GUYANA
COUNTRY DEVELOPMENT CHALLENGES
(CDC)

Final December, 2016
EXECUTIVE SUMMARY

The objective of this document is to provide evidence based analysis of the country’s development challenges, prioritize those challenges and consider policy options as an input for the Bank’s country strategy for the period 2017-2021. This document falls short of meeting this objective adequately due to a dearth of comprehensive data and scarcity of research on Guyana, including by the Bank, which typically is more readily available in other member countries. This caveat needs to be kept in mind while reading this document.

Development challenges and performance of Guyana stem from the characteristics of the country: small, ethnically diverse, open, commodity-based, economy. Guyana’s population is only 747 thousand persons that is compounded by a positive net migration particularly of Guyanese with a tertiary education. The ethnic/racial composition of the country is as follows from 39 percent of the population is of East Indian origin, 29.3 percent Black, 19.9 percent multiracial, and 10.5 percent Indigenous. The foreign trade ratio is 84 percent. Guyana’s economy and exports are dependent upon and concentrated in agriculture and extractive industries—specifically gold and bauxite. Seventy-one percent of the export basket consists of gold, rice, timber, and sugar. Foreign direct investment mainly flows to the extractive industries and is pro-cyclical with respect to international commodity cycle. Like other small economies, Guyana relies on imports to satisfy most of its domestic demand particularly for capital and intermediate goods with imports representing half of GDP. These characteristics, both individually and their interactions, underlie the manifestations of the development challenges of the country.

Economic performance, given the dependency on commodities and absent policy buffers, has followed the world super-commodity cycle. During the boom Guyana averaged a 4.4 percent real growth per annum between 2011-2014. As the boom waned economic growth fell to 3 percent in 2015. Fiscal deficits as a share of GDP, rose from 3.5 percent in 2011 to 4.7 percent in 2016 and current account deficits were high, averaging -13.15 percent in the same period. However, when both oil and gold prices fell in mid-2014, offsetting effects were observed. Economic growth rates weakened but the current account deficit improved since fossil fuel and lubricants hitherto accounted for approximately a third of total imports. In 2015, the current account deficit was -4.9.

Economic diversification, as a means to reduce dependency on the vagaries commodity price fluctuations and to mitigate Dutch disease effects, remain an elusive goal. With the recent offshore oil discoveries (estimated to be between 1.5 and 2.1 billion barrels of oil) and a growing dependence on two large gold mines that account for a substantial amount of declared gold (33 percent), there is an increasing risk of an accentuation of the ill effects of Dutch disease, i.e. reducing the competitiveness of the non-extractive sector as in in five to seven years hence oil is slated to be commercialized. In addition, to the Dutch disease induced overvaluation of the exchange rate another impediment to diversification is the low institutional capacity to develop a policy framework to incentivize the non-extractive private sector and create the legal-regulatory framework, programs and their institutional basis, on top of the standard issues of a better business environment, improved access to finance, and reduced infrastructure bottlenecks (ports, roads, and energy).

The temporal evolution of poverty and inequality are largely unknown hence the gains and losses from economic growth cannot be determined nor can the existing situation. The country does not have frequent and comprehensive either labour or household surveys. However, a snapshot of multidimensional poverty for Guyana was calculated to be 26.6 percent in 2010, significantly higher than the 18 percent for other Caribbean countries, excluding Haiti. Despite sparse data, the country is classified as one with very high levels of social and economic inequality. Sharp differences in living standards between the coastal plain and the hinterlands are visible as anecdotal evidence underscores marked differences in income distribution among the various ethnic groups.
Guyana’s development and growth challenges are centered on low investment that is about one-third of the LAC average. Underlying this is the high cost of domestic financing and non-access to international capital markets and low returns on investment. The latter is influenced by a low rate of appropriability due to a weak government and private sectors compounded by inadequate infrastructure, and reflects low social returns that stem from low human capital.

Guyana faces high cost of domestic finance and does not have access to international capital markets. Domestic cost of financing is high and penetration is low and there is a high portfolio concentration reflecting cross-holdings between banks and large conglomerates. There is zero credit registry coverage and low credit bureau coverage. Microfinancing in Guyana is under-developed particularly effecting agriculture. Underlying these features is an inadequate financial regulation and supervision. The country does not have a sovereign credit rating and no access to private international capital markets to smooth external shocks effects. Most sources of international finance are multilateral and bilateral development agencies. Although Guyana receives a significant amount of remittances, these transfers appear -there are no GDP by expenditure components nor micro data of recipients of remittances- to support consumption of goods and services and not the financing of productivity enhancing investments and are pro-cyclical with respect to source countries economic cycle.

To reduce high cost and low penetration of domestic financing and non-access to international capital markets will involve the following. In the domestic sphere will involve financial regulatory and supervision reforms, creation of a credit registry and improvement in the coverage of credit bureaus, expand microfinancing options, and develop crop insurance in the agriculture sector that could trigger an expansion of financing opportunities for the agricultural sector. There is concern that a country that received major debt relief might take on excessive risks by expanding borrowing on non-concessional terms, and thereby jeopardise debt sustainability. In addition to developing the required technical capacity including meeting IMF’s Special Data Dissemination Standards, it also requires strong growth within a stable macroeconomic environment, while making progress on key reforms to improve governance and build sound institutions that will facilitate the country to take on debt over time.

Underlying low appropriability is the problem of a weak public sector. The public sector is large but simultaneously inefficient and supplies inadequate public services. In an understanding of these problems it should be kept in mind that Guyana is a small, resource based economy with a political system based on ethnic politics. The small size of the country implies that given indivisible fixed costs in public services the public sector is relatively larger, and the pool of human resources, further reduced by migration of people with tertiary education, that the public sector can draw upon is limited hence the state is plagued with inadequate skills mix. Resource based economies are plagued by market failures that imply that economy and the public sector purse are not only subject to the vagaries of international price of commodities hence have to deal with volatility but are also subject to the resource curse. The latter implies that resource-based economies have poor public management due to: state centered explanations that contend that resource booms tend to weaken state institutions combined with societal explanations that resource exports tend to power interest groups that favour inclusive-growth impeding policies and state’s inability to enforce property rights. Ethnic diversity makes governance more difficult as a counterpart of ethnic social cleavage into the political sphere. Ethnic based political systems are associated with low production of public goods; ethnic based rent distribution and levels of corruption. The manifestations of these factors in Guyana in traditional dimensions of the public sector performance are: inadequate management of resource dependency, weak fiscal, financial management and public procurement, internal inefficiency, and problems of governance and deficiency of transparency all compounded by the absence of evidence-based policies.
To alleviate low appropriability due to a weak public sector entails enhancing sustainable public services in the following dimensions. This will involve the following areas: First, managing better fiscal resources, i.e. by adopting fiscal rules cum a stabilization fund, however, strong institutions are essential for success in such rules. Second, strengthening institutions will involve revamping fiscal (including reviewing the budgetary process and integrating state owned enterprises into it) and public procurement. Improving public procurement system would involve creating a regulatory body, the use of competitive procurement methods; the monitoring of contract implementation; transparency in terms of availability of procurement information to the public; and an interactive procurement portal. Third, enhanced governance and transparency will involve greater use of evidence-based policy making that in turn improvements in data - both administrative and surveys- generation and their dissemination. Both would be enhanced by the country joining the Extractive Industries Transparency Initiative as would be adopting e-government.

In addition, underlying low appropriability is a weak private sector and inadequate infrastructure. Although the country does not produce standard economic census, publically available administrative data, or annual enterprise surveys particularly of small and medium-sized firms, available information suggests that it is far from being a dynamic, innovating, and exporting sector. A large proportion of activity is informal. Guyana's private sector faces a number of challenges—small domestic market size, low access, particularly in the hinterland to international markets, cost of electricity, an inadequately educated workforce, low access to and high cost of financing, low research and development expenditure. Underlying this profile is inadequate public goods: poor infrastructure (roads, ports and air connectivity) within the country and with foreign markets; weak protection of property rights (intellectual property rights and contract enforcement); and a lack of coordination between government and private sector to develop new industries that can enhance economic diversification.

To alleviate low appropriability due to a weak private sector, productive development policies to help the private sector overcome the market and coordination failures will have to be fashioned. Develop an adequate policy framework and programs to create the economic incentives for economic diversification, promoting intra-linkages hence supporting growth of the non-extractive private sector. An alliance between the private sector and the government would facilitate the development of the policies and their respective institutional capacities to implement them. Policy interventions that can potentially reduce the effects of these constraints on private sector growth are: improve the business environment including property rights and conflict resolution, enhance and increase access to finance, improve infrastructure (logistics and transportation, crime and security, trade and economic diversification. Improvements in public goods would include investing in public research and development, improving hinterland connectivity including bridges to cross the country's extensive river system, and improving connectivity with international markets will involve constructing a road connecting Brazil with the coast of Guyana, modernizing the port infrastructure to reduce the cost of transport in and out of the country. Improve data and overcome staff limitations that are key constraints for institutions that monitor and supervise infrastructure. With respect to under coverage of power policy needs the diversification of the energy matrix and greater private participation in the sector plus greater energy efficiency. In the area of power, diversification of energy sources, greater participation of the private sector (currently Guyana Power and Light (GPL) is the state-owned vertically integrated utility whose operations comprise generation, transmission and distribution) and policies established to ensure sustainable electricity provision in the hinterland.

Underlying low returns to economic activity are low social returns stemming from inadequate human capital, although data gaps hinder the depth and soundness of analysis on any given area. There are marked weaknesses in the educational system, health sector, and high violence, which affect human capital and, subsequently, productivity levels and capacity for innovation. Guyana’s Human Development Index is below the LAC average. The health profile reveals a double burden of disease, with non-communicable
diseases (NCDs) increasing while communicable diseases remain a challenge. Maternal and infant mortality rates are among the highest in LAC. Indigenous people are disproportionately affected by NCDs and communicable diseases. Public health spending in Guyana is amongst the lowest in LAC, and many challenges remain regarding the provision of quality services and the availability of qualified human resources (the country has one of the lowest number of physicians and nurses in the public sector in the Region). Guyana has achieved good levels of enrolment in primary and secondary levels but falls behind in tertiary enrolment and preschool services. However, available national assessments show that student learning is weak at both the primary and secondary level and there are significant differences between the hinterland and coastal regions. School infrastructure lags behind especially in the hinterland. Internal efficiency is reflected in high repetition and dropout rates and low school attendance. Problems that reflect that Guyana spends only 3.2 percent of its budget on education compared to 4.6 percent in the LAC region. Crime and insecurity is detrimental to private sector development, and social capital. The homicide rate is high and the prevalence of crime is increasing and where exposure to violence and social tolerance for violence are high in Guyana. There is a relatively high tolerance for domestic violence and corporal punishment of children and intimate partner violence is highly prevalent among women. Guyanese Police Force is the least trusted institution in Guyana and interpersonal trust is low both driven largely by crime and insecurity.

To enhance social returns will require an improvement in health, education, and a reduction in violence and crime. Regarding health this will involve, among others, strengthening the primary level of care and organizing integrated health care networks to provide services more efficiently and with higher levels of quality; upgrading and expanding the physical infrastructure of primary health care posts and centers and equipping the facilities with the necessary materials and supplies; and ensuring that services and programs are inclusive and accessible to minority groups. The health education system and curriculums should be revised according to international standards and best practices and the policies for human resources in health should be revised and strengthened to improve the quality of care, to promote the efficient use of available resources, and to improve the distribution and retention of personnel. Finally, strengthening the institutional capacity of the Ministry of Health, including the areas of health intelligence and regulation, including the monitoring and evaluation of health care providers, will also be key. Regarding education, ensure that all schools have access to basic services, including computers and labs. Implement a revised secondary education curriculum that is relevant to young persons and prepares them for the world of work. Work towards universal access to quality early childhood education to ensure that each child is ready for school. Continue to improve teacher preparation (pre-service) and in-service professional development to ensure that teachers are prepared to promote student learning. Regarding violence invest in and evaluate the results of violence prevention programs that target social tolerance for violence, dispute resolution and violence in the home, build up the capacity of the criminal justice system, including improve police crime prevention and investigation capabilities, and strengthen the legal and policy framework on violence against women and conduct prevention initiatives to modify social norms and attitudes that justify violence against women.

Gender, ethnicity, environmental protection, and climate change are issues that affect the pace of growth and development. These issues cross the public sphere, private sector and human capital. Women are underrepresented in economic and political spheres of power in Guyana. In the private sector, female representation in top management and formal business ownership rank low compared to other Latin American and Caribbean countries. Lack of professional expertise, the pervasiveness of informal businesses, occupational segregation, and family responsibilities limit the opportunities for women to participate in the formal private sector. In the public sector, women have more opportunities for senior management positions but female participation in Parliament is relatively low. Therefore, more effective legislation and programs that facilitate women’s participation in the labour force and business ownership may be in order. The extractive sector has heavy environment impacts.
that are not being fully addressed due to enforcement and remedial capacity constraints. Guyana faces climatic risks such as increased sea-level rise, more irregular rainfall patterns, and greater frequency and severity of floods and droughts. Adaptation to climate change remains insufficient and the continued rise in average temperatures is likely to further increase the country’s vulnerability. Sectors such as agriculture, fisheries, forestry, tourism, infrastructure, hydroelectric power generation, health, and housing would be likely affected.

**In addition, the political culture is divided and polarized.** Race based parties and voting is common. The two main political parties/coalitions, one predominately Indo-Guyanese and one predominately Afro-Guyanese, rarely find common ground and accentuate racial/ethnic social cleavages during election cycles, which makes it difficult to craft bipartisan solutions, build consensus and undertake structural reforms that would improve the functioning of the public service, enhance competitiveness, and achieve economic diversification.

