



**Canadian International Development Agency  
(CIDA)**



**The Private Sector Commission of Guyana Ltd.  
(PSC)**

# ***An Evaluation of the Competitiveness of the Productive and Non – Productive Sectors of the Guyanese Economy***

*in the context of*

## ***The Caricom Single Market and Economy***

***(CSME)***

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## **Abbreviations**

<i>ASSP</i>	<i>Aquaculture Support Services Programme</i>
<i>ATA</i>	<i>American Tilapia Association</i>
<i>BCL</i>	<i>Barama Company Ltd.</i>
<i>CAC</i>	<i>Consumer Affairs Commission</i>
<i>CARDI</i>	<i>Caribbean Agriculture Development Institute</i>
<i>CARICOM</i>	<i>Caribbean Community and Common Market</i>
<i>CDB</i>	<i>Caribbean Development Bank</i>
<i>CDIE</i>	<i>Community Drainage and Irrigation Enhancement Project</i>
<i>CET</i>	<i>Common External Tariff</i>
<i>CFRAMP</i>	<i>Caricom Fisheries Resource Assessment and Management Programme</i>
<i>CFM</i>	<i>Caribbean Fisheries Mechanism</i>
<i>CFTT</i>	<i>Consumer Fair Trading Tribunal</i>
<i>CIDA</i>	<i>Canadian International Development Agency</i>
<i>CIF</i>	<i>Cost Insurance Freight</i>
<i>COTED</i>	<i>Council on Trade and Economic Development</i>
<i>CPEC</i>	<i>Caribbean Regional Human Resource Development Programme for Economic Development</i>
<i>CPT</i>	<i>Consumer Protection Tribunal</i>
<i>CRNM</i>	<i>Caribbean Regional Negotiating Machinery</i>
<i>CROSQ</i>	<i>Caricom Regional Organisation for Standards and Quality</i>
<i>CSM</i>	<i>Caricom Single Market</i>
<i>CSME</i>	<i>Caribbean Single Market and Economy</i>
<i>CTA</i>	<i>Customs Trade Administration</i>
<i>C – TRADECOM</i>	<i>Caricom Trade and Competitive Development Programme</i>
<i>CTT</i>	<i>Customs Trade Tribunal</i>
<i>DDL</i>	<i>Demerara Distillers Ltd.</i>
<i>D&amp;I</i>	<i>Drainage and Irrigation</i>
<i>DFID</i>	<i>Department for International Development</i>
<i>ECLAC</i>	<i>Economic Commission for Latin America</i>
<i>EEZ</i>	<i>Exclusive Economic Zone</i>
<i>EU</i>	<i>European Union</i>
<i>FAO</i>	<i>Food and Agricultural Organisation</i>
<i>FDI</i>	<i>Foreign Direct Investment</i>
<i>FPMC</i>	<i>Forest Products Marketing Council</i>
<i>FSC</i>	<i>Forest Stewardship Council</i>
<i>GABA</i>	<i>Guyana Agribusiness Association</i>
<i>GAPS</i>	<i>Good Agricultural Practices</i>
<i>GASCI</i>	<i>Guyana Association of Securities Companies and Intermediaries</i>
<i>GDP</i>	<i>Gross Domestic Product</i>
<i>GFC</i>	<i>Guyana Forestry Commission</i>
<i>GLSC</i>	<i>Guyana Lands and Surveys Commission</i>

<i>GMP</i>	<i>Good Manufacturing Practice</i>
<i>GMSA</i>	<i>Guyana Manufacturers and Services Association</i>
<i>GNBS</i>	<i>Guyana National Bureau of Standards</i>
<i>GNIFC</i>	<i>Guyana National Institute for Forest Certification</i>
<i>GOG</i>	<i>Government of Guyana</i>
<i>GPPA</i>	<i>Guyana Poultry Producers Association</i>
<i>GPS</i>	<i>Global Positioning System</i>
<i>GRDB</i>	<i>Guyana Rice Development Board</i>
<i>GRPA</i>	<i>Guyana Rice Producers Association</i>
<i>GRPS</i>	<i>Guyana Radio Packet System</i>
<i>GSA</i>	<i>Guyana School of Agriculture</i>
<i>GSBA</i>	<i>Guyana Small Business Association</i>
<i>GSE</i>	<i>Guyana Stock Exchange</i>
<i>GSFRMP</i>	<i>Guianas Sustainable Forest Resources Management Project</i>
<i>GTA</i>	<i>Guyana Tourism Authority</i>
<i>GT&amp;T</i>	<i>Guyana Telephone and Telegraph Ltd.</i>
<i>GTIS</i>	<i>Guyana Trade and Investment Scheme</i>
<i>GTUC</i>	<i>Guyana Trade Union Council</i>
<i>GVSL</i>	<i>Guyana Veterinary Services Laboratory</i>
<i>HACCP</i>	<i>Hazard Analysis Critical Control Point</i>
<i>HDI</i>	<i>Human Development Index</i>
<i>HIPC</i>	<i>Heavily Indebted Poor Countries</i>
<i>HRD</i>	<i>Human Resource Development</i>
<i>IAST</i>	<i>Institute of Applied Sciences and Technology</i>
<i>ICFEM</i>	<i>International Classification of the Figurative Elements of Marks</i>
<i>IDA</i>	<i>International Development Association</i>
<i>IDB</i>	<i>Inter – American Development Bank</i>
<i>IDS</i>	<i>Institute of Development Studies</i>
<i>IICA</i>	<i>Inter – American Institute for Cooperation on Agriculture</i>
<i>IFAD</i>	<i>International Fund for Agricultural Development</i>
<i>IFC</i>	<i>International Finance Corporation</i>
<i>IMF</i>	<i>International Monetary Fund</i>
<i>IPED</i>	<i>Institute of Private Enterprise Development</i>
<i>IPR</i>	<i>Intellectual Property Rights</i>
<i>ITLOS</i>	<i>International Tribunal on the Law of the Sea</i>
<i>ITTO</i>	<i>International Tropical Timber Organisation</i>
<i>JP</i>	<i>Justice of Peace</i>
<i>LVM</i>	<i>Legal Verification Mechanism</i>
<i>MFTIC</i>	<i>Ministry of Foreign Trade and International Cooperation</i>
<i>MOA</i>	<i>Ministry of Agriculture</i>
<i>NAAG</i>	<i>National Aquaculture Association of Guyana</i>
<i>NARI</i>	<i>National Agricultural Research Institute</i>
<i>NCC</i>	<i>National Competitiveness Council</i>
<i>NCS</i>	<i>National Competitiveness Strategy</i>

<i>ND&amp;IA</i>	<i>National Drainage and Irrigation Authority</i>
<i>NDS</i>	<i>National Development Strategy</i>
<i>NECS</i>	<i>National Economic Competitiveness Strategy</i>
<i>NGMC</i>	<i>New Guyana Marketing Corporation</i>
<i>NTC</i>	<i>Non Traditional Commodities</i>
<i>NPRS</i>	<i>National Poverty Reduction Strategy</i>
<i>NSA</i>	<i>National Shipping Association</i>
<i>OAS</i>	<i>Organisation of American States</i>
<i>OBMI</i>	<i>Omai Bauxite Mines Inc.</i>
<i>OECS</i>	<i>Organisation of Eastern Caribbean States</i>
<i>PCT</i>	<i>Patent Cooperation Treaty</i>
<i>PRCSSP</i>	<i>Poor Rural Community Social Services Project</i>
<i>PROFOR</i>	<i>Programme on Forestry (UNDP)</i>
<i>PSC</i>	<i>Private Sector Commission</i>
<i>RCC</i>	<i>Regional Chambers of Commerce</i>
<i>RDF</i>	<i>Regional Development Fund</i>
<i>SBB</i>	<i>Small Business Bureau</i>
<i>SBC</i>	<i>Small Business Council</i>
<i>SBDF</i>	<i>Small Business Development Fund</i>
<i>SCP</i>	<i>Standards and Compliance Programme</i>
<i>SDP</i>	<i>Social Development Programme</i>
<i>SPS</i>	<i>Sanitary and Phytosanitary</i>
<i>TAC</i>	<i>Total Allowable Catch</i>
<i>THAG</i>	<i>Tourism and Hospitality Association of Guyana</i>
<i>TI</i>	<i>Transparent International</i>
<i>TIDS</i>	<i>Trade Information Databases</i>
<i>TRIPS</i>	<i>Trade Related Intellectual Property Rights</i>
<i>TSPA</i>	<i>Tripartite Social Partnership Agreement</i>
<i>UG</i>	<i>University of Guyana</i>
<i>UNDP</i>	<i>United Nations Development Programme</i>
<i>USAID</i>	<i>United States Agency for International Development</i>
<i>VAT</i>	<i>Value Added Tax</i>
<i>WAS</i>	<i>World Aquaculture Society</i>
<i>WCAFC</i>	<i>Western Central Atlantic Fisheries Commission</i>
<i>WEF</i>	<i>World Economic Forum</i>
<i>WIRSPA</i>	<i>West Indian Rum and Spirits Producers Association</i>
<i>WTO</i>	<i>World Trade Organisation</i>
<i>WUA</i>	<i>Water Users Association</i>
<i>WWF</i>	<i>World Wildlife Fund</i>

## **Guyana**

*The Co-operative Republic of Guyana, is the only nation state of the Commonwealth of Nations on the mainland of South America. It is north of the equator but in the tropics and is located on the Atlantic Ocean. Guyana is bordered to the east by Suriname, to the south and southwest by Brazil and to the west by Venezuela. It is the third smallest country on the mainland of South America and approximately the size of Great Britain. Guyana is the only South American country whose official language is English.*

*Guyana is an Amerindian word meaning "Land of many waters". The country can be characterised by its vast rain forests dissected by numerous rivers, creeks and waterfalls, notably Kaieteur Falls on the Potaro River. The country enjoys a diverse, multicultural society, high floral and faunal biodiversity, British Colonial architecture and Demerara sugar.*

*Though part of South America, Guyana is an Anglo rather than Latin country and has some cultural similarities to parts of the West Indies. In addition to English, other languages of Guyana include Creole, Hindustani, Akawaio, Wai-Wai, Arawak and Macushi. The majority of the population are of Asian Indian ancestry (called East Indians) with blacks (Afro-Guyanese) making up about a third of the population. A large part of the population is bi-racial and there is a small Amerindian population as well.*

*Guyana achieved independence from the United Kingdom in 1966 and became a republic in 1970, remaining a member of the Commonwealth.*

## **Geography**



*Guyana can be divided into four natural regions: a narrow and fertile marshy plain along the Atlantic {Low Coastal Plain} coast where most of the population lives, then a white sand belt more inland {Hilly Sand and Clay Region}, containing most of Guyana's mineral deposits, the dense rainforests {Forested Highland Region} across the middle of the country, the grassy flat savannah in the south and finally the larger interior highlands {Interior Savannah} consisting mostly of mountains that gradually rise to the Brazilian border. Guyana's main mountains are contained here, including Mount Ayanganna (6,699 ft (2,042 m)) and on Mount Roraima (9,301 ft (2,835 m) – the highest mountain in Guyana) on the Brazil-Guyana-Venezuela tripoint, part of the Pakaraima range. There are also many steep escarpments and waterfalls, including the famous Kaieteur Falls. Between the Rupununi River and the border with Brazil lies the Rupununi savannah, south of which lie the Kanuku Mountains.*

*There are many rivers in the country, the three main ones being (west to east) the Essequibo, the Demerara, and the Berbice. There is also the Corentyne along the border with Suriname. At the mouth of the Essequibo are several large islands. The 90-mile (145-km) Shell Beach along the north-west coasts. Guyana is a major breeding area for sea turtles (mainly Leatherbacks) and other wildlife.*

*The local climate is tropical and generally hot and humid, though moderated by northeast trade winds along the coast. There are two rainy seasons, the first from May to mid-August, the second from mid-November to mid-January.*

## ***Demographics***

*The largest nationality sub-group is that of East Indians comprising 43.5 percent of the population. They are followed by persons of African heritage (30.2 percent). The third in rank are those of Mixed Heritage (16.7 percent), while the Amerindians are fourth with 9.2 percent. The smallest groups are the Whites (0.06 percent or 476 persons), the Portuguese (0.20 percent or 1496) and the Chinese (0.19 percent or 1395).*

## ***Languages***

*English is the official language of Guyana. In addition, Amerindian languages are spoken by a small minority and Guyanese Creole (an English-based creole with African and Indian syntax) is widely spoken. While English is the main language, it is spoken with a broken accent.*

## **Politics**

*Politics of Guyana takes place in a framework of a semi-presidential representative democratic republic, whereby the President of Guyana is the head of government, and of a pluriform multi-party system. Executive power is exercised by the government. Legislative power is vested in both the government and the National Assembly of Guyana. The Judiciary is independent of the executive and the legislature. The 2006 national elections were the first peaceful elections in recent memory. The elections were free and fair and were a welcome departure from the turmoil of previous elections.*

## **Economy**

*Guyana is one of the poorest countries in the Western Hemisphere. Chronic problems include a shortage of skilled labor and a deficient infrastructure. Until recently the government was juggling a sizable external debt against the urgent need for expanded public investment. Low prices for key mining and agricultural commodities combined with troubles in the bauxite and sugar industries had threatened the country's tenuous fiscal position and dimmed prospects for the future. However, the economy has rebounded slightly and exhibited moderate economic growth since 1999, based on an expansion in the agricultural and mining sectors, a more favorable atmosphere for business initiatives, a more realistic exchange rate, fairly low inflation, and the continued support of international organisations.*

*The main economic activities in Guyana are agriculture ( producing rice and Demerara sugar), bauxite mining, gold mining, timber, shrimp and minerals. The sugar industry, which accounts for 28% of all export earnings, is largely run by Guysuco which employs more people than any other industry. Many industries have a large foreign investment. The mineral industry, for example, is heavily invested in by the American company Reynolds Metals and the Canadian Alcan and the Korean/Malaysian Barama Company has a large stake in the logging industry.*

## **Summary**

<i>GDP ( 2006 estimate )</i>	<i>\$3.62 billion ( \$4,700 per capita )</i>
<i>Real Growth Rate</i>	<i>3.2%</i>
<i>Inflation</i>	<i>6.0%</i>
<i>Unemployment</i>	<i>9.0%</i>
<i>Arable Land</i>	<i>2.0%</i>
<i>Labour Force</i>	<i>418,000</i>
<i>Exports ( 2006 est. )</i>	<i>\$621.6 million</i>
<i>Imports</i>	<i>\$706.9 million</i>

## **Communications**

**Telephones** - 110,100 main lines (ITU, 2005), 281,400 mobile cellular (Informa Telecoms, 2005)

**Radio Broadcast Stations** - 1 (government-owned, broadcasting on AM, FM, and shortwave)

**Television Broadcast Stations** - 14 (in 2005; one government-owned station; twelve private stations which relay a variety of American programmes via satellite services)

**Internet Hosts** 1,046 (ITU, 2006)

**Internet Users** 160,000 (ITU, 2005)

## **Transport**

**Railways** - Total 116 miles (187 km), all dedicated to ore transport (2001 estimate)

**Highways** - Total 4,952 miles (7,970 km), of which 367 miles (590 km) paved and 4,586 miles (7,380 km) unpaved (1999 estimate)

**Waterways** - 669 miles (1,077 km)

**Ports and Harbors**- Georgetown, Port Kaituma

**Airports** - 1 international airport (Cheddi Jagan International Airport, Timehri); 1 regional int'l airport (Ogle Airport); and about 90 airstrips, 9 of which have paved runways (2006 estimate).

## **Culture**

Guyana, along with Suriname and Brazil, is one of the three non-Hispanic nations in South America. Guyana's culture is very similar to that of the English-speaking Caribbean, to the extent that Guyana is included and accepted as a Caribbean nation and is a founder member of the Caricom (Caribbean Community) economic bloc and also the home of the Bloc's Headquarters, the CARICOM Secretariat. Its geographical location, its sparsely populated rain forest regions, and its substantial Amerindian population differentiate it from English-speaking Caribbean countries. Its blend of East Indian (Asian Indian) and West Indian (black) cultures gives it similarities to Trinidad and distinguishes it from other parts of the Americas. Guyana shares similar interests with the islands in the West Indies, such as food, festive events, music, sports, etc.

## **Religion**

The major religions in Guyana include Christianity, comprising 57% of the population, Hinduism at 37%, and Islam at 9%. Most Guyanese Christians are Protestants and include a mix of all races. Hinduism is dominated by the East/West Indians who came to the country, early 1800's, while Islam varies between Afro-Guyanese and Indian-Guyanese.

## ***Education***

*Guyana's educational system, which at one time was considered to be among the best in the Caribbean, significantly deteriorated in the 1980s due to the emigration of highly educated citizens and the lack of appropriate funding. Although the education system has recovered somewhat in the 1990s, it still does not produce the quality of educated students necessary for Guyana to modernise its workforce. The country lacks a critical mass of expertise in many of the disciplines and activities on which it depends.*

*The educational system does not sufficiently focus on the training of Guyanese in science and technology, technical and vocational subjects, business management, nor computer sciences. The Guyanese education system is modeled after the former British education system. There are wide disparities among the geographical regions of the country in the availability of quality education.*

*Further adding to the problems of the educational system, many of the better-educated professional teachers have emigrated to other countries over the past two decades, mainly due to low pay, lack of opportunities and crime. As a result, there is a lack of trained teachers at every level of Guyana's educational system.*

## ***Public Health***

*The delivery of health services is provided at five different levels in the public sector, viz. Local Health Posts, Health Centres, District Hospitals, Regional Hospitals and The National Referral Hospital*

*The health sector is currently unable to offer certain sophisticated tertiary services and specialised medical services, the technology for which is unaffordable in Guyana, or for which the required medical specialists simply do not exist. Even with substantial improvements in the health sector, the need for overseas treatment for some services might remain. The Ministry of Health provides financial assistance to patients requiring such treatment, priority being given to children whose condition can be rehabilitated with significant improvements to their quality of life.*

*Compared with other neighboring countries, Guyana ranks poorly in regard to basic health indicators. In 1998, life expectancy at birth was estimated at 66.0 for Guyana, 71.6 for Suriname, 72.9 for Venezuela; 73.8 for Trinidad and Tobago, 74.7 for Jamaica, and 76.5 for Barbados. In Guyana, the infant mortality rate in 1998 was 24.2, in Barbados 14.9; in Trinidad and Tobago 16.2; in Venezuela 22; in Jamaica 24.5; and in Suriname 25.1.*

*Maternal mortality rates in Guyana are also relatively high, being estimate at 124.6 for 1998. Comparable figures for other Caribbean countries are 50 for Barbados, 75 for Trinidad and 100 for Jamaica.*

*It must be emphasised, however, that although Guyana's health profile still suffers in comparison with most of the Caribbean, there has been remarkable progress between 1988 and 1998.*

*This morbidity profile indicates that it can be improved substantially through enhanced preventive health care, better education on health issues, more widespread access to potable water and sanitation services, and increased access to basic health care of good quality.*

### ***Environment and Biodiversity***

*Guyana abounds with plant and animal life. Each region boasts unique species.*

*The following habitats have been categorised for Guyana: coastal, marine, littoral, estuarine palustrine, mangrove, riverine, lacustrine, swamp, savannah, white sand forest, brown sand forest, montane, cloud forest, moist lowland and dry evergreen scrub forests (NBAP, 1999). About 14 areas of biological interest have been identified as possible hotspots for a National Protected Area System.*

*More than 80% of Guyana is still covered by forests, ranging from dry evergreen and seasonal forests to montane and lowland evergreen rain forests. These forests are home to more than a thousand species of trees. Guyana's tropical climate, unique geology, and relatively pristine ecosystems support extensive areas of species-rich rain forests and natural habitats with high levels of endemism. Approximately eight thousand species of plants occur in Guyana, half of which are found nowhere else.*

*Numbers of fauna species are correspondingly high. Guyana, with 1,168 vertebrate species, boasts one of the richest mammalian fauna assemblages of any comparably sized area in the world.*

*The Guiana Shield region is little known and extremely rich biologically. Unlike other areas of South America, over 70% of the natural habitat remains pristine.*

## *Rationale for the Study*

### *Overview*

***The CSME acknowledges that some Member States are entering the CSME at a disadvantage by reason of the vulnerability of their economies and that the persistence of disadvantage, however arising, may impact adversely on the economies and social cohesion in the Community. Further, that disadvantaged countries, regions and sectors will require a transitional period to facilitate adjustments to competition in the CSME.***

*In recent times there have been lots of discussions on the Caricom Single Market and Economy (CSME) in Guyana. The issue most on the minds of the private sector in particular is how to prepare to reap the potential benefits from the CSME. In this sense the private sector recognises that in order to retain markets domestic, regional and extra regional and in the face of additional global competition, domestic firms will have to become highly competitive and to meet international standards for quality and performance.*

*Against this background, the private sector recognises that Guyana faces unique challenges based on the following considerations;*

***The country has only recently embraced free market policies following more than two decades of state domination of the economy, and is now entering a delicate adjustment phase and a period of intense uncertainty with the coming on stream of the CSME. The state of uncertainty is related to the prospect significantly reduced benefits or outright loss of the preferential markets for its key export commodities.***

***The economy is primarily a product of negative economic growth experienced over the past decade. This has led to its classification as a Heavily Indebted Poor Country (HIPC) by the World Bank. Positive economic growth is not forecast over the short to medium term. As a consequence, the country's integration into the CSME will have to be preceded by a period of measured transition into a well regulated economic structure of the Caricom Single Market and Economy (CSME).***

## ***Basic Methodology and Approach***

*The main objective of the Study is to provide decision makers with strategic information on major sector potential so that decisions could be made in relationship to enhancing their competitiveness in preparation for the establishment of the Caricom Single Market and Economy (CSME).*

*While the objective is to select sectors offering potential for development, it is not an exhaustive and in – dept study of the economy of the country, or of the sectors proposed.*

*The Study undertook a number of approaches in arriving at its findings and conclusions. Primarily, the status of the various sectors was measured against the expectations of the CSME. The Study was thus able to isolate those areas of deficiency that allowed for analysis with a view to determining the measures required to both meet CSME expectations and enhance competitiveness.*

*The Study sought to be user – friendly through the simplification of key information relating specifically to the various elements of the CSME. This perspective is intended to provide insights against the understanding that many of the constituents of the Private Sector Commission are not fully conversant with the various elements of the CSME and how it will benefit them.*

*With respect to information gathering, the Study embraced a number of sources including*

- *Results of interviews with Sector Experts;*
- *Results of interviews with Institutional Representatives;*
- *Desk review of Sector Studies;*
- *Desk review of existing publications, studies, reports and statistics produced by various sources.*

*The report contains recommendations for the effective utilisation of the Regional Development Fund, as well as recommendations for improving overall national economic competitiveness.*

## ***Executive Summary***

### ***The Rationale for Competitiveness***

*The current state of Guyana's competitiveness has been captured in a number of recent surveys conducted by international institutions. The country has been ranked near bottom, internationally as well as regionally in a number of key competitiveness areas including human development, transparency, and investment environment.*

*Historically, the country has just returned to free market policies after more than two decades of state domination of the economy, and is now entering a delicate period of adjustment induced by a globalised environment characterised by the rapid liberalisation of trade, investment and technology flows, the real threat of preference erosion and the increasingly intense competition felt from other developing countries.*

*A key development requiring Guyana's pursuit of rapid competitiveness enhancement is the imminent establishment of the Caribbean Single Market and Economy ( CSME ), the purpose of which is to remove differences and all restrictions to trade among CARICOM countries so as to encourage the perception of the Community as a common space and a harmonised investment area.*

*The CSME will mean an improvement in market access across the board and in this sense, business people will enjoy access to an expanded internal market of over 6 million consumers (14 million if Haiti is included). The primary elements of the CSME are the free movements of goods, skilled nationals, services and capital. It also aims at the removal of bureaucratic barriers and non – discrimination in the granting of incentives among Community nationals.*

*Guyana's response to the demand for enhanced competitiveness has been a structured one, underpinned by a renewed and meaningful dialogue between the public and private sectors. The competitiveness dialogue has been facilitated within the framework of the National Competitive Strategy which reflects a recognition of the dual role that each of these entities must play in delivering enhanced national competitiveness and greater economic growth.*

### ***Sectoral Competitiveness***

*Generally, economic development planning in Guyana is characterised by a general weakness in sectoral, sub – sectoral and cross - sectoral planning. This lack of strategic thinking has in the main been responsible for the country not being successful in building up competitive advantage.*

*Not all sectors and sub – sectors will be affected equally. Some sectors and sub – sectors are likely to be severely prejudiced by tariff reductions, others may not suffer much harm. For those which find themselves somewhere in the middle, the challenge will be to improve quality, lower costs, and form strategic alliances, both domestic and international in order to survive within increasingly competitive markets.*

### ***Competitiveness in the Agricultural Sector***

*Agriculture is the most important sector of Guyana’s economy, accounting for around 30 percent of GDP, 30 percent of employment and 40 percent of export earnings. Guyana will continue to remain competitive in agriculture on account of its natural advantages of land, water, human resource, technical institutions and tradition of marketing regionally and internationally.*

***Sugar** is the most important agricultural product, followed by **Rice**. The competitiveness of these sub – sectors have been diminished as a consequence of the erosion of preferences under traditional marketing arrangements. However, substantial new investments in both sub – sectors have been completed with a view to restoring some measure of competitiveness. In the case of sugar an injection of some US\$110 million is designed to achieve modernisation and efficiency. Rice is benefiting from a European Union Competitiveness Grant.*

***The non – traditional sub - sector** has the best possibility for growth over the next decade. However, for sub – sector to achieve its fullest potential, significant support will be required to assist in meeting international standards. There will also have to be radical changes in land rights and in the size of farms, as well as improvements in infrastructure. The competitiveness of the sector is likely to be enhanced with the recent launching of a Ministerial Advisory Group on diversification. The Group is made up of 17 public and private sector representatives.*

*The Bureau of Statistics estimates that the **primary sector of fisheries** contributed just under 3% of GDP of total GDP, making it a significant contributor to Guyana’s economy.*

***The traditional fishing sub - sector** has enormous potential for improving its contribution to GDP. However, the country’s marine resources are not being managed in a sustainable manner, due to a lack of human and technical capacity. This is reflected in the inability of the sector to carry out accurate scientific surveys of the resource. Thus, while Guyana has some of the most abundant marine resources in the region, many of these resources remain under – exploited, especially the deep water resources.*

***Commercial aquaculture** is one of the most promising economic activities in Guyana. Commissioned marketing and feasibility studies have shown that aquaculture has the potential of growing into one of Guyana’s most profitable export sectors.*

*The industry has been growing at a relatively phenomenal rate with an average annual growth rate of 14.4% since 1995. This has been in direct response to policy measures aimed at aiding its competitiveness. Such policy has spawned technical assistance in relation to basic adaptive research, training to farmers and the supply of seed stock.*

### ***The Livestock Sector***

*The livestock sector's contribution to total agricultural output is relatively small, varying between 0.4. and 0.7 percent of GDP. This is more reflective of a situation where domestic support to livestock industries remains relatively limited.*

*The sector suffers from a lack of strategic planning, but as could be seen from the remarkable turnaround of the poultry industry, and to a lesser extent that of the beef industry, the ability of the sector to achieve high levels of competitiveness corresponds to similarly high levels of support of an integrated nature.*

### ***The Poultry Industry***

*The poultry industry is the single most important industry in the livestock sub-sector. It contributes significantly to the Guyanese economy with an average annual turnover of around US\$35.65 million, contributing 2.5% of agriculture gross domestic product, and 1% to manufacturing GDP. Growth and investment within the industry has been phenomenal and the industry's structure has evolved to reflect a growth in large-scale operations, aimed at not only satisfying the domestic market, but also with a view to penetrating CARICOM markets. Over the past 5 years more than US\$80 million was invested into the industry at all levels of the marketing chain and has been largely responsible for the recent renaissance seen in the industry.*

*Guyana has never been a net exporter of poultry products. However, recent market indications suggest that this might change soon. Trinidad and Tobago has signaled its intention to import chicken from within the region and has identified Guyana and Belize as likely sources. The regional poultry industry is estimated at over US\$468 million per annum.*

### ***The Beef Industry***

*Guyana has the potential to export beef to the Caricom market. With improved domestic policy measures coupled with a favourable trade regime at the CARICOM level Guyana could well be exporting beef to the Region in the not too distant future. This is based on a number of important considerations among which is the fact that the country has been certified as being free of Foot and Mouth disease.*

*For the country to attain any level of export competitiveness there would have to be a significant upgrading of its processing capability. A key constraint is the lack of international standard Abattoirs. This is likely to be addressed since the industry has been identified as a priority industry under the government's US\$14.5 million diversification project which is being supported by the Inter American Development Bank (IADB) and the construction of international standard Abattoirs have been identified as essential components of the programme.*

### ***The Dairy Industry***

*Efforts in developing a viable dairy industry in Guyana have met with little success. The industry produces some 30 million litres (6.6 million gallons, representing about 60 percent of the estimated national requirement). This compares with peak production of 80 million litres (17.6 million gallons) in 1993. The downward trend in milk production corresponds with milk import policies that favors importation of powdered milk at very low tariffs and the absence of adequate government support for milk marketing, processing and distribution systems.*

*The country has some competitive advantage in the production of Margarine and Butter and some cultural products such as Ghee. These have found niche markets in the Caribbean and North America.*

*With some 20 products test marketed to varying degrees of acceptability, the sub – sector has established the basis for some level of future competitiveness. For this to be realised however, substantial support will be required in the promotion of inter – sectoral linkages and the development of niche markets.*

### ***The Organic Food Sector***

*The emergence of the organic sector has only been recent. As such the sector is quite small with only about 28 farms occupying some 109 hectares of farmland or 0.02 % of total land under cultivation.*

*Although the benefits of organic production has been generally touted throughout the sector, production has been modest and limited to a small volume of cocoa production aimed at satisfying a market niche identified by a British charity. It is widely suspected that the cost of establishing organic cultivation may constitute a major impediment to new investment.*

*Given that the organic food sector is a lucrative and fastest expanding industry, future competitiveness may be achievable given requisite planning and support by way of appropriate incentives.*

## ***The Forestry Sector***

*The forestry sector has been referred to in the National Development Strategy as one of the natural resources with the greatest potential for economic development and poverty reduction. The sector is of significant national import, currently providing direct and indirect employment for some 20,000 persons. However, its contribution to GDP is just around 4% and accounting for only about 6% of total exports.*

