lateral Mission
lead by the World Bank, October 18 - November 1, 1993

Trip Report - Vernita Fort, USAID

1) A multi-lateral team visited Guyana, October 18 -November 1, 1993 to assess the extent and character of poverty in Guyana and to develop a poverty reduction strategy. Each team member was responsible for a particular focus area and produced a report of preliminary findings. This report summarizes these sectoral reports and observations made during the visit.

2) The team members will complete full reports and submit them to the team leader. A process of cross review will continue and report refinement will continue over the coming months. A final report will be published and will be available for distribution by July 1994.

3) Team Members, Respective Organizations, and Respective Areas of Concentration

A) Judy Baker (World Bank), Team Leader; B) James Dean (CIDA), Macroeconomic and regulatory Policies; C) Vernita Fort (USAID), Social Safety Nets; D) Roeland Martens (Netherlands), Agriculture and Rural Development; E) Thakoor Persaud (World Bank), Housing, Water and Sewerage; G) Peter Sollis (BDD), Health, Nutrition and Education; H) Rajendra Swamy (World Bank), Data Analysis

4) Summary

5) Guyana's Bureau of Statistics, with the support of the World Bank, recently completed a Household Income and Expenditure Survey (HIES) and a Living Standards Measurement Survey (LSMS). The team leader used resulting data to estimate a poverty line showing 35-40% of the population living in poverty. These surveys are critical for use in policy formulation.

6) The team made several key observations deemed to be important for mounting and sustaining a poverty reduction effort in Guyana:

- Broad based economic development which ensures income earning opportunities for the poor, and improved access to water, health care and education is essential. The creation of a dependency system can and should be avoided.
- Resources for these basic provisions will increasingly need to come from cost recovery and other alternative financing schemes, which would incorporate targeted programs for those who cannot afford to pay. Already existing fiscal constraints will make such financing and cross-subsidization essential.
- There is a strong willingness to pay for public services among those who can pay, when the services which are provided are reliable and of reasonable quality.
- Community Development is a significant vehicle for reducing and preventing poverty.
- Representatives of the public sector (Ministry of Finance and other line ministries), the private sector and civil society (NGOs), would benefit from training in methods for realizing and measuring poverty reduction. Such training would need to also demonstrate how sectoral and economy wide growth and development are impacted by diverse

identifying and creating markets for non-traditional exports ranging from cash agricultural crops (e.g. fresh vegetables) to small manufactures (e.g. garments) and tourism; c) efforts should be made in the private sector to establish frequent and reliable air service to and from Guyana's main non-CARICOM export markets: Toronto, Miami, New York and London; and d) restructuring of the financial sector, including privatization, should focus, inter alia, on employment-generating exports.

12. A reform of the banking system is required to give small business and small farmers access to credit. The separate successes of the Gramen bank unit at the Bank of Nova Scotia and the Institute for Private Enterprise Development evidence the demand for such credit.

Housing, Water and Sewerage

A. Water and Sewerage

13. Access to water facilities has been identified by the mission as one of the highest priorities for the poor. Although there is a relatively high connection rate nationally (at about 65% for piped water to houses or yards), the problem lies in the reliability of the service. The ongoing IDB and Bank projects are addressing the issues of improved service quality, and implementing institutional and financial reforms which would lead to a sustainable system. Further analysis will be carried out by the mission to analyze the implications of current tariff proposals for the lowest income groups. Field discussions with residents indicate that there is a strong willingness to pay for reliable services.

14. With regard to sewerage, data from the HIES/LSMS survey indicates that physical access to some form of disposal system is available to almost 96% of households. However, with about 61% of the households having pit latrines, there is need to review ways of improving these through such systems as the Ventilated Improved Pit Latrines (VIPS) which should not result in significant incremental cost. The issue of solid waste disposal and its negative impact in clogged drainage systems needs to be urgently reviewed. Heavy seasonal rains in an area of widespread use of pit latrines can result in serious health problems if flooding is pervasive. An integrated program of health education and community and government partnership efforts aimed at maintaining clean drainage systems could have high yield in several areas.