**Guyana faces environmental degradation and pollution.** Extractive industries are intrinsically disruptive to the environment in the absence of strong legal frameworks, monitoring and enforcement and remedial capacity. The challenge is how to build awareness, strengthen institutions, define property rights, align incentives, and force polluters to internalize costs. Lastly, Guyana faces climatic risks such as increased sea-level rise, more irregular rainfall patterns, and greater frequency and severity of floods and droughts. Adaptation to climate change remains insufficient and the continued rise in average temperatures is likely to further increase the country’s vulnerability. Sectors such as agriculture, fisheries, forestry, tourism, infrastructure, hydroelectric power generation, health, and housing would be likely affected.
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CHAPTER I. Economic Situation

1.A Recent developments

1.1 Development challenges and performance of Guyana stem from the characteristics of the country: small, ethnically diverse, open, commodity-based, economy. Guyana’s population is only 747 thousand persons that is compounded by a negative net migration particularly of Guyanese with a tertiary education. The ethnic/racial composition as is follows from 39 percent of the population is of East Indian origin, 29.3 percent African, 19.9 percent multiracial, and 10.5 percent Indigenous. The foreign trade ratio is 84 percent. Guyana’s economy and exports are dependent upon and concentrated in agriculture and extractive industries—specifically gold and bauxite. Seventy-one percent of the export basket consists of gold, rice, timber, and sugar. Foreign direct investment mainly flows to the extractive industries and is pro-cyclical with respect to international commodity cycle. Like other small economies, Guyana relies on imports to satisfy most of its domestic demand particularly for capital and intermediate goods with imports representing half of GDP. These characteristics, both individually and their interactions, underlie the manifestations of the development challenges of the country.

1.2 In this Chapter, we review the recent macroeconomic developments regarding economic growth, inflation, fiscal and the current account of the balance of payments and the exchange rate, where size and commodity dependence play obvious roles.

1.3 After almost a decade of volatile economic growth (2000-2009), the economy stabilized from 2010 onwards at an average growth rate of 4.5 percent (Figure 1.1); higher rates than the Caribbean and other small -population less than 3 million- economies. The growth pattern follows closely the international commodity cycle.

1.4 Inflationary pressures have been contained but can increase over the medium term. Inflation rates have declined from a peak of 12.2 percent in 2007 to disinflation of -1.8 percent in 2015, due to historical low oil import prices. Inflation is expected to average between 2 and 3 percent over the medium-term (Figure 1.2). Monetary authorities anchor inflationary expectations through a stabilized exchange rate arrangement and control the growth in monetary aggregates to keep inflation below 5 percent. In addition, an ad valorem tax, to contain inflationary pressures of fuel, has also been used to stabilize fuel prices. Looking forward however, a 14 percent value added tax (VAT) increase on utilities (water and electricity), a broadening of the VAT base in the 2017 budget, an expected increase in oil prices due to OPEC’s decision to reduce oil output along with other idiosyncratic factors can lead to inflationary pressures over the medium term.

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1 The IMF (2016) noted that Guyana’s authorities view the exchange rate as market determined. Guyanese authorities, according to the IMF, noted that the country’s exchange rate stability reflects the confidence that market participants have in the currency and the economy needs that confidence. They also noted that over the past year, exchange rate depreciation was modest, with the central bank making net purchases of foreign exchange.
1.5 **Guyana’s fiscal deficit that had been increasing since 2010, turned into a surplus in 2015 thereafter reverted to the level in 2014.** Guyana’s fiscal deficit shrunk to 0.2 percent of GDP in 2015, from 5.7 percent in 2014, while primary balance reversed from a 4.7 percent deficit in 2014 to a surplus of 0.8 percent of GDP in 2015, (Figure 1.3). The reversal in fiscal position is attributable to the suspension of Parliament in November 2014 until the May 11th, 2015 General Elections; a 2.5 percentage point drop in capital expenditures to GDP and a 4.5 percentage point increase in revenue to GDP (mainly due to non-tax revenue including transfer of monies held by various agencies to the Consolidated Fund).

Figure 1.3. Primary fiscal balance and public debt (percent of GDP)

Source: IMF (2016).

1.6 **Taxes are the main source of revenues while capital expenditure account for the largest share of total expenditure.** Revenues and expenditure averaged 23.9 and 29.1 percent of GDP from 2010-2015. Tax revenues accounted for 89 percent of total government revenues over the same period. A further breakdown of tax revenues shows that taxes on production and consumption, and income taxes account for 49 percent and 38 percent of tax revenues respectively. In 2015, capital expenditure accounted for 5.7 percent of GDP, followed by transfers (8.2 percent), wages and salaries (6.8 percent), other goods and services (6.6 percent), and interest payments (1 percent). This composition of public expenditure has not changed significantly over the past six years.

1.7 **Guyana’s debt is mostly external and dominated by multilateral creditors.** In 2015, Guyana’s external debt stood at 36 percent of GDP, with multilateral and bilateral creditors accounting for 21.9 and 13.7 percent, respectively. A large portion of Guyana’s foreign currency-denominated debt, 60.6 percent, stems from concessional borrowing from multilateral lending institutions, equivalent to 21.9 percent of GDP (see Table 1.1). The Inter-American Development Bank remains Guyana’s principal lender constituting 42.8 percent of external debt. Bilateral debt as a percent of GDP stood at 13.7 percent in 2015. The main creditors are China (3.9 percent of GDP) and Venezuela (3.8 percent of GDP).

<table>
<thead>
<tr>
<th>Table 1.1. Guyana’s public debt structure, 2015</th>
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<td>In G$ millions</td>
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<td><strong>Gross public debt</strong></td>
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<td><strong>External debt</strong></td>
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<td><strong>Multilateral</strong></td>
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<td>IADB</td>
</tr>
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<td>CDB</td>
</tr>
<tr>
<td>IMF</td>
</tr>
<tr>
<td>OPEC FUND</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td><strong>Bilateral</strong></td>
</tr>
</tbody>
</table>
Paris Club Creditors
6,033.9
29.2
0.9
T&T
5,228.6
25.3
0.8
Others
805.4
3.9
0.1
Non-Paris Club Creditors
83,337.2
403.6
12.8
Venezuela
24,951.4
120.8
3.8
China
25,641.1
124.2
3.9
Kuwait
14,870.1
72.0
2.3
Others
17,874.6
86.6
2.7
Commercial Creditors
3,723.2
18.0
0.6
Domestic Debt
81,685.2
395.6
12.5
Memorandum items:
Nominal GDP at market prices
653,300
3,164
100
Exchange rate (per US$)
207

Source: Ministry of Finance, staff calculations

1.8 With primary fiscal deficits, the debt ratio fell, largely due to debt relief and the Venezuelan PetroCaribe scheme for rice. Going forward the debt ratio is expected to increase but remain sustainable. Debt is concessional and the country does not tap the international capital market. However, Guyana faces declining access to concessional financing. Net Official Development Assistance per capita for Guyana has declined from a high of US$350 in 1998 to US$127 in 2013. Recently, the Government of Guyana joined the Islamic Development Bank, which could be a new source of concessional financing.

1.9 The external current account deficit narrowed in 2015 to 4.6 percent GDP from 10.8 percent of GDP in 2014, well below its 5-year average of 11.7 percent of GDP. In dollar terms, the deficit shrunk by 56.5 percent to US$144.2 million (current prices) in 2015 (Figure 1.4). The improved balance was largely due to a decline a 46.5 percent decline in the merchandise trade deficit owing to lower oil import prices and capital goods import that more than offset sluggish export performances of major commodities. Current transfer,13.2 percent of GDP, experienced a 9 percent drop in 2015 attributed to weak inbound remittance flows, while the deficit on the services account expanded by 17 percent during the year. The current account deficit is projected to further improve in 2016 to 3.2 percent of GDP, however, expansionary fiscal policies are expected to deteriorate its position over the medium term to 6.3 percent of GDP. The current account deficit is expected to remain largely financed by FDIs (Figure 1.5).

Figure 1.4: Current account components
Figure 1.5: Current Account Balance and FDIs

1.10 Prospects for the domestic economy are positive, however, there are downside risks. Real GDP growth is expected to be in the 3-4 percent range but hinges on the expected increased production of two large scale gold mines, and on low oil prices (to be less than US$54 for next five years). External risks involve adverse commodity price shocks, a drop in remittances, loss of correspondent banking relationships, and political
and economic instability in neighbouring Venezuela. Guyana’s fiscal space will continue to decline over the medium term as shown in the IMF baseline baseline scenario in Figure 1.6. Hence, eroding fiscal buffers and increasing public debt.

**Figure 1.6. Present Value of External Debt**

![Graph showing present value of external debt](image)

Source: Staff and IMF Article IV 2016

1.11 **Debt-to-GDP is projected to increase after the falling trajectory.** Debt-to-GDP fell from 63 percent in 2012 to 48.6 of GDP in 2015. The main drivers of debt reduction have been HIPIC and MDRI debt service relief plus savings derived from Petrocaribe commodity—debt swap schemes. The primary fiscal deficit averaged less than 2.6 percent of GDP over the same time period, but is expected to deteriorate to 4.2 percent of GDP by 2020. The expected fiscal deficit in 2016 is 4.7 percent of GDP, a third of which is programmed to be financed by external borrowing. Significant increases in transfers, social, and capital expenditures were approved in the 2016 budget. The aim of the expansionary fiscal program is to compensate for weaknesses in key productive sectors—non-gold mining, agriculture, fisheries, and forestry—that account for 28 percent of GDP. A sustained expansionary fiscal policy will lead to an increase in public debt as the fiscal deficit is expected to remain between 5 and 6 percent of GDP over the medium term.

1.12 **The government has limited means of managing and coping with risks which increases vulnerability.** It has no experience hedging oil or gold prices, issuing catastrophic bonds, no contingent lines of credit, no established stabilization funds, does not recognize the contingent liabilities to fiscal balances posed by failing public enterprises (GUYSUCO) and financially fragile public-private partnerships (Berbice Bridge and Marriott Hotel), and continues to face deficiencies in properly maintaining drains and canals which in turn augments flooding risks stemming from prolonged rainfalls, high tides, and sea wall breaches, especially threatening low lying areas. Most notably, as gold prices continue to moderate with marked periods of volatility the stock on hand of 56,000 ounces that the Gold Board holds as of early 2016, is subject to loss. Given the current export structure of the economy, Guyana remains vulnerable to changes in prices of its key exports. As a share of merchandise exports, gold accounted for almost 50 percent of total merchandise exports over the last 4 years while bauxite, sugar and timber, each accounted for about 11, 9 and 3 percent respectively, of total merchandise exports. (Figure 1.7).

**Figure 1.7. Share of Exports**

![Graph showing share of exports](image)

**Figure 1.8. Key Partners’ Growth**

![Graph showing key partners’ growth](image)
1.13 **Forecasted growth in the key trading partners for Guyana supports the view towards tilted downside risks.** Guyana trade is heavily concentrated on a few partners (see Figures 1.8, 1.9 and 1.10). A mild recovery in the US and relatively flat growth trajectories in the Canada and the UK coupled with a sharp deterioration in Venezuela and slowdown in China suggests that the forecasted growth for Guyana may be met with obstacles. Further, any increases in the domestic policy rates in the US by the Federal Reserve could also create disincentives for investment in Guyana by increasing the opportunity cost of making such investments.

**Figure 1.9. Destination of Exports**

Source: MIT Observatory of Economic Complexity, 2015 based data from 2012

**Figure 1.10. Origin of Imports**

1.C **Economic policies and outlook**

1.14 The macroeconomic situation is stable with low inflation, stable currency, positive growth, manageable current account deficits and adequate international reserves, but authorities eventually will have to restart fiscal consolidation. Currently fiscal policy is expansionary and monetary policy is accommodative. Fiscal space exists to enact a countercyclical program to counter weaknesses in aggregate demand over the medium term but authorities have to develop a coherent, sustainable development plan and focus on improving productive capacity, undertaking needed structural reforms broaden the base of the economy, and protecting the environment. The announced vision is to pursue a “greening of the economy” by building four model towns in the interior that will have renewable energy, modern basic infrastructure (clinics, potable water, sanitation), and a value added production based; continue to address the large infrastructure deficit faces by pursuing additional concessional resources and cultivating private investors. However, thirty two forensic audits reveal issues with mismanagement, misappropriation of funds, and contract tampering in government agencies under the past administration. Progress has been slow to implement new procedures, to make procurement and budgeting processes more transparent, or to address imperfections in land, credit, and labour factor markets that would contribute to a better business climate, greater efficacy in public investments and higher efficiency in the delivery of public goods and services.

1.15 **Most of the previous growth was dependent on favourable external forces,** namely, high demand for commodities and above average prices as well as the continuance of Petrocaribe\(^2\). Slower growth in major economies going forward will depress prices for

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\(^2\) PetroCaribe is a preferential oil sale program sponsored by the Venezuelan Government to benefit some 16 Latin American and Caribbean neighbors. The program, which started in 2005, allows for the purchase of Venezuelan oil at market value for 5%-50% up front with a grace period of one to two years; the remainder can be paid through a 17-25 year financing agreement at a rate of 1% interest per annum if oil prices are above US$40 per barrel. In 2009, Guyana signed an additional rice for oil compensation agreement. In this swap program, Guyana would negotiate on a yearly basis a fixed quantity contract of white milled rice and paddy that would be shipped to Venezuela and valued at a premium of 20-40% above market price. The value of these rice shipments could then be subtracted from the outstanding debt that Guyana had with Venezuela under the concessional financing component. The swap program permitted a guaranteed market of approximately 80-110 metric tons of rice per year which stimulated rice production in Guyana, helped Guyana conserve foreign exchange, and permitted Guyana to reduce its external debt. The agreement
many of the commodities that Guyana produces. The cessation of the Petrocaribe rice for oil compensation in November 2015 removes a guaranteed market for Guyanese rice and the ending of EU preferences for sugar in 2017 means that an uncompetitive industry will be forced to compete against stronger sugar producers. To achieve less volatile and more sustainable growth, the economy has to become more diversified, the sophistication content of its exports increased, and the natural resource base better managed. For example, eighty-percent of all export products are raw commodities, commodity related revenues are declining, and approximately 50 percent of the total gold produced is estimated to be smuggled out of the country. The extractive sector has marked environmental impacts that are not being fully addressed due to enforcement and remedial capacity constraints.