*The expectations of the sector ( the Forest Products Marketing Council ( FPMC ) is to raise the contribution of the sector to the Gross Domestic Product ( GDP ) from 4% to 10% in three to four years. While this is achievable, **one of the key impediments improved competitiveness is the inability of the sector to inventorise the forest resources.** Thus, the sector is unable to realise its considerable competitive potential owing to the absence of accurate, updated and complete data on the resource base and value of the forests. The absence of inventory information inhibits proper management, planning and optimal utilisation of forest resources to gain optimal benefits for the welfare of the nation.*

*A recent competitiveness issue has been that associated with the export of logs and its implications for downstream processing. Subsequent stakeholder dialogue has resulted in the planned implementation of a regime of restrictions that will see a significant overall reduction in log exports commencing 2008.*

## ***The Manufacturing Sector***

*The sector is weak and currently accounts for only about 3% of GDP. It provides employment for roughly 12% of the working population.*

*General expectations are that Guyana's slender manufacturing base is expected to be threatened by increasing competition from imports in a small domestic market and by potentially reducing tariffs in export markets where the country enjoys preferential access. On the basis of these developments, **Guyana's manufacturers thus require as long a transition period as possible in order to bridge the competitiveness gap.***

*There is no overarching strategy to bring together the disparate attempts at various agencies in developing the sector. It would be appropriate, given the potential of the sector to add value, create jobs, and generate hard currency, that a single agency dedicated to raising the profile of manufacturing sector be established. Such an agency would serve to bridge a wide policy gap where manufacturing is pursued on an ad hoc basis.*

*The fact that agriculture is the mainstay of the Guyanese economy has opened up the possibility for agro - processing as a sub – sector where manufacturing should have good potential.*

*Due to issues associated with inefficiency, enormous volumes of waste are generated across the forestry, wood processing, agricultural, and other productive sectors. This presents significant opportunity for increased manufacturing activity based on new product development.*

*The manufacturing environment has to be seen in the context of the infrastructural deficiencies that currently beset the sector. In this context, manufacturing policy should be geared to the export of semi – processed goods and services to regionally or extra – regionally sources for finishing. The formation of strategic alliances will have the effect of allowing for penetration of regional and extra – regional markets using existing plant assets and piggybacking on established research and development and advertising budgets.*

### ***The Mining Sector***

*Mining, on account of the country's extensive natural resource base, forms an important sector of the economy, contributing about 13% to GDP, 38% to exports and employing some 10 – 15 % of the labour force. The potential of the sector to contribute even more significantly is enormous given the country's vast unexploited mineral reserve base, estimated at close to 30 known metallic and non – metallic minerals and the ability to add value to these minerals.*

*In spite of recent progress and potential opportunities, a number of key challenges have to be overcome if the sector is to further its competitiveness. These challenges relate to the relative isolation of mining communities and implications for reducing the impact of health risks endemic to the interior, the need to improve technical and professional training throughout the industry, given international technological advancements, the inability of the country to effectively police its hinterland and effectively arrest the significant levels of illegal mining, and addressing international consumer concern over the environment.*

### ***The Tourism Sector***

*The tourism sector is a rapidly emerging one that holds much promise for growth over the medium – term. The potential of the sector has been highlighted in the National Development Strategy (NDS) where the sector has been marked as one that can contribute to the sustainable development of Guyana. The Government which has designated it as a priority sector with the aim of doubling international tourism by 2010.*

*Interest in the sector has yielded spectacular results over the short – term. The sector currently contributes approximately 7% to GDP. Its competitiveness is brought into sharp focus when compared with more established sectors such as forestry (4%), manufacturing (3%) and fisheries (3%).*

*Despite the general recognition of the country's abundant natural resources, the country has not been as successful in translating its natural touristic resource base into a viable tourism industry. **An expanded market base is therefore required to address this deficiency.***

*A five year ( 2006 – 2010 ) strategic plan commissioned by the Inter – American Development Bank ( IDB ) has concluded that for the sector to become a driver of economic growth, a diversified tourism product is required and that the focus will have to be on international tourism, including the Guyanese community overseas.*

### ***The Labour Sector***

*In a Global Competitiveness Report 2005 – 2006, Guyana was ranked 117 out of 117 by the World Economic Forum in relation to brain drain.*

*Guyana continues to be a net exporter of skills to the Caribbean and extra – regionally. While there has been much improvement in the area of human resource development, precious little is being done in the area of skills retention. A recent (2005) IMF study showed that 86% of degreed Guyanese emigrate.*

*Other reports suggests that the migration trend is set to continue, as a reported 400 qualified and skilled Guyanese have applied for Certificates of Recognition of Caricom Skills Qualification under CSME arrangements.*

*The National Development Strategy (NDS) has identified investment in human resources as a vital pre – condition for improved national competitiveness. The challenge facing Guyana is to create stability in the labour environment. This will require measures to stem the outflow of skills.*

### ***The Services Sector***

*The state of the country's services sector is summed up in a recent World Bank report entitled "A Time to Choose: Caribbean Development in the 21st Century". The report found that the focus of investment in the services sector has been on low value, low technology intensity activities.*

*There is much work to be done before Guyana can become competitive in the services market through the CSME. For instance, there are over 40 restrictions in several laws, in the areas of financial services, shipping, power supply, medical services and entertainment among others.*

### ***The Transportation Sub – Sector***

*The small size of the domestic market means that Guyana depends on trade for its economic survival. This is reinforced by the fact of the country's geographical position as being on the outer extremity of the CARICOM region. The transportation sector is thus of vital importance to the country's competitiveness.*

### ***The Marine Transport Sub - Sector***

*Of all the sub – sectors, the marine sub – sector is the most important and competitive. Maritime trade is essential to economic development as it is responsible for approximately 90% of the country's exports.*

*Notwithstanding overall sector development, the overall competitiveness of the industry will be considerably enhanced if it is able to upgrade its technological profile. This would require putting in place systems designed to achieve computerised tracking of containers, direct shipper / carrier / consignee computer linkages to support just – in – time deliveries, and satellite transfer of documents and download of manifests directly into the computers of Customs and Excise Departments.*

*The capacity to undertake ship building and repair provides the sub – sector with a significant competitive advantage. While there have been some demand from the Region, a more aggressive marketing strategy will be required if that facet of the sub - sectors capability is to realise its fullest commercial potential.*

### ***The Air Transport Sub – Sector***

*The sector has undergone significant changes to its profile over the last five years. These changes are rooted in the upgrade of the two main airports. All round rehabilitation activities at the Cheddi Jagan International Airport / Timehri has considerably enhanced that facility's ability to accommodate increased air and passenger traffic. To this extent, two new airlines have begun operations, with a third expected to commence operations by mid – year 2008.*

*The most significant transformation has been that associated with developments at the Ogle Aerodrome. The Aerodrome is in receipt of a grant from the European Union (EU), to advance the Caribbean Single Market and Economy (CSME). The development of the airport is part of a larger EU contribution toward the achievement of regional economic integration and repositioning in the world economy. Upon completion of development works the Aerodrome is expected to be upgraded to a Municipal Airport.*

*The Aerodrome is in a second phase of upgrading to its runway and terminal building in preparation for an international municipal airport.*

*Upon completion, the airport would continue to be a domestic one, but **it would have the potential to be a hub for regional flights and South America.** The granting of port – of – entry status would allow the airport to receive chartered flights from Suriname and countries from the Organisation of Eastern Caribbean States (OECS), the French islands and South America.*

### ***The Road Transport Sub - Sector***

*A recent study financed by the European Development Fund has noted that Guyana's road network is very small (totaling some 2,600 km, of which only some 500km is paved) and poorly maintained. This is viewed as having implications for the investment environment, particularly with respect to investments located in the hinterland and remote agricultural areas.*

*The creation of both an autonomous roads authority and a dedicated road fund has been considered by a recent study of the transport sector. However, the Report considered that without an institutional set up that would help to both secure financing and to maintain the present improved technical capacity, there was the danger that the primary road network would once again fall into unacceptable disrepair.*

*The completion of the road to Brazil offers enormous possibilities for raising the profile of Guyana as an international trading hub. This project should be pursued on an urgent basis.*

### ***The Communications Sector***

*The communications sector is positioning itself to make a significant contribution toward national competitiveness.*

*The sector has undergone an enormous transformation over the past two decades, in terms of both its physical and technological infrastructure. Line expansion from 20,000 in the 1990 to a current 200,000 has been accompanied by the introduction of modern technologies and significant overall improvements in the quality of service.*

*Increased competitiveness has been influenced by recently enacted de – regularisation policies which has attracted new investments, and with it the introduction of cutting edge technologies and diversified products and services.*

*A significant boost to overall competitiveness has been the technology spread to incorporate sections of the country, particularly the hinterland and rural areas that have previously existed outside of the communications mainstream.*

### ***The IT Sub – Sector***

*The ICT sector is an evolving one and is quickly gaining momentum as a catalyst for economic and social development. Nine percent (9%) of new investments in 2002 were in the ITC sector and created 17% of all new direct jobs.*

*ICT as a catalyst for national development and enhanced competitiveness is engaging the attention of a wide cross section of stakeholders across the country. This has led to a process of development leading to the implementation of a National ICT Strategy.*

*The major challenges facing the development of the IT sector are infrastructure, efficient and reliable telephone connection, power generation, human resource and appropriate legislation ( in its Global Competitiveness Report 2005 – 2006, Guyana was ranked 110 out of 110 by the World Economic Forum in relation to the enactment of laws relating to ICT ).*

*There are some competitive advantages from which the sector is likely to benefit. These include a relatively large body of trainable people, and fiscal and industrial incentives offered by the government.*

*The liberalisation of the communications sector could yet revive a shelved ICT project which was proposed by the IDB. The US\$22.5 million project was shelved as a consequence of the government's inability to break the monopoly of the telecommunications sector. Every effort should be made to revive this project as it will not only inject considerable financial resources into the sector, but also a great deal of competitiveness.*

### ***The Financial Service Sector***

*The financial services sector is not yet competitive. In its Global Competitiveness Report 2005 – 2006, Guyana was ranked 110 out of 110 by the World Economic Forum in relation to the sophistication of its financial market. However, increasing liberalisation has seen the intervention of regional institutions, most notably that of Republic Bank and Development Finance Ltd., both of Trinidad and Tobago.*

*The establishment of a Stock Exchange has been a significant contributor toward enhancing the sophistication of the sector. However, the Exchange has not been performing to expectations basically due to the lack of support from the local private sector.*

*The requirements of and discipline imposed by the Financial Institutions Act (FIA) is seen as having a negative effect on business development. The imposition of the Act has had a paradoxical effect, in the sense that while the Banks are awash in cash , one of the major complaints of the business community has to do with the lack of access to affordable credit.*

*The competitiveness of the financial sector is being significantly diminished due to the phenomenon of rampant money laundering and the inability of the government to enforce the provisions of the Money Laundering Act. In its Global Competitiveness Report 2005 – 2006, Guyana was ranked 117 out of 117 by the World Economic Forum in relation to the pervasiveness of money laundering through banks.*

### ***The Standards Sector***

*The Standards Sector is one of the best organised and regulated sectors and there has been progressive growth over the past decade or so. The GNBS has done much to raise awareness of standards generally.*

*Regional competitiveness will be enhanced through ongoing work to harmonise national standards with regional standards prepared by the Caricom Regional Organisation for Standards and Quality (CROSQ). This is to ensure that the Guyanese business sector is compliant with regional standards.*

*Overall competitiveness measures relate to the implementation of a National Standards Mark as well as the establishment of a national standards scheme for micro and small enterprises. The policy of the Bureau is that whether large, small, medium or micro, local companies will have to implement the relevant standards.*

### ***Intellectual Property Rights***

*In as Global Competitiveness Report 2005 – 2006, Guyana was ranked 117 out of 117 by the World Economic Forum in relation to intellectual property protection. The report highlighted the fact that there is no current enforcement mechanism to protect intellectual property rights in the country.*

*There is urgent need for Guyana to update its legislation on intellectual property rights if it is to meet CSME requirements and enhance its overall competitiveness. This was confirmed by a joint CARICOM – Inter American Development Bank report on compliance with WTO agreement on Trade – Related aspects of Intellectual Property Rights (TRIPS). The report concluded that Guyana needs to adopt new legislation in the areas of intellectual property, trademarks, patents, integrated circuits, plant varieties and border measures etc.*

### ***The Justice Sector***

*Guyana's judicial system faces a number of challenges that does not allow it to uphold its legal mandate. This undermines the country's competitiveness as it acts to discourage investment. The system is plagued by poor accommodation and outdated technology.*

*The establishment of a Commercial Court with support from the IDB has done much to alleviate the anxiety of the business community. The Court, established in March of 2006, has been operating at a level of efficiency as to suggest that its role will be critical toward improving the transparency and competitiveness of Guyana's business environment.*

### ***The Small Business Sector***

*While there is a general lack of information on the character of the Small Business Sector, the importance of the sector is widely acknowledged as it is estimated to have the potential to contribute up to 40% of the market and generates considerable direct and indirect employment.*

*Policy initiatives designed to influence the development of the small and micro business sector is reflected in the enactment of the Small Business Act. The Act provides for the establishment of a Small Business Council and a Small Business Bureau. The legislation is designed to remove the stigma attached to small - scale entrepreneurial activity.*

*The legislative agenda for the small business sector needs to be supported with resources designed to assist in the areas of project planning, marketing, access to affordable financing and other technical help the operators are not able to regularly access. One of the major weaknesses of small businesses is in the area of financial management, the lack of which has resulted in many business failures.*

### ***Sectoral Policy***

*Sector policies are based on solid empirical knowledge of the industries within the sector in their national, regional and global settings. In this context, policy formulation in Guyana has been hampered by a dearth of information on the performance and capabilities of the various sectors and sub – sectors. The establishment of a national database is an urgent requirement.*

*On the basis of the comparative advantage of some sectors, work has begun on the identification of areas of strategic importance, most notably as part of the National Competitiveness Strategy (NCS) process and by the Guyana Trade and Investment Scheme – GTIS). A key strategy has been to fast track the development of promising sub – sectors through the targeting of strategic – sub – sectors. This is expected to impact on the diversification of the country's economic activities, the rapid increase of exports and job creation, and general improvement to the economic conditions and welfare of the Guyanese people.*

## ***Agriculture Sector Policy***

*A holistic agriculture sector policy is embodied in the “Jagdeo Initiative”, a policy outline articulating constraints facing the agricultural sector and mechanisms to expand it have been articulated by the President of Guyana. It embodies the policy initiatives currently being entertained with a view to attracting investment to the sector.*

*The policy is based on the premise that there is a solution to the Regions’ and by extension, the country’s agricultural problems, which must be identified, documented and analysed before sustainable solutions can be implemented.*

*The policy comprises of several critical elements which includes treating agriculture as a business, treating it holistically, spanning the entire agri – product chain, and recognising the significant importance of value – added food and non – food products.*

*This policy looks at improving the capability to undertake policy analysis, formulation, and planning, execution and resource mobilisation for the agricultural sector. As such, meeting these expectations will require the establishment of a policy environment designed to attract investment to the agricultural sector. Such an environment has been enhanced within the framework of the National Development Strategy (NDS).*

## ***Fisheries Policy***

*The lack of a comprehensive policy toward the development of the marine resources sector is directly related to a lack of human and technical resources that would allow the sector to be sufficiently resourced to effectively determine the extent of its marine resources. The government has used its membership of the CARICOM Fisheries Resource Assessment and Management Programme (CFRAMP), to begin work on assessing the status of the shrimp and ground fish stocks.*

*Within the framework of the diversification policy, the outlook of the government is for the securing of maximum sustainable yields from fish and fish products as against the continued export of fresh and frozen fish. The focus, in the view of the government is directed toward value added production as a means of ensuring long – term sustainability.*

*The rapid development of the aquaculture sub – sector is a product of a deliberate policy of sectoral diversification. Subsequent growth rates in the aquaculture sub – sector has validated this policy.*

## **Forestry Policy**

*The fact that the forestry sector as a whole has not increased its contribution (currently pegged at 4% of GDP) to GDP over the past 20 years suggests that there is need for a comprehensive policy aimed at redressing a situation that is seen by industry observers as unacceptable, given the huge resource base.*

*A key determinant influencing the call for a policy of greater value added activities within the sector has been with that associated with the export of logs. A Tropical Timber Market Report compiled by the International Tropical Timber Organisation (ITTO) has identified Guyana as the second largest exporter of tropical logs in Latin America in 2005.*

*Following stakeholder consultation, a major policy decision by Government will see a substantial reduction in the level of log exports commencing 2008.*

## **Manufacturing Policy**

*Manufacturing has always played a secondary role to agriculture in the economic development of Guyana. The country's continued dependence on a small number of export commodities point to the lack of policy aimed at elevating manufacturing to any level of significant prominence.*

*Whatever sector and sub – sectoral development there is has been achieved largely as a result of unilateral enterprise initiative, rather than as a result of global policy initiatives. It would be appropriate, given the potential of the sector to add value, create jobs, and generate hard currency, that a single agency dedicated to raising the profile of manufacturing sector be established.*

*Policy formulation would of necessity have to take into consideration enterprise structure. With most enterprises being small to medium sized, policy measures should be aimed at encouraging smaller firms to merge into single entities which would be better able to access financial, managerial, and other critical resources to make them competitive.*

*Other policy options relate to the encouragement, through appropriate incentives, of cross border employment of natural resources, human resources, capital, technology and management capabilities for the production of goods and services on a sustainable basis.*

*Policy measures aimed at developing a viable micro and small economic enterprise sector has been a positive move toward the sustainable development of the manufacturing sector.*

### ***Financial Sector Policy***

*The greatest impediment to business development in Guyana is probably the lack of access to affordable credit, both long and short term. This is paradoxical given that the financial institutions are awash with cash. Some policy aimed at making affordable credit available to the productive sector must be put in place soon if the Guyanese business sector is to be competitive within the context of the CSME. There are strong suggestions that the time has come for a revision of the Financial Institutions Act which is widely seen as the major binding constraint.*

*The policy of opening the financial sector to regional financial institutions have served to expand the range of services available to the Guyanese business community, even though the issue of affordable credit remains a cause for concern.*

*Policy measures must be put in place to encourage local companies to enlist on the local Stock Exchange. The Guyana Association of Securities Companies and Intermediaries Inc. (GASCI), the administrator of the Stock Exchange has warned of the implications for competitiveness should local companies continue to ignore the Exchange.*

### ***Tourism Sector Policy***

*The Government has designated the tourism sector as a priority sector and has put policy measures in place with a view to doubling international tourism by 2010. To ensure that this happens, a Five – year Tourism development Plan (FYTDP) was recently completed aimed at defining the actions that will guide policy making investments in the sector.*

*While the Government has shown a preference for international tourism, some policy consideration should be given toward encouraging domestic tourism. This will serve to sustain activity across the sector, particularly during the off season.*

*The industry is currently seen in a fiscal context, particularly in terms of its contribution toward the broadening of the tax base. A broader and more holistic policy would however look at the broader context of the demand it will create for the vast range of services and inputs that the industry needs, and policy measures put in place to take advantage of these opportunities. It will also address the implications to the industry of a continuing flow of visitors, focus on core issues, including a consideration of the eventual limits to growth in the tourism product, and how the ultimate size of the industry relates to the environment.*

### **ICT Sector Policy**

*The process of formulating a global policy for Guyana was the focus of wide ranging stakeholder consultations at an ITC workshop held in 2006. Among a number of issues explored at the workshop was the positive relationship between technological advances and productivity and upgrading the technological profile of the private sector.*

*A policy of internet deployment nationwide is a must if ICT development is to become a reality. The case for cheap internet access is viewed by IT Specialists as a stimulus for new small businesses, providing jobs and contributing to the development of people generally.*

### **Social Sector Policy**

*The relationship between the government and private sector has generally developed along tenuous lines. Previous attempts at establishing a firm relationship has faltered on account of the failure of both parties to establish positions of compromise.*

*Government policy of engaging the private sector via the Business Development Forum route has established the platform for sustained dialogue. Initial dialogue has gained momentum within the framework of the National Competitiveness Strategy.*

*Although it is too soon for the results of the competitiveness strategy to be borne out, senior representatives of the Government and private sector have indicated that the National Competitiveness Strategy (NCS) consultation process has significantly improved the quality of dialogue between the respective parties.*

*The Tripartite Social Partnership Agreement (TSPA) is a model that has enjoyed unprecedented success in Barbados and should be evaluated by Guyana for possible emulation. The social partnership agreement with the government, unions and private sector has been in process since 1991.*

### **Small Business Sector Policy**

*Policy initiatives designed to influence the development of the small and micro business sector is reflected in the enactment of the Small Business Act. The Act provides for the establishment of a Small Business Council and a Small Business Bureau. There is no evidence that these organs are functioning effectively or whether they are functioning at all.*

*There is need for an integrated approach to small business development. The legislative agenda for the small business sector needs to be supported with resources designed to assist in the areas of project planning, marketing, access to affordable financing and other technical help the operators are not able to regularly access.*

## **Trade Policy**

*Given the increasing application and importance of tariffs in the international trade environment, Guyana's trade policy should be underlined by a desire to maximise on such advantages, particularly given the country's lack of leverage and international competitiveness.*

*Given the paucity of technical skills, there is need for policy makers to establish clear priorities in order to concentrate energies in areas where they could have the greatest impact including measures that directly affect the country's access to export markets. A critical jump off point could be that related to the removal of barriers to exports of non – traditional agricultural products which forms the basis of the country's planned diversification strategy.*

## **Trade Negotiations**

*A strategic priority in defending national interests is the building of capacity to deal with the myriad of trade negotiations. The country is simultaneously engaged in several key trade negotiations that all promises tremendous changes to international trade environment in which the country's products will have to compete. These include the World Trade Organisation (WTO), Doha Round, the European Union, CARIFORUM negotiations, and the potential Free Trade Area of the Americas (FTAA).*

*Unfortunately, capacity constraints as well as diversion of key human resources have meant that the country continues to suffer from a lack of capacity to strengthen trade strategy, negotiations and implementation capabilities. This prevents the country from maximising its ability to participate in significant trade negotiations, delays implementation of trade agreements, and limits the benefits to be realised from existing trade agreements.*

*In addressing issues of inadequate human, financial and technical resources, Guyana can pursue a policy of seeking LDC status which will allow the country to benefit from Swiss government subsidy for the establishment of a WTO mission in Geneva. Like other smaller economies, Guyana has found it increasingly difficult to have their concerns adequately represented and continue to rely on regional and international organisations for representation. Guyana's non – resident representative status due to inadequate financial resources in Geneva, the global hub of UN negotiations is viewed as a key constraint in crafting strong, substantial trade policy.*

## ***Trade Strategy***

*The preservation of preferential access to the European Union market for traditional agricultural products is the most important objective for Guyana's trade strategy. However, recent challenges at the World Trade Organisation (WTO) have not only pointed to further erosion of such preferences, but also clearly demonstrates that it is an area over which the country has the least control. A comprehensive policy of market diversification is a required strategy to counter current and future preferential erosion.*

*A key element in Guyana's trade strategy should be to make significant inroads into the CARICOM food imports, estimated to be between US\$3 billion to US\$6 billion per annum. In pursuing such a policy emphasis should be placed on those products where the country enjoys a clear competitive advantage. Recent attempts by Trinidad and Tobago to procure poultry supplies from Guyana serve to demonstrate the possibilities.*

*Guyana's trade strategy should be underpinned by current economic realities. The country's HIPC classification should inform a policy based on having the country accorded LDC status with a view to gaining LDC parity. In addition to preferential access to EU markets, other benefits include the exoneration from some obligations under WTO agreements.*

## ***Trade Administration***

*The Government continues to take measures to improve the ease of trade including a reduction in products requiring licenses and the upgrading of customs administration software. A Customs Tariff Tribunal (CTT) is being established to provide an appeals process to expeditiously deal with complaints.*

## ***Bi – Lateral Trade***

*Guyana enjoys a trade surplus with most of the Caribbean including Barbados and Jamaica, but runs a sizeable trade deficit with Trinidad and Tobago. Future policy should aim at substantially reducing this deficit, particularly as the Trinidad and Tobago Government is beefing up measures to help Guyana narrow the relatively huge trade gap between the two countries totaling more than US\$40 million.*

*The Trinidadian Government has expressed an interest in seeing more Guyanese products on their market competing with other countries. The establishment of a Guyana - Trinidad and Tobago Bilateral Commission has been mooted to lead to the completion of a protocol between the two countries. Guyana's trade planners should vigorously follow up on this initiative.*

## ***The Regional Development Fund***

*The Fund was conceived in recognition of the fact that member countries are entering the integration process with differences in economic structure and performance, differences in physical and institutional infrastructure capacity, differences in the range and depth of human resources capacity, and differences in size, all of which impact on the capacity to identify and take advantage of opportunities to grow and develop.*

*The size of the Fund has initially been set at US\$250 million, with US\$120 million coming from CARICOM member countries, and with the balance to be sought from the region's development partners, the regional private sector, and other sources. The region's Development Partners have been clear in their position that they would be willing to make a contribution to the Fund, but were waiting to see what contribution the region was prepared to make to its own development first.*

*A major consideration involves the ways in which Fund resources might be used, as opposed to what it might be used for and the priorities to be attached to the intervention possibilities. The Revised Treaty sets out a variety of purposes for which the Fund is to be used including the condition where a country or region is deemed to be disadvantaged.*

*A disadvantaged country as described in Article 4 of the Revised Treaty is classified as one requiring special support measures of a transitory or temporary nature by reason of impairment of resources resulting from natural disasters, one experiencing temporary low levels of economic development and one designated a Highly – Indebted Poor Country by the competent inter – governmental organization. Guyana qualifies for special treatment by virtue of the country being affected by all the criterion.*

*The fund will be demand driven, that is, it will depend on the demand for investment geared to trade – induced adjustments, economic stabilisation, and economic restructuring in member countries.*

*An important issue has to do with whether the Fund is an instrument of compensation or an instrument for regional structural transformation. This is important if only because one of the region's major development partners has publicly stated that it will contribute to a transformation fund, but not to a compensation fund. There are some views within the Community indicating that compensation for the effects of CSME is critical.*

## **Chapter 1**

### **National Competitiveness – Rationale and Key Elements**

*Guyana's return to free market policies after more than two decades of state domination of the economy had produced annual growth rates that were among the highest in Latin America and the Caribbean. However, the initial energy generated by liberalisation policies was diminished by structural problems associated with an excessive debt burden, high and unpredictable inflation, unmanageable fiscal and balance of payments deficits.*

*The current improved economic environment is reflective of significant improvements in the macro – economic situation underpinned by a policy of debt forgiveness and characterised by the exercise of monetary discipline, reform of the tax system, investment in basic infrastructure, and the boosting of productivity in traditional sectors of the economy. However, **the country's lack of competitiveness continues to persist despite the upward growth trend.***

*Guyana's current social and economic profile points to a country that is at the precipice of marginalisation and in need of considerable support in helping it to achieve an acceptable level of international competitiveness.*

*From the social perspective the country ranks as one of the poorest countries in the Western Hemisphere with a per capita income of US\$400 in 2004. It has been estimated that 35% of the population live in absolute poverty and 17% in conditions of extreme poverty. This has earned it the dubious distinction of being classified as a Heavily Indebted Poor Country (HIPC).*

*The status of the country's economic competitiveness was captured in the last Competitiveness Report published by the World Economic Forum which ranked the country 115th out of 117 countries evaluated in terms of long – term growth competitiveness.*

*The primary reason for the country's lack of competitiveness lies in its inability to diversify the economy away from continued dependence on the export of a handful of commodities which account for a disproportionate share of exports (86%) and GDP (69%). Clearly, the existing economic base is not sufficient to generate a renewed momentum for growth and prosperity as it continues to be highly vulnerable to external shocks, particularly those relating to eroding preferential tariffs for the country's traditional agricultural exports, the general volatility of the international commodities markets and the continuing high international prices for petroleum and petroleum products.*

*External developments leading to the twin processes of globalisation and trade liberalisation have created an environment of competitiveness that cannot be ignored. Rapid technology flows, the real threat of imminent preference erosion and the increasingly intense competition felt from other developing countries, has forced many small countries including Guyana to play a more active role in building up competitiveness to avoid being marginalised in the international community.*

*A key emerging environment that will challenge Guyana to achieve meaningful competitiveness over the short to medium term is the imminent establishment of the Caribbean Single Market and Economy ( CSME ), the purpose of which is to remove differences and all restrictions to trade among CARICOM countries so as to encourage the perception of the Community as a common space and a harmonised investment area.*

*The CSME will mean an improvement in market access across the board and in this sense, business people will enjoy access to an expanded internal market of over 6 million consumers (14 million if Haiti is included). The primary elements of the CSME are the free movements of goods, skilled nationals, services and capital. The CSME also aims at the removal of bureaucratic barriers and non – discrimination in the granting of incentives among Community nationals.*

*Already, the CSME poses many challenges for Guyana in the sense that many neighbouring countries are moving rapidly to prepare for success in new product areas and will leave the country behind if urgent action is not taken to seize the opportunities presented by the CSME. Addressing these challenges will require a systematic and integrated approach. This could only be achieved within the framework of a new collaborative relationship for **continuous dialogue between the public and private sectors**.*

### ***Competitiveness Strategies - Responding to the Competitiveness Challenge***

*The need to improve Guyana’s competitiveness status has been engaging the attention of key stakeholders in the Guyanese economic environment. Achieving international competitiveness required a quantum leap in both policy implementation and private and public collaboration and investment. Appropriate coordination and management structures have been put in place to facilitate stakeholder participation at all levels in the process. In this respect, **both the public and private have recognised the dual responsibilities each must play in delivering enhanced national competitiveness and economic growth. To this extent a new collaborative relationship has been forged within the framework of a process aimed at developing a National Competitive Strategy (NCS).***

*The National Competitiveness Strategy has been described as the practical expression of the partnership between the public and private sectors. The Strategy envisages the need for a practical, action – oriented, solution driven approach to working that is embedded in a close collaborative relationship between Government and the Private Sector.*

*Implementation of the provisions of the National Competitive Strategy will be the responsibility of the **National Competitiveness Council (NCC)**. The NCC will be Guyana's main institution for high level public – private sector dialogue on issues of competitiveness and will act as the country's steward of the National Competitiveness Strategy. Among its objectives is the development of the private sector's ability to compete and win in global marketplaces and in doing so will examine key competitiveness issues impacting the Guyanese economy and make recommendations to improve the country's competitiveness position. It will provide quality policy advice on all areas relating to delivering sustainable growth, new jobs and increased exports for the economy.*

