



USAID

COUNTRY STRATEGIC PLAN

FOR ASSISTANCE

TO

GUYANA

1999-2003

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LIST OF ACRONYMS

ACP	Africa, Caribbean, Pacific
CARIBCAN	Caribbean/Canada (trade agreement)
CARICOM	Caribbean Community
CBI	Caribbean Basin Initiative
CDB	Caribbean Development Bank
CET	Common External Tariff
CIDA	Canadian International Development Agency
CGCED	Caribbean Group for Cooperation in Economic Development
CSO	Civil Society Organization
DG	Democracy and Governance
ERP	Economic Recovery Program
ESAF	Economic Structural Adjustment Facility
EU	European Union
FTAA	Free Trade Area of the Americas
GDP	Gross Domestic Product
GNP	Gross National Product
GOG	Government of Guyana
HIPC	Heavily Indebted Poor Countries
IDB	Inter-American Development Bank
IFES	International Foundation for Election Systems
IFI	International Financial Institution
IMF	International Monetary Fund
MOF	Ministry of Finance
MTTI	Ministry of Trade, Tourism, and Industry
NAFTA	North American Free Trade Agreement
NDI	National Democratic Institute
NDS	National Development Strategy
NGO	Non-governmental Organization
ODA	Overseas Development Administration (UK)
PSC	Private Sector Commission
UNDP	United Nations Development Program
USAID	United States Agency for International Development
USG	United States Government
WB	World Bank
WTO	World Trade Organization

"Guyana is now at a crucial stage in its renewed march to development, a stage in which foresight, clarity of vision and firm decisions are required if we are to ensure that true and sustained development takes place."

National Development Strategy

EXECUTIVE SUMMARY

The USAID/Guyana strategy for the period 1999-2003 is designed to assist Guyana to meet major economic and democracy challenges over the next five years. The proposed strategy is the result of an intensely collaborative effort involving the Guyana Mission; USAID Washington; officials of the Government of Guyana (GOG); a cross section of representatives from the private business sector, non-governmental and civil society organizations; and donor agencies resident in Guyana. Key factors which helped to mold the proposed strategy include a careful evaluation of Guyana's recent economic and political development, GOG priorities as enunciated in the National Development Strategy, and a review of the Mission program over the past four years. The strategy reflects important U.S. foreign policy, Agency and LAC Bureau objectives, including the promotion of sustainable democracies and open market economies, participation in regional and hemispheric free trade programs, expanded access and opportunities for the poor, and strengthened rule of law and respect for human rights.

Historical Setting

For almost three decades prior to 1989, Guyana was characterized by an increasingly authoritarian political system and a socialist, state dominated economy. By the time the GOG adopted an IMF/WB-sponsored economic recovery program in 1989, the economy was bankrupt. Growth in GDP had been negative for five years, foreign reserves were exhausted, official external debt had reached \$2.2 billion, the annual rate of inflation was over 50%, and the social and economic infrastructure were near collapse. Socialist economic policies led to the nationalization of most large private commercial and industrial firms, and by 1989 the State controlled 70% of all economic activity. The mismanagement of the macroeconomy coupled with ill-conceived sectoral economic policies led to dramatic decreases in the output and export of Guyana's traditional commodities. Whereas Guyana had once led the Caribbean in most health and education indicators, by the late 1980s it ranked at the bottom.

In the political arena, Guyana experienced an increasingly autocratic regime from 1964 to 1989. Just as economic power was consolidated in the hands of the State, political power was increasingly exercised by a single party, a single ethnic group, and ultimately by a single person. The State controlled the media, open debate was discouraged, freedom of association was sharply curtailed, and intimidation was used to stifle political dissent. The constitution was re-written placing most political power in the hands of the president. Elections became a sham; as popularity for the regime eroded, periodic elections still indicated increasing margins of victory. Just as the political and economic institutions were subjugated to the will of the party, the judicial system was also perverted to serve the needs of the few. Justice and the rule of law were replaced by cronyism, bribery, and corruption.

Autocratic rule and economic mismanagement resulted in extreme, pervasive poverty and

distrust of political and governmental institutions. Perhaps the most serious impact of this period, however, was mass emigration of a significant portion of Guyana's skilled and educated labor force.

Economic Trends

Guyana's economic recovery since initiation of the ERP has been spectacular. Guyana's adoption of reforms has resulted in the highest rate of economic growth in the hemisphere, sharply reduced inflation, increased exports, greater foreign investment, and more product diversification. Inflation fell from a high of 100% in 1991 to an average of 4.6% over the past two years. Growth in real GDP has averaged 7.2% per year since 1991. External debt has been reduced from \$2.2 billion in 1994 to \$1.6 billion at the end of 1997. The recovery of the productive sectors has also been impressive. Annual rice production and exports have increased by 175% and 86%, respectively. The sugar industry is also making an important comeback, and new investments in gold and timber have resulted in sixfold increases in their annual production since 1991.

Despite these impressive economic indicators and the apparent success of the ERP, much of these gains represent a recouping of prior losses and strikingly underscore the depths to which the economy had fallen. Despite a reduction of 37%, external debt is still 222% of GDP and annual debt service consumes 27% of foreign exchange earnings. While figures for the rice sector indicate a strong recovery, the acreage cultivated today is only at the level of the mid-1960s. Nowhere is the indication of the magnitude of Guyana's economic demise, as well as the tremendous task still ahead, more startling than in the fact that more people are impoverished today than 30 years ago. In spite of the large and steady increases in GDP and GDP/capita, real GDP/capita is now only half that of 1976, leaving Guyana as the third poorest country in the hemisphere. In short, despite tremendous gains, Guyana has a long way to go in providing jobs, wages, and incomes with which to ensure a minimum, acceptable standard of living for its population.

Political Trends

The first free and fair national elections in almost three decades were held in 1992, heralding Guyana's return to a democratic form of government. Since then, important positive changes have also signalled the rebirth of a much more open and participatory society. Political discourse is open, public participation is encouraged, the media are far freer, and a more active and concerned civil society is emerging. The election of 1992 was followed by equally successful local and municipal elections in 1994. Although donor funding was critical, the recently completed national election in December 1997 was planned, managed, and administered by Guyanese.

As with the economic recovery, however, impressive political progress does not mean that the process of democratization is complete. If anything, the dangers facing democracy are even more apparent, immediate and potentially catastrophic than are the hurdles to further economic development. The excellent performance of the Elections Commission during the 1997 election was marred at the last moment by as yet unsubstantiated claims of electoral fraud. While the tabulation of results evidently was deficient, the resulting legal action, demonstrations and

violence probably reflect deep ethnic and political polarity, suspicion, and distrust more than malfeasance. The aftermath of the election has served as a strong reminder of the importance of race in Guyana. Ethnic division is a major constraint not only to Guyana's political future but also to its future economic development.

The Current USAID Program (1994-1998)

USAID has played an important role in Guyana's economic recovery by filling important niches within the IMF/WB/IDB macroeconomic framework and strongly complementing the programs of bilateral donors. Strategic planning and policy analysis in key ministries, for example, have helped the GOG meet IFI conditionalities, and coordination with other bilateral donors is resulting in far more effective national budgeting. The trade regime is also moving, albeit slowly, toward openness and compatibility with regional and global trade practices due in large part to USAID-sponsored studies, advice, and policy analysis. However, poverty is still manifest, structural distortions persist, and income distribution is highly skewed. Perhaps most critical, most of Guyana's primary exports are not competitive globally.

As a result of USAID assistance, and strong government cooperation, important progress has also been made over the past four years in improving the administration of justice, enhancing the effectiveness of local government, and strengthening Parliament and the electoral process. However, more remains to be done; the court system continues to suffer from a large backlog of civil cases, delays in adjudication, and management shortcomings; the participation of civil society in lawmaking is superficial; community participation in local development is weak; and the institutional capacity of the Elections Commission, while greatly improved, is not adequate.

The Changing International Environment

In addition to examining Guyana's economic and political progress and reviewing the current USAID Program, the Mission also considered the changing international economic environment in developing a strategy for the next five years. The Western Hemisphere is rapidly integrating its tremendous productive capacity to compete globally and to raise the quality of life for its inhabitants. The liberalization mandates of the World Trade Organization and the Lomé Convention, and the regional and sub-regional pacts supported by the U.S. are dynamic undertakings aimed at creating commonality in trade and investment regimes. For these initiatives to be successful, the result should be greater economic opportunity and prosperity for all participating nations, including the poorest and least able to compete, like Guyana. However, without assistance and strong national efforts, the poorest countries in the hemisphere, lacking competitiveness and structural preconditions, will not enjoy the benefits of liberalized trade regimes. Leaving some hemispheric partners behind would tarnish the overall success of these endeavors.

Mission Strategy, 1999-2003

In developing a strategy for 1999-2003, Mission partners and customers were united in the belief that USAID's current strategy is on track and the new strategy should build on past investments. The new strategy proposes two mutually reinforcing strategic objectives: SO1 Expanded Economic Opportunities for the Urban and Rural Poor and SO2 More Responsive

and Participatory Governance and Rule of Law. Both strategic objectives are strongly supportive of Guyana's National Development Strategy; they are congruent with the Declaration of Principles enunciated in the Summit of the Americas; and they respond to the needs and priorities expressed by USAID/Guyana's partners and customers.

SO1 under the proposed strategy is a continuation of the same objective under the present strategy. Activities to be undertaken, however, will be expanded in some areas and modified in others. The results USAID will seek under SO1 are:

- increased capacity of the public sector to implement economic policy for growth with equity
- an improved climate for private investment
- strengthened capacity of private sector organizations to influence public policy
- increased services available to support microenterprises and small businesses
- rehabilitated productive infrastructure

Activities planned under SO2 will expand USAID's already important role in democracy and governance. Under this objective, assistance will be provided to:

- improve the law-making and regulatory processes
- increase the capacity to adjudicate legal cases in a timely manner
- ensure a sustainable institutional capacity to conduct free and fair elections
- increase the ability of civil society to influence public policy
- strengthen local governance

Guyana has demonstrated its commitment to political and economic reform by its significant achievements during the past ten years. However, the road ahead will not be easy. USAID has played and can continue to play a pivotal role in Guyana's economic and political development. With a relatively small level of funding, USAID can continue to increase economic growth, strengthen the democratic process, and significantly contribute to achieving Guyana's national goal of satisfying basic economic and social needs in a democratic society.

PART I: SUMMARY ANALYSIS OF ASSISTANCE ENVIRONMENT AND PROGRAM RATIONALE

A. U.S. FOREIGN POLICY

Faced with Guyana's increasingly authoritarian policies, the USAID Mission was closed in 1985, maintaining only PL480 humanitarian food assistance to help mitigate the effects of the deteriorating economic situation. Since the adoption of the ERP in 1989 and the return to democracy with the election of 1992, the U.S. Government has significantly increased its support and assistance to Guyana. U.S. foreign policy objectives in Guyana include the promotion of a self-sustaining democracy and a free enterprise, open-market economy. Stemming the flow of narcotics and of illegal immigrants to the United States is also high on the priority list of foreign policy objectives. Guyana's participation in and support for regional and hemispheric free trade programs, like the North American Free Trade Agreement (NAFTA), the Caribbean Basin Initiative (CBI) and the Free Trade Area of the Americas (FTAA) are also of interest to the USG. Georgetown, Guyana is also the headquarters for CARICOM, an important interlocutor for U.S. relations and negotiations with the Caribbean region. Attachment I, Common Objectives, shows the relationship between USG national interests, Development Assistance Committee goals, Summit of the Americas objectives, GOG targets, and the USAID strategy.

Private U.S. interest and investment in Guyana are growing and are expected to accelerate as the country expands its reconstruction program, further liberalizes its investment policies, and begins to more fully utilize its enormous forestry, mineral, and fishery resources. Virtually all gold production, Guyana's second leading export, goes to the United States. From a global environmental perspective, it is also important to the U.S. that damage be minimized to Guyana's 65,000 square miles of intact tropical rain forest.

One hesitates to state that vital interests are now at stake in Guyana. However, several factors point to important national security concerns. Guyana shares its borders with three neighboring states, one of which provides 17% of the U.S.'s imported oil. With border disputes to the east and west, weak sovereignty along the southern border, and a growing narcotic transshipment problem, it is in the United States' interest to support Guyana's political and economic stability.

The U.S. Mission in Guyana encourages an open-market, free enterprise oriented economy and a competitive, inclusionary democratic political system. USAID plays an important role in fostering long-term U.S. interests by assisting Guyana to stabilize and restructure its economy to ensure self-sustaining growth and to reduce dependence on preferential aid and trade regimes. Similarly, the U.S. Mission, through both activities and policy dialogue, actively promotes a political system that allows the free exchange of information, permits full citizen and civil society participation in decision-making, provides judicial oversight and redress, and responds to socio-economic priorities.

B. COUNTRY OVERVIEW

1. Economic Trends

To appreciate current economic conditions in Guyana, one must first understand the political and economic regimes in force for most of the three decades since independence. Until 1989 Guyana was characterized by an increasingly autocratic government and a socialist economy. Economic mismanagement and ill-conceived fiscal, monetary and exchange rate policies had by the mid-1980s all but brought the economy to a standstill. Inflation was rampant, foreign reserves were sufficient to cover only a week or two of imports, and growth in GDP was negative. Tax and tariff policies, government-imposed input and output prices, and a deteriorating infrastructure made the production and export of many of Guyana's traditional commodities no longer profitable. As the government borrowed both domestically and abroad to finance the nationalization of key commercial and industrial firms, the national debt skyrocketed. Additional borrowing was necessary to subsidize increasingly inefficient parastatals and to fund large social programs. At the end of the 1980s, Guyana was over \$2 billion in debt, well in arrears in debt servicing, and losing the ability to borrow more. As credit and revenue sources dried up, investment in the maintenance of productive infrastructure and costly social programs dwindled to a trickle. Faced with increasing economic and social hardships and the loss of political freedoms, emigration reached such levels that net population growth was negative during most of the 1980s.

Conditions had deteriorated to such an extent by 1989, that Guyana had almost no alternative but to accept an IMF-sponsored Economic Recovery Program (ERP). Guyana has now fully embraced macroeconomic reform for almost ten years with positive results in financial and exchange rate stability, privatization, and economic growth. Inflation has been sharply reduced, averaging 4-5% over the past few years (down from 100% in 1991). All external arrears to commercial banks and official bilateral and multilateral creditors have either been cleared or negotiations initiated to resolve outstanding obligations.¹ Through a series of debt reduction programs under the auspices of the Paris Club, total external debt declined from \$2.2 billion in 1994 to about \$1.6 billion at the end of 1997. The IMF and World Bank have approved Guyana's application to participate in a special debt reduction initiative for heavily indebted poor countries (HIPC) and, if conditionalities are satisfied,² the external debt could be further reduced to approximately \$1.2 billion.

Sectoral policy reforms and the macroeconomic stabilization program have also positively impacted on sectoral production and exports. Significant increases have been registered for Guyana's traditional commodities; rice, sugar, and bauxite. New foreign investment in gold mining and timber has seen a sixfold increase in their production. The overall impact of the reforms on economic growth has been phenomenal. Under the ERP, Guyana's growth during the last six years has been at an almost unmatched pace in the hemisphere. Real GDP expanded at an average of 7.2% per year from 1991-1996.

¹ op. cit.

² IMF/WB documents, 1997.

Despite the impressive economic recovery, Guyana is still faced with large obstacles to future growth and development. Although the huge external debt has been reduced by 36%, it still represents 222% of GDP, debt service requires 27% of annual foreign exchange earnings, and total domestic and external debt consumes 54% of the national budget. The servicing of the national debt leaves little room for the repair of physical infrastructure which, although improving, is still in a critical state. A substantial investment will be necessary to rebuild and replace the basic energy, water, and transportation infrastructure which are necessary for private sector investment and growth.

