FINAL REPORT

Analysis of the Policy and Institutional Environment for the Guyanese Private Sector and Recommendations for Enhancement

(Volume 1)

Guyana Building Equity and Economic Participation (BEEP) project
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0. EXECUTIVE SUMMARY

This summary presents the main findings from the general overview and analysis of the issues in Chapters II and III respectively. It also makes recommendations drawn from Chapters IV and V.

0.1 Economic Review

1. **GUYANA HAS SIGNIFICANT POTENTIAL FOR SUSTAINED DEVELOPMENT AND GROWTH DUE TO THE FOLLOWING:**

   # Its natural resource driven productive sector is quite diversified.

   # Its vast natural resource endowment will always exceed the population's propensity to consume.

2. **THE COUNTRY'S MACRO-ECONOMIC MANAGEMENT INITIATIVES: DEREGULATION, EXPANSION IN PSIP AND FISCAL DISCIPLINE ARE PAYING GREAT DIVIDENDS.**

   # Economic growth which averages over six percent (6%) annually for the past five years, is among the highest in the hemisphere.

   # The exchange rate has stabilized.

3. **DESPITE THE NATURAL RESOURCE SOUNDNESS AND THE STRONG GROWTH PERFORMANCE OF THE GUYANESE ECONOMY IN RECENT YEARS, IT FACES A CRISIS OF COMPETITIVENESS DUE TO THE FOLLOWING:**

   # Most of the traditional exports do not enjoy competitive advantage. They trade internationally only because of preferential trade arrangements which will be neutralized shortly.

   # The delivery systems for government support services are too outdated to meet the needs of business in a globally competitive environment.

- # The productivity of labour which is the lowest in the common market will continue to be a major set back as long as approximately seventy percent (70%) of the workforce occupy jobs in which they have no training.

- # The infrastructural capacity is not enough to maintain the optimal operation of economic enterprises. For example: the economy is growing at over 6% annually while electricity generation is still below the 1981 level.

- # The local business community is too leveraged to become proactive.

- # Foreign investment which is the key vehicle to be used to accelerate national competitiveness is extremely low in Guyana. It is under US$60 as against US$129-493 in other CARICOM countries.

- # Strategic service industries, especially knowledge capital intensive ones which are key for adding unique values and competitiveness to natural resource industries, are under-commercialized in Guyana e.g. engineering, business services, financial services, telecommunication, infomatics, international transportation and real estate development.

4. **DESPITE THE STRONG GROWTH RATE OF 6% ANNUALLY THE ECONOMY WILL HAVE TO GROW AND DIVERSIFY MUCH FASTER INTO HIGH GROWTH, AND HIGH PRODUCTIVITY TECHNOLOGIES TO ACHIEVE THE FOLLOWING IN THE MEDIUM TERM:-**

- # Reduction of poverty which is now severe for almost half of the population.

- # Increased capacity to financed a higher standard of living e.g. health, education, housing, potable water.

- # Improvement in the distribution of income.

0.2 Investment Environment

1. **GOVERNMENT HAS INITIATED COMMENDABLE POLICY MECHANISMS TO STIMULATE LOCAL AND FOREIGN INVESTMENT**. They include:

- # Establishing Go Invest, NGMC, GEPC, Tourist Board and the GNBS to facilitate the private sector.

- # Deregulating the foreign exchange system and upgrading the company law.

- # Operating with tight fiscal management to allow more financial resources to reach the private sector.

Increasing investment in economic infrastructure.

Accelerating the privatization program to mobilize private resources to modernize the economy.

Removal of tax on dividends.

Creation of fiscal incentives for depressed bauxite communities.

Maintaining the elements of the CARICOM harmonized incentives scheme.

2. **THESE COMMENDABLE INITIATIVES ARE NOT PAYING DIVIDENDS AS SUBSTANTIATED BELOW**

Private investment as a percentage of GDP in still below the 1992 level.

Per capita foreign investment is lower in Guyana than in other member CARICOM countries.

The rate of materialization of investment concepts to projects at Go-Invest declined from sixteen percent (16%) to ten percent (10%).

Guyana has the lowest per capita migrant remittance in the Caribbean. it is US$141 as against US$986 - 1386 in the region.

3. **GUYANA'S INVESTMENT POLICY INITIATIVES ARE NOT PAYING DIVIDENDS DUE TO INADEQUATE POLICY DESIGN AND MANAGEMENT AND A POOR STATE OF READINESS IN ITS PRIVATE SECTOR**.

Many of the policy contents are not compatible with the perceived needs of the business community. For example, they feel that:

- A buoyant capital market is required to make the removal of tax on dividends a far-reaching policy.

- An omnibus investment code is required instead of piecemeal modifications in legislation

- Modernization of the systems in Government bureaucracy will improve productivity, quality of service, and enable the business community to compete more effectively. This is perceived to be a better investment than an increase in the public sector wage bill.

- Transparent systems for allocation of scarce benefits should replace government ministers' case by case intervention and 'open door policy' for accessing such ministers.

- Special incentives for investment in Linden need to be enriched with technical assistance support for economic institutions in Linden and government's commitment to let Linden's business supply government with goods and services. This however, should be part of a national policy to assist all disadvantaged entrepreneurs.

- Merging of GNCB/GAIBANK to improve cost effective management of the portfolio needs to be enriched with debt for equity swap to assist leveraged customers to remove the adverse effects of major debt burdens, and also the provision of export credit on a short term basis.

Systems approach to managing the policies are lacking; For example:

- There are no sectoral plans to give Guyana strong competitive positioning hence resources supporting the policy may be wasted.

- There are no provisions for partnership with the private sector in areas such as affordable housing, technological education, and health care are extremely limited, so the policy framework misses the opportunity to draw on counterpart private sector financing.

- Some expenditure in the social sector are not efficient enough to enhance the investment environment. For example, sixty-six percent (66%) of the workforce have only primary education, job related training is required by over seventy percent (70%) of the workforce, secondary education is the "lowest in value" for money but the recurrent expenditure on education is contracting for primary and technological education and expanding for secondary and nursery education.

- Four institutions: Go Invest, NGMC, GEPC and Tourist Board are mandated to provide the same promotional, technical assistance and other outreach services to a small private sector. Apart from NGMC, they are unable to fulfill their mandates due to inadequate resources. The services could have been provided more cost-effectively if the institutions were to merge.

- Investor targetting is limited therefore policies are likely to be mismatched and ineffective and policy support resources are likely to be wasted.

The state of readiness of the local private sector is extremely poor, expectations from them are too high and therefore policy initiatives need to help to correct this, for example:

- Most have debt equity ratio of 80:20 and therefore cannot be seen as future risk takers or borrowers unless there are capital market innovations to mobilize equity financing.

- They are "bearish" when the business climate is not perfect. Over 75% will reduce capital expenditure, over 45% will reduce staffing and staff development and approximately 38% will delay market expansion.

- Most will not dilute family ownership to fit into joint venture, venture capital, public equity financing or ESOPs as (the new paradigms for investment resource mobilization) 78% intend to use short term bank finance, 75% intend to use long term bank loan and 67% intend to use operating profit to finance their businesses.

- Many of the emerging entrepreneurs are in disadvantageous positions and will therefore need special facilitation to help them to be on "their feet". They include: thousands of small rice farmers, women, hinterland residents, former civil servants and bauxite industry employees who lost their jobs after contraction in public administration, and bauxite mining and processing, as well as many former managers and professionals who have retired relatively young, or have lost or quitting their jobs. They have abundant knowledge capital but very little financial capital.

- They are very inward looking and make decisions based on speculation, rumours and local sensational news: less than 15% use scientifically produced local and foreign information and most use the local newspapers as their key sources of information.

- The PSOs which have institutional responsibility for positioning their constituents, partnering with government and business environment enhancement initiatives are generally weak in technical capacity, representation, organizational capacity and legal status to play their roles effectively.

Policies represent government's valued propositions to the business community and supporting institutions. However, it has not been socially marketed, consequently, responses continue to be inadequate and suspicions about government's commitment continues to be significant.

0.3 Recommended Strategies

The Guiding Principles for the recommendations should span: compatibility with the Guyana - IMF Program, containment of fiscal expenditure, promotion of partnership between government and the private sector, maximizing opportunities for broad based participation in the economy and maximizing the use of domestic and foreign private sector resources in economic modernization and empowerment of the private sector to become the **"engine of growth".**

1. Plan of Action

THE FOCAL OBJECTIVE OF THE STRATEGIC PLAN OF ACTION IS TO IMPROVE POLICY MANAGEMENT AND BUSINESS PROPENSITIES TO BECOME COMPETITIVE. A four prong approach is recommended with consensual support between the PSOs and GOG as follows:

 # Improve policy design and management

- Policy designs should be investor needs driven as set out in Table III.1
- Go Invest, NGMC, GEPC and Tourist Board should be a consolidated business promotion organization to become cost effective.
- Modernization of government with transparent systems and concentration of policy formulation and management in the hands of political leadership and the civil service personnel respectively.
- Policies should be segmented in a systematic manner around target groups such as: foreign investors, overseas based Guyanese and disadvantaged entrepreneurs.
- Rationalize the resource support to education to give priority to primary and technological education.
- Develop and promote sectoral plans to give Guyana sound competitive positioning and to optimize the use of policy support resources.
- Broaden the privatization program to include some critical economic support services so that they can access private funding to modernize. Some candidate services include: ferry service, port services, airport services, industrial real estate, technical and vocational training, certain health services and town and country planning.

Expand business capacity through:

- Facilitating restructuring of their financial status and converting some debt for equity.

- Facilitating of technical assistance program and manpower development programs.

- Promote the use of franchising arrangements especially with American franchises as one of the vehicle for accessing "know how" and still preserving the family business culture.

- Expansion in financial instruments/products such as lease financing, investment bonds and mortgage bonds and venture capital.

- Provision of policy support to strategic service industries which will play a crucial role in enhancing the competitiveness of Guyana. Such services include, telecommunications, professional services, engineering, transportation, infomatics and lease financing.

Cultivate a sound national entrepreneurial culture through enablement of PSOs, social marketing, training and promotion of global orientation.

Improve the level of social awareness and partnership.

- Building PSOs capacities to deliver services and effectively participate in partnership with government.

- Expanding and financing governments' social marketing programs.

- Promoting consensus building among PSOs and between the PSOs and government.

2. <u>The PSOS-GOG Interactive Workshop Reached Consensus on the Priority Top-Six Policies Which Should be Immediately Implemented. They are as follows:</u>

Facilitate freehold land tenure in the present land policy.

Carry-out the necessary legal and institutional reforms to facilitate modernization of the capital market in the areas of merchant banking, debt for equity swaps, lease financing, equities and venture capital.

Establish a single organization for investment and trade promotion and secure technical assistance to enable it to carry-out its mandate.

Prepare and introduce an acceptable investment code.

Promote private investment in economic infrastructure and some Government services which

can be commercialized.

- # Concentrate policy development and management in the hands of the political directorate and civil service personnel respectively.

APPENDIX 1.0 FOLLOWING THIS CHAPTER SETS OUT THE RECOMMENDED INDIVIDUAL POLICY ACTIONS AND HOW TO IMPLEMENT THEM.

0.4 Opportunities for BEEP's and Other Donors' Intervention

Some of the major recommendations are projectized into fifteen (15) opportunities which will require technical assistance funding to the extent of about US$1.4 million. They are:

1. Promotion of customer service culture and establishment of customer service system at Inland Revenue.

2. Establishment and operation of a merged NGMC, Go Invest, GEPC and Tourist Board as a single promotional and industry outreach agency.

3. Development of an all inclusive legal and policy framework (Investment Code) for Guyana.

4. Preparation of a development plan, an institutional strengthening program and internal and external financing strategies for GNBS.

5. Development of sub-sector plans and strategies to promote Guyana's competitive advantages.

6. Design of institutional framework, start-up plan and financing plan for establishing a National Housing Fund to facilitate affordable housing.

7. Identification of priority business support services in central government, profile packages and prepare individual profiles on them for privatization.

8. Analysis of GNCB-GAIBANK's default portfolio and respective client operations and establish operational plan of action for converting debt to equity (venture capital).

9. Implementation of annual GOG-PSOs conference on globalization issues, development, opportunities and establish consensus on Guyana's positioning strategies.

10. Development of detailed institutional, operational and financing plans for GOG-private sector technical vocational education and training program.

11. Development of an institutional and operational framework for a special facilitation program for disadvantaged entrepreneurs. It should span: supply of goods and services to government, training, technical assistance and ESOP funding.

12. Identification of strategic service/knowledge capital industries and development of special policy framework for promoting them.

13. Establishment of a Business Enhancement and Outreach Council and preparation of the Terms of Reference.

14. Development and operation of a social marketing program for the consolidated promotional agency (consisting of NGMC, Go Invest, GEPC and Tourist Board Unit)

15. Planning and execution of a consolidated promotions agency and an overseas study tour of institutions serving the private sector to observe how they operate and achieve financial sustainability and institutional maturity.

Appendix II.2 following this chapter provides the details on the Project Title, the key outputs, the justification and the key inputs required.

3. <u>The PSOS-GOG have reached Consensus on the Priority Projects to be Implemented Immediately. They are:</u>

- **#** Preparation of an investment code.
- **#** Development of sub-sector plans and strategic plans for enhancing the competitiveness of Guyana in these sub-sectors.
- **#** Establishment of a private-public sector housing fund to finance affordable housing.
- **#** Executing a public-private sector technical and vocational training program.
- **#** Establishing and operationalizing of a framework for facilitating disadvantaged entrepreneurs.
- **#** Development and implementation of a social marketing program to promote awareness of opportunities, policy framework, entrepreneurial initiatives and GOG-PSOS support programs.

0.6 <u>Next Steps</u>

BEEP, working with the Ministry of Finance and the Ministry of Trade, Industry and Tourism and the PSO should carry out the necessary follow-up work on both the policy and the institutional related actions on which there is a PSOs-GOG consensus for priority treatment.

APPENDIX 0.1

APPENDIX 0.2 BRIEF ON OPPORTUNITIES FOR BEEP AND OTHER DONORS' INTERVENTION TO SUPPORT THE GUYANESE PRIVATE SECTOR

PROJECT TITLE	KEY OUTPUTS	JUSTIFICATION	TARGET BENEFICIARIES
1. Customer service culture and systems at IRD	# Customer service manuals # Training # Systems # Systems integrated in Information technology	Tax compliance will be higher. Tax payers will have improved experience with IRD	Inland Revenue Department Tax payers
2. Establishment and operationalization of consolidated promotional agency.	# Institutional and legal framework # Service plan # Organizational structure # Staffing and job requirements # Job classification # Technical assistance program # Plant technology # Program development # Financing plan	More cost effective services will be provided. It will reduce fiscal burden on GOG.	Entrepreneurs GOG Exporters
3. Investment code	# Legal framework # Institutional framework # Incentives regime # Environmental standards # Operational framework	There will be more transparency. Investment promotion will be more autonomous	Investors Promotional Agency
4. GNBS Institutional support	# Organizational plan # Development plan # Service plan # Technical assistance # Cost recovery plan	Improved cost effectiveness Institutional sustainability Financial sustainability	GNBS Business GOG

APPENDIX 0.2 BRIEF ON OPPORTUNITIES FOR BEEP AND OTHER DONORS' INTERVENTION TO SUPPORT THE GUYANESE PRIVATE SECTOR

PROJECT TITLE	KEY OUTPUTS	JUSTIFICATION	TARGET BENEFICIARIES
5. Development of subsector plans and strategic plan for country competitiveness	# List of strategic growth oriented subsectors # Strategic plan of action for competitiveness # Technical assistance program	This is necessary to maximize returns to developmental resources.	Business Employees GOG
6. National Housing Fund	# Legal framework # Institutional framework # Financing plan # Service delivery mechanism # Social marketing plan # Feasibility analysis	A vehicle such as this is needed to mobilize financing for affordable housing.	Trade unions Employees Employers
7. Privatization of selected government business support service	# Candidate list # Profiles # Privatization modalities # Cost benefit analysis	Government does not have the bureaucratic capacity or funding to modernize the delivery of its services.	Business Employees New investors
8. GNCB-GAIBANK debt for equity (venture capital program)	# Analysis of default profile # Analysis of selected clientele # Legal framework # Debt for equity transactions	Many large businesses cannot recover due to the debt burden and the banks are not collecting on the loans.	Marginal businesses GNCB-GAIBANK Employees GOG
9. COG-PSO annual conference on global development and Guyana's positioning	# Review of developments, issues, opportunities and challenges # Consensus on options for Guyana # Consensus on strategic positioning for Guyana.	Government and the private sector to have solid insights of global development and opportunities to shape national strategies.	Business Government Trade unions Exporters