*The NCC will provide a formal forum for dialogue, discussion and recommendations by key business and government leaders from which recommendations would be forwarded to the Cabinet for economic development for ultimate review and decision.*

*On a parallel basis the private sector recognises that the Government could only do so much. In this context, the premier private sector organisation, The Private Sector Commission (PSC) plans to incorporate in its organisational structure, a position for a Director of Competitiveness.*

### ***Strategic Economic Strategies***

***Enhancing trade competitiveness will comprise a key strategy as Guyana depends on trade for approximately 90% of its Gross Domestic Product (GDP).***

*Given the increasing application and importance of tariffs in the international trade environment, Guyana's trade policy should be underlined by a desire to maximise on such advantages, particularly given the country's lack of leverage and international competitiveness. In this sense, the combination of an open market and an export led economy should inform a dual policy based on further reduction in import tariffs in tandem with further reductions in barriers to foreign markets. Such a policy might help in attracting new foreign investment by establishing a more predictable and business friendly environment.*

*The paucity of technical skills requires a policy which establishes clear priorities in order to concentrate energies in areas where they could have the greatest impact, including measures that directly affect the country's access to export markets. A critical jump off point could be that related to the removal of barriers to exports of non – traditional agricultural products which forms the basis of the country's planned diversification strategy.*

*A strategic priority in defending national interests is the building of capacity to deal with the myriad of trade negotiations. The country is simultaneously engaged in several key trade negotiations that all promises tremendous changes to international trade environment in which the country's products will have to compete. These include the World Trade Organisation (WTO), Doha Round, the European Union, CARIFORUM negotiations, and the potential Free Trade Area of the Americas (FTAA).*

*Unfortunately, capacity constraints as well as diversion of key human resources have meant that the country continues to suffer from a lack of capacity to strengthen trade strategy, negotiations and implementation capabilities. So, like other smaller economies, Guyana has found it increasingly difficult to have their concerns adequately represented and limits the benefits to be realised from existing trade agreements. In the meantime the country continues to rely on regional and international organisations for representation.*

*Support in appropriate capacity building has come from the Guyana Trade and Investment Scheme (GTIS). GTIS has instituted a trade development programme aimed at strengthening Guyana's trade policy and improving the country's ability to negotiate and implement trade agreements. The programme also seeks to enable exporters to turn existing agreements into real market opportunities and attractive investments by instituting the following activities;*

- *Training for officials on trade policy and trade negotiations;*
- *Assisting the flow of trade information between public institutions;*
- *Assisting trade institutions responsible for trade to establish and implement systems to comply with trade obligations; and*
- *Assisting with the identification of trade, legislative, and regulatory priorities to improve the business environment for Guyanese exporters.*

*In similar vein, Guyana's ability to formulate trade strategy was significantly enhanced with the recent launching of Caribbean Trade Reference Centre. The Centre, a joint initiative between the Organisation of American States ( OAS ) and the Ministry of Foreign Trade, would allow for access to contemporary trade information, information that would be useful in the participation, negotiation and implementation of trade agreements.*

*The Centre is part of a wider CARICOM network comprising of 13 country specific Trade Information Databases (TIDS) developed by the Foreign Trade Information System of the OAS Office for Trade, Growth and Competitiveness. Trade Reference Centre terminals have been established at the Foreign Trade Division of the Ministry of Foreign Trade and International Cooperation, at the NACEN Secretariat and at the Institute of Development Studies ( IDS ) at the University of Guyana ( UG ).*

*The Guyanese business community will be able to access critical information that would allow for decision making as commercial activity increases over the implementation of the CSME. The Statistical Unit of the Caricom Secretariat and the Caribbean Trade and Competitive Development Programme ( C - TRADECOM ) is jointly executing the capacity building project which aims to improve the capabilities of national statistical agencies to collect, compile and disseminate information for both regional and national policymakers.*

*The key objective of the project is to enable a harmonised approach to the development of statistics on trade in services, through common guidelines, which would make detailed data on trade in services and investment available.*

*The reality however, is that the benefits arising from these programmes are likely to be manifest over the long – term. Given this reality, Guyana’s interim trade strategy should be underpinned by a policy based on having the country accorded LDC status with a view to gaining LDC parity. In addition to preferential access to EU markets, other benefits include the exoneration from some obligations under WTO agreements.*

***LDC status would allow the country to benefit from Swiss government subsidy for the establishment of a WTO mission in Geneva where Guyana’s non – resident representative status, due to inadequate financial resources in Geneva, the global hub of UN negotiations, is viewed as a key constraint in crafting strong, substantial trade policy.***

*The preservation of preferential access to the European Union market for EU for sugar and rice is the most important objective for Guyana’s trade strategy. For example, the modernisation of the sugar industry envisages an expansion of sugar production from 330,000 tonnes to 464,000 tonnes per annum and is based on a marketing strategy that depends on continued bulk sales of raw sugar primarily to the EU. The success of such a policy hinges on the continued willingness of the EU to pay the high prices for these commodities. Recent indications are that these industries are going to be further disadvantaged.*

*The circumstances obtaining on the preferential markets suggests a policy shift toward both market and product diversification. In relation to product diversification, Barbados has recently increased its exports of branded sugars to the international market. That country is now seriously considering the complete elimination of bulk sugar exports. In terms of market diversification, a policy shift should see **Guyana attempting to make greater penetration into the Regional market for food imports, estimated to be between US\$3 billion to US\$6 billion per annum.***

*The potential of the regional market has been demonstrated in growing demand for the country’s non – traditional goods and services. In 2005, exports to extra-regional markets grew by 1.5% with exports to regional markets expanding by 5.1%. The significant regional markets are Barbados, Dominica, Trinidad and Tobago, Antigua and Barbuda, St. Lucia, Suriname, St. Vincent and the Grenadines and Jamaica, which accounted for 36.7% of total exports to CARICOM.*

*Notwithstanding these gains, there is potential for greater market penetration as Guyana accounts for only less than 1% of regional trade in food. The fact that much has not been achieved is due to a number of factors, foremost among which is the lack an aggressive marketing strategy. This was forcefully illustrated in recent unilateral overtures made by the Government of Trinidad and Tobago to access Guyanese products.*

*The Trinidadian Government has expresses an interest in seeing more Guyanese products on their market competing with other countries and is beefing up measures to help Guyana narrow the relatively huge trade gap between the two countries estimated at more than US\$40 million.*

*The establishment of a Guyana / Trinidad and Tobago Bilateral Commission has been mooted to lead to the completion of a protocol between the two countries. Guyana's trade planners should vigorously follow up on this initiative while seeking at the same time to promote the development of similar Bilateral Commissions with other Regional trading partners.*

*Greater inroads into the Regional market will be possible when trade policy has as a key objective, the elimination or significant diminution of the wide range of non – tariff barriers .These barriers range from administrative price fixing in Barbados to price controls in Antigua.*

*A stepping stone toward greater market penetration would be the efficient application of the Common External Tariff on extra – regional imports. Past experiences with rice shows that Member States have not always been efficient in their enforcement of the CET on extra – regional imports. Therefore, a key objective of Guyana's export policy will have to do with the strict enforcement.*

*In spite of the challenges being experienced by Guyana's traditional agricultural exports, these will continue to play an important role in the country's economy. **Trade patterns** show that the country should try to sustain competitive advantage in the marketing of agricultural goods and services, particularly in the area of non – traditional goods and services. This is due to the fact that trade patterns show that in 2005, exports of non-traditional agricultural exports, fresh and processed fruits and vegetables rose appreciably by 3.5%, while revenue jumped 36%, and reached US\$6.8 million. These exports benefitted from attractive prices for certain commodities, and saw higher export of value-added products.*

*Increased trade with the Region and generally will require improved competitiveness in the country's ability to move increased volumes of goods and services. Given that a disproportionately high level (estimated at 76%) of Guyana's exports is done through shipping, policy should be directed toward reducing the comparatively high cost of shipping, the average cost of which is calculated at 11.66% of the value of the goods. Similar costs for items imported into the Region from other countries averaged 3.29%. Higher shipping costs translates into a situation where differences in Guyana's shipping costs are more than enough to wipe out the advantages that the country might enjoy from preferential tariff treatment.*

*From the administrative side the Government has taken measures to improve the ease of trade, including a reduction in products requiring licenses and the upgrading of customs administration software. A Customs Tariff Tribunal (CTT) is being established to provide an appeals process to expeditiously deal with complaints.*

### ***Challenges to Competitiveness Enhancement***

*In the context of a rapidly changing external and internal economic environment, Guyana faces a myriad of **challenges** in its efforts **at enhancing national competitiveness**. Some key challenges are reflected in the following;*

- *The lacks of a strategic coordinating institution to manage and assess the implementation of a national competitiveness strategy. Serious institutional capacity must be put in place to support and monitor agreements, follow – up action and implementation.*
- *The phenomena of understaffed institutions and organizations, a direct consequence of the brain drain that has been in process for the better part of three decades.*
- *The current organisational and leadership capacity in the private and public sectors do not generally reflect levels of sophistication typical of the current international competitiveness environment. While many organisations are currently engaged in activities to improve their effectiveness, they are nevertheless way behind their Caribbean counterparts.*
- *The high degree of underdevelopment related to the co-ordination of donor support connected with the implementation of the emerging National Economic Competitiveness Strategy. On account of the donor support to competitiveness issues many countries have included donors in important roles as advisors to public – private dialogue and cooperation at a high level based on the role they can play as a neutral broker between the public and private sectors.*

- *The recent fiasco with respect to the acquaintance of business with the ramifications of the Value Added Tax (VAT) is appointed lesson in terms of arriving at a full understanding of the implications of the CSME. Despite the region wide sensitisation of the process, there is a sense that the actualisation of the process will provide far more enlightening insights into the challenges, difficulties and ultimately, the gains of the CSME. **The private sector therefore needs to immediately commence working with industries / businesses to acquaint them with every facet of the CSME.** The Private Sector Commission should appoint CSME Specialist and each business should be approached to appoint a CSME Officer to liaise with the Commission. Other forms of awareness should be investigated.*

*The private sector should make it a priority to aggressively engage the government in implementing the provisions of the **National Development Strategy (NDS)** as this has significant implications for enhancing competitiveness.*

## **Chapter 2**

### ***A Characterisation of the Major Sectors of the Economy***

#### ***A Characterisation of the Agricultural Sector***

##### ***Overview***

*Agriculture is the most important sector of Guyana's economy, accounting for around 30 percent of GDP, 30 percent of employment and 40 percent of export earnings. The total agricultural GDP at constant (1988) factor prices was consistently over G\$1,500 million between 1997 and 2004. The general trend has been one of a growing sector. In 2001 for example, the total agricultural GDP grew by 3.7 percent, while the total GDP grew by 2.3 percent. While growth in 2003 was negative, in 2004, agricultural GDP grew by 3.5 percent and total GDP grew by 1.6 percent.*

*The sector benefits from significant natural advantages the most important of which are the availability of abundant arable land and a rainfall regime that allows for effective irrigation. Other important elements comprise a well established institutional support network, a knowledgeable farming community, and given the importance of the sector to national economic development, the devotion of adequate state resources.*

*Sugar is the most important agricultural product in Guyana. Such is the level of its importance that it accounts for 57% of agricultural GDP, 18% of national GDP, 20% of total foreign exchange earnings, 30% of merchandise exports and is responsible for direct and indirect employment for some 125,000 persons.*

*Rice is the second most important agricultural crop. The industry has significant socio-economic importance to the country in that it contributes around 4% of GDP and 12% of agricultural GDP. Since problems experienced in the early 1990's the industry has experienced strong growth of 13.9%. The industry employs 15, 000 people directly and indirectly.*

*Various efforts at diversification into non – traditional commodities have led to the growth of fresh produce exports largely comprised of a range of ethnic fruits, vegetables and root crops. Non traditional crops have increased in importance as the protected markets for the traditional export crops of rice and sugar have eroded. Total exports of fruit and vegetables have grown, at an average annual rate of 12% since 1998.*

*Poultry, milk and beef production are the main livestock sector activities. The livestock sector's contribution to total agricultural output is relatively small, varying between 4.0 and 7.0 percent of GDP. This is reflective of the limited domestic support to the sector in addition to limited investment.*

*The sector caters essentially to the domestic market, though some sub – industries such as poultry and beef production has demonstrated export potential. It is estimated that the industry provides formal employment for more than 6,000 persons.*

*The fisheries sub-sector is a significant contributor to the economy with 3% of GDP. The sector has contributed no less than 8 percent to total agricultural sector GDP over the last decade. The industry employs around 6,500 people in harvesting and a further 6,000 in processing, with many more benefiting indirectly through fishing related industries such as boat building, gear supply and repair.*

*The emergence of aquaculture has been a significant new development on the agricultural landscape. Commercial aquaculture is one of the most promising economic activities with high potential for rapid export and job creation growth. The industry has been experiencing average annual growth of 14% since 1995.*

*More than 75 % of Guyana’s total land area is forested. Guyana’s abundant supply of high quality raw forest, including many lesser known species, provide this sector with the means to become a significant economic driver of the national economy. The sector currently contributes around 4% of GDP, around 6% of total exports and employs some 20,000 persons.*

*As the major contributor to national economic development, the sector receives a disproportionate share of investment resources. The sector is thus well supported across the productive chain. In this context, The sector is widely viewed as having the ability to become a major food supplier to the CARICOM region, thereby making significant inroads into the region’s enormous food import bill currently estimated at somewhere between US\$3 billion and US\$6 billion per annum.*

*The key constraints limiting further contribution of the sector can be may be categorised as institutional, infrastructure, technology, market, and specific commodity related constraints. Specifically, these relate to the absence of multi-annual commodity and sectoral policies and accompanying investment plans and programs, inadequate human, inadequate quality of research and extension services, high cost of inputs, maintenance of drainage and irrigation systems, and poor farm-to market roads and high cost of capital equipment. The ineffective granting of land titles, insufficient credit and the inadequate establishment of mechanisms to effectively address praedial larceny are also major limitations to investment in the sector.*

*The critical role of agriculture in Guyana’s economic development has been recognised by the international community, prompting key interventions. Currently, about 16 % of Guyana’s budget is financed by donors. Among the most important bilateral donors are the United States Agency for International Development (USAID), the Canadian International Development Agency (CIDA), and the UK’s Department for International Development (DFID).*

*Projects in the pipeline embrace priority areas such as the development of rural community organisations and private sector entities, improving the efficiency, distribution and management of water/drainage/irrigation systems, improving access to machinery and equipment services, and integrated aquaculture and crop farming.*

*The Agricultural sector is poised to improve its overall competitiveness as a consequence of several new developments. These include a US\$110 million modernisation project for the sugar industry, an EU funded competitiveness project for the rice sector, the emergence of organic cultivation and the rapid growth of aquaculture. The sector is now beginning to see initial attempts at some form of strategic planning, following the government commissioning of Advisory Bodies on diversification and fisheries.*

### ***Characterisation of The Traditional Agriculture Sector***

#### ***The Sugar and Rice Sectors***

*Over the last 150 year, the traditional export crops of sugar and rice have been a major source of foreign exchange earnings, employment and social and economic stability for the country and continues to maintain this status.*

*Sugar is the most important agricultural product in Guyana. Such is the level of its importance that it accounts for 57% of agricultural GDP, 18% of national GDP, 20% of total foreign exchange earnings, and 30% of merchandise exports. The sector is also responsible for direct and indirect employment for some 125,000 persons.*

*Rice is the second most important agricultural crop. It is the largest user of agricultural land, and absorbs and influences more of the working population than any other industry in Guyana. Approximately 12,000 farmers are involved in production and the industry supports at least 10% of Guyana's population directly and many more indirectly. The industry contributes around 4% of GDP, 12% of agricultural GDP and 7.65 to manufacturing GDP. Since problems experienced in the early 1990's the industry has experienced strong growth of 13.9%. The industry employs 15, 000 people directly and indirectly.*

#### ***Issues of Competitiveness***

##### ***Sugar***

*Within recent years, international policies of trade liberalisation have threatened and begun to erode preferential trading arrangements. The sugar industry is under threat from EU reform of the Sugar Protocol which will reduce the landed export price received for Sugar by 36% over four years and could potentially amount to a loss equivalent to 5.1% of GDP and 5.4% of merchandise exports annually.*

*Despite these developments however, the productive capacity of the industry is expected to improve as a result of increased investments aimed at promoting modernisation and allowing the country to meet its export commitments to the local, regional and global markets. The plan of the GOG is to make the sugar more competitive through the introduction of technologies to increase field productivity and at the same time improve the capacity of sugar factories to produce an improved quality product with a higher level of value added.*

*Renewed competitiveness for the sugar industry is expected to be generated from a US\$110 million modernisation project which commenced in September 2004, and is due for completion by October 2007.*

*The industry has pursued some form of diversification through the production of organic sugars. However, this has not had any significant impact in terms of reducing the country's dependence of export of bulk sugar. Further investigation of the market for specialty branded sugars will be useful given that Barbados's penetration of the international market has influenced plans for that country to altogether exit the export of bulk sugar.*

*The competitiveness of sugar could be further enhanced should a policy proposal aimed at establishing a regional refining policy be revisited. The plan, articulated at the Caricom Heads of Government Meeting in 2000, sought to encourage the sugar industries of the Region to formulate a CARICOM plan to refine sugar to meet the total requirements for refined sugar in CARICOM., with the assurance that such a plan will be supported after implementation by a CET on extra – regional refined sugar at a level which will ensure the sustainability of Caricom produced refined sugar.*

*From a marketing perspective, Guyana will remain a net exporter of Sugar to CARICOM given that many of the sugar industries in the region have either been closed or drastically scaled down. The US and EU markets will remain critical to overall profitability. Longer term viability will however have to come from a concerted approach toward maximising market diversification. In this respect, Guyana should investigate opportunities in South America, particularly with respect to the bordering cities of Brazil and Venezuela.*

### **Rice**

*The rice industry has sustained an encouraging level of competitiveness on the basis of its performance of 2006. The industry exported to CARICOM and third countries some 89.5 million kgs or 79% of total CARICOM exports. Despite this development, a major competitive issue has to do with the improvement of yields. Though production has been increasing steadily ( from 112 metric tonnes in 2001 to 209,000 tonnes in 2006 ), the Guyana Rice Development Board ( GRDB ) has targeted a six ( 6 ) tones per hectare as against three ( 3 ) tones per hectare currently being harvested.*

*Changes over the past five years in global markets and trade policy of its importing countries has emphasised the need for Guyana's rice industry to increase its competitiveness through detailed analysis of its domestic production, export and cost structures . Further, the global rice market and its evolution over the last decade need to be better understood in terms of the necessary policies, infrastructure, and other interventions that are fundamentally important in ensuring its competitiveness and sustainability. **These issues are expected to be addressed as a result of a Euros 11 million rice competitiveness programme that has been implemented by the European Union (EU).***

*The competitiveness of the rice sector has also engaged the attention of regional economic policy makers. It was agreed, at the 10<sup>th</sup> meeting of COTED, to establish a Special Working Group to develop a plan and strategy for the development of CARICOM Rice Industry, including a Regional Monitoring Mechanism for Trade in Rice. The Mechanism is designed to ensure that the Rice trade in CARICOM is conducted in a fair and equitable manner and that trade takes place in accordance with established CARICOM rules. The mechanism was established in response to breaches in protocol by several Member States which had significant negative financial implications for Guyana's rice sector as member states have generally not been enforcing the CET on extra – regional imports of rice.*

*The recent successful penetration of selected CARICOM markets for Parboiled Rice and branded rice by Guyana Stockfeeds Ltd. has served to confirm the continued competitiveness of the industry.*

*The sector will have to look closely monitor the issue of subsidies as this factor is likely to remain a competitiveness issue. An analysis of global rice policies shows that the quantity and the level of subsidies is still very large and persistent, in spite of the commitments of various governments and the indications coming from the WTO. Moreover, rice is the agricultural product that receives the largest percentage subsidy when compared with other cereals and grains*

*Despite high liquidity in the banking sector, the agricultural sector in general, and rice in particular faces difficulty in accessing affordable credit. A recent conference aimed at generating finance for the sector failed to attract much interest from the financial community. A new model based on sound marketing principles will have to be developed to gain the confidence of the banking sector.*

*Failure to attract financing is attributed to the inability of the mainly commercial banking sector to develop appraisal capabilities to deal with dynamics of agriculture in general and rice cultivation in particular. The recent poor performance of the sector, highlighted by the failure of some high profile entities and the absence crop insurance has only served to reinforce hardened perceptions.*

*The continuing importance of rice to overall economic development and recent export performances alluded to earlier should stimulate the sector to establish meaningful dialogue with the banking system with a view to establishing development banking capacities. In the absence of local technical expertise, the sector may exercise the option of retaining the services of reputable regional institutions such as CARDI to conduct appraisals. The intervention of these institutions might serve to instill some confidence on behalf of the financial community.*

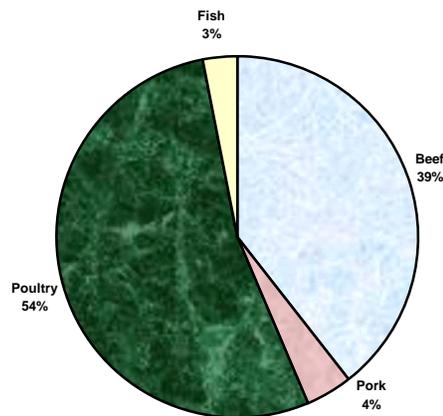
*The sector has an active by – product development programme. Bran and broken rice are the main constituents of animal feed. Broken rice is used in the brewery industry and the Hull (shell) is utilised as fuel for paddy dryers and for electricity generation. Increased manufacturing activity could well establish the basis for injecting greater equity, thereby providing the sector with greater leverage in its engagement with the banking sector.*

### ***The Livestock Industry***

#### ***Overview***

*The livestock sector’s contribution to total agricultural output is relatively small, varying between 4.0 and 7.0 percent of GDP. This is largely reflective of limited domestic support for the industry in general. Guyana’s Domestic Support for the livestock sub - sector is entirely made up of measures accepted by WTO as not having any effect or only a minimal impact on production and trade.*

**Figure 1: Structure of the Guyanese Livestock Sector, 2006**



#### ***The Poultry Sub – Sector***

*The poultry industry has always played a fundamental role in the livestock sub-sector of Guyana. From a socio – economic perspective, the poultry industry is the single most important industry in the livestock sub-sector in terms of, contribution to GDP and production (Figure 1).*

*It contributes significantly to the Guyanese economy with an average annual turnover of around US\$35.65 million, contributing 2.5% of agriculture gross domestic product, 1% of manufactured GDP and generates employment for over 6,000 persons.*

*The evolution of the industry has been dramatic over the past decade and a half. The industry structure has evolved from that of family owned small scale enterprises to that of one largely based on industrial scale, technology driven operations. The strategic thinking of the industry has also undergone fundamental changes in that production sharing (contract farming) now comprising the primary means of achieving volume output. From a net importer of poultry and poultry products, the industry has adopted an export oriented posture, primarily to the regional market.*

### ***Issues of Competitiveness***

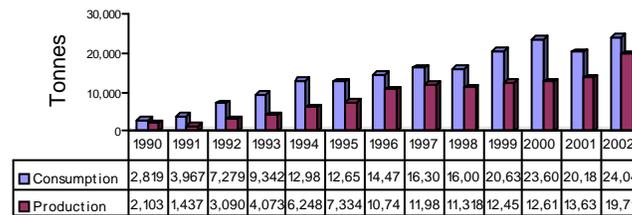
*The strongest indicator of the industry's competitiveness lies in the fact that domestic production has supplanted imports as the primary provider of poultry meat. According to the Bureau of Statistics increased domestic output which was mainly responsible for imported poultry products falling by nearly 200 percent in 2002 compared to 2000. Imports currently accounts for just between 1 - 5% of domestic demand.*

*Following a period of consolidation, where production was largely oriented toward the domestic market, recent new investments (more than US\$80 million was invested into the industry at all levels of the marketing chain over the past six years), and a more enabling environment, has taken the industry to a position where it is poised to assume an export role, primarily to the regional market. The industry's potential export status was confirmed by the Government of Trinidad and Tobago which recently identified Guyana as a potential supplier of chicken following inflation induced sustained price rises for poultry meat on that island.*

*Further market opportunities have been identified by a study by the Caribbean Poultry Association (CPA) which has shown that due to the relatively high price of whole broiler and breast (skinless and boneless) in Barbados and St. Lucia, Guyana, as well as other countries in the region, can penetrate these markets.*

*Competitiveness on the regional market will be subject to the ability of the industry to compete with subsidised imports from the United States and Brazil. Given that imports are substantial (imports totaled slightly more than 200,000 tons, valued at \$219 million). **A major challenge for the industry therefore is to remain price competitive within its own borders in light of the CARICOM Single Market and Economy (CSME) and the other international agreements. Some measures will have to be taken at the level of CARICOM to offer the industry some level of protection to reduce its vulnerability to imports, without contravening Guyana's WTO or other multilateral trade commitments.***

**Figure 2 : Total Production and Consumption of Poultry Meat, 1990 - 2002**



*Source:* Ministry of Fisheries, Crops and Livestock and the Statistical bureau, (August, 2003)

*Increased competitiveness on the domestic market has to be considered within the context of the demand dynamics as indicated at **Figure 2**. The prevailing trend is for domestic consumption to periodically outstrip production. In addition, the industry has demonstrated some sensitivity to exogenous factors such as that occurring in the last quarter of 2006 where four companies were given permits to import chicken on account of reduced domestic production brought about by disease in some production units. Assistance is required to allow the industry to achieve sufficient productive capacity so as to influence export reliability in the context of the expanded market opportunities to be presented by the CSME.*

*There is no real possibility of the industry exporting out of the region. Clearly, there are opportunities to be explored, but these cannot be executed in isolation of a more efficient, reliable and cheaper form of transportation and improved SPS status in Guyana, among other factors.*

*In moving beyond the domestic market, an important challenge for the industry will rest on its ability to meet food safety and other SPS requirements that are emerging as key requirements of member states that have significantly improved their food safety and SPS standards. It will be necessary for some level of support to be offered to the sector to improve its competitiveness in terms of meeting the cost of achieving international and private standards for food safety with the specific objective of ensuring that Guyana meets the SPS/TBT levels currently being attained by other large and small FTAA states within at least 2-4 years.*

*Improving the country's SPS/TBT status will require legislation upgrade, improvements to laboratories, veterinary services, and food safety inspection services and the rationalisation of the functions of relevant departments including the Guyana National Bureau of Standards (GNBS), the Food and Drug Division (FDD) and the Veterinary and Plant Health Unit of the Ministry of Agriculture. Guyana should press the larger trading partners to provide, to the extent possible, financial and technical assistance necessary to respond adequately to their SPS measures.*

*In the interim, the industry is continually trying to effect improvements to its standards. Recent collaboration with the Guyana National Bureau of Standards (GNBS) has seen the enactment of industry standards embracing the grading of table eggs and specifications for poultry meat and poultry products. These standards are intended to harmonise the industry with regional standards.*

*Improvement to competitiveness could be achieved with the expanded processing of poultry waste. Already chicken waste is processed into high protein feed for the poultry and swine industries. However, the industry can move to reduce the significant volume of chicken sausages and salamis imported into the country.*

### ***Beef***

*With between 235,000 – 250,000 head of beef and dairy cattle it is believed to be amongst the countries with the largest cattle population in the Caribbean. Given its natural resource base, it is the country with perhaps the greatest potential. As a consequence the country has achieved self – sufficiency in beef.*

*The Government has identified the development of beef exports as a priority and this forms an important component of a planned US\$14.5 million diversification project to be funded by the Inter American Development Bank (IADB).*

### ***Issues of Competitiveness***

*Guyana has the potential to export beef to the Caricom market. This potential is based on a number of important considerations including the fact that the country has been certified as being free of Foot and Mouth disease, and that an expanded tourism sector have increased interest in developing a viable export sector. Of lesser consideration is the fact that the country has already proven its export capability in some measure, through exports to Brazil, though the trade is small and localised (beef is exported from nearby Lethem).*

*While these are more or less administrative impediments that have cleared the way for the country to export, the country's ability to do so will depend on further improvements in a number of key critical areas that has to do with the structure of the sector. Among these is the fact that a great number of the farmers who supply beef to the system are the traditional dairy farmers and the beef that they supply to the markets are usually from culled dairy animals and/or bulls. Clearly an export market cannot be sustained on this type of structure. **A key intervention of the diversification plan is for the importation of breeding stocks, the cost of which is currently beyond the average farmer.***

*Guyana's beef sector has established that the problems surrounding the future growth and survival of the industry are rooted in its structure. This is related to the fragmented nature of beef cattle industry, where the large majority of cattle are owned by small farmers, many of whom do not use improved technology or production practices, and in too many instances are landless farmers.*

*For the country to attain any level of export competitiveness there would have to be a significant upgrading of its processing capability. Meat processing in Guyana is largely rudimentary, operating mainly as a cottage industry. There are two types of slaughtering facilities, the abattoirs and those generally referred to as slaughterhouses. Slaughterhouses, which are no more than sheds, with or without concrete floors, are located at various points along the coast and are generally owned by the Local Authority or individuals. These facilities basically cater for the needs of the towns and villages along the coastal areas.*

*Processing facilities need to be affected at two levels. While a general upgrading of facilities across the country will be essential to the secondary processing, it is **imperative that industry requires an Abattoir that meets international standards for it to achieve export competitiveness. A key intervention of the government diversification programme is the establishment of a state – of – the – art abattoir.***

*Achieving successful beef production and export competitiveness will among other factors depend on significant farm improvements including the quality of pastures. A **key intervention of the planned government diversification plan is the development of pasturage through the importation of appropriate equipment.***

*Cattle production in Guyana is characterised by a large number of small farmers (about 16,000 with less than 50 heads of cattle) who traditionally mix small herds of cattle with crop production systems based on rice and vegetables. The industry has a fragmented structure, and like other fragmented industries it lacks market leaders with the power to shape industry events.*

*While the cattle population is well known, what is not known is its composition. Some cattle are held for wealth, some for beef and some for milk. There is need for the completion of a comprehensive census to facilitate proper planning for the development of the industry.*

*On the basis of these factors, forging and sustaining an export capability will require the establishment of an **Integrated Livestock Development Programme.***

### ***The Dairy Sub – Sector***

*The average value of dairy output at the national level is somewhere around US\$5.7 million and provides employment and income for about 5,000 farm families, mostly small and resource poor farmers.*