A second legacy from the earlier political and economic regimes, is the lack of a skilled labor force to undertake and manage governmental and private sector policies and investments needed to ensure future growth. The initial economic reforms under the ERP involved macroeconomic policies which, although often painful to implement, were the easiest. To effect the next round of reforms to ensure a competitive place for Guyana in the changing international marketplace will be much more difficult. Neither the public nor private sectors are well equipped to deal with the complex issues on the horizon: investment policies, regulations and standards, product diversification, and accession to new international trade associations and agreements. The years of emigration plus the failure to maintain what was once one of the best educational systems in the Caribbean have left Guyana without the human resources to undertake these tasks. Although the GOG, with donor support, has begun to tackle the problem, lasting results will take time. Guyana needs immediate assistance in the short-term to assist the private and public sectors address the policies and problems mentioned above.

Perhaps the strongest indication of the long road to full economic recovery is the continuing high level of poverty. There are more people living in poverty today than thirty years ago. Even with an average annual increase in GDP of over 7% since 1991, real GDP/capita is only half that of 1976, leaving Guyana as the third poorest country in the hemisphere. Structural adjustment undoubtedly exacerbated poverty since the effect of reforms is to temporarily increase unemployment and lower investment and production. In 1989, it was estimated that approximately 75% of the population was below the poverty line. Economic liberalization and firm adherence to reform measures have had a clear, positive impact; when last measured in the early 1990s, those falling below the poverty line had been reduced to about 43%. Continued increases in real wages and rapid economic growth since 1993 have probably reduced the poverty ratio even more. Still, Guyana has an extremely high level of poverty and it cannot continue without serious social and/or political consequences. Although the basic trend is positive, current and future obstacles to continued high rates of economic growth render poverty alleviation a national priority.

Guyana continues to receive recognition and ongoing support from the IMF/WB for its successful performance under six successive stabilization and structural adjustment programs since 1989.³ The IMF Executive Board approved the third annual tranche under the current ESAF in April 1997. The most recent Policy Framework Agreement between the IMF/WB

4. Guyana: Policy Framework Paper, 1996-1998, IBRD/WB, March 11, 1996.

and Guyana (Attachment D) lists ten major areas of policy reform, along with objectives, targets, strategies and measures, and implementation status. An assessment of compliance to date illustrates how far Guyana has come in its economic recovery program and the truly positive economic results since 1989. Basic macroeconomic stability has been achieved, economic growth continues at an extraordinary rate, and investments and exports are increasing. The challenges ahead, however, are formidable.

The importance of sustained, rapid economic growth in reducing poverty is demonstrated by the reduction of poverty achieved to date. Appropriate macroeconomic policies and the creation of more jobs, including self employment opportunities, are critical elements in reducing poverty. Although significant progress has been made, Guyana is ill-prepared for an increasingly complex global economy. Guyana's economic base and markets are small, and the pool of skilled human resources in the public and private sectors has been depleted by the decline of the education system and emigration. Guyana's progress in creating employment opportunities and reducing poverty will be slowed or, perhaps, even reversed unless its public and private sectors are strengthened in key areas; the formulation and implementation of economic policy to promote equitable economic growth, an improved climate for private investment, a stronger partnership between the public and private sector (including civil society organizations), increased self-employment opportunities, and improved productive infrastructure. These critical areas are discussed in Part II, Proposed Strategic Plan.

2. Socio-Political Trends

The effects of almost three decades of authoritarian rule cannot be erased by six years of democracy. The authoritarian era resulted in the dismantling of democratic institutions, civil society organizations, and the judicial system. They were replaced with self-interest, centralized control, an adversarial public/private sector relationship, and a weakened legal system. Ineffective institutions, a dearth of skilled human resources, low public confidence and strained ethnic relations continue to plague the democratic process. However, Guyana's progress in democracy and more effective governance has been exceptional in some areas, particularly in view of its socialist past and its current development constraints. The greatest progress has been made in the areas of electoral administration, the legal system, civil society, and governance. Political polarity and ethnic division remain the greatest obstacles to a more effective democracy.

The most recent challenge to Guyana's young democracy occurred after the 1997 election. The controversy over vote tabulation and final tallies resulted in claims of fraud, demonstrations, legal action, and violence. Further deterioration was prevented by the intervention of CARICOM. Democratic means and measures have been agreed upon to address outstanding differences. An electoral audit is being conducted; a sustained dialogue on critical issues is to be initiated; constitutional reform will be granted priority; and new elections will be held in three years. A crisis was defused by responsible discussion and compromise. This bodes well for the continued democratization of Guyana, but the climate is, unfortunately, volatile.

Electoral Process: The first free and fair national election in almost three decades was held

in 1992, followed by equally successful local and municipal elections in 1994. Unlike the 1992 and 1994 elections which relied more heavily on direct donor assistance, the 1997 election was planned and managed by an Elections Commission which, up to vote tabulation, demonstrated exceptional strength and competence. Donor assistance was critical, but actual implementation was conducted by Guyanese. An independent Guyanese electoral watchdog organization, assisted by the National Democratic Institute for International Affairs (NDI), played an indispensable role in ensuring a better organized, responsive electoral process. There is strong disagreement over the 1997 electoral results but, as noted above, democratic means and a consultative process are being followed to resolve differences.

Legal System: Seriously compromised by the authoritarian era, the judicial system, due to USAID assistance and a strong national effort, is now on the road to recovery. This effort has been strongly embraced by government, all political parties, and the general public. Exceptional progress has been made in improving court management, reducing criminal case backlog, consolidating Guyana's legislation, introducing modern court reporting, and enhancing the effectiveness of the local bar. The GOG program to rehabilitate the judicial infrastructure has been equally successful. There is no doubt that confidence in the judicial process is now increasing among the legal community and public at large. However, many serious problems remain and it will take a concerted effort to reach minimum acceptable standards.

Civil Society: Actively discouraged during the 1970s and 1980s, civil society is clearly now far freer. There is increasing dialogue between government and the public, NGOs and Civil Society Organizations (CSOs) are gradually re-emerging, the media are open and independent, and there is greater public candor in discussing sensitive issues such as ethnic relations.

Governance: While many problems remain in governance, significant progress has been made since Guyana's return to democracy just six years ago. The number of public consultations on national issues, for example, are increasing, CSOs are represented on some regulatory bodies, and government is becoming more responsive to public concerns. There is also wider awareness that further democratization requires governmental systems and processes based on constitutional rules of government; a Constitutional Reform Committee has been established, but progress has been slow and hesitant. Efforts have also been made in decentralization, with mixed results. Local governments now have larger budgets and greater authority, and they more actively contribute to the development process. Some new authorities have, however, been rescinded due to the inability of local government to fulfill expanded responsibilities. Training programs in areas such as management, budgeting, and project implementation are now being provided. The trend in more effective governance is positive but it must be accelerated if democracy is to take firmer root.

Politics and Ethnic Relations: Politics and ethnic relations are discussed together because they are so closely intertwined and the trends mirror each other. Ethnic division is not a new phenomenon in Guyana, particularly between Afro-Guyanese and Indo-Guyanese. However, the friction has been seriously exacerbated by politics. Particularly since independence in 1966, political parties have increasingly played on the apprehensions, fears, and hopes of different ethnic groups to solidify or expand their support. The results are serious and far

reaching: political and ethnic polarity; the subjugation of development objectives for political goals; and insignificant support for political parties which advocate broader and fairer representation of all ethnic groups in government. The events following the December 1997 election underlined the depth of political and ethnic polarity, distrust, and suspicion. Reversing the trends of greater political polarity and ethnic friction will require outside assistance and a strong concerted effort by all political parties. The recent agreement negotiated by CARICOM is a strong indication of Guyana's awareness that the trends must be reversed. The improvement of ethnic relations is a principal objective of the agreement.

3. Development Constraints

Despite spectacular macroeconomic achievements evidenced by many indicators, progress to date in many areas has been a recouping of prior losses. Many sacrifices have been made, particularly in social welfare. Indeed, some indicators are only now reaching the levels enjoyed ten and even twenty years ago. Full recovery means the basic quality of life indices return to and exceed levels of the past. Economic growth must be sustained and democracy firmly institutionalized. Politically, Guyana has come a long way since the return of democracy in 1992. The December 1997 election and its aftermath demonstrate both the strength of Guyana's commitment to and the fragility of democracy. This section discusses the more salient obstacles to sustained economic growth and democratization.

Indebtedness: Through successive Paris Club-sponsored debt reduction/rescheduling exercises and by negotiating only concessional new debt, Guyana reduced its overall debt burden from \$2.2 billion in 1994 to \$1.6 billion at the end of 1997. Although the debt/GDP ratio remains high, there are opportunities for further debt reduction. The IMF/WB regard the GOG to have been quite successful in meeting commitments to contain debt and remain confident of Guyana's ability to continue prudent policies. Guyana's participation in HIPC, if conditionalities are satisfied, will reduce the debt from \$1.6 billion to approximately \$1.2 billion. Even then, this large debt and the annual debt service will severely restrict the GOG's ability to finance from domestic resources the investments required to rehabilitate the productive and social infrastructure which are a pre-condition to future domestic or foreign investment.

Competitiveness: The goal of the Economic Recovery Program is ultimately to make Guyana competitive in regional and global markets. It is a long-term undertaking to: restructure the productive sectors of the economy; improve infrastructure; decrease production costs for primary export commodities (rice, sugar, and bauxite); shift production to more competitive non-traditional products; and reduce dependency on concessional and preferential trade agreements (ACP/Lomé, CBI, and CARIBCAN). Analyses contained in the National Development Strategy (see table) indicate Guyana's primary commodity exports are not competitive at current world prices. The costs of production for rice and sugar fall below EU/ACP preferential prices and net income is generated for Guyana. Without internal subsidies and external preferences, Guyana would sustain net losses.

At the end of 1997, only 15 of the 41 public enterprises identified by the IMF/WB to be

privatized remained in GOG hands. While much has been accomplished, the public sector requires further restructuring and downsizing.

Commodities ⁴	World Price	EU Price	Domestic Cost
Rice	320	425	366
Sugar	284	617	410
Pineapple	465	-	487
Bauxite	133	-	181

In the early to mid-1990s, Guyana attracted high levels of foreign investment in certain extractive industries which appear to be competitive in the international market. Gold, for example, became the second largest export earner (after sugar) in 1996. Production and export of timber and wood products continue to increase. Their ultimate competitiveness, however, may require identifying other economically viable species and more efficient manufacturing processes.

This shift away from the traditional exports of agricultural products and bauxite is a positive adjustment. The long-term sustainability and environmental impact of extractive industries must, however, be seriously addressed, as indicated in the National Development Strategy.

Physical Infrastructure: Guyana's productive and social infrastructure are not adequate to maintain the level of economic growth achieved in recent years. Despite significant reconstruction of coastal sea defenses which protect most of Guyana's population and agriculture, breaches are still too frequent. Drainage and irrigation systems still require massive rehabilitation, and road, water, and sewage systems are also in need of major repair or replacement. Schools, training facilities, and health services have not been spared from the same degree of neglect as productive infrastructure.

The GOG is fully aware of these needs and a large portion of donor (i.e., the USG, WB, and IDB) assistance is dedicated to infrastructure improvement. The USG's PL 480 Program has provided significant assistance to upgrade roads in agricultural areas, to improve drainage and irrigation systems, and to rebuild sea defenses. These investments in infrastructure are fundamental to expanding economic growth. The GOG, through its privatization program, is shifting responsibility for some infrastructure maintenance to the private sector. Higher user fees are also being levied to offset some of the cost of infrastructure development and maintenance.

Legal System: Of special concern to investors are the statutes and regulations affecting

⁴ Prices in US\$; Source: A. Angel, Analysis of the Effects on Guyana's Export Sector of Changes in International Markets, 1996; in National Development Strategy, Volume I, Chapter 6.

investment and trade. Impartiality and predictability in the application and enforcement of laws and regulations by regulatory agencies and the courts are necessary first steps. Investors need assurance that property rights will be protected and that efficient legal mechanisms exist to fairly and promptly enforce contracts. Investors would be encouraged by the availability of mediation, arbitration and other means for alternative dispute resolution. When resolutions are needed quickly, or, when the complexity of issues so warrant, alternative services may be preferred to using the courts. Alternative dispute resolution services are not currently available in Guyana.

When the rules of the game are not clear, or their application uncertain or unfair, investors require a higher return in the face of risk and uncertainty. The result is a decrease in investment and the passing over of projects which would be undertaken were the investment climate more conducive. Much work remains to be done in the legal system to improve Guyana's investment environment.

Human Resources: The lack of skilled workers in the private and public sectors compounds the already difficult task of structurally transforming Guyana into an open-market economy and a self-sustaining, inclusive, and responsive democracy. The economic regression of the 1980s led to a major exodus of educated and trained Guyanese, which to a lesser extent continues today. Low levels of compensation, deteriorated infrastructure and services, and limited opportunities for advancement thwart the retention of qualified personnel in many sectors. The situation is particularly serious in the public sector. The government, in part restricted by performance criteria in IMF/World Bank structural adjustment programs, has lost many qualified civil servants. Policy analysis and promulgation, modern organizational structures, information systems and qualified people are all scarce. Public sector services such as education, health delivery systems, and safety-net programs are barely sustainable. A suitably progressive system of remuneration and incentives does not yet exist.

Politics: Politics in Guyana is generally characterized by clientelist and paternalistic relations; a relative lack of public confidence; wide gaps between rural and urban populations, men and women, Amerindians and the rest of society; and antagonisms within society that divide races and political constituencies. The attitudinal and psychological legacy of a recent autocratic past continues to widen institutional and social divides. A culture of government-civil society consultation has not, yet, fully developed. The concept of a loyal opposition and constructive criticism remain distant, and an implicit sense of exclusion pervades.

Ethnic Division: Ethnic and cultural divisions within Guyanese society remain the dominant socio-political feature. The two largest political parties are 95% ethnically based, although they do not have significantly different visions of nation building and development. While the polity forms primarily around ethnic loyalties, it vies for power through the electoral process. Minority group interests, particularly those of Amerindians, remain marginalized. Being courted during elections but relegated to a lower priority thereafter has led to much skepticism that their concerns over land demarcation, the environment, and cultural preservation will be fully considered.

Guyana's political, social, and economic constraints reflect both its socialist/authoritarian past

and the obstacles that must be overcome to firmly establish democracy and achieve sustained economic growth. Political reform, economic development and job creation, and the bridging of racial divides are fundamental to the political and economic progress of the country.

4. Development Opportunities

Guyana represents an important development opportunity because there is a confluence of opportunity and need. The greatest opportunity arises from the fact that Guyana is committed to democratization and a free market economy. Guyana has undergone an extraordinary transformation in only a few short years; the political and economic changes have been dramatic. Guyana is also clearly a country with need. The UNDP's 1997 Human Development Report ranked Guyana as 103rd based on the Human Development Index, making it the lowest ranking among CARICOM countries. GDP per capita is one-sixteenth that of the Bahamas and the infant mortality rate is more than six times greater than that of Barbados.

In developing this strategy, USAID/Guyana, in concert with its development partners, re-appraised development constraints and opportunities, reviewed current and planned assistance by other donors, analyzed national development priorities and plans, and critically reviewed achievements. The review of constraints and opportunities indicated that they had not significantly changed from those identified four years ago in preparing USAID's current strategy, except in one respect; opportunities are greater because of Guyana's demonstrated commitment to positive change and constraints have generally been alleviated due to strong national and donor efforts. Major new challenges have, however, also arisen in building a sustainable democracy.

A comparison of Guyana's most critical development needs and its constraints to donor assistance programs, as shown by the donor matrix in Attachment A, indicates a broad match. An analysis of needs and donor assistance also indicates that its overall size approximates Guyana's absorptive capacity. There are enormous needs, for example, in areas such as health, education, and the environment but increased assistance could not be effectively absorbed due to institutional weaknesses in the public and private sectors. A review of other donor programs and USAID's achievements also showed that its strategy of filling critical niches or gaps within the broader donor program has been highly successful.

USAID/Guyana considered dedicating its resources to one rather than two strategic objectives. As explained in Part II, Proposed Strategic Plan, it was concluded that an integrated program supporting both economic growth and democracy is essential. Foregoing either means lost opportunities in the other and, ultimately, placing both at risk.