B. Housing

15. Due to the lack of data on issues such as housing stock, construction, financing activities, and basic operational data on water coverage, quality, regularity of service, system losses, revenues, costs, etc. it is difficult to fully assess the needs of the poor in the housing sector. Although a great deal of anecdotal evidence exists, the mission was unable to get accurate information on squatters and the dimension of housing scarcity. The collection of information on origin and number of residents, size of squatted plot, employment and income record, economic status, etc. has been identified as a key priority necessary for policy-decisions.

poverty reduction efforts.

Poverty Profile

7. Basic preliminary calculations of the level of poverty in Guyana indicate that previous estimates of 67-86% are high. Though further work needs to be carried out on deriving a poverty line, it is possible to glean a rough estimate. Based on the price of a low cost urban food basket for a 2400 kilocalorie diet as collected by GAHEF (avg. during survey period - G$96 per day), and incorporating a modest allowance for non-food goods as calculated from the HIES data, the approximated annual consumption requirement would be about G$50,000 per capita. This figure would indicate that the levels of poverty would be closer to 35 - 40% on a national basis.

8. The incidence of poverty is higher in rural than urban areas, with the highest levels in the interior regions, particularly Regions 1, 8 and 9. On a national average, those employed in the agricultural sector tended to be worse off economically than those working in other sectors. The mission would like to highlight that these estimates are preliminary, and that further work will be carried out.

Macroeconomic, Incentive and Regulatory Policies

9. Along the lines of current policy, poverty reduction will need to stem from broad-based economic growth - particularly in the private sector. The impact of macroeconomic and incentive policies on the poor were discussed extensively during the mission, and will be incorporated in the final report. A few of the points discussed are mentioned below.

10. Since 1989, the Government of Guyana has eliminated most quantitative restrictions on imports and has committed to tariff reductions under CARICOM's CET. This should increase the availability of goods consumed by the poor and lower their cost. However, tariff reduction will also be accompanied by a broadening of the range of dutiable items, as well as removal of some items from zero-tariff categories. This broadening and reclassification should be carefully considered so as to exclude basic necessities that bulk large in the consumption baskets of the poor.

11. The impact of devaluation on the agricultural sector has been positive. Exports are however concentrated in sugar and rice, where both price and quantity sold is largely beyond Guyana's control.

. Guyana's third largest export, bauxite, suffers from severe production problems due to undercapitalization. In order that small farmers, small businesses and wage earners can benefit from the increased competitiveness, the following are among recommendations to be considered; a) resources should be committed to marketing research, advertising and sales promotion of exports; b) particular attention should be devoted to

251

repair and maintenance of these units, especially those occupied by the poorest deciles of the population. Such programs could incorporate explicit grant elements for those in the lowest deciles who show that they can provide a significant share of the renovation costs.

Agriculture and Rural Development

A. Coastal Development

20. Within the coastal areas, agriculture is the predominant economic activity. Across economic sectors, the incidence of poverty is found to be highest in agriculture. Pockets of poverty can be found throughout all areas, with noted concentrations in the East Coast Demarara, the MMA frontlands and the Black Bush frontlands. Living conditions in the coastal rural areas in general are characterized by deteriorated public services such as the absence of pumped water, poor health and educational facilities, and the irregular and unstable supply of electricity.

21. The impact of devaluation on the agricultural sector has been positive, but the benefits have been skewed towards large, high income farmers and millers. The potential for future growth within the agricultural sector remains high given Guyana's abundance of fertile soils, the low level of production costs, and the level of agricultural skills among the coastal population. Policies to ensure that this growth is equitable must focus on improving the drainage and irrigation system, increased access to credit for small farmers, improved access to markets, increased extension services for farmers, improved cropping and harvesting techniques, export-marketing of crops, and the development of agroindustries (though the potential for agroprocessing is now constrained due to the deficiencies in infrastructure and electricity supply).