*Efforts in developing a viable dairy industry in Guyana have met with little success. This is primarily due to the fact that industry development has been approached in the context of import substitution rather than for its export possibilities. The overlying causes for its underdevelopment is attributed to inadequate marketing, processing, and distribution arrangements, and non-supportive policy decisions such as those relating to imports of milk powder in particular and other dairy products in general.*

***Milk** production has been characterised by decreasing production. The industry currently produces some 30 million litres or 6.6 million gallons annually. This contrasts with peak production of 80 million litres (17.6 million gallons) in 1993. The downward trend in milk production corresponds with an upswing in support of milk import policies that favors importation of powdered milk at very low tariffs.*

*The ability to add value to milk has been gaining momentum. With some 20 **processed dairy products** (including yoghurt, flavoured milks and cottage cheese) test marketed to varying degrees of acceptability, the sub – sector may have established the basis for some level of future competitiveness. However, due to low milk supplies, the industry is only sufficiently sized to cater to the domestic market. Even so, market share is extremely miniscule as domestic products struggle to compete with traditional brand names.*

***Margarine** and **Butter** are produced on an industrial scale, however, while these products face competition from many imported varieties, they are still able to hold on to meaningful market share largely on account of brand loyalty due to traditional brand marketing.*

### ***Issues of Competitiveness***

*The dairy sector is likely to remain small, catering to a small segment of the domestic market. Lack of significant new investments as well as entrenched structural impediments suggest that it is unlikely to overcome its lack of competitiveness.*

*In contrast to the highly mechanised poultry industry, the dairy sector is characterised by largely manual based enterprise development. This is reflective of a situation where the industry has only attracted about a tenth of the US\$80 million in investments that have been injected into the poultry sector over the past decade. This not only reflects a lack of confidence in the sector's ability to develop, but also means that the technological profile of the industry scale is no at the level that is likely to enhance its competitiveness over the short – term.*

*The absence of adequate utility services (potable water and electricity) in many of the rural areas makes it difficult for farmers to make key investment decisions geared to produce and market better quality milk. Locally produced milk is therefore generally considered to be of a poor quality. Traditional practices such as the dilution of milk with water have not been helpful. Improvement in milk quality is therefore one of the areas to which attention must be focused as part of any effort to improve competitiveness.*

*From a structural perspective, the Guyana's National Development Strategy (NDS) classifies about 75% of the approximately 25,000 farm households as small or less than 15 acres in size. This makes for difficulty in achieving any measure of coordination and uniformity in quality. Some measure of competitiveness could be achieved over the medium term with the formation of a Co – operative to undertake milk collection, industrial processing and export marketing. Such an undertaking is also likely to attract the kind of financing required to inject competitiveness into the industry. The dispersal of dairy operations contrasts with the poultry sector where about 90% of the industrial enterprises are located in Demerara.*

### ***The Non – Traditional Sector***

*The non – traditional agricultural products sector is a nascent sector that has shown strong potential to become an important cornerstone of the agricultural economy. The sector has demonstrated significant growth over the past decade .Total exports of fruit and vegetables have grown by 93% in value since 1998, at an average annual rate of 12%. As such the sector is viewed as a strategic growth pole with the ability to broaden the productive base and to mitigate the potential impact of future adverse shocks to traditional agricultural exports.*

*The sector was developed in general response to anxieties with preferential markets for traditional export crops and as a means to diversify away from traditional export crops into crops and commodities which are considered to have a competitive advantage in international niche markets. Various efforts at diversification into non – traditional commodities have led to the growth of fresh produce exports comprising of a range of ethnic fruits, vegetables and root crops.*

*The non – traditional sector is seen as beneficial to Guyana in a number of ways. The sector is seen as making a significant contribution to the economy through foreign exchange earnings and employment generation. Backward linkages to the productive sector has led to the mushrooming of an agro – processing sector, forward linkages to the tourism sector and overall social and economic stability, particularly in rural areas.*

*Caricom, with 56% comprise the principal market for Guyana's non – traditional exports. Nevertheless, market diversification has been taking place with exports to North America and selected markets in the European Union. In CARICOM, exports are sent to Antigua and Barbuda, Barbados, Dominica, Grenada, St. Lucia, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago. Extra – regional markets are found in Canada, the United States of America, France, the United Kingdom, Italy, and Switzerland.*

*While the level of exports is still minimal when compared with traditional exports of rice and sugar, there is great potential for further growth in exports as reflected at Table 1.*

**Table 1**

**Exports of Non – traditional Produce 2003 – 2006**

<b>Exports</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<i>Tonnes of Non – traditional Produce exported.</i>	4,072	4,561	1,615,109	*****

*Source: New Guyana Marketing Corporation (NGMC)*

**Issues of Competitiveness**

*The non – traditional sector has the best possibility for growth over the next decade. However, radical changes in the structure of the sector will have to be addresses if the sector is to realise its fullest potential. These embrace adjustments to infrastructure, including land rights and in the size of farms, as well as improvements in, will be necessary. These issues are likely to be addresses following the recent launching of a Ministerial Advisory Group on Diversification. The Group is made up of 17 public and private sector representatives.*

*Significant support will be required to assist the non – traditional sector in meeting stringent international standards for food products. This comes in the wake of international developments where as non – traditional agricultural products become more and more visible in international trade, issues of compliance in terms of product standardisation, authenticity, food safety and quality assurance are assuming increasing importance for certification and approval of imports by major markets, and for determining the competitiveness of agricultural imports. These issues will become more important at the regional level, with the establishment of the CSME, and also with respect to the linkage increase within the regional tourism sector.*

*Overall competitiveness could be improved if the sector develops the ability to co-ordinate the entire supply commodity chain and thereby maximise on available market opportunities. In recent years, the New Guyana Marketing Corporation has taken an active role in the identification of markets and the promotion of Guyanese products. While the NGMC is performing its functions admirably, this can in no way be equated with effective private sector leadership. The private sector will have to take the lead in moving the sector to the next level of international competitiveness.*

*Like agriculture in general, the sector has not been able to access affordable credit on a sustained basis. With the sector comprising essentially of small enterprises, issues of collateral has emerged as a key constraints. The Ministerial Advisory Group on Diversification is expected to address this and other binding constraints.*

## ***The Fisheries Sector***

### ***The Traditional Fisheries Sub - Sector***

*The Bureau of Statistics estimates that the primary sector of fisheries contributed just under 3% of GDP of total GDP, thus making it a significant contributor to Guyana's economy. The contribution of the sector is brought into stark contrast when it is considered that the sector has contributed as much as rice in some recent years.*

*The industry generates direct employment for 12,500 persons (approximately 6,500 in harvesting and 6,000 in processing), with many more benefiting indirectly through fishing related industries such as boat building and gear supply and repair.*

*Current production is estimated at about 48,000 tons of which 18,000 tons are landed by the industrial fleet. Sales of domestic shell fish and exports of ornamental fish also contribute to the value of the fisheries. The European Union and the United States comprises the principal markets.*

### ***Issues of Competitiveness***

*The lack of human and technical capacity at the regulatory body, the Ministry of Fisheries, Crops and Livestock presents a major constraint as it contributes to the lack of sufficient regulatory support. As a consequence the Government does not have the capacity to set sustainable Total Allowable Catches because of the inability to carry out accurate scientific surveys of the resource. As a consequence, the country's marine resources are not being managed in a sustainable manner (while Guyana has some of the most abundant marine resources in the region, many of these resources remain under – exploited, especially the deep water resources).*

***The sector is not adequately resourced in terms of its capacity to determine the viability of the industry. As a consequence it has been unable to properly survey marine resources to establish their suitability in terms of available technology as well as to evaluate the potential profitability of production.***

*From an industrial fishery perspective a major impediment to competitiveness lies in the constraints are mainly related to the outmoded technologies used, the inadequate surveillance vessels used by the Department of Fisheries and the Guyana Coast Guard. As a result, some major commercial stocks are being exploited near to the maximum sustainable levels. In terms of inland fisheries operators have challenges obtaining suitable freehold land or to secure appropriate leases, in addition there is inadequate technological support due to the minimal number of qualified persons to undertake research and extension activities.*

*There is concern that the quality of fish currently being produced. While current market requirement for the maintenance of Grade A fish is for 20 days, the industry only has the capacity to do so for 10 days. **Thus, there is need for cost effective methods to be developed so as to improve the competitiveness of the Guyanese product.***

*Fears that the long – term competitiveness of the industry might be compromised through over - fishing of some important resources was confirmed by a report emanating from the Caribbean Regional Fisheries Mechanism (GRFM). In response, the industry, through the Guyana Association of Trawler Owners and Seafood Processors have been acting on a recommendation of utilising no more than 50 of an available 100 registered vessels in the harvesting of sea bob.*

*In recent years, much progress has been made toward sustainable development of the industry through efforts to meet standards requirements of its most important markets. A prime example has been the achievement of the requisite Fish Quality Control Standards for export of fish to the EU which comprises the country's most important market. Guyana has also implemented and enforced regulations on Turtle Excluding Devices (TED's) which allows for the export of fish and fishery products to the United States. Sustaining these markets is key to maintaining the sector's competitiveness.*

*The recent launching of a Ministerial Advisory Group on Fisheries is a key strategic move in addressing many of the competitiveness issues of the sector.*

### ***The Aquaculture Sub – Sector***

*Commissioned marketing and feasibility studies have shown that commercial aquaculture is one of the most promising economic activities in Guyana and has the potential of growing into one of Guyana's most profitable export sectors. A recent marketing study on aquaculture in Guyana funded by the UK Department for International Development ( DFID), shows that Guyana is in a good position to pursue the profitable organic tilapia market).*

*The industry has been growing at a relatively phenomenal rate with an average annual growth rate of 14.4% since 1995. This has been in direct response to policy measures aimed at aiding its competitiveness. Such policy has spawned technical assistance in relation to basic adaptive research, training to farmers and the supply of seed stock.*

*Though the potential for growth is obvious, the sub - sector is in its initial stages of development. Currently, only 2,000 hectares are under utilisation and Guyana's share of production for Latin America and the Caribbean (2003) is just 0.02% of the total production. However, with declining revenues from traditional sectors and shrinking of key numbers of key marine species, the focus is on aquaculture as an important sector for Guyana's future.*

*Interest in the sector has spanned both the public and private sectors. From a governmental perspective, the Ministry of Agriculture through the Department of Fisheries has signed an agreement with the University of Arizona to enhance the knowledge of production of fish through aquaculture.*

*Industry infrastructural is gradually being strengthened. A fisheries research station established in collaboration with the Food and Agricultural Organisation (FAO) and the Canadian International Development Agency ( CIDA ) is providing the impetus for renewed interest in the industry among private farmers through technical support. The Mon Repos Freshwater Aquaculture Demonstration Farm and Training Center aims to promote sustainable aquaculture, to enable farmers to attain high yields, perform adaptive research, and to provide the information to farmers , so as to improve the productivity of the sector.*

*The Institute of Private Enterprise Development (IPED) has declared its intention to invest in the expansion of the sector. IPED's perspective on aquaculture is based on the view that the industry will be the leading economic sector in Guyana and that it can contribute up to 20 % of the country's Gross Domestic Product by the year 2015. With twenty three (23) of its staff members having undergone aquaculture training, the institution is currently gearing itself to make the case for the development of the industry throughout the country.*

*A Producers Association (the National Aquaculture Association) is spearheading the national aquaculture initiative under the President's Private Sector Initiative. The formation of the Producer Association, farmers now means that the industry now has access to the full range of support (access to technology, research, training and financing) to aid in its development.*

### ***Issues of Competitiveness***

*A key aspect of the sub – sector's competitiveness has to do with market accessibility and the growing demand for Talipia, its main product. Global market demand for aquaculture products have been growing dramatically. Guyana will be competitive in the US market where demand for Talipia has been increasing at an average annual rate of 24.9% since 1997. The sub – sector's competitiveness has improved dramatically having achieved the necessary Sanitary and Phytosanitary Standards (SPS) which makes for easy access to this lucrative market which imported some 112,939 metric tons in 2004.*

*The sub – sector can look forward to a sustainable market as according to the Food and Agricultural Organisation (FAO), aquaculture is the fastest growing food production sector in the world, with output growing at 10% per annum. Further market sustainability is possible in relation to likely increased demand to satisfy the growing regional tourism industry.*

*Further sustainability developments have to do with successful experiences of rapid growth of Commercial Aquaculture in neighbouring countries including Brazil, Chile, Ecuador and Colombia. These have all shown impressive growth in production and have become leading aquaculture producers in the world. Given our basic natural advantages of land and water, similar success is anticipated.*

*On the regional market, the industry's competitiveness is likely to be enhanced from the protection of the Common External Tariff (CET) which carries an average tariff rate for fish products at 31%.*

*Studies have shown that net revenue per acre in the sector is considerably higher than that of rice. Given current difficulties with rice production, it is conceivable that many rice farmers, particularly the small rice farmers may switch to fish farming.*

*Improved and sustained competitiveness is likely to be stymied by a number of key constraints. One such is the lack of access to affordable credit. Commercial banks which represent the primary source of credit are mainly offering restrictive high interest rates and short pay back periods. The fact that the industry is in its embryonic stages has only served to exacerbate the issue.*

*While production within the sector has been expanding steadily, a major area of concern remains the production of feed. The industry's competitiveness would be considerably enhanced should it be able to achieve feed production which necessitates substantial cultivation activities. **Financing is required to establish plantation scale cultivation of the primary raw material for feed production.***

*Since it faces continuous technical and scientific challenges, aquaculture is an activity that requires a strong and in – depth technological foundation, **raising the technological profile of the sector is therefore a matter that should be accorded urgent priority.***

*These and other related issues are likely to be addressed as a consequence of a technical cooperation agreement between the Ministry of Agriculture and the University of Arizona aimed at expanding and improving the knowledge, understanding, opportunities and capabilities of fishery production through aquaculture. Research areas to be addressed will involve an in – depth study of the physical, chemical and biological processes regulating aquaculture and fisheries.*

*The strengthening of the physical and human infrastructure at the Mon Repos Aquaculture Station will be essential toward achieving the overall objectives of the project.*

*The recent launching of a Ministerial Advisory Group on Fisheries is a key strategic move in addressing many of the competitiveness issues of the sector.*

## ***The Organic Food Sector***

*The potential of the organic sector has only been recently recognised by the agricultural sector and as such the sector is quite small with only about 28 farms occupying some 109 hectares of farmland or 0.02 % of total land under cultivation.*

*Although the benefits of organic production has been generally touted throughout the sector, production has been modest and limited to a small volume of cocoa production aimed at satisfying a market niche identified by a British charity. It is widely suspected that the cost of establishing organic cultivation may constitute a major turn off to already established farmers as well as those aspiring to enter the industry.*

## ***Issues of Competitiveness***

*The sector continues to be small in spite of the fact that demand for organically grown products have been increasing in the international market. This is basically on account of the reluctance of farmers to gravitate toward organic cultivation on account of stringent standards dictated by the international market, more specifically, the cost of implementing these standards.*

*The Government has recently taken steps to enable the sector to meet international standards by strengthening technical capacity and composition formulation of testing standards. An implementation unit through the Pesticide and Toxic Chemical Board was established to provide and promote the necessary infrastructures required for the establishment of a comprehensive registration scheme. The registration system allows for technical assistance as well as extension services to be administered to the farmers. A proper registration and records scheme ensures that there is accountability of organic exports, so as to ensure that standards suited for organic farmers are complied with as farmers export to North America and EU markets.*

***Generally, the sector needs to increase its research capacity to address critical issues such as those related to plant varieties, soil types, organic fertilisers, and systems for growing organic produce.***

***As the sector is in its embryonic stage, there is a general lack of awareness of matters organic among the farming community, it will be strategic to develop a comprehensive plan for the development of the sector as the basis for increasing sector support. The plan will entail a detailed study of the sector with the aim of deriving a number of recommendations as well as an action plan for the development of the sector with a special emphasis on critical areas including the following;***

- *Development, implementation and monitoring of standards*
- *Technical and financial assistance*
- *Infrastructure for growth*
- *Transport and storage facilities*

*The recent launching of a Ministerial Advisory Group on Diversification is a key strategic move in addressing many of the competitiveness issues of the sector.*

## ***The Forestry Sector***

*The sector is of significant national import, currently contributing around 4% of GDP, providing direct and indirect employment for some 20,000 persons, and accounting for approximately 6% of total exports. The industry continues to grow despite several challenges. In 2006, export sales were US\$58.7 million as compared to US\$48.6 million in 2005, an increase of 20.8%*

*Guyana has a land mass of approximately 21.5 million hectares of which approximately 76% or 16.45 million consists of forested land. Exploitable forests are estimated at 3.6 million hectares of which 2.4 million hectares have been allocated for harvests. Forests considered non – exploitable with present technology are about 2.5 million hectares. The potential exploitable forest for which access does not currently exist is estimated at about 10.4 million hectares.*

*The forestry sector is made up of numerous enterprises involved in log production, plywood, timber, round wood, non – forest products, fuel wood, manicole palm and production of value added forest products such as furniture. Of an estimated 1,000 species, only a handful is commercially exploited.*

*The industry is extremely well regulated one. The Guyana Forestry Commission (GFC) has implemented a comprehensive forest policy and legislation reflecting contemporary thinking and new approaches to forest management and environmental concerns.*

*Regulatory activities have been boosted with the recent launching of a Forest Products Marketing Council (FPMC). The Council is working with the World Wildlife Fund (WWF) in support of environmentally sound timber harvesting practices. The WWF is also assisting the FPMC in the setting up of a Legal Verification Mechanism (LVM) to certify the legal origins of exported timber.*

## ***Issues of Competitiveness***

*The forestry sector has been referred to in the National Development Strategy as one of the natural resources with the greatest potential for economic development and poverty reduction. However, the full potential of this resource remains unknown at both the national and community levels owing to the absence of accurate, updated and complete data on the resource base and value of the forests.*

***One of the key initiatives that would enhance the competitiveness of the forestry sector is the undertaking of a National Forest Inventory.*** *The Guyana Forestry Commission (GFC) is currently seeking to assess the total economic value of the country's forest resources through the conduct of a national management level inventory. The overall objective of the "project", expected to run from 2007 – 2010, is to boost the economic planning capability of the forest sector by making data available for the valuation and sustainable management of forest resources.*

*The absence of inventory information inhibits proper management, planning and optimal utilisation of forest resources to gain optimal benefits for the welfare of the nation. Owing to this, the forestry sector, both at the community and national levels is unable to meet the economic, social and environmental demands placed on forests.*

*The specific objective of the census is to arrive at an economic value for timber, major non – timber forest products and fauna, to enable sustainable forest utilisation and planning. Generally, the forest inventory will provide information which will inform forest stakeholders on the productive capacity of the forests and the value of the forest resource base, both at a national level and at a community resource level.*

*The GFC has pointed to several good economic reasons why the Region should buy products from Guyana, including a favourable tariff regime and regular shipping routes. However, while many enterprises market to the region, the industry recognises that **greater marketing assistance is required to take advantage of opportunities across the wider Region.** For example, a recent marketing mission to Jamaica undertaken by the Guyana Forestry Commission ( GFC ) was informed that that country had imported over 448,000 cubic metres of wood products for which it paid US\$44 million, a mere 378 cubic metres came from Guyana.*

*The expectations of the Forest Products Marketing Council ( FPMC ) is to raise the contribution of the sector to the Gross Domestic Product ( GDP ) from 4% to 10% in three to four years. To a large extent this could be achieved if it is able to successfully market many of the species currently considered non – commercial species and which make up a substantial proportion of the over 1,000 known species. **Assistance will be required in the establishment of a laboratory for the testing of species and related technical work.***

***A recent competitiveness issue has been that associated with the export of logs and its implications for the manufacturing sector.** Downstream processors have been proposing a ban on the exports of logs as a means of ensuring raw material supplies to critical export sub – sectors and the manufacturing sub – sector in general. Under intense pressure, the Government has implemented a regime of restrictions that will see a **significant overall reduction in log exports commencing 2008.***

*Restrictions on log exports will of necessity have to be accompanied by an acceleration of value added activities and other absorption elements. In this respect two recent and significant developments, relating to product exports and market infrastructure, have pointed toward validation of the move to restrict log exports.*

*Just months after launching a Caricom market initiative, Precision Woodworking Ltd. has been successful in securing markets for its outdoor furniture in five territories. The company is exploring opportunities in three other territories.*

*Guyana's competitiveness was endorsed by importers who indicated that the local furniture was comparable to Far East imports both in terms of quality and price. The Far East is considered the premier supplier of high quality furniture.*

*From the perspective of marketing infrastructure, feedback from the shipping sector suggests that shipping agencies have the capacity to export additional lumber. The sector has indicated that it can ship 10,000 cubic metres of sawn lumber monthly using 500 containers to destinations including Asia, Europe and North America.*

## ***An Evaluation of the Status of the Manufacturing Sector***

*The manufacturing sector is miniscule by both regional standards and in comparison with other sectors of the economy. The sector currently accounts for only 3% of GDP and provides employment for roughly 12% of the working population.*

*The sector was developed during the 1970's and 1980's under protectionist policies based on a strategy of import substitution and state ownership. The fact that it was geared essentially to cater to the local market, meant that the manufacturing sector required regular access to foreign exchange. Thus the decline, during the 1970's and 1980's, of the export – oriented sugar, bauxite and rice industries, the major sources of financing, in addition to adverse macro economic policies led to the virtual collapse of the sector over those two decades.*

*While large scale privatisation during the 1990's saw the emergence of a new generation of manufacturers and with it the abundance of entrepreneurial potential, there are still many other critical issues to be considered as constraining to growth and competitiveness including those associated with infrastructural development, and those related to production and management issues.*

*The majority of manufacturing enterprises in Guyana are small, medium sized, family owned. and generally produces for the domestic market. The principal manufacturers operating in the domestic market make food products, beer, aerated beverages, furniture, wooden doors and window frames, bathroom fittings, packaging, cosmetics, detergents, paint, varnishes, pharmaceuticals, jewellery, plastic piping fishing nets, textiles, footwear, cigarettes, animal feed and metal products for industrial use.*

***The manufacturing sector is generally not export ready and export oriented manufacturers are a minority. Principal manufacturing exports are plywood, rum, garments, wooden and cane furniture, pharmaceuticals, detergents and packaging products. Of these, only plywood, garments and rum are significant in value.***

*General expectations are that Guyana's slender manufacturing base is expected to be threatened by increasing competition from imports in a small domestic market and by potentially reducing tariffs in export markets where the country enjoys preferential access. On the basis of these developments, **Guyana's manufacturers thus require as long a transition period as possible in order to bridge the competitiveness gap.***

*While the sector showed growth (of 2%) in 2005, the expansion and diversification of the sector is currently not proceeding at the rate that would suggest that it is poised for any significant takeoff. This is primarily attributed an environment where there is no overarching strategy to bring together the disparate attempts at various agencies in developing the sector.*

*Unlike the agricultural sector, there is considerable duplication of efforts across these institutions, as well as extensive documented information on technologies and investment profiles. The level of coordination, information sharing and resources among all these organisations needs to be increased, and focus should be provided in order that an integrated approach to development can be adopted. **Given the enormous potential for the sector to exploit the abundance of natural and agricultural resources, the time is right for the establishment of a super agency dedicated to the growth and development of the sector.***

### ***Issues of Competitiveness***

*The manufacturing sector is beset by critical infrastructural deficiencies that impact on the current investment environment. Ensuring the future growth and development of the sector will require a commitment to develop strategies aimed at helping the industrial sector to build up its technological capabilities through policies designed to overcome specific constraints currently inhibiting the sectors growth and development. These constraints embrace the following:*

### ***Production Related Factors***

- *Low level of technology – mainly labour intensive production methods;*
- *Obsolescent machinery and equipment;*
- *Low level of technical skills in the labour force;*
- *Lack of economies of scale owing to the small size of the domestic market;*
- *Operating at below optimal production capacity ( because almost any optimal plant size will be too large for the domestic market );*
- *The lack of research and development for product and process development;*

### ***Management Related Issues***

- *Poor access to sectoral information;*
- *Unavailability of access to competitive financing;*
- *Lack of high level business and management training;*
- *Lack of design capability;*
- *Low quality management;*
- *Variable product quality owing to the lack of quality assurance*

***Clearly, Guyana does not have the financial, administrative and other necessary resources required to overcome identified constraints over the short to medium term. In the interim, some level of competitiveness could be achieved through targeting those productive activities that have shown competitive potential, as well as focusing on developing value added activities complimented by a strategy to create and expand on competitive niche sectors in the regional and extra – regional markets.***

*The successful entry of Precision Woodworking Ltd into the Caricom market for outdoor furniture is reflective of what could be achieved in pursuing niche market policies. The company has been successful in securing markets for its outdoor furniture in five regional territories, this coming just a few months after initial market enquiries. The company is exploring opportunities in three other territories. Guyana's competitiveness was endorsed by importers who indicated that the local furniture was comparable to Far East imports both in terms of quality and price. The Far East is considered the premier supplier of high quality furniture. The company has also been a long time exporter to the highly discerning European market for outdoor furniture.*

**Competitive sub – sectors that could be targetted for short to medium term intervention could come from the following;**

### ***Secondary and Tertiary Production (Waste Utilisation)***

*Industrial and manufacturing activities are characterised by low conversion levels with an average 50% utilisation of primary raw material. Against this background a waste utilisation strategy should be pursued. The likely benefits include product development, niche market development, employment generation, hard currency generation and positive environmental impacts.*

*Literally hundreds of products could be developed from bagasse (sugar cane waste) rice husks, off – cuts, sawdust and wood chips, and the residue (seeds, and skins) from agricultural waste. Should the full potential of waste utilisation be realised it is quite possible that its contribution could be substantial enough to match all agricultural crops with the possible exception of sugar. **Developing a waste utilisation programme will require the establishment of research capability, preferably in the form of a special unit.***

### ***Jewellery***

*Competitiveness lies in backward linkages to the gold and diamond mining industry where the primary raw materials are available in relatively large and sustainable volumes. Apart from traditional gold and diamond jewellery, further potential is possible with the manufacture of costume jewellery from the vast array of semi – precious stones.*

*The marketing capability of the industry needs to be boosted considerably if it is to achieve a high level of competitiveness over the long – term. Currently just over 50% of gold jewellery is either sold to visitors or exported. However, Guyana is yet to break into the mainstream international market. Most of the gold jewellery exports continue to be based on orders made by holidaying Guyanese and visitors to Guyana. Industry observers have noted that further investment in the creation of factories is required for the manufacture of jewellery for export to the mainstream market.*

*The lack of local refining facilities has been identified as one of the principal constraints to increased production of gold jewellery. Currently, large quantities of refined gold are imported and distributed by the Guyana Geology and Mines Commission (GGMC). Many operators are less than comfortable with the logistics of this arrangement.*

***A key constraint to the manufacture of diamond jewellery is related to the lack of capacity to cut and polish diamonds. This comes down to a lack of training. In March of 2002, a National Jewellery Institute funded by the Caribbean Project for Economic Competitiveness (CEPC) was established. The Institute has offered no training since the first quarter of 2004. Since it is estimated that approximately 65% of local gold and diamond jewelers have little or no formal training, it may be opportune for that Institute to be resuscitated.***

*While there is definitely potential for costume jewellery, much marketing work has to be done in determining market requirements. Training in the cutting and polishing of stones is done at the Guyana Geology and Mines Lapidary. In order to achieve international competitiveness however, this facility will have to be upgraded in keeping with international standards.*

*In the face of these deficiencies, the industry is likely to remain viable over the short – term given the familiarity with the product range by the Guyanese diaspora and the fact that many jewelers import as well as manufacture in order to meet demand.*

### ***Forest Products***

*The forest products sector is made up of companies engaged in the value added manufacture of wood products. Competitiveness lies in backward linkage to the forestry sector where the primary raw material is available in sustainable volume.*

*Though the wood products industry has good backward linkages to the forestry sector, it is constrained by structural deficiencies that would limit its export competitiveness. The industry is constrained by those factors that affect manufacturing across the board.*

*Some products / enterprises have demonstrated that international competitiveness is achievable through the development of market niches. In this respect Garden Furniture (Precision Woodworking Ltd.), Doors (Guyana Furniture Manufacturing Ltd.), Mouldings and Shingles (Bulkan Timber Works) and Liana Cane (Rattan furniture) have all found acceptance on the discriminating international market. **Attempts should be made to determine the depth of the market so as to encourage new market entrants.***

*Successful market penetration by these companies has demonstrated that it is possible for local manufacturers to compete successfully without the aid of subsidies and generally within the identified constraints. This has been possible due primarily to the identification of a niche product(s) and niche markets. These along with essential elements such as proper corporate governance, and appreciation of technical assistance have allowed for accessing of critical finance.*

*On the domestic market, forest products will continue to be competitive given the relatively large number of (small) operators in the market and the fact that the market is primarily low end which is a matter of affordability.*

*There is enormous potential in the effective utilisation of industry waste, examples of which could be found in the utilisation of cuts for the production of deck chairs and wood chips for the production of laminated wood. The product line from wood waste is quite extensive, but it will require the establishment of research and development capacity.*

*Recent policy initiatives by the government to restrict the exportation of logs should in the view of sector manufacturers, serve to increase competitiveness, sustainability and profitability.*

***Given the comparative advantages in the forestry and wood processing sub – sectors, vigorous efforts should be pursued to expand on the concept of establishing wood processing parks (previously planned for Charity and Supernaam). The geographical expansion of the concept should be considered to embrace several other strategically located venues.***

## ***Beverages***

### ***Aerated Beverages***

*The industry is dominated by two large companies Banks DIH and Demerara Distillers Ltd. (DDL). Significant advances have been made in the industry over the past decade in relation to the introduction of new technologies. This has allowed the industry to hold its own in the face of regional competition, particularly from Trinidad and Tobago.*

*The industry is expected to remain competitive due to the consolidation of local brands created an aggressive and sustained marketing and promotional strategy as well as improved packaging where a significant volume of output is now packaged in more acceptable and less expensive plastic bottles and cans. The move toward full elimination of glass bottles will become necessary as full competition comes into force with the CSME.*

*Industry competitiveness has been bolstered through the formation of strategic alliances with major international brands such as Pepsi and Coca Cola. Competitiveness could be even more enhanced if the industry could find a way to process the wide variety of fruits and vegetables that are normally sold fresh.*

### **Rum**

*Rum has been produced for over 100 years in Guyana and is expected to remain competitive based on the favourable tariff arrangements under which it is marketed. Rum is exported on an industrial scale to Europe under preferential tariff arrangements. There is no reciprocity and Guyana levies tariffs on imports of European alcoholic beverages such as wines and spirits. As a result, locally produced rum enjoys a significant price advantage in the domestic market. At the same time, local rums are well branded and enjoy brand recognition on the domestic market.*