5. Host Country Priorities and the Role of Other Donors

National Objectives

In 1995, the GOG, with assistance provided by USAID and the Carter Center, established some twenty technical working groups to formulate topical and sectoral strategies as the foundation for a comprehensive national development strategy. Over 200 Guyanese, drawn from the public and private sectors and representing all ethnic groups and political parties, participated in drafting the strategy. The draft strategy was disseminated to over one hundred governmental and non-governmental organizations for formal review, and public consultations were held throughout the country to familiarize people with its contents and recommendations. Information obtained from this review process is now being compiled and the strategy is to be finalized in 1998.

The National Development Strategy has not been accepted by the major opposition party, but it has not been rejected for conceptual or technical reasons. Indeed, there appears to be little disagreement by any political party on the development objectives and priorities as articulated in the National Development Strategy.

The NDS establishes a national policy framework and "should be the point of departure for programming international assistance." It articulates the following key objectives:

- Rapid growth of incomes of the population in general
- Poverty alleviation/reduction
- Satisfaction of basic economic and social needs
- Sustainment of a democratic and fully participatory society

Attachment B reflects NDS objectives and how the proposed USAID program, in concert with other donors, will contribute to the NDS strategy. Because of the small size of the USAID program, it is critical to focus on important niches or gaps vis-a-vis other donors so that modest investments can produce high returns.

Other Donors

The IMF, World Bank, and the IDB provide the largest funding for macroeconomic assistance, the bulk of which is allocated to the public sector investment program. The IFIs also play a critical role in working with the GOG to establish the overall policy framework for a broad range of issues, such as macroeconomic policy, privatization, environmental protection, civil service reform, infrastructure rehabilitation, human resource development, health, and education.

The macroeconomic setting is a critical factor in establishing a conducive policy environment for all other donor investments, including those of USAID. Bilateral donors with programs of roughly comparable size to USAID support the policy agenda of the IMF/WB and assist in policy analysis, institution-building, social infrastructure, other technical assistance programs, and, to a lesser extent, strengthening democracy. USAID uses, and proposes to continue using, a strategic model which leverages substantial impact on the economic and political reform process with limited resources.

Donor coordination is strongest at the technical level, where donors support and reinforce one another's programs. For example, USAID provides a long-term advisor to the Ministry of Finance (MOF) who coordinates key implementation assistance in relation to the performance based budgeting system supported by the World Bank and CIDA. The advisor also plays a critical role in helping the MOF to satisfy key IMF/WB conditionalities. USAID assistance in preparing for the 1997 election provided the foundation for the support of other donors, both for the election itself and for longer-term institutional strengthening.

Investment in infrastructure, through the USG's PL480 program and by other donors, will be essential in facilitating USAID's work with the GOG to improve the investment climate and is representative of the synergy among donors. USAID will act in partnership with other donors, particularly the European Union, in promoting equitable growth, and in assisting the private sector to play a greater role in creating a positive investment climate. USAID will also work with the public sector to ensure that key issues are addressed to spur the growth and competitiveness of the private sector.

The proposed USAID strategy does not include activities to support environmental programs or to assist the health and education sectors. While critical for Guyana's future well-being, the World Bank, UN, UK and CIDA, among others, support programs which address these sectors. Of direct concern to USAID, particularly in the context of SO1, is the linkage between economic growth and sustainable environmental practices. There is a recognition that the environment is critical to the health and well-being of people as well as an economic resource itself.⁵ The World Bank, the UN, the UK and CIDA have programs which focus on assessing environmental impacts and supporting sustainable environmental practices.

C. CUSTOMERS AND PARTNERS

In developing this strategy, a series of intensive interviews was conducted with a wide range of customers, including representatives of political parties, all ethnic groups, the public and private sectors, and non-governmental organizations. Customers were asked to identify key problems and constraints as well as solutions. This information was distilled into a set of common themes, which became the central focus of USAID/Guyana's deliberations on the strategy presented in this paper. These interviews were also used to determine whether the current strategy was on track or whether there were elements of the program which should be modified to respond to changing circumstances. Following are some examples of how customer and partner feedback influenced the proposed strategy:

Overall, the GOG emphasized the need to build on past investments rather than taking on new areas. The strategic objectives and intermediate results proposed by this strategy are sharper, more specific articulations of the Mission's current program. They consolidate past investments but also focus efforts and resources to achieve the greatest impact with limited resources. In particular, the Ministry of Finance, a principal USAID customer, strongly stressed that policy analysis support and

⁵ National Development Strategy.

institutional strengthening are its highest priorities for USAID assistance. This assistance is an intermediate result (increased capacity to implement economic policy for growth with equity) under USAID's current strategy and also forms part of the proposed strategy.

There is wide consensus that creating public/private sector partnerships and improving the investment climate in Guyana are key to reducing poverty and increasing broad-based economic growth. In particular, both public and private sector representatives stressed the need to increase analytic capacity and to foster partnerships to achieve an improved investment climate. Activities under SO1 reflect this thinking and emphasize the private sector as the engine of growth. The creation of public/private partnerships builds on the current intermediate result of broadening dialogue between the public and private sector. While there are notable exceptions, too frequently the private sector appears to pursue risk avoidance strategies and perpetuation of somewhat uncompetitive but preferential economic positions. A strategy that fosters greater levels of both domestic and foreign investment and additional privatization should provide greater impetus in the private sector, creating new employment opportunities, increasing incomes, and reducing poverty.

A number of interviewees, including donor, GOG and private sector representatives, believe that USAID is playing a critical role in democracy and governance. In particular, no other donor emphasizes supporting the legislative process, the judiciary or civil society.⁶ In addition, there was consensus that the judiciary's inability to adjudicate cases in a timely manner was a key constraint in attracting more investment. USAID's assistance to the judicial sector was noted by several interviewees as being critical to support increased investment. This feedback is clearly reflected in SO2, but it is also obviously critical to SO1.

⁶ CIDA has a relatively modest program which focuses almost exclusively on increasing the organizational capacity of civil society organizations. USAID plays a lead role in this area.

PART II: PROPOSED STRATEGIC PLAN

A. USAID/GUYANA STRATEGIC OBJECTIVES

USAID is proposing two strategic objectives; **SO1 Expanded Economic Opportunities for the Urban and Rural Poor**, and **SO2 More Responsive and Participatory Governance and Rule of Law**. These strategic objectives build on past investments but represent greater focus and accountability. USAID's work in economic growth will continue to fill an important niche to leverage other donor resources, while in democracy and governance USAID will remain the dominant source of assistance to Guyana.

An Integrated Program

USAID believes that it is essential to support both economic growth and democracy because of the strong synergy between the sectors. Decreasing poverty, addressing ethnic tensions, and improving the quality of life in Guyana are necessary to support the long-term sustainability of democracy. Economic growth impacts day-to-day Guyanese life. If citizens feel increasing economic pressure, such as fewer employment and income opportunities, it is almost certain that ethnic cleavages would be exploited and the democratic process could backslide. Broad-based economic growth, equity, more employment opportunities, and higher paying jobs are essential for democracy to prosper. Indeed, many political and civic leaders observed that the unrest following the December 1997 election was a manifestation of poverty.

In a similar manner, it is also clear that a stable democracy and good governance facilitate, and may even be necessary for, continued economic growth. USAID's democracy program will focus on areas which are critical for equitable economic growth to occur. Political stability is absolutely essential for both private domestic and foreign investment. Further ethnic conflict would put both investment and Guyana's fledgling democracy at risk. Additional assistance is needed to promote public sector responsiveness to the concerns and needs of the private business sector. However, establishing policies and regulations which are critical to increase investment and promote economic growth will not have the intended impact if the courts and other regulatory bodies do not have the institutional capacity to ensure that disputes are fairly, promptly, and uniformly adjudicated. For example, an increased capacity of the judiciary to adjudicate civil cases is an important factor in attracting more private investment. Numerous customers commented that USAID's work in this area is critical to increase investor confidence that commercial cases will be adjudicated in a timely manner.

Similarly, if laws and regulatory processes intended to promote equitable economic growth are to have the desired effect, they must be responsive to the requirements and desires of both users and producers. USAID's democracy and governance activities will focus on improving lawmaking and regulatory processes by increasing the dialogue with affected parties at the outset. This will help to create a conducive policy environment for economic growth and to encourage the private sector to take on a greater role. Attainment of an improved enabling legal environment for investment and economic growth hinges upon the ability of assistance

under SO2 to increase the capacity of the judicial system to make informed judgments about commercial matters and to adjudicate cases in a more efficient and timely manner.

Particular emphasis is also to be given under both SO1 and SO2 to the improvement of ethnic relations. The violence following the December 1997 election disrupted normal commerce, stalled the public sector investment program, and damaged the climate for both domestic and foreign investment. Incomes have fallen for many but the effect on actual poverty is not known. USAID's assistance in establishing policies to promote economic growth will help ensure all ethnic groups are more equitably treated. Under SO2, constitutional reform would provide an excellent avenue of ensuring all ethnic groups receive equal protection and better political representation. USAID also plans to work with civil society organizations under each SO, thereby facilitating improvement of ethnic relations in both the democratic and economic arenas.

Another factor which has prompted USAID to propose both SOs is that results under each have been impressive and there are clear opportunities for further and deeper achievements. This is particularly significant for USAID's economic growth activity since it has been in place for only two years. Clearly, more can and should be done. Premature withdrawal from this sector is not a good option. This is an area where USAID, with limited resources, has demonstrated important impact; perhaps most notably by helping the GOG to leverage resources from other donors which affect economic growth and by bringing equity issues to the table. Significantly higher funding levels for programs benefitting the disadvantaged are now available as a result of USAID's assistance in economic analysis and budgeting.

The prospects for continued progress remain high. The USAID program enjoys strong political and public support, Guyana continues to satisfy IFI conditionalities, the pace of the reform process has been increased, and Guyana's National Development Strategy parallels Agency and Mission priorities.

B. LINKAGE OF STRATEGY TO AGENCY GOALS AND OBJECTIVES

USAID has developed an overall country goal and a set of supporting subgoals which reflect its strategic objectives, Guyana's National Development Strategy (NDS), and Agency goals (see Attachment B). The graphic in Attachment B lays out the relationship of USAID's strategic objectives to critical higher level objectives, including the reduction of poverty. USAID will track the progress of SOs in relation to important broader objectives. See Attachment I, Common Objectives, for a graphic presentation showing the relationship of the proposed strategic objectives to the goals of the Development Assistance Committee, GOG targets, and the Summit of the Americas.

SO1: The strategic objective to expand economic opportunities for the urban and rural poor is an important element which contributes to broad-based economic growth (Agency Goal #1). As described below, the strategy also reflects approaches outlined in the Agency's strategic framework.

Agency Objective 1.1: Strengthened Markets

SO1 will assist in improving and enabling enforcement of policies, laws and regulations governing markets by working with the public sector to create a more positive environment. The program will also strengthen the GOG's ability to carry out critical reforms, and USAID will work in partnership with donors such as the EU to strengthen important private sector business groups. Direct support will be provided to the private sector to increase its capacity to analyze and advocate for key policy changes. Supportive investments in infrastructure will be provided through the USG's PL480 Program.

Agency Objective 1.2: Expanded Access and Opportunity for the Poor

USAID will assist the GOG in making the regulatory, legal and institutional environment more equitable. Understanding the implications of laws, regulations and public policy on equity issues is and will continue to be an important component of USAID's assistance to increase the GOG's analytic capability. Support will also be provided for expanding access to financial services for microentrepreneurs. In Guyana, most microentrepreneurs tend to be from disadvantaged groups (e.g., female heads of household, the poor, and Afro-Guyanese). As under its current strategy, assistance will also be provided in expanding economic opportunities in disadvantaged geographic areas.

SO2: The strategic objective of more responsive and participatory governance and rule of law is fully consistent with the Agency's goal to assist sustainable democracies (Agency Goal 2). The proposed program contributes to each of the Agency's underlying objectives in the following ways:

Agency Objective 2.1: Strengthened Rule of Law and Respect for Human Rights

SO2 focuses on improving the timeliness of the administration of justice and thereby addresses the legal protection of citizens rights and interests and contributes to increasing fairness in the administration of justice.

Agency Objective 2.2: More Genuine and Competitive Political Processes

Building on its earlier achievements, the Mission will provide technical assistance to consolidate and institutionalize the electoral process. This will include new or improved impartial and open electoral laws and regulations, more effective electoral administration, a better informed electorate, and improved election monitoring.

Agency Objective 2.3: Increased Development of a Politically Active Civil Society

The Mission program includes intermediate results (IRs) to support the role of civil society organizations (CSOs) in influencing public policy and improved linkages between the public and government. In addition, the Mission will assist in increasing the effectiveness of CSO management, including mechanisms to ensure responsiveness to constituents, promoting the inclusion of minority and disadvantaged groups such as

Amerindians and women, and increasing the effectiveness of the media as a vehicle to discuss public policy issues.

Agency Objective 2.4: More Transparent and Accountable Government Institutions

At the local level, the Mission plans to strengthen local government through training and by assisting the GOG with legislation to establish a better framework, with expanded support services, for local government. At the national level, the Mission will strengthen the effectiveness of Parliament by increasing its technical capacity to analyze and understand issues, by promoting fuller debate by all political parties, and by enhancing the level of public debate of issues.

C. LINKAGE WITH THE SUMMIT OF THE AMERICAS

Guyana's National Development Strategy (NDS) reflects its commitment to the Summit of the Americas. The NDS sets out priorities for Guyana's economic and social development for the next decade, and they firmly correspond to the Summit's Declaration of Principles: enhancing democracy, promoting prosperity through economic integration and trade, eradicating poverty and discrimination, guaranteeing sustainable development and conserving the natural environment.

The proposed Strategic Plan is also consistent with and reflects the Declaration of Principles of the Summit of the Americas and its Plan of Action. SO1, Expanded Economic Opportunities for the Urban and Rural Poor is most directly linked with the Summit Principles of eradicating poverty and promoting prosperity through integration and free trade. USAID will support improved access to financial services for microentrepreneurs, assist with policy formulation and implementation and, through improved public sector analytic capacity, better ensure adequate social safety nets are in place. USAID will also support efforts to maximize market openness, liberalize trade, modernize the state, and increase transparency. These efforts correspond to initial steps to be taken by member countries in preparation for the Free Trade Area of the Americas.

SO2, More Responsive and Participatory Governance and Rule of Law, supports the Summit Principle of preserving and strengthening the community of democracies of the Americas. Through SO2, the Mission will provide assistance for the administration of justice and for improved electoral and legislative processes. USAID will also support efforts to strengthen dialogue among social groups, foster more inclusive, community-based participation, and promote advocacy of public issues. Under SO2, the Mission will also promote the role of women and women's organizations as advocates in fostering civil society and improving ethnic relations.

See Attachment I for a graphic presentation of the linkage of the proposed strategic objectives with the Summit of the Americas.

D. THE MISSION'S STRATEGIC VISION

The National Development Strategy provides a succinct statement of Guyana's development vision, "a sustainable democracy anchored on equitable economic grounds." It is a vision with which the Mission wholeheartedly concurs. The Mission strongly believes it is well placed and capable of providing significant, well targeted assistance as laid out in this strategy to help Guyana achieve this vision. In the following pages, the Mission details the many problems to be overcome; the handicaps to achieving the stated goals, objectives and targets; and the assumptions necessary to facilitate their achievement. By the end of the period covered by this strategy and with the assistance provided by the Mission, the following economic development milestones should be achieved.