APPENDIX 0.2 BRIEF ON OPPORTUNITIES FOR BEEP AND OTHER DONORS' INTERVENTION TO SUPPORT THE GUYANESE PRIVATE SECTOR

PROJECT TITLE	KEY OUTPUTS	JUSTIFICATION	TARGET BENEFICIARIES
10. COG-Private sector technical training program	# Training needs assessment # Training delivery mechanism # GOG-Private sector institutional framework # Financing # Start-up plans # Financing models # Feasibility analysis # Business plan	At least 70% of the operating and technical workforce are not adequately trained in the jobs they are assigned.	Employees Trade unions Employers Investors
11. Facilitation of disadvantaged entrepreneurs	# Legal and institutional mechanism # Entrepreneurial development programs # Mechanism for participating in supply government with goods and services.	Thousands of individuals laid off from the civil service and the bauxite industry became entrepreneurs without any planning mainly because they had no alternative.	# Former employees # Former civil servants # Other employees made redundant.
12. Service/Knowledge capital industry development	# List of strategic services # Strategic policies to promote investment # Promotional and support programs	Knowledge capital industries for a range of business support services are still at the infancy stage in Guyana.	Business Professionals investors
13. Establishment of a business enhancement council (GOG-Private Sector)	# Council mandate # Institutional structure # Membership # Social marketing of the council	This will alleviate the present fragmented working relationship between Psc, PSO and the GOG	PSOs Psc GOG Business

APPENDIX 0.2 BRIEF ON OPPORTUNITIES FOR BEEP AND OTHER DONORS' INTERVENTION TO SUPPORT THE GUYANESE PRIVATE SECTOR

PROJECT TITLE	KEY OUTPUTS	JUSTIFICATION	TARGET BENEFICIARIES
14. Social marketing program for consolidated promotional agency	# Program design # Delivery mechanism # Financing mechanism # Implementation plan # Promotional material	There is a major information gap between PSOs, Psc, and government ministries regarding policies, program strategies, opportunities and available service.	Business PSOs Psc Investors GOG
15. Consolidated promotional agency - PSO overseas Study Tour	# First hand insights on PSOs in operation # Exposure to various institutional and financing models # Exposure to private sector - government relations models	Both the private sector and government administration have limited exposure to PSO development and business government partnership	PSOs Consolidated promotions agency

I. INTRODUCTION I-1

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I. INTRODUCTION

This chapter introduces the scope of work, the work approach and the outline of the report.

I.1 Scope of Work

This assignment is a two part, two person consultancy team comprising Dr. Trevor Hamilton, a Private Sector Expert as Leader and Dr. Henley Morgan, an Organizational Development Experts. The scope of work mandates the team to produce eight key deliverables:

- A detailed plan for a PSO workshop designed to address policy and institutional issues affecting the business community.
- A brief report on the conclusions and recommendations arising from the workshop.
- An assessment of the policy environment and its impact on investment and general economic performance.
- A strategic framework for addressing the policy related issues.
- An audit/operational analysis of GCCI, GMA, TAG, BCCNA and LCCD and recommended individual service packages and consequential institutional strengthening programs.
- A schedule of technical assistance programs for PSOs.
- Detailed guidelines for implementing the recommendations.
- A listing of follow-up tasks to be carried out by PSOs in specific periods.

The consultants were given thirty-two (32) days in which to produce these deliverables. This has been a very tall task given the level of in-depth investigative and consultative work which had to be carried out as well as the general lack of data especially among PSOs.

I.2 Work Approach

The approach outlined here pertains only to this volume of the report (Volume-1). Volume 2 reports on the approach used for addressing institutional and organizational issues. The task was executed using sixteen (16) work steps as follows:

Step 1: Briefing meetings were held with the Deputy Chief of Party and the Project Administrator for BEEP to review the expectations and timetable.

Step 2: A brief meeting was held with USAID to get a broader view of the philosophy of BEEP and the expectations from this assignment.

Step 3: Fact-finding meetings were held with technical and policy management personnel in the Ministries of Finance and Trade, Tourism and Industry and their statutory agencies serving business the Guyana Export Promotion Council, (GEPC), Guyana Office for Investment (GO-Invest), and the Guyana National Bureau of Standards (GNBS) as well as the New Guyana Marketing Corporation (NGMC). These consultative sessions focussed on policies, and related issues, and macro economic performance and outlook.

Step 4: Consultative meetings were held with the seven PSOs and one product association to brief them about the assignment, review mandates of their organizations and some of the challenges they faced and also to mobilize their interest in, and prepare them for the PSO workshop.

Step 5: A work plan and report were prepared for the workshop and distributed to the participants.

Step 6: The brainstorming workshop was held to address policy and institutional issues and arrive at private sector consensus.

Step 7: A report of the workshop was prepared and circulated to the PSOs.

Step 8: Follow-up individual working sessions were held with each PSO to carry out operations audit and familiarize them with the techniques of developing business plan and to compile inputs for indicative business plans.

Step 9: Follow-up consultations were held with government organizations serving the business community to give them feedback on the workshop and the range of issues identified and to explore some strategic policy options.

Step 10: Identification and review of relevant literature and database. Appendix-I provides the details.

Step 11: One-to-one meetings were held with three (3) ministers whose ministries serve the private sector. Namely education, public administration and trade and industry.

Step 12: Preparation of the draft final report.

Step 13: Preparation of objectives and stage management arrangements for the second workshop. This

entailed a working session between the Ministers in the four (4) ministries serving business and the leadership of the PSOs. The purpose was to review the Draft Final Report and arrive at a GOG - private sector consensus on policy and institutional strategies and an action plan.

Step 14: Facilitation of the workshop to give business leaders and government the opportunity to reach consensus on critical issues.

Step 15: Incorporation of outputs of the business leaders' and Government's interactive workshop in this report.

Step 16: Preparation of the Final Report which reflects GOG - private sector consensus on priority issues and response strategies.

I.3 Outline of the Report

THIS VOLUME OF THE REPORT IS PRESENTED IN FIVE CHAPTERS AS FOLLOWS:

Chapter 0: The Executive Summary

This focuses on the findings, recommended actions by Government and the Private Sector, and a range of prioritized projects to be implemented.

Chapter 1: The Introduction

It covers the terms of reference, the methodology and outline of the Draft Report.

Chapter II: Analytical Overview

This chapter provides an update on the macroeconomic structure, the socio-economic dynamics of the business sector, economic performance, competitiveness of the economy and trends in private investment and driving forces.

Chapter III: Issues

This chapter examines policy initiatives and their results and documents where there is room for improvement in design, management and policy resource support rationalization.

Chapter IV: The Strategic Policy Framework

This chapter identifies the focal objective and the required overhaul in the policy framework and management arrangements, and provides a step-by-step guideline for implementation. It draws heavily on the outputs from the two workshops held as activities in the assignment and it reflects consensus among the PSOs and between the GOG and the PSOs regarding issues and strategies to address them.

Chapter V: Opportunities for BEEP and Other Donors Intervention

This chapter projectizes many of the recommendations set out in Chapter IV. It also highlights PSOs' and GOG's jointly agreed priority projects.

APPENDIX I-1: RECOMMENDED POLICY ACTIONS AND IMPLEMENTATION STRATEGIES FOR IMPROVING THE INVESTMENT CLIMATE IN GUYANA	
1. Improve Policy Design and Management	**Implementation Strategies**
1.1 Improve policy design	1.1.1 Secure export financing to be implemented through the banking system 1.1.2 Allow for private investment in critical economic infrastructure through direct investment or raising long term bonds - opportunities include: airport service, utilities, port service, roads, construction. 1.1.3 Operate transparent land allocation system with two tenure options, "lease hold" and freehold 1.1.4 Mandate GNCB-GAIBank to provide lease financing, export credit and venture capital financing - venture capital will be ideal for recovering its large debt portfolio 1.1.5 Enable front line institutions such as Go-Invest, Guyana Export Promotion Council, GNBS and NGMC to provide effective services. 1.1.6 Replace ministers' intervention in individual case matters with policies and procedures that can be audited. 1.1.7 Undertake developmental work in the capital market to mobilize equity financing. 1.1.8 Match civil servant pay increase with improved systems and more professionals. 1.1.9 Prepare an acceptable omnibus investment code.

APPENDIX I-1: RECOMMENDED POLICY ACTIONS AND IMPLEMENTATION STRATEGIES FOR IMPROVING THE INVESTMENT CLIMATE IN GUYANA	
1.2 Rationalize Policy Management Organizations	1.2.1 Merge Go-Invest, Guyana Export Promotion Council and NGMC and the Tourism Board since they have basically the same mandate and clientele and enable the consolidated organization through an institutional empowerment program comprising: - Staffing and job classification - Office technology - Technical assistance for training, promotional work, information networking and systems development 1.2.2 Introduce cost recovery fees 1.2.3 Operate GNBS as a stand alone institution but enable it with a comprehensive development program spanning: systems, technology, staffing, and information networking
1.3 Build policies around target investors	1.3.1 Segment investors and modify policy support programs to match their needs, and also prepare differentiated promotional appeal to them. The clusters should include: - Overseas based Guyanese - Existing investors - Disadvantaged entrepreneurs - Caribbean investors 1.3.2 Provide special facilities for disadvantaged entrepreneurs - Eligibility to provide goods and service to government - Technical assistance - Training in entrepreneurship

11.

APPENDIX I-1: RECOMMENDED POLICY ACTIONS AND IMPLEMENTATION STRATEGIES FOR IMPROVING THE INVESTMENT CLIMATE IN GUYANA			
1.4	Increase Bureaucratic Capacity	1.4.1	Implement technical assistance programs for systems and procedures and capital upgrading program in: customs, registry, licencing and land administration.
		1.4.2	Privatize some commercial support services through management contracts. Some candidate services include: airport, records management, information processing and town planning and some aspects of health care services.
		1.4.3	Separate political responsibilities from policy management responsibilities. Concentrate political responsibility on policy formulation and technical and bureaucratic personnel on policy management.
		1.4.4	Increase investment in public administration systems and staff development and contain employment levels and even pay. Productivity and customer service example at the passport office will improve.
		1.4.5	Enhance the customer service delivery system at the Inland Revenue Department.
1.5	Rationalize Sound Social Sector Investment	1.5.1	Promote nursery level education for private providers.
		1.5.2	Increase the share of education budget on primary and vocational education.

APPENDIX I-1: RECOMMENDED POLICY ACTIONS AND IMPLEMENTATION STRATEGIES FOR IMPROVING THE INVESTMENT CLIMATE IN GUYANA	
1.5 Rationalize Sound Social Sector Investment (cont'd)	1.5.3 Involve private sector as partner in vocational and technical education and training through: - Joint funding - Sharing of facilities - Development of programs 1.5.4 Introduce a national housing Trust/fund to mobilize subscriber and investor funds for housing and housing site development.
1.6 Prepare sectoral plans to rationalize use of resources and to position Guyana.	1.6 Identify strategic subsectors and develop and implement competitiveness enhancement programs for them.
1.7 Broaden Privatization	1.7 Include some strategic service activities to modernize the service sector to serve business more effectively. Opportunities include: industrial estates, markets, ferry service, ports, utilities and allied health service
2.0 Expand Business Capacity	
2.1 Promote restructuring of financial status	2.1.1 Go-Invest should promote joint venture for some enterprises. 2.1.2 Creditors (banks) especially GNCB and GAIBANK should convert bad debt portfolio to venture capital equity.
2.2 Increase productivity	2.2.1 Secure private sector line of credit for plant upgrading of entities falling in strategic sectors as determined by the sectoral plans. 2.2.2 Support technical assistance programs for middle management training and systems improvement. 2.2.3 Extend student loan line of credit to employed individuals pursuing approved skills/management development programs.

APPENDIX I-1: RECOMMENDED POLICY ACTIONS AND IMPLEMENTATION STRATEGIES FOR IMPROVING THE INVESTMENT CLIMATE IN GUYANA	
2.3 Expand on financial instruments	2.3.1 Promote venture capital financing, mortgage bonds, long term development bonds, lease financing and equity financing through new provisions in the capital market
2.4 Promote strategic service industries	2.4.1 Identify strategic service industries and create non-fiscal incentives for promoting investment in them.
3.0 Cultivate a National Entrepreneurial Culture	
3.1 Promote proactive entrepreneurship	3.1.1 Operate with more long term policy framework 3.1.2 Secure national consensus on sectoral plans 3.1.3 Encourage PSOs to promote entrepreneurship
3.2 Promote global orientation	3.2.1 GOG and PSOs should co-finance annual conference on global issues, opportunities and strategies 3.2.2 The export promotion council and PSC should promote visitations to target overseas centers.
3.3 Promote use of global scientific data	3.3.1 The PSC Business Center should projectize this opportunity.
3.4 Build PSOs' capacities	3.4 This is addressed in volume 2.
4.0 Improve the Level of Social Marketing	

APPENDIX I-1: RECOMMENDED POLICY ACTIONS AND IMPLEMENTATION STRATEGIES FOR IMPROVING THE INVESTMENT CLIMATE IN GUYANA	
4.1 Expand government's social marketing program	4.1.1 The proposed merged Go Invest, GEPC, NGMC should secure technical assistance to develop and implement a program designed to: - Promote policy - Promote facilitation services - Promote entrepreneurship - Promote procedures for accessing various services - Promote opportunities - Promote entrepreneurial culture
4.2 Promote consensus building	4.2.1 Establish a Business Enhancement Council chaired by the Minister of Finance with representatives from PSC, Linden Chamber of Commerce & Development, BCCI, TAG, Rice Producers Assn, GMA, The Ministry of Finance, the Ministry of Education, the Bureau of Standards, Go Invest and merged entities and the banking community.
4.3 Promote awareness of PSOs' programs and initiatives	4.3.1 Secure technical assistance grants to co-finance a social marketing program to promote PSOs initiatives, PSOs networking and entrepreneurship.

APPENDIX II.1 BRIEF ON OPPORTUNITIES FOR BEEP AND OTHER DONORS' INTERVENTION TO SUPPORT THE GUYANESE PRIVATE SECTOR			
PROJECT TITLE	**KEY OUTPUTS**	**JUSTIFICATION**	**KEY INPUTS REQUIRED**
1. Customer service culture and systems at IRD	# Customer service manuals # Training # Systems # Systems integrated in information technology	Tax compliance will be higher Tax payers will improved experience with IRD	# 4 person month of technical assistance with over 10 years customer service systems and staff development experience and a suitable Masters Degree
2. Establishment and operationalization of consolidated promotional agency.	# Institutional and legal framework # Service plan # Organizational structure # Staffing and job requirements # Job classification # Technical assistance program # Plant technology # Program development # Financing plan	More cost effective services will be provided. It will reduce fiscal burden on GOG. Entrepreneurs will find the arrangement more convenient and effective.	# 8 person months of expertise in: organization and development, strategic planning, investment and trade promotion and management systems. Each expert should have at least a relevant Masters Degree in Business.
3. Investment code	# Legal framework # Institutional framework # Incentives regime # Environmental standards # Operational framework	There will be more transparency. Investment promotion will be more autonomous.	# 2 person months of corporate legal expertise # 12 person months of investment policy expertise. Each expert should have at least 10 years experience

APPENDIX II.1 BRIEF ON OPPORTUNITIES FOR BEEP AND OTHER DONORS' INTERVENTION TO SUPPORT THE GUYANESE PRIVATE SECTOR			
PROJECT TITLE	**KEY OUTPUTS**	**JUSTIFICATION**	**KEY INPUTS REQUIRED**
4. GNBS Institutional support	# Organizational plan # Development plan # Service plan # Technical assistance # Cost recovery plan # Plant upgrading	Improved cost effectiveness Institutional sustainability Financial sustainability	# 4 person months of expertise in development of standards institutions. The candidate should have a Masters Degree in a Science and Technology discipline.
5. Development of subsector plans and strategic plan for country competitiveness	# List of strategic growth oriented subsectors # Strategic plan of action for competitiveness # Technical assistance program	This is necessary to rationalize the allocation of developmental and policy support resources in order to realize maximum socio-economic returns.	# 6 person months of industrial engineering # 4 person months of sectoral economists # 2 person months of a technologist Each expert should have 10 years experience and a Masters Degree.
6. Establishment of National Housing Fund	# Legal framework # Institutional framework # Financing plan # Service delivery mechanism # Social marketing plan # Feasibility analysis	A vehicle such as this is needed to mobilize financing for affordable housing for non-management and administrative, technical and operational personnel.	# 3 person months expertise in housing financing # 3 person months expertise in Economic and Finance # 3 person months expertise in institutional development
7. Privatization of selected government business support service	# Candidate list # Profiles # Privatization modalities # Cost benefit analysis	Government does not have the bureaucratic capacity or funding to modernize the delivery of its services.	# 4 person months of expertise in privatisation and commercialization. The expert should have at least 10 years experience and a Masters Degree.