*Guyanese manufacturers have shown a preparedness to use the space provided by the CSME to expand into other territories as the purpose for establishing the market is to facilitate nationally built companies to spread out across the region. A typical example of the model which Guyanese companies would want to follow is that of Demerara Distillers Limited (DDL) which has taken a stake in National Rums of Jamaica. This new venture represents a significant movement in the consolidation of the Caribbean Rum Industry and accords with the objectives of the CSME.*

*In a more recent development, Banks DIH Ltd. is currently engaged in discussions with the West Indies Rum and Spirits Producers Association ( WIRSPA ) aimed at helping the company emulate the highly successful local and regional marketing success of its rum products in North America and Europe. WIRSPA is currently working with regional spirit producers to expand their share of the international market for branded rum products by providing funding support for market research aimed at assisting them to penetrate extra - regional markets.*

### **Beer**

*The single source of domestic production is Banks DIH Ltd. The company faces intense competition from a wide variety of imported brands, the most recent being that of a Venezuelan company which has advanced plans for establishing a US\$15 million beer production plant. However, the long – term prognosis is for the company to maintain market share on account of brand loyalty inspired by aggressive advertising and promotion.*

### **Agro – Processing (Food Production)**

*The fact that agriculture is the mainstay of the Guyanese economy has opened up the possibility for agro - processing as a sub – sector where manufacturing should have good potential. Currently however, the sector remains small and inconsequential even though there has been noticeable investment taking place in the sector.*

*There has been no significant expansion in the product range over the past three decades and manufacturing activity is mainly confined to improved processing and packaging of long existing product lines. These product lines comprise of processed traditional agricultural products and fresh fruit and vegetables mainly for local consumption with small quantities of processed pepper (mainly sauces) being exported to the Caribbean and North America.*

*Not unlike the overall manufacturing sector, a number of competitive constraints hinder the expansion of the agro – processing sub - sector. Chief among these are poor product quality and consistency, poor quality packaging, the lack of cold storage facilities and outdated technologies and equipment.*

*The agro - processing industry is only likely to be competitive if it is able meet the price, quality and delivery requirements demanded by the market. This is not expected to happen any time soon as the lack of cross sectoral policies will hamper the agricultural sector from delivering an adequate supply of quality raw materials. Therefore, improvements in the fruits and vegetables supply chains will be imperative for the future success of the sector.*

*Competitiveness could be significantly enhanced if the industry was to embark on a policy of value added with niche markets in mind. Such a policy will of necessity take into consideration the structural deficiencies affecting the sector, chief among which is unreliable and costly transportation. Thus, say, instead of attempting to export beef, the industry can process hamburgers for the tourist industry.*

*The ability of the sector to compete on the international market was enhanced with the recent completion of a project aimed at improving the presentation and information content of products. The project sought to effect improvements to product labeling and packaging. The project was undertaken by the Guyana Manufacturing and Services Association.*

### **Garments**

*Even though the sector is comparatively small, contributing only about 3% of total exports, it nevertheless yields significant benefits to socio – economic development by way of employment generation for unskilled female labour and helping to empower women in poverty stricken areas.*

*The industry, which was quite vibrant in the 1970's when it exported to the region, has been decimated by severe international competition mainly on account of low cost Chinese and other Asian producers.*

*The competitiveness of the garment industry was based on enhanced access to the US market under special tariff arrangements provided under the Caribbean Basin Initiative (CBI). This, along with punitive quotas on Chinese goods by the US government seems to have had little effect on stemming exports from that country which appears to be keeping its currency artificially low as part of a massive export drive.*

*Much earlier, Guyana, based on competitive wage rates was the venue of a significant level of outsourcing. However, the country has been supplanted by even lower wages venues such as Bangladesh (US\$0.17 and India, US\$0.20 per hour). In Guyana, the hourly base wage stands at between US\$0.40 –US\$0.60.*

*Industry insiders have identified other key competitiveness factors as the increasing cost of utilities and shipping, high interest rates and the increasing rate of exchange. Cheap imports have also affected some 50% of the market share for local products.*

*It would seem that the garment sector lacked, and still do, the capacity to assess the global market and effect changes to meet the changing environment. In the past too much attention was paid to price, and not much to efficiency and quality.*

*The industry is only likely to achieve some level of competitiveness, if, it can, as one manufacturer has recommended, be able to reduce overhead costs to the bone. Even so, the industry's competitiveness is likely to remain in question.*

## ***An Evaluation of the Mining Sector***

*Mining, on account of the country's extensive natural resource base, forms an important sector of the economy, contributing about 13% to GDP, 38% to exports and employing some 10 – 15 % of the labour force. Among the most commonly exploited of the natural resources are gold, diamonds, bauxite, which account for 27.5%, 4%. and 7.2% of mineral exports respectively. The industry is thought to employ some 15,000.*

*The potential of the sector to contribute even more significantly is enormous given the country's vast unexploited mineral reserve base, estimated at close to 30 known metallic and non – metallic minerals. Apart from gold, diamonds and bauxite, other well known assets are semi - precious stones, silica sands and iron ore and Uranium. While petroleum has been discovered albeit in un- commercial quantities.*

*The Bauxite industry has been on a recovery trend following a severe downturn in the early 80's when the industry was virtually closed. Following restructuring efforts, the industry has shown substantial growth over the last few years, with production increasing by 6% to 1.5 million tons in 2006. The change in industry fortunes has been mainly due to the successful injection of foreign investment. Recent investments totaling some US\$100 million has seen improvements across the board embracing barging, transshipment and ocean shipment facilities and deep water shipping facilities.*

*The gold and diamond mining industries have continued to make useful contributions. For example, developments in the gold mining sector has seen all time high declarations by small miners (162,527 ounces) in 2006, even though overall gold production fell by 26.35 to 267,556 ounces, reflecting the closure of the mining operations of the Canadian industrial mining company Omai.*

*The sector is well regulated with the Guyana Geology and Mines Commission (GGMC) playing the lead role in enforcing industry and environmental standards. The fact that the industry is well regulated has not only meant a minimisation of losses on account of illegal mining , but also that the administrative infrastructure is in place to accommodate foreign investment critical to growth and development.*

### ***Issues of Competitiveness***

*Guyana has a major competitive advantage in the form of abundant metallic and non – metallic resources. The country's range of natural resources surpasses that of all Caricom countries combined.*

*The sector is well positioned to increase its contribution to GDP as a number of potential “projects “have been generating excitement. Among these are a number of gold prospects currently being pursued .There have been new applications for uranium prospecting rights , and the Pakaraima laterite bauxite deposits are being reappraised. A survey of iron ore possibilities is being undertaken as a possible feed for an iron and steel plant to be built in Trinidad and Tobago.*

*Opportunities for enhancing competitiveness are both significant and multi – dimensional. These have to do with deepening the process of added value in terms of currently exploited resources, while at the same time exploring opportunities for new resource exploitation and product development. Within this framework, opportunities for increasing value can be found in the following:*

- *Soapstone craft products for the tourism industry;*
- *Dimension stone for countertops and wall dividers;*
- *Costume Jewellery;*
- *Stone Tiles;*
- *Ceramic and building products from Kaolin;*
- *Glassware from Silica Sand;*
- *Lapidary products;*
- *Semi – precious stones for decorative purposes.*

*The pursuit of value added activities is of vital importance to overall competitiveness given the volatility of international commodities market.*

*Bauxite is poised to enhance its competitiveness with the commencement of a study of the feasibility of establishing an alumina refinery on known bauxite deposits (in the Linden and Ituni areas). The possibility of downstream processing should add significant added value to the industry and sector not only in economic terms, but also in terms of technology transfer.*

*Interest remains high in the search for petroleum. Almost all of Guyana’s prospective petroleum areas are currently under lease. These are either offshore, near on shore and the Takatu Basin. Interest also remains high in the so called overlap of – shore Corentyne area, pending boundary demarcation between Guyana and Suriname. Three wells drilled on – shore along the Corentyne Coast did not yield positive results, however, a new programme of drilling based on reworked data is being projected for 2007 along a band of about 10 miles further inland.*

*Despite having enormous reserves, Guyana, on account of high cost of freight in relation to volume, will not be export competitive in the area of aggregate and other quarry products. The industry will however be able to meet domestic demand for all types of quarry products for centuries to come. Sand is exported in small quantities to some Caribbean Islands, however with proper marketing greater market penetration could be achieved.*

*In spite of recent progress and potential opportunities, a number of key challenges have to be overcome if the sector is to realise its true potential and enhance competitiveness. These challenges relate to the following;*

- *International consumer concerns on matters of environmental protection. The industry needs to overcome deeply ingrained habits relating to environmental practices especially among small miners.*
- *The relative isolation of mining communities and its implications for reducing the impact of health risks endemic to the interior including malaria, STD's / HIV – AIDS and other health related risks. This will require that there be better physical infrastructure and communications.*
- *The need to improve technical and professional training throughout the industry, given international technological advancements. In this sense operators within the sector have called for the strengthening of the Guyana Geology and Mines Commission (GGMC) to provide better management services.*
- *The inability of the country to effectively police its hinterland has given rise to significant levels of illegal mining thereby clouding its true potential, diminishing the contribution of the sector and posing a threat to future competitiveness.*

## ***An Evaluation of the Tourism Sector***

*The tourism sector is a rapidly emerging one that holds much promise for growth over the medium – term. The sector’s potential has been recognised by the Government which has designated it as a priority sector with the aim of doubling international tourism by 2010.*

*The potential of the sector has been highlighted in the National Development Strategy (NDS) where the sector has been marked as one that can contribute to the sustainable development of Guyana by earning foreign exchange and creating employment, while preserving the natural environment and the multi – faceted culture of the country.*

*Interest in the sector has yielded spectacular results over a very short space of time. The sector currently contributes approximately 7% to GDP. Its competitiveness is brought into sharp focus when compared with more established sectors such as forestry (4%), manufacturing (3%) and fisheries (3%). It has also provided direct employment for some 2 – 3,000 persons.*

*Guyana’s tourism product consists of a number of world class natural tourism attractions including vast trails of wilderness, rainforests, river systems, mountains , a wide variety of flora and fauna and a variety of cultural and historic recognition of the country’s natural resources. These have helped the tourism product to grow and attract significant interest from investors and visitors alike.*

*A key objective of the sector is the development and strengthening of links with other sectors of the economy. In this respect, the Inter American Institute for Cooperation on Agriculture (IICA) has been providing strategic and technical intervention in fashioning a policy which looks at farm – tourism as an option. Another agro – tourism initiative forms an integral component of the national agricultural plan which seeks market products that would meet the needs of travelers. IICA has also informed of the concept of linkage centres which link farmers with hotels to buy their produce. Several such centres have been set up in some Caribbean islands.*

*The sector is well regulated and there have been significant developments with respect to support infrastructure and other services. The industry is administered by a tourism authority (the Guyana Tourism Authority – GTA), which is supported by the Tourism and Hospitality Association of Guyana (THAG). This has led to improvements in the sector’s capability to meet the design and appearance standards of the international tourism industry.*

*These standards have relevance to security and safety, special provision for the physically challenged, effective means of communication between tour guides and base operations, the adequate qualifications of personnel, the good working order of equipment, and the provision of a reasonable ratio of tour guides to tourists. The issuance of licenses by tourism operators will be conditional to compliance with these standards.*

## *Issues of Competitiveness*

*Despite the general recognition of the country's abundant natural resources, the country has not been as successful in translating its natural touristic resource base into a viable tourism industry. An expanded market base is therefore required to address this deficiency.*

*A five year ( 2006 – 2010 ) strategic plan commissioned by the Inter – American Development Bank ( IDB ) has concluded that for the sector to become a driver of economic growth, a diversified tourism product is required and that the focus will have to be on international tourism, including the Guyanese community overseas.*

*The plan implies that Guyana is not well known in the international market place and even if an aggressive marketing plan is mounted, this will not yield dividends if the product is not identified. Four areas were identified by the plan for tourism development, Georgetown as a heritage quarter given the city's rich architectural heritage, Bartica for its historic mining sites, the Kaieteur / Orinduik Falls for their eco, nature and adventure potential and Rupununi for its exotic wildlife and sprawling savannahs and as a gateway to Brazil.*

*Successfully expanding the market base will require addressing a number of critical bottlenecks. The primary bottleneck relates to that of the lack of baseline statistical data on tourism to justify Government investment that would be required and to monitor the outcome of this investment. Other factors are related to Guyana's poor image, safety concerns, skills deficiency and inadequate airlift to various destinations.*

*The need for appropriate training has not been lost on the tourism sector. The Tourism and Hospitality Association of Guyana ( THAG ) is of the view that too little attention has been paid to training of industry operatives over the years and that this deficiency has now become apparent given the lack of basic infrastructure to provide the quality of training necessary to support the industry.*

*THAG is also of the view that the recent expansion in Guyana's accommodation sector has brought into sharp focus the need for the creation of a regulatory framework to govern services standards in the industry and the creation of a modern hospitality training facility for service personnel in the sector.*

*For some time now the sector is operating on the basis of self – regulation. Operators have indicated that their operating procedures include training. However, while this is viewed as a positive initiative, training is a specialised pursuit that could not be accomplished solely through in – house training.*

*A technical committee for the tourism sector has been formulated and is focusing on a number of codes of practice standards to establish a benchmark for quality of services. This is with a view to facilitating the efforts of various stakeholders to enhance professionalism. The focus on standards aims to develop the tourism sector by setting a benchmark for monitoring the quality of the services offered to tourists, establishing a basis where through training a highly trained workforce can be developed, and increasing productivity.*

## ***An Evaluation of the Labour Sector***

*Guyana has suffered from a very high rate of migration for many years. This has been largely blamed on the poor economic performance of the country, a result of socialistic economic policies that characterised the 1970's up to the mid 1980's. This induced mass migration leading to a decline in the country's pool of skilled labour and professionals. By most estimates there are currently some 500,000 Guyanese living outside of Guyana, mostly in the United States, Canada, and other Caribbean countries.*

*Guyana continues to be a net exporter of skills to the Caribbean and further afield. While there has been some movement in the area of human resource development, precious little is being done in the area of skills retention. A recent (2005) IMF study showed that 86% of degreed Guyanese emigrate.*

*Reports ( Stabroek Business, Friday, February 3, 2006 ) suggests that the migration trend is set to continue as a reported 400 qualified and skilled Guyanese have applied to the Ministry of Foreign Affairs for Certificates of Recognition of Caricom Skills Qualification.*

*In its Global Competitiveness Report 2005 – 2006, Guyana was ranked 117 out of 117 by the World Economic Forum in relation to brain drain.*

### ***Issues of Competitiveness***

*Guyana has a competitive advantage in the trainability of its labour. However, this advantage is negated by the fact that its population is small and progressively declining. The country needs to increase its population relative to its investment strategy. As a consequence it is estimated that a minimum of 1.3 million new knowledge workers will be required to enhance the competitiveness of its industries.*

*The challenge facing Guyana is to create stability in the labour environment. This will require measures to stem the outflow of skills. The National Development Strategy (NDS) has identified investment in human resources as a vital pre – condition for improved national competitiveness. Options and associated investments for new institutional mechanisms to better meet the skills requirements is suggested, as well as determining mechanisms for retaining trained workers in view of the continuing high level of skill drain abroad.*

*There is need for a comprehensive evaluation and analysis of the Guyanese labour market. The establishment of a labour market information system will answer questions related to a determination of living standards and conditions of work and life. Hopefully this will allow for decision making that will positively address the skills outflow that is currently retarding competitiveness. In this sense, the system will address issues associated with skills outflow retardation, embracing planning for economic and social development, establishing income and fiscal policies, wage structures, manpower planning, and social security. In essence, a gap analysis must be completed so as to determine what skills could be maintained and those that need to be imported.*

*Given this skills exodus, a key component of enhancing future competitiveness has to do with the development of an appropriate immigration policy (increased immigration). This is particularly urgent given that Guyana's is a declining population. The primary issue to be addressed is the steps necessary to ensure that the right investment is attracted while also importing the skill sets that would be required to create stability in the job market. The private sector, working alongside the public sector must immediately work together to write an immigration policy that includes linkages to the tax system, starting a new company and getting work permits.*

*Such an immigration policy will undoubtedly generate concerns as to why the need to import skills and open our borders to immigrants. This will compound a dual problem of preventing our limited skilled workers from emigrating while attracting additional skilled workers. Increased immigration would bring advantages in the form of the high net contribution that highly qualified immigrants would make to the economy as a whole.*

*Strategic thinking has begun to shape national attitudes toward addressing the problems of labour. Strategic areas evaluated by recent forums looked at initiatives related to the establishment of a web site aimed at linking companies to labour markets overseas which would include job postings among other things. Other initiatives embraced the use of virtual workforces, initiatives to attract overseas university lecturers and the development of a public – private sector training school to pool resources and prevent the poaching of skills between companies.*

*The National Development Strategy ( NDS ) calls for the improved supply of human resources to the productive sectors by assessing the strengths and weaknesses of the Guyana technical and vocational training framework as well as the effectiveness of in – house training and by identifying policy options associated with investments for improving the delivery of appropriate skills to the various sectors.*

*The education sector will be required to play a pivotal role in enhancing labour competitiveness. The education sector in Guyana has undergone significant changes with the proliferation of private institutions. These institutions, both vocational and academic needs to be looked at as part of a larger policy of integrating the education system to deliver the type and volume of skills required for national development. In this respect, the New Guyana School has provided a hint of the possibilities as it began offering three – month business courses.*

*While private investment in the education sector has largely been up to the secondary level, as noted by a recent World Bank report, Guyana is one of a handful of countries in Caricom with low private participation in tertiary education with investment in that area amounting to just 1% of the country's GDP. In contrast, the report found that Barbados invests a record share on education ( 8.3 % of GDP ), allowing it to channel 2.4% of GDP to tertiary education.*

*The competitiveness of the labour force will be considerably enhanced if key foreign languages including Spanish, Portuguese and Dutch are made compulsory in schools. This is required given not only increasing trading links with neighbouring countries, but also in terms of the free movement of skills expected of the CSME. This will also be an important requirement in terms of the burgeoning tourism sector. This deficiency is compounded by the fact that Barbados has made Spanish compulsory for its public servants.*

***An educated critical mass is utterly essential to economic competitiveness. Sustaining the quality of the labour force will therefore be a major demand for future economic competitiveness. A major component of the dialogue between the private sector and government will have to do with redirecting the education sector toward achieving this objective. Advocacy should address the following;***

- *Raising the income tax threshold to an appropriate level for teachers and to steadily increase teacher emoluments and benefits;*
- *Placing of more emphasis on primary education to provide proper foundation skills which are sorely lacking in the workplace;*
- *The mandatory teaching of Spanish, Portuguese and Dutch in order to facilitate prospective trade with our western, southern and eastern neighbours.*
- *Establish a programmed dialogue with the University and other institutions of higher learning to discuss the scope and efficiency of programmes and the expectations of business;*
- *The established teaching of vocational skills to be taught in every school at the secondary level to cater for the future of students who may not be academically inclined or who cannot afford higher education;*
- *The creation of vocational centres for school drop – outs who are idle on account of the school system not equipping them with proper training and skills;*
- *Sponsoring of an education forum with an informed moderator to keep the nation abreast with critical issues and developments in education.*

## ***An Evaluation of the Services Sector***

### ***Overview***

*The state of the country's services sector is summed up in a recent World Bank report entitled "A Time to Choose: Caribbean Development in the 21<sup>st</sup> Century". The report found that the focus of investment in the services sector has been on low value, low technology intensity activities.*

*On a comparative basis, Guyana compares poorly with the rest of Caricom. Research has shown that accounts for countries such as Antigua and Bermuda reflect that 92.9% of their Gross Domestic Product (GDP) was as a result of services provided. On the flip side, Guyana has services accounting for a little over 20% of its GDP.*

*There is much work to be done before Guyana can become competitive in the services market through the CSME. For instance, there are over 40 restrictions in several laws, in the areas of financial services, shipping, power supply, medical services and entertainment among others. These stipulate the need for work permits and residency requirements where they should not, in the context of the CSME.*

*Investment trends in the establishment of call centres, growing awareness of the potential of information technology ( outsourcing ) and the dynamism in the telecommunications sector suggests that there are obvious growth potential in these areas.*

*In the recent opinion of a senior official of the Caricom Secretariat, Guyana could benefit tremendously from services liberalisation through the CSME, if it increases its trade in services. For this to become reality however the sector will have to be recognised for its importance and the requisite support provided.*

*Thus far, fiscal and industrial incentives have been targeted toward enhancing the environment for manufacturing, industrial and agricultural development and the extractive sectors. This is basically not so for the services sector, as this sector occupy a low place on the scale of Guyana's economic priorities. However, given the increasing prominence of services in global economic development, serious consideration will be required to boost growth in this area.*

## ***The Transportation Sector***

### ***Overview***

*The small size of the domestic market means that Guyana depends on trade for its economic survival. This is reinforced by the fact of the country's geographical position as being on the outer extremity of the CARICOM region. The transportation sector is thus of vital importance to the country's competitiveness.*

*Of all the sub – sectors, the marine sub – sector is the most important and competitive. Maritime trade is essential to economic development, relevant to national and regional economic development as it is responsible for approximately 90% of the country's exports.*

*The modernisation of legislation has been designed to make the sector more efficient. The establishment of the Maritime Administration Department was designed to facilitate the administration of the sector in a more cohesive manner. The new structure allows for the functioning of a modern Ports and Harbour Division to deal with issues such as the regulation of all wharves and berths.*

*The competitive nature of the sector is reflected in significant new investments across the sector reflecting mainly improvements to air travel facilities, maritime facilities, particularly with respect to the modernisation of wharves and cargo handling.*

### ***The Air Transport Sub - Sector***

*The National Development Strategy (NDS) places great emphasis on the development of an adequate transport infrastructure, and recent developments in the sector suggests that policy implementation has begun to bear fruit.*

*The upgrading of the country's two main airports has led to significant improvements in the country's air transport infrastructure. All round rehabilitation activities at the Cheddi Jagan International Airport / Timehri has considerably enhanced that facility's ability to accommodate increased air and passenger traffic. To this extent, two new airlines have begun operations, with a third expected to commence operations by mid – year 2007.*

*The most significant transformation however has been that at the Ogle Aerodrome. The Aerodrome is in receipt of a grant from the European Union (EU), to advance the Caribbean Single Market and Economy (CSME). The development of the airport is part of a larger EU contribution toward the achievement of regional economic integration and repositioning in the world economy. Upon completion of development works the Aerodrome is expected to be upgraded to a Municipal Airport.*

*The Aerodrome is in a second phase of upgrading to its runway and terminal building in preparation for an international municipal airport. Upon projected completion in 2008, the airport would continue to be a domestic one, but it would have the potential to be a hub for regional flights and South America. The granting of port – of – entry status would allow the airport to receive chartered flights from Suriname and countries from the Organisation of Eastern Caribbean States (OECS), the French islands and South America.*

### ***Issues of Competitiveness***

*The Municipal Airport is expected to result in considerable time saving, in addition to increasing commercial traffic.*

*The country continues to suffer from an inadequacy in air freight transportation. While there is domestic capacity, the ability to deliver freight to the regional market remains limited. Until there is substantial improvement the transportation sector will not be able to deliver competitiveness. Short to medium term policy should encourage investment in this area.*

### ***The Marine Transport Sub - Sector***

*Guyana's relies on shipping lines to ferry 90% of its exports, making the sub – sector extremely important to the country's trade competitiveness.*

*Developments in the marine transportation sub – sector has been largely private sector driven and is an area of growth and modernisation within the sector. The sub - sector is served by the National Shipping Association and is well regulated and has made great strides in meeting international standards. The sub – sector is served by a number of international shipping lines and there have been significant improvements in the quality of wharves. There have also been significant technological improvements to container terminals.*

*The shipping and port facilities sub – sector represents an area of steady expansion and growth over the past decade or so and which continues to be on the upward trend. Growth has been across the board in terms of an increase in the number of lines, port security and operating infrastructure.*

*The recent commissioning of a G\$135 million warehouse facility by John Fernandez Ltd.) represents a recent example of continued confidence in the future of the country's commercial trade which provides a vital link to its productive sectors. The 21,000 sq – ft warehouse has created employment for over 50 persons and is capable of holding 352 20 ft. containers at any one time.*

## ***Issues of Competitiveness***

*The current infrastructural makeup of the shipping sector gives it the capacity to accommodate increased traffic and cargo. Most of the companies are ISO 9000 certified and boast modern facilities capable of accommodating the berthing of, cargo flow and storage of most major vessels.*

*The marine sector now operates on the basis of information systems, information technology, and the satellite communications revolution which have provided opportunities for increasing efficiency in management and operations of shipping and port information systems. Thus, while improvements in the local sector have mostly affected physical infrastructure, much more will have to be done to raise its technological profile in order to increase efficiency and achieve international competitiveness.*

*For the sub – sector to achieve international levels of competitiveness, it would have to put in place systems designed to achieve computerised tracking of containers, direct shipper / carrier / consignee computer linkages to support just – in – time deliveries, and satellite transfer of documents and download of manifests directly into the computers of Customs and Excise Departments.*

*The capacity to undertake ship building and repair provides the sub – sector with a significant competitive advantage. While there have been some demand from the Region, a more aggressive marketing strategy will be required if that facet of the sub - sectors capability is to realise its fullest commercial potential.*

*Any policy that advocates increased capacity for the local shipping sector will have to be tempered by the consideration as noted by COTED that member states are not producing enough goods and services and agricultural products to use the facilities at their disposal.*

*The sub- sector is sensitive to changes in the price of fuel and continuing high acquisition costs of fuel is impacting on the viability of the industry. The fact that Guyanese companies are entitled to purchase fuel free of duty and consumption tax, has not offset high acquisition costs estimated to have increased by 100 percent over the past 6 months.*

*Compliance with anti - terrorism laws has added unwelcome but mandatory operating costs to the sector. The cost of compliance with the International Ship and Port Facility Security (ISPS) is in excess of US\$10,000, a particularly onerous cost to small ship owners, particularly those engaged in coastal trade.*

### ***The Road Transport Sub - Sector***

*A recent study financed by the European Development Fund has noted that Guyana's road network is very small, totaling some 2,600 km, of which only some 500km is paved. More importantly however, the report highlighted poorly maintained status of these roads. This may have implications for the investment environment.*

*The country's overall competitiveness continues to be diminished as a result of the inability of the government to conclude arrangements with respect to the completion of the road to Brazil.*

### ***Issues of Competitiveness***

*The creation of both an autonomous roads authority and a dedicated road fund has been considered by a recent study of the transport sector. However, the Report considered that without an institutional set up that would help to both secure financing and to maintain the present improved technical capacity, there was the danger that the primary road network would once again fall into unacceptable disrepair.*

*The project to establish a permanent bridge over the Berbice River has entered the developmental phase. This project is expected to yield significant commercial benefits particularly with respect to improved efficiency of trade with Suriname and possibly French Guyana.*

*The completion of the road to Brazil offers enormous possibilities for raising the profile of Guyana as an international trading hub. This project should be pursued on an urgent basis.*

*There has been some consideration to having a permanent bridge across the Demerara River. Should this become reality it will have significant implications for increased trade with Venezuela, which, judging from recent investment of a US\$15 million beer plant, seems to be interested in raising its investment profile here.*

### ***The Communications Sector***

*Guyana's communication sector has undergone an enormous transformation over the past three decades, in terms of both physical and technological infrastructure. From a physical perspective land lines have been boosted from 20,000 in the 1990 to a current 200,000. Noteworthy however, was the introduction of modern technologies which has allowed the sector to see significant overall improvements in the quality of service.*

*Until recently the sector operated under a regulated monopoly. However, recent liberalisation policies have attracted new investments, and with it the introduction of cutting edge technologies that will serve the sector well in terms of the enlarged market to be brought about by the coming on stream of the CSME, and the larger global economy. The communications sector is thus positioning itself for increased competitiveness.*

*Despite these improvements however, the sector is not yet up to Regional standards. This was confirmed in its Global Competitiveness Report 2005 – 2006, by the World Economic Forum which ranked Guyana 112 out of 117 by the in relation to the quality of telephone and fax infrastructure.*

### ***Issues of Competitiveness***

*The recent liberalisation of the telecommunications sector promises to significantly enhance the level of competition through expansion of physical infrastructure and the introduction cutting edge technologies that will serve the sector well in terms of the enlarged market and demand for diversified services.*

*Liberalisation has influenced the entry of the Irish based service provider Digicel into the telecommunications sector. For Digicel, Guyana will become its 5th. largest market in the hemisphere. The company operates in 22 markets across the world and has made acquisitions in seven countries in the Caribbean.*

*The telecommunications sector in Guyana is now harmonised with that of the rest of the Caribbean in terms of the level of technology, range of services and customer care. Additional benefits to the economy embrace job creation for approximately 2,000 persons which has implications for technology transfer.*

*Enhanced telecommunications capacity is expected to impact on the Information Technology sector in a dynamic way. This will have implications for outsourcing opportunities as the introduction of wireless and other technologies will add to the natural advantages of geography and language.*

*Guyana's overall competitiveness will be considerably enhanced as remote areas of the country will be incorporated into the national network.*

### ***The ICT Sector***

*The ICT sector is an evolving one and is quickly gaining momentum as a catalyst for economic and social development. Nine percent (9%) of new investments in 2002 were in the ITC sector and created 17% of all new direct jobs. The investment included call centres, information technology services and telecommunications.*

## ***Issues of Competitiveness***

*A sound Information Communication Technology (ICT) strategy and infrastructure are essential prerequisites for a modern competitive society. This concept seems to have been the driver behind concerted efforts by the Government to accelerate ICT development and bring Guyana along with the rest of the Region. The development of a National ICT strategy is in process. The strategy is designed to provide a platform from which to translate topical issues around e- commerce into Government policy on E – Commerce.*

*The Government of Guyana has over the years placed investments in the ICT sector high on its agenda, offering significant concessions and investment benefits in the information / communications sector. Among these are:*

- *A tax holiday of up to 10 years;*
- *A ninety – nine ( 99 ) year lease for land with the option to buy at concessionary rates;*
- *Waiver of Customs Duty and Consumption Tax ( now possibly Vat ) on IT related equipment, machinery and vehicles;*
- *Waiver of Customs Duty and Consumption Tax ( now possibly Vat ) on building materials for construction and buildings and structures*
- *Assistance in obtaining grants for the training of employees in information technology.*