1.16 The discovery of significant oil resources promises to turn Guyana into an oil producer within a seven to ten years' timeframe but the country has to take steps to create the appropriate institutional and regulatory framework in order to be prepared to manage the resource prudently. On May 22nd, 2015 ExxonMobil discovered a significant reserve of hydrocarbons at exploratory well Liza 1, located 120 miles offshore at a depth of 18,750 feet). The Liza 1 reserve is estimated to contain 700 million barrels of petroleum. A year later, two other wells, Liza 2 and 3 were successfully drilled and increased the estimated amount of recoverable oil and gas to be in the range of 1.4 - 2.5 billion barrels of oil equivalents. More technical studies are ongoing and while the world price necessary for feasible economic extraction has not been announced, it is estimated that a world price about US$70 per barrel would be needed. In the meantime, the country faces the challenge of developing a concession law, creating a sovereign wealth fund, adopting the Extractive Industries Transparency Initiative (EITI), creating systems to minimize corruption, crafting an energy policy, bolstering environmental protection capabilities and develop educational training in disciplines related to the oil sector so that local workforce can integrate into this industry.

1.17 Progress on implementing the FATF approved AML Framework is being made but de-risking on the part of global banks remains a threat. Guyana enacted statues, AMLCFT Amendment Act 2015 and the AMLCFT (Amendment) (No.2) Act in 2015 and another AMLCFT (Amendment) Act in 2016, that fulfill the outstanding core recommendations of the Caribbean Financial Action Task Force (CATF) and satisfies the criteria for exiting the follow-up process. Nonetheless, the global Financial Action Task Force (FATF) will have to review and agreed that all eight recommendations in the Action Plan have been been fully satisfied. Government is engaged and continues to work on staffing the Financial Intelligence Unit (FIU) and making the entire system fully functional. Since the first legislation passed on the matter, the Money Laundering Prevention Act of 2000, there have been no convictions under anti-money laundering statues. Financial institutions, over the last two to three years have implied new procedures to be complaint with FAFT standards. Nonetheless, a fear of de-risking exists based more on cost benefit calculations of major banks when weighting the monitoring costs and exposure risks of having correspondent relationships in small volume market such as Guyana. In October 2016, the global Financial Action Task Force (FATF) reviewed and agreed that all eight recommendations in the Action Plan have been have been fully satisfied and voted to remove Guyana from the watch list, believing that Guyana does not pose a threat to doing business.\(^3\)

1.18 Guyana has subscribed to the General Data Dissemination System (GDDS) in 2011. However, data generation and dissemination limitations remain. The country does not have compilation of expenditure-side GDP and quarterly GDP. The consumer price index needs to be broadened to areas other than Georgetown. The country’s international

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\(^3\) See CFATF - Public Statement – Providenciales, Turks and Caicos, November 9th, 2016.
investment position (IIP) is unknown. The problem of dissemination is expressed by the IMF as: “Selected data are only available during [IMF] missions and upon request.”

1.D Social development

1.19 Guyana faces a dearth of comprehensive household level micro data and a scarcity of research, including by the Bank, which typically is more readily available in other member countries. For instance, the most recent Household Budget Survey dates to 2006. The most recent Demographic and Health Survey dates to 2009. This survey is the source for multidimensional poverty calculations reported in the 2015 Human Development Report and reproduced in this document. The latest Population Census dates to 2012 and it has been used to calculate basic employment indicators, household socio-demographic composition and ethnic distribution. However, the census does not allow quantification of poverty and inequality. Finally, the Multiple Indicator Cluster Survey (MICS) have been implemented in two rounds (years 2007 and 2014). This survey is sponsored by UNICEF with the objective of monitoring the status of the Millennium Development Goals (MDGs). The survey collects basic employment indicators, anthropometric measurement for children under 5 years old and general education of the population. The MICS datasets have been mainly used to assess health and labour market outcomes. The household level data collection in Guyana contrasts with countries like Barbados, The Bahamas, Jamaica or Trinidad and Tobago where a quarterly Labour Force Survey has been in place for at least a decade allowing trend analyses of diverse employment indicators.

1.20 Multidimensional poverty estimates reported in the 2015 Human Development Report suggest that Guyana underperforms the regional average. Indeed, 26.64 percent of Guyana’s population was estimated to be multidimensionality poor or located near the deprivation threshold of the multidimensional poverty line (Figure 1.11). This measure closely mirrors consumption based poverty rates in the countries where such measure is available. The regional average (excluding Haiti as it constitutes an outlier) is 18.04 percent implying that Guyana’s poverty rate was above the regional average.

1.21 The relative contribution to multidimensional poverty in Guyana suggests that deprivation in the health sector relatively dominates deprivations in education and living standards. Figure 1.12 shows relative deprivations by country. We first observe a pattern where countries with low poverty rates have a higher incidence of relative deprivation within the health sector. However, as poverty rates increase, the gap between relative deprivations among health, education and living standards is narrowed. For the specific case of Guyana, health relative deprivation is stronger with 51 percent of the poverty deprivation index explained by this sector. The rest of the deprivation index is explained by living standards (32 percent) and the education sector (17 percent).

1.22 Suitable data to calculate updated measures of consumption or income based poverty and inequality are not available. Similarly, trend analyses of these measures are constrained by data limitations. Indeed, the most recent household budget survey dates to 2006. Fortunately, the Bureau of Statistics (in partnership with the Inter-American Development Bank) is currently working on the design of a comprehensive Survey of Living Conditions that will close this gap. The Survey results, however, will not be available until the end of 2017.

1.23 Human capital development shows low performance when compared to either CCB countries, or CARICOM members, or the region in general. Table 1.2 below shows that Guyana underperforms all comparators in terms of the Human Development Index (HDI) published by the United Nations Development Programme. Life expectancy at birth

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5 Nevertheless, based on the Palma and P90/P10 ratios a recent study by Constantine (2016) showed that income inequality in Guyana is rising. The Palma ratio measure changes in the top 10% as a ratio of the bottom 40%. While the P90/P10 ratio measure changes in the top 10% as a ratio of the bottom 10%. Constantine found that the top 10% gains income share at the expense of the poor. However, the standard Gini coefficient shows a marginal reduction of inequality, which represents gains for the middle class.
stands at 66.4 years, being the lowest among CCB countries and significantly below the CARICOM and LAC averages of 72.6 and 75 years respectively. Given that this indicator reflects the general health of the population, this corroborates the earlier finding that health had a relatively higher deprivation when assessing multidimensional poverty.

Figure 1.11 Multidimensional Poverty (2010 or closest year): Poor and near poor

![Graph showing multidimensional poverty](Image)

Source: Human Development Report 2015

1.24 While there is an expected increase in the level of schooling for future generations; this level is significantly below the rest of the region. Indeed, expected years of schooling (defined as the number of years of schooling that a child of school entrance age can expect to receive if prevailing patterns of age-specific enrolment rates persist throughout the child’s life) stand at 10.29 years. This is above the current average level of schooling equivalent to 8.53 years (Table 1.2). However, this expected level of schooling is consistently below the expected years of schooling of all CCB countries, as well as the CARICOM and LAC averages.

Table 1.2. Human Capital Development

<table>
<thead>
<tr>
<th>Country</th>
<th>HDI value</th>
<th>HDI rank</th>
<th>Life expectancy at birth</th>
<th>Expected years of schooling</th>
<th>Mean years of schooling</th>
<th>GNI per capita (2011 PPP US$)</th>
<th>GNI per capita rank minus HDI rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guyana</td>
<td>0.64</td>
<td>124</td>
<td>66.4</td>
<td>10.29</td>
<td>8.53</td>
<td>6,522</td>
<td>-4</td>
</tr>
<tr>
<td>Barbados</td>
<td>0.79</td>
<td>57</td>
<td>75.6</td>
<td>15.42</td>
<td>10.46</td>
<td>12,488</td>
<td>27</td>
</tr>
<tr>
<td>The Bahamas</td>
<td>0.79</td>
<td>55</td>
<td>75.4</td>
<td>12.57</td>
<td>10.94</td>
<td>21,336</td>
<td>-3</td>
</tr>
<tr>
<td>Jamaica</td>
<td>0.72</td>
<td>99</td>
<td>75.7</td>
<td>12.36</td>
<td>9.67</td>
<td>7,415</td>
<td>13</td>
</tr>
<tr>
<td>Suriname</td>
<td>0.71</td>
<td>103</td>
<td>71.1</td>
<td>12.69</td>
<td>7.65</td>
<td>15,617</td>
<td>-32</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>0.77</td>
<td>64</td>
<td>70.4</td>
<td>12.35</td>
<td>10.88</td>
<td>26,090</td>
<td>-25</td>
</tr>
<tr>
<td>CARICOM</td>
<td>0.72</td>
<td>72</td>
<td>72.6</td>
<td>12.80</td>
<td>8.96</td>
<td>12,876</td>
<td></td>
</tr>
<tr>
<td>LAC</td>
<td>0.75</td>
<td>75</td>
<td>75.0</td>
<td>13.97</td>
<td>8.16</td>
<td>14,242</td>
<td></td>
</tr>
<tr>
<td>High HDI</td>
<td>0.74</td>
<td>75.1</td>
<td>13.62</td>
<td>8.19</td>
<td>13,961</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


1.25 The relatively poor human development in Guyana is located at the expected position when compared to its income level. Indeed, with GNI per capita equivalent to PPP US$ 6,522, Guyana ranks 120th in the world. Regarding the HDI, Guyana ranks 124th in the world (Table 1.2). Therefore, both ranks are very close suggesting that relative human development is at the expected position implied by the income level of the country. However, the other two Caribbean Country Department (CCB) commodities based economies (Suriname and Trinidad and Tobago) show human development performances significantly below what would be expected given their income levels. By contrast, CCB tourism based economies show human development performances either above what would be expected given income levels (Barbados and Jamaica) or at the expected level (The Bahamas).
CHAPTER II. The Economic Growth Process: A Growth Diagnostic

This chapter presents the findings derived from a growth diagnostic of Guyana. We first consider the key characteristics of economic growth, followed by the problem of productivity, growth diagnostic, and a gap analysis, concluding with priority areas for a development strategy.

2.A Growth Experience

2.1 Guyana’s output is highly dependent on the services sector and the extractive industries (Figure 2.1). In 2015, the services sector accounted for 53 percent of GDP. As a percent of GDP, the extractive sector (gold and forestry) contributed 10 percent and agriculture (rice and sugar) 7 percent. Although the services sector’s share in GDP is relatively large, the mining and agriculture sectors together drive the economy and provide significant impetus for activities in other sectors through forward and backward linkages. Both sectors have extensive logistical chains (fuel, transport, provision of specialized equipment, mechanic repair services, chemical inputs, etc.) and much of the profits are reinvested in housing and real estate, thus supporting the construction and services sectors. A further decomposition of the services sector show that transportation, storage and communication, wholesale and retail trade and construction are the main industries within services sector (Table 2.1).

![Figure 2.1. Composition of GDP, by sector (%)](image)

<table>
<thead>
<tr>
<th>Source: Central Bank of Guyana, 2016</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Table 2.1: Services GDP by sector (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services sectors</td>
</tr>
<tr>
<td>Construction</td>
</tr>
<tr>
<td>Government</td>
</tr>
<tr>
<td>Financial and Commercial Services</td>
</tr>
<tr>
<td>Wholesale and Retail trade</td>
</tr>
<tr>
<td>Utilities</td>
</tr>
<tr>
<td>Transport, Storage and Communication</td>
</tr>
<tr>
<td>Education, Health and Social Work</td>
</tr>
<tr>
<td>Other activities</td>
</tr>
</tbody>
</table>

| Source: Central Bank of Guyana, 2016 |

2.2 Historically, Guyana’s growth has been characterized by a high degree of volatility (Figure 2.1). However, robust growth with less volatility was observed in the post crisis period. Growth volatility, measured as the standard deviation of growth, was 1.2 (Figure 2.2) during 2001-5 while real growth averaged a dismal 1.1 percent. This was largely due to political instability in 2001-2 and a flood disaster on densely populated coastal littoral.

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A large portion of economic activity is informal. Peters (2016) estimated the size of the informal economy in Caribbean countries using the unitary elasticity assumption an estimated elasticity (see Peters, 2016 for further details). The results shows that Guyana’s informal sector ranges from 28.6 to 32.1 percent of total economic activity using the unitary elasticity assumption and 32.7 to 33.1 percent of total economic activity using an estimated elasticity. In addition, informal sector activity has been trending upward slightly over the last two decades.
that wiped out nearly 50 percent of GDP in 2005. While the global financial crisis was well weathered with macroeconomic policy buffers, volatility rose to 1.9 but reflected a series of favorable exogenous shocks that included record commodity export prices, spending associated with flood recovery, debt relief of US$467 million in 2004, and the hosting of the 2007 ICC Cricket World Cup. Relatively stable macro conditions, a growing services sector driven by the commodity and construction boom, witnessed Guyana achieve a decade of consecutive growth (Figure 2.3), averaging 4.5 percent. Growth is expected to remain stable at an average of 3.9 percent over 2016-19 and volatility significantly low at 0.1.

### Figure 2.2. Growth volatility

![Growth volatility chart](source)

Source: Staff and IMF WEO (April 2016)

### Figure 2.3. Real Growth

![Real Growth chart](source)

Source: Staff and IMF WEO (April 2016)

2.3 **Guyana’s GDP per capita is the fifth lowest in the Latin America and the Caribbean (LAC) region.** Guyana’s GDP per capita represented 40 percent of ROSE-C in 1980. This ratio declined to 27 percent in 1989 (Figure 2.4). While there was a relative improvement from 1990 to 2000, once the commodity boom ended in 2013, Guyana has only been able to narrow the gap slightly.

### Figure 2.4. Per capita GDP (relative to ROSE-C)

![Per capita GDP chart](source)

Source: Ruprah et al. (2015)

2.4 **Using the supply side approach, growth is disaggregated by inputs: i) human capital, ii) investment (fixed capital), and iii) the efficiency of utilizing these inputs (productivity).** We do not have data to decompose the determinants of growth into human capital, physical capital and total factor productivity (TFP). Instead, we compare the level of investment between Guyana and comparator groups, labour productivity, and information on firm level TFP. We find that not only is Guyana’s investment lower than the average for LAC countries, but it also lags on human capital, and productivity.