APPENDIX II.1 BRIEF ON OPPORTUNITIES FOR BEEP AND OTHER DONORS' INTERVENTION TO SUPPORT THE GUYANESE PRIVATE SECTOR			
PROJECT TITLE	**KEY OUTPUTS**	**JUSTIFICATION**	**KEY INPUTS REQUIRED**
8. GNCB-GAIBANK debt for equity (venture capital program)	# Analysis of default profile # Analysis of selected clientele # Legal framework # Debt for equity transactions	Many large business cannot recover due to the debt burden and the banks are not collecting on the loans.	# A risk management expert for 3 person months. He/she should have professional training in banking with 10 years related experience.
9. COG-PSO annual conference on global development and Guyana's positioning	# Review of developments, issues, opportunities and challenges # Consensus on options for Guyana # Consensus on strategic positioning for Guyana.	Government and the private sector to have solid insights of global development and opportunities to shape national strategies.	# One facilitator/expert on global development and strategies # Promotional material # 6 resource persons # A marketing program
10. COG-Private sector technical training program	# Training needs assessment # Training delivery mechanism # GOG-Private sector institutional framework # Financing # Start-up plans # Financing mechanisms # Feasibility analysis # Business plan	At least 70% of the operating and technical workforce are not adequately trained in the jobs they are assigned.	# 4 person months of institutional development expertise # 6 person months of technical and vocational training and education expertise # 2 person months of economics and financial expertise Each expert should have at least 10 years experience and a Masters Degree.
11. Facilitation for disadvantaged entrepreneurs	# Legal and institutional mechanism # Entrepreneurial development programs # Mechanism for participating in supply government with goods and services.	Thousands of individuals laid off from the civil service and the bauxite industry became entrepreneurs without any prior preparation mainly because they had no alternative.	# 2 person months of investment policy expertise with experience in entrepreneurial development # Promotional material # The person should possess a Masters Degree

APPENDIX II.1 BRIEF ON OPPORTUNITIES FOR BEEP AND OTHER DONORS' INTERVENTION TO SUPPORT THE GUYANESE PRIVATE SECTOR			
PROJECT TITLE	**KEY OUTPUTS**	**JUSTIFICATION**	**KEY INPUTS REQUIRED**
12. Service/Knowledge capital industry development	# List of strategic services # Strategic policies to promote investment # Promotional and support programs	Knowledge capital industry for and a range of strategic business support services are still at the infancy stage in Guyana.	# 4 person months of social marketing expertise # A public education program jointly sponsored by GOG-PSC
13. Establishment of a business enhancement council (GOG-Private Sector)	# Council mandate # Institutional structure # Membership # Social marketing of the council	This will alleviate the present fragmented working relationship between PSC, PSOs and the GOG and act as a stop gap until the PSOs are strengthened.	# GOG and Private Sector initiative spearheaded by the Ministry of Finance and promotional program.
14. Social marketing program for consolidated promotional agency	# Program design # Delivery mechanism # Financing mechanism # Implementation plan # Promotional material	There is a major information gap between PSOs, Psc, and government ministries regarding policies, program strategies, opportunities and available service.	# 4 person months of social marketing expertise # A public education program jointly sponsored by GOG-PSC
15. Consolidated promotional agency - PSO overseas Study Tour	# First hand insights on PSOs in operation # Exposure to various institutional and financing models # Exposure to private sector - government relations models	Both the private sector and government administration have limited exposure to PSO development and business government partnership	# A 10 day tour to selected agencies across USA for 14 persons # An end of tour seminar for PSOs.

II. ANALYTICAL OVERVIEW II-1

II.1 Economic Structure II-1

II.2 Dynamics of the Business Community II-2

II.2.1 Ethnicity II-2
II.2.2 Knowledge Capital Emerging Entrepreneurs II-3
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II. ANALYTICAL OVERVIEW

This chapter reviews the economic structure of the business community, output performance, competitiveness of the economy and private investment.

II.1 Economic Structure

Guyana's economy which is driven by its vast and varied endowment of natural resources is quite diversified when compared to its CARICOM counterparts and other larger and more developed economies. For example, eight (8) sectors and sub-sectors each account for over seven percent (7%) of the GDP, they are:-

Sugar	Other agricultural and allied activities
Mining	Manufacturing
Distribution	Transportation and communication
Government services	Engineering and construction

Table II-1 provides the details.

Each of the sectors aggregated into five (5) product related groups - agriculture and allied activities, mining and quarrying, manufacturing, construction and services account for a significant share of the estimated 262,000 strong workforce.

- The productive sector accounts for 132,000 or 50.6%.

- The service sector accounts for 131,000 or 49.4%.

The output per worker is also markedly different. In the productive sector it is estimated at G$21,200 as against G$14,100 in the service sector. This major variation is mainly because the productive sector is relatively more modern and capital intensive than the service sector which is dominated by Government services where there is a high percentage of under employment and under capitalization.

II.2 Dynamics of the Business Community

It is important to analyze the socio-cultural and economic dynamics of the Guyanese business community to set the stage for determining the strategy for promoting investment and entrepreneurship which will be key success factors for sustained growth. The analysis will focus on ethnicity and its entrepreneurial dynamics, the knowledge capital, and the general risk taking capital entrepreneurial culture among mainstream Guyanese entrepreneurs. The analysis is presented in each sub-section which follows:

II.2.1 Ethnicity

Guyana has a diversity of ethnicity which has to be calculated in any comprehensive strategic program for promoting entrepreneurship and investment since relative positioning in the economy and the culture for entrepreneurship will be critical consideration.

Indo Guyanese who accounts for over forty percent (40%) of the population play a significant role in most sectors of the economy except in mining and public service.

- About sixty percent (60%) of them work in high growth sectors such as agriculture, forestry, fishing, construction, commerce and financial services. Therefore, they have a significant level of protection from economic down turns.
- About forty percent (40%) are in engaged in the less buoyant sectors such as bauxite mining, government services, manufacturing, utilities and other services. See Table II-1 which follows. These therefore are exposed to some level of vulnerability though at a manageable level.

- A high percentage of Indo-Guyanese in the labour force especially in the agricultural belt play dual roles as wage earners and micro-entrepreneurs. Their micro enterprising activities help to sustain or increase their income due to their exposure to seasonal employment and/or under employment in the agricultural and non-agricultural sectors respectively. They therefore, have a *"built-in"* culture for entrepreneurship driven mainly by circumstances of seasonality of employment and under employment.

Afro Guyanese who account for just under forty percent (40%) of the population are the major players in the public service, and other less buoyant economic activities such as bauxite, manufacturing, utilities and other services. Sixty-four percent (64%) of them are concentrated in these activities as illustrated in Table II-1. This concentration of their labour gives them reasons not to become part time or seasonal entrepreneurs for the following reasons:

- The bauxite employment used to be year round and very demanding. They also engaged the highest level of pay and a large incremental implicit income through subsidy on: water, electricity, housing, education, transportation and health.

- Their employment in the public service until the structural adjustment program was permanent.

- Those who worked in manufacturing and commercial services enjoyed permanent and relatively safe status prior to the structural adjustment program when those sectors were protected from competition.

- Based on the above, the Afro Guyanese were exposed to less circumstances which could drive them to accelerate their culture for entrepreneurship.

The Amerindian Guyanese are geographically segregated and live mostly in the interior and concentrate on subsistence activities to survive. They are not a significant force in the formal economy.

THE ETHNIC DIVERSITY OF GUYANA CREATES MANY OPPORTUNITIES AND CHALLENGES TO ENTREPRENEURSHIP AND INVESTMENT PROMOTION AND SHOULD THEREFORE BE STRATEGICALLY MANAGED TO TOTALLY UNLEASH THE POTENTIAL OF THE GUYANESE PEOPLE:

The Indo-Guyanese, with a strong entrepreneurial culture with the mass of them engaged in part time entrepreneurship; need financial capital, exposure to business practices and access to the market for government goods and services, and economic institutional support to let them expand and consequently reduce the level of underemployment in their households and in their communities.

The Afro-Guyanese who are the main victims of structural adjustment and economic liberalization need to be supported by training in entrepreneurship, access to credit, access to the market for government goods and services, and the opportunity to participate in privatized activities (in which they served as public employees) through Employee Share Ownership (ESOPs).

The Amerindians should be given greater opportunity to participate in the formal economy. This will span access to:- education, entrepreneurial training, non traditional sources of credit and skills training.

II.2.2 Knowledge Capital Emerging Entrepreneurs

A significant and increasing group of locally based professionals and managers are entering entrepreneurship. They represent early retirees, (retirement starts as early as age 55), persons leaving wage employment, employed persons and returning Guyanese. These persons have an abundance of knowledge capital:- entrepreneurial skills, management and industry experience, specialized training and contact in the market place. They however, do not have financial capital to inject into their planned business ventures, mainly because:-

They have minimal savings from their present or past low paying jobs.
Their savings have been invested in their family homes and/or children's education.

The lack of financial capital is further complicated by the fact that their prime focus is on service businesses such as engineering, repairs and maintenance, professional services, information processing/management, management consulting which are not eligible for priority funding at the

commercial banks, even though they are services which are strategically important for enhancing the competitiveness of other sectors. The banks have not been accommodating because knowledge capital services require a great deal of facilities such as computer systems, communication and marketing to build goodwill, supplies and working capital for specialized personnel none of which can be collateralized.

THE INVESTMENT POLICY FRAMEWORK SHOULD THEREFORE FACILITATE KNOWLEDGE CAPITAL ENTREPRENEURS IN STRATEGIC SERVICE SECTOR - THE SCOPE FOR POLICY SUPPORT WILL INCLUDE: THE PROMOTION OF NEAR BANKING INSTITUTIONS SUCH AS LEASE FINANCING COMPANIES, ACCESS TO GOVERNMENT MARKET FOR GOODS AND SERVICES AND FINANCING FOR ACQUIRING FRANCHISES.

II.2.3 Mainstream Guyanese Entrepreneurs Risk-taking Culture

The existing pool of active players in the Guyanese business community is generally risk sensitive, individualistic and localized as concluded from Guyana Business Outlook 1996, prepared by Christopher Ram & Co. based on a comprehensive survey among private entities in Guyana. For example:

The average equity in Guyanese businesses is less than twenty-five percent (25%).

When the investment climate is unfavourable:

- 75% will reduce capital investment
- 45% will reduce staffing
- Almost 40% will delay new market development

When the investment climate is favourable:

- 69% will aggressively effect expansion plans
- 69% will upgrade technology
- 65% will pursue new markets

Most of them are reluctant to share ownership

- Less than 20% will use external equity financing
- Over 70% intend to secure personal loan or personal cash flow to finance their businesses

Most are localized in their thinking and outlook

- About 32% rely on local newspapers for decision making information
- Less than 3% used computerized database
- Only 20% use international secondary information

A SOUND SOCIAL MARKETING OF ENTREPRENEURSHIP TO CHANGE THE BEHAVIOUR OF GUYANESE ENTREPRENEURS AND PROMOTION OF FRANCHISING WILL BE KEY STRATEGIES TO INCLUDE IN THE INVESTMENT PROMOTION POLICY, IN ADDITION, DIRECT FOREIGN INVESTMENT WILL HAVE TO BE A SUBSTANTIAL THRUST IN THE POLICY.

II.3 Output Performance

Guyana has realized the most impressive growth rate in the Caribbean and most of Latin America on a consistent basis for the past five (5) years as illustrated in Tables II-1 and II-2. The driving forces behind this high growth rate which averages over 6% annually include:

De-regulation of the agricultural sector and major upgrading of technology to improve crop yields especially in rice production.

Major expansion in gold mining which helps to offset the major decreases in the production of bauxite.

Expansion in the public sector investment program which resulted in significant increase in construction and repairs of economic infrastructure.

Reduction in Government deficit spending and the consequential increase of financial resources to private businesses. For example:

- In 1986 private businesses accounted for only 50% of loans and advances.

- In 1994 private businesses accounted for 76% of loans and advances.

Exhibit II-1 illustrates that while prior to 1995 the Guyanese private sector absorbed less than 50% of domestic credit, by 1995 it accounted for 76%. This reflects the structural shift in the economy from state enterprise to private enterprise.

TABLE II-1: GUYANA'S GROSS DOMESTIC PRODUCT AT CONSTANT PRICES 1993-96 IN G$M				
SECTOR	**1996 ***	**1995**	**1994**	**1993**
1. Sugar	843	783	786	757
2. Rice	197	194	143	129
3. Livestock	88	84	69	60
4. Other Agriculture	244	233	215	203
5. Fishing	132	132	120	112
6. Forestry	240	228	197	117
7. Mining and Quarrying	553	474	535	502
8. Manufacturing	358	341	303	286
9. Distribution	392	376	358	338
10. Transport and Communication	408	375	344	317
11. Engineering and Construction	384	349	318	265
12. Rent and Dwellings	82	77	72	66
13. Financial Services	256	249	231	214
14. Other Services	172	160	151	139
15. Government	663	621	609	597
TOTAL	**4,984**	**4,677**	**4,452**	**4,104**
Growth Rate %	6.6*	5.0	8.5	8.2

Source: Ministry of Finance

**** Projected***

EX II-1
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Expansion in export manufacturing is also a major force behind the growth of the economy. Some new and significant players in include the plywood manufacturer and two major 807 garment manufacturers.

TABLE II-3: GUYANA 5-YEAR GDP PERFORMANCE AT CONSTANT PRICES 1991-1995 IN G$ MILLIONS

SECTOR	1991	1992	1993	1994	1995	% GROWTH 1995/1991
1. Total GDP	3,519	3,792	4,104	4,452	4,677	33%
2. Agriculture, Forestry/ Fishing	881	1,095	1,160	1,302	1,412	60%
3. Mining and Quarrying	381	337	502	535	474	24%
4. Manufacturing	409	488	505	533	583	43%
5. Construction	251	256	265	318	349	39%
6. Services	301	316	338	358	376	25%

SOURCE: ***Statistical Bulletin - Bank of Guyana, December 1995 Table 10.2***

These growth rates are indeed very impressive, however, it requires this magnitude for the next 15 years for Guyana to complete its "catching up" process to achieve economic status comparable with most of its CARICOM counterparts who have had modest but consistent positive growth over the past 15 years, while Guyana experienced negative growth for most years during the same period. As a result of the long period of negative growth, Guyana now has:

Over 50% of its people living below the poverty line.

The lowest per capita income in the CARICOM region.

It therefore has to accelerate and sustain a strong growth rate for a long period in order to reduce poverty.

The acceleration and sustainability of growth is however a real challenge at this time given the following realities:-

- The country's production of electricity, a key driving force behind the expansion of output, has declined rapidly over the years, and even with recent improvements, production capacity is still below the 1981 (15 years ago) level as illustrated in Exhibit II-2

EX II-2
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The rapid deterioration in income distribution, poverty, and general quality of life especially during the period 1978-1990 has forced government to increase the share of the social investment program in the Public Sector Investment Program (PSIP) to create a larger safety net for the increasing number of poor. Consequently, a smaller share of the PSIP will be allocated to economic support activities in the future. For example, in the 1996-98 three-year PSIP, only about G$2.5 Billion or 37% of the G$6.8 billion dollar program will be dedicated to economic support projects. This prolongs a 3-year trend which makes Guyana possibly the largest investor in social sector programs in CARICOM. This is quite justifiable due to the fact that it has the largest percentage of its population below the poverty line.

In 1996 for example, Guyana's social sector program accounted for 44% of the total capital program which makes it by far the largest social sector investor among selected CARICOM countries as illustrated in Exhibit II-3.

This relatively low percentage of dedicated expenditure to economic support projects as shown in Table II-3 presents a real dilemma for the country since only accelerated and sustained economic growth can reduce poverty in the long run. The country can however, work itself out of this dilemma by promoting private investment in economic support infrastructure and services such as electricity generation and distribution, airport and seaport modernization and expansion, telecommunications, housing development, and industrial estate development and operations. Government can also increase its capacity to finance a larger portfolio of capital programs by accelerating the privatization of existing commercial activities.