*The major challenges facing the development of the IT sector are infrastructure, efficient and reliable telephone connection, power generation, human resource and appropriate legislation (In its Global Competitiveness Report 2005 – 2006, Guyana was ranked 110 out of 110 by the World Economic Forum in relation to the enactment of laws relating to ICT ).*

*With respect to human resource, a recent technology workshop exploring an Information and Communications Technology strategy for Guyana, considered the theme of human capacity and examined an effective scheme to retain skilled persons. It was noted that the many University of Guyana students who graduated in computer science were looking to further their studies and suggested that higher training could be provided here. It has also been suggested that the private sector should meet periodically with University officials to discuss the scope and efficiency of programmes and the expectations of business.*

*There are some competitive advantages from which the sector is likely to benefit. These include a relatively large body of trainable people, fiscal and financial incentives offered by the government and from the process of liberalisation access to affordable bandwidth which has been currently estimated to be about 22 times the average world price. The issue of power is always going to be a challenging one based on the inability of the local power company to deliver.*

***Financing should be sought to facilitate countywide access to affordable internet access. In the view of some sector experts, internet deployment nationwide is a must if ICT development is to become a reality. The information and technology strategy is a broad based one which seeks to have as wide a geographic coverage as possible while covering all sectors of the economy and scales of productive activity. A typical example of this could be found where farmers are expected to benefit from computer training under the poor Rural Communities Services Support Project (PCSSP).***

*Previous attempts at e – commerce from a hinterland location was hugely successful. Though operating outside of any structured framework, the hinterland based Rupununi Weavers has been able to sell hammocks to the North American market via the internet. This is a venture that has attracted international interest and renown. This makes a case for cheap internet access which is viewed by IT Specialists as a stimulus for new small businesses, providing jobs and contributing to the development of people generally.*

*The introduction of competition into the communications sector could yet revive the shelved ICT project which was proposed by the IDB. The US\$22.5 million project was shelved as a consequence of the government’s inability to break the monopoly of the Guyana Telephone and Telegraph Company (GT&T). Every effort should be made to revive this project as it will not only inject considerable financial resources into the sector, but also a great deal of competitiveness.*

*Industry observers have expressed that local businesses become more aware of the ICT options available to them as part of their process of enhancing their capabilities. Industry observers have detected what appears to be a preference for utilising high cost, often pirated proprietary software packages produced by the major ICT enterprises. In their estimation, a case exists for the utilisation of cheaper, no less efficient open source software that is available.*

### ***The Financial Services Sector***

*The financial services sector is just now evolving after almost two decades of socialist economic experiment which came to an end in the mid 1980’s, following liberalisation of the economy.*

*The range of institutions serving the sector is diversified. The sector is dominated by commercial banking which is largely indigenous. Quite recently however, there has been some regional intervention, most notably by Republic Bank of Trinidad and Tobago which had acquired the assets of a local institution. The Indian owned Bank of Baroda and the Canadian Bank of Nova Scotia are the only extra- regional institutions represented in the sector.*

*Micro – sector financing have also found a successful niche mostly on account of the fact that the economy is largely made up of small and medium sized enterprises. The Institute for Private Enterprise Development (IPED) and the Small Business Development Finance Trust (SBDFT) and MICROFIN a subsidiary of DFL are the principal operators in this sector. Small and micro enterprises can also obtain financing from a number of Credit Unions.*

*The Trinidad and Tobago owned Development Finance Ltd., has been gearing up to offer development banking facilities since 2006. Prior to its intervention, the country was served by the Guyana Agricultural and Industrial Development Bank (GAIBANK). DFL has a much more limited portfolio as it does not offer agricultural credit.*

*The sector is also served by a number of Bank and Non – Bank Cambios. These serve to absorb the considerable level of remittances estimated to be in excess of US\$100 million per annum.*

*Merchant banking is represented by Guyana Merchant Bank (Guy Am) which is 20% owned by International Finance Corporation, the private sector arm of the World Bank. There have been limited opportunities for the Bank due to relatively few capital market projects.*

*There are two trust companies, Trust Company (Guyana) Ltd., a subsidiary of Demerara Bank Ltd, and Hand- in- Hand Trust Corporation Inc., which is owned by a local insurance company.*

*A Stock Exchange has recently been established. The Exchange has not been performing to expectations basically due to the lack of support from the local private sector. The recent signing by a leading regional company and the coming on stream of the CSME should provide some impetus.*

*The country's lone dedicated mortgage banking institution is the New Building Society. the institution has been and continues to provide an exceptional service. Mortgage facilities are also provided by the Hand – in – Hand Trust Company as well as by some commercial banks.*

*The sector is served by a number of money transfer operations none of which are locally owned. These operations have been established to cater to remittances from the large diaspora estimated to be equivalent to the local population.*

*There is no offshore banking.*

## *Issues of Competitiveness*

*The financial services sector is not competitive. In its Global Competitiveness Report 2005 – 2006, Guyana was ranked 110 out of 110 by the World Economic Forum in relation to the sophistication of its financial market.*

*Though significant strides have been made since the economic liberalisation of the 1980's, the sector is characterised by an underdeveloped architecture where there is limited development banking facilities, no venture capital, high interest rate charged by commercial banks, poor financial management on the part of borrowers, an emerging stock exchange and inadequate policy initiatives at the level of government.*

*In the view of industry observers, one of the major impediments to the development of the commercial banking sector has been the continued imposition of the Financial Institutions Act (FIA). The FIA came into being as part of a wider reform of the financial sector – introduced by the IMF following systemic failures in a number of countries had threatened to place the world's financial system at risk. It was thus introduced as a measure to protect depositor's funds in the absence of deposit insurance.*

*The requirements of and discipline imposed by the FIA is seen by industry observers to have had a negative effect on business. From a commercial perspective, the banks have been forced into compliance in a rather short time – frame, imposing new lending conditions to which the business community has been unable to subscribe. From a political perspective the FIA has been criticised as a first world imposition on a developing country.*

*One of the paradoxical situations arising from the continued imposition of the FIA is one where the banking system is awash in liquidity, while the business community continues to complain of difficulty in accessing affordable credit.*

*Commercial banks are currently holding G\$12.7 billion in excess reserves or 63.1% more than required by the FIA. The holdings of government treasury bills accounts for 63.2 % of commercial bank's liquid resources. This high liquidity is reflective of the lack of deployment opportunities for banks in the economy by credit and investment. The competitiveness of the Guyanese economy could be considerably enhanced should these funds be put to effective use. Obvious solutions include sterilising the money, developing new money market instruments or developing avenues for the gainful employment of funds by developing the capital market. **Clearly, the time is ripe for some consideration to be given as to whether the FIA is due for amendment.***

*A key competitive factor that is looming as a critical issue is that related to lack of participation in the Stock Exchange. Guyana is not positioned to participate in the regional stock exchange as envisioned by the CSME, given that none of its companies are actually listed locally. The Guyana Association of Securities Companies and Intermediaries (GASCI) has indicated that there is no proper enforcement of the Companies Act.*

*The GASCI has warned that with the advent of the CSME, the potential for local companies to be sidelined is real given that investors would be able to put their money anywhere in the region and would not want to put funds in public companies less forthcoming with information as is currently the norm.*

*The fact that no Guyanese company is listed on the Guyana Stock Exchange should be of concern to shareholders. This means that these companies will be unable to avail themselves of cheaper capital that may be available in other parts of the region. It is a well known fact that listed companies obtains loans at cheaper rates as the risk is perceived to be lower than with unlisted companies. It should be noted that Guyanese companies seeking finance in other member countries (those that have signed on to the revised treaty) must be treated as a domestic company of that country.*

*The fact that regional companies will be seeking to invest in our markets, probably means that they will be coming with cheaper capital and hence will be able to cost their goods and services lower than Guyanese companies. Taking advantage of cheaper capital financing will certainly enhance the ability of Guyanese companies to compete. Thus, these companies should consider raising capital through capital listing on the local stock exchange and cross – listing on regional markets if they are to protect their share of the local market and expand into regional markets.*

***The disadvantage of not being officially listed ( all the companies listed with the stock exchange enjoy ordinary listing ) is that in order for companies to be cross – traded on other regional stock markets they had to first secure official listing on the local stock exchange.***

***Reports from the Guyana Association of Securities Companies and Intermediaries Inc. (GASCI) suggests that overtures to the private sector have been rebuffed. Thus, the private sector needs to work urgently with the GASCI to launch an aggressive campaign of awareness as to the benefits of being listed on the local stock exchange and the disadvantage of not being registered.***

*The competitiveness of the financial sector is being significantly diminished due to the phenomenon of rampant money laundering and the inability of the government to enforce the provisions of the Money Laundering Act is having, and will continue to have a negative effect on the financial sector and the business community in general. In its Global Competitiveness Report 2005 – 2006, Guyana was ranked 117 out of 117 by the World Economic Forum in relation to the pervasiveness of money laundering through banks.*

*There are some encouraging developments that point toward improving the competitiveness of the sector. Banks have been establishing branches all across the country. This has served to expose a greater number of people to diverse financial services and has generated economic and commercial development in areas that were previously outside of the economic mainstream.*

*Prior to the intervention of the Development Finance Ltd., the sector has been without development financing for close to two decades, following the closure of the Guyana Agriculture and Industrial Development Bank ( GAIBANK ). The Commercial Banks, being what they are, have proven incapable of delivering effective services, in particular, to the manufacturing, agricultural and industrial sectors. Numerous business failures have been attributed to this deficiency.*

*The entry of DFL is expected to have a limited effect over the short – term on account of the fact that they are not geared to disburse industrial – scale loans. They, on account of the lack of appraisal capacity, are not disposed to lending to the agricultural sector. There have been many calls for the resuscitation of GAIBANK.*

*The Central Bank is a well managed institution and has the confidence of the business sector. This bodes well for macro financial development and the effective regulation of the banking system.*

### ***The Standards Sector***

*The sector is regulated by the Guyana National Bureau of Standards (GNBS) which was established in 1984 and has the legal status of a Statutory Corporation. The GNBS is governed by a National Standards Council which is appointed by the Minister of Trade and Industry. The Bureau is headed by a Director who is the Chief Executive Officer.*

*One of the primary functions of the GNBS is to produce standards via the standards development process. Some standards are administered by the Bureau while the remainder is issued to various regulatory agencies for enforcement.*

*The activities of the Bureau embrace Standardisation, Import Quality Monitoring, Weights and Measures, Product Certification, Laboratory Licensing, Quality Assurance and Metrication.*

*Generally, the GNBS collaborates with regulatory bodies, the private and public sectors, agencies, manufacturers and all other stakeholders to ensure the promotion and implementation of standards.*

*Other agencies charged with the administration of standards include the Guyana Food and Drug Analyst Department and the Municipal Health Department.*

### ***Issues of Competitiveness***

*The Standards Sector is one of the best organised and regulated sectors and there has been progressive growth over the past decade or so. The GNBS has done much to raise awareness of standards generally. In raising the level of national competitiveness, the agency has successfully undertaken the following;*

*The establishment of a National Standards Mark. The agency has been relatively successful in getting the business community to adopt the standard.*

*The decentralising of standards across the country through the establishment of branches at major geographical points including Springlands, New Amsterdam and Anna Regina. Assistance in developing standards is now available to the business communities in all three major counties of the country.*

*Enactment of a national standard scheme for micro and small enterprises. The policy of the Bureau is that whether large, small, medium or micro, local companies will have to implement the relevant standards.*

*The enactment of measures to promote the implementation of ISO 9001 standards. This programme has been well received and a number of companies are in the process of acquiring certification.*

*The agency is fully aware of the dual nature of standards as it relates to trade relations within the framework of the CSME and is in active collaboration with a number of agencies to ensure that the Guyanese business sector is compliant with regional standards. In this respect, work is ongoing to harmonise national standards with regional standards prepared by the Caricom Regional Organisation for Standards and Quality (CROSQ).*

*The Establishment of a Standards Compliance Programme (SCP) which will assure the quality of imported goods before the items are put up for sale has been put in place. The GNBS is working with the Customs and Trade Administration (CTA) to put the SCP in place. Both agencies are also collaborating with a view to expediting simultaneous inspection of goods and services, as well as ensuring the quality of imports. Imports from the Caribbean are being checked for quality at ports of entry to prevent substandard goods from entering the local market with the advent of the CSME. At the same time awareness is being created within the Guyanese business sector as to the penalties for not matching regional standards.*

### ***Intellectual Property Rights***

*The state of intellectual property rights in Guyana is summed up in a 2005 US State Department report which highlighted the fact that there is no current enforcement mechanism to protect intellectual property rights in the country. The report also pointed out that Guyana had not ratified any intellectual property rights agreement with the US Trade Related Intellectual Property Rights (TRIPS).*

*In its Global Competitiveness Report 2005 – 2006, Guyana was ranked 117 out of 117 by the World Economic Forum in relation to intellectual property protection.*

## ***Issues of Competitiveness***

*The CSME seeks to develop and implement technological policies and strategies having due regard to the protection of intellectual property rights and the need to protect the independence and human rights of the contributors to the economic development of the Community.*

*The implications of Intellectual Property Rights ( IPR ) is founded in a number of developments including the intra - regional transfer of technologies and research findings and the facilitation of access by Community nationals to technological and research facilities of Member States.*

*There is urgent need for Guyana to update its legislation on intellectual property rights if it is to meet CSME requirements and enhance its overall competitiveness. This was confirmed by a joint CARICOM – Inter American Development Bank report on compliance with the World Trade Organisation (WTO ) agreement on Trade – Related aspects of Intellectual Property Rights (TRIPS ) , has concluded that Guyana needs to adopt new legislation in the areas of intellectual property, trademarks, patents, integrated circuits, plant varieties and border measures etc.*

*Guyana is not yet in a position to achieve this objective as intellectual property right laws are outdated. With respect to copyright legislation, Guyana operates under the 1956 UK Copyright Act, extended to Guyana by virtue of the copyright (British Guiana) Order of 1966. While this act establishes basic copyright protection, the act does not contain provisions in respect of computer programmes, rental rights for computer programmes among other works, and most of the related rights provided in the TRIPS Agreement.*

*Guyana also needs to sign on to a number of international agreements and enact new legislation in order to address trademark, copyright and patent issues that are rooted in colonial era laws. There needs to be substantial revision of intellectual property legislation with a view to fulfilling the country's obligations under the WTO to make it compliant with TRIPS compliant. TRIPS is the WTO agreement which brought trade and intellectual property together binding the 145 WTO members to higher standards of protection and enforcement of intellectual property rights.*

*Two important treaties to which the country is not party are the **Nice Agreement** concerning the International Classification of Goods for the purposes of Registration of Marks and the **Vienna Agreement** establishing an International Classification of the Figurative Elements of Marks ( ICFEM ).*

***A group of small vulnerable economies including Guyana and a number of Caribbean countries has submitted a proposal to the TRIPS Council for the designation of a regional body as the competent authority for the implementation of the relevant provisions of the TRIPS Agreement and that Developed Country members of the WTO provide financial assistance for the establishment of such a body.***

*There have been some measured forays into the realm of protection. The recently passed Geographical Indications Act 2005 is designed to protect a system of geographical indications which complies with Guyana's international obligations in the field of intellectual property particularly those at the World Trade Organisation (WTO). The enactment of this Act is expected to give legal effect to the protection of local products which are unique to Guyana thereby giving local industries an opportunity to develop and market their products.*

*A Bill, patterned after updated copyright laws of other CARICOM countries, and complying with principal international agreements affecting copyright, has recently been tabled in the National Assembly. A Consumer Protection Act is in force. The Act aims to promote and protect consumers' interests in relation to the supply of goods and services and create a Consumer Affairs Commission and a Consumer Protection Tribunal.*

*Under the Act, the Consumer Protection Tribunal- CPT (aka Consumer Fair Trading Tribunal- CFTT) is vested with all the power and authority vested in the High Court in the exercise of its civil jurisdiction. Hence, the Chairman, an advisory member or the registrar could not enter upon the duties of their respective offices unless they have taken and subscribed to the oath of an office, as set out in the Constitution before a Magistrate or Justice of Peace ( JP ).*

*The Consumer Affairs Commission (CAC) will promote and protect consumer interests in relation to the supply of goods and services. The Commission investigates complaints, encourages consumer organisation establishment, mediate disagreement in any contract between a consumer and a supplier, and institute, participate in, or support proceedings before the Tribunal or any court as necessary.*

***The lack of appropriate infrastructure is an impediment to greater competitiveness. For example, the Patents Act, an application for a patent which is supposed to take approximately six (6) months to processing and grant, usually takes six (6) to seven (7) years. This is attributed to the lack of qualified examiners and the lack of a proper database or computer system to monitor and keep track of applications. These problems could be eliminated by the ratification of the Patent Cooperation Treaty (PCT) system, in which highly intensive International Search Report and International Preliminary Examination Reports are utilised in examining patents.***

*The rapid growth of information technology, cyberspace, and the Internet has created inextricable links with commerce, trade and globalisation and as such the need has arisen for protection of marks and rights on the internet. In Guyana, there is no statutory provision for any such protection. Of great concern is the inability or reluctance of government to enforce existing legislation. As with money laundering, this has had a very negative effect on the business community in general. Certainly, in critical areas such as information technology and music the country cannot hope to be competitive as investment will go where copyright laws are enshrined and respected.*

### ***The Justice Sector***

*Guyana's judicial system faces a number of challenges that does not allow it to uphold its legal mandate. This undermines the country's competitiveness as it acts to discourage investment. The system is plagued by poor accommodation and outdated technology. This has resulted in huge backlog of cases, leading to a gross loss of confidence in the ability of the system to deliver justice on a timely basis.*

*The establishment of a Commercial Court with support from the IDB has done much to alleviate the anxiety of the business community. The Court, established in March of 2006, has been operating at a level of efficiency as to suggest that its role will be critical toward improving the transparency and competitiveness of Guyana's business environment.*

## ***An Evaluation of the Small Business Sector***

*While there is a general lack of information on the character of the Small Business Sector, the importance of the sector is widely acknowledged and it is estimated to have the potential to contribute up to 40% of the market and generates considerable direct and indirect employment.*

*Policy initiatives designed to influence the development of the small and micro business sector is reflected in the enactment of the Small Business Act. The Act provides for the establishment of a Small Business Council and a Small Business Bureau. The legislation is designed to remove the stigma attached to small scale entrepreneurial activity.*

*The functions of the Small Business Council would be to review draft legislation relating to small business or the private sector as proposed by the government. The Council would also prepare and submit a Small Business Policy and Administration Reform Agenda which would include recommendations for addressing of developmental issues and the granting of incentives to small businesses.*

*An annual Report on Small Business will be submitted to the Minister every year. The Report would contain reports on the progress made in addressing developmental issues and streamlining administrative procedures relating to small business, initiatives by the Government to facilitate access to financing by small businesses, the status of procurement by the Government from small businesses, the granting of fiscal incentives to small businesses and statistics relating to the small business sector.*

*The sector is administered by a Small Business Association (SBA). While concerns have been expressed with respect to the efficiency of the SBA, the sector is however been able to benefit from support from the International Donor Community and the Government.*

### ***Issues of Competitiveness***

*There has been a flurry of policy related activity in the sector. However, there has not been any visible evidence of growth and development. **There needs to be some oversight body to monitor developments in the sector given the particular vulnerability of small businesses.***

*The Small Business Act states that the government would endeavor to ensure that at least twenty percent (20%) of the procurement of goods and services it requires is obtained from small businesses. There is no evidence that this has become reality.*

*The Small Business Bureau is supposed to coordinate programmes for small business development with funding by the government and other agencies. There is no evidence that this body functions or that it has managed to execute its mandate.*

*The legislative agenda for the small business sector needs to be supported with resources designed to assist in the areas of project planning, marketing, access to affordable financing and other technical help the operators are not able to regularly access. One of the major weaknesses of small businesses is in the area of financial management, the lack of which has resulted in many business failures.*

*The lack of governmental support for the now terminated UNDP – EMPRETEC project has deprived the sector of a significant opportunity to benefit from internationally recognised training and entrepreneurial development programmes. The project should either be reinstated or replaced by an equivalent.*

*Micro – sector lending is an important feature of small business development and the sector is served by a number of key institutions including the Institute of Private Enterprise Development (IPED), (GSBA) and the Small Business Development Finance Trust (SBDF). These institutions have bridged an important gap in lending policies to small businesses as the larger banks are reluctant to lend to the sector on account of issues related to the lack of collateral.*

*A national quality standard has been formulated by the Guyana National Bureau of Standards (GNBS) for the small business sector, to enable it to consistently meet applicable requirements for quality, environmental and occupational health and safety. According to the GNBS, small businesses comprise represent approximately three – quarters of the country’s total business activity.*

## **Chapter 3**

### **Assessment of Sectoral Policies**

#### **A Review of Policy Formulation**

*The approach to sectoral policy development in Guyana is essentially a tale of contrasting approaches, that associated with the traditional and non – traditional sectors.*

*In relation to the traditional sector, all major sub - sectors including sugar, rice, forestry and mining are being provided with strong strategic leadership and have measures in place for restructuring to improve competitiveness. This is an important strategy given the fundamental importance of these sectors which collectively account for approximately 80% of GDP and the fact that the non – traditional sector have not developed with the anticipated degree of rapidity.*

*This policy has seen the bauxite industry to attract much needed foreign investment, return to growth and regain some measure of international competitiveness. It has also resulted in the sugar industry attracting international funding for modernisation, while some measure of stability has returned to the rice industry.*

*Even while the traditional sectors may have returned to some measure of competitiveness, the government is wary of the imminent threat of eroding trade preferences. This has influence support for policies aimed at promoting diversification and exploiting opportunities in the non – traditional sectors.*

*The National Development Strategy has endorsed agricultural diversification as one of the primary means of economic development within the agricultural sector. However, diversification as a policy has not gained any meaningful momentum as the government is not resourced to undertake sector and sub – sectoral analysis critical to the pursuit of strategic planning. Sector strategies are largely based on solid empirical knowledge of the industries within the sector in their national, regional and global settings as well as the technical resources to act on such information. In this regard, policy formulation has been hampered by a dearth of information on the performance and capabilities of the various productive sub – sectors as well as a shortage of appropriate technical personnel.*

*The establishment of a national data base is essential to proper planning as it would accelerate the process. In this respect support is expected to come from Caribbean Trade and Competitive Development Programme ( C - TRADECOM ) a capacity building project which aims to improve the capabilities of national statistical agencies to collect, compile and disseminate information for both regional and national policymakers.*

*Some degree of planning has been by the international community through Guyana Trade and Investment Scheme – GTIS. The basis of this strategy has been the fast tracking of promising sub – sectors through the targeting of strategic – sub – sectors. This is expected to impact on the diversification of the country’s economic activities, the rapid increase of exports and job creation, and general improvement to the economic conditions and welfare of the Guyanese people.*

*These initiatives have been successful in identifying key sub – sectors with potential to drive diversification and growth of the economy. The most promising of these are Light Manufacturing, Information Technology, Convention Tourism and Aquaculture, Eco – tourism, Non – traditional Agricultural Products, Organic Agricultural Products and Forest Products.*

*The strategy is a significant one given the onset of the CSME and within the general context of globalisation where national competitiveness will be of critical importance.*

***Diversification** could be regarded as a strategic move given the current erosion of preferential tariffs for traditional export crops and projections for continued deterioration, it is not likely to succeed if current deficiencies, the most critical of which have been identified as inadequate extension services, appropriate research, technical training, post harvest and processing expertise, efficient marketing systems, and lack of access to affordable financing are not addressed on an immediate basis.*

*One gets the sense that diversification policies do not fall within the context of a wider policy of adding value to agricultural produce, but rather, it is viewed as a means of increasing primary produce for the fresh market. However, while there are incentive regimes in place for manufacturing and agriculture, specific policy measures are required to promote agribusiness development. Such a policy should place emphasis on boosting the sector’s processing capability given issues of transport and post – harvest deficiencies which have in the past proven to be hindrances to the sustainable marketing of fresh produce.*

*Diversification policies have not necessarily confined itself to issues of production, but could also be seen from a geographic perspective. Government reports indicate that planned expenditure for agricultural production in Region 10 was for G\$100 million in 2006. This represents a policy shift with regard to broadening the spread of agricultural activity as this region previously depended on mining for its economic sustenance. traditions.*

*At the extreme end of the policy formulation matrix is that of cross – sectoral planning. Cross – sectoral planning will opened up unique challenges for Guyana’s economic planners. These challenges embrace the identification of the comparative advantages, cost of production studies, availability of raw materials, production systems and value added technologies. Considerable effort will have to be placed on boosting planning capacity to execute this vital requirement to true international competitiveness. This will again require some external support.*

## *An Assessment of Agricultural Sector Policies*

*Generally, the sector has the capability of meeting the expectations of the CSME which seeks in essence to effect a fundamental transformation of the region's agricultural sector by diversifying agricultural production, intensifying agro – industrial development, expanding agri – business, strengthening the linkages between the agricultural sector and other sectors and generally conducting agricultural production on a market oriented, internationally competitive and environmentally sound basis.*

*The basis for attaining these objectives could be found in **The “Jagdeo Initiative”**, a policy outline articulating constraints facing the agricultural sector and mechanisms to expand it have been articulated by the President of Guyana. It embodies the policy initiatives currently being entertained with a view to attracting investment to the sector. The policy is based on the premise that there is a solution to the Regions' and by extension, the country's agricultural problems, which must be identified, documented and analysed before sustainable solutions can be implemented. The policy comprises of several critical elements which includes treating agriculture as a business, treating it holistically, spanning the entire agri – product chain, and recognising the significant importance of value – added food and non – food products.*

*This policy looks at improving the capability to undertake policy analysis, formulation, and planning, execution and resource mobilisation for the agricultural sector. As such, meeting these expectations will require the establishment of a policy environment designed to attract investment to the agricultural sector. Such an environment has been enhanced within the framework of the National Development Strategy (NDS).*

*The promotion of **large scale agriculture** is essential to the sector becoming internationally competitive. Inherent in this policy is the fact that Guyana has some natural advantages including expansive cultivable lands of varying soil types, abundant water supplies and the basic technical support. Given the reluctance of the local banking system to fund agricultural projects, it will be necessary to invite foreign capital and technology to complete the package. Policy formulation should move in the direction targeting capital and technology from within the Region.*

*Justification for a large scale agricultural development policy could be found in a number of recent initiatives. BioCapital, Brazil's second largest producer of bio – diesel is actively exploring the possibility of acquiring 50,000 hectares of land (in Region 6) for cane cultivation for ethanol production. Guyana and Brazil have technical cooperation agreements for the production of ethanol as well as agreements for the production of soyabeans and cashews.*

*Of interest is the fact that this initiative was an initiative of the Government of Brazil in its policy of encouraging Brazilian investors to assist Guyana in the development and diversification of the agricultural sector.*

*From a Caricom perspective, there has been a recent agreement between a Barbadian based company and the Government to use more than 400,000 acres of land in Guyana for a palm oil plant to produce bio – diesel. Of note is the intention of the company to build refineries in both Guyana and Barbados.*

*Further, reports out of Trinidad and Tobago suggest that there is a desperate need for agricultural raw materials by that country's processing sector. This provides some logic to the formulation of policy measures designed to attract further regional investment.*

*The turnaround of the poultry sector is a prime example of the benefits that are likely to flow from large scale investments. In less than a decade, the sector has been able to move from that of a net importer to exporter (to the regional market).*

***A regime should be established with particular focus on inviting regional and extra regional investment in plantation scale agricultural undertakings. Policy development should also look at encouraging vertical integration through the pursuit of secondary and tertiary processing of primary products.***

*Agricultural pursuits will require **broader participation** if it is to improve competitiveness and sustainability within the new global setting. In this respect there seems to be the making of a policy to broaden participation with the focus on youth participation (a youth forum for agriculture was held in October of 2006). Such a policy will however have to be supported by essentials such as development financing (particularly low interest and minimal collateral), technical support and markets.*

*Generally, the unwillingness of the financial community to invest in agriculture and the lack of access to affordable financing has been identified as key constraints to the repositioning and re- vitalising of the sector. The lack of financial support to the sector is captured in the fact that although agriculture contributes over 30% to Guyana's GDP, it has seen an almost 50% slash in commercial credit since 2002. Local commercial bank portfolio has dropped from 18.3% in 2002 to 9.9% by June of 2005. The lack of access to affordable financing is compounded by the absence of crop insurance in Guyana. The likelihood of this facility being available in the near future is quite remote.*

*The absence of a development financing capability is clearly inimical to the accelerated development of the sector. The sector is currently served by the commercial banking system where is currently in deficit of effective loan appraisal mechanism such as diagnostic benchmarking tools.*

*The weakness in this critical area was highlighted by the failure of a recent agricultural conference to generate representation from the financial community. The importance of agriculture to national economic development necessitates an urgent review of financing arrangements for the sector. Unfortunately, the urgency required to put financial systems in place have fallen way short of expectations.*

*On a parallel basis, some policy consideration should be given to strengthening the farming community with respect to financial management and overall small business management as these deficiencies have been seen as largely rendering them ineligible for consideration for funding by commercial financial institutions.*

*One of the great weaknesses of the agricultural sector is the inability to fetch fresh produce from areas of cultivation to onward destinations due to the lack of appropriate internal transport. This, over the years, has resulted in a significant degree of waste. Therefore, any policy formulation which has large scale cultivation as its focus will of necessity have to encourage investment in agricultural transport that would connect areas of production and processing if significant value added to become a reality.*

*Policy initiatives aimed at improving the efficiency of the drainage and irrigation system has seen the formation of Water Users Associations. The Water Users Association is intended to increase the participation of agricultural producers in the management of Drainage and Irrigation Systems. This is a strategic move given shortage of government personnel, the geographic spread of agricultural activity and local knowledge of the infrastructure.*

*Recently, the government seems to have embarked on a policy of improving post – harvest capability. It has announced its intention to set up a number of packaging facilities across the country to cater for the export of fruits and vegetables under its diversification project (facilities are planned for Parika, Corentyne, and Charity). Projects are to be initiated under the Poor Rural Communities Support Services Project (PRCSSP).*

*Some packing houses will facilitate cold storage and are expected to impact positively on the export of non – traditional produce as apart from quality considerations, shipments will be made directly to regional markets.*

*Policy measures to strengthen **land tenure** have resulted in the strengthening of the capacity of the Guyana Lands and Surveys Commission (GLSC) to position itself to offer the level of services consistent with that required by the CSME. Previously characterised by extensive backlogs, long processing times, manual record keeping and outdated records, the agency currently boasts a state of the art computer mapping facility, an electronic lease database, a land parcel database and a soon to be completed cadastral plan database.*