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1. Guyana has weathered the impact of the global financial crisis well by regional and global standards. The main factors contributing to this, according to Grenade and Pasha (2012), is the country’s non-reliance on the tourism sector and the rapid increase in gold prices after the global financial crisis.

2. There are two types of human capital. The first is the labor force, an input to production that creates economic value-added. The other is that of investment in human capital through education and training. Investment in human capital allows for increased knowledge and skills (Romer 1990) and is the primary element to raise individual’s wages compared to other inputs of production (Salamon 1991). Both types of human capital influence productivity in the workplace and subsequently national economic growth (Lucas 1988 and Romer 1989).

3. There are drawbacks to using this approach due to data limitations. The proxies used to measure both human capital and investment accumulation are derived from static bivariate relationships. This constraint is due to data being unknown, inconsistent or not reported with high frequencies. The analyses indicate that limited capacity to utilize human and fixed capital in a productive manner challenged economic growth.
2.5 **The sectoral contribution to GDP growth shows that the services and agriculture sectors have consistently been positive contributors.** Sharp changes in growth appear to be driven by activities in the mining sector, perhaps due to the volatility of export prices (Figure 2.5). In the post crisis period, the services sector contributed more to growth than any other sector, except for manufacturing in 2009.

**Figure 2.5. Growth Decomposition by sector for Guyana**

![Graph showing sectoral contributions to GDP growth.](Image)

Source: Central Bank of Guyana

2.6 **Labour productivity is lower than LAC, but is increasing.** There is no country-level data on labour productivity in Guyana. Proxies for labour productivity such as GDP per person employed have trended upwards from 1991-2014. However, Guyana significantly underperforms in this indicator relative to the average for countries in LAC (Figure 2.6).

**Figure 2.6. Labour Productivity (GDP per person employed)**

![Graph showing labour productivity trends.](Image)

Source: WDI

2.7 **Growth in the level of TFP is also comparatively low in the private sector and is not the main driver of Guyana’s growth.** Due to a lack of data to decompose the determinants of growth, estimates from the World Bank Enterprise Survey of 2010 show that Guyana’s TFP at the firm level is much below the LAC’s average, 0.6 percent compared to 1.4 percent. TFP is important when decomposing the determinants of growth, as it is considered to be the main driver of sustainable economic growth. Kamau (2012) estimated the TFP for Guyana and other LAC countries using a Data Envelopment Analysis (DEA) and showed that Guyana’s TFP has generally trended downwards during the period up to 1992, then it improved and approximate ROSE in more recent years (Figure 2.7). Also, a wider range of dispersion in TFP at the firm level was found (Figure 2.8). Overall the findings suggest that recent economic growth in Guyana is mostly driven by inputs and favourable external shocks, particularly the performance of the mining sector, rather than TFP.

**Figure 2.7. Relative Total Factor Productivity Cumulative Growth, 1982-2010**

![Graph showing relative TFP growth.](Image)

Source: Staff and IMF WEO (April 2016)

**Figure 2.8. Total Factor Productivity at the Firm Level**

![Graph showing TFP at the firm level.](Image)

Source: Kamau (2012)\(^{10}\)

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\(^{10}\) Following Färe et al. (1994), Kamau (2012) used a distance function to determine whether TFP growth is due to improvements in efficiency or because the technology frontier is shifting for a given vector of inputs. See Kamau (2012) for further details.
2.C Constraints to economic growth and development

2.8 The Hausmann, Rodrick, and Velasco (2005) growth diagnostic framework is used to identify constraints to Guyana's economic growth. As pointed out earlier, there are many data limitations in assessing Guyana's economic growth constraints. GDP data in Guyana is reported by industry only with an annual frequency. Poverty statistics are outdated. Guyana is also not represented in published economic studies that do comparative analyses with countries similar in nature. Nonetheless, in this section we exhaust available data to present a comprehensive growth diagnostic as possible for Guyana.

2.9 The HRV approach proposes that economic growth may be decomposed in the following way (see Figure 2.9). In this framework, low growth can be caused by low private investment and entrepreneurship, which in turn can be the result of either high cost of financing (both domestic and international) or low returns on investment. The latter may be influenced by a low rate of appropriability, and or due to low social returns. The Hausmann, Rodrik and Velasco approach seeks to determine the most binding constraints to growth, which are defined as factors that if relaxed, can promote sustainable economic growth. Although other growth inhibiting factors are important, relaxing the binding constraints is likely to have the greatest impact on growth outcomes.

Figure 2.9. Growth Diagnostic Framework

Source: Hausmann, Rodrick and Velasco (2005)

2.10 Investment levels: Guyana's private gross fixed capital formation (percent GDP) has been lower than the average for LAC. In 2001, Guyana's private gross fixed capital formation was 6 percent GDP, compared to 16 percent for LAC (Figure 2.10). Although it increased and peaked at 9.5 percent of GDP in 2011, private gross fixed capital formation remained lower than LAC and has since declined to 7.7 percent in 2014 (Figure 2.11). Gross fixed capital formation has also been lower than the average for LAC, having declined from 24 percent in 2006 to 13.8 percent in 2015, compared to LAC's average which has increased steadily since 2010. The decline in overall investment is due to a fall in public investment which fell from 19 percent of GDP in 2006 to 6 percent of GDP in 2015 while private investment increased only slightly by 2 percentage points of GDP during the same period. Hence, the share of private investment is higher than public investment, but this is due mainly to a significant decline in the latter. Many factors can be contributing to this situation including low development of the financial system, crowding out of private investment by the public sector and a lack of savings resources. One can
conjecture that investment and particularly private investment in Guyana is not sufficient. Therefore, we further analyze whether such reality could be explained by high financing costs or low returns to investment or both using a similar benchmarking approach.

2.11 Domestic financing: An assessment of the cost of and access to financing shows that Guyana is financially constrained. We examine whether the cost of financing is a constraint to investors by looking at lending interest rates, domestic savings, liquidity in commercial banks and market capitalization of companies. The institutional framework that facilitates financing is examined along with the extent to which firms are financially constrained. These indicators for Guyana are compared to a group of small economies (ROSE), small commodity exporters (ROSE-C), LAC, and Caribbean countries.

2.12 Guyana has unfavorable financing conditions. Guyana is found to have higher real lending interest rates, negative savings, ample liquidity and market capitalization, and relatively lower domestic credit to the private sector. Guyana’s real lending rates are well

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11 Financially constrained firms are firms whose loan application was rejected and those that did not apply for a loan because interest rates were not favourable, collateral requirements for loans or line of credit were unattainable, size of loan and maturity were insufficient, or they did not believe that their loan application would be approved, excluding those who did not apply because of complex application procedures.

12 ROSE countries include Bahrain, Belize, Bhutan, Botswana, Brunei Darussalam, Cape Verde, Comoros, Cyprus, Djibouti, Equatorial Guinea, Estonia, Fiji, Gabon, The Gambia, Guinea-Bissau, Iceland, Kiribati, Latvia, Lesotho, Luxembourg, FYR Macedonia, Maldives, Malta, Mauritius, Mongolia, Montenegro, Namibia, Qatar, Samoa, São Tomé and Príncipe, Seychelles, Slovenia, Solomon Islands, Swaziland, Democratic Republic of Timor-Leste, Tonga, Tuvalu, Vanuatu; and ROSE-C countries include Bahrain, Belize, Brunei Darussalam, Bhutan, Botswana, Comoros, Djibouti, Estonia, Gabon, The Gambia, Equatorial Guinea, Iceland, Kiribati, Lesotho, Latvia, Macedonia, FYR, Mongolia, Namibia, Qatar, Solomon Islands, Slovenia, Swaziland, Timor-Leste, and Tuvalu.
above the average for ROSE-C. The real lending interest rates in the banking system (particularly those in local currency) have held steady at 14 percent for the last 3 years, compared to 10 percent for ROSE-C. The spread (i.e., the difference in lending and deposit rates), is higher than ROSE-C, 12 percent compared to 3.9 percent. The country’s domestic savings rate has been negative since 2004 compared to 25 percent of GDP for ROSE-C. Liquidity in commercial banks is marginally lower than the average for ROSE and ROSE-C.

2.13 **Guyana's financial sector is relatively underdeveloped and lags comparator countries.** The quality of financial services in Guyana is below other small countries as reflected by businessperson’s perception of financial market development. Regulation of securities and exchange, soundness of banks, ease of access to loans, financing through equity markets, availability and affordability of financial services are very negative relative to ROSE-C (Figure 2.13). The number of automated teller machines (per 100,000 adults) in Guyana is less than half of the average for LAC and ROSE-C, 19 compared to 40 (per 100,000 adults). A similar situation exists for the number of commercial bank branches (per 100,000 adults); Guyana has 8.6 branches compared to ROSE-C (16.7) and LAC (15.7). The financial sector is also vulnerable given high levels of large loan exposure, concentration, rising rates of nonperforming loans, and inadequate provisioning (IMF 2016 Art. IV).

2.14 **Limited access to finance is a major problem and the institutional framework to facilitate financing is weak.** Limited access to finance is revealed by 29.3 percent of firms that identified it as a major and very severe constraint in the 2010 World Bank Enterprise Survey, while the 2016 Doing Business Report ranks Guyana 167th for getting credit. Information asymmetry underlies these features, Guyana’s credit registry coverage and credit bureau, (percent of adults), is 0 percent compared to 12.4 percent for the ROSE-C, and 0 percent compared to 23.4 percent for the ROSE-C respectively (figure 2.14). Finally, the strength of legal rights index (0=weak to 12=strong), that measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending is low; 3 compared to 4.7 for ROSE-C. The latter indicates inadequate regulatory and oversight of the financial sector (Figure 2.13).

![Figure 2.13. Affordability of Financial Services](source: World Economic Forum (2015)).  
![Figure 2.14. Getting Credit Services](source: Ease of Doing Business Index (2016))

2.10 **Domestic credit to the private sector is relatively low.** Domestic credit to the private sector as a percent of GDP declined from 60 percent in 2005 to 45 percent of GDP in 2013. This is lower than the average for ROSE (60 percent), but marginally higher than ROSE-C (43 percent). At the micro-level, the latest World Bank business survey (Enterprise Surveys) for Guyana in 2010 indicate that 17 percent of small and medium enterprises surveyed are characterized as financially constrained; but this is below the 23 percent for other small economies and considerably below the average for other countries in LAC (31 percent), (Figures 2.15 to 2.20).
2.15 External Financing: International capital markets are not available to Guyana since it does not have a sovereign credit rating. The reason why the country lacks international access is due to its participation in the Highly Indebted Poor Country (HIPC) initiative that afforded IMF assistance to 38 countries suffering from high and unsustainable debt overhang. Guyana received debt forgiveness in 2004 equivalent to US$467 million (IDB, 2016). Because of its history, Guyana continues to be dependent on multilateral and bilateral development aid agencies for access to external finance, although this has decreased from 18 percent of GDP in 2005 to 5 percent of GDP in 2014 (Figure 2.21). Most of its external financing received has a degree of concessionality.

2.16 FDI flows were generally low prior to 2005 but accelerated and remained at a fairly substantial level during the commodity boom that lasted until 2013. Since then the amounts have declined. Most of the FDIs are related to mining. Net FDI flows as a share
of GDP averaged 8.1 percent in the period 2004-2013, marginally higher than ROSE-C and other Caribbean countries but this is due largely to mining sector (Figure 2.22). The mining and quarrying sector contributed roughly 48 percent of total inward FDI during the period 2012-2016 (Central Bank of Guyana, 2016).

Figure 2.21. Net official development assistance and official aid received

![Figure 2.21](image1.png)

Source: World Development Indicators (2016)

Figure 2.22. FDI (in percent of GDP)

![Figure 2.22](image2.png)

Source: World Development Indicators (2016)

2.17 Guyana receives substantial inflows of remittances, but this mostly goes to consumption, not investment. According to information from the International Organization for Migration (IOM 2015), migrants from Guyana living abroad represent over 55 percent of the total population. The diaspora is concentrated in Canada, the U.S., the U.K., and other CARICOM states. Compared to other Caribbean countries, Guyana has historically had the highest ratio of remittances to GDP from 2007 to 2014, being surpassed by Jamaica in the last two years. In 2014, remittances constituted 14 percent of GDP, far above other Caribbean exporters like Suriname and Trinidad and Tobago, and even more than the Dominican Republic, a more diversified economy (IDB, 2015). The flows, however, are used mostly for consumption (Table 2.2., Roberts 2006). A more recent study by Peters and Kamau (forthcoming) using a remittance determination equation shows that remittances in Guyana tend to increase income and consumption while decreasing investment.

Table 2.2. Use of Remittances by Recipients in Guyana

<table>
<thead>
<tr>
<th>Use of Remittances</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>15</td>
</tr>
<tr>
<td>Real Estate</td>
<td>16</td>
</tr>
<tr>
<td>Business</td>
<td>8</td>
</tr>
<tr>
<td>Food</td>
<td>27</td>
</tr>
<tr>
<td>Clothing</td>
<td>20</td>
</tr>
<tr>
<td>Savings</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: Roberts (2006)

II. Returns on Economic Activity

2.18 Turning to the left side of the growth diagnostic tree, we found that the factors influencing low returns to economic activity are constraints to Guyana’s growth. Low levels of private investment and entrepreneurship can be due to low returns on economic activity. In addition to a financing constraint, low expected returns can deter firms and entrepreneurs from exploring new investment projects. Hausmann, Rodrik and Velasco (2005) offers two possible explanations for low returns on economic activity: low social returns and low appropriability of otherwise high returns. Low social returns are examined from the perspective of bad infrastructure, low human capital, and poor geography, while low appropriability looks at government failures (both micro and macro risks) and market failures.
a. **Social Returns**  
   i. **Infrastructure**

2.19 **Adequate infrastructure is necessary for sustained economic growth.** Infrastructure affects technological progress on the supply side while it is important as a means of accumulating human capital through access to basic services like water and sanitation, education and health, among others.

2.20 **Investments in Guyana have not been sufficient to overcome the existing infrastructure gap.** Guyana underperforms in all indicators of infrastructure quality and availability examined in Figure 2.23, except for fixed telephone lines. The quality of overall infrastructure is lacking according to the latest Global Competitiveness Report, Guyana ranks 85th out of 144 countries. Specifically, Guyana lags the ROSE-C in the quality of roads, and ports and air transport infrastructure, quality of electricity supply, electricity and telephone infrastructure, and the number of mobile phone subscriptions.