22. The proper management of drainage and irrigation (D&I) is critical to increasing agricultural production among small farmers. The physical layout of the D&I system requires that operations and management are dependent on the coordination of farmers, regional and local authorities through a system of vested works. This system could operate if all fees would be collected and the operations and maintenance services would be provided for. However, years of negligence have eroded the cooperation between the several authorities and the farmers. A coherent institutional and organizational strategy will need to be developed by the Government to ensure sustainability with regard to operations and maintenance of the total D&I system.

B. Interior Development

23. The Economic Recovery Program has increased economic activity in the interior of Guyana substantially in the areas of mining and logging. These industries are both revenue and employment generating which will have a positive impact on poverty reduction. The Government, however, has the responsibility of ensuring that the development of the regions includes the provision of basic services, as well as addressing the specific needs of the

- 260

16. The Housing Ministry has been unable to develop an appropriate response to the squatting problem due to this lack of information. The short-term reaction has been to try to provide a free plot of land to needy groups. While this activity demonstrates the interest of the Government in providing land to landless people, it has several unclear elements. Apart from a simple formula which seeks to award points based on income level and rental share of income, the program has no procedures for establishing priorities and does not appear to be very transparent. In addition, location factors do not have a high priority and applicants may not get land in proximity to the areas they work. The target group is stated as the landless, but with the need for recipients to show that they have resources to quickly build units on the assigned plots, it is not clear that this policy is targeted to the poor. Leakages may occur given that the criteria of not owning land to qualify under the program is difficult to verify. The mission recommends that this program is defined within the framework of overall sector policies, along with more transparent qualifying and selection procedures to avoid abuses and the perception of favoritism in this process.

17. In addition to a need for clarifying a policy to address the squatting problem, there is a need for a clearly defined overall long-term strategy for the housing sector. A policy such as that endorsed by the UN/Habitat declaration which recommends Governments to move away from an active interventionist policy and project activities into one which facilitates sector activities through private and beneficiary initiatives needs to be evaluated. The mission provided various government officials with copies of the World Bank's Housing Policy Paper which incorporates this approach.

18. In line with such an approach, the Central Housing and Planning Authority (CHPA) needs to be restructured through a rationalization of staff positions and the recruitment of appropriately skilled personnel with competitive salaries. The Town and Country Planning Department should have adequate technical personnel to carry out its functions throughout the country and some decentralization of its functions should be considered in light of existing communications problems and the need for more on-site presence. The Housing Department should recruit capable staff for a Planning and Policy unit to help in formulating a well-focussed and cohesive policy. Staff for a statistical unit, legal, financial and personnel unit should also be integrated into the Housing Department.

19. The current fragmentation of various sector responsibilities among the Health Ministry, municipal/ regional authorities and the CHPA should be reviewed with the aim of streamlining functions to facilitate greater efficiency in approval, monitoring, follow-up and other such functions. As part of this process, there would be need to, among other things, review existing building codes and norms and standards in light of living conditions in Guyana. Two examples of areas which may need legal modifications are the Health Department regulation on minimum lot size and the lack of a clear law governing condominium units.

9. Another priority area within the sector identified by the mission relates to the renovation of existing housing stock. With an estimated 55% of the units being 15 years or more and made principally of wood with zinc roofs, there is urgent need to formulate programs to assist in the

is in the area of preventative health care. An example of this is seen in the response to the nutrition problem in Guyana. The malnutrition problem has been defined as insufficient food and inadequate diet, with the response being the distribution of food to targeted individuals considered most at risk. Available data suggests, however, that conventional nutrition programs are not reducing the malnutrition of those most at risk but are a factor contributing to the maintenance of a malnourishment. Nutrition education must be incorporated in any strategy to reduce malnutrition rates over the medium and longer-term.

31. The importance of health education is also highlighted by the issue of fertility control. Attendance at family planning clinics is recorded to be low and there are severe problems over obtaining contraceptives on a regular basis. Women therefore have resorted to abortion as the most widely used method of contraception. Many abortions are carried out in public sector facilities, yet the number of septic abortions is high and represents the third most prevalent reason for women seeking hospital attention.