THE GOVERNMENT IS PUTTING ITS PRIVATIZATION PROGRAM ON A 'FAST TRACK' TO ATTRACT PRIVATE FINANCING INTO ELECTRICITY GENERATION AND DISTRIBUTION AND OWNERSHIP AND OPERATION OF A NUMBER OF COMMERCIAL ENTITIES. THIS IS INDEED A POSITIVE STEP TOWARDS EXPANSION AND MOBILIZATION OF PRIVATE RESOURCES TO ENHANCE ECONOMIC GROWTH. IT WILL, HOWEVER, HAVE TO BE BROADENED FOR MORE PRIVATE SECTOR INVESTMENT IN, AND OPERATION OF ECONOMIC INFRASTRUCTURE AND SUPPORT SERVICES.

EX II-3
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TABLE II-3: ANALYSIS OF THREE-YEAR PUBLIC SECTOR INVESTMENT PROGRAM 1996-98 IN G$M			
PROGRAMS/CLASSIFICATION	**TOTAL**	**FUNDING EXTERNAL**	**LOCAL**
1. Water/Sewerage	771	550.5	240.5
1.1 Economic support	730		
1.2 Social	16		
1.3 Administrative	25		
2. Public Administration	1466	363	1,103
2.1 Economic support	150		
2.2 Social	150		
2.3 Public administration	1,166		
3. Contribution to International Agencies	123	0	123
4. Public Safety	89	0	89
5. Sea Defences	2,572	1,350	1,222
6. Education	1,652	1,020	632
6.1 Economic support	1,017		
6.2 Social	328		
7. Housing and Community Services	133	0	133
8. Health	2,417	1,500	917
8.1 Economic support	450		
8.2 Social	1,967		

TOTAL INVESTMENT	**9,223**	**3,763.5**	**5,459.9**
Economic Support G$M	2,470		
Social and Other G$M	6,753		

SOURCES: *(1) PSIP Aggregate data from Ministry of Finance*
(2) Economic support data are the consultants' computed estimates.

II.4 Competitiveness of the Economy

The Guyanese coommidity exports economy is dominated by bauxite, sugar, rice and gold. In 1995, these four (4) commodities account for US$380M or 79% of the US$479M earned from domestic exports as illustrated in Exhibit II-4 which follows.

Most of these exports:- sugar, rice and other products entered the export market under preferential trade treatments such as CBI, LOME and CARICOM. These special facilities are not guaranteed beyond the next 5-years. The challenge ahead of Guyana is therefore to introduce innovative policy mechanisms to increase productivity or the competitive advantage of its exports, and promotion of investment into other export growth oriented activities.

A comparative advantages study on key Guyana exports was completed by the Carter Center for Sustainable Development Program in February 1996 authored by Amy Angel. The study used six (6) leading export products:-

- Cargo rice "B" produced by small farmers and milled by older milling technology.
- Cargo rice "B" produced by large farms and milled by state-of-the-art technology.
- Berbice sugar
- Demerara estate sugar
- Linden Bauxite which enjoys more favorable local fiscal concessions than the Berbice bauxite.
- Pineapple produced by conventional farming practices.

The study concludes that based on the break-even cost of production, large farm produced rice and sugar are likely to be cost competitive while Linden bauxite is extremely uncompetitive. Table II-5 provides the details. Based on the analysis, major technological and policy mechanisms will have to be initiated to improve efficiencies. Such initiatives will have to be those which will.

- Increase farm yields
- Reduce the cost of resources such as money.
- Increase the productivity of labor.
- Improve raw material management
- Improve the efficiency of key support services and plant management systems.

EX II-4
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TABLE II-5: ANALYSIS OF PRODUCTIVITY AND EFFICIENCIES IN SELECTED KEY EXPORTS IN GUYANA					
	PRODUCT	WORLD FOB/TON US$	BREAK-EVEN GUYANA US$	OPPORTUNITIES FOR IMPROVED EFFICIENCY/COST CONTAINMENT	TARGETS
1.	Cargo Rice B small farms, traditional mills	400	396	# Productivity/yield in paddy production: - improved variety - improved drainage - improved management # Reduced cost of money	Increased productivity/yield to over 35 bags per acre.
2.	Cargo Rice"B" large farms, modern mills	400	337	# Productivity/yield in paddy production: - improved variety - improved drainage - improved management # Reduced cost of money	Increased productivity/yield to over 35 bags per acre.
3.	Berbice sugar	617	390	# Productivity of labour # Materials management	
4.	Demerara Estate Sugar	617	512	# Productivity of labour # Material management	
5.	Linden Bauxite	133	181	# Productivity of labour # Efficiency of plant # Efficiency of systems	
6.	Pineapple low tech	465	487	# Cost of money # Farm management systems # Competitive support services e.g. transportation and post harvest handling	

SOURCE: ***For Price and Cost data - Analysis of the Effects of Guyana's Export Sector of Changes in International Markets.***

The study also assessed the extent to which domestic resources are advantageously used in the production of these leading exports. The key here is to determine the ratio between the foreign exchange earned and those utilized in the production and marketing process. Hence, even when the product is profitable, it could still be considered a disadvantageous use of domestic resources if its foreign exchange for inputs exceeds the foreign exchange it earns. The higher level of net foreign exchange earnings is the higher the comparative advantage of producing and exporting the commodity.

The study used the Domestic Resource Cost formula to determine the competitiveness in the use of the local resources.

The formula is:

$$DRC = \frac{[\text{Non-Tradable Cost + Taxes}]\,[\text{Exchange Rate}]}{[\text{World Price-Tradable Cost}]}$$

Where:

DRC = Domestic Resource Cost

Non-tradeable costs are domestic costs such as the land, labour and the domestic contents of the raw material.

Tradeable costs are the foreign inputs

The exchange rate used in the study was G$142 = US$1.

The application of the model yielded the following results.

The advantageously utilized resources are:

- Rice produced by larger farms and modern milling facilities
- Berbice sugar
- Demarara sugar

The disadvantageous utilized resources are:

- Linden bauxite mining and processing
- Pineapple production - produced with conventional practices
- Pineapples produced with improved farming practices

Rice produced by small farmers is only marginally efficient.

Exhibit II-5 provides the details.

THE CHALLENGE AHEAD OF GUYANA IS TO MAKE LINDEN BAUXITE MINING AND

PROCESSING AND SMALL SCALE RICE PRODUCTION FOREIGN EXCHANGE PROFITABLE.

It is seeking to meet this challenge by the following actions:

- Privatization of the operation to a strategic investor with investment capital to modernize the plant and develop down stream products.

- Divestment of the non-bauxite activities (mostly community services) from the operation.

EX II-5
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II.5 Private Investment

Government has initiated some commendable policy mechanisms to stimulate private local and foreign investment. Such policy initiatives include:

Establishment of Go- Invest to facilitate investors through all the stages of the bureaucracy and to help them to access a wide range of resource support services.

Establishment of the GEPC to provide exporters with technical assistance, market information, promotional services, documentation and certification services and representational services to enhance the success of their export marketing.

De-regulating the foreign exchange system to increase supply and therefore accessibility and give exporters the choice of location for maintaining their foreign exchange accounts.

Reforming the civil service, including significant increase in pay to improve and retain the capacity to serve the business community.

Re-organizing and strengthening the GMC - now the New Guyana Marketing Corporation to provide technical support and marketing services to exporters especially those in fresh food.

Removing tax on dividends to encourage equity injection in business, most of which have extremely high debt: equity ratios (80:20).

Expansion of public investment in major social programs such as education and health to enhance the supply of an educated and healthy labour force.

Acceleration of the privatization program to mobilize private finance to modernize the economy.

Operating with tight fiscal management to reduce deficit spending so that increased local financial resources could become available to the private sector.

Improving tax administration, including broadening the tax net, so that the burden of taxation could be reduced.

Rationalizing the PSIP's economic projects to concentrate on those impacting on strategic sectors and sub-sectors of the economy.

Enhancing easier access to land as a key economic resource.

Merging the Guyana National Commercial Bank and the Guyana Agricultural and Industrial Bank to improve the cost-effectiveness of providing 'long term financing to investors and the general management of the portfolio.

II.5 Private Investment (cont'd)

- Introduction of three major legal improvements - the Companies Act, the repeal of the Controls Act, and the deregulation of foreign exchange to reduce regulatory impediments to investments.

- Promotion of "open door" policy for accessing ministers to secure fast track decision making on proposals or allocation of resources such as land, permits and fiscal concessions.

- Creation of special fiscal incentives for promoting private investment in depressed bauxite communities especially in Linden where the total existence of the community revolved around the ailing bauxite operation which in 1995 earned only US$83M as against US$188M in 1980.

- Introduction of joint army/police security patrol to improve the security of citizens and visitors and consequently to enhance the image of the country to promote investment and trade in tourism.

- Increasing in the allocation of land for housing development, and regularizing squatting and upgrading other communities so that the supply of affordable housing could be improved, and consequently the retention of skilled personnel could be increased.

- Established of administrative mechanisms for promoting good racial relations to enhance social stability to reduce the risk of investment.

These Guyanese policy initiatives compare quite favourably with those prevailing in other member CARICOM countries. Table II-6 summarises the existing fiscal and non-fiscal policies in CARICOM countries.

TABLE II-5: COMPARATIVE ANALYSIS OF FISCAL AND NON-FISCAL INCENTIVES IN CARICOM COUNTRIES		
TYPE	**DESCRIPTION**	**NATIONAL APPLICATIONS**
1. Harmonized fiscal incentives to industry.	Tax holidays and duty free inputs for specific periods and approved firms.	Varies widely especially in Guyana
2. International business corporation	Tax free holidays and duty exemptions for offshore type operations	Antigua-Barbuda and Montserrat
3. Double taxation agreement	To prevent double taxation of income earned in CARICOM countries	All except St. Lucia and Antigua-Barbuda
4. Freezone	Automatic tax holidays	Jamaica and St. Lucia
5. Special export incentives	Tax reductions and exemptions from consumption duty.	Trinidad and Tobago and Barbados
6. Hotel aids ordinance	Tax and duty free exemptions	All
7. Modernization of industry	Assistance in modernizing and import duties reduction	Jamaica
8. Investment allowance	Tax deductions for capital expenditures	Trinidad, Barbados, and Dominica
9. Factory construction	Tax relief on operating income from leasing factory or profit from sale of factory.	Jamaica, Barbados, and Dominica
10. Locational incentives	Tax concessions for firms located in designated areas	Belize, Guyana, Jamaica, Trinidad and Tobago
11. Other special incentives for small scale sector	Duty free import of machinery	St. Lucia, St. Vincent, Grenada, Trinidad
12. Industrial estate	Factory shells provide at low rental rates	All

Despite these major policy initiatives, the level of private investment has not been as buoyant as required.

The following indicators substantiate.

Investment has not grown faster than the inflation rate for the period 1992 to 1996.

Investment as a percentage of the GDP has declined from 46% in 1992 to 41% in 1996 (projected) and an actual of 40% in 1995.

The main positive factor about the investment trend is that an increasing share of all investments is financed from domestic savings. For example, in 1992 only 27% of investment was financed by domestic savings while in 1995 it was 66% and it is projected to be 75% in 1996.

Table II-7 provides the details.

TABLE II-7: FIVE YEAR INVESTMENT INDICATORS IN GUYANA

INDICATOR	1996 PROJECTED	1995	1994	1993	1992
1. Investment in G$Billion	29.1	28.3	24.9	21.2	18.6
2. Private investment as % of GDP	42.1	40.0	39.4	42.7	46.0
3. Domestic savings as a percentage of all investment	75.3	66.3	59.4	43.0	27.0

SOURCE: Annual Estimated, 1996, Page 484

Direct foreign investment in Guyana is extremely low. In 1992 for example, it accounted for US$56 per capita while in selected Eastern Caribbean countries it ranged from US$68 to US$493 per capita as illustrated in Table II-8.

TABLE II-7: DIRECT FOREIGN INVESTMENT IN GUYANA COMPARATIVE ANALYSIS FOR 1992		
SELECTED EASTERN CARIBBEAN COUNTRIES	**TOTAL AMOUNT US$M**	**PER CAPITA INVESTMENT US$**
1. Antigua-Barbuda	24.4	271
2. Dominica	11.5	164
3. Barbados	17.2	68
4. St. Lucia	74	493
5. Trinidad & Tobago	155.1	129
6. Guyana	**45**	**56**

SOURCE: ***Coping with changes in the External Shock Environment by the World Bank, May 1994, Table 3.4, Page 36.***

The investment finalization rate i.e. the rate of completion in the bureaucratic process has been extremely low. It declined from 16% in 1994 to only 10% in 1995 ***(Source: Go-Invest)***

These commendable policy initiatives have not succeeded in mobilizing the desirable level of private investment due to the following:

- Some designs are not compatible with the perceived needs of business.
- Some policy management arrangements are inadequate.
- There is no comprehensive legal framework.
- There are no sectoral plans
- Investor targeting is inadequate
- Some investments in the social sector are inefficient
- The bureaucratic capability to facilitate business is inadequate to meet the needs of the growing competitive environment.
- The business community generally lacks the essential characteristics for effectiveness to the policies.
- There is not enough social marketing communication between business and government to garner better understanding of issues and opportunities.

These issues are discussed in Chapter III which follows.

III. ISSUES **III-1**

III.1 Incompatibility of Policy Designs III-1

III.2 Inadequate Policy Management Arrangements III-4

III.2.1 Rationalization of Institutional Support Organizations III-4
III.2.2 Administration of Land Allocation III-6
III.2.3 Squatter Upgrading and Allocation of House Lots . III-9

III.3 Inadequate Legal Framework III-11

III.4 Lack of Sectoral Plans III-11

III.5 Inadequate Investor Targeting III-12

III.5.1 Overseas Based Guyanese III-12
III.5.2 Experienced Managers and Professionals III-17
III.5.3 Major Raw Material Processors III-20
III.5.4 Existing Guyanese and Caribbean Investors III-22

III.6 Inefficient Social Sector Investments III-22

III.7 Inadequate Bureaucratic Capability III-28

III.8 Inadequate Business Dynamism III-29

III.9 Inadequate Communication and Social Marketing III-34

III. ISSUES

There are nine (9) key issues: incompatible policy design, inadequate policy management arrangements, inadequate legal framework, lack of sectoral plans, inadequate investor targeting, inefficient social sector investments, inadequate bureaucratic, capability, inadequate business dynamism, inadequate communication and social marketing.

III.1 Incompatibility of Policy Designs

There are nine (9) policy initiatives which could be enriched to make them more compatible with the perceived needs of the business community. These policy initiatives are:

De-regulation of Foreign Exchange	Zero-Rated Consumption Tax on Capital Goods
Expansion of the PSIP in economic infrastructure	Improving accessibility to land
Merging GNCB and GAIBank	"Open door policy" to ministers
Special fiscal incentives for investing in Linden	Promotion of good racial relations
Increasing salaries for civil servants	Removal of tax on dividends
Improvement of legal framework	

Table III-1 which follows, provides the specifics on the present policy contents and the perceived enrichment requirements from the business community. An understanding of the table which is like a customer perception analysis will be a good starting point for refining the policy initiatives to make them more "customer" needs oriented.

TABLE III-1: GUYANA SELECTED INVESTMENT PROMOTION POLICY INITIATIVES FOR ANALYSIS AGAINST THE PERCEIVED NEEDS OF THE BUSINESS COMMUNITY

POLICY INITIATIVE	CONTENTS	BUSINESS SECTOR'S PERCEIVED ENRICHMENT REQUIREMENT
1. Deregulation of foreign exchange.	Reduced restrictions on transactions and location of retention.	Include facilities for accessing export financing.
2. Expansion of the PSIP in economic infrastructure.	Priority investment in roads, bridges and water.	Improved management of the PSIP to get value for money and promotion of private investment in certain economic infrastructure eg. utilities and ports.
3. Increased access to state land.	Making more lands available on lease-hold.	Increased supply of state land with options to lease or purchase (freehold).
4. Merging GNCB and GAIBank.	To improve cost effectiveness of long term lending and improve management of present portfolios.	Merged service with new products such as lease financing, export credit and venture capital.
5. Special fiscal incentives for investing in Linden.	Land, tax holiday, duty free concession.	Tangible institutional support for investment promotion and increased investment in economic infrastructure.
6. `Open door' access to ministers.	To assist in fast tracking decision making on proposal, allocation of resources such as land and granting permits.	Empower GO-Invest to carry out service within an established Policy framework. This will promote image of "Equal Opportunity"
7. Operation of office for good racial relations.	Promotion of sound social stability.	Operate transparent systems and administrative mechanisms to convince all that equal access is given to economic opportunities.
8. Removal of tax on dividends.	Encourage equity investment.	Develop a capital market to mobilize equity financing.