![Figure 2.23. Infrastructure gap](source: World Economic Forum (2016))

2.21 **The current infrastructure and logistics indicate challenges for connectivity via air and shipping networks.** Access to world markets depend largely on transport connectivity, especially regarding regular shipping services for the import and export of goods. Sea transportation is the principal route for trade in Guyana. Air connectivity also helps to unlock a country’s economic growth potential because it enables the country to attract business investment and human capital (Morphet and Bottini 2013). The liner shipping connectivity index measures how good countries are connected to global shipping networks, considering container-carrying capacity, maximum vessel size, number of services, number of ships and number of companies that deploy container ships in a country’s ports. The air connectivity index, on the other hand, measures the extent to which a country is connected to the international air transport network. As shown in Figures 2.24 and 2.25, Guyana’s connectivity to air and shipping networks is rated low when compared to small economies and the rest of the world. Efforts in this area could be enhanced to make the country more accessible to trade and tourism.
2.22 **Guyana’s transmission and distribution infrastructure of electricity is not adequate to handle current demand loads.** Guyana ranks relatively low when compared to the Caribbean and ROSE-C for electricity infrastructure and quality. The Guyana Power and Light Inc. (GPL) is the main official supplier of electricity in Guyana, with its franchise area encompassing all three counties of Demerara, Berbice, and Essequibo. GPL’s operations comprise generation, transmission, and distribution activities and it is authorized to purchase power from IPPs (Independent Power Producers). GPL’s effective capacity in 2015 is about 173.2 MW. GPL is 100 percent owned by the Government of Guyana (GoG). While the frequency of interruptions has significantly reduced over the last 3 years the quality of service remains poor.\(^{13}\) Manufacturers install power generation systems; 70 percent of Guyanese firms owned or shared a generator compared to the rest of the Caribbean with 41 percent (Proteqin survey, 2014).

2.23 **High energy cost is one of the most formidable challenges presented for the country’s economic and private sector development.** Firms in Guyana spend marginally less on electricity (percent of sales) but more on fuel (percent of sales), see Figures 2.26 and 2.27, than firms in the rest of the Caribbean. Electricity cost Guyanese firm’s 4.8 percent of sales compared to an average of 5.8 percent for firms in the rest of the Caribbean. However, Guyanese firms report that fuel cost accounts for 4 percent of their sales, much higher than the average of 2.4 percent spent by firms in other Caribbean countries. One of the main drivers of fuel cost is that many Guyanese firms source power from generators. Moreover, Bristol (2010) showed that despite the country’s resilience to the oil crisis of 2008, the effects of rising oil prices have been more constraining to economic growth than other economic distortions. Electricity per capita consumption has been constant over the recovery period, while fuel imports behaved erratically. The majority (58 percent) of Guyanese firms has identified electricity as the most serious obstacle affecting businesses (Proteqin 2014).

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\(^{13}\) Data from the PROTEQIN survey showed that firms in Guyana experience more power outages in a typical month than firms in the rest of the Caribbean, 8 compared to 3.
2.24 **Water and other related services such as sanitation and drainage are important areas for improvement in Guyana.** Firms in Guyana report more water interruptions, on average, in a typical month than firms in the rest of the Caribbean, 9 compared to 1 (Proteqin 2014). The duration of water interruptions is also higher in Guyana relative to the rest of the Caribbean, 12 hours compared to 4 hours (Proteqin 2014). Guyanese firms face almost double the time it takes in other Caribbean countries, 36 days compared to 19 days in obtaining a water connection (Proteqin 2014). These limitations are the result of many factors including aging equipment and pipes, high energy costs, below-cost tariffs and inadequate financial performance, as well as inadequate operation and maintenance. In addition, although data on the effects of flooding due to poor drainage on firms is not available, suggestive evidence indicate that inadequate physical infrastructure and a lack of proper solid waste disposal are key contributory factors to poor drainage in coastal areas and the capital.

2.25 **The evidence above indicates that infrastructure is a constraint to growth.** The main factors contributing to this constraint are electricity, both quality and cost, challenges related to air, port and road transport infrastructure. Other areas of infrastructure that should be examined but a lack of data restrict our analysis include water and sanitation issues, and telecommunications.

### ii. Geography

2.26 **Guyana is natural resource rich with great potential, but its geography presents a challenge.** Most of the country’s natural resources are located inland and is oil intensive in its extraction; most of the population and productive activities are concentrated on the coastal plain, which is below sea level. Hence, better sea defences, and risk reduction strategies are critical to flood mitigation, and protecting much of the population and economic activities.

2.27 **Guyana is susceptible to coastal flooding, and other disasters related to climate change given that it has a heavy concentration of population and economic activity in the low-lying coastal regions.** Costs of natural disasters can be divided into direct costs (mortality, morbidity, and loss of infrastructure) and consequent indirect costs (income). Natural disasters in the Caribbean have adverse effects on economic growth, the trade balance, the fiscal balance, and public debt (Crowards 2008; Rasmusson 2004; and Heger et al 2008).

2.28 **Climate change presents a clear danger going forward where projected sea level rise (SLR) implies a loss of land and domestic income, population displacement, and loss to agricultural facilities.** Dasgupta et al (2007) examined the impact of SLR on
developing countries and showed that Guyana is one of the most affected countries in the LAC region. With regards to land area loss, Guyana is ranked 10th within LAC (Figure 2.28a). Guyana’s population is most impacted by SLR with more than 20 percent of the population exposed (see Figure 2.28b). In terms of economic activity, the impact of a 1m and 5m SLR on Guyana is expected to reach approximately 5 percent and 23 percent, respectively (see Figure 2.28c). The urban impact was the most severe for Guyana (see Figure 2.28d). With most of Guyana’s economic activity stemming from the urban areas, economic growth will be constrained by effects of climate change. Geographic locations that are more prone to climate change effects can stymie other productive sectors, for the case of Guyana, the agricultural extent for each 1m SLR is about 5 percent.

Figure 2.28. Impact of SLR in the LAC region

2.29 Guyana’s geographical location provides opportunities for enhancing trade within the South American and Caribbean areas. Guyana is located on the northern coast of the South American mainland and shares borders with Venezuela (to the west), Brazil (to the south), Suriname (to the east), and the Atlantic Ocean to the north. Guyana’s location makes it ideal for trade links with South America, the Caribbean, North America and Europe. Some of the key initiatives being considered to optimize on this potential opportunity include a road to Brazil to be complimented by a deep-water harbor and a proposal for bridging Guyana and Suriname. Moreover, the recent bridging of the Berbice River has improved the network and time in travelling to and from Georgetown.

iii. Human capital

2.30 Guyana faces key human capital constraints. Education and health are the two main factors that strongly influence the performance of human capital (Wilson et al. 2004 and Veenstra et al. 2005). Accumulated human capital in individuals results in a more productive labour force that helps to bolster economic growth. In this section, we examine whether education and health conditions are sufficient for human capital development in Guyana.

2.31 The quality of human capital, measured by the country’s performance in regional assessments, is low. The data shows that gross secondary enrolment is higher than the average for ROSE and the Caribbean, but students’ performance at the Caribbean Examination Councils’ examination is below the Caribbean average, particularly for Mathematics and English (World Economic Forum, 2015 and Chapter 3). Guyana’s higher education rating falls below that of the region and other small economies (ROSE). The
gross tertiary enrollment rate is about 12.9 percent, which is lower than the LAC average of 43 percent. Guyana also ranks slightly lower than the Caribbean in staff training and on the job training, but the quality of its education system ranks similar to that of the Caribbean and ROSE (Figure 2.29).

2.32 Migration is a major factor that diminishes the human capital stock of Guyana. Although net migration has reduced from 42,482 in 2000 to 40,000 in 2010; brain drain continues to be one of the most consequential, of the adverse effects of emigration from Guyana. Current estimates put the Caribbean, especially Guyana, in the upper most cohort of countries exporting skilled labour per capita of the potential educated labour force (Docquier and Marfouk, 2004; Carrington and Detragiache, 1999). Guyana has lost through emigration more than 43 percent and 85 percent of the stock of secondary and tertiary educated citizens (see Table 2.2). This migration not only reflects the country’s relatively lower returns to education with respect to OECD countries, but also constitutes a huge loss of social investment. Guyana’s loss through emigration is estimated to be 6.1 percent of GDP while remittances are roughly 1.9 percent of GDP (Table 2.3). Guyana’s remittances (percent of GDP) are also significantly less than the Caribbean average of 5.4 percent.

![Figure 2.29. Higher Education and Training](image)


<table>
<thead>
<tr>
<th>Table 2.3. Caribbean: Migration and Remittances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of labor migrated to OECD countries, by education level</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Secondary</td>
</tr>
<tr>
<td>The Bahamas</td>
</tr>
<tr>
<td>Barbados</td>
</tr>
<tr>
<td>Guyana</td>
</tr>
<tr>
<td>Jamaica</td>
</tr>
<tr>
<td>Suriname</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
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<tr>
<td>OECS</td>
</tr>
<tr>
<td>C6</td>
</tr>
<tr>
<td>Average</td>
</tr>
</tbody>
</table>

Source: Mishra (2006)

Note: C6 = The Bahamas, Barbados, Guyana, Jamaica, Suriname and Trinidad and Tobago; na = not available; OECD: Organisation for Economic Co-operation and Development; OECS = Organisation of Eastern Caribbean States.

2.33 Consistent with the previous evidence, firms in Guyana complain about an inadequately educated workforce. Table 2.4 shows that more than half of firms in Guyana have identified that an inadequately educated workforce as a major constraint to their performance. This rate is higher than the 33.8 percent observed for the OECS average, and the 40.7 percent observed in CCB’s countries. Concurrently, firms in Guyana offer formal training at a rate that is higher than the CCB and OECS average.
2.34 **Guyana's expenditure on health is lower than ROSE-C and LAC and key indicators are also below the average of the Region.** Life expectancy at birth, for instance, is lower by almost 10 years: 66.4 years compared to 74 years in LAC. The infant mortality rate is also higher (Figure 2.30). Moreover, the number of physicians per 10,000 people is significantly lower than the LAC average, 2.1 compared to 18.9 (Table 2.5). Guyana also lags LAC in the number of nurses and midwives per 1000 people: 0.53 compared to 4.2.

2.35 **The burden of non-communicable diseases (NCDs) diseases has been increasing.** The disability adjusted life years (DALY) is a metric that quantifies the burden of disease, i.e. it measures how many years of life are lost due to premature death, ill-health or disability. The DALY can be thought of as a measurement of the gap between current health status and an ideal health situation where the entire population lives to an advanced age, free of disease and disability. Khadan 2016, shows the burden of disease in Guyana measured in DALYs. As can be seen from the table, NCDs such as cardiovascular diseases, mental disorders and diabetes nowadays represent the country’s highest disease burden: 57%.

2.36 **Overall, the evidence suggests that the quality of human capital is not sufficient to promote sustainable growth in Guyana.** We find gaps in education, health, and labour market indicators, which can affect human capital accumulation and subsequently innovation and productivity levels. The data gaps to further justify the constraint to growth are many and limit the extent of analysis on the area. Nonetheless, the existing indicators clearly show the need for expanding higher education, closing the skills gap, and improving access to quality health care (Table 2.4).

### Table 2.4. Education and Health Indicators

<table>
<thead>
<tr>
<th></th>
<th>Guyana</th>
<th>LAC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education Indicators</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adult literacy rate (%)</td>
<td>85.0</td>
<td>92.3</td>
</tr>
<tr>
<td>Population with at least secondary education</td>
<td>54.5</td>
<td>54.6</td>
</tr>
<tr>
<td>Pre-primary enrollment, gross</td>
<td>66.2</td>
<td>78.0</td>
</tr>
<tr>
<td>Primary enrollment, net</td>
<td>97.0</td>
<td>93.0</td>
</tr>
<tr>
<td>Secondary, net</td>
<td>84.5</td>
<td>74.0</td>
</tr>
<tr>
<td>Tertiary enrollment, gross</td>
<td>12.9</td>
<td>38.1</td>
</tr>
<tr>
<td>Primary school dropout rate</td>
<td>7.8</td>
<td>13.8</td>
</tr>
<tr>
<td>Public expenditure on education (% of GDP)</td>
<td>3.2</td>
<td>5.5</td>
</tr>
<tr>
<td><strong>Health Indicators</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life expectancy at birth</td>
<td>66.4</td>
<td>75.0</td>
</tr>
<tr>
<td>Physicians per 10,000 people</td>
<td>2.1</td>
<td>18.9</td>
</tr>
<tr>
<td>Public health expenditure (% of GDP)</td>
<td>6.5</td>
<td>7.6</td>
</tr>
</tbody>
</table>


b. **Low Appropriability**

i. **Government Failures**

2.37 **Government policy creates an environment that can either promote or inhibit private sector investment.** In this section, we examine the institutional quality by looking at the country’s performance on international indicators for governance, quality of institutions, and crime.

2.38 **The quality of Guyana's institutions and governance framework is weak.** Guyana underperforms in all areas compared to ROSE-C. Public trust in politicians is extremely low and there is a perception of favouritism in decisions made by its government officials (usually perceived as favouring well-connected firms and individuals). Furthermore, the perception about irregular payments and bribes is very negative, along with the occurrence of the diversion of public funds. This also holds for property rights, protection of minority investors, judicial independence, transparency of government policy making, wasteful government spending and the strength of auditing and reporting standards. Furthermore, Guyana’s corruption perception index score is 30 out of 100 (100 = highly...
clean) and is lower than the average of ROSE, ROSE-C and is the lowest among the Caribbean countries. The quality of governance indicators (Kaufman et al, 2005) related to the rule of law, control of corruption and political stability locates the country below the ROSE-C (Figures 2.31 and 2.32). In addition, there is no centralized information source on the size of the sector in terms of output, turnover, employees, nor relations with the budget. Annual or other reports (including audit reports and management letters) for most the entities, as well as information on their performance in terms of their main functions and quality.