- Guyana's economy will have expanded, led by growth in exports. Exports will have increased from \$423 million in 1995, to over \$700 million by 2004.
- Direct foreign investment will have increased from \$27 million in 1995 to over \$57 million by 2004.
- Manufacturing by 2000 will expand an average of at least 8% per year.
- Guyana will have a more competitive domestic private sector, with an increase in the amount of credit and the number of services available to small businesses and microenterprises.
- Guyana's traditional commodities (sugar, rice and bauxite) will be produced at a lower cost, be more competitive internationally, and will have penetrated new markets.
- Thousands of new jobs will be created and the emphasis on equitable growth will reduce the poverty level from approximately 40% to no more than 35%.
- By 2000, Guyana will reach debt sustainability.
- The ratio of debt service to exports will decrease from 39% in 1995 to 16.5% by 2000.
- Civil society will play a much larger role in the formulation of economic policy.
- Guyana will meet HIPC targets; key ministries will be restructured, minimum budgetary allocations will be mandated for health and education, parity between public and private sector wages will exist and civil service rules and regulations will have been reviewed and overhauled.
 - By the end of 2000, public sector wages will be at 80% of parity with the private sector
 - The Ministries of Education and Health will be restructured and

budgetary minimums will have been mandated on an annual basis for both ministries.

- Civil service rules and regulations will have been reviewed and overhauled.
- Guyana will adhere to regulations of the World Trade Organization and will be prepared to enter the FTAA.

With regards to meeting Guyana's and the Mission's vision of a stronger democratic society, the following will be achieved during the next five years:

- Constitutional reform with the active participation of all political parties and ethnic groups will be a reality.
- Guyana will have an effective and permanent electoral system.
- Local governments will be better able to respond to the needs of their constituencies and will play a broader role in local and regional economic and social development.
- The role of civil society will have expanded, with a greater number of CSOs actively lobbying the legislative, policy, and executive processes.
- The capacity of the judicial sector to adjudicate civil cases will have been greatly enhanced.
- The Laws of Guyana will have been consolidated and revised.
- Overall efficiency of the judicial sector will be at an acceptable level.
- The media will be more professional.

The achievements outlined above will not be easy to accomplish, and a strong coordinated effort by the GOG and donors will be required. Progress could be stalled by factors ranging from external events to unfavorable weather. The greatest internal threat is perhaps continued ethnic tension and the lack of cooperation from all political parties. Guyana, however, has natural wealth, the desire to move forward, and a development philosophy that brings achievement of its goal of "a sustainable democracy anchored on equitable economic grounds" within its grasp. By 2003, Guyana can, and should, have a society characterized by solid, equitable growth, growing respect and tolerance between different ethnic groups, and established democratic institutions and processes.

E. STRATEGIC OBJECTIVE 1: EXPANDED ECONOMIC OPPORTUNITIES FOR

THE URBAN AND RURAL POOR

1. Statement of Strategic Objective

USAID/Guyana will focus its economic growth resources on expanding economic opportunities for the urban and rural poor. Expanding access and opportunity for the poor are critical to sustained, broad-based economic growth and more equitable distribution of income. This SO, as presented in Attachment C, reflects what USAID believes it can be held accountable for over the planning period.

The strategic objective flows logically from two central goals of the National Development Strategy in which the GOG specifies its broadest national goals:

- rapid growth of incomes of the population in general
- poverty alleviation/reduction, i.e., rapid growth of the incomes of the poor

Expanding economic opportunities for the poor and the reduction of poverty require sustained, economic growth. Key elements for such growth include appropriate macroeconomic policies which promote equity, fiscal stability, foreign and domestic investment, exports, labor-intensive growth, and job creation. USAID's strategic objective will assist in these areas, thereby contributing to Guyana's national goals of economic expansion and enhancing the income well-being of those Guyanese most impoverished (currently estimated at about 40% of the population).

2. Problem Analysis

The ERP has been effective in stabilizing the macroeconomic indicators: inflation, exchange rate, interest rates, fiscal and monetary positions, and progress toward debt reduction. The overall impact has been an improvement in the economic environment. As seen earlier, however, the percentage of the population living below the poverty line, although cut almost in half since 1989, is still high at an estimated 40%. The key to reducing poverty is more and better paying jobs. The proposed strategy under SO1 will be a two-pronged approach aimed at increasing income and employment activities by helping Guyana to maintain and deepen the macroeconomic reforms already underway and assisting at the sectoral level to improve policies, regulations and investment opportunities which more directly impact on the business sector.

The economic recovery program has stimulated the economy and thousands of new jobs were created as people took advantage of new opportunities. At the same time, however, thousands of other workers lost their jobs through public and private sector retrenchment, privatization, and restructuring by such major employers as the sugar and bauxite industries. It is also becoming increasingly difficult for Guyana to satisfy both the conditionalities of the IFIs and the demands for higher wages and more employment possibilities. Finally, tens of thousands of other jobs are potentially at risk in the near and medium term because the goods produced are not competitive either regionally or internationally.

Although Guyana is well endowed with natural resources, it is a small and isolated country and lacks the technical skills and financial capital to exploit these resources successfully. Guyana's future growth is directly linked to its attractiveness to domestic and foreign investors. Capital investment is vital and should complement Guyana's labor resources rather than substitute for them. Rehabilitation of productive capacity, expansion of capital stock and the production base, introduction of new and innovative technologies and greater productivity all depend on the ability of Guyana to attract investment. This requires an investment climate that is open, transparent, consistent, time-responsive, and profitable. The result should be entrepreneurs, employees, and workers throughout the country benefitting from higher incomes and better jobs.

At present, Guyana is not competitive in regional and global markets. For most of its traditional primary exports, Guyana relies heavily on trade preferences and concessions. For these commodities and most other industries, Guyana's cost structures and investment patterns are skewed by decades of a state-dominated economy. On the export side, trade and export privileges extended by developed countries continue to shelter many export products from the realities of the world market. With the accession of new world and regional trade associations and agreements, it will become increasingly difficult for Guyana to maintain these preferential markets. On the domestic side, the private sector has also been protected from both external and internal competition. The result is a reluctance on the part of the private sector to take risks, to permit or promote more competition, or to form partnerships and joint ventures.

The economy also remains overly dependent on a few primary agricultural and extractive mineral commodities. As is the case at present, due to a combination of the effects of El Niño on agricultural production and depressed gold prices, the economy is in a tenuous position. With such a narrow base, the economy is vulnerable to severe fluctuations due to weather induced crop failures and unpredictable world commodity prices. The resulting economic downturns impact not only those involved in the sectors, but also the GOG's ability to maintain the macroeconomic framework and public investments necessary to sustain strong growth.

Finally, too frequently the legal system acts more as a hindrance than a facilitator of economic activity. Contracts are difficult to enforce and redress can take years. Transferring ownership of enterprises and land is frequently tangled in antiquated practices of land tenure, registry, and titling. Commercial regulations are outdated, often unclear, and generally not uniformly applied. Investment policies and an investment code are only now being drafted and investors are often uncertain of their rights and obligations under the law.

Simultaneously, care must be taken to ensure that the benefits of growth are equitably shared. Increasing the public sector's analytic capacity to develop appropriate policies and creating a partnership between the public and private sectors are key to achieving equitable economic growth. As noted earlier, past economic and political conditions led to a tremendous emigration of Guyanese, particularly the highly skilled and well educated who were most able to obtain emigrant status. The effect of this brain drain, and the failure to maintain educational standards is still having a profound effect. Both the public and private sectors

lack sufficient personnel with the proper mix of skills necessary to properly analyze, plan, implement and track the many reforms, policies, and legislation needed over the short to medium term.

As the progress over the past decade proves, the GOG is committed to macro-economic recovery and structural adjustment. Capital assistance from the IFIs is expected to continue, and it is anticipated that Guyana will continue to satisfy stabilization, structural and productivity conditions stipulated in the most recent World Bank/GOG policy framework (see Attachment G). Guyana's growth rate has been most impressive, but the road to full recovery will be long and difficult. The bilateral donor community, whose members each appropriate annual funding of \$3-\$10 million, concentrates on policy analysis, regulatory reform, socio/economic activities and human resource development that complement macro-level assistance (see Donor Matrix, Attachment A).

3. Causal Relationships

Unless poverty is reduced and employment opportunities are expanded, Guyana's economic, social, and political development is at risk. Guyana can not create jobs, reduce poverty, sustain its economic growth, satisfy IFI conditionalities, and rehabilitate its severely eroded infrastructure without large infusions of capital and increased human resource capacity. A necessary component to attaining these goals will be a policy environment which promotes economic growth with equity. An expanded and more competitive private sector is expected to lead the process of capital formation in the productive sectors, while the GOG, with IFI and other donor assistance, concentrates on policy formulation, regulatory and legal system reform, public sector investment and further privatization.

To achieve the SO of expanded economic opportunities for the urban and rural poor, USAID proposes five intermediate results (IRs): improved economic policies (IR 1.1.), an improved investment climate (IR 1.2), a strengthened private sector (IR 1.3), increased services to microenterprises and small businesses (IR 1.4), and rehabilitated infrastructure (IR 1.5).

IR 1.1: Increased Capacity to Implement Economic Policy for Growth with Equity

Much of the existing poverty in Guyana today is a result of the macroeconomic mismanagement and misguided sectoral policies of a decade ago. Since 1989, the GOG has entered into a sequence of policy framework agreements with the IMF and World Bank that stipulate the macroeconomic reforms and performance criteria necessary to create an open, competitive market economy. The economic growth which has resulted from the ERP is beginning to have an impact on the level of poverty. However, the process of structural adjustment is not complete. The ERP conditions are rigorous and demand adherence to an implementation schedule. Within these and other constraints, such as Guyana's uncompetitive primary exports, the GOG intends to expand the economy, reduce poverty, and ensure equitable growth. This obviously is not a simple task. It involves continued structural reform, downsizing, wage increases, and privatization in the face of increasing demand for jobs. Economic growth that is not equitably shared, that does not produce adequate revenues for public programs, and that does not prudently exploit Guyana's natural resources will

jeopardize the country's economic and political stability. The public sector continues to be plagued by a lack of the skills necessary to analyze, plan and implement economic policy. Following the success of this assistance under the current strategy and due to strong support from customers and partners for USAID to continue, the Mission will again provide this valuable support.

IR 1.2: Improved Climate for Private Investment

Much of the progress under the ERP and the improvement in living standards is due to the improved macroeconomic environment and to some foreign investment. New investment, both foreign and domestic, is crucial to continued growth and additional job creation. It is imperative that Guyana attract the new private investment necessary to modernize private sector practices and capital stock, as well as to expand and diversify the productive base. New investors and entrepreneurs will require transparent and consistent information about the "rules of the game," investment opportunities, emerging markets, and trends. Much of the burden rests on the GOG to produce investment information and codes that are widely available to all. It also requires the GOG and the private sector to work together to generate marketing information and analyses, and to promote investment and export opportunities.

New investment and a growing economy are also critical to expanding the government's revenue base. Guyana is saddled with a crumbling infrastructure and a huge national debt. Continued growth and an expanding economy are necessary if the GOG is to have the necessary resources to rehabilitate and maintain the productive infrastructure, and hire and retain the human resources necessary for a facilitative, market-oriented economy.

This IR will be directly supported by two IRs under SO2. Clearer and more responsive laws are critical to attracting investors, and IR 2.1 (improved and more informed lawmaking and regulatory processes) will serve this purpose. An increased capacity to adjudicate cases in a timely manner (IR 2.2) will also increase investor confidence that laws and rules will be promptly enforced.

IR 1.3: Strengthened Capacity of the Private Sector to Influence Public Policy

Guyana's private sector presently lacks the cohesiveness and capacity to effectively lobby for public policy that promotes good investment and business. Aside from fragmentation and conflicts of interest, the private sector suffers from the negative effects of special preferences and subsidies which foster complacency. Protection from and concern about foreign competition has stymied the cohesiveness and focus necessary to create a truly vibrant market environment. The private sector must establish itself as a viable, well organized, and articulate purveyor of interests and influence vis-a-vis public policy. It should strive to be a counterpoint to public sector heavy-handedness or undue interference in the marketplace. USAID, working alongside its partners, will stress private sector institution building, a public/private sector partnership, and a level playing field. This IR builds on the strengthening of civil society organizations emphasized in SO2.

IR 1.4 Increased Services Available to Support Microenterprises and Small Businesses

Although expansion of existing businesses and firms will result from improved macroeconomic policies and a better investment environment, it is traditionally new firms, particularly small ones, which account for much of rapid economic expansion and new employment opportunities. The small or micro-entrepreneur in Guyana is generally poor and often begins with only family labor or one or two employees. At present, there are few services available in Guyana to assist these new entrepreneurs to establish their businesses or expand their activities. It is often during the startup and expansion phases that the small and micro-enterprise runs into trouble. Insufficient business planning, lack of proper accounts, unavailability of credit, and inappropriate public policy are among the stumbling blocks. The Mission will provide support, for example, in policy development and/or through training and technical assistance to strengthen the capacity of NGOs, agencies and associations to better provide such services to small businesses and microenterprises.

IR 1.5: Productive Infrastructure Rehabilitated

This intermediate result will primarily be based on the programs of other donors and the USG's PL480 Program. USAID, however, will assist the GOG in programming funds, identifying priority activities, and maximizing opportunities to leverage other donor resources.

Guyana's productive infrastructure must be vastly improved to sustain economic growth and attract investment. Infrastructural improvements are critical to rationalize the restructuring of Guyana's economy toward productive enterprises in which it can have a natural or comparative advantage. The current deteriorated state of infrastructure discourages new investment and the introduction of new technology that requires a fairly sophisticated platform. The GOG's privatization program is moving some productive infrastructure to the private sector. The maintenance and upkeep of other infrastructure will benefit from recently instituted cost recovery and user fee policies.

If Guyana is to rationalize its capital investment and optimize production decisions, infrastructure costs must be allocated according to optimum rates of return on investment and be properly amortized by producers and users rather than predominantly by the state. The World Bank and IDB play a major role in supporting the public sector investment program and in financing the foreign exchange costs of productive and social infrastructure rehabilitation and expansion. USAID plans to participate in infrastructure rehabilitation through local currency proceeds generated under the USG's PL 480 program. Emphasis will be given to productive infrastructure such as farm to market roads, sea defenses, and drainage and irrigation. Other donors have targeted assistance to the energy, transportation and water and sewage sectors.

PL480 Title I local currency plays an important, though indirect, role in the Mission Program and planning. Since funding for Guyana under AID's Title III Program was eliminated in 1995, the Mission has assisted the GOG, USDA and the Embassy with the programming and monitoring of the Title I Program. Title I funds are used not only as the GOG counterpart to some Mission activities, but they also support projects of other donors. Title I increases the

Mission's ability to promote cooperation among donors and also helps ensure that Title I funds are used to support overall Mission and USG goals. Title I assistance focuses mainly on the rehabilitation of the agricultural infrastructure, and therefore play a very supportive role for SO1 in reducing poverty in rural areas. Title I funds also relieve pressure on the capital budget, allowing for other infrastructure activities which promote investment (e.g., roads and bridges).

4. Critical Assumptions

There are several critical assumptions that underlie this strategic objective, and the level of risk for each has been carefully assessed.

Ideological Commitment

Much of the strategy is predicated on a continued ideological commitment to free markets and open competition. Understandably, some reservation about liberalization, free enterprise and decentralization emanates from real colonial and post-independence exploitation and past insensitivity to people and their basic needs. It will take time and positive reinforcement to change attitudes toward risk-taking, economic choices, and the role of government as a facilitator.

Macroeconomic Progress

The average Guyanese is unsettled by structural adjustment. The recovery period has been long and change appears to be incremental, although recovery only started after Guyana had hit rock bottom. It is assumed that the GOG will demonstrate the leadership and political will to maintain its commitments to reforms, even in the face of hardship and the structural adjustment program's unpopularity.

Continued Democratization

Guyana recently concluded only its second round of free and fair national elections in three decades. An extraordinarily smooth and efficient electoral process unfortunately broke down during final vote tabulation, followed by claims of fraud. Democratic means, however, are being followed to resolve the conflict and verify the results. The momentum of democratization has not been lost, but it does face new, serious hurdles. Transparent verification of electoral results, and the pace and impact of constitutional and legal reform, decentralization, and increased economic opportunities are crucial to developmental success.