TABLE III-1: GUYANA SELECTED INVESTMENT PROMOTION POLICY INITIATIVES FOR ANALYSIS AGAINST THE PERCEIVED NEEDS OF THE BUSINESS COMMUNITY

POLICY INITIATIVE	CONTENTS	BUSINESS SECTOR'S PERCEIVED ENRICHMENT REQUIREMENT
9. Increasing civil servants' pay.	Increasing pay and rationalizing the level of increase in accordance with scarcity factor and hierarchy of grade.	Modernizing the civil service systems so that they can respond to the demands of the business community which faces increasing competition.
10. Improvement in some legal framework.	The Companies Act, repeal of the Controls' Act. De-regulating foreign exchange.	An omnibus investment code.

SOURCE: Consultant's Interviews with Selected Business Leaders in PSOs

III.2 Inadequate Policy Management Arrangements

There are areas where the policy management arrangements could be much improved in order to become more cost effective, investor friendly and more effective in mobilizing private resources. These are:

- The rationalization of the four (4) key institutional support organizations. GO-Invest, New Guyana Marketing Corporation (NGMC), Guyana Export Promotion Council (GEPC) and the Guyana National Bureau of Standards (GNBS).
- Administration of land allocation.
- Squatter upgrading.
- Allocation of housing lots.

III.2.1 Rationalization of Institutional Support Organizations

GO-INVEST, NGMC, GEPC and GNBS are all established to provide tangible and tradable services to the business community with at least 70% of the clientele being the same entity or person going to at least three (3) of the four agencies to seek business support services. They are segmented to serve clients in accordance with their activities and not necessarily because their needs are business oriented with a high degree of interrelationship. The organizations offer specialized services for:

- Investment Support
- Export Promotion
- Agricultural Products Market Promotion
- Promotion of Standards

We assessed the needs of the business community and found that they need a high degree of generic business enhancement support services which can be offered through less than four organizations. The generic needs that require similar capability, systems and management structure and can therefore be provided by a single organization are:

- Building and maintaining effective bridges between the government and the business community.
- Providing technical assistance programs to improve productivity and competitiveness.
- Providing directory of opportunities.
- Opening doors for accessing resources.
- Facilitation of trade and investment expositions.
- Providing information on trade and investment opportunities.
- Promoting a favorable business environment.
- Providing easy passage through bureaucratic processes.
- Securing bilateral and multilateral trade and investment agreements.
- Securing lines of credit.
- Providing specialized services.
- Brokering services for technology partners.

We found that GO-Invest, GEPC and NGMC have similar mandates to provide these services and to treat them as high priority in their programs. We also ascertained that with the exception of the NGMC, these organizations generally have very marginal levels of capabilities to provide these services mainly because government cannot afford to finance them adequately and they have no cost recovery or cost sharing plans. Table III-2 which follows provides details on the cluster of high priority mandates among the organizations as well as their respective levels of enablement.

The following can be concluded from the table.

- It will be most cost effective to merge NGMC, GO-Invest and GEPC.
- It will be more cost effective to operate GNBS as a "stand alone" organization.

A major technical assistance and capital development program will have to be initiated to enable the consolidated organization to carry-out its wide ranging mandates. An important lesson can be learnt from NGMC service. This organization which has recently benefitted from a technical assistance program, has been carrying out its mandate quite effectively.

A major technical assistance and capacity improvement program will be required by the GNBS to enable it to serve its clientele.

These organizations offer very tangible services which add value to clients products and service. The development plan for each organization should therefore create innovatively packaged services which will attract fees to enhance their financial viability.

III.2.2 Administration of Land Allocation

The land allocation process entails six (6) stages:

Applicant identifies land

Applicant applies to commissioner of lands

The application is reviewed by the District Land Selection Committee which is most familiar with applicant and the land.

The recommendations by the District Land Selection Committee is reviewed at the regional level.

The commissioner reviews the recommendation from the region.

The minister approves and finalizes the process.

We have identified the universally generic requisite criteria and policy to support each stage of the process but observe that there is no clear criteria or policy or promotional information available to confirm that the process is transparent, objective or gives equal opportunity. Exhibit III-1 illustrates. The following can be concluded from the above and from the exhibit.

The support process is very subjective.

It is not clear what values are added at some stages of the process.

The required final approval by the minister leaves the process opened to political nepotism.

TABLE III-2: OPPORTUNITIES FOR RATIONALIZING BUSINESS SUPPORT INSTITUTIONS IN GUYANA

	1 CRITICAL/TANGIBLE BENEFITS REQUIRED	2 LEVEL OF COMPATIBILITY WITH MANDATES				3 LEVEL OF INSTITUTIONAL ENABLEMENT TO MEET MANDATE				4 CANDIDATES FOR MERGER			
		(A) NGMC	(B) GOINVEST	(C) GEPC	(D) GNBS	(A) NGMC	(B) GOINVEST	(C) GEPC	(D) GNBS				
1	Effective bridges between Government and economic players	M	H	M	L	H	L	L	L	A	B	C	
2	Technical assistance programs to improve productivity	M	H	H	L	M	L	L	L	A	B	C	
3	Directory to opportunities	M	M	M	L	M	M	M	L	A	B	C	
4	Doors opened with documentation and certification	M	H	M	M	M	M	M	L	A	B	C	
5	Assistance with documentation and certification	H	H	H	H	H	M	M	M	A	B	C	
6	Facilitation of trade and investment expositions	M	H	H	L	M	L	L	L	A	B	C	
7	Information on business opportunities, trade and investment	H	H	H	L	M	M	M	L	A	B	C	
8	A favourable business environment	H	H	H	M	M	L	L	L	A	B	C	
9	Easy passage through bureaucratic process	M	H	H	L	H	M	L	L	A	B	C	
10	Securing bilateral trade and investment agreement	M	H	H	L	M	L	M	L	A	B	C	
11	Working knowledge of standards for industry products	H	M	M	H	H	M	M	M	A	B	C	D
12	Securing lines of credit	L	M	M	L	L	M	M	L			C	D
13	Specialized services	H	M	H	H	M	L	M	M	A	B	C	D
14	Brokerage services for technological partners	M	H	M	H	L	M						

LEGEND:

A C B = COMMON SETS

H = HIGH

M = MODERATE

L = LOW

EXHIBIT III-1 EXISTING LAND ALLOCATION PROCESS

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III.2.3 Squatter Upgrading and Allocation of Houselots

These initiatives to increase the supply of housing so that there can be a reliable supply of labour is workable. They however require more systematic approach to be effective, affordable and environmentally friendly. The systems design should comprise:-

The institutionalization of a housing financing program with recoverable fundings from:

- Employees
- Employers
- NIS

The development of mortgage instruments in the private sector to float mortgage bonds with government's guarantee.

A Housing Trust/Fund to administer allocation and collections.

A competitive system for awarding affordable loans to subscribers to the Trust or Fund.

Exhibit III-2 provides a schematic outline of the required systems approach to the housing policy management process.

EXHIBIT III-2 CONCEPTUAL OUTLINE FOR SYSTEMATIC HOUSING SOLUTION IN GUYANA

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III.3 Inadequate Legal Framework

Investors, GO-Invest, NGMC, GEPC and the PSOs all expressed the need for a comprehensive legal framework for promoting investments. It should span but not necessarily be limited to:

- Eligibility for fiscal and non-fiscal incentives.
- Corporate structure.
- Special provisions for strategic sectors.
- Labor practice standards.
- Environmental standards.
- Town and country planning standards.
- Land tenure.
- Taxation.
- Occupational safety standards.
- Statutory reporting standards.
- Liquidation procedure.
- Employee share ownership requirements.
- Foreign/local participation and control requirements.

III.4 Lack of Sectoral Plans

Most countries develop ten (10) year industrial plans to support their investment promotion programs. This will also help to target investors, design competitiveness strategies and institutional positioning strategies and rationalize the PSIP and other policy support resources.

III.5 Inadequate Investor Targeting

The people who are likely to be interested in investing in Guyana are:

Overseas based Guyanese.

Experienced managers and professionals in Guyana.

Major raw material processors (local and overseas).

A large pool of emerging disadvantaged entrepreneurs.

Existing mainstream enterprises in Guyana.

Caribbean multinationals.

III.5.1 Overseas Based Guyanese

The main investments products for this category of investors are:

Savings

Financial instruments

Real estate - mainly residential properties

They are likely to hold other investment interest until they return home to live , which is usually about ten (10) years after they invest in financial instruments and real estate. In the Caribbean, migrant remittances are equivalent to as high as 89% of earnings from commodities and it is generally significant for most countries except Guyana where it is only the equivalent of 4.2% of export. Table III-3 and Exhibit III-3 provide the details.

The level of remittance from overseas Guyanese is much lower than the rest of the Caribbean mainly because of:

Its lack of a buoyant real estate industry.

The lack of a vibrant mortgage financing industry.

The unavailability of attractive financial instruments.

Limited promotion of savings and investment opportunities to Guyanese based overseas.

The lack of a policy to attract Guyanese finance.

For example, the mortgage loan financing service is an extremely small industry in Guyana. The major players have assets of over G$20 billion but only provide mortgage financing of G$3.2 billion or 16% of assets as illustrated in Table III-4. The industry needs to get more innovative to attract overseas based

Guyanese and to finance the housing requirement which is estimated at about 6,500 annually for the next 10 years.

There will, however, have to be major incentives to promote expansion in this industry. They will include:

- Giving all mortgage financing institutions fiscal treatment similar to the New Building Society.
- Provide incentives to institutional investors to invest in mortgage financing companies.
- De-regulate the interest rate that building societies can pay depositors so that new ones could emerge.
- Arrange for the five (5) mortgage financing institutions to be part of the proposed network of approved institutions in the National Housing Fund System proposed in Exhibit III-3.

TABLE III-3: ANALYSIS OF LEGAL IMMIGRANTS TO NORTH AMERICA AND REMITTANCES IN 1992 IN US$

SELECTED COUNTRIES	NO. OF PERSONS EMIGRATED (000)	PERCENTAGE OF POPULATION LEGALLY EMIGRATED	REMITTANCES US$M (annually)	REMITTANCES AS SHARE OF GOODS EXPORT
1. Antigua-Barbuda	13	17	16.8	49.4
2. Dominica	N.A	N.A	14.3	23.7
3. Jamaica	242	10	248	23.6
4. St. Kitts-Nevis	11	26	12.3	38.0
5. Belize	15	8.6	19.2	16.6
6. Harts	148	2.4	146	89.0
7. St. Lucia	N.A	N.A	17.7	14.4
8. Barbados	21	8.9	29.1	18.5
9. Guyana	92*	13.5	13.0	4.2

SOURCES: (1) Caribbean Countries Policies For Private Sector Development By the World Bank April 1996 Table 4.2 Page 55

* **For Guyana only USA figures used.**

EXHIBIT III-3 COMPARATIVE ANALYSIS OF MIGRANT ANNUAL PER CAPITA REMITTANCE FROM NORTH AMERICA 1992

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TABLE III-4: ANALYSIS OF MORTGAGE LOAN FINANCING IN GUYANA 1990-1995 IN G$M

	ASSETS			MORTGAGE LOANS		
TYPE OF INSTITUTION	1995	1990	PERCENTAGE INCREASE	1995	1990	PERCENTAGE INCREASE
1. The New Building Society	3234	742	336	1861	96	1839%
2. Trust Companies	4431	499	788	1151	305	377%
3. All Domestic Insurance Companies	7664	1946	633	151	189	20
4. Pension Schemes	4818	923	422	-	-	-
5. Guyana Cooperative Mortgage Finance Bank	45e	57	21	35	40	12
Total	20192	4167	385	3198	630	408

NOTE

(1) E = Consultants' Estimate
(2) Exchange Rate 1990 G$45=US$, 1995 G$140.5=US$1
(3) Source: Bank of Guyana Annual Report and Statement of Accounts 1995.

III.5.2 Experienced Managers And Professionals

Experienced managers and professionals represent the largest pool of prepared investors. They have knowledge, capital, management experience and market contact. Most of them will therefore enter the service industry. A modern service industry is required to support and enhance the competitiveness of the other sectors as the frequency of the dissatisfaction with Guyana's exports and domestic products will always revolve around service related issues.

The government's policy intention is to modernize the public sector to better serve the business sector so that it can effectively respond to the increasingly competitive environment. It is however unable to finance the systems or retain suitable persons. As a strategy, it should therefore broaden its privatization program to include key service activities that add value to the business process. Some key candidate activities include:

- Technical and Vocational Training
- Management Development
- Housing
- Health Care and Allied services
- Promotions
- Non- regulatory town Planning Services
- Records Management
- Management Information Systems
- Industrial Real Estate
- Airport Services
- Land Administration
- Standards Promotion and Certification

Table III-5 which follows provides the details on the range of services that could be privatized and the respective modalities.

TABLE III-5: OPPORTUNITIES FOR PRIVATE AND PUBLIC SECTOR PARTNERSHIP TO ENHANCE ENVIRONMENT FOR BUSINESS

OPPORTUNITIES	POTENTIAL FOR PARTNERSHIP WITH THE PRIVATE SECTOR	MODALITY
1.0 Workforce Productivity Enhancement		
1.1 Technical and Vocational Training	Delivery, administration and co-financing	Partnership
1.2 Management Development in Private and Public Sectors	Delivery, administration and co-financing	Divesting GMI to CAGI
1.3 Middle and Low Income Housing	Marketing financial instruments, co-financing and development	Joint venture housing Foundation
1.4 Health Care Services	Marketing private health insurance, plant management, service management, collections management	Partnership, management contract
2.0 Promotions		
2.1 Investment and Trade	Joint programs, cost sharing, policy formulation/Fee for service	Joint taskforce, shared management
2.2 Tourism	Joint programs, cost sharing, policy formulation/fee for service	Contribution to TAG
3.0 Bureaucratic Support Service		
3.1 Records management	Registrar, legal	Contracted management services

TABLE III-5: OPPORTUNITIES FOR PRIVATE AND PUBLIC SECTOR PARTNERSHIP TO ENHANCE ENVIRONMENT FOR BUSINESS

OPPORTUNITIES	POTENTIAL FOR PARTNERSHIP WITH THE PRIVATE SECTOR	MODALITY
4.0 Economic Support Infrastructure		
4.1 Industrial real estate	Financing, development and management	Privatization
4.2 Ferry service	Service delivery	Management contract
4.3 Airport service	Financing, development and management	Management contract
4.4 Port services	Management	Management contract
5.0 Land Administration/Development		
5.1 Tenure/titling	Service management	Management contract
5.2 Town planning	Service management	Management contract
6.0 Standards-Promotion and Certification	Cost sharing/fee for service	Joint management

III.5.3 Major Raw Material Processors

These will be local and foreign investors engaged in forestry products, gold mining and agro based products. They will need a policy framework which allows:

- Transparent access to resources
- Long term land tenure
- Fiscal concessions
- Access to long term financing
- Access to export credit

There are six categories of emerging or fledgling entrepreneurs who have distinctive disadvantages in the business community and should therefore be given special policy support. They are: retrenched civil servants, retrenched bauxite employees, small rice farmers, women, hinterland, residents and professionals and management persons. Their disadvantages revolve around: entrepreneur skills, entrepreneurial culture, access to tenured land, access to credit, access to markets and sustainability of their environment. Table III-6 provides the details for each category of disadvantaged entrepreneurs.

The following can be concluded from Table III-6:

- A large population of emerging entrepreneurs are in disadvantageous position.

- Disadvantaged Guyanese entrepreneurs are significant in all the ethnic groups, among women and on a nationwide basis.

- The universal areas of disadvantage are: access to tenured land, access to credit, access to markets (except for the small scale rice farmers).

- Entrepreneurial skills and culture are needed mostly by retrenched civil servants and bauxite personnel, and hinterland residents.

- The need to preserve the environment is most crucial to the hinterland residents.

A POLICY FRAMEWORK TO UNLEASH THESE RESOURCES WILL HAVE TO BE SUPPORTIVE IN TERMS OF ENTREPRENEURIAL DEVELOPMENT, ENHANCED ACCESS TO RESOURCES AND MARKETS, AND PROTECTION OF THEIR ENVIRONMENT.