*Both lease and plan preparations are now computerised. Modernisation of its production systems has been accompanied by high level personnel training which has targeted technical staff as well as supervisory and management skills.*

*The agency has reported the completion of thousands of surveys since 2001 and has issued more than 12,000 leases and titles. This compares with a few hundred annually in previous years. A number of policy documents have been prepared relating to land tenure and freehold conversions and a land information system has been put in place. Land data is being continuously updated. The primary target for the agency over the next five years is the further development and management of non – coastal lands.*

*Policy measures to facilitate **information transfer** within the sector have formed the basis of a programme leading to the improvement in the collection, analysis and dissemination of empirical data and other relevant information. This policy has yielded useful niches such as that associated with the publishing of a weekly bulletin on various aspects of agricultural production the National Agricultural Research Institute (NARI). **While information is disseminated via the print media, it would be more useful to use the electronic media which is more accessible to farmers.***

*Planned efforts by the Ministry of Agriculture (MOA) aimed at facilitating and providing IT resource centres for farmers, point to another niche in the process of establishing a comprehensive information policy. The service will allow market interface and access technical data for effective business management.*

*Regional inputs is expected to come from Caribbean Trade and Competitive Development Programme ( C - TRADECOM ) a capacity building project which aims to improve the capabilities of national statistical agencies to collect, compile and disseminate information for both regional and national policymakers.*

*The effectiveness of the policy is somewhat stymied by the plethora of agencies and institutions which are engaged in information dissemination. There should be **a dedicated agency** mandated with the important task of influencing sectoral policy through investigation and analysis of global trends. Such an agency would be able to effectively co – ordinate the mass of information in a way that would be useful to planners and farmers alike. The key objective of such an undertaking would be to enable a harmonised approach to information collection, analysis and dissemination*

*A major plank of the survival of agriculture will be the ability to continually enter the market with innovative and creative projects, thus, there is a critical need for the strengthening of capacity in research and technology development for new and innovative agricultural crops and processed commodities so as to keep one step ahead of the competition. While figures are not readily available, the paucity of resources put into research and development less reflects not only the lack of a research policy, but also suggests the lack of appreciation of this aspect of development.*

*This deficiency has been reflected in recent efforts by the private sector through the Guyana Agribusiness Association (GABA) to secure support from United States Agency for International Development ( USAID ) with a view to securing funding under the Guyana Trade and Investment Scheme ( GTIS ) Programme to undertake a study that could lead to new and more practical approaches to agricultural research. The study is aimed at recommending the reorientation of local agricultural research institutions to become more responsive to the needs of stakeholders. In the view of GABA, there is need for fundamental change in the current approach to agricultural research if the country is to take full advantage of the new regional market opportunities resulting from the emergence of the CSME.*

*Presently, there are several institutions with responsibility for research and technology development and technology transfer in agriculture and agro – technologies. In addition to the Ministry of Agriculture (MOA), these include the National Agricultural Research and Development Institute (NARI), the Institute of Applied Sciences and Technology (IAST), the Faculty of Agriculture of the University of Guyana (UG), and the Guyana School of Agriculture (GSA) are all contributors in this respect.*

*The agricultural economy also benefits from the services of a number of regional institutions including the Inter American Institute for Cooperation on Agriculture ( IICA ) and the Caribbean Agriculture Research and Development Institute ( CARDI ).*

***There is considerable duplication of effort across these institutions and the level of coordination and there needs to be some policy measures aimed at increasing information sharing and resources among these institutions and focus should be provided in order that an integrated approach to research and development can be adopted. The establishment of a super research agency would be critical to accelerating the development of the sector.***

*Ultimately, significantly more resources will have to be put into research if the agricultural sector is to be competitive. The sector needs to pursue private funding for agricultural research which would result in the creation of improved research facilities, remuneration levels designed to ensure skills retention, and research pursuits that are more responsive to the needs of the agricultural sector.*

*Policy measures aimed at the adoption of effective measures for **rural enterprise development** are being implemented under the Poor Rural Communities Support Services Project (PRCSSP), a community initiated agricultural/rural and community development project, which seeks to alleviate poverty by increasing rural household incomes. The general project objective is to provide efficient and sustainable support services to rural communities with a particular focus on poor rural households, Amerindian communities and households headed by women.*

*This US\$16.4 million project is jointly funded by the Government of Guyana (GOG), the International Fund for Agricultural Development (IFAD) and the Caribbean Development Bank (CDB). It has a number of important social components that embrace small farmers engaged in rice production, small farmers engaged in the production of Non-Traditional Commodities (NTC), that is commodities other than rice and sugar, and rural micro-entrepreneurs. The project also has a gender focus in that 30% of the beneficiaries are women.*

*Investment in the agricultural and agro - industrial sector has been made attractive with the enactment of targeted **fiscal and industrial incentives**. **However, there is no mechanism in place to measure the effectiveness of these incentives as to facilitate appropriate adjustments.***

*There is no policy, either at the level of the government or private sector with respect to the institutionalisation of **Producer Associations**. Despite the obvious benefits to such organisations among which are financial and intellectual support, development in this area has been largely unilateral undertakings and relegated to traditional sectors such as rice, cattle and seafood, and poultry.*

*Recently however, there seems to have been a concerted move toward the establishment of such associations, the most notable being that of the Guyana Agribusiness Association (GABA) which was resuscitated in 2005 after being dormant for several years.*

*The structure presented by the National Aquaculture Association of Guyana (NAAG) should serve as an excellent model. NAAG members embrace a wide cross section of Players including farmers, entrepreneurs, feed producers, members of the government (research and development), and non – governmental organisations. The Association also has international affiliations is a member of both the American Tilapia Association (ATA) and the World Aquaculture Society (WAS).*

*The principal problem facing the establishment of Producer Associations is that they are not financially and intellectually endowed to support many of the challenges with which they are faced. Other more pertinent challenges embrace deficiencies in project writing skills required when putting forward projects for funding and, the absence of a database for efficient acquisition of products whenever needed. Policy measures should be put in place to address these challenges.*

***The face of agriculture is continually changing in terms of technology, marketing systems, standards and cultivation practices. The sector thus have to develop the capacity to monitor and evaluate on an on – going basis the demand for and appropriateness of agricultural education and training.***

*With two (2) University Campuses, five (5) technical institutions, a dedicated agricultural school, and several agricultural institutions, one would think that Guyana has the nucleus for the level of training required to satisfy the requirements of the sector. However, actual expenditure on research and development reflects the lack of a comprehensive policy geared to articulate the future training needs of the sector geared to enhance its competitiveness.*

*The sector does not have a policy in place to facilitate collaboration between itself and the education sector. It has been noted that academicians have not met with sector representatives to ascertain how their graduates were performing and to enquire if any changes were required in the skills imparted to the students.*

*On the other hand, officials from the private sector have not met officially with university officials to provide them with feedback on the performance of graduates and to make recommendations for improvement at the University of Guyana (UG). The challenge presented by the CSME would be for a more collaborative relationship between these institutions with a view to fashioning appropriate education and training programmes within the framework of an expanded and more demanding market.*

***In – field training for farmers** been ad – hoc rather than as part of systematic policy. For example, recent initiatives undertaken by the National Agricultural Research Institute (NARI) has seen the introduction of a mobile agricultural processing unit, the main objective of which was the demonstration to farmers, the technology of processing fruits and vegetables. While attempts are being made to disseminate this technology countrywide, this is not generally an across the board policy.*

*A further example is related to the introduction of a demonstration farm for Region 10. The demonstration farm has been equipped with contemporary agricultural technology and farmers have benefited from modern operational and farm management methods. The farm will act as a laboratory facility through which farmers from the region will secure access to technology and expert advice that will upgrade their own farming methods. This is a very useful undertaking. However, operating within a policy framework would have seen this type of activity replicated across the country.*

*A comprehensive overhaul of current **marketing policy** is required to match expectations within the context of the enhanced competitiveness expected with the implementation of the CSME. Current marketing policy is structured to accommodate the demands of the small farming and agro – processing sectors. In this respect, marketing is largely carried out by the New Guyana Marketing Corporation (NGMC). This is on account of the fact that the sector is largely populated by small – scale farmers without any trade organisation or access to effective marketing groups. While the NGMC has been relatively successful in executing its mandate, a much more sophisticated marketing entity is required if Guyana is to become competitive in the new globalised market.*

*Marketing strategy will have to take into account changing global trends such as the growing international demand for organically grown products as well as global issues such as that related to health, certification and standards.*

*The pursuit of large scale agricultural undertakings will require a quantum change in the marketing infrastructure. Currently, the country is incapable of moving large volumes of agricultural produce (at the level of both sea and air). There is also a lack of post harvest facilities, particularly cold storage facilities and packaging facilities.*

*With e – commerce becoming more of the norm, the technological capabilities of the agri – business sector will have to be significantly upgraded to meet current business trends.*

*Expertise will have to be developed in the area of niche marketing given the country's production capabilities (inability to produce in large volume), and the substantial demand resident within the diaspora.*

## *An Assessment of Sub – Sector Policy*

### *The Fisheries Sub – Sector*

*The lack of a comprehensive policy toward the development of the marine resources sector is directly related to the country not being sufficiently resourced to effectively determine the extent of its marine resources. Significant investment will thus have to be made to boost the country's maritime capability if it is to reap the full benefits of its fisheries and other resources. Given the lack of financial resources, donor support should be sought to execute this important undertaking given the potential of the sector to contribute significantly to agricultural GDP.*

***The policy of forging collaborative relationships with local and regional expertise for policy formulation should be normalised. Broad – based representation in the policy formulation process is always a useful approach given the paucity of local expertise.***

*A recent forum comprising both local and regional experts, examined among other things, the legal and regulatory framework for fish stocks, development and management, an action plan for aquaculture and the status, research needs and management recommendations for the shrimp, ground fish and deep scope sub – sectors.*

*Two recent bi – lateral initiatives have confirmed the country's commitment to the sustainable development of the sector. A Memorandum of Understanding was signed with respect to the formation of the Caribbean Fisheries Mechanism (CFM). The country is also actively participating in the Western Central Atlantic Fishery Commission (WCAFC). The Commission was established by the CARICOM Secretariat as a management mechanism for coordinating the implementation of regional fisheries research and development initiatives.*

*Within the framework of the diversification policy, the outlook of the government is for the securing of maximum sustainable yields from fish and fish products as against the continued export of fresh and frozen fish. The focus, in the view of the government is directed toward value added production as a means of ensuring long – term sustainability. **The Department of Fisheries is in collaboration with local, regional and international bodies in pursuit of these goals.** This is policy is strategically important given recent reports of depleting deep sea fish stocks.*

*Safeguarding of the maritime environment from pollutants and hazardous wastes has become a matter of international market requirements. However, Inadequate policing of the marine economic zone means that the country cannot monitor indiscriminate use, if any, of its maritime environment.*

*Lack of financial resources also prevents the country from assessing the environmental status of the zone. The government has used its membership of the CARICOM Fisheries Resource Assessment and Management Programme (CFRAMP), to begin work on assessing the status of the shrimp and ground fish stocks.*

*A key development leading to the maximum benefits from the country's marine resources is related to the country's long standing maritime problems with both Venezuela and Suriname. The government has chosen the policy option of international arbitration as the chief means of settling these issues.*

*In its dispute with Suriname, the matter is currently under internationally supervised arbitration at the UN International Tribunal on the Law of the Sea (ITLOS). The arbitration is in its final stages and was established to obtain a binding determination on the delimitation of the maritime border of Guyana and Suriname including the Territorial Sea, Exclusive Economic Zone (EEZ) and the Continental Shelf. The Government has expressed confidence in a positive result. A positive result will have the effect of significantly increasing the potential of the country's maritime resources and its sectoral competitiveness.*

***Though much effort has gone into the support of the aquaculture sector this has not been implemented within the framework of a holistic policy. Thus, although the industry has the potential for rapid take - off, growth is slower than expected in an industry where market is expanding tremendously and consistently.***

*Generally, however, policy aimed at improving the competitiveness of the fishing sector seems to have been taking the kind of shape required to maximise on the potential that the sector has to offer. **The financing of policy will present a major challenge.***

### ***The Forestry Sub – Sector***

*The fact that the forestry sector as a whole has not increased its contribution (currently pegged at 4% of GDP) to GDP over the past 20 years suggests that there is need for a comprehensive policy aimed at redressing a situation that is seen by industry observers as unacceptable, given the huge resource base.*

*The fact that the sector is extremely well regulated, having benefited from enormous donor support over the past two decades or so, suggests quite strongly that a policy shift is required with adding value as its focal point. The international competitiveness of companies such as Precision Woodworking Ltd. ( Outdoor Furniture ), Bulkan Timber Works ( Mouldings ), Guyana Furniture Manufacturing Ltd. ( Doors ), Linear Woods ( Dimensioned Lumber ), and Barama Ltd. ( Plywood ) is as much an indicator that the pursuit of value added activities can spawn several other such successes and increase the overall contribution of the sector while generating employment and increasing linkages to other sectors of the economy.*

*A key determinant influencing the call for greater value added is that associated with the export of logs. A Tropical Timber Market Report compiled by the International Tropical Timber Organisation (ITTO) identified Guyana as the second largest exporter of tropical logs in Latin America in 2005. This trend seemed to have continued throughout 2006, in view of the fact that the issue of log exports remains a hotly disputed one. The scale and ferocity of the debate has forced a policy response from the government which will see substantial reductions in the level of log exports over the short – term.*

### ***An Assessment of Manufacturing Sector Policy***

*A relatively large natural resource base and agricultural output, unequalled in Caricom, is enough reason for the manufacturing sector to make a greater contribution than its current 3% to GDP. Manufacturing has always played a secondary role to agriculture in the economic development of Guyana. There has been no significant policy change since.*

*Whatever sector and sub – sectoral development there is has been achieved largely as a result of unilateral enterprise initiative, rather than as a result of a global policy. It would be appropriate, given the potential of the sector to add value, create jobs, and generate hard currency, that **a single agency dedicated to raising the profile of manufacturing sector. Such an agency would serve to bridge a wide policy gap where manufacturing is pursued on an ad hoc basis.***

*A key challenge would be the promotion of inter – sectoral linkages. However, this is a complex undertaking and will require external support. It is very likely that policy measures to pursue this option will attract such support.*

*Policy formulation would of necessity have to take into consideration enterprise structure within the manufacturing sector. Most of the enterprises found in the manufacturing sector are small to medium sized. Policy measures should therefore be aimed at encouraging smaller firms to **merge** into single entities which would be better able to access financial, managerial, and other critical resources to make them competitive.*

*The recent successful merger of Demerara Distillers Ltd. (DDL) with a citrus farmer to produce tropical juices and juice drinks is a prime example of what could be achieved with such collaboration. This development reflects the general outlook of mergers as being pivotal to growth both nationally and internationally.*

*Another policy option is related to the encouragement of **cross border employment of natural resources, human resources, capital, technology and management capabilities for the production of goods and services on a sustainable basis.** Some Guyanese manufacturers have already taken advantage of the space provided by the CSME. A typical example of the model which Guyanese companies would want to follow is that of Demerara Distillers Limited ( DDL )which has taken a stake in National Rums of Jamaica This new venture represents a significant movement in the consolidation of the Caribbean Rum Industry and accords with the objectives of the CSME.*

*In a more recent development, Banks DIH Ltd. is currently engaged in discussions with the West Indies Rum and Spirits Producers Association ( WIRSPA ) aimed at helping the company emulate the highly successful local and regional marketing success of its rum products in North America and Europe. WIRSPA is currently working with regional spirit producers to expand their share of the international market for branded rum products by providing funding support for market research aimed at assisting them to penetrate extra - regional markets.*

*Assertions of local ownership and calls for protection based on national entitlements are fast becoming a thing of the past, and businesses will collapse if they wait until the new conditions are in place and international competition is affecting their businesses before they begin to strengthen themselves through mergers, acquisitions and broadening their markets both within and outside of CARICOM. Research conducted by the Caricom Secretariat shows that of 40 companies operating in states other than where they originated, only two Guyanese companies operated in the region (Demerara Distilleries and Laparkan Holdings).*

*Given the paucity of resources available to the manufacturing sector, there is an immediate need to form partnerships or local manufacturing agreements with global players. This will have the effect of allowing for penetration of regional and extra – regional markets using existing plant assets and piggybacking on established research and development and advertising budgets.*

*The diversification policy targeted at the non – traditional sector has shown the potential to bear fruit. Recent developments in the rice processing sector suggest that much could be achieved. The Guyana Stockfeeds Ltd. is a prime example of how the pursuit of value activities could transform the status of an industry. The company has recently penetrated selected regional and North America markets for Parboiled Rice. This represents a significant achievement in an industry where large rice companies are finding it difficult to stay afloat.*

*Among the key enhancement factors that have influenced the company's success have been the employment of cutting edge technology, self generation of electricity, highly trained personnel ( training was completed by Consultants from Brazil, Europe and the United States ), above average emoluments and incentives for farmers ( which would encourage them to cultivate specific varieties of rice and to improve on their quality of production ). In a move to further consolidate its market position the company pursued brand marketing. This was done in collaboration with both regional and extra regional marketing companies. As a consequence, the company is now competing with extra regional brands.*

***This model successfully developed by Guyana Stockfeeds Ltd. could form the basis for a deeper policy aimed at creating similar enterprises.***

*Sustained public and private sector collaboration will be necessary in order to secure market – led production of goods and services. The development of any manufacturing policy will therefore necessitate co - operation between the Government and Private Sector. In an effort to improve public – private sector dialogue and cooperation for competitiveness the government and elements of the private sector has agreed to establish a National Competitiveness Council (NCC) which will examine key competitiveness issues impacting the Guyanese economy and make recommendations to improve the country’s competitiveness position. Among the key policy areas under consideration are investment promotion, export promotion, the strengthening of public / private dialogue, and the building of consensus on private on private actions to be implemented as soon as possible as well as a longer term framework.*

***This framework presents an opportunity for the manufacturing sector to articulate a comprehensive policy that would propel the sector toward international competitiveness, incorporating many of the elements contained in this chapter.***

***Policy measures aimed at developing a viable micro and small economic enterprise sector has been a positive move toward the future development of the manufacturing sector. However the sector has not been well supported in terms of the required institutional, legal, technical, financial, administrative and other support.***

*One of the key requirements of the CSME is that of the establishment and maintenance of an investment friendly environment capable of achieving scales of production to facilitate successful competition in domestic and extra – regional markets.*

*The sector stands to benefit an investment environment that is competitive with the rest of the Caribbean. The Investment Act of 2004 is the principal legislation governing investment in Guyana and is intended to play a reassuring role for investors through the provision of legal protection for investment, increasing the predictability, stability and transparency of the legal regime for investment, promoting the development of international best practices regarding investment, and streamlining the existing procedures for investment.*

*The Investment Act provides that the Government will protect investments and the property of investors in accordance with the laws of Guyana. Foreign investors have equal access to privatisation opportunities. The Act reinforces the Government’s commitment to neither discriminate between foreign and domestic investors, nor among foreign investors from different countries.*

*Guyana's legal framework provides both foreign and domestic investors with equal treatment. Foreign and domestic firms have the right to establish and own business enterprises and engage in all remunerative activity. An array of investment incentives are available including a flat business tax, tax holidays, waivers of custom duties, export tax allowances, unrestricted repatriation of profits as well as additional incentives in priority export sectors.*

*The investment environment has to be seen in the context of the structural deficiencies that beset the manufacturing sector. In this sense the environment would only allow the manufacturing process to proceed to a certain level. A typical example is where semi – processed goods and services (say fruit pulp) could be exported to the Region or extra – regionally for finishing. This process takes into account production factors including cheap energy, packaging other finishing advantages.*

### ***An Assessment of the Financial Services Sector Policy***

*The greatest impediment to business development in Guyana is probably the lack of access to affordable credit, both long and short term. This has had severe implications for the business sector in general, but more particularly for agriculture and manufacturing. Limited credit opportunities have served to stymie business expansion, has affected retooling and the acquisition of new technologies, has limited new product development and general research opportunities among others. **Some policy aimed at making affordable credit available to the productive sector must be put in place soon if the Guyanese business sector is to be competitive within the context of the CSME,** where regional businesses are funded on more generous terms by their more progressive indigenous banks.*

*The policy of opening the financial sector to regional financial institutions have served to expand the range of services available to the Guyanese business community. Competition is expected to be driven through the intervention of some regional institutions.*

*Money laundering remains a serious challenge to the business community. Though legislation has been put in place to counter this phenomenon, enforcement measures have been severely lacking. Policy enforcement is vital to Guyana's competitiveness and image as an investment venue within the context of the CSME.*

*In spite of warnings from the Guyana Association of Securities Companies and Intermediaries Inc. (GASCI), no incentives / policy measures have been put in place to encourage companies to become listed on the local stock exchange, despite the implications for competitiveness.*

*The fact that no Guyanese company is listed on the Guyana Stock Exchange (GSE) means that these companies will be unable to avail themselves of cheaper capital that may be available in other parts of the region. It is a well known fact that listed companies obtains loans at cheaper rates as the risk is perceived to be lower than with unlisted companies. It should be noted that Guyanese companies seeking finance in other member countries (those that have signed on to the revised treaty) must be treated as a domestic company of that country.*

*The fact that regional companies will be seeking to invest in our markets, probably means that they will be coming with cheaper capital and hence will be able to cost their goods and services lower than Guyanese companies. Taking advantage of cheaper capital financing will certainly enhance the ability of Guyanese companies to compete.*

*Companies should consider raising capital through capital listing on the local stock exchange and cross – listing on regional markets if they are to protect their share of the local market and expand into regional markets.*

***This realistic picture should form the catalyst for creating a policy designed to facilitate greater awareness as to the implications for non – compliance as well as to provide incentives for companies to enlist.***

## ***An Assessment of Tourism Sector Policy***

*The Government has designated the tourism sector as a priority sector and has put policy measures in place with a view to doubling international tourism by 2010. To ensure that this happens, a Five – year Tourism development Plan (FYTDP) was recently completed aimed at defining the actions that will guide policy making investments in the sector.*

*While the Government has shown a preference for international tourism, some policy consideration should be given toward encouraging domestic tourism. This will serve to sustain activity across the sector, particularly during the low - season.*

*The establishment of a Tourism Authority is another indicator of the growing importance of the sector.*

*The industry is currently seen in a fiscal context, particularly in terms of its contribution toward the broadening of the tax base. However, it should be seen in the context of the demand it will create for the vast range of services and inputs that the industry needs, and policy measures put in place to take advantage of these opportunities.*

*A broader vision would see the industry as an economic facilitator driving development across the economy. That is to say as a vehicle that generates domestic and inter – regional investments enabling the retention of tourism dollars in the economy in a systematic way. This requires levels of strategic thinking and planning that is currently and largely absent. What as yet to be accepted across the board is that everything that affects the success and failure of the tourism industry is a matter that requires serious policy time.*

*Given the perceived potential of the tourism sector, a broader and more holistic policy would look at the wider implications of what a continuing flow of visitors will mean for the industry. It should focus on core issues, including a consideration of the eventual limits to growth in the tourism product, and how the ultimate size of the industry relates to the environment.*

## ***An Assessment of the ITC Sector Policy***

*Information technology as a catalyst for economic and social development is quickly gaining momentum in Guyana. The process of formulating a global policy for Guyana was the focus of wide ranging stakeholder consultations at an ITC workshop held in 2006. Among a number of issues explored at the workshop was the positive relationship between technological advances and productivity and upgrading the technological profile of the private sector.*

*The finding of the workshop is now leading to the development of a National ICT Strategy designed to articulate government policy on matters of e – commerce.*

*The case for cheap internet access is viewed by IT Specialists as a stimulus for new small businesses, providing jobs and contributing to the development of people generally. In the view of some sector experts, internet deployment nationwide is a must if ICT development is to become a reality.*

*The sale of hammocks over the Internet by the Rupununi Weavers is a venture that has attracted international interest and renown. This successful project has strengthened the case for the availability of cheap internet access.*

*The development of the sector has been hindered in recent years by a monopoly situation in the telecommunications sector. Recent policy decisions has reversed this situation clearing the way for new developments.*

## ***An Assessment of Social Partnerships***

*The relationship between the government and private sector has generally developed along tenuous lines. Previous attempts at establishing a firm relationship has faltered on account of the failure of both parties to establish positions of compromise.*

*The latest attempt at forming a sustainable partnership has come with the establishment of the National Competitiveness Council (NCC), a body the government and private sector agreed to set up, which will examine key competitiveness issues impacting on the Guyanese economy and mandated with making recommendations to improve the country's competitiveness position.*

*Although it is too soon for the results of the competitiveness strategy to be borne out, senior representatives of the Government and private sector have indicated that the National Competitiveness Strategy (NCS) consultation process has significantly improved the quality of dialogue between the public and private sectors.*

*The donor community has signed on to the dialogue initiatives. The Guyana Trade and Investment Scheme (GTIS) has established a programme aimed at strengthening the consultative processes between the Government and civil society. The programme seeks to increase public awareness of developments in trade negotiation and to empower the private sector to better influence trade. Activities include the promotion of high level trade advisory forums between government officials, the private sector and NGO representatives. This and similar interventions will not only serve to strengthen existing initiatives by bolstering confidence in the process.*

*The Tripartite Social Partnership Agreement (TSPA) is a model that has enjoyed unprecedented success in Barbados and should be evaluated by Guyana for possible emulation. The social partnership agreement with the government, unions and private sector has been in process since 1991. The agreement was entered into as a measure of internal economic adjustment following a period of major economic contraction.*

*The pact has been continually renewed to first restrain wages growth instead of freezing it and to restrict price increases in the cost of inputs. There were attendant measures to increase productivity and industrial relations harmony rested on collective bargaining. The purview of the social partnership agreement was extended to ensure efficiency in all aspects of the economy including combating crime and public service reform. Initial opposition to positions taken by the government was finally accepted in the face of support of the unions and the private sector.*

*The agreement has generated significant benefits. Unemployment had fallen from 24.3% to 10.7% following the initial establishment of the partnership. Foreign exchange reserves remain very high and the economy has been ranked 30 in the UN Human Development Index for 2005.*

*With two (2) University Campuses, five (5) technical institutions, a dedicated agricultural school, and several agricultural institutions, one would think that Guyana has the nucleus for the level of training required to satisfy the requirements of the economy for skilled professionals. However, there is a critical lack of partnerships among the principal stakeholders, that of the private sector, government and tertiary institutions. Policy measures are required to create a nexus between the skills graduated by these institutions and the requirements of the private sector and the economy in general.*

## ***An Assessment of the Small Business Sector Policy***

*There has been a flurry of policy related activity in the sector. However, even though the government has acknowledged the importance of the sector and its potential to contribute up to 40% of the market economy there has not been any visible evidence of growth and development.*

*The lack of growth in the Small Business Sector is directly attributed to the non – delivery of critical support measures contained in the legislation which governs its existence and which seeks to facilitate its growth and development.*

*The policy initiatives designed to influence the development of the small and micro business sector is reflected in the enactment of the Small Business Act. The Act provides for the establishment of a Small Business Council and a Small Business Bureau. There is no evidence that these organs are functioning effectively or whether they are functioning at all.*

*The Act also states that the government would endeavor to ensure that at least twenty percent (20%) of the procurement of goods and services it requires is obtained from small businesses. There is no evidence that this has become reality.*

*The functions of the Small Business Council would be to review draft legislation relating to small business or the private sector as proposed by the government. The Council would also prepare and submit a Small Business Policy and Administration Reform Agenda which would include recommendations for addressing of developmental issues and the granting of incentives to small businesses. There is no evidence that these objectives have been pursued in any measure.*

*Under the Act an annual Report on Small Business is supposed to be submitted to the Minister. The Report would contain reports on the progress made in addressing developmental issues and streamlining administrative procedures relating to small business, initiatives by the Government to facilitate access to financing by small businesses, the status of procurement by the Government from small businesses, the granting of fiscal incentives to small businesses and statistics relating to the small business sector. There is no evidence that any such report has been submitted.*

*The legislative agenda for the small business sector needs to be supported with resources designed to assist in the areas of project planning, marketing, access to affordable financing and other technical help the operators are not able to regularly access.*

*Given the importance of small enterprises in any national economy, the establishment of a permanent business institution would constitute an important development. **The institution would provide oversight capability to monitor developments in the sector, in the process ensuring that the sector receives all that has been promised to it.***

## **Chapter 4**

### ***The Regional Development Fund – An Analysis of the Potential Benefits***

#### ***Rationale for the Fund***

*An important key to the success of the CSME is the Regional Development Fund (RDF). The establishment of the Fund is rooted in concerns as to whether a region of economies at very different levels of development stand any chance of achieving the consensus necessary to make a single market work. There is widespread fear about the possibilities that the larger and wealthier may take over the smaller. The CSME is committed to establishing effective measures, programmes and mechanisms to assist disadvantaged countries, regions and sectors of the Community.*

*The Fund was conceived in recognition of the fact that member countries are entering the integration process with differences in economic structure and performance, differences in physical and institutional infrastructure capacity, differences in the range and depth of human resources capacity, and differences in size, all of which impact on the capacity to identify and take advantage of opportunities to grow and develop.*

*The Revised Treaty of Chaguaramas provides for a Development Fund to provide financial or technical assistance to disadvantaged countries, regions and sectors. Since the Treaty became effective, considerable effort has gone into operationalising the Fund, and it now appears that agreement has been reached on its main features. A number of issues still remain to be addressed, but arrangements have been agreed to deal with them.*

#### ***Administration***

*It has been agreed that the Fund will be a separate legal entity established by Charter. Enabling and recognition legislation will need to be passed by all participating countries to give effect to the Fund, and there will be need for a Headquarters Agreement between the Fund and the country in which its operations are based.*

*In an effort to reduce overheads and to make the operations learning curve less steep, it has been agreed that CDB will be approached to house the operations of the Fund, and to provide operations services on an as-required, cost recovered basis. There would be need for the Fund to have a small permanent staff of its own.*

*Overall policy direction and management oversight will be provided by a non-resident, small, Board of Directors, appointed by the COFAP in consultation with the Community Council and COTED, the three Organs of CARICOM being the ones responsible for the economic integration and economic development aspects of the integration movement. A Committee drawn from COFAP Ministers will meet to set the priorities for the Fund, and to give appropriate directions to the Board of Directors.*