Private Sector Integration

The SO assumes that the private sector becomes increasingly motivated to coalesce around advocacy and representative organizations, and is willing to develop common agendas and seek broad private/public sector consensus on key issues. The private sector now lacks consensus on how best to organize and cooperate on common causes. Advocacy remains fragmented and self-interested, with little focus, as yet, on an agenda that would benefit all

entrepreneurs. The GOG must also refrain from too frequently and inappropriately responding to special interests with concessions and decisions that contribute to investment and income distortion.

PL480

It is assumed that the PL480 Title I Program will continue at a funding level of \$5-\$9 million during the period covered by the strategy. As previously explained, the local funds generated from Title I are important in supporting Mission activities and those of other donors; in improving agricultural infrastructure, thereby playing a critical role in the poverty alleviation programs in rural areas; and by providing a significant portion of the GOG capital budget.

Commitment and Capacity of Other Development Partners

The IFIs respond to demonstrated need and performance. Guyana remains in compliance with these institutions and their conditions. In fact, progress has been quite remarkable since 1989. It is fully anticipated that IFI-supported structural adjustment and economic improvement assistance will continue. The bilateral donors appear to be equally committed, particularly in light of Guyana's impoverished status and dire needs. However, they are less sanguine about absorptive capacity and the GOG's will to maintain the pace of public sector reform and address certain critical problems, e.g., public sector remuneration and reorganization, which generally means retrenching workers.

5. Illustrative Approaches

Given the modest levels of resources in the USAID program and Guyana's human resource constraints, the greatest return will come from building capacity in key public and private sector institutions. Illustrative approaches are cited for each of the intermediate results (IRs) described above.

IR 1.1: Increased Capacity to Implement Economic Policy for Growth with Equity

Advisory services, training and institution-building assistance will be provided to GOG Ministries and agencies responsible for economic analysis, planning, and policy formulation and implementation. Targeted institutions would include the Ministry of Finance and the Ministry of Trade, Tourism, and Industry, which are responsible for fiscal, monetary and trade policy. Human resource development activities would focus on policy analysis with particular attention paid to the impact of present and new policies on poverty reduction.

IR 1.2: Improved Climate for Private Investment

Activities under this Intermediate Result would focus on developing the capacity of the private and public sectors to promote investment in Guyana. Assistance to the GOG could include, for example, helping establish guidelines for negotiating international and regional agreements and contracts, revising Guyana's investment laws, and improving the application of laws and regulations governing commercial and business activities. USAID will build on

its success in consolidating the Laws of Guyana by providing technical assistance in the reform of laws pertaining to private investment. Information dissemination mechanisms will be established to ensure enforcement officials in relevant agencies (e.g., customs, inland revenue, the courts, the land registry, and financial institutions) know the rules and regulations.

Private sector assistance might include improved market data gathering and information dissemination activities. USAID will assist public and private sector institutions to identify market data requirements, define their respective roles, and improve their capacity to gather, analyze, and widely disseminate information. Similar information dissemination mechanisms could also be used to ensure producers and investors are kept abreast of policies and regulations which affect investment.

IR 1.3: Strengthened Capacity of the Private Sector to Influence Policy

The private sector is taking important steps to aggregate its interests and more effectively influence public policy through the Private Sector Commission, an umbrella organization. With technical assistance, in-country training, and organizational management assistance, USAID and its principal partner in this endeavor, the EU, plan to foster an array of NGOs focused on both special and sectoral issues. The intended result is a private/public sector partnership of open and early consultation, joint participation in law reform, and collaboration on international trade agreements. Recognizing the threat to commerce, the Private Sector Commission was a driving force behind the recent CARICOM-brokered agreement to seek peaceful means to settle the election dispute. There may also be excellent opportunities for the Commission to become more proactive in promoting economic policies which reduce ethnic tension.

IR 1.4 Increased Services Available to Support Microenterprises and Small Businesses

Under the current Mission strategy, institutional strengthening support is given to several private and public organizations which provide services to microenterprises and small businesses. This activity will be continued under the new strategy. Among the types of potential activities envisioned are improved accounting and financial management, better business planning, and increased access to credit. However, the formulation of policies which promote and support microenterprise development may be the most needed type of assistance. This assistance could also include support for enterprises involved in non-traditional activities, as a way to promote product diversification.

IR 1.5: Productive Infrastructure Rehabilitated

The Mission will support the public sector investment program through assisting the GOG to manage and administer USDA's PL480 Title I Program. The resulting local currency will be used to support the GOG capital budget and to serve as counterpart funding to other donor foreign exchange contributions.

6. Sustainability

USAID's predominant assistance approach will be capacity building. For the public sector, this implies development and implementation of permanent systems of data management and analysis, policy formulation, and performance monitoring. Strategic planning also must be strengthened. The utilization, modification and improvement of these systems by GOG counterparts will suggest a commitment to sustainability. The shortage of skilled professionals in the public sector necessitates that assistance be carefully targeted and focused, and within the GOG's absorptive capacity. Progress of civil service reform must also be carefully monitored to ensure long-term impact. To date, the GOG appears to be moving too cautiously in providing incentives necessary to attract and retain highly qualified personnel. USAID will frequently assess progress in resolving this constraint.

The activities associated with the private sector are institutionalized in the Private Sector Commission, its member organizations, and NGOs affected by the capacity building efforts of USAID, the EU, and other donors. Private sector expansion and growing private investment in non-traditional areas of production should corroborate sustainability and assistance impact.

7. Performance Measurement

The following illustrative indicators are proposed for the strategic objective:

- a. increase in household incomes
- b. job creation and/or employment
- c. amount of private investment
- d. investment/GDP ratio
- e. number of new firms investing
- f. non-traditional sector investment
- g. number and types of services available to small enterprises

Final indicators will be established in consultation with the LAC Bureau and USAID's partners and customers.

F. STRATEGIC OBJECTIVE 2: MORE RESPONSIVE AND PARTICIPATORY GOVERNANCE AND RULE OF LAW

1. Statement of Strategic Objective

USAID will focus its democracy resources on achieving more responsive and participatory governance and rule of law. This objective directly supports Guyana's overall goal described in the National Development Strategy (NDS) of "Basic Social and Economic Needs Met in a Democratic Society" (see Attachment B).

USAID plays a unique leadership role in the area of democracy and governance. While many donors have provided assistance in support of the electoral process, USAID is the only donor with a broader approach to democracy which includes the legislative process, civil society, local governance, and the legal system. This is a critical gap in the donor assistance program which has been filled by USAID since its re-establishment in Guyana in 1994. Strengthening the judiciary has also been cited as a crucial factor in attracting foreign investment and improving the overall business climate. As described below, there may be excellent new opportunities due to the aftermath of the December 1997 election and resulting agreement by both political parties that political reform must be accelerated. Progress, however, is likely to be slow and difficult due to a high degree of distrust and suspicion.

2. Problem Analysis

As described in Section IB, Socio-Political Trends, democracy and governance constraints are numerous and complex, ranging from the legacy of an authoritarian past and weak public sector institutions to a dearth of effective civil society organizations. The viewing of economic and social dynamics through a political and ethnic lens, particularly by those who have the most to lose from change, permeates each constraint.

Guyanese institutions and processes that promote democracy and effective governance are weak because they were systematically dismantled to meet the needs of an authoritarian government. Guyana has started to rebuild and re-establish what was destroyed but, with some important exceptions, it has been a tentative and hesitant approach. The role and limitations of government are not always well articulated and understood, while the advocacy role of civil society in defining public issues is extremely limited. Governance in Guyana has improved during the past several years but it is flawed and subject to manipulation, and its accountability and management systems are weak. Coupled with the relative lack of an active and informed civil society, the result is a climate that fosters an adversarial relationship, implicitly condones inefficiency and corruption, hinders economic growth, and discourages public confidence and participation in governance.

The constraints outlined above do not yield to clear, simple, and immediate solutions. Guyana has indicated its commitment to democracy, but its public and private sector institutions are too weak and fragile to absorb the intense assistance which would lead to immediate results. Significant achievements are clearly possible, however, by focusing efforts in areas that will have sustainable, crosscutting, and multiplying impact. These areas are

better lawmaking (including constitutional reform), increased dialogue between government and civil society organizations, greater efficiency of the judicial system, and the institutionalization of an acceptable electoral process.

Progress has been made in public/private sector consultation, but there is still inadequate awareness of and debate on issues. The public is often not informed about legislation or regulations in a timely manner, and its belated input is too frequently not well received by lawmakers whose attitudes often reflect the legacy of authoritarian rule. In addition to more effective mechanisms to link policy development to the public, ministries and Parliament also need greater access to information and technical expertise. Greater public debate and participation in the lawmaking process is a crucial crosscutting theme in achieving both economic and democratic objectives.

There is wide public and private sector awareness that USAID has contributed significantly to improving the judicial process, but there is also consensus that only the first steps have been taken. Confidence in the judicial process has grown, but justice is still too often denied due to the lengthy delay in processing civil cases. With USAID assistance, the backlog of criminal cases has been significantly reduced. Simultaneous efforts were not made to reduce the backlog of civil cases due to insufficient institutional capacity, and the GOG determined the criminal case backlog should receive priority attention due to public concern with crime. Focus must now be given to civil cases. The rule of and respect for law relies on justice being consistently, impartially, and promptly dispensed. The strengthened rule of law should increase confidence in government, replace disorder with order, and improve the climate for all forms of economic and social development.

The re-emergence of NGOs (including CSOs), together with the return of democracy and the free market system, represents a rebirth of the vibrant civil society destroyed during the 1970s and 1980s. No deliberate effort is made to frustrate the work of NGOs, but obstacles exist. The relationship between NGOs and the government is unstructured and, generally, there is no clear understanding by either of the role of civil society in the public policy arena. Because there are few laws or policies covering the status of NGOs, issues are dealt with on a case by case basis. Basic organizational and management skills of the few NGOs active in civil society need improvement, and there is currently no shared vision of either problems or what could be done by the NGO community to address those problems.

Guyana has made excellent progress in democratization but it has not been as fast as desired in areas such as constitutional reform, the reduction of ethnic tension, and more productive dialogue among political parties. There is now public, bipartisan agreement, due to CARICOM's intervention, to begin addressing critical issues: constitutional reform is to be accelerated; the electoral process is to be strengthened; ethnic relations are to be addressed; and a sustained dialogue is to be established between the major parties. The proposed USAID program should significantly contribute to the achievement of these objectives.

3. Causal Relationships

The National Development Strategy sets out priorities for Guyana's economic and social development over the next decade. Guyana's chances of achieving its laudable objectives are remote without an informed and effective civil society, a bureaucracy that listens to its customers, and a populace that has confidence in and respect for its government. Stronger democratic values, structures, and processes are critical for improved public sector management, greater accountability, establishing the legitimacy of government, promoting ethnic tolerance, and ensuring inclusive governmental programs and policies.

To achieve the SO, USAID has the following priorities: improving lawmaking and regulatory processes (IR 2.1); increasing the capacity of the judiciary to adjudicate cases in a timely manner (IR 2.2); institutionalizing capacity to conduct free and fair elections (IR 2.3); assisting civil society in influencing public policy (IR 2.4); and strengthening local governance (IR 2.5).

Specific intermediate results related to political polarity and ethnic divisiveness are not proposed because they are longer-term problems which require national will more than donor resources to resolve. However, the outlook is now brighter as serious dialogue is planned and the IRs proposed under SO1 and SO2 will each contribute to addressing these critical issues. The challenge remains, however, enormous. The strategy proposed by USAID is also sufficiently flexible to provide assistance in these areas as opportunities arise. Flexibility will be essential as the evolving political situation may present opportunities which are presently viewed as unwelcome or too risky, e.g., assisting political parties to adopt more democratic internal management, to develop and promote platforms, or to expand their constituencies to include other ethnic groups.

IR 2.1: Improved and More Informed Lawmaking and Regulatory Processes

In Guyana, there are inadequate links to the public in lawmaking and regulatory processes. There are neither formal requirements for advance notice of proposed legislation nor provision for public hearings before a law's enactment. Citizens who learn of such proposals in advance often make their positions known to the President or the responsible minister but there is no formal structure. Due to the shortage of skilled human resources, there is also weak technical capacity among legislative bodies (including the ministries where legislation originates and the parliament where it is reviewed) to fully analyze proposed laws and regulations. The result is laws that too often are neither adequately responsive to the concerns of those affected nor sufficiently supported from a technical perspective. IR 2.4 (civil society influencing public policy) also contributes to this IR. Constitutional reform is also necessary since it has not been amended to reflect Guyana's return to democracy and an open economy. This IR will also contribute to improving the investment climate (IR 1.2) since clear, responsive laws are important in attracting and retaining investors.

IR 2.2: Increased Capacity to Adjudicate Cases in a Timely Manner

Delay in processing civil cases has become so long (3 to 4 years) that it effectively equates to denial of justice. The slowness of the judicial system is a key constraint consistently mentioned by a broad range of Guyanese. This bottleneck must be addressed to ensure that

rights and interests are protected and to enhance the fairness of the administration of justice. This IR has crosscutting implications for improving the investment climate (SO1) as well. Because established policies are lacking, the potential investor is often subjected to ad hoc decisions rather than rule of law. Investors must have greater confidence that there are a clear set of rules which are understood and enforced. Without this improvement, Guyana will not be able to compete with other countries in attracting investment.

IR 2.3: Sustained Institutional Capacity to Conduct Free and Fair Elections

Almost all major donors have supported the electoral process by providing commodities and funding. USAID provided some commodities but it also played a different role by providing technical assistance in the planning and management of the electoral process. Guyana is now poised to institutionalize electoral administration but requires select, targeted assistance to continue the process. It is important for USAID to continue to support the momentum generated by its earlier efforts, and to take advantage of renewed political interest and commitment to improved electoral management. This IR is also critical to achieving IR 1.2 (improved climate for private investment) under SO2. Political unrest and instability resulting from elections marred by either fraud or poor management will certainly decrease investor confidence.

IR 2.4: Civil Society Influences Public Policy

Effective, responsive governments are generally those that listen and respond to their citizens. Guyanese civil society is still nascent and confined to a small number of groups. Nevertheless, with assistance and guidance, they, and others, have the potential to play a significant role in facilitating communications and cooperation between the public and government in problem solving, the management of public affairs, and the easing of ethnic tension. A stronger and more informed civil society is critical to improving lawmaking and regulatory processes because there will be greater pressure for accountability and dialogue. This IR has crosscutting implications to SO1 since it would also allow CSOs to play a stronger role in contributing to economic decisions, policies, and regulations.

IR 2.5: Strengthened Local Governance

Current central and local government structures were put in place by an earlier authoritarian regime and used to increase central government control. As a result, there are major structural constraints which weaken the effectiveness of local government. Despite good intentions, local governments often find it extremely difficult to be responsive to their communities, which then weakens confidence in central government. Strengthening local government would increase community participation in development efforts, promote responsiveness and accountability at all levels of government, and enhance the public/private partnership. Additionally, there may be opportunities to work with local business organizations to develop stronger private sector partnerships which would reinforce SO1.

4. Critical Assumptions

There are several critical assumptions which underlie the achievement of this strategic objective. The level of risk associated with these critical assumptions was carefully considered in developing the results framework. Critical assumptions will be monitored as part of the performance monitoring system.

Economic Growth

With approximately 40% of the population living in poverty, sustained economic growth is critical so that ethnic cleavages are less likely to be exploited. It is assumed that the GOG will adhere to its commitments for economic reform and that it will also take steps necessary to create new economic opportunities, as planned under SO1.

Continued Democratization

It is expected that there will be a continued focus by the GOG and the general public on democratization, particularly in regards to the electoral process, constitutional and legal reform, decentralization, the strengthening of Parliament, and more representative governance.

Support for Judicial Reform

It is assumed that there will be continued strong interest and support by the GOG in the judicial sector, particularly to support reforms relating to democracy and private sector trade and investment issues. It is also expected that legal sector employees will be categorized as key/critical under the World Bank salary supplement system, and therefore be eligible to receive greater compensation. This will better enable the legal system to attract and retain competent staff.