Figure 2.31. Quality of Institutions

Figure 2.32. Quality of Governance

Source: IDB Staff estimates from the World Development Indicators and the World Economic Forum (2016).

2.39 **Guyana’s public sector is found to be highly inefficient.** In 2016, the United Nations (2016) e-Government development index ranked Guyana 126th out of 193 countries in the world (of the Americas, Suriname (115), Belize (120th), Paraguay (122nd), Guatemala (133rd), Nicaragua (147th), and Haiti (176th) ranked below Guyana). This reflects the relatively poor state of E-Government in Guyana and limited use of information technologies to promote access and inclusion. Guyana also underperforms relative to LAC on the E-participation index, online service index, and telecommunication infrastructure index (Figure 2.34). Moreover, like other Caribbean countries, a major factor contributing to low productivity of the public sector is the relatively low automation, meaning that civil servants still predominantly operate with paper documents and files that hinders transparency and accountability and contributes to inefficiency. It is not surprising therefore that businessperson’s perception of government efficiency is more negative than the average for ROSE-C (World Economic Forum, 2016). This is supported by the Kauffman index (see figure 2.32) Firm level data also shows that bureaucracy, measured by the percentage of time spent in a typical week dealing with government regulations by top management of firms is 7.2, higher than 4 Caribbean countries, but is lower than the region’s average (Figure 2.33).

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14 The E-participation index focuses on the use of online services to facilitate the provision of information by governments to citizens, interaction with stakeholders, and engagement in decision-making processes; the online service index measures the ability of economies to leverage ICT to boost competitiveness and well-being; the telecommunication infrastructure index is a composite of the following five indicators: number of personal computers per 100 persons, number of Internet users per 100 persons, number of telephone lines per 100 persons, number of mobile cellular subscriptions per 100 persons, and number of fixed broadband subscribers per 100 persons.
2.40 **Within this context of a weak institutional framework the government’s intervention capacity is limited when market failures occur.** Its capacity to ensure the goods produced are effectively traded in the economy is affected by the burden of agricultural policy on the economy, the ineffectiveness of the government’s anti-monopoly policy and the high prevalence of foreign ownership (Figure 2.35). These features of unhealthy market competition undermine efficiency and affect business productivity.

2.41 **There is a lack of flexibility in wage determination on the labour market, relative to ROSE-C** (World Economic Forum, 2014) (Figure 2.36). Labour-employer relations are usually perceived as confrontational rather than cooperative and pay is not related to productivity. Furthermore, the country’s capacity to retain talent is relatively low, therefore senior management positions are perceived to be held by relatives or friends without regard to merit.

2.42 **Guyana’s ease of doing business ranking has dropped 5 positions from 132 in 2015 to 137 in 2015/16.** Declines were noted in seven areas namely: getting electricity, getting credit, starting a business, dealing with construction permits, paying taxes, trading across borders and protecting minority investors. However, the country observed small improvements in registering a property and resolving insolvency (World Bank, 2016). Relative to ROSE-C, Guyana has a lower rank in all the areas mentioned except for starting a business, dealing with construction permits, and trading across borders (Figure 2.37).
The poor performance of Guyana’s business sector is significant whether measured by employment growth, sales growth or productivity growth (World Bank Enterprise Surveys, 2015). It represents less than one third of ROSE’s sales growth (World Bank Enterprise Surveys, 2010). In 2010, businesspersons considered an inadequately educated workforce, practices of competitors in the informal sector and tax rates as the three most serious obstacles affecting performance (Figure 2.38). In 2014, the laments changed to electricity, corruption and tax rates (Figure 2.39). This can be as a result of improvements in those factors that constrained performance in 2010 (Figure 2.38), or a relative deterioration with increasing negative effects of other factors by 2014 (Figure 2.39). The data and evidence observed thus far suggest the latter.

**Figure 2.38. Laments of Businesspersons (2010)**

- Inadequately educated workforce: 17 percent of firms in Guyana, 14 percent in ROSE-C
- Electricity: 11 percent in Guyana, 10 percent in ROSE-C
- Tax rates: 7 percent in Guyana, 9 percent in ROSE-C
- Crime, theft and disorder: 5 percent in Guyana, 4 percent in ROSE-C
- Customs and trade regulations: 4 percent in Guyana, 3 percent in ROSE-C
- Financial access: 2 percent in Guyana, 2 percent in ROSE-C
- Business licensing and permits: 2 percent in Guyana, 1 percent in ROSE-C
- Labor regulations: 1 percent in Guyana

**Figure 2.39. Laments of Businesspersons (2014)**

- Electricity: 15 percent in Guyana, 13 percent in ROSE-C
- Corruption: 12 percent in Guyana, 8 percent in ROSE-C
- Tax rates: 10 percent in Guyana, 8 percent in ROSE-C
- Practices of competitors in the informal sector: 8 percent in Guyana, 7 percent in ROSE-C
- Access to finance: 6 percent in Guyana, 5 percent in ROSE-C
- Access to land: 4 percent in Guyana, 4 percent in ROSE-C
- Political instability: 3 percent in Guyana, 4 percent in ROSE-C
- Courts: 2 percent in Guyana, 2 percent in ROSE-C

**Figure 2.37. Ease of Doing Business Rank**

- Dealing with Construction Permits
- Trading Across Borders
- Starting a Business
- Registering Property
- Paying Taxes
- Protecting Minority Investors
- Resolving Insolvency
- Getting Electricity
- Getting Credit


**2.43** Tax rates were identified by businesspersons as the third more important constraint to doing business in Guyana (World Bank Enterprise Surveys, 2010; Proteqin Survey, 2014). Tax administration shows up as a major constraint for Guyanese firms, to pay taxes they spend 256 hours and make 35 payments annually compared to 195 hours and 25 payments annually by firms in ROSE-C. In addition, the ease of doing index shows that profit tax (percent) in Guyana is much higher than the average for the ROSE-C, 21.3 percent compared to 14.3 percent (Figure 2.40). Nonetheless, Guyana has a better ranking than ROSE-C in labour tax and contribution, other taxes, and total tax rate (percent of profit). Thus, tax administration and procedures appears to be a major constraint for Guyanese firms.
2.45 The direct cost of crime to government and firms is high and there is a lack of public trust and inefficiency in the police and justice system. Forty-two percent of the population believes that violence in their neighborhood has stayed the same or increased in the last year (IDB 2016). If Guyana had the same homicide growth rate as the global average between 1995-2011, it is projected that GDP growth could have been higher by 0.4 percent. According to the PROTeqIN survey, many firms (70 percent) need to hire security services. This number is significantly lower than the 85 percent of firms reporting to pay for security in the 2010 Enterprise survey. Thirty-three percent of firms reported being a victim of theft, robbery, vandalism or arson. Finally, firms reported spending 5 percent of annual sales on security expenses and another 3.7 percent of annual sales were spent on losses due to theft, robbery and vandalism (IDB 2016), (Figures 2.41 and 2.42).

2.46 Guyana’s macroeconomic performance is less favorable than ROSE-C (Figure 2.43). Guyana ranks 118th out of 144 countries in terms of its macroeconomic environment (World Economic Forum, 2015). The main factors driving this result are fiscal deficits, low gross savings, and a relatively higher debt to GDP ratio. Guyana, however, reports a lower inflation rate, 3.5 compared to 5 percent in ROSE-C. In this section, we look at the issues related to Guyana’s macroeconomic environment that can potentially become a risk to growth prospects over the medium term.
2.47 The financial sector of Guyana is dominated by six commercial banks. Besides the six licensed commercial banks and there are two other Licensed Depositor Financial Institutional Financial Institutions (LDFIs). The six commercial banks are Guyana Bank of Trade and Industry (GBTI), Citizens Bank, Republic Bank, Baroda Bank, Republic Bank, Nova Scotia Bank. Three are foreign-owned (Nova Scotia, Republic Bank, and Baroda Bank) and the other three are nationally owned. The other two depository institutions are Hand in Hand Trust and New Building Society (NBS). These are specialized financial institutions that focus on consumer finance (vehicles) and mortgages. The Licensed Depositor Financial Institutions (LDFIs), control G$ 442,903.2 million (equivalent to US$ 2.1 billion) worth of assets as of December 2015. They are adequately capitalized, highly liquid, and profitable. At the end of December, the capital adequacy ratio (CAR) was 23.8 percent; well above the 8 percent requirement. Also commercial banks were profitable, reporting positive ROAs (.75%) and ROEs (5.61) at the end of 2015. All institutions were quite liquid, reporting liquid assets to total asset ratios of 31.86 percent, which is higher than any other year dating back to 2008. From 2006 to 2015, more than 50% of liquid assets are T-bills. The spread charged was 9.4, indicating inefficiency. Whereas the average lending rate charged was 11.2 in 2015, the small saver deposit rate was 1.26.

2.48 The International Monetary Fund has identified financial stability as an important macroeconomic risk for Guyana (IMF 2016). The two issues contributing to this risk include a slowdown in domestic activity and a large increase in non-performing loans. More importantly, de-risking remains a major source of concern in Guyana. The ratio of non-performing loans (NPLs) to gross loans has been increasing. NPLs have worsened from 2010 when it was 6.52 percent to 10.75 percent in 2015. Some banks in the system should provision more and others are suffering from large exposure to a few borrowers. The IMF has suggested the need for, increased loan loss provisions; strengthen risk-based supervision; macroprudential regulations; contingency planning and crisis resolution framework.

2.49 Central Bank authorities, moreover, are increasing precautionary supervision amid plans to apply BASEL 3 core principles. Financial stability indicators show that commercial banks are well provisioned as loss ratios and capital adequacy ratios remains well above their respective benchmarks. Furthermore, the passage of the Anti-Money Laundering Countering the Financing of Terrorism Bill through Parliament has improved financial sector supervision.
Fiscal and debt sustainability

2.50 *Guyana fiscal buffers to mitigate adverse shocks are limited and needs to be built up through fiscal consolidation.* Although Guyana’s debt position is considered manageable, it has a relatively high fiscal deficit. Continuing to run recurrent deficits will only increase public debt loads and servicing requirements. With the expected reduction in access to concessional financing due to rising incomes (classified middle-oil and poised to become an oil exporter), Guyana will be facing diminished fiscal space to respond to possible negative shocks over the medium term. If oil production and exports begin in the next five years as expected, assuming favourable price conditions, then this risk can be mitigated.15 A similar situation exists for external buffers, where Guyana has a high current account deficit and international reserves that are quite volatile due to changes in commodity prices (see Chapter 1).

2.51 **Adverse growth and exchange rate shocks can worsen Guyana’s debt dynamics.** The primary fiscal deficit of about 3 percent of GDP during 2011 to 2014 fell to a surplus of 0.8 percent of GDP, but it is projected to rise to an average deficit of 5 percent of GDP in the medium term. Debt-to-GDP ratio fell from 63.7 percent of GDP to 48.5 percent in 2015 and is expected to increase to 52 percent and 54 percent, respectively, of GDP in the next two years. Given that concessionality is an important element in budget financing, the debt sustainability concept used is the net present value of debt, with benchmarks conditional upon policy performance categories derived from the World Bank’s Country Policy and Institutional Assessment. So instead of the benchmark debt-to-GDP ratio of higher than 60 percent being too high a debt level (Greenidge et al., 2012), the benchmarks are that the net present value of external debt-to-GDP must be lower than 40 percent and that the net present value of debt to-revenue must be less than 250 percent. Guyana, which is categorised in the World Bank’s Country Policy and Institutional Assessment as having a median policy framework, satisfies both criteria and is expected to do so in both 2016 and 2017, despite an increase in its fiscal deficit and debt-to-GDP ratio (IDB, 2016). However, the IMF has cautioned that adverse growth and exchange rate shocks can worsen Guyana’s debt profile over the medium term.

Fiscal and monetary institutions

2.52 *The proper institutional, policy, and regulatory apparatus should be put into place rapidly given the likelihood that the country will become a major oil producer.* Without prudent policies, transparency, and accountability, the oil discoveries could result in an oil curse and not a blessing. To date, the ability to formulate strategic plans, build consensus, design appropriate interventions, and execute has been found wanting, and this also holds for institutions that conduct fiscal and monetary policies.

2.53 **Public financial management is weak and the budgeting process is non-transparent and does not comply with OECD principles.** Revenue generation is too dependent on consumption tax and not personal or company income taxes. Commodity related revenue is declining (IDB, 2016), and the value of estimated gold smuggled amounts to approximately a third of GDP in 2015. Current expenditures are highly skewed to non-productivity enhancing transfers and capital expenditures seem to be inefficient. Numerous capital projects are delayed, over budgeted, and of shoddy quality once completed, shortening useful life spans. No coherent medium term fiscal framework exists to correlate strategic goals with expenditure items and debt management. Likewise, no active monitoring of budget execution occurs, evaluations of impacts are rare, and contingent liabilities are not explicitly accounted. The annual budget process involves negotiation between stakeholders with limited private sector consultation. Parliamentary

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15 Oil extraction is being undertaken by an international oil company—Exxon mobil. The details of tax concessions are unknown. In addition, the details about the production and revenue sharing agreement are not public. Unofficial estimates pegged expected production at one hundred thousand barrels per day at a breakeven price of US$ 75 per barrel.
oversight is also limited to general debates without significant scope for amendment once the budget is presented.

2.54 **Guyana is not included in the open budget index, but one way to assess budget credibility and budget processes is to look at the variance between budgeted and actual figures.** These numbers show a variance greater than the internationally accepted benchmark of 5 percent, which is an indication of underlying issues with forecasting and/or execution capacity (Figure 2.44). Budget preparation in Guyana is centralized. The Ministry of Finance is responsible for preparing the budget and organizing consultations with private sector actors and representatives of the opposition political party prior to formal presentation in the Parliament. Once the budget is submitted, there is a two-week period of reading and debates and then a vote for approval. If the government deems supplementary allocations and emergency spending powers necessary, requests for approval can be submitted to Parliament. IDB (June, 2016) identified several areas in which Guyana’s budgetary process can be improved.

![Figure 2.44. Variance of Budgeted vs. Actual Spending](source: IDB (June, 2016)).