TABLE III-6: ANALYSIS OF DISADVANTAGED ENTREPRENEURS IN GUYANA

CATEGORY		INDICATIVE POPULATION	PREDOMINANT		CRITICAL FACTORS					
			ETHNIC GROUP	LOCATION	ENTREPRENEURIAL SKILLS	ENTREPRENEURIAL CULTURE	ACCESS TO TENURED LAND	ACCESS TO CREDIT	ACCESS TO MARKET	SUSTAINABILITY OF ENVIRONMENT
1.	Retrenched Civil Servants	>5,000	Afro-Guyanese	Urban	Low	Low	Low	Low	Low	N.A
2.	Retrenched Bauxite Employees	>5,000	Afro-Guyanese	Urban	Low	Low	Low	Low	Low	Moderate
3.	Small Scale Rice Farmers	>5,000	Indo-Guyanese	Entire Rice Producing Belt	Moderate	High	Low	Low	High	Moderate
4.	Women	>10,000	All	National	Moderate	Moderate	Low	Low	Low	N.A.
5.	Hinterland Residents	>5,000	Amerindians	National	Low	Low	Low	Low	Low	Low
6.	Managers/ Professionals	<1,000	All	National	High	Moderate	Low	Low	Moderate	Moderate

III.5.5 Existing Guyanese And Caribbean Investors

These are main-stream investors who will require the core business policy framework already initiated by government. The improvement in management of the policies will be the key attraction.

III.6 Inefficient Social Sector Investments

Two case: education and health will be used to demonstrate this situation.

Approximately 66% of the workforce enter their jobs with primary education or less being their highest level of education, while 31% enter with secondary including technical education and only 3% with tertiary as illustrated in Exhibit III-4 which follows.

THE CONCENTRATION OF THE WORKFORCE WITH PRIMARY SCHOOL OR LOWER LEVEL OF EDUCATION MEANS THAT INCREMENTAL INVESTMENT IN PRIMARY EDUCATION AND TECHNICAL AND VOCATIONAL TRAINING WILL MAXIMIZE THE MACROECONOMIC RETURNS ON INVESTMENT IN EDUCATION

Table III-7 which follows present efficiency related indicators pertaining to investment in education. The following can be concluded from the table.

The required unit capital layout of investment in primary education is the lowest

- It is only half of the required capital for students at the secondary level
- It is only 3% of the required capital for investment in tertiary education.

The success rate in high school (CXC passes) is extremely low. Apart from a few prestigious high schools such as: President's College and Queen's College which are adequately endowed with economic supporting alumni, it ranges from 4.1% in Region - 1 to 16.3% for Georgetown.

Pass in English language, mathematics and business-the three highly demanded subjects is only 9%, 18% and 27% respectively.

President's College which has excellent study facilities and students from upper income level homes realized a success rate of 79%.

Investing in secondary education outside of President's College and other similar schools is a poor private and public investment on the basis of the success rate.

EXHIBIT III-4 GUYANA BREAK OUT OF 242,000 EMPLOYED WORK FORCE BY HIGHEST LEVEL OF SCHOOLING 1992

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TABLE III-7: EFFICIENCY OF INVESTMENT IN EDUCATION 1992

INDICATOR		MEASURE
1.0	**Unit Cost Ratio Per-student Year**	**PERCENTAGE**
1.1	Primary Education	1.0
1.2	Secondary Education	2.1
1.3	Tertiary (University)	33.0
2.0	**Success Rate in High Schools - CXC passes**	**PERCENTAGE**
2.1	Pass rate for English Language	9
2.2	Pass rate for Mathematics	18
2.3	Pass rate for Business Studies	27
3.0	**Geographical Performance in CXC**	**PERCENTAGE**
3.1	Pass rate for English	
3.1.1	Region 4	4.3
3.1.2	Georgetown	16.3
3.1.3	Region 10	9.6
3.1.4	Region 1	8.1
3.1.5	President's College	65.5
3.2	Pass rate for Mathematics	
3.2.1	Region 4	12.5
3.2.2	Georgetown	24.5
3.2.3	Region - 10	10.1
3.2.4	Region - 1	4.1
3.2.5	President's College	79.3

SOURCE: ***Guyana Public Sector Review Tables 13.7 and 13.9 pages 219 and 221 respectively.***

Given the foregoing that primary education is key since it is the only education for above 66% of the workforce, and that technical and vocational education is also key for securing a useful job, it is expected that the investment pattern in education would reflect this reality. However, the pattern is contrary to the priority needs as substantiated by the following:

- There is relatively significant and increasing expenditure on nursery school which is not regarded as a major priority especially for public funding. It is a level of education for which private funding is available through parents, employers and social organizations.

- Primary education which is the highest level for 66% of the workforce, has been receiving decreasing levels of investment and has consequently declined from 32% of the education budget to 23% over the past 10 years

- Secondary education which has a disastrous failure rate continues to receive the largest share of the education budget. It currently receives 39%.

- Technical/Pre-vocational training which is of crucial importance for the majority of the workforce receives a small and declining portion of the budget. It declined from 19% in 1992 to 11% in 1996.

Exhibit III-5 provides the details.

Similarly, in health, there is another case to demonstrate inefficient use of policy resources. The Georgetown Hospital Complex has been upgraded and now has one of the most modern diagnostic facilities in the Commonwealth Caribbean. The total investment in this project is over US$30M. This investment has a favourable environment for generating high social and economic returns as well as a high cost recovery rate due to the following:

- The facilities will appeal to the discriminating consumer because it is superior to all other public and private ones in the country.

- There is potentially significant demand for the facility.

- The ability to pay economic fees has been significantly enhanced by the expansion of private life insurance plans especially through Colonial Life and Guyana Trinidad Mutual Life which is now offering Blue Cross of Jamaica health insurance products.

The facility is, however, not benefitting from this favourable environment primarily due to inadequate policy management arrangements as substantiated below.

- Occupancy rate in the private wing is well below the average sixty percent (60%) rate among private hospitals which have comparatively inferior rooms at four (4) times the rate charged in this facility. The main driving force behind this situation is the lack of commercialization and marketing.

- The existing price of G$1,000 per room night is uneconomic, and is only about 30% of what private health insurance will pay for inferior rooms in other hospitals. It is also much cheaper than the cost of renting a room in an ordinary community in the city, even though it comes with three meals per day and personalized nursing care. This situation prevails because there is a delayed policy decision on the extent of economic cost recovery.

- The diagnostic facilities are not fully operational because of the lack of: personnel and commercialization even though there are opportunities to operate it in partnership with other private providers such as physicians and health insurance companies. The reason for this situation is the lack of a policy decision on how to commercialize the facility. In the meantime Guyana continues to buy diagnostic services from Trinidad and Barbados.

- The complex has not been able to enter into contract with health insurance companies to become a provider under their health plans, because of the lack of policy decisions on fees and cost recovery. It is therefore denying itself of the opportunity to be a major income earner.

EX III - 5
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III.7 Inadequate Bureaucratic Capability

Government has not been able to finance improvement in public administration systems as required. Its major investment so far has concentrated on tax administration, customs, justice administration and some aspects of immigration administration. These investments have been generating high returns to revenue collections, customer service and employee morale. However, a lot more needs to be done especially in terms of facilitating business.

In addition to the lack of modern and effective systems, there is a severe shortage of staff as highlighted below.

About 37% of the posts are vacant.

Approximately half of the senior management, professional and technical posts are vacant. This means that Government service is not likely to be innovative or properly accountable for quality or management of resources.

Table III-8 which follows provides details on staffing and vacancies in public administration.

TABLE III-8 ANALYSES OF STAFFING IN CENTRAL GOVERNMENT ADMINISTRATION - GUYANA 1996

CATEGORY	AUTHORIZED NO. OF PERSONNEL	EMPLOYED PERSONNEL	NO. OF VACANCIES	% VACANT
1. Administrative	1422	791	631	44
2. Senior Technical	1900	859	1041	55
3. Other Technical	4880	27560	2124	44
4. Clerical and Related	6471	4655	1816	28
5. Semi-Skilled Operatives etc.	6766	4438	2511	37
TOTAL	**21,439**	**13,499**	**6,949**	
PERCENTAGE	100	63	37	

SOURCE: Interact - Public Service Bulletin Vol.2 No.2 September 1996 Page 15

The poor service as a result of this severe shortage can be corrected by investment in systems improvement and staff training. This will increase productivity, staff morale and customer service, and there will be no pressure to increase salaries.

A CASE IN POINT IS THE PASSPORT OFFICE: GOVERNMENT IMPROVED THE INFRASTRUCTURE, THE SYSTEMS, AND RE-ORIENTED THE PERSONNEL, THE SERVICE QUALITY HAS IMPROVED, THERE'S NO MORE NEED FOR BRIBERY TO EXPEDITE PASSPORTS, THE PERSONNEL ARE HIGHLY MOTIVATED AND SALARIES HAVE REMAINED IN LINE WITH THE REST OF THE CIVIL SERVICE.

III.8 Inadequate Business Dynamism

The expectations from the Guyanese private sector to be the engine of growth in the immediate and even medium term is extremely high based on the character profile of the business community as gleaned from our interviews and from Guyana Business Outlook 1996, a survey conducted and computed by Christopher Ram and Co. The key characteristics of the Guyanese private sector are as follows.

Their equity in the business is too marginal, (debt: equity is about 78:22%) to attract loan financing or joint venture partners as they cannot be viewed as major risk takers. Therefore, there is no sound basis for expecting major expansion or upgrading from them.

They will be "bearish" in periods of tight monetary policies.

- 75% indicated they will reduce capital investment
- 45% will reduce staffing and expenditure in staff development
- 38% will delay market expansion

They will be bullish only when the investment environment is ideal.

- 69% will aggressively carry-out expansion strategy
- 69% will upgrade technology
- 65% will pursue new markets

About 80% of them are not likely to dilute family ownership to accommodate innovative financing mechanisms such as: joint venture, ESOPs, broad based equity participation and venture capital financing as demonstrated below

- Less than 20% will use external equity financing
- 78% intend to use short term bank loan
- 75% intend to use long term bank loan
- 67% intend to use operating profit

They are very localized in the use of information for business decisions

- Less than 3% use computer network or libraries
- The majority (32%) rely on local newspapers
- 20% use popular overseas news magazine.
- Only 12% use popular international business journals

Table III-9 which follows, provides the details.

BASED ON THE FOREGOING, IT CAN BE CONCLUDED THAT THE STATE OF READINESS OF THE PRIVATE SECTOR IS GENERALLY SHAKY AND IT WILL NEED MAJOR OVERHAULS AND IMPROVEMENTS IN:

- Financial restructuring
- Capacity building
- Proactive entrepreneurial culture
- Orientation to sources of equity financing
- Management and decision making
- Global orientation

THEY HOWEVER HAVE SOME STRENGTHS WHICH WILL SUSTAIN THEM EVEN AT THE PRESENT LEVELS OF OPERATION, AND ENTERING A LIMITED RANGE OF NEW BUSINESSES.

- They have a commitment to staying in business and have a sound track record of survival and preventing the economy from crashing in the difficult periods of the 1980's
- Emerging entrepreneurs have the requisite knowledge capital to develop a buoyant strategic service sector.

Table III-10 provides further details

TABLE III-9 PROFILE OF GUYANESE BUSINESSES

FACTOR		MEASURE	IMPLICATIONS
1.	Debt: Equity Ratio	about 78%	Only long term, low interest and or venture capital financing may be helpful
2.	Expected Entrepreneurial behavior in unfavorable monetary climate		These businesses are not risk oriented
2.1	Reduction in capital investment	75%	Businesses are highly sensitive to high interest rate and loan availability.
2.2	Reduction on staff and staff development	45%	Employees are likely to be early victims when turbulence occurs
2.3	New Market development delay	38%	Businesses generally have to increase output capacity to justify investment in new markets.
3.	Likely action when investment environment improves		
3.1	Expansion strategies will be aggressively pursued	69%	Businesses are generally in an expansion mode, but are very cautious
3.2	Technology will be upgraded	69%	Plants are generally in need of technological improvement
3.3	New markets will be developed	65%	Businesses are adequately aware of the importance of funding new market segments to enhance their growth
3.4	Expansion will take place in the domestic market	56%	The domestic market is still the main focus of most businesses.
3.5	Expand international market	44%	Approximately half of the business sector will never be active exporters

TABLE III-9 (CONT'D): PROFILE OF GUYANESE BUSINESS

FACTORS		MEASURE	IMPLICATIONS
4.	Financing strategies contemplated for expansion and sustainability programs		
4.1	Short Term bank loans	78%	Borrowing will continue to be the main source of financing for businesses
4.2	Long Term bank loans	75%	Borrowing will continue to be the main source of financing for businesses
4.3	Operating Profit	67%	Cash flow and operating profit will continue to be the main source of internal financing
4.4	External sources of equity financing	6 - 18%	Businesses generally want to restrict ownership to family members.
5.	Level of tolerance and commitment in business		The ability to withstand turbulence is very high
5.1	Level of bankruptcy	less than 15%	There is a sound commitment to survival
5.2	Level of voluntary liquidation	less than 10%	
6.	Popular source of information used for business decisions		Business decision are mainly on the basis of "seat of the pants" analysis and word of month
6.1	Local newspaper	32%	Most business decisions are made on the basis of local sensational news
6.2	Popular overseas news magazines	20%	They are inward looking
6.3	Popular overseas business journals and news	12%	
6.4	Libraries, computer network etc.	less than 3%	Scientific information services will have to be heavily promoted to be successful

TABLE III-9 (CONT'D): PROFILE OF GUYANESE BUSINESS

FACTORS		MEASURE	IMPLICATIONS
7.	Profile of emerging entrepreneurs		
7.1	Level of financial capital to finance the business	About 25%	They will not be eligible for conventional loans which require a minimum of 60:40 debit: equity ratio
7.2	Focus on service or intermediate industry	About 75%	The interest in developing a good service sector is significant
7.3	Level of knowledge capital Tertiary level specialized education, technical expertise and management experience among emerging entrepreneurs	About 65%	The potential for developing a buoyant service industry is significant.

SOURCE: ***(1) Trevor Hamilton's interview with business leaders***
(2) Christopher Ram & Co report on Guyana Business Outlook 1996

TABLE III-10: ANALYSIS OF THE STATE OF READINESS TO RESPOND TO BUSINESS OPPORTUNITIES AND AN IMPROVE BUSINESS ENVIRONMENT

FACTOR	RATING
1. Debt: Equity Ratio - Credit Worthiness	C
2. Capacity to Withstand Tight Monetary Measures	C
3. Tendency for Proactive and Risk Taking Behaviour	C
4. Tendency to React Favourably when Business Climate Improves	B
5. Culture for Broadening Equity Participation	C
6. Extent of Calculated Decision Making (on basis of sound information)	C
7. Potential for Developing a Sound Support Service Industry	A
8. Risk Taking and Entrepreneurial Culture	C
9. Commitment to Staying in Business	A
10. Export Market Orientation	B

LEGEND:
A=Super **B=Adequate** **C=Marginal**

III.9 Inadequate Communication And Social Marketing

There is not enough social marketing or communication on business issues, macro-economic constraints and strategies, and opportunities between the private sector and government. Consequently

- Policy designs and management strategies do not benefit from the perceived needs of business
- It is difficult to achieve consensus between the private and public sectors.
- The business community unduly lacks confidence in the business climate and is uncertain about government policies.
- The business community perceives that the playing field is uneven
- Private sector organizations are not perceived by their consultants as being proactive.

Table III-11 provides the details on the top - 10 issues facing the business community which should be kept on the Government - Private sector agenda.

TABLE III-11: EXTERNAL FACTORS POSING MOST CHALLENGES TO GUYANESE BUSINESS

RANK - FACTORS	PERCENTAGE OF BUSINESS
1. Recruiting and retaining qualified Personnel	76%
2. Local Purchasing Power	63%
3. Cost of Money	61%
4. Corporate Tax	60%
5. Uneven Playing Field	58%
6. Accessing New Markets	57%
7. Uncertainty in Government Policies	57%
8. Lack of Confidence in Business Climate	50%
9. Trade Liberalization	48%
10. Financing Working Capital	46%

SOURCE: ***Computed from Guyana Business Outlook Survey 1996 produced by Christopher Ram & Co.***

IV. THE STRATEGIC POLICY FRAMEWORK IV-1

IV.1 The Problem Structure IV-1

IV.2 The Required Strategic Framework . IV-5

IV.3 Implementation Strategies IV-9

IV.4 PSOs-GOG Consensus on Priority Policy Actions IV-9

IV. THE STRATEGIC POLICY FRAMEWORK

This chapter summarizes the core problems and the respective driving forces, the required schematic strategic response, the four-pronged strategic action program and GOG-Private Sector consensus on priority policy actions.