Commitment and Capacity of Other Development Partners

As has been pointed out in earlier sections, USAID is the only donor with a broader approach to democracy, one that encompasses the legislative process, civil society, local governance, and the legal system. Many donors have, however, contributed to the electoral process, and their interest in and support for institutionalizing the process is strong. The Elections Commission has already developed a broad institutionalization plan and other donors, e.g., the IDB, are also committed to assisting with this process. In terms of civil society, CIDA is committed to strengthening the organizational management capacity of CSOs. It is also important to emphasize the commitment of other donors in supporting the democratization process through economic growth. This commitment is evidenced, for example, in the EU's support to private sector organizations and the UK's work in land titling, privatization, and policy implementation.

5. Illustrative Approaches

IR 2.1: Improved and More Informed Lawmaking and Regulations

USAID will focus on enhancing capacity to analyze existing and proposed laws and regulations and their impacts, and on promoting the early participation of citizens in public fora to contribute to the legislative decision-making process. Assistance will also be available, as needed, for constitutional reform. In support of SO1, assistance will be provided to strengthen the legal system's capacity to write and amend laws relating to commerce and investment. Committee processes will also be made more open by an informed civil society and more objective, comprehensive media reporting. USAID currently supports a parliamentary library which promotes and facilitates research on policy issues which will serve as a foundation to strengthen legislative processes, bill drafting, consensus building, public outreach and education. Assistance under this IR will benefit all segments of Guyanese society. Particular attention, however, will be taken to ensure the fullest possible participation by disadvantaged ethnic groups. Productive dialogue between ethnic groups will be encouraged, public education programs could emphasize the need for equal rights and opportunities, and measures will be taken to better ensure disadvantaged groups are actively involved in the formulation of laws which affect their interests.

IR 2.2: Increased Capacity to Adjudicate Cases in a Timely Manner

USAID plans to improve the efficiency of the judicial process by strengthening the management capacity of the courts, establishing alternative dispute mechanisms, providing training for judges, and strengthening court registry systems. Assistance will also be provided to institutionalize court reporting training which was initiated under the current strategy. USAID's efforts will focus on civil case adjudication, specifically those related to commerce, but attention will also be paid to criminal justice to ensure gains made under its current program are not lost. An inefficient judicial system negatively impacts on all people but the effect on the disadvantaged is particularly hard due to their more difficult economic and social condition. A more efficient system of equitably dispensing justice should, by itself, alleviate tension between social groups, but special effort will be made to identify more direct means of reducing ethnic conflict. While adjudication must be based on law, the composition of alternative dispute tribunals, for example, could be constituted to reflect the ethnicity of disputing parties.

IR. 2.3: Sustained Institutional Capacity to Conduct Free and Fair Elections

Assistance to the Elections Commission will include instituting long-term management and planning systems, training for staff, and advisory services to make the Commission a permanent body. The result will be smoother, more transparent national and local elections. Support will also be provided to the Electoral Assistance Bureau (a Guyanese NGO) for elections monitoring and voter education. This assistance is critical to the political stability of Guyana. If all ethnic groups do not have confidence in the electoral system, conflict is certain to arise.

IR 2.4: Civil Society Influences Public Policy

USAID will focus on assisting organizations to develop a greater capacity to analyze public policy and social issues and prepare them to become better advocates. Guidance and

assistance could also be provided in lobbying, conducting awareness and advocacy campaigns, and more effectively using communications. USAID will, at least initially, focus on CSOs which contribute to achieving SO1 and SO2 and those concerned with ethnic divisiveness and broader representation of minority groups. USAID also recognizes the role that women's groups can play in bridging ethnic divides and will be proactive in strengthening their organizational capacity. Assistance will be provided in areas such as research capacity development, advocacy training, and legislative drafting skills, which are vital in creating an influential civil society.

IR 2.5: Strengthened Local Governance

USAID proposes a broad program of assistance to strengthen local government; increased and more focused training for local government officials, support to local and regional governmental associations, improving dialogue with the national government, and support for local government reform. Legislation is currently under consideration by the GOG which could restructure relationships among central, regional, and local government. Reforms in these relationships could have a significant impact on changing the role of local government. If this legislation moves forward, USAID would be in a position to provide advice on decentralization models. There may also be opportunities to work with local business organizations to develop stronger private sector partnerships which would reinforce SO1. Strengthening local governments so that they may provide more and better services which respond to the needs of their constituencies would also facilitate the reduction of ethnic tension. Community fora on development issues and budgets, broader community participation in local development activities, and less reliance on the national government (which may be predominately of a different ethnic group) would promote greater equity. Assistance in this area will fully consider different approaches to improving ethnic relations.

6. Sustainability

As with SO1, USAID's predominant assistance approach will be capacity building. Sustainability will also be addressed by focusing on constraints, issues, and assistance that are considered priorities by partners and customers. Commitment and, by extension, sustainability have already been demonstrated in areas such as institutionalizing the electoral process, strengthening parliament, and revitalizing the judicial sector. In each, public and private support has been extensive, and the GOG has contributed significant amounts of funding and material assistance to achieve mutual objectives. This is a critical juncture in institutionalizing systems and practices which support the electoral process and full support is anticipated.

Assistance and activities associated with the private sector are to be institutionalized in CSOs. Although small in number and relatively poorly organized, the desire and will by CSOs to play a larger and more effective role in public policy development exist. With guidance and encouragement followed by positive results, a sustainable process should be initiated. As CSOs better serve their customers and become more effective partners in development, they will become stronger both internally and externally.

7. Performance Measurement

The following illustrative indicators are suggested for the strategic objective:

- frequency of laws, regulations, and public policy being influenced by public participation
- continuation of constitutional reform
- number of productive partnerships established between NGOs, advocacy groups and government
- level of public confidence in the judiciary is increased

Final indicators will be established in consultation with the LAC Bureau and USAID's partners and customers.

PART III: RESOURCE REQUIREMENTS

A. Program Resources

USAID is requesting \$2.9 million annually for the planning period. This level will enable implementation of a program which adequately responds to both the economic and democracy strengthening aspects of the Mission strategy. The table below outlines the breakout of program resources:

USAID Program Resource Planning Levels (\$000,000)

Strategic Objective/Account	1999	2000	2001	2002	2003
SO1: Expanded Opportunities for the Urban and Rural Poor DA	1.45	1.45	1.45	1.45	1.45
SO2: More Responsive and Participatory Governance and Rule of Law DA	1.45	1.45	1.45	1.45	1.45
Total	2.9	2.9	2.9	2.9	2.9

B. Workforce and OE

USAID anticipates one additional FSNPSC position for democracy and governance activities. While these activities do not require high dollar resources, they do tend to be more staff intensive. It is anticipated that one FSN would focus on rule of law activities and the other on the remaining democracy and governance portfolio, including electoral assistance, civil society and local governance.

USAID Staffing Requirements: FY1999-2003

Funding Source	USDH	INTERNATIONALLY RECRUITED	LOCAL HIRE	Total
Operating Expenses	1		3	4
Program		1	2	3
Total				7

USAID's indicative OE funding requirements for FY97 through FY03 are presented in the table below:

OE Funding Requirements: FY1998-2003 (\$000)

	FY98	FY99	FY00	FY01	FY02	FY03
11/12 Personnel	34.6	35.6	35.6	37.3	37.3	38.4
21/22 Travel & Tran.	61.0	40.2	40.2	39.4	39.4	43.0
23 Rent	25.2	25.2	25.2	25.2	25.2	27.0
25 All Other	141.2	147.5	147.5	148.1	148.1	149.6
25 ICASS	30.0	31.5	31.5	32.0	32.0	32.0
31 NXP	13.0	11.5	11.5	10.0	30.0	10.0
Total	305.0	291.5	291.5	292	312	300

C. Field Support, Title II, and Title III

USAID does not anticipate Title II or Title III assistance for the strategy period. Field support and levels will be determined during the design of activities.

D. Environmental Compliance

See Attachment H for an updated Tropical Forestry and Biodiversity Analysis.

ATTACHMENT A

Donor Matrix

Development Area	World Bank/IMF	IDB	EU	UN	UK	CIDA	USAID
Macroeconomic Policy Reform, Stabilization, Structural Adjustment	X	X	X				X ¹
Privatization	X	X			X		
Private Sector - Small Business Development - Private Sector Commission - Adjustment Credit - Financial Sector	X X		X X			X	X X
Agriculture	X	X	X				
Rehabilitation of Infrastructure	X	X	X		X		X ²
Increased Institutional Capacity for More Effective Policy Implementation	X			X ³	X ⁴	X	X MOF & MTTI
Civil Service Reform	X						
Human Resource Development/Training ⁵	X		X ⁶				X (MOF)

1. Provided through assistance to the MOF (Ministry of Finance) and the MTTI (Ministry of Trade, Tourism, and Industry).
2. As a result of PL480 proceeds.
3. The UN focuses on government institutions which impact poverty.
4. The UK focuses on the Land and Surveys Department.

Development Area	World Bank/IMF	IDB	EU	UN	UK	CIDA	USAID
Democracy & Governance - Constitutional Reform - Elections ⁷ - Decentralization - Race Relations - Judiciary - Civil Society - Parliament		X	X	X X X X	X	X	X X X X
Health	X	X	X			X	
Education	X	X	X		X	X	
Environment	X		X	X	X	X	
Poverty/Integrated Community Development	X ⁸	X		X	X	X	X

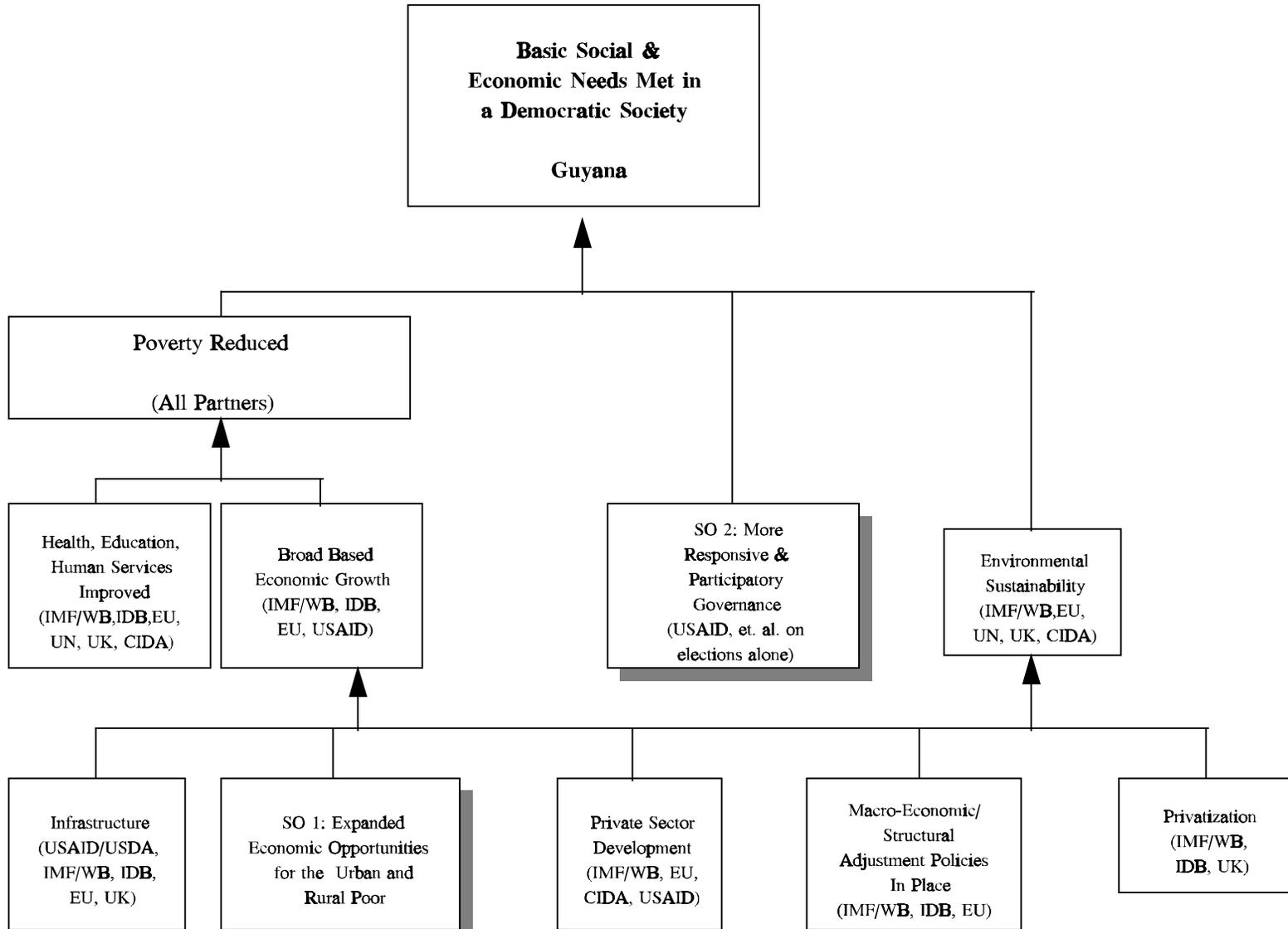
5. This was marked only if the main purpose of the project or activity is broad based training. However, because of the severe human resource constraints, most donors provide training which is linked to other project purposes (e.g. as a means to another end).
6. Under development.
7. Elections support is also being provided by the Organization of American States (OAS), Venezuela, and GTZ.
8. Through the CBD Basic Needs Trust Fund.