2.55 **Public enterprises also weigh negatively on fiscal sustainability.** To preserve fiscal sustainability, reduce inefficiencies and place operations on a financially sustainable path, the IMF (2016) highlighted that need for authorities to restructure public enterprises.

2.56 **Monetary policy transparency and independence is weak.** The Central Bank of Guyana is ranked relatively low by Dincer and Eichengreen (2014) Central Bank Transparency and Independence indices. Guyana ranks lower than ROSE-C in all the categories—political, economic, procedural, policy and operational transparency—considered by the transparency index (Figure 2.45). The four Central Bank Independence indices (see Dincer and Eichengreen 2014) show that Guyana is ranked low-position 42nd out of 89 countries. The rankings reflect the independence of the governor of the Central Bank, its independence in policy formulation, its objective or mandate, and the stringency of limits on its lending to the public sector.
ii. Market Failures: Information and Coordination Failures

2.57 We examine the potential impact of market failures on the Guyanese economy. First, we look at self-discovery and informational failures that can constrain growth in Guyana’s export sector. Second, we identify issues of coordination and planning that appear to hamper investment and growth.

- Self-discovery and informational externalities

2.58 The private sector needs information on which sectors or products can be successfully developed. This information is a public good that is created through a process called “self-discovery” and may be underprovided within an economy. In the case of Guyana, export diversification is very low relative to ROSE-C, a strong signal that insufficient self-discovery is taking place (see Constantine, 2013).

2.59 Exports are dependent on few primary commodities and export diversification is lower than ROSE-C. Diversification as measured by the Herfindahl-Hirschman (HHI) index for products is more concentrated for Guyana than ROSE-C. In addition, with respect to the agriculture sector the HHI is much higher than ROSE-C, 0.3 compared to 0.07 (Figures 2.46 and 2.47).

2.60 Despite the agriculture sector’s high level of export concentration, it shows export potential relative to other countries. The revealed comparative advantage (RCA) index is a good indicator of a country’s export potential relative to other countries. The RCA of a country is measured by the relative share of total export value of commodity’s in a country over the percentage of world export in that commodity (Balassa, 1965). A RCA>1 means that country has a revealed comparative advantage in a given commodity. When RCA<1, it means revealed comparative disadvantage in a given commodity. The results from the revealed comparative advantage index shows that Guyana had comparative advantage in
10 agricultural products since 2001, gained comparative advantage in 3 and retained in 9 (Table 2.5).

2.61 **Guyana’s agricultural products have a strong tendency to improve on its comparative advantage.** In terms of the RCA index, a transition probability matrix can shed light on the evolution of comparative advantage from one time period to another period for an economy. The transition probability matrix determines the probability of a commodity moving from one state (say, comparative disadvantage (a)) to another state (for example, strong comparative advantage (d)) from an initial time period (t) to another time period (t+1). The probability of a commodity being in state d in the next time period (t+1) given that it is presently (t) in state a is a one-step transition probability denoted as t, t+1 Pad (see Anderson 2011). The results show that Guyana’s agricultural products have a relatively higher probability of moving into stronger comparative advantage states over time (Table 2.6).

### Table 2.5. RCA for Agriculture products

<table>
<thead>
<tr>
<th>Product description</th>
<th>Product code</th>
<th>2001</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maintained</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fish, fresh &amp; simply preserved</td>
<td>31</td>
<td>23.5</td>
<td>17.2</td>
</tr>
<tr>
<td>Rice</td>
<td>42</td>
<td>99.8</td>
<td>241.9</td>
</tr>
<tr>
<td>Sugar and honey</td>
<td>61</td>
<td>117.0</td>
<td>67.2</td>
</tr>
<tr>
<td>Spices</td>
<td>75</td>
<td>1.9</td>
<td>1.6</td>
</tr>
<tr>
<td>Food preparations, n.e.s.</td>
<td>99</td>
<td>1.5</td>
<td>2.6</td>
</tr>
<tr>
<td>Alcoholic beverages</td>
<td>112</td>
<td>3.6</td>
<td>13.6</td>
</tr>
<tr>
<td>Fuel wood &amp; charcoal</td>
<td>241</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Wood in the rough or roughly square</td>
<td>242</td>
<td>4.8</td>
<td>12.7</td>
</tr>
<tr>
<td>Wood, shaped or simply worked</td>
<td>243</td>
<td>10.2</td>
<td>15.0</td>
</tr>
<tr>
<td><strong>Gained</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meal and flour of wheat or of mesli</td>
<td>46</td>
<td>0.00</td>
<td>3.12</td>
</tr>
<tr>
<td>Fruit, fresh, and nuts excl. Oil</td>
<td>51</td>
<td>0.68</td>
<td>1.30</td>
</tr>
<tr>
<td>Margarine &amp; shortening</td>
<td>91</td>
<td>0.01</td>
<td>2.98</td>
</tr>
<tr>
<td><strong>Lost</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fruit, preserved and fruit preparation</td>
<td>53</td>
<td>2.25</td>
<td>0.07</td>
</tr>
</tbody>
</table>

Notes:
- **Class a**: 0 < RCA < 1 refers to products with a comparative disadvantage.
- **Class a**: 1 < RCA < 2 refers to products with a weak comparative advantage.
- **Class a**: 2 < RCA < 4 refers to products with a moderate comparative advantage.
- **Class a**: 4 < RCA refers to products with a strong comparative advantage.

Source: UN Comtrade database (2016)

### Table 2.6. Guyana’s RCA Transition Matrix for Agriculture commodities

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
<th>a</th>
<th>b</th>
<th>c</th>
<th>d</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>0.000</td>
<td>0.333</td>
<td>0.333</td>
<td>0.333</td>
<td></td>
</tr>
<tr>
<td>b</td>
<td>0.000</td>
<td>0.667</td>
<td>0.333</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>c</td>
<td>1.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>d</td>
<td>0.167</td>
<td>0.000</td>
<td>0.167</td>
<td>0.667</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
- Class a: 0 < RCA < 1 refers to products with a comparative disadvantage.
- Class a: 1 < RCA < 2 refers to products with a weak comparative advantage.
- Class a: 2 < RCA < 4 refers to products with a moderate comparative advantage.
- Class a: 4 < RCA refers to products with a strong comparative advantage.

Source: UN Comtrade database (2016)

- Failures in planning and coordinating investment
  - Returns to investment may depend on coordinated investments by other private sector actors as well as the government. Hence, a lack of planning and coordination impede investment and growth. The country’s ethnic diversity and political economy create a peculiar environment which can engender mistrust among various actors and stymie productive activities. Some key reasons of a lack of forward planning include a lack of private sector engagement in designing and executing infrastructure projects and a lack of transparency in public procurement as discussed previously. Moreover, major public and private decisions are not evidence based. Hence, information asymmetry or lack of information limits coordination and planning. This is further amplified by a polarized political system where each political party has a strong incentive to play to their base at the expense of policies that can promote sustainable development (discussed in Chapter 3). These unique characteristics helps create an environment that inhibits consensus building and coordination among the relevant actors in Guyana.

### 2.D Comparative development gap analysis

2.63 **Another approach to determine key areas that require attention is gap analysis (Borenszttein et al 2014).** The objective of this section is to determine the degree of achievement relative to an accepted norm in the different development areas to identify
the most glaring deficits.\textsuperscript{16} This should be considered a first step in uncovering the overall pattern of development gaps and in identifying where more detailed studies are needed to make policy recommendations. The comparators for the gap analysis are the rest of small commodity exporting countries.\textsuperscript{17}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure2_48.png}
\caption{Overall Development Gaps}
\end{figure}

\textsuperscript{16} We used only those indicators available from public sources with comprehensive coverage of other countries and frequently used in assessments of selected dimensions. Therefore, these results are only preliminary as more detailed sector studies might reveal, for example, an apparent weakness is due to certain idiosyncratic characteristics and not a real deficit. At the same time, it is possible that none of the indicators adequately reflects certain vulnerabilities or risks.

\textsuperscript{17} A gap analysis for Guyana was also conducted using a benchmark group of countries defined on the basis on income per capita. The results were similar to those obtained above for most of the pillars, with the exception of a few. The results can be provided upon request.

\textsuperscript{18} The gender pillar was not considered in the GAP analysis due to a lack of reliable data. However, a benchmarking exercise of selected gender indicators is presented in Figure \textsuperscript{x}.

\textbf{2.64} \textit{A development gap is defined as the distance between the observed and the expected value of a development indicator for a country (Borenztein et al, 2013).} The expected value of the development indicator is simply the linear (or quadratic) fit from a cross-country regression of such indicator on GDP per capita. As such, the development gap compares indicators considering differences in the income level of countries.

\textbf{2.65} \textit{The development gap definition was applied to 43 indicators grouped into eleven sectors:} health, education, transportation infrastructure, technological innovation, water and sanitation, institutions, citizen security, finance, private sector development, and trade and logistics (figure 2.48).\textsuperscript{18} Following Borenztein et al (2014) we standardize all gaps with respect to their mean and standard deviation across countries, and rescale the standardized gaps such that most of the values fall in the same range \{-100,100\}. Finally, all standardized gaps are aggregated at the sector level. The corresponding sector gaps are used to determine whether there is a binding constraint in a specific sector, but also to rank the set of constraints according to their magnitude and to understand the underlying factors for a given sector gap.

\textbf{2.66} \textit{The results indicate several priority areas.} The GAP analysis prioritize Guyana’s development challenges as crime and security, institutions, education, private sector development, technology and innovation, trade barriers, health, infrastructure, and finance. Only two sectors report positive development gaps: gender and water and sanitation (Figure 2.48).

\textbf{2.67} \textit{While some sectors are comprised of only negative standardized gap indicators, others have indicators that are better than what is expected for a country with Guyana’s income per capita.} Crime and security, the sector with the highest development gap, should be a priority with interventions aimed at improving the reliability of police services and reducing the effect of crime on businesses. Although homicides are
found to be lower than its comparators, other forms of serious crimes such as burglaries and domestic violence (not captured here) are becoming increasingly prevalent in Guyana. The root causes of these issues are examined in chapter three.

2.68 **Institutional weaknesses characterize the Guyanese economy.** Guyana’s institutional quality is weak and is ranked as the second most important development constraint (Figure 2.48). The main factors contributing to this negative development gap are irregular payments of bribes, weak governance framework (Figure 2.50), diversion of public funds, weak property rights, lack of judicial independence, favoritism in decision making of government officials, and wastefulness of government spending. A strong institutional environment is especially important for Guyana to continue to build on its recent economic successes and the expected boon from oil exports over the medium term. Hence, closing this gap is critical for sustainable growth and development.

2.69 **Gaps in education are largely explained by low enrolments.** Three factors are considered, primary school enrolment, the quality of the education system, and the adult literacy rate. Guyana performs better than the average with respect to the latter two but has a large negative gap for primary enrolment. It should be noted however, that the measure used for the quality of the education system is a perception based indicator, in chapter 3, more country specific objective indicators are considered. Also, Guyana’s educational system reflects high disparities between regions and type of schools, school age children in the interior hinterlands underperform relative to students in the coastal regions, and students in private school outperform students in the public schools in national exams, especially at the primary school level, and the level of quality of instruction in the top five public secondary schools is far superior to other public secondary schools, and the vocational school program is woefully underfunded and developed.
2.70 **Private sector development is another major priority for Guyana.** The results indicate that firms have to contend with an unfavourable business climate. The business environment is highly unfavorable, formal registration of firms remains a challenge, naturally followed by competition from the informal sector, burdensome customs procedures and trade barriers (Figures 2.52 and 2.54). The availability and use of basic technology is limited, particularly mobile cellular phones and fixed broadband. Research and development as reflected by the number of scientific and technical journal articles is another challenge to sustainable growth and development in Guyana (Figure 2.53).

2.71 **Interventions to improve health sector outcomes should be prioritized.** All underlying indicators of the health sector represent a development gap for Guyana, except life expectancy and infant mortality. Government expenditure on health—both per capita and as a percent of GDP—has a negative gap with respect to comparators. This can be a major reason for the large negative gap that exists for two critical input factors—number of nurses and midwives, and doctors—which contribute to lower health outcomes in Guyana (Figure 2.55).

2.72 **The environment pillar shows an aggregate negative gap.** We used the environmental performance index which is constructed through the calculation and aggregation of 20 indicators derived from national level environmental data (see Environment Performance Index, 2014). These indicators are then summarized under two overarching objectives: environmental health and ecosystem vitality. The former measures the protection of human health from environmental harm while the latter measures ecosystem protection

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19 It should be noted that the GAP analysis is conducted with ROSE-C the comparator where Guyana performs relatively better. In Chapter 2, however, that Guyana’s life expectancy is below that of LAC and CCB countries.

20 Available at: [http://epi.yale.edu/](http://epi.yale.edu/)
and resource management. The indices have a range from 0 (worst observed value) to 100 (best observed value). Guyana has a score of 69 for environment health which captures indicators of health impacts (64), air quality (96) and water and sanitation (46). With respect to the ecosystem vitality, Guyana score is 16, reflecting a worse performance than the average (Figure 2.57) in climate change and energy (0.64), biodiversity and habitat (19), fisheries (16), forests (63), agriculture (92), and water resources (0). The EPI classifies scores less than 50 as worse performances and indicates areas for improvement in Guyana.

2.73 **The aggregate gap for finance is negative.** The indicators used are gross savings, stock market turnover, credit to the private sector, and market capitalization. The main indicator that contribute to the negative gap is low gross savings (Figure 2.58). As discussed in growth diagnostic, gross savings in Guyana has been negative indicating a lack of resources available for firms to invest. Furthermore, other institutional-related factors that facilitate financing are contributory factors to the financing constrains observed in Guyana (see growth diagnostic).

![Figure 2.57. Environment](source: Annex 1)

2.74 **Gender disparity exists in Guyana.** The gender inequality index looks at three dimensions; reproductive health, empowerment, and labor market participation (Figure 2.59). The index ranges from 0 to 1, where 0 indicates perfect equality and 1 perfect inequality. The overall index shows that Guyana’s performance is below that of the LAC, 0.52 compared to 0.42. With respect to the reproductive dimension, the maternal mortality ratio (deaths per 100,000 live births) is almost three times higher in Guyana when compared to LAC, 250 versus 85.14. The main education indicator suggests the female population with at least some secondary education (% ages 25 and older) is higher in Guyana compared to LAC, but there is a problem with respect to males. The male population with at least some secondary education (% ages 25 and older) in Guyana is 47.7 compared to 55.2 in LAC. The measure of women empowerment- share of seats in parliament (% held by women)- is relatively higher in Guyana than in LAC, 31.3 percent compared to 27 percent. The gender disparity in labor force participation was examined in previous sections.