B. Education

32. There is a strong need for improving access to quality education for the poor. Though literacy estimates for the country are reported to be high, it is believed that these figures are distorted. In the compilation of these estimates, literacy has been determined by years of attendance rather than literacy skills attained and retained. Additionally, the Amerindian population has not been included in the national averages.

33. The problems of repetition and drop-out appear to be growing problems, with boys more prone than girls to leave the education system. Students drop-out not only because of poor quality facilities and teacher shortages, but also because education is no longer perceived to be the best means of social mobility.

Safety Nets

34. Safety nets in Guyana exist among individuals, households, communities, NGOs, the public sector, semi-autonomous groups (ie. SIMAP), labor, and the private sector. Consultation and coordination among these groups will further serve to prevent and reduce poverty.

A. SIMAP

35. SIMAP was designed as an instrument to cushion the adverse social effects of the Economic Recovery Program on the most vulnerable groups of the Guyanese population, and enable and encourage these groups to develop themselves through their own organized efforts and thus regain their footing in Guyana's development process. SIMAP's stated strategy is to fund public physical infrastructure and social service projects that would have an immediate impact on poverty and social hardships.

262

Amerindian population. This will involve the coordination of the Ministry of Public Works, Communication and Regional Development, the Ministry of Amerindian Affairs, the Forestry Commission and the Geology and Mining Commission.

The Social Sectors

24. Improved access to primary health care and education is a key priority issue for poverty reduction. Within both sectors, the level of quality in the provision of public services is exceedingly low, which has the greatest impact on the poor who cannot afford to pay for the higher quality private services.

25. Resources for improvements in the system will need to come from cost recovery. For example in the education sector, fees could be collected at the tertiary and even secondary level with a scholarship scheme for the poor. As was mentioned previously, anecdotal evidence during the mission indicated a strong willingness to pay for basic services such as quality health care, education and water services.

26. While it is clear that social sector performance has deteriorated significantly over the past two decades, there is a shortage of good information at the sectoral level to describe in detail the process of decline in service provision and its impact on welfare for the poor. This highlights the need for ongoing data collection efforts within the health and education sectors as part of a poverty reduction effort.

27. The findings of the mission will be incorporated with the ongoing work of the Social Sector Strategy Paper to ensure that issues specifically related to the needs of the poor will be appropriately addressed within the recommendations for sectoral reforms.

A. Health

28. The available data on the health and nutrition status of the population in Guyana indicates that access to adequate nutrition and quality health care in the public sector is lacking. The public health care system is characterized by a deteriorated physical infrastructure, high vacancy rate among key positions due to low wages, and a lack of equipment, supplies and pharmaceuticals.

29. The deterioration of health services and the erosion of public confidence in health facilities has caused patients to bypass services at lower levels and seek care directly from Georgetown Public Hospital, the highest referral level. The breakdown of the referral system has greatly increased inequities; it is the poor and rural populations who must use the poorest quality facilities and who are least able to afford the cost of travel to Georgetown to obtain better care.

30. Though health needs differ among the various regions in Guyana, a common deficiency

263

community. Local NGOs, and even international NGOs might be able to provide support in the local elections that are coming up in Guyana. This would facilitate local involvement in problem solving and in governance, as well as strengthen productive relationships between NGOs and the local community.

C. National Insurance Scheme (NIS)

43. Under the NIS contributors are entitled to pensions and to payments for certain types of medical and personal care. The scheme covers three categories of individuals: those employed and receiving salaries; the self-employed; and voluntary contributors who are primarily retired civil servants who are too young to receive benefits.

44. The scheme does not appear to provide a sufficient safety net for the poor for several reasons. Firstly, the NIS covers only those people who contribute to NIS. Thus, groups who have not been in the work force such as youths who have recently left school, female homemakers and the handicapped are not covered. Also, many of the people employed in the informal and parallel economy, and those who live in rural areas where such arrangements are not fully formalized, are not covered.