B. AGENCY/HOST COUNTRY GOALS AND OBJECTIVES FRAMEWORK

ATTACHMENT B

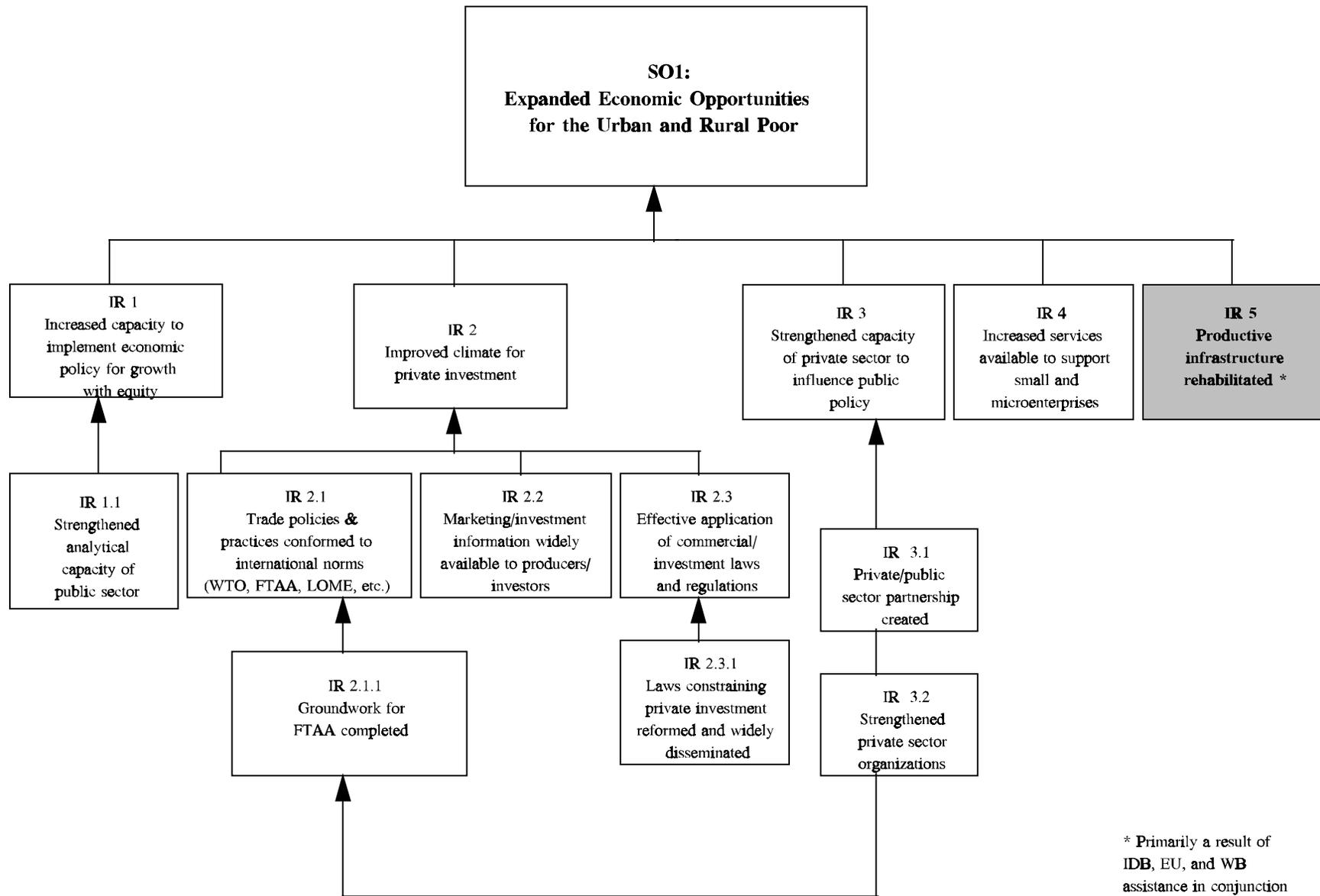
Overview of Country Goal and Subgoal

How USAID & Other Partner Programs Contribute



C. SO1: RESULTS FRAMEWORK

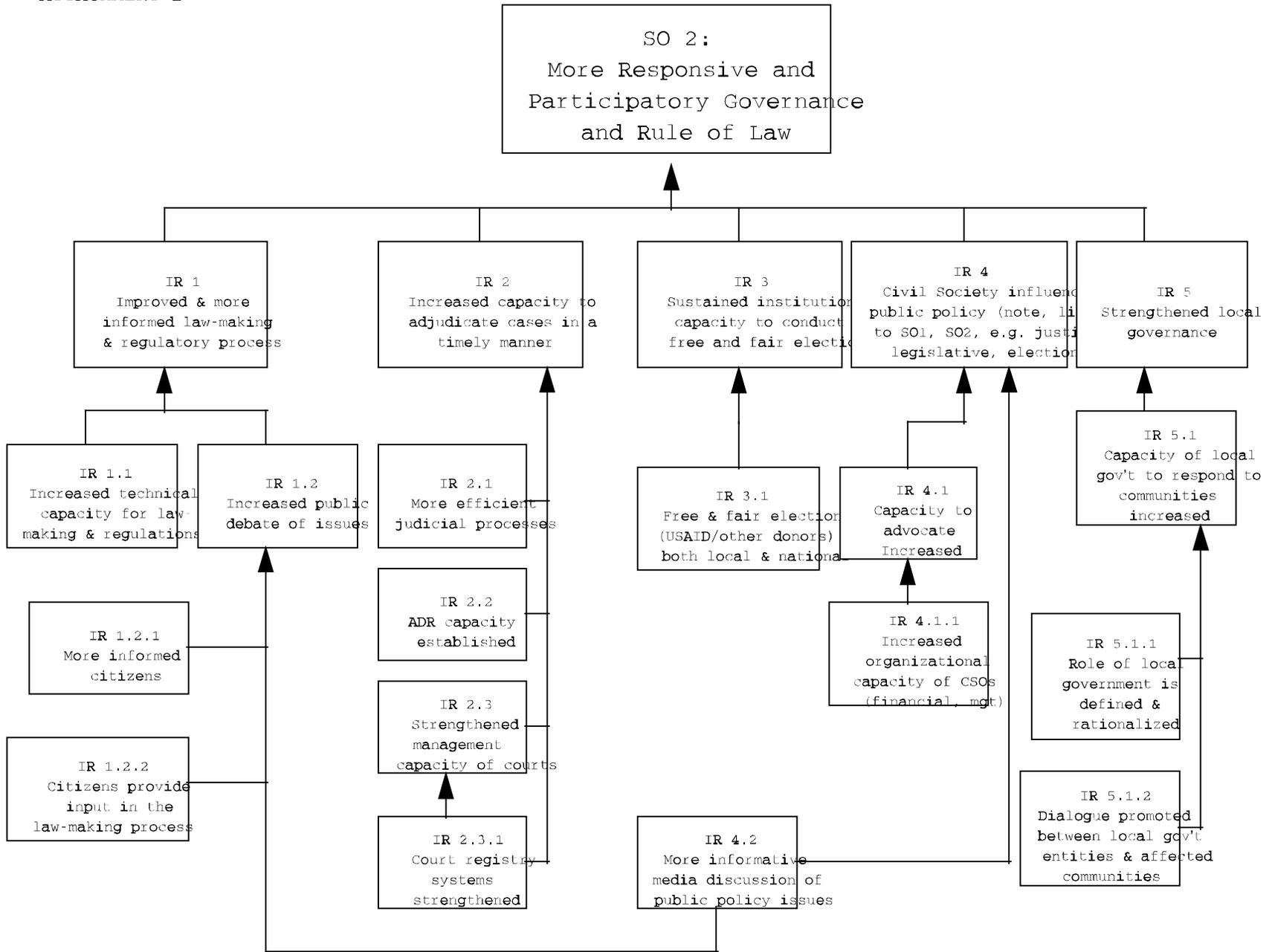
ATTACHMENT C



* Primarily a result of IDB, EU, and WB assistance in conjunction with Title I local currency

D. SO2: RESULTS FRAMEWORK

ATTACHMENT D



ATTACHMENT E

PERFORMANCE MONITORING PLAN, SO1

Performance Indicator	Description Unit of Measure	Baseline 1998		1999		2000		2001		2002		2003	
		Value	Year	Act	Tar								
SO 1: Expanded Economic Opportunities for the Urban and Rural Poor													
IR 1: Increased Capacity to Implement Economic Policy for Growth with Equity													
IR 2. Improved Climate for Private Investment													
IR 3: Strengthened Capacity of Private Sector Organizations to Influence Public Policy													
IR 5: Productive Infrastructure Rehabilitated													

ATTACHMENT F

PERFORMANCE MONITORING PLAN, SO 2

Performance Indicator	Description Unit of Measure	Baseline 1998		1999		2000		2001		2002		2003	
		Value	Year	Act	Tar								
SO 2: More Responsive and Participatory Governance and Rule of Law													
IR 2.1: Improved and More Informed Law-making and Regulatory Processes													
IR 2.2: Increased Capacity to Adjudicate Cases in a Timely Manner													
R 2.3: Sustained Institutional Capacity to Conduct Free and Fair elections													
IR 2.4: Civil Society Influences Public Policy													
IR 2.5: Strengthened Local Governance													

Policy Area	Objectives and Targets	Strategies and Measures	Implementation	Status
1. <u>Incentive policy</u> a. Exchange and trade system b. Domestic pricing c. Role of the private sector	Promote export-oriented economic growth, ensure external competitiveness, and maintain appropriate incentives for private sector activity Avoid subsidies and rely on market pricing. Increase the role of the private sector and encourage competition.	<ul style="list-style-type: none"> Establish a schedule for the phasing out of surrender requirements for foreign exchange, to fully integrate the cambio and official market by end-1996. Repeal those sections of the Exchange Control Act that are inconsistent with the current liberalized exchange regime. Implement the third phase of the reduction of CET tariffs. Limit controls to the price of electricity Approve regulations for the new Companies Act. 	December 1995 March 1996 January 1997 1996-98 December 1996	<ul style="list-style-type: none"> done done done rescheduled to match GEC privatization (1998). done
2. <u>Fiscal policy and public sector reform</u> a. Central Government	Reduce overall deficit while increasing investment. Strengthen revenue. Improve efficiency of expenditure	See Below. <ul style="list-style-type: none"> Broaden the tax base by: <ul style="list-style-type: none"> ceasing to grant new tax holidays or to renew expiring contracts for tax remissions; and making more services subject to the consumption tax. Improve tax administration by centralizing the functions of the inland and customs revenue collection at a new revenue authority. Improve cost-recovery mechanisms and broaden their scope Gradually increase non-interest current expenditure as a ratio to GDP while reorienting spending priorities towards: <ul style="list-style-type: none"> maintenance expenses; and gradually adjusting public service pay levels to those of comparable jobs in the private sector. Limit current transfers to public enterprises to the reimbursement of LINMINE for the delivery of social rvices. 	1996-98 1996 1996-98 1996-98 1996-98	on track done on track on track done

Policy Area	Objectives and Targets	Strategies and Measures	Implementation	Status		
b. Public enterprises	Improve the efficiency and financial performance of public enterprises, further rationalize their operations, and reduce the size of the public sector	<ul style="list-style-type: none"> Enhance expenditure control and management through the establishment of adequate fiscal management systems and more frequent monitoring. 	1996-97	done		
		<ul style="list-style-type: none"> Agree with the IDB on an action plan for the corporatization of GEC. 	May 1996	done		
		<ul style="list-style-type: none"> Agree with IDA on a regulatory framework for GUYSUCO; and subsequently restructure and privatize the company. 	June 1996	Restructuring likely in 1998. Privatizing not likely.		
		<ul style="list-style-type: none"> Restructure LINMINE. 				
		<ul style="list-style-type: none"> Privatize or liquidate Guyana Stores LTD. (GSL), Guyana National Engineering Corporation (GNEC), Guyana Dairy Complex, Guyana Glassworks, and sell government shares in the Forte Crest Hotel. 	1996-97	done		
		<ul style="list-style-type: none"> Bring to the point of sale (POS) Guyana Pharmaceutical Corporation (GPC), Stockfeeds Ltd., National Edible Oil Company Ltd. (NECOL), and Guyana National Printers (GNP). 	June 1996	Two privatized/ liquidated. Three scheduled for 1998.		
		<ul style="list-style-type: none"> Complete the privatization or liquidate GPC, Stockfeeds Ltd., NEOCOL, and GNP. 	June 1996	done		
		<ul style="list-style-type: none"> Define a schedule for further privatization and identify further four nonfinancial public enterprises to be brought to the POS by June 1997. 	June 1997	done		
		c. Public investment	Rehabilitate basic infrastructure and productive capacity.	<ul style="list-style-type: none"> Maintain priorities for the central government programme (roads, sea defenses, power, water, social services). 	June 1996	done
				<ul style="list-style-type: none"> Ensure adequate provision for maintenance expenditures associated with existing and new investments. 	1996-98	done
<ul style="list-style-type: none"> Implement the planned rehabilitation work for GUYSUCO, GEC and LINMINE. 						
<ul style="list-style-type: none"> Institute a new performance appraisal system in central government. 	1996-98			done		
<ul style="list-style-type: none"> Introduce a merit-related pay system for central government employees. 	1996-97			Done for GEC and LINMINE. Initiated for GUYSUCO.		
d. Administrative reform	Improve efficiency of public services	<ul style="list-style-type: none"> Prepare a long-term plan for the restructuring of the public sector and modernization of public management 	1996	done		
			1997	done		
			June 1996	not completed, HIPC		

Policy Area	Objectives and Targets	Strategies and Measures	Implementation	Status
3. <u>Financial Sector policies</u>	Strengthen institutional framework, increase financial sector competition, improve effectiveness of monetary policy.	<ul style="list-style-type: none"> Refine liquidity management by implementing procedures that foster the development of a secondary market in government securities and a more active foreign exchange interbank market. Obtain Cabinet approval of a revised BOG Act that reinforces the regulatory function and independence of the Bank. Present it to Parliament. Institute a cost-sharing formula for bank supervision. Develop an action plan that eliminates the BOG losses and restores its net worth in the course of 1997. Implement the financial and operational restructuring plan for "new" GNCB (resulting from the merger of GAIBANK and GNCB in July 1995). Reduce the Government's share in all financial institutions by a further 40 percent of the combined total asset value (of its ownership at end-1993). Reduce the Government's share in all financial institutions from 40 percent of the combined total asset value (of its ownership at end-1993) to 25 percent. 	1996-98	done
			June 1996	done
			June 1997	done
			March 1996	in process
			October 1996	done
			1996-98	on track
			June 1996	done
June 1997	done			
4. <u>Sectoral policies</u> a. Agricultural and forestry.	<p>Sugar: Improve productivity and efficiency, invest in refurbishment and expansion of capacity and progress toward the privatization of the industry.</p> <p>Rice: Maintain producer incentives, improve quality of production, and increase production and exports while maintaining the presence of small farmers in rice promotion.</p> <p>Forestry: Use of natural forestry resources on the basis of sustainability management practices.</p>	<ul style="list-style-type: none"> Continue management contract for GUYUSUCO until its restructuring and privatization programme is completed. Agree with IDA on a regulatory framework for GUYUSUCO. Complete restructuring programme for GUYUSUCO. Continue rehabilitation and improvement of drainage and irrigation and other basic infrastructure and promote private sector participation. Further privatize state-owned farmland. Improve provision of land-titling services. Ensure that forests are harvested in a sustainable manner and without damage to the tropical forest ecosystem by establishing effective policies and institutions. 	1996-97	done, but privatization not likely.
			June 1996	due in 1998
			1997	restructuring in 1998
			1996-98	on track
			1996-98	on track
			1996-98	on track
			1996-98	on track

Policy Area	Objectives and Targets	Strategies and Measures	Implementation	Status
b. Mining	<p>Bauxite: Restore LINMINE to a viable commercial operation with a view to eliminating direct government involvement in the industry.</p> <p>Other minerals: Increase exports of coal and diamonds and develop oil and other mineral deposits.</p>	<ul style="list-style-type: none"> Separate noncore activities from LINMINE and privatize them. The Government will reimburse LINMINE for delivery of social services. Continue privatization efforts and examine alternative production possibilities in the Linden area that could be taken up if LINMINE needs to be liquidated. Maintain fiscal arrangements to provide Government with a fair share of proceeds from extracting resources without impairing competitiveness. Develop comprehensive policies that facilitate joint ventures with domestic and foreign investors and help improve the availability of geological data. 	<p>1996</p> <p>1996-98</p> <p>1996-98</p> <p>1996-98</p> <p>1996-98</p>	<p>unbundling completed/ privatization in 1998.</p> <p>on track</p> <p>on track</p> <p>on track</p> <p>on track</p>
5. <u>External debt policies</u>	Re-establish normal financial relations with external creditors and maintain a viable external debt position.	<ul style="list-style-type: none"> Strictly limited recourse to nonconcessional loans. Completion of the restructuring of debt to Paris Club creditors, in parallel with a request for the reduction of the stock of this debt. Negotiation and execution of settlement of the External Payments Deposits. 	<p>1996-98</p> <p>1996</p> <p>1996-97</p>	<p>done</p> <p>done</p> <p>to be completed in 1998, HIPC</p>
6. <u>Electrical, transport, infrastructure, and water supply</u>	Rehabilitate the electricity, transport, and water supply networks.	<ul style="list-style-type: none"> Develop a plan for the medium to long-term energy supply. Implement an action plan for the corporation of GEC. Seek additional external assistance for the rehabilitation of the transport network. With external assistance, implement the management and maintenance programme for sea defenses. Execute with multilateral assistance the rehabilitation programme for the existing water and sanitation facilities. Introduce and improve cost-recovery policies, including the phasing in of long-run marginal cost pricing for water. 	<p>1996-97</p> <p>1997-97</p> <p>1995-98</p> <p>1995-98</p> <p>1996-98</p> <p>1996-98</p>	<p>done</p> <p>privatization in 1998</p> <p>on track</p> <p>on track</p> <p>on track</p> <p>on track</p>

Policy Area	Objectives and Targets	Strategies and Measures	Implementation	Status
7. <u>Human resource development and social impact of the programme</u>	Ameliorate burden of adjustment on the more vulnerable segments of the population through implementation of the Social Impact Amelioration Programme (SIMAP) and improve health and education services.	<ul style="list-style-type: none"> • Improve targeting of SIMAP beneficiaries, enhance SIMAP's planning and project-implementation capacity with emphasis on health, nutrition, and water and sanitation. • Seek donor support for social programmes including for refurbishing and upgrading of school and health care facilities. • Strengthen cost-recovery measures and encourage participation of non-governmental organizations and the private sector in health and education. 	1996-98	on track
			1996-98	on track
			1996-98	on track
8. <u>Environmental Impact</u>	Limit adverse environmental effects of current and future economic development.	<ul style="list-style-type: none"> • Enact a bill that consolidates all environmental legislation, provides EPA with an institutional framework, and regulates the use of pesticides and toxic chemicals, particularly mercury. • Establish an environmental protection agency (EPA) 	June 1996	done
			September 1996	done
9. <u>Technical assistance requirements</u>	Address the lack of skilled manpower within the Government	<ul style="list-style-type: none"> • Provide counterpart staff. • focus on technical assistance in macroeconomic and related areas with emphasis on strengthening the Ministry of Finance, the Bank of Guyana, and the Bureau of Statics. 	1996-98 1996-98	continuing problem on track
10. <u>Statistical policies</u>	Improve the quality of the statistical data to strengthen the capacity to monitor economic and financial developments, and seek donor support to sustain and further improve the production of statistics.	<ul style="list-style-type: none"> • Strengthen the institutional capacity of the corresponding government agencies along the lines of the fund's recommendations. • Improve the basic data sources for BOP statistics by implementing a new reporting system for public and private enterprises and commercial banks. • Begin quarterly reporting within two months of the end of every quarter on the operation of the public enterprises and execution of the PSIP. 	1996-98	on track
			1996	done
			March 1996	done

ATTACHMENT H

TROPICAL FORESTRY AND BIODIVERSITY UPDATE: GUYANA

1) Major Forest Management Issues (Section 118)

Guyana's forests cover more than 16 million hectares, and contain more than 1,000 different tree species. The forestry sector employs approximately 13,500 people, produces over 300,000 cubic meters of timber annually, and in 1996 the value of timber exports was approximately \$50 million. Exports have grown significantly since 1994 when the value of timber exports was approximately \$8 million.