IV.1 The Problem Structure

THE FOCAL PROBLEM IS INADEQUATE POLICY MANAGEMENT AND BUSINESS PROPENSITY TO RESPOND TO THE INCREASINGLY COMPETITIVE ENVIRONMENT. There are four clusters of forces driving this core problem, namely:

 # Inadequate Policy Design and Management. The main concerns in this regard are:

- **The wide ranging innovative policy initiatives exclude some of the key ingredients perceived by the business community to be necessary as discussed and analysed in Chapter III.**

- **There is an excess of organizations charged with managing the policy causing the limited resources to be too thinly spread. Consequently, they are not adequately enabled to provide effective service.**

- **The policy framework is not driven by targeted investors, hence it has no value related attraction to various important categories of investors such as overseas based Guyanese, disadvantaged entrepreneurs and emerging Guyanese based entrepreneurs (managers and professionals).**

- **The public service has not been able to modernize its service fast enough to support the business community its clientele which has to respond on a quick turn-around basis to daily challenges generated by the increasingly competitive business environment.**

- **Social sector investments such as housing, education and health which impact on the supply and quality of labour need to be rationalized.**

- **Sectoral plans need to be developed and supported by policy enhancement mechanisms so that private and public resources could be focussed in the same direction.**

- **The privatization program which is an integral policy component needs to be broadened beyond commercial entities to include some cost recoverable services in the central administration that are critical to the enhancement of business.**

 # There is Inadequate Business Capacity. The underlying causes of the situation are:

- **Inadequate financial structures - most entities have debt equity ratios exceeding 75:25, hence they are not able to finance upgrading or expansion programs.**

- **Low productivity is another problem due mainly to inadequate technical and middle management skills and obsolete technologies and inefficient systems.**

- **Most entities do not have the capacity to be competitive under tight monetary policies which continue to prevail. They are therefore not proactive.**

- **Most entities are family owned and they are not in any haste to dilute ownership, therefore, they cannot access available external sources of equity financing.**

- **The service sector is not industrialized enough to enhance the capacity of business. There is need for rapid industrialization of: engineering, management and business services, investment banking, promotion and marketing, repairs and rebuilding, storage and warehousing and industrial estate services.**

 # Inadequate Entrepreneurial Culture is impeding the innovativeness and proactive behaviour of business, for example:

- **In less favourable times businesses tend to reduce capital investment, reduce staffing and expenditure on staff development and delay new market development.**

- **Most of the businesses are inward looking and are not therefore initiating competitive strategies or export marketing programs.**

- **The major source of business information used is mainly local newspaper or *"street views"* which are not scientific or reliable enough to enhance sound business decisions.**

- **Many of the emerging entrepreneurs who are coming mostly from the Linden bauxite industry and the central government employment have very little prior exposure to entrepreneurship.**

 # Inadequate Social Marketing

Social marketing is required to promote positive investor and entrepreneurial response to government policy initiatives and for effective dialogue and partnership between government and business to resolve problems or issues. Social marketing is, however, almost non-existent due to the following:

- **Inadequate capabilities among the PSOs to undertake programs with government.**

- **Inadequate government provisions (financing and programs)**

- **Lack of consensus between government, business and trade unions on issues and consequential strategies.**

THE CHALLENGE AHEAD IS TO EFFECTIVELY ADDRESS THE PROBLEMS WITHIN A STRATEGIC POLICY FRAMEWORK ACCEPTABLE TO THE STAKEHOLDERS AND ESPECIALLY BUILDING ON THE INITIATIVES ALREADY INTRODUCED BY GOVERNMENT.

If an effective strategic policy response is not on stream shortly, there will be a continuation of more of the same:

- **Limited investor response**
- **Low levels of investment**
- **Limited business strategies and innovations**
- **Marginal national competitiveness**

The consequential macro-economic and social results which now prevail will continue. Namely:

- **Limited socio-economic returns to the PSIP**
- **Restricted economic growth**
- **Limited employment opportunities**
- **High level of poverty**

Exhibit IV-1 which follows schematically sets out the focal problem, underlying causes and consequences.

Exhibit IV-1 Analysis of the Guyanese Business Environment

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IV.2 The Required Strategic Framework

THE FOCAL OBJECTIVE IS TO IMPROVE POLICY MANAGEMENT AND BUSINESS PROPENSITY TO BECOME COMPETITIVE. A four-pronged policy enhancement framework is required to realize this objective.

 # Improve Policy Design and Management. The main concerns in this regard are:

- **Policy designs should be more demand driven. The present policy initiatives, for example, can undergo minor enrichment to match the perceived hierarchical needs of existing and potential investors.**

- **Rationalize policy management organizations, particularly those serving the business community:- Go-Invest, Guyana Export-Promotion Council, the New Guyana Marketing Corporation and the Guyana Bureau of Standards and the Tourism Board/Unit. These five organizations all target the business community as their main customer and over 90% of their mandates overlap. Besides, government has not been able to mobilize enough financial resources under its tight fiscal management program to adequately enable each organization to perform well.**

- **Build policies around target groups which have common and unique needs as they will only respond when those policy needs are addressed. Target investors or entrepreneurs including: overseas based Guyanese, existing businesses, foreign investors, emerging local investors, disadvantaged entrepreneurs and exporters.**

- **Increase the bureaucratic capacity so that it can respond more timely and effectively in an increasingly competitive environment. Some immediate areas which require improvements include: land administration, general customer service, town and country planning, service at the Registrar, records, customs, licensing and standards administration.**

- **Rationalize social sector investment to ensure that the limited resources target high impact areas such as primary, technical and vocational education and training, affordable housing and health care.**

- **Develop and promote sectoral plans. This will help to concentrate private and public resources into areas of comparative advantage, enhance effectiveness of policies and the competitive positioning of Guyana in the regional and extra-regional markets.**

- **Broaden privatization program to include some of the business support services provided by government. This policy initiative will help to mobilize private resources to modernize some aspects of government services which need to be upgraded to enhance the competitiveness or response time for local**

business. Some candidate services include: economic support infrastructure, ferry, port and airport service, land administration, industrial estates, technical and vocational training, town and country planning and certain allied activities in the health care service.

 # Expand Business Capacity - This can be achieved as follows:

- **Promote restructuring of the financial status of enterprises so that they will have more flexibility to manoeuvre and undertake expansion programs.**

- **Increase productivity of the plants. This should entail manpower development, technical assistance in production and management systems and investment in technology.**

 # Expand Financial Instruments

- **The capital market will need to be developed in areas such as lease-financing, investment banking, investment bonds, mortgage bonds and other instruments to facilitate expansion in business.**

-

- **Some service industries which are strategic for the development and growth of the business sector should be targeted for policy support programs. Such industries include: engineering, management consulting, repairs and maintenance, communications and marketing, transportation, management development, and management information systems.**

 # Cultivate Sound National Entrepreneurial Culture

Entrepreneurial culture is not inborn, and as such does not belong to any state, country or race of people. It has to be cultivated and maintained. The policy related program should focus on four (4) areas:

- **Promoting proactive entrepreneurship**
- **Promoting global orientation among entrepreneurs**
- **Promoting the use of global scientific data and other locally produced data that are credible.**
- **Training former civil servants and Linden bauxite industry employees (former) and entrepreneurship**

 # Improve Level of Social Marketing

Government ' s policy initiatives are products which must be clearly understood and reflective of its customers' (entrepreneurs) needs so that the level of investment response can be significantly increased. Social marketing should also entail partnership between Government and the private sector organisations so that the broader community will perceive that there is a national consensus on policies and action plans. The required action for improved social marketing entails:

- **Building PSOs capacities to deliver service and participate in partnership with Government.**
- **Expanding and financing government social marketing programs**
- **Promoting consensus building among PSOs and between government and private sector organisations.**

IF THE ABOVE COMPONENTS OF THE REQUIRED POLICY FRAMEWORK ARE IMPLEMENTED ON A TIMELY BASIS, AND ESPECIALLY USING THE PRESENT POLICY INITIATIVES IN PLACE, THE MACRO ECONOMIC AND SOCIAL RESULTS COULD BE ENVIRONS.

There will be more effective business strategies and innovations

Business and country competitiveness will improve

Investor response will increase

Investment will increase

Consequently, there will be higher returns to the PSIP, increased economic growth, expansion in employment and the attendant reduction of poverty. Exhibit IV.2 provides a schematic outline.

Exhibit IV.2 Strategic Framework for Improving Guyanese Business Environment

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IV.3 Implementation Strategies

The strategic policy framework is divided into four segments:

- **Improving policy design and management**
- **Expanding business capacity**
- **Cultivating a national entrepreneurial culture**
- **Improving the level of social marketing**

Table IV.1 which follows outlines the subsets of required policy actions and the corresponding implementation strategies to maximize benefits.

Chapter V identifies and projectizes the action program for these policy implementation strategies.

IV.4 PSOs-GOG Consensus on Priority Policy Actions

The private sector-GOG interactive workshop reached a consensus on the top six priority policy actions which should be implemented immediately. The Government should:

- **Promote and facilitate free-hold land tenure in the present land policy regime.**

- **Carry out the necessary legal and institutional reforms to facilitate development of the capital market to enhance its ability to use more of the following as sources of financing:**

  - **Debt equity swap**
  - **Venture capital financing**
  - **Lease financing**
  - **Equities**
  - **Merchant banking**

- **Promotion of privatization program to include services.**

- **Promotion of public and private sector partnership for major programs. The immediate opportunities comprise:**

  - **Technical and vocational training**
  - **Information policies on financing**
  - **Technical assistance line**
  - **Entrepreneurial development**
  - **Social marketing**

- **Prepare and introduce an acceptable investment code.**

- **Promote private investment in economic infrastructure such as: port services, utilities**

and road construction and also partnerships in some strategically important services which the government provide for the business community.

 # Concentrate policy implementation in the public services and reform the system to improve effectiveness.

The group also identified three medium term policy action drawn from Table IV-1. It expects these to be implemented within two years, namely:

 # Design and implementation of special short term programs to enable disadvantaged groups, primarily: small farmers, gender,and ethnic groups, and Amerindians.

TABLE IV.1: RECOMMENDED POLICY ACTIONS AND IMPLEMENTATION STRATEGIES FOR IMPROVING THE INVESTMENT CLIMATE IN GUYANA	
1. Improve Policy Design and Management	**Implementation Strategies**
1.1 Improve policy design	**1.1.1 Secure export financing to be implemented through the banking system** **1.1.2 Allow for private investment in critical economic infrastructure through direct investment or raising long term bonds - opportunities include: airport service, utilities, port service, roads, construction.** **1.1.3 Operate transparent land allocation system with two tenure options, "lease hold" and freehold** **1.1.4 Mandate GNCB-GAIBank to provide lease financing, export credit and venture capital financing - venture capital will be ideal for recovering its large debt portfolio** **1.1.5 Enable front line institutions such as Go-Invest, Guyana Export Promotion Council, GNBS and NGMC to provide effective services.** **1.1.6 Replace ministers' intervention in individual case matters with policies and procedures that can be audited.** **1.1.7 Undertake developmental work in the capital market to mobilize equity financing.** **1.1.8 Match civil servant pay increase with improved systems and more professionals.** **1.1.9 Prepare an acceptable omnibus investment code.**

TABLE IV.1: RECOMMENDED POLICY ACTIONS AND IMPLEMENTATION STRATEGIES FOR IMPROVING THE INVESTMENT CLIMATE IN GUYANA	
1.2 Rationalize Policy Management Organizations	**1.2.1 Merge Go-Invest, Guyana Export Promotion Council and NGMC and the Tourism Board since they have basically the same mandate and clientele and enable the consolidated organization through an institutional empowerment program comprising:** **- Staffing and job classification** **- Office technology** **- Technical assistance for training, promotional work, information networking and systems development** **1.2.2 Introduce cost recovery fees** **1.2.3 Operate GNBS as a stand alone institution but enable it with a comprehensive development program spanning: systems, technology, staffing, and information networking**
1.3 Build policies around target investors	**1.3.1 Segment investors and modify policy support programs to match their needs, and also prepare differentiated promotional appeal to them. The clusters should include:** **- Overseas based Guyanese** **- Existing investors** **- Disadvantaged entrepreneurs** **- Caribbean investors** **1.3.2 Provide special facilities for disadvantaged entrepreneurs** **- Eligibility to provide goods and service to government** **- Technical assistance** **- Training in entrepreneurship**

11.

TABLE IV.1: RECOMMENDED POLICY ACTIONS AND IMPLEMENTATION STRATEGIES FOR IMPROVING THE INVESTMENT CLIMATE IN GUYANA			
1.4	Increase Bureaucratic Capacity	1.4.1	Implement technical assistance programs for systems and procedures and capital upgrading program in: customs, registry, licencing and land administration.
		1.4.2	Privatize some commercial support services through management contracts. Some candidate services include: airport, records management, information processing and town planning and some aspects of health care services.
		1.4.3	Separate political responsibilities from policy management responsibilities. Concentrate political responsibility on policy formulation and technical and bureaucratic personnel on policy management.
		1.4.4	Increase investment in public administration systems and staff development and contain employment levels and even pay. Productivity and customer service example at the passport office will improve.
		1.4.5	Enhance the customer service delivery system at the Inland Revenue Department.
1.5	Rationalize Sound Social Sector Investment	1.5.1	Promote nursery level education for private providers.
		1.5.2	Increase the share of education budget on primary and vocational education.

TABLE IV.1: RECOMMENDED POLICY ACTIONS AND IMPLEMENTATION STRATEGIES FOR IMPROVING THE INVESTMENT CLIMATE IN GUYANA	
1.5 Rationalize Sound Social Sector Investment (cont'd)	**1.5.3 Involve private sector as partner in vocational and technical education and training through:** **- Joint funding** **- Sharing of facilities** **- Development of programs** **1.5.4 Introduce a national housing Trust/fund to mobilize subscriber and investor funds for housing and housing site development.**
1.6 Prepare sectoral plans to rationalize use of resources and to position Guyana.	**1.6 Identify strategic subsectors and develop and implement competitiveness enhancement programs for them.**
1.7 Broaden Privatization	**1.7 Include some strategic service activities to modernize the service sector to serve business more effectively. Opportunities include: industrial estates, markets, ferry service, ports, utilities and allied health service**
2.0 Expand Business Capacity	
2.1 Promote restructuring of financial status	**2.1.1 Go-Invest should promote joint venture for some enterprises.** **2.1.2 Creditors (banks) especially GNCB and GAIBANK should convert bad debt portfolio to venture capital equity.**
2.2 Increase productivity	**2.2.1 Secure private sector line of credit for plant upgrading of entities falling in strategic sectors as determined by the sectoral plans.** **2.2.2 Support technical assistance programs for middle management training and systems improvement.** **2.2.3 Extend student loan line of credit to employed individuals pursuing approved skills/management development programs.**

TABLE IV.1: RECOMMENDED POLICY ACTIONS AND IMPLEMENTATION STRATEGIES FOR IMPROVING THE INVESTMENT CLIMATE IN GUYANA	
2.3 Expand on financial instruments	**2.3.1 Promote venture capital financing, mortgage bonds, long term development bonds, lease financing and equity financing through new provisions in the capital market**
2.4 Promote strategic service industries	**2.4.1 Identify strategic service industries and create non-fiscal incentives for promoting investment in them.**
3.0 Cultivate a National Entrepreneurial Culture	
3.1 Promote proactive entrepreneurship	**3.1.1 Operate with more long term policy framework** **3.1.2 Secure national consensus on sectoral plans** **3.1.3 Encourage PSOs to promote entrepreneurship**
3.2 Promote global orientation	**3.2.1 GOG and PSOs should co-finance annual conference on global issues, opportunities and strategies** **3.2.2 The export promotion council and PSC should promote visitations to target overseas centers.**
3.3 Promote use of global scientific data	**3.3.1 The PSC Business Center should projectize this opportunity.**
3.4 Build PSOs' capacities	**3.4 This is addressed in volume 2.**

TABLE IV.1: RECOMMENDED POLICY ACTIONS AND IMPLEMENTATION STRATEGIES FOR IMPROVING THE INVESTMENT CLIMATE IN GUYANA	
4.0 Improve the Level of Social Marketing	
4.1 Expand government's social marketing program	**4.1.1 The proposed merged Go Invest, GEPC, NGMC should secure technical assistance to develop and implement a program designed to:** **- Promote policy** **- Promote facilitation services** **- Promote entrepreneurship** **- Promote procedures for accessing various services** **- Promote opportunities** **- Promote entrepreneurial culture**
4.2 Promote consensus building	**4.2.1 Establish a Business Enhancement Council chaired by the Minister of Finance with representatives from PSC, Linden Chamber of Commerce & Development, BCCI, TAG, Rice Producers Assn, GMA, The Ministry of Finance, the Ministry of Education, the Bureau of Standards, Go Invest and merged entities and the banking community.**
4.3 Promote awareness of PSOs' programs and initiatives	**4.3.1 Secure technical assistance grants to co-finance a social marketing program to promote PSOs initiatives, PSOs networking and entrepreneurship.**

V. OPPORTUNITIES FOR BEEP's AND OTHER DONORS' INTERVENTION V-1

V.1 The Opportunities V-1

V.2 Estimated Investment Requirement V-8

V.3 Impact V-10

V.4 Priority Projects V-10

V.5 Next Steps V-10

V. OPPORTUNITIES FOR BEEP'S AND OTHER DONORS INTERVENTION

This chapter identifies opportunities for BEEP's and other donors' intervention along with the necessary justifications and key inputs required, the estimated level of required capital, the macro-economic and social areas of likely impact and the private sector-GOG consensus on priority projects. The list takes into consideration other initiatives on which some of the recommendations in this report could "piggy back".