45. Secondly, inflation has severely eroded the value of the payments received by NIS beneficiaries. There is no built-in adjuster that can make pensions or other NIS payments move at the rate of the cost of living. To receive more, contributors need to pay more, the contributions need to be invested to receive a much higher rate of return or both.

46. There is a need to carry out an independent review of all social security and social insurance programs managed in part or in full by the Government, and assess their relationship to private and/or independent programs. This includes evaluating the goals and objectives of the programs and the array of options for best meeting the newly refined goals. A review of all legislation affecting the security of workers and their households, as well as the unemployed and their households should also be carried out.

264

36. While SIMAP states that its activities are primarily focused on poverty reduction, it acknowledges that it is somewhat handicapped by the lack of precise and up-to-date data on the extent and distribution of poverty. With the recent completion of the LSMS survey, it is hoped that SIMAP will coordinate with the Statistical Bureau in identifying appropriate target groups. It is also necessary to continue monitoring and evaluation to ensure that projects are targeted to the most vulnerable groups.

37. Due to the lack of targeting, it appears as if support is provided on the basis of who submits an acceptable application first. A hierarchy of potential project and program activities based on a needs assessment should be established. Also, given that "complicated" applications must be completed for SIMAP to consider implementing a project, it often those who are best equipped, and thus the least poor, who might see the benefits of SIMAP.

38. Given the mechanism for project identification and implementation, the development of a community as a whole is not overtly addressed. Though there is more discussion about community development by SIMAP staff, the institutional structure and expertise is not designed to effioiently facilitate community development. Out of about 90 professionals on the SIMAP staff, there is one Community Development Specialist. There mission recommends that the Agency develop it's capacity to assist with community development.

39. The primary remaining question regarding SIMAP's role with regard to poverty reduction is "What happens when funding for SIMAP ends or when SIMAP phases out?" SIMAP should be thinking way ahead and working closely with line ministries, NGOs and any other organizations in planning a strategy for providing assistance to individuals and communities when SIMAP as it is now constituted no longer exists. Formal strategy sessions and strategy papers should begin preparing for this stage so that severe shocks are avoided, and so that a truly valuable transition can result.

B. Non-Governmental Organizations (NGOs)

40. The NGO community is diverse and active in Guyana, playing a substantial role in providing a safety net for the poor. The variety of NGOs are best described in the NGO Directory recently published by UNDP. Many of them serve the poor and attempt to address the needs of the poor, while others simply fall into the category of any organization that is not an official public government organization or private sector business.

41. A primary issue concerning NGOs is their own need to develop the institutional capacity to assist the poor and offer additional support in the context of a safety net. There are both international NGOs and local NGOs with increasing numbers of local and community NGOs emerging.

42. There is potential for channeling donor support to NGOs to assist with poverty reduction in the form of institutional strengthening, training in community development, and in facilitating coordination between NGOs, the private sector, the public sector and the international

265

ANNEX K

INITIAL ENVIRONMENTAL EXAMINATION

NOTE TO READERS:

A.I.D. Project No. 504-0107 for Guyana has experienced a number of name changes during the course of its development. Thus, any reference in this Annex to the "Business Environment Enhancement Project," which was the name at the time of the PID, shall be understood to refer to the renamed "Building Equity & Economic Participation" Project. The major project elements remain the same.

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

LAC-IEE-94-03

REQUEST FOR A CATEGORICAL EXCLUSION

Project Location	:	RDO/C
Project Title	:	Business Environment Enhancement
Project Number	:	n/a
Funding	:	$ 6 million
Life of Project	:	4 years
IEE Prepared by	:	Richard Owens, RDO/C Mission Environmental Officer

Recommended Threshold Decision: Categorical Exclusion

Bureau Threshold Decision	:	Concur with Mission Recommendations
Comments	:	Categorical Exclusion is issued, as stated in attached IEE, for training, technical studies, and technical assistance components as described in 22 CFR 216.2 (c)(2)(i). This Categorical Exclusion is contingent upon incorporating the following conditions into the Project Agreement: (a) That there will be no support for timber extraction or significant deforestation; (b) That there will not be procurement or use pesticides; and (c) That this project will not have a negative effect on threatened or endangered species or their critical habitats.