### ***Size of the Fund***

*The size of the Fund has initially been set by Heads of CARICOM Governments, meeting earlier this year in Trinidad & Tobago, at US\$250 million, with US\$120 million coming from CARICOM member countries, and with the balance to be sought from the region's development partners, the regional private sector, and other sources. Of that US\$120 million, US\$20 million is expected to come as a one-time contribution from the Trinidad & Tobago Petroleum Fund, while the remaining US\$100 million will be subscribed by the participating countries, including Trinidad & Tobago.*

*The Fund should be larger than presently contemplated since it is unlikely that the CARICOM countries alone can contribute the resources that an enlarged RDF would require. The issue of sustainability thus emerges as a critical one. Against this background, contributions should be sought from outside countries and regions. The impending loss of preferential markets for sugar and bananas for Guyana and Belize respectively, strengthens the argument for a larger RDF.*

*A precedent for a larger RDF could be found in the case of Haiti's accession to the Caribbean Development Bank. On Haiti's accession, the CDB was forced to request additional funding for the Special Development Fund (SDF) taking into account the country's size and acute needs.*

*The issue of country contributions has been one of the main areas for discussion over the last year or so. The Revised Treaty contemplates that member countries would make contributions to the Fund, without excluding the possibility of funding coming from other sources. The region's Development Partners have been clear in their position that they would be willing to make a contribution to the Fund, but were waiting to see what contribution the region was prepared to make to its own development first.*

*Simulations were done with a number of contribution formulae including the following;*

- *shares of regional per capita income*
- *shares of regional GDP*
- *proportions of Central Government current revenue*
- *the formula for financing the CARICOM Secretariat*

*For various reasons none of these approaches was considered acceptable by all parties. It now appears that an agreement in principle has been reached for the use of a formula which;*

- *applies the CARICOM Secretariat formula to some countries,*
- *applies a second formula which combines the effects of GDP, per capita income and shares of intra-regional trade to other countries, with the resulting financing gap to be filled with a further contribution from the Petroleum Fund.*

*It is likely that contributions by some countries will need to be made in installments, taking account of their individual fiscal situations. The extent of the spread of the contributions over time and the reliability of their flow will obviously affect the impact of Fund operations.*

## ***The Potential Impact of the Regional Development Fund on Guyana's Economic Competitiveness***

*A major consideration involves the ways in which the Fund resources might be used as against what it might be used for and the priorities to be attached to the intervention possibilities.*

***Specifically, the CSME recognises that Member States may require special support measures of a transitional or temporary nature on account of their being recognised as being disadvantaged.***

*A disadvantaged country is classified as such if:*

- *It is designated a Highly Indebted Poor Country*
- *It is experiencing temporary low levels of economic development.*
- *It requires special support measures by reason of natural disaster impairment;*

***Being a Highly – Indebted Poor Country designate as such by the competent inter – governmental organisation.***

*Guyana's classification as a Highly Indebted Poor Country (HIPC) by the World Bank makes it eligible for special consideration. The initiative was launched by the World Bank and the IMF in 1996 as a first comprehensive effort to eliminate unsustainable debt in the world's poorest most heavily indebted countries.*

*Under the HIPC initiative, eligible countries will qualify for debt relief in two stages. In the first stage, the debtor country will need to demonstrate the capacity to use prudently the assistance granted by establishing a track record, normally three years, under IMF and IDA supported programmes. In the second stage, after reaching the decision point under the Initiative, the country will implement a full – fledged poverty reduction strategy, which has to be prepared with broad participation of civil society, and an agreed set of measures aimed at enhancing economic growth.*

***Experiencing temporary low levels of economic development.***

*Guyana has experienced sharp decline in economic growth in the late 1990's after the initial rapid expansion that followed the implementation of major economic reform. A recent IDB report recognised that Guyana has shown little growth in recent years. It said that over the past five years, Guyana's GDP growth has averaged less than 1%.*

*In a recent IMF working paper entitled ‘Guyana: Why Has Growth Stopped? An Empirical Study on the Stagnation of Growth’ (Stabroek News, April 15, 2007) it was noted that many factors explained the slowdown, but among them was the “ significant deterioration in the political and institutional environment” which coincided with a dramatic reduction in the labour force because of emigration and a sharp decline in domestic and direct foreign investment.*

*The report observed that Guyana remains highly dependent on the export of a few primary commodities with poor access to external markets. Infrastructure remains deficient and the transport network underdeveloped. It further noted that the losses in power generated by the electricity company contributed to making it the most costly in the region.*

*The long duration of the decline continues to be the subject of analysis.*

### ***Natural Disaster Impairment***

*Guyana is prone to frequent floods of a significant magnitude. This has not only had disastrous implications for agriculture, the bedrock of the economy, but also for key sectors including tourism and manufacturing. While much has been done to improve flood related infrastructure, the potential for future occurrences is extremely high.*

*The Economic Commission for Latin America ( ECLAC ) had found using its post – disaster methodology that during the 2005 / 2006 flood Guyana had lost billions of dollars in agricultural products ( Stabroek News, Thursday, March 9, 2006 ). The agency, in a post flood report, noted the significant impact on the agricultural sector which accounts for 33% of GDP.*

*Losses from the flood, which has become an annual feature, was calculated by ECLAC in 2004 2005 at G\$93.4 billion for all sectors. The report recommended strategic approaches to advance sustainable livelihoods including the use of modern and appropriate technology. It also suggested disaster management capacity at the community level, establishing a network of communication system.*

## **Chapter 5**

### ***Recommendations for the Effective use of the Regional Development Fund***

***An analysis of how the Regional Development Fund could be best used to enhance Guyana's overall competitiveness using the approach of sector by sector and cross - sectoral analyses.***

#### ***Overview***

*A source from the Caribbean Development Bank ( CDB ) has pointed out that the requisite level of funding will be demand driven, that is, it will depend on the demand for investment geared to trade – induced adjustments, economic stabilisation, and economic restructuring in member countries.*

*The problems with Guyana's economy comprise of policy technical and infrastructural deficiencies. The scope of the country's infrastructural problems is too protracted for the Fund to effectively address. The approach to the Fund will therefore be made on the basis of strengthening the policy framework through which sector and industry development can be facilitated and technical deficiencies that currently impede competitiveness.*

*There is not likely to be any dislocation in the primary agricultural sector. The sector is well positioned to take advantage of the benefits of the CSME.*

#### ***Sugar***

*Sugar has attracted substantial financing for a planned modernisation project.*

#### ***Rice***

*Rice is on the road to recovery following the erosion of preferential trading arrangements. The sector is currently the beneficiary of a Competitiveness Grant from the European Union and issues of fair trade are being addressed within the framework of the Regional Monitoring Mechanism system.*

***A major competitive issue for the rice industry has to do with the improvement of yields. The Guyana Rice Development Board) has targeted a 6 tones per hectare as against three 3 tones per hectare currently being harvested. The Fund can be approached to assist with a study to help the industry achieve this objective.***

## ***The Livestock Sector***

*The poultry sector is on the verge of assuming export status. However, a critical hurdle to be overcome has to do with improvement to the sector's food safety standards. The sector will be competing against extra – regional imports and as such it will be necessary for some level of support to be offered in terms of meeting the cost of achieving international and private standards for food safety with the specific objective of ensuring that Guyana meets the SPS/TBT levels currently being attained by other large and small FTAA states within at least 2-4 years.*

*Improving the country's SPS/TBT status will require legislation upgrade, improvements to laboratories, veterinary services, and food safety inspection services and the rationalisation of the functions of relevant departments including the Guyana National Bureau of Standards (GNBS), the Food and Drug Division (FDD) and the Veterinary and Plant Health Unit of the Ministry of Agriculture.*

### ***Beef***

*The Beef industry has been touted to be one with the potential to export to the Region. In fact, the Government has identified beef exports as a priority. However, for the industry to achieve export status it would have to improve the genetic structure of the cattle population. In this sense support would be required for the importation of breeding stocks, the cost of which is currently beyond the average farmer.*

*While the cattle population is well known, what is not known is its composition. Some cattle are held for wealth, some for beef and some for milk. There is need for the completion of a comprehensive census to facilitate proper planning for the development of the industry.*

*Meat processing in Guyana is largely rudimentary, operating mainly as a cottage industry. It is therefore imperative that industry acquire Abattoirs that meets international standards for it to achieve export competitiveness.*

### ***The Non – Traditional Sector***

*Current marketing arrangements correspond to current operating scale, as well as in terms of the country's inability to move large volumes of fresh agricultural produce. However, significant support will be required to assist the non – traditional sector in meeting stringent international standards for food products. This comes in the wake of international developments, where, as non – traditional agricultural products become more and more visible in international trade, issues of compliance in terms of product standardisation, authenticity, food safety and quality assurance are assuming increasing importance for certification and approval of imports by major markets, and for determining the competitiveness of agricultural imports.*

*The development of the sector is not proceeding in a systematic manner. There is need for a holistic approach given the large volume of small operators involved in the sector, the wide geographic spread of non – traditional activities and the potential linkages with other sectors of the economy. Support for the completion of a **Strategic Plan** would be a useful contribution toward understanding the true competitiveness of the sector.*

### **The Traditional Fisheries Sector**

*Guyana it thought to have some of the most abundant marine resources in the region. However, many of these resources remain under – exploited, especially the deep water resources. This is primarily due to the fact that the sector is not adequately resourced in terms of its capacity to determine the viability of the industry. **Support is required to properly survey marine resources to establish their suitability in terms of available technology as well as to evaluate the potential profitability of production.***

*The industry has expressed concerns over the quality of fish currently being produced. While current market requirement for the maintenance of Grade A fish is for 20 days, the industry only has the capacity to do so for 10 days. Support is required to assist the industry in developing cost effective methods so as to improve product quality and market competitiveness.*

### **The Aquaculture Sub – sector**

*Aquaculture is an activity requiring a strong and in – depth technological foundation since it faces continuous technical and scientific challenges. Raising the technological profile of the sector is therefore a matter that should be accorded urgent priority. **Raising the technological profile of the sector, support would be required to strengthen the physical and human infrastructure at the Mon Repos Aquaculture Station will be essential toward achieving the overall objectives of the project.***

### **Organic Agriculture**

*The sector has been slow to react to overwhelming evidence of market opportunities despite possessing key competitive advantages including adequate land, water and willing farmers. The incentive for organic farming lies in the enormous demand for organically produced food which comprises the fastest growing food segment on the global food market. This is primarily due to the fact that the sector is in its embryonic stage and there is a general lack of awareness of matters organic.*

***It will be strategic to conduct a comprehensive plan for the sector as the basis for increasing sector support.** The plan will entail a detailed study of the sector with the aim of deriving a number of recommendations as well as an action plan for the development of the sector with a special emphasis on critical areas including the development, implementation and monitoring of standards, technical and financial assistance, infrastructure for growth and transport and storage facilities.*

***In addition, the sector requires support to increase its research capacity to address critical issues such as those related to plant varieties, soil types, organic fertilisers, and systems for growing organic produce.***

### ***The Forestry Sector***

*The forestry sector has been referred to in the National Development Strategy as one of the natural resources with the greatest potential for economic development and poverty reduction. However, the full potential of this resource remains unknown at both the national and community levels owing to the absence of accurate, updated and complete data on the resource base and value of the forests. **One of the key initiatives that would enhance the competitiveness of the forestry sector is the undertaking of a National Forest Inventory.***

*The overall objective of the inventory would be to boost the economic planning capability of the forest sector by making data available for the valuation and sustainable management of forest resources. The specific objective of the census is to arrive at an economic value for timber, major non – timber forest products and fauna, to enable sustainable forest utilisation and planning.*

### ***The Manufacturing Sector***

*The sector is miniscule by both regional standards and in comparison with other sectors of the economy. Estimates of the sector's contribution to GDP range from between 3-10%. Given the country's significant natural resource and agricultural base, the performance of the sector should be ultimately more significant.*

*The manufacturing sector is likely to suffer as a consequence of expanded competition. The well established constraints of high energy (electricity and fuel) costs, as well as factors related to low productivity, costly financing and outdated technology will combine to exacerbate the uncompetitiveness of the sector. These constraints are so binding that only massive concessionary financing could create some measure of competitiveness.*

*The sector lacks a policy framework. There is no overarching strategy to bring together the disparate attempts at various agencies in developing the sector. There is considerable duplication of efforts across these institutions, as well as extensive documented information on technologies and investment profiles. The level of coordination, information sharing and resources among all these organisations needs to be increased, and focus should be provided in order that an integrated approach to development can be adopted. **Given the enormous potential for the sector to exploit the abundance of natural and agricultural resources, support for the establishment of a super agency dedicated to the growth and development of the sector would constitute a competitiveness enhancing measure.***

*A by – product of sectoral inefficiency is the enormous volume of waste generated. Industrial, manufacturing and agricultural activities are characterised by low conversion levels with an average 50% utilisation of primary raw material. Against this background a waste utilisation strategy should be pursued. The likely benefits include product development, niche market development, employment generation, hard currency generation and positive environmental impacts.*

*Literally hundreds of products could be developed from bagasse (sugar cane waste) rice husks, off – cuts, sawdust and wood chips, and the residue (seeds, and skins) from agricultural waste. **Developing a waste utilisation programme will require the establishment of research capability, preferably in the form of a special research unit.***

*Regardless of their performance, most manufacturing sub – sectors require some form of competitive enhancement assistance. Support is required for the following industries;*

### ***The Jewellery Industry***

*A key constraint to the manufacture of diamond jewellery is related to the lack of capacity to cut and polish diamonds. This comes down to a lack of training. A National Jewellery Institute established by the Caribbean Project for Economic Competitiveness (CEPC) has been inoperable since the first quarter of 2004. Since it is estimated that approximately 65% of local gold and diamond jewelers have little or no formal training, support will be required to resuscitate the operations of the Institute.*

### ***Forest Products***

*The forest products sector is made up of companies engaged in the value added manufacture of wood products.*

*Some products / enterprises have demonstrated that international competitiveness is achievable through the development of market niches. In this respect Garden Furniture (Precision Woodworking Ltd.), Doors (Guyana Furniture Manufacturing Ltd.), Mouldings and Shingles (Bulkan Timber Works) and Liana Cane (Rattan furniture) have all found acceptance on the discriminating international market.*

*The enormity of the market offers major opportunities for the many operators in the sector. However, market penetration by successful companies has been largely based on unilateral initiatives. Support is required for the **conduct of a comprehensive global market survey with a view to determining opportunities and entry requirements.***

*Given the comparative advantages enjoyed by the forestry and wood processing sub – sectors, vigorous efforts should be pursued to **expand on the concept of establishing wood processing parks (previously planned for Charity and Supernaam).** The geographical expansion of the concept should be considered to embrace several other strategically located venues.*

### ***Agro – Processing (Food Production) Sector***

*The fact that agriculture is the mainstay of the Guyanese economy has opened up the possibility for agro - processing as a sub – sector where manufacturing should have good potential. Currently however, the sector remains small and inconsequential.*

*There has been no significant expansion in the product range over the past three decades and manufacturing activity is mainly confined to improved processing and packaging of long existing product lines. Competitiveness in the food sector requires the ability to offer new products on a continuous basis. The lack of cross - sectoral policies is viewed as the major impediment to the sector achieving this capability. **Support for cross – sectoral policy formulation would have the effect of identifying the optimal transfer of resources across sectors leading to the manufacture of quality products for the international market.***

### ***The Mining Sector***

*The exploitation and marketing of a few minerals represents only a fraction of the potential of the sector. Opportunities for enhancing competitiveness lies in new product development. Within this framework, opportunities for increasing value can be found in the following:*

- *Soapstone craft products for the tourism industry;*
- *Dimension stone for countertops and wall dividers;*
- *Costume Jewellery;*
- *Stone Tiles;*
- *Ceramic and building products from Kaolin;*
- *Glassware from Silica Sand;*
- *Lapidary products;*
- *Semi – precious stones for decorative purposes.*

***Support will be required for a comprehensive survey of lesser used precious and semi – precious minerals and the conduct of a study to determine the economic feasibility of adding value.***

### ***The Tourism Sector***

*Despite the general recognition of the country’s abundant natural resources, the sector has not been as successful in translating this natural touristic resource base into a viable tourism industry. This implies that Guyana is not well known in the international market place. An expanded market base is therefore required to address this deficiency. Successfully expanding the market base will require addressing a number of critical bottlenecks. **Support is thus required for the completion of a comprehensive baseline statistical data on tourism to justify Government investment.***

*The Tourism and Hospitality Association of Guyana holds the view that the recent expansion in Guyana's accommodation sector has brought into sharp focus the need for the creation of a regulatory framework to govern services standards in the industry. For some time now the sector is operating on a self – regulatory basis. While operators have indicated that their operating procedures include training, training is a specialised pursuit that could not be accomplished solely through in – house training. **The competitiveness of the industry is likely to be enhanced with support for the establishment of a modern hospitality training facility for service personnel in the sector.***

### ***The Labour Sector***

*The National Development Strategy (NDS) has identified investment in human resources as a vital pre – condition for improved national competitiveness. Investment will however have to be rationalised on the basis of sound statistical evidence which comprise a well established deficiency.*

***Support for the conduct of a comprehensive evaluation and analysis of the Guyanese labour market will form the basis for effective planning and decision making. The establishment of a labour market information system will answer questions related to a determination of living standards and conditions of work and life. The survey would also include completion of a gap analysis which would lead to a determination of what skills could be maintained and those that need to be imported.***

*Strategic thinking has begun to shape national attitudes toward addressing the problems of labour. Areas evaluated by recent forums looked at initiatives related to the establishment of a web site aimed at linking companies to labour markets overseas which would include job postings among other things. Other initiatives embraced the use of virtual workforces, initiatives to attract overseas university lecturers and the development of a public – private sector training school to pool resources and prevent the poaching of skills between companies. **Financial support will be required to actualise these concepts.***

### ***The Transport Sector***

*Of all the sub – sectors, the marine sub – sector is the most important and competitive. Maritime trade is essential to economic development, relevant to national and regional economic development as it is responsible for approximately 90% of the country's exports.*

*While improvements in the local sector have mostly affected physical infrastructure such as improvement to wharves and containerised cargo terminals, much more will have to be done to raise its technological profile in order to increase efficiency and achieve international competitiveness. The marine sector now operates on the basis of information systems, information technology, and the satellite communications revolution which have provided opportunities for increasing efficiency in management and operations of shipping and port information systems.*

*For the sub – sector to achieve international levels of competitiveness, it would have to put in place systems designed to achieve computerised tracking of containers, direct shipper / carrier / consignee computer linkages to support just – in – time deliveries, and satellite transfer of documents and download of manifests directly into the computers of Customs and Excise Departments. Support will be required to put these systems in place.*

### ***The ICT Sector***

*In the view of some industry analysts, internet deployment nationwide is a must if ICT development is to become a reality. The information and technology strategy is a broad based one which seeks to have as wide a geographic coverage as possible while covering all sectors of the economy and scales of productive activity. **Financing should be sought to facilitate countywide access to affordable internet access.***

### ***The Standards Sector***

*Expanding into the regional and extra – regional market will expose Guyanese industry to higher and a wide range of standards. **Support for expanding the portfolio of the Guyana National Bureau of Standards will be necessary.** Given the importance of standards to international competitiveness it may be useful to seek support for the establishment of a Central Standards Bureau, consolidating all the standards institutions under a central administration so as to achieve tighter coordination and countrywide reach.*

### ***The Small Business Sector***

*There has been a flurry of policy related activity in the sector. However, there has not been any visible evidence of growth and development. **There needs to be some oversight body to monitor developments in the sector given the particular vulnerability of small businesses, primarily with a view to ensuring that the sector receives all that has been promised to it.***

*The legislative agenda for the small business sector needs to be supported with resources designed to assist in the areas of project planning, marketing, access to affordable financing and other technical help the operators are not able to regularly access. One of the major weaknesses of small businesses is in the area of financial management, the lack of which has resulted in many business failures.*

## **Chapter 6**

### **General Recommendations for Enhancing Competitiveness**

#### **Overall Policy**

*A realistic assessment of the implications of the CSME in terms of legislative changes should be made, taking into account the number of institutions, financing arrangements and degree of policy convergence required. In this sense there should be an avoidance of ambitious plans and programmes that are likely to be expensive, that require a degree of policy coordination that is unrealistic in current circumstances or make excessive demands of the bureaucracy and the political directorate.*

#### **General CSME Awareness**

*The recent fiasco with respect to the acquaintance of business with the ramifications of the Value Added Tax (VAT) is appointed lesson in terms of arriving at a full understanding of the implications of the CSME. Despite the region wide sensitisation of the process, there is a sense that the actualisation of the process will provide far more enlightening insights into the challenges, difficulties and ultimately, the gains of the CSME. **The private sector therefore needs to immediately commence working with industries / businesses to acquaint them with every facet of the CSME.** The Private Sector Commission should appoint CSME Specialist and each business should be approached to appoint a CSME Officer to liaise with the Commission. Other forms of awareness should be investigated.*

#### **Social Dialogue**

*In other parts of the world that are successful and most particularly Asia, it has been the changed relationship between government, opposition and the private sector that has driven growth. For this reason, much more attention has to be devoted to creating an environment which motivates and nurtures entrepreneurship and the attractiveness for investment, both local and foreign.*

*This suggests that the country has to escape from the immobile private sector / public sector discussion and forge a new collaborative relationship for continuous dialogue. What is required is something akin to a confederation of the powerful sectoral and national entities that represents the country's tangled web of commercial interests. Such a body needs to be well funded, sustainable and able to undertake research. It needs to be able to engage with all institutions and government in a manner that involves a dialogue between equals.*

***The Social Compact model currently employed in Barbados should be closely studied for adoption.***

*The private sector should make it a priority to aggressively engage the government in implementing the provisions of the **National Development Strategy (NDS)** as this has significant implications for enhancing competitiveness. The NDS addresses several areas critical to enhancing the country's overall competitiveness. Three distinct components focus on key competitiveness elements including the following;*

*Component 1- trade, monetary and exchange rates policies, the tax system, investment promotion, export promotion, quality standards, and micro finance.*

*Component 2 – incentive policies providing for a stable and predictable macro environment and which exercise performance on firms to become competitive.*

*Component 3 - covers supply side economics to overcome systemic market failures in factor markets which impede the building up of competitive advantages by enterprises.*

### ***Recommendations for Enhancing Sectoral and Sub – Sectoral Development***

*A critical deficiency in the run up to achieving meaningful competitiveness is the overlooking of **inter – sectoral linkages** which will address a number of key issues among which are resource allocation, production efficiencies and employment generation. A special study group should be assembled to forge a strategy which would have as its central focus the development of services which enhance cross – sector competitiveness*

*Given the increasing importance of agriculture and agribusiness to the economy, efforts should be made to deepen the “Jagdeo Initiative” to create the establishment of a policy environment designed to attract investment to the agricultural sector. This involves improving the capability to undertake policy analysis, formulation, planning, execution and resource mobilisation for the agricultural sector.*

*Industrial and manufacturing activities are characterised by low conversion levels with an average 50% utilisation of primary raw material. Against this background a waste utilisation strategy should be pursued. The likely benefits include product development, niche market development, employment generation, hard currency generation and positive environmental impacts.*

*Given the comparative advantages in the forestry and wood processing sub – sectors, vigorous efforts should be pursued to expand on the concept of establishing wood processing parks (previously planned for Charity and Supernaam). The geographical expansion of the concept should be considered to embrace several other strategically located venues.*

***One of the key initiatives that would enhance the competitiveness of the forestry sector is the undertaking of a National Forest Inventory. The full potential of this resource remains unknown at both the national and community levels owing to the absence of accurate, updated and complete data on the resource base and value of the forests.***

*Adjustments to the Fisheries Act are required to ensure that the industry is complying with international standards for the export of fish and fish products. With the emergence of aquaculture as a potential strategic sector, there is need for extra legislative support for the sector.*

*In a 1998 address to the Guyana Manufacturers Association entitled “The integrated planning process as a framework for resuscitating the Guyana Manufacturing Industry” Dr. Basil Springer, a Barbadian Consultant noted that the information age must be exploited and it must be recognised that that in addition to the traditional factors of production, materials, labour, and capital, knowledge, including information has emerged as the fourth factor of production. This is considered on the basis that enhanced productivity could be achieved by the enhancement of human capital, operational processes and the technological environment. **The rapid development of informatics should therefore form an important policy initiative.***

*Research and development comprise a critical area of deficiency in Guyana. Against this background encouragement should be given to public and private sector agencies, research establishments, and tertiary institutions in their research and technological development activities (and assist in identifying sources of funding).*

*Policy measures to facilitate co – operation in the exchange of scientific and technical information among competent institutions (cross institutional co – operation is not existent in Guyana) would allow for co – operation among institutions to integrate the results of research and development in the production process.*

*Efforts should be made to promote co – operation in research and technological development in collaboration with Member States as well as with Third States and competent international organizations.*

***Consideration might be given to the establishment of a central research agency covering all aspects of the production process and catering to all productive sectors.***

*One of the paradoxical situations arising from the continued imposition of the FIA is one where the banking system is awash in liquidity, while the business community continues to complain of difficulty in accessing affordable credit. Commercial banks are currently holding G\$12.7 billion in excess reserves or 63.1% more than required by the FIA. The holdings of government treasury bills accounts for 63.2 % of commercial bank’s liquid resources.*

*This high liquidity is reflective of the lack of deployment opportunities for banks in the economy by credit and investment. The competitiveness of the Guyanese economy could be considerably enhanced should these funds be put to effective use. Obvious solutions include sterilising the money, developing new money market instruments or developing avenues for the gainful employment of funds by developing the capital market. **Clearly, the time is ripe for some consideration to be given to a revisit of the Financial Institutions Act.***

*While the manufacturing sector has shown showed growth (of 2%) in 2005, the expansion and diversification of the sector is currently not proceeding at the rate that would suggest that it is poised for any significant takeoff. This is primarily attributed an environment where there is no overarching strategy to bring together the disparate attempts at various agencies in developing the sector. **It would be appropriate, given the potential of the sector to add value, create jobs, and generate hard currency, that a single agency dedicated to raising the profile of manufacturing sector be established.** Such an agency would serve to bridge a wide policy gap where manufacturing is pursued on an ad hoc basis.*

#### ***Recommendations for Enhancing the Investment Environment***

*Analysis should be carried out toward identifying key industries and sectors for intra – regional joint ventures.*

*A regime should be established with particular focus on inviting regional and extra regional investment in plantation scale agricultural undertakings. Policy development should also look at encouraging vertical integration through the pursuit of secondary and tertiary processing of primary products.*

## ***Annex 1***

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## **Annex 2**

### **Profile of the Caribbean Common Market**

#### **What is the CSME?**

##### **Overview**

*The CSME aims at creating a favourable business environment aimed at attracting investors both regionally and internationally.*

*The purpose is to remove differences and all restrictions to trade among CARICOM countries so as to encourage the perception of the Community as a common space and a harmonised investment area. The CSME will mean an improvement in market access across the board and in this sense, business people will enjoy access to an internal market of over 6 million people (14 million if Haiti is included).*

*The primary elements of the CSME are the free movements of goods, skilled nationals, services and capital. It also aims at the removal of bureaucratic barriers and non – discrimination in the granting of incentives among Community nationals (there will be harmonisation of national incentives to investment in the industrial, agricultural and services sectors).*

##### **Free Movement of Goods**

*With respect to the free movement of goods, there already exists a free trade area within CARICOM as there are no import duties on goods of CARICOM origin. Further, tariffs and quantitative restrictions in all member states have been removed and the treatment of intra – regional imports would be different from those coming from the wider world. The Customs Union would also include other arrangements for trade in goods viz, the Common External Tariff, Anti – dumping and subsidies, and other regulations of commerce.*

*In addition, there will be agreed regional production standards for the production of goods throughout the Region.*

##### **Free Movement of Skilled Nationals**

*Freedom of movement includes the freedom to leave and re – enter any Member State of their choosing and also to have access to property either for residential or business purposes.*

*The free movement of persons across the Region entails the removal of work permits for a broad category of persons. The categories of CARICOM nationals granted the right to of free movement within the community has been expanded. At a 2006 Heads of Government Conference, the decision was taken to include Artisans. The original*

*categories eligible for free movement included University Graduates, Media Workers, Sports Persons, Musicians, Artists, Managers, Supervisors and other service providers.*

*With the CSME, these people will be able to travel to Member States with only a travel permit and, in some cases, an Inter Caribbean Travel document complete with photograph.*

*Workers in these categories will be able to move to another Member State and enjoy the same benefits and rights as regards conditions of work and employment as those given to national workers.*

### ***Free Movement of Services***

*Member States will be required to remove any impediment, which could restrict one's right to provide Services. Individual Member States will have to ensure that nationals from other Member States have access to land, buildings, and other property on a non – discriminatory basis for the purpose, which is directly related to the provision of services.*

### ***Freedom of Movement of Capital***

*The movement of capital across the Region will result in increased investment opportunities and will promote investment.*

*Citizens will be able to transfer money to another Member State without having to obtain prior authorisation.*

*There will also be the equal right to buy shares in any company in any Member State and the right to remove capital from one Member State to another.*

*The easy convertibility of the Region's currencies and the coordination of exchange and interest rate policies.*

*The free movement of capital will allow firms to have access to a wider market for raising needed capital at competitive rates, thus allowing for the productive sectors to become more competitive both regionally and internationally.*

*The development of a regional capital market will facilitate the free movement of capital and increase the attractiveness of the Region as an area for investment both by regional and non – regional investors.*

*Removal of restrictions will encourage intra – regional investments in both real and financial assets by reducing risk and uncertainty over the ownership of real property, thus aiding in the development of the regional stock exchange.*

### ***Rights of Establishment***

*The Rights of Establishment include the right to engage in non – wage earning activities which may be commercial, industrial, agricultural, professional or artisan in nature. Establishment rights embraces access to land, buildings and property and the right to transfer managerial, technical and supervisory staff.*

### ***Factors Shaping the Establishment of the CSME***

*Among the key factors shaping the establishment of the CSME were the following;*

- *That globalisation and liberalisation have important implications for international competitiveness;*
- *That market driven industrial development in the production of goods and services is essential for the economic and social development of the community;*
- *That a fully integrated and liberalised internal market will create favourable conditions for sustained, market – led production of goods and services on an internationally competitive basis;*
- *That there is the potential for micro, small, and medium enterprise development to contribute to the expansion and viability of national economies , as well as the potential for large enterprises to achieve economies of scale in the production process;*
- *That co – operation and joint action in developing trade relations with third States and in establishing appropriate regulatory and administrative procedures and services are essential for the development of the international and intraregional trade of Member States;*

## *Terms of Reference*