The Guyana Forestry Commission is charged with twenty key functions, including law enforcement, revenue collection, management and control of forests and of activities affecting the environment, wildlife areas, and nature reserves.

Forestry legislation, some of which was enacted more than 40 years ago, is designed to promote the commercial exploitation of the State Forests of Guyana. The Guyana Forestry Commission's A Report On: Forestry Law and Policy (November 1995) found that for contemporary forest management, the legislation was very deficient. The report found, among other things, that institutional arrangements were scattered and complicated; financial provisions were adequate but the legislation regarding finances needed to be consolidated; and the legislation needed to be oriented towards sustainable forestry. New legislation since then has addressed some, but not all, of these deficiencies.

Forestry concessions are granted to large-scale, small-scale, and minor forest products operators, and include conditions to protect the environment. Forestry operation monitoring by the Guyana Forestry Commission is only nominal because of shortages of staff and equipment, limited funding and absence of a good database (National Environmental Action Plan). Therefore, environmental impacts are difficult to monitor and quantify.

Guyana is under enormous pressure to sell logging rights to foreign investors. The government has stood firmly by its commitment not to extend the area under large timber harvesting concessions until key policy reforms and institutional changes have been made.

The government continues to adhere to bilateral (UK) and multilateral (World Bank and the International Monetary Fund) conditionalities regarding its forests. The government's progress in meeting WB/IMF conditionality regarding sustainable forestry management practices, per the 1996-1998 structural adjustment policy framework, is "on track".

In 1998, the government also plans to finalize and issue its national development strategy,

which has sustainable use of natural resources as a priority.

2) Major Conservation Issues (Section 119)

Besides pressure on the forest resources, the most serious environmental problem in Guyana are along the coastal zone where most of the population and resources are concentrated. Guyana's coastal plain occupies approximately 7% of the total area of the country and extends along the entire 430 km of the Atlantic coast. The shore zone consists of coastal works, mud and sandflats, and mangroves.

Coastal erosion and flooding threaten the natural resources, agriculture, and human settlement along the coast. Destruction of mangroves for fuelwood and for the tanning industry threatens the fishery resource. Pesticides have contaminated waterways, and may have impacted the fishery resource.

The Environmental Protection Bill created the Guyana Environmental Protection Agency (EPA). The EPA is charged with planning mitigation measures for environmental impacts and with natural resource conservation across all sectors: mining, forestry, agriculture, and urban growth. The EPA is receiving institutional strengthening assistance from the U.K. and the World Bank.

The National Herbarium houses records on the number and types of species present in Guyana. Many regions of the country have not yet been investigated.

The only regulations governing wildlife (other than aquatic and amphibian species) is the Wild Birds Protection Act which prohibits the wounding, killing, sale, or export of listed species of birds, restricts the exploitation of other species to an open season, and provides for the humane treatment of caged birds. The legislation makes no other provisions for the protection of habitat or the control of hunting. The Aquatic Wildlife Control Regulations (under the Fisheries Act) prohibits the killing or capture of manatees, arapaimas, caymans, otters, and turtles. Neither turtle eggs nor turtle habitat are protected.

3) Actions Necessary to Improve Management of Tropical Forest

Profit Without Plunder: Reaping Revenue from Guyana's Tropical Forests Without Destroying Them, a report produced by World Resources Institute at the invitation of President Jagan, noted five major challenges facing Guyana and its forest:

1. Reform resource allocation and land use planning.

2. Reduce the damage and increase the revenues from logging.
3. Build sustainable communities, especially around non-timber forest values.
4. Restructure institutions and improve training and education.
5. Make foreign assistance more effective.

The report also presented short-, mid-, and long-term recommendations, to overcome these challenges, and determined that seven of the recommendations are the most critical:

1. Define the permanent forest estate.
 2. Maintain and extend the scope of the moratorium on major forest land-use decisions.
 3. Better monitor the negative impacts of timber harvesting.
 4. Standardize procedures for awarding concessions and revise the forestry tax structures.
 5. Increase the contribution of chainsaw loggers and small producers to the economy and reduce their negative impacts.
 6. Strengthen community sustainability initiatives.
 7. Ensure that forest sustainability issues are adequately considered in the design of the structured adjustment program.
- 4) Actions necessary to Preserve Biological Diversity

Guyana's National Environmental Action Plan elaborates the actions necessary to conserve biodiversity and to ensure the integrity of National Parks and other protected areas. The NEAP addresses all relevant environmental sectors and issues, and lays out environmental actions for year one through year three. The following sectors/issues are addressed in the NEAP:

- * Coastal Zone Management
- * Liquid and Solid Waste Management
- * Natural Resources

- * Mining
- * Public Awareness
- * Amerindian Peoples
- * Legal Instruments
- * Institutions

USAID/Guyana does not have a forestry or environmental program and it does not directly provide any assistance addressing deforestation or biodiversity. USAID's limited staffing and financial resources preclude active involvement in this area. USAID does, however, promote the concept of sustainable development as part of its program to improve the business environment.

COMMON OBJECTIVES

Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD), USG National Interests, Summit of the Americas, United States Agency for International Development in Guyana (USAID/Guyana), and the Government of Guyana (GOG)

DAC GOALS	USG NATIONAL INTERESTS	SUMMIT OF THE AMERICAS	GOG TARGETS	USAID/GUYANA TARGETS
- A reduction by one-half in the proportion of people living in extreme poverty by 2015.	<p>II. ECONOMIC PROSPERITY</p> <p>6. Promote broad-based economic growth in developing and transitional economies.</p> <p>5. Increase global economic growth.</p> <p>3. Open foreign markets to free the flow of goods, services, and capital.</p>	<p>III. ERADICATING POVERTY AND DISCRIMINATION</p> <p>19. Encouraging microenterprises and small businesses.</p>	- increase expenditures/GDP for special poverty alleviation programs from .7% in 1997 to 2.0% in 2002.	<p>SO1: EXPANDED ECONOMIC OPPORTUNITIES FOR THE URBAN AND RURAL POOR.</p> <p>Targets for poverty reduction (an SO indicator), the promotion of microenterprises and small businesses (an IR), and conforming trade policies and practices to international norms (a sub-IR) will be established during activity design.</p>
-Universal primary education in all countries by 2015.		<p>III. ERADICATING POVERTY AND DISCRIMINATION</p> <p>16. Universal access to education.</p>	<p>-total expenditure/GDP to increase from 2.6% in 1997 to 4.2% by 2002 (of which primary and secondary education is 3.4% of GDP)</p> <p>-train 1400 primary and secondary teachers by 2000</p> <p>-increase expenditures on teaching supplies by 240% by 2002.</p>	<p>Note: Ministry of Education targets form part of the agreement for the program for Heavily Indebted Poor Countries (HIPC). A USAID advisor under SO1 was instrumental in developing the GOG HIPC proposal. Under the new strategy, assistance will be provided in monitoring satisfaction of conditionalities.</p>
- Demonstrated progress toward gender equality and the empowerment of women by eliminating gender disparity in primary and secondary education by 2005.			<p>-at minimum, maintain current female literacy, enrollment, and education attainment levels (now equal to or higher than for males)</p> <p>- reduce gender stereotyping in primary schools</p>	See above

DAC GOALS	USG NATIONAL INTERESTS	SUMMIT OF THE AMERICAS	GOG TARGET	USAID/GUYANA TARGETS
<p>-A reduction by two-thirds in the mortality rates for infants and children under age 5 by 2015.</p>	<p>VII. GLOBAL ISSUES</p> <p>16. Protect human health and reduce the spread of infectious diseases.</p> <p>15. Stabilize world population.</p>	<p>III. ERADICATING POVERTY AND DISCRIMINATION.</p> <p>17. Equitable access to basic health services.</p>	<p>-Reduce infant mortality rate from 41 in 1997 to 35 by 2000.</p> <p>-Prevalence in moderate and severe malnutrition reduced from 21% in 1997 to 15% in 2000.</p>	<p>Note: These targets, as above, are part of the HIPC agreement. Again, USAID technical assistance under SO1 was instrumental to the GOG's participation in the HIPC Program.</p>
<p>-A reduction by three-fourths in maternal mortality by 2015.</p>			<p>- Note: Maternal mortality in 1990 was 231 per 100,000 live births. More current information is not available. The draft National Health Plan does state, however, that pregnant women are to receive priority attention.</p>	<p>Note: USAID/Guyana does not propose direct assistance to the health, environment, or education sectors under its proposed strategy. However, assistance under SO1 will increase GOG revenues, thus better enabling it to meet its targets in these priority sectors.</p>
<p>- Access through the primary health-care system to reproductive health services for all individuals of appropriate ages as soon as possible and no later than year 2015.</p>			<p>-Note: The draft National Health Plan states that priority emphasis is to be granted to primary health care, and ensuring improved, more equitable access. Targets are being established by the GOG.</p>	

DAC GOALS	USG NATIONAL INTERESTS	SUMMIT OF THE AMERICAS	GOG TARGETS	USAID/GUYANA
<p>-The current implementation of national strategies for sustainable development in all countries by 2005, so as to ensure that current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015.</p>	<p>VII. GLOBAL ISSUES</p> <p>14. Secure a sustainable global environment in order to protect the US and its citizens from the effects of international environmental degradation.</p>	<p>IV. GUARANTEEING SUSTAINABLE DEVELOPMENT AND CONSERVING OUR NATURAL ENVIRONMENT FOR FUTURE GENERATIONS</p> <p>21. Partnership for sustainable energy use.</p> <p>23. Partnership for biodiversity</p> <p>24. Partnership for pollution prevention.</p>	<p>- Ensure that forests are harvested in a sustained manner and without damage to the tropical forest ecosystem by establishing effective policies and institutions</p> <p>- Limit adverse environmental effects of current and future economic development by creating and empowering an environmental protection agency.</p> <p>- Note: The draft National Development Strategy describes constraints, priorities, requirements, and actions necessary for the development of a program to better ensure sustainable economic and environmental development.</p>	<p>Under SO1 , USAID will continue to provide assistance to the GOG to finalize its National Development Strategy. Its completion will enable the development of an environmental plan of action.</p>
<p>Qualitative Factors to Achieve Goals</p>				
<p>- Capacity development for effective, democratic and accountable governance</p>	<p>V. DEMOCRACY</p> <p>12. Increase foreign government adherence to democratic practices and respect for human rights</p>	<p>1. PRESERVING AND STRENGTHENING THE COMMUNITY OF DEMOCRACIES OF THE AMERICAS</p> <p>1. Strengthening democracy</p> <p>3. Invigorating society and community participation</p> <p>5. Combating corruption'</p>	<p>- Reduce corruption, improve transparency in procurement</p> <p>- Increase access of the poor to legal services through assisting the legal aid system</p> <p>- Improve judiciary competency through training in areas of specialized need</p> <p>- improve court management</p> <p>- revise laws to ensure legal transactions are conducted in an atmosphere of certainty and transparency</p>	<p>SO2: MORE RESPONSIVE AND PARTICIPATORY GOVERNANCE AND RULE OF LAW. Targets to be established during activity design. Potential targets include (1) improved and more informed law-making and regular practices, (2) increased capacity to adjudicate cases, (3) sustained institutional capacity to conduct free and fair elections, (4) greater civil society influence in public policy, and (5) strengthened local government. Related proposed targets under SO1 EXPANDED ECONOMIC OPPORTUNITIES FOR THE URBAN AND RURAL POOR include (1) strengthened capacity of private sector to influence public policy, (2) private/public sector partnerships formed, and (3) consistent, transparent application of the investment code.</p>

DAC GOALS	USG NATIONAL INTERESTS	SUMMIT OF THE AMERICAS	GOG TARGETS	USAID/GUYANA TARGETS
<p>- Protection of human rights.</p>	<p>V. DEMOCRACY</p> <p>12. Increase foreign government adherence to democratic practices and respect for human rights</p>	<p>1. PRESERVING AND STRENGTHENING THE COMMUNITY OF THE AMERICAS</p> <p>2. Promoting and protecting human rights.</p>	<p>- Establish a competent, responsive, and sustainable Elections Commission.</p> <p>- Strengthen the effectiveness of parliament by increasing access to information sources and providing better work environments.</p> <p>- Complete constitutional reform by July 1999.</p>	<p>SO2: MORE RESPONSIVE AND PARTICIPATORY GOVERNANCE AND RULE OF LAW. Targets to be established during activity design. Potential targets include the completion of constitutional reform, more efficient judicial system, and a reduction in civil case backlogs. Related proposed targets under SO1 EXPANDED ECONOMIC OPPORTUNITIES FOR THE URBAN AND RURAL POOR include (1) more effective application of commercial investment laws and (2) and more transparent and consistent application of laws. Targets may be established under both SOs regarding CSOs and business organizations promoting or establishing policies protecting the rights of minority ethnic groups and/or providing increased economic opportunities.</p>
<p>- Respect of the rule of law.</p>	<p>IV. LAW ENFORCEMENT</p> <p>5. increase global economic growth</p> <p>6. promote broad-based economic growth in developing and transitional economies</p> <p>10. reduce the entry of illegal drugs in the United States.</p> <p>12. increase adherence to democratic practices and respect for human rights.</p>	<p>Although not specifically mentioned in the Declaration of Principles, rule of law is implied under Preserving and Strengthening the Community of Democracies of the Americas.</p>	<p>- While not clearly articulated in policy statements, the GOG's emphasis is improving the overall efficiency and effectiveness of the justice system and resurrecting prompt and equitable rule of law.</p>	<p>SO2: MORE RESPONSIVE AND PARTICIPATORY GOVERNANCE AND RULE OF LAW. Targets to be established during activity design. Potential targets include (1) improved court management, (2) establishment of alternative dispute resolution mechanisms, (3) increased adjudication capability, and (4) and more responsive laws.</p> <p>SO1: EXPANDED ECONOMIC OPPORTUNITIES FOR THE URBAN AND RURAL POOR. Potential targets include (1) transparent, consistent, and prompt application of commercial laws, (2) reform and dissemination of laws constraining investment, and (3) adherence to international trade laws.</p>

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