Date 11/20/93

Jeffrey J. Brokaw
Acting Chief Environmental Officer
Bureau for Latin America
and the Caribbean

320 TWENTY-FIRST STREET, N.W., WASHINGTON, D.C. 20523

268

TO : Wayne Nilsestuen, LAC/DR/RD

FROM : Richard L. Owens, RDO/C

SUBJECT : IEE FOR PROPOSED BEEP PROJECT IN GUYANA

DATE : November 9, 1993

Attached please find a copy of the IEE for the proposed BEEP Project. Regional Director Mosina Jordan has approved and signed the PID for this proposed project just this week. Project Paper development starts the first week of December. Your review of this IEE as Acting Chief of LAC/DR/E, and preparation and transmission to this Mission of the required Environmental Threshold Decision (ETD) at the earliest opportunity would be greatly appreciated. If you have any questions please do not hesitate to contact RDO/C.

Copy to	:	Mosina H. Jordan, Director RDO/C
Copy to	:	Richard Owens, MEO RDO/C
Copy to	:	Gene Wilken, REA RDO/C
Copy to	:	Letitia Butler, LAC/CAR
Copy to	:	IEE File

INITIAL ENVIRONMENTAL EXAMINATION

Project Location	:	RDO/C
Project Title	:	Business Environment Enhancement Project (Guyana)
Funding	:	$ 6,000,000
Life Of Project	:	4 years
IEE Prepared By	:	Richard Owens, Mission Environmental Officer

I. Project Description: In spite of the recent positive moves toward a market economy by the Government of Guyana (GOG), the business environment is still considered insecure and high risk by many Guyanese and foreign business persons. This is due to a number of factors, chief among which are delays in implementation of agreed-to policy, legal/regulatory/judicial (LRJ), and institutional changes necessitated by the policy reform process; a lack of transparent and broad-based dialogue between the public and private sectors regarding priorities in the implementation process; and a possible (unintended) bias against smaller businesses in terms of benefits of the reform process. The proposed Business Environment Enhancement Project (BEEP) seeks to mitigate these negative factors and reduce the insecurity and risk through a number of complementary venues in the public and private sector. Through BEEP, A.I.D. will provide US$4.5 million and the GOG will provide US$1.5 million equivalent over a four year period to complement other donor support of stated GOG strategy and programs, increasing the likelihood of achievement overall.

The project will provide long- and short-term TA, and short-term participant and in-country training to the GOG and selected private sector organizations (PSO) which represent and/or serve small, medium, and large scale businesses in Guyana. Very limited commodity support, in the form of vehicles and informatics necessary for the TA to carry out their work, is also contemplated. At the end of the four year project:

- The GOG will have increased capacity to implement economic, financial and other trade-related policy and regulatory reforms; and

- The private sector will exhibit broader-based, inclusive, articulate participation in national and sectoral policy and LRJ formulation and implementation processes.

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DIST: AID

AIDAC RICHARD OWENS, MISSION ENVIRONMENTAL OFFICER

E.O. 12356: N/A
TAGS:
SUBJECT: ENVIRONMENTAL THRESHOLD DECISION FOR THE BUSINESS ENVIRONMENT ENHANCEMENT PROJECT

ACTION	TDO
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1. LAC ACTING CHIEF ENVIRONMENTAL OFFICER, JEFFREY J. BROKAW, HAS REVIEWED, AND HEREBY APPROVES MISSION REQUEST FOR A CATEGORICAL EXCLUSION FOR SUBJECT PROJECT. A CATEGORICAL EXCLUSION IS ISSUED IN ACCORDANCE WITH 22 CFR 216.2 (C) (2) (I) FOR TRAINING, TECHNICAL STUDIES, AND TECHNICAL ASSISTANCE COMPONENTS AS DESCRIBED IN THE IEE.