V.1 The Opportunities

Fifteen (15) opportunities have been identified. They are:

1. **Promotion of customer service culture and establishment of customer service system at Inland Revenue.**

2. **Establishment and operationalization of a Merged NGMC, Go Invest, GEPC and Tourist Board as a single promotional and industry outreach agency.**

3. **Develop on all inclusive legal and policy framework (Investment Code) for Guyana.**

4. **Preparation of a development plan, an institutional strengthening program and internal and external financing strategies for GNBS.**

5. **Development of subsector plans and strategies to promote Guyana's competitive advantages.**

6. **Design of institutional framework, start-up plan. and financing plan for establishing a National Housing Fund to facilitate affordable housing.**

7. **Identify priority business support services in central government, profile packages and prepare profile on them for privatization.**

8. **Analysis of GNCB-GAIBANK's default portfolio and respective client operations and establish operational plan of action for converting debt to equity (venture capital).**

9. **Implementation of annual GOG-PSO conference on globalization issues, development, opportunities and establish consensus on Guyana's positioning strategies.**

10. **Development of detailed institutional, operational and financing plans for GOG-private sector technical vocational education and training program.**

11. **Development of an institutional and operational framework for a special facilitation program for disadvantaged entrepreneurs. It should span: supply of goods and services to government, training, technical assistance and ESOP funding.**

12. **Identification of strategic service/knowledge capital industries and development of special policy framework for promoting them.**

13. **Establishment of a business enhancement and outreach council and preparation of the Terms of Reference.**

14. **Development and operationalization of a social marketing program for the consolidated promotional agency (consisting of NGMC, Go Invest, GEPC and Tourist Board)**

15. **Planning and execution of a consolidated promotions agency and private sector organizations overseas study tour of institutions serving the private sector to observe how they operate and achieve financial sustainability and institutional maturity.**

Table V.1 which follows outlines the project justifications, outputs and beneficiaries.

TABLE V.1 BRIEF ON OPPORTUNITIES FOR BEEP AND OTHER DONORS' INTERVENTION TO SUPPORT THE GUYANESE PRIVATE SECTOR			
PROJECT TITLE	**KEY OUTPUTS**	**JUSTIFICATION**	**KEY INPUTS REQUIRED**
1. Customer service culture and systems at IRD	**# Customer service manuals # Training # Systems # Systems integrated in information technology**	**Tax compliance will be higher Tax payers will improved experience with IRD**	**# 4 person month of technical assistance with over 10 years customer service systems and staff development experience and a suitable Masters Degree**
2. Establishment and operationalization of consolidated promotional agency.	**# Institutional and legal framework # Service plan # Organizational structure # Staffing and job requirements # Job classification # Technical assistance program # Plant technology # Program development # Financing plan**	**More cost effective services will be provided. It will reduce fiscal burden on GOG. Entrepreneurs will find the arrangement more convenient and effective.**	**# 8 person months of expertise in: organization and development, strategic planning, investment and trade promotion and management systems. Each expert should have at least a relevant Masters Degree in Business.**
3. Investment code	**# Legal framework # Institutional framework # Incentives regime # Environmental standards # Operational framework**	**There will be more transparency. Investment promotion will be more autonomous.**	**# 2 person months of corporate legal expertise # 12 person months of investment policy expertise. Each expert should have at least 10 years experience**

TABLE V.1 BRIEF ON OPPORTUNITIES FOR BEEP AND OTHER DONORS' INTERVENTION TO SUPPORT THE GUYANESE PRIVATE SECTOR			
PROJECT TITLE	**KEY OUTPUTS**	**JUSTIFICATION**	**KEY INPUTS REQUIRED**
4. GNBS Institutional support	**# Organizational plan # Development plan # Service plan # Technical assistance # Cost recovery plan # Plant upgrading**	**Improved cost effectiveness Institutional sustainability Financial sustainability**	**# 4 person months of expertise in development of standards institutions. The candidate should have a Masters Degree in a Science and Technology discipline.**
5. Development of subsector plans and strategic plan for country competitiveness	**# List of strategic growth oriented subsectors # Strategic plan of action for competitiveness # Technical assistance program**	**This is necessary to rationalize the allocation of developmental and policy support resources in order to realize maximum socio-economic returns.**	**# 6 person months of industrial engineering # 4 person months of sectoral economists # 2 person months of a technologist Each expert should have 10 years experience and a Masters Degree.**
6. Establishment of National Housing Fund	**# Legal framework # Institutional framework # Financing plan # Service delivery mechanism # Social marketing plan # Feasibility analysis**	**A vehicle such as this is needed to mobilize financing for affordable housing for non-management and administrative, technical and operational personnel.**	**# 3 person months expertise in housing financing # 3 person months expertise in Economic and Finance # 3 person months expertise in institutional development**
7. Privatization of selected government business support service	**# Candidate list # Profiles # Privatization modalities # Cost benefit analysis**	**Government does not have the bureaucratic capacity or funding to modernize the delivery of its services.**	**# 4 person months of expertise in privatisation and commercialization. The expert should have at least 10 years experience and a Masters Degree.**

TABLE V.1 BRIEF ON OPPORTUNITIES FOR BEEP AND OTHER DONORS' INTERVENTION TO SUPPORT THE GUYANESE PRIVATE SECTOR			
PROJECT TITLE	**KEY OUTPUTS**	**JUSTIFICATION**	**KEY INPUTS REQUIRED**
8. GNCB-GAIBANK debt for equity (venture capital program)	**# Analysis of default profile # Analysis of selected clientele # Legal framework # Debt for equity transactions**	**Many large business cannot recover due to the debt burden and the banks are not collecting on the loans.**	**# A risk management expert for 3 person months. He/she should have professional training in banking with 10 years related experience.**
9. COG-PSO annual conference on global development and Guyana's positioning	**# Review of developments, issues, opportunities and challenges # Consensus on options for Guyana # Consensus on strategic positioning for Guyana.**	**Government and the private sector to have solid insights of global development and opportunities to shape national strategies.**	**# One facilitator/expert on global development and strategies # Promotional material # 6 resource persons # A marketing program**
10. COG-Private sector technical training program	**# Training needs assessment # Training delivery mechanism # GOG-Private sector institutional framework # Financing # Start-up plans # Financing mechanisms # Feasibility analysis # Business plan**	**At least 70% of the operating and technical workforce are not adequately trained in the jobs they are assigned.**	**# 4 person months of institutional development expertise # 6 person months of technical and vocational training and education expertise # 2 person months of economics and financial expertise Each expert should have at least 10 years experience and a Masters Degree.**

TABLE V.1 BRIEF ON OPPORTUNITIES FOR BEEP AND OTHER DONORS' INTERVENTION TO SUPPORT THE GUYANESE PRIVATE SECTOR			
PROJECT TITLE	**KEY OUTPUTS**	**JUSTIFICATION**	**KEY INPUTS REQUIRED**
11. Facilitation for disadvantaged entrepreneurs	**# Legal and institutional mechanism # Entrepreneurial development programs # Mechanism for participating in supply government with goods and services.**	**Thousands of individuals laid off from the civil service and the bauxite industry became entrepreneurs without any prior preparation mainly because they had no alternative.**	**# 2 person months of investment policy expertise with experience in entrepreneurial development # Promotional material # The person should possess a Masters Degree**
12. Service/Knowledge capital industry development	**# List of strategic services # Strategic policies to promote investment # Promotional and support programs**	**Knowledge capital industry for and a range of strategic business support services are still at the infancy stage in Guyana.**	**# 4 person months of social marketing expertise # A public education program jointly sponsored by GOG-PSC**
13. Establishment of a business enhancement council (GOG-Private Sector)	**# Council mandate # Institutional structure # Membership # Social marketing of the council**	**This will alleviate the present fragmented working relationship between PSC, PSOs and the GOG and act as a stop gap until the PSOs are strengthened.**	**# GOG and Private Sector initiative spearheaded by the Ministry of Finance and promotional program.**
14. Social marketing program for consolidated promotional agency	**# Program design # Delivery mechanism # Financing mechanism # Implementation plan # Promotional material**	**There is a major information gap between PSOs, Psc, and government ministries regarding policies, program strategies, opportunities and available service.**	**# 4 person months of social marketing expertise # A public education program jointly sponsored by GOG-PSC**

TABLE V.1 BRIEF ON OPPORTUNITIES FOR BEEP AND OTHER DONORS' INTERVENTION TO SUPPORT THE GUYANESE PRIVATE SECTOR			
PROJECT TITLE	**KEY OUTPUTS**	**JUSTIFICATION**	**KEY INPUTS REQUIRED**
15. Consolidated promotional agency - PSO overseas Study Tour	**# First hand insights on PSOs in operation** **# Exposure to various institutional and financing models** **# Exposure to private sector - government relations models**	**Both the private sector and government administration have limited exposure to PSO development and business government partnership**	**# A 10 day tour to selected agencies across USA for 14 persons** **# An end of tour seminar for PSOs.**

V.2 Estimated Investment Requirement

These projects will require about US$1.35M in capital injection with the potential for local/counterpart financing being US$0.3M or 22% mostly in kind and cost recovery charges. Tables V-2 provides the details:

TABLE V-2 ESTIMATED BUDGET FOR REQUIRED POLICY SUPPORT PROGRAM

PROJECT TITLE	TOTAL $000	PROFESSIONAL SERVICE RELATED	SUPPLIES/ SERVICES	EQUIP MENT	LOCAL CASH & KIND	FOREIG N GRANTS
1. Customer service culture and systems at IRD	70	64	6	0	3	67
2. Establishment and operational-ization of consolidated agency	158	96	18	44	34	124
3. Investment code	67	64	3	0	15	52
4. GNBS institutional support	142	64	8	70	30	112
5. Development of subsector plans and strategic plan for country competitiveness	149	144	5	0	20	129
6. Establishment of National Housing Fund	148	108	14	16	40	108
7. Privatization of selected government business support service	71	64	7	0	15	56
8. GNCB-GAIBANK debt for equity (venture capital program)	39	36	3	0	9	30

TABLE V-2 ESTIMATED BUDGET FOR REQUIRED POLICY SUPPORT PROGRAM						
PROJECT TITLE	TOTAL $000	PROFESSIONAL SERVICE RELATED	SUPPLIES/ SERVICES	EQUIP MENT	LOCAL CASH & KIND	FOREIG N GRANTS
9. GOG-PSO annual conference on global development and Guyana's positioning	21	97	12	0	14	7
10. GOG-Private sector technical training program	184	144	30	10	45	139
11. Facilitation of disadvantaged entrepreneurs	42	32	10		15	27
12. Service/knowled ge capital industry development	51	48	3		7	44
13. Establishment of a business enhancement council (GOG-Private sector)	15	6	9		12	3
14. Social marketing program for consolidated promotional agency	104	64	40		30	74
15. Consolidated promotional agency-PSO overseas study tour	84	15	69		10	74
TOTAL	1345	958	247	140	299	1046

V.3 Impact

The implementation of the recommendations in this report, and in particular the fifteen (15) projects identified will have far reaching macro-economic impact on Guyana. It is however, difficult to measure the level of such impact at this time. They will however revolve around:

- **Investment inflow**
- **Employment**
- **Export earnings**
- **Income**
- **Taxes**

Further work can be carried out on the level of benefit when each project opportunity is fully developed.

V.4 Priority Projects

The GOG-Private Sector interactive workshop conducted as a component of this exercise identified the top-5 priority projects in the list set out in Table V-1 that should be immediately implemented.

They are:

- **Preparation of an investment code.**
- **Development of subsector plans and strategic plan for the competitiveness of Guyana.**
- **Establishment of a Private-Public Sector Housing Fund to finance affordable housing.**
- **Execution of a Public-Private Sector technical and vocational training program.**
- **Establishing a framework for facilitating disadvantaged entrepreneurs.**
- **Development and implementation of a social marketing program to promote awareness of opportunities, policy framework and entrepreneurial initiatives and government and PSO support programs.**

V.5 Next Steps

The GOG and the private sector will need to establish the national council on business enhancement
immediately as a first step to taking this work to fruition.

APPENDICES

1. **List of Workshop -2 Participants**

2. **Bibliography**

List of Participants at the BEEP Project Public/Private Sector Consultative Workshop, Thursday, 31 October 1996 at the Essequibo Room, Pegasus Hotel, Georgetown

The Georgetown Chamber of Commerce and Industry Ltd.

1. **Mr. Dev Sharma, Executive Officer**

The Guyana Manufacturers Association

1. **Mr. Mohabir Singh, President**
2. **Ms. Jocelyn Dow, Vice-President**
3. **Ms. Inge Nathoo, Executive Secretary**
4. **Mr. Christopher Ram, Executive Committee Member**
5. **Mr. Clem Duncan, Executive Committee Member**

The Linden Chamber of Commerce and Development

1. **Mr. Orland Copeland, Proprietor, Copeland Pharmacy**
2. **Mr. L.W. Simmons, Member**

The Consultative Association of Guyanese Industry Ltd.

1. **Mr. David King, Chairman**
2. **Mr. David Yankana, Executive Director**
3. **Mr. Carl Sylvester, Councillor and General Manager, Shell Antilles Guianas Ltd.**

The Tourism Association of Guyana

1. **Mr. Gerry Gouveia, President**
2. **Mr. Barry Curran, Member**

The Private Sector Commission

1. **Mr. Peter Tomlinson, Consultant**

The Berbice Chamber of Commerce and Development

1. **Mr. Ramdial Bookmohan, President**
2. **Mr. Herman Vieira, executive Secretary**
3. **Mr. Anthony Durjan, Public Relations Officer**

The Ministry of Finance

1. **Honourable Bharrat Jagdeo, Senior Minister**
2. **Ms. Sandra Baptiste, Coordinator, Investment & Private Sector Development**

The Ministry of Trade, Tourism and Industry

1. **Honourable Michael Shree Chan**
2. **Mr. Neville Totaram, Permanent Secretary (Acting)**

The Ministry of Education

1. **Mr. Hydar Ally, Permanent Secretary**
2. **Mr. Sydney Walters, Deputy Chief Education Officer (Technical and Vocational Education)**
3. **Mr. Earl Boatswa, Deputy Permanent Secretary (Acting)**

The Public Service Ministry

1. **Honourable George Fung-On, Minister responsible for Public Service Management**

GO-INVEST

1. **Dr. Ivor Mitchell, Executive Director**
2. **Mr. Alex Williams**
3. **Mr. V. Echert**

The Privatization Unit

1. **Mr. Winston Brassington, Acting Head**
2. **Mr. Kenneth Abrams, Financial Analyst**

Guyana Export Promotion Council

1. **Mr. Patrick Persaud, Vice-Chairman**
2. **Ms. Pauline Jordan, Personal Assistant to the CEO**

US Embassy

1. **Ms. Katherine Duffy, Economic Affairs Officer**

USAID

1. **Mr. Patrick McDuffie, Representative**
2. **Mr. Daniel Wallace, Project Manager**

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7. **Analysis of the Effects of Guyana's Export Sector of Changes in International Markets by Amy Angel for the Carter Center for Sustainable Development Program February 1996**

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12. **Guyana Business Outlook 1996 Christopher Ram & Co.**

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14. **Go-Invest, NGMC and GNBS Annual Reports 1995.**