2. THIS CATEGORICAL EXCLUSION IS CONTINGENT UPON INCORPORATING THE FOLLOWING CONDITIONS INTO THE PROJECT AGREEMENT: (A) THAT THERE WILL BE NO SUPPORT FOR TIMBER EXTRACTION OR SIGNIFICANT DEFORESTATION; (B) THAT THERE WILL NOT BE PROCUREMENT OR USE PESTICIDES; AND (C) THAT THIS PROJECT WILL NOT HAVE A NEGATIVE EFFECT ON THREATENED OR ENDANGERED SPECIES OR THEIR CRITICAL HABITATS.

3. MISSION IS REQUESTED TO SEND A COPY OF THE RELEVANT SECTIONS OF THE PROJECT PAPER AND SUBSEQUENT GRANT AGREEMENT DETAILING THE ABOVE CONDITIONS FOR INCLUSION IN LAC/DR/E FILES.

4. IEE NUMBER IS LAC-IEE-94-03. COPY OF THE ENVIRONMENTAL THRESHOLD DECISION IS BEING SENT TO THE MISSION FOR INCLUSION IN PROJECT FILES.
CHRISTOPHER
BT
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272

II. Statement of Categorical Exclusion: The project described above qualifies for a Categorical Exclusion under 22 CFR 216.2(c) as the actions supported will not have a significant effect on the environment. Section 216.2(c)(2)(i) specifically provides that projects which are wholly technical assistance and training should be categorically excluded.

III. Recommendation: Based on the above, it is recommended that a Categorical Exclusion be approved by the LAC Chief Environmental Officer.

Mosina H. Jordan, Director
RDO/C

APPR: JB

DRAFT: ASC

CLEAR: KM

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AID/LAC/DR/E:ASEGARRA:IEE94-03.CAB
11/19/93 647-5680

CLEAR: ( )

AID/LAC/DR/E:JBROKAW

CLEAR: ( )

AID/LAC/DR/E:KMENCZER

PRIORITY BRIDGETOWN

AIDAC RICHARD OWENS, MISSION ENVIRONMENTAL OFFICER

E.O. 12356: N/A

TAGS:

SUBJECT: ENVIRONMENTAL THRESHOLD DECISION FOR THE BUSINESS ENVIRONMENT ENHANCEMENT PROJECT

1. LAC ACTING CHIEF ENVIRONMENTAL OFFICER, JEFFREY J. BROKAW, HAS REVIEWED, AND HEREBY APPROVES MISSION REQUEST FOR A CATEGORICAL EXCLUSION FOR SUBJECT PROJECT. A CATEGORICAL EXCLUSION IS ISSUED IN ACCORDANCE WITH 22 CFR 216.2 (C) (2) (I) FOR TRAINING, TECHNICAL STUDIES, AND TECHNICAL ASSISTANCE COMPONENTS AS DESCRIBED IN THE IEE.

2. THIS CATEGORICAL EXCLUSION IS CONTINGENT UPON INCORPORATING THE FOLLOWING CONDITIONS INTO THE PROJECT AGREEMENT: (A) THAT THERE WILL BE NO SUPPORT FOR TIMBER EXTRACTION OR SIGNIFICANT DEFORESTATION; (B) THAT THERE WILL NOT BE PROCUREMENT OR USE PESTICIDES; AND (C) THAT THIS PROJECT WILL NOT HAVE A NEGATIVE EFFECT ON THREATENED OR ENDANGERED SPECIES OR THEIR CRITICAL HABITATS.

3. MISSION IS REQUESTED TO SEND A COPY OF THE RELEVANT SECTIONS OF THE PROJECT PAPER AND SUBSEQUENT GRANT AGREEMENT DETAILING THE ABOVE CONDITIONS FOR INCLUSION IN LAC/DR/E FILES.

UNCLASSIFIED

4. IEE NUMBER IS LAC-IEE-94-03. COPY OF THE ENVIRONMENTAL THRESHOLD DECISION IS BEING SENT TO THE MISSION FOR INCLUSION IN PROJECT FILES. YY

275