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21 Violence against women, which is a major problem in Guyana, is examined in Chapter 3.
2.75 The growth diagnostic and development gap analysis presented an analytical assessment of the key constraints to growth and development in Guyana. Synthesising the analysis suggest that the main development challenge facing Guyana over the medium term relates to balancing macroeconomic sustainability-financial, fiscal and debt sustainability-against the pursuit of long-term sustainable growth. In addition to the macroeconomic constraints, the other important development challenges facing the country revolve around: (I) weak institutions and governance; (II) unfavourable business climate, (III) inadequate human capital, (IV) cross cutting issues–Gender, Climate Change and Indigenous people.

2.76 **Weak institutions and governance:** good governance is a critical aspect of development as it provides the framework and institutions for economic actors to operate. For Guyana, this is especially important given its vulnerability to fluctuations in international commodity prices and the expectation that the economy will become a producer and exporter of crude oil. If stronger institutions and governance are not developed, there is a high probability that the expected oil wealth can result in a ‘curse’ rather than a ‘blessing’. Apart from this, issues relating to the quality of institutions affect a country’s credibility in several ways, and hence influence domestic and foreign business and investment decisions. Several concerns have been identified from our analysis that should be addressed to improve Guyana’s institutional and governance framework, these are: high perception of corruption and favouritism in decision making; a lack of public trust in politicians, police and the justice system; a lack of transparency and accountability as it relates to public finances and the operations of state owned enterprises; the prevalence of data gaps particularly for administrative type data and micro level data which makes evidence-based decision making difficult for both private and public sector organizations. Also, a lack of independence and transparency characterizes the institutions that execute monetary and fiscal policy. Institutional bureaucracy and or outdated administrative systems also hinders the private sector’s ability to access public goods- electricity, starting a business, dealing with construction permits, paying taxes etc.- in a timely manner which increases cost and create incentives for graft and corruption.

2.77 **Unfavourable business climate.** Government policies, regulations, laws, and public services are important elements of the business environment that can either promote or inhibit private sector growth. The private sector is generally considered to be the engine of sustainable growth. If private firms face obstacles that reduce their return on investment or
are unable to effectively identify and mobilize factors of production then sustainable long
term growth can be compromised. With respect to Guyana, our analysis finds that the
business environment very unfavorable. The underlying contributory factors include;
access and cost of electricity; an inadequately educated workforce; taxes, crime and
violence; a narrow export portfolio; inefficiency of domestic markets; access and cost of
financing; an inefficient public sector; limited incentives to encourage entrepreneurship;
low research and development and hence low innovation; poor infrastructure such as
roads, ports and air connectivity; weak protection of property rights (land tenure,
intellectual property rights, and contract enforcement); and lack of coordination between
government and private sector to develop new industries that can aid economic
diversification. These are important constraints that can discourages investment, business
formation, expansion and limits the capacity of firms to be competitive in existing fields and
to diversify to new areas or to innovate.

2.78 **Inadequate human capital.** Human capital, defined in terms of quality and quantity, is an
important element of the production function that is necessary to encourage investment
and achieve sustainable growth. Guyana’s human capital stock is of a low quality and
shortages in skilled labour are a key feature of the labour market. This is reflected in the
country’s relatively low labour productivity. Human capital deficiencies are found in both
education and health indicators. With respect to education, gaps in both quality and
enrolment are found. Gaps in education relate to a relatively low enrolment in tertiary
education, low quality of education at the secondary level, high dropout rate of males from
secondary schools, especially those in rural areas and a lack of training programs to
enhance the skills of the workforce. In the health sector, NCDs such as cardiovascular
diseases, mental and behavioural disorders and diabetes represent Guyana’s highest
disease burden. Strengthening human capital must be linked to its contribution to
productive activity, favouring employment generation in areas with the highest incidence of
poverty and should account for different segments of the population, particularly those in
rural areas and the indigenous population.

2.79 Chapter 3 further analyses the main issues identified under each development pillar. The
approach seeks to identify the root causes of each constraint and propose policy
recommendations in each case.

2.80

**CHAPTER III. Thematic Analysis**

3.A. **Enhancing Sustainable Public Services**

3.A.1. **In an understanding of the challenges facing Guyana’s public sector it should be
    kept in mind that Guyana is a small, resource based (gold) economy with a political
    system influenced by ethnicity.** The size of the country implies that, given indivisible
fixed costs in public services, the public sector is relatively larger, and the pool of human
resources, further reduced by migration of people with tertiary education, that the public
sector can draw upon is limited hence the state is plagued with inadequate skills mix.
Resource based economies imply that economy and the public sector revenues are highly
subject to the vagaries of international price of commodities hence have to deal with
volatility and are subject to the resource curse. Most explanations of why government of
resource-based economies have poor public management fall into: state centred
explanations that contend that resource booms tend to weaken state institutions combined
with societal explanations that resource exports tend to power interest groups that favour
inclusive-growth impeding policies and state’s inability to enforce property rights (see Ross
1999). The second problem is volatility of the public purse and the economy. A problem
that may be accentuated in the future given discoveries of oil reserves where the potential
negative announcement effect may begin prior to actual production. Ethnic/Racial tensions

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are widely held to make governance more difficult as a counterpart of ethnic social cleavage in the political sphere. Such diversity is associated with low production of public goods; high rent distribution and levels of corruption. The individual characteristics and their interaction underlie the challenges of sustainable public services.

3.A.2. **Keeping the above in mind the sections that follow will analyse six individual areas in more detail:** resource dependence, public sector management, fiscal and financial management, public utilities, public financial management and procurement and evidence based decision making.

I. **Managing Resource Dependence**

Overview

3.A.3. **Resource rich economies face unique economic and fiscal challenges.** As revenues fluctuate in line with commodity prices, commodity dependent countries often have pro-cyclical government spending with the possibility of large and persistent downturns (IMF 2016). This volatility can result in destabilizing fiscal policy as well as undermine economic growth. In addition, exchange rate appreciation, rent seeking and fragile institutions have been related to weak growth performance in commodity producers (IMF 2016).

Problems and Causal Factors

3.A.4. **Economic performance of resource rich countries is linked to commodity prices.** Macroeconomic performance of commodity exporters is strongly correlated with the commodity price cycles (April 2012 World Economic Outlook). Commodity price swings determine exports, which translates into volatile economic activity and directly (resource based revenue) and indirectly (through growth-revenue elasticity) fiscal balances. Typically, economic activity and external and fiscal balances deteriorate (improve) during commodity price downswings (upswings). These price fluctuations can have significant impacts on growth and investment, with the principal transmission channel to be through the government budget, (IMF 2012 and IMF 2016).

3.A.5. **Resource dependence makes fiscal management more difficult.** Ideally, countries would smooth expenditures over time based on average revenues. However, commodity price predictions have been shown to be inaccurate as commodity prices are highly volatile and unpredictable (Arezki et al 2013). In addition, prices can move as much as 40-80 percent and remain at similar levels up to 10 years (IMF 2015). As such, fiscal policy becomes a difficult balancing act, trying to avoid overheating the economy in a boom and reduce the fiscal adjustment in a downturn. However, the available evidence suggests that government spending has been more pro-cyclical for commodity producers than for other emerging markets and developing countries (IMF 2015a and IMF 2015b). Constraining expenditure is difficult in developing and emerging markets with unmet social and infrastructure needs. Revenues in an upswing should be directed towards supporting long term economic growth. However, countries with weak political institutions are more prone to inefficient expenditures, including rent-seeking, in the face of commodity windfalls.

3.A.6. **Given the protracted nature of price swings, fiscal adjustment can be unavoidable.** Even with sizable buffers, commodity producers usually need to adjust the budget to swings in commodity prices. The adjustment should be part of a medium-term fiscal framework that mitigates sudden cuts in expenditures or tax increases. However, countries with low fiscal buffers need a large, up-front adjustment when commodity prices fall. Authorities in this situation usually turn to expenditures that are easy to adjust or try to increase existing revenues and fees. However, cuts should concentrate on projects with

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23 This section is based on (IMF 2016a).
24 This part is based on IMF (2016a).
low fiscal multipliers and little relation to social development. Also, measures that affect the business climate such as an increase in fees or distortionary taxes should be avoided.

3.A.7. **Strong governance and institutions are central for commodity producers.** Resource rich countries depend on strong fiscal and general institutions to manage revenues and expenditures over the commodity price cycle. Constraining excesses during booms and managing fiscal adjustments during downturns requires strong fiscal institutions such as fiscal rules. However, several resource rich countries have fragile institutions while resource richness makes them more vulnerable for rent-seeking.

**Recommendations**

3.A.8. **As other resource economies, Guyana needs to be able to manage economic volatility.** Regarding the problem of volatility there are three options: (i) hedging in the futures market\(^2\)\(^5\)\(^6\) (ii) accessing international capital markets; and (iii) creating a stabilisation fund embedded in a fiscal rule framework\(^2\)\(^6\). However, hedging by governments even if outsourced to international agents carries overtly downside risks. The credit approach is a challenge for a country that currently does not access to international capital markets. Leaving aside the institutional capacity to do so, the country needs to satisfy the IMF’s Special Data Dissemination Standards that were created to facilitate access to international capital markets. However, this approach is risky, especially as terms for external financing for commodity producers in turn depend on commodity prices. In addition, as has been mentioned above, low prices can be persistent, which could lead to an important increase in debt-to-GDP without further adjustment. As a result, it is advisable to build fiscal buffers during price upswings to minimize the adjustment during downturns. At the minimum, deficits should be kept low and debt reduced when commodity prices are high. Given the variation in revenues, a longer-term anchor should guide fiscal policy, ideally in context of fiscal rules cum a stabilization saving fund. Several countries have established such heritage or stabilization funds, even though with mixed results.\(^2\)\(^7\)

3.A.9. **However, fiscal rules including stabilisation funds are not a panacea.** Strong institutions are essential for sustainable fiscal policies. Sound fiscal rules, institutional frameworks, and tax policies can further support these goals, along with improvements in public investment management (IMF 2012a and IMF 2015). Strong underlying institutions (particularly transparency and good governance to mitigate the resource curse) are essential for ensuring that countries are able to leverage their natural wealth to achieve higher long-term growth.

II. **Public Sector Management**

3.A.10. **According to IDA, Guyana’s 2015 Public Sector Management and Institutions Cluster Index\(^2\)\(^8\) is 3.10 in the scale of 1 (lowest) to 6 (highest).** Although this is slightly above the average of the IDA countries of 3.06, Guyana's score has remained in the range between 3.00 and 3.10 since 2007 (the first data point), showing no improvement over this period. Since this indicator is calculated based on the analysis of different criteria including quality of the bureaucracy as well as transparency, accountability and corruption in the public sector, the lack of improvement in this indicator can be attributed at least partially to the stagnation in these areas.

\(^2\) Managing Commodity Price Risk in Developing Countries by Stijn Claessens and Rold C. Duncan
\(^5\) See Fasano U.* Review with the experience with oil stabilization and saving funds in selected countries*, IMF WP/00/112
\(^8\) Source: The World Bank’s IDA Resource Allocation Index (IRAI). This index is based on the results of the annual Country Policy and Institutional Assessment (CPIA) exercise that covers the IDA eligible countries. The CPIA rates countries against a set of 16 criteria grouped in four clusters: (a) economic management; (b) structural policies; (c) policies for social inclusion and equity; and (d) public sector management and institutions. See https://knoema.com/GSCPIA2014/ida-resource-allocation-index-irai-2014?tsId=1006700
3.A.11. As to the quality of the bureaucracy, weaknesses are observed on both “front office” and “back office” ends. On the “back office” end, while difficult to quantify, there is a wealth of qualitative information regarding the challenges related to civil service, including the change of personnel after a government change, handling of political activities while in civil service and perceived abundance of misconducts among public servants. It is then not surprising that, on the “front office” side, delivering services to the citizens is generally considered to be ineffective and inefficient, symbolized by the perception that citizens have to “wait in lines for basic services”. At least part of this can be explained by the fact that Guyana has not taken advantage of Information and Communication Technologies (ICTs) to better serve the needs of the citizen as shown in the recently published ICT Development Index, in which Guyana is placed in the position 118 out of 175 countries. The environment for protecting the use of ICTs – cyber security – is also undeveloped.

3.A.12. With regard to transparency, accountability and corruption, the country lags traditionally behind the top countries in the Latin American and Caribbean (LAC) region in international corruption scores. Guyana earned the sixth lowest score of all LAC in Transparency International’s (TI) Corruption Perception Index (CPI) in 2015. According to the Global Competitiveness Index (GCI), the strength of auditing and reporting standards in Guyana is still weak with a score of 3.77 in 2015-2016.

3.A.13. In view of the above, to improve the effectiveness, efficiency and openness of the public sector of Guyana, it is necessary to look into how its government is organized on the back and front ends (civil service and service delivery to citizens), what the issues are that are related to the principles of governance (transparency, accountability and corruption) and how the public resources oversight and accountability works (auditing and control).

Overview

3.A.14. Guyana’s civil service body – the back-office end of the government – takes up about 2% of the population of the country. Its central government public service has workforce of approximately 14,466 employees (including 9,995 permanent staff and 4,471 employed on contract) in the country of approximately 790,000 people. In comparison with other countries where data are available, this is not necessarily a high number.

3.A.15. However, the non-financial public sector wage bill represented approximately 7.2% of GDP in 2016, about one quarter of current expenditures and one third of tax revenues (IMF 2016), which is above Latin America and the Caribbean’s averages. While Guyana’s population size makes the country more comparable to small states (with limited economies of scale), personnel expenditures as a percentage of GDP have grown considerably in the last four years, despite GDP also growing by an average of over 4.2 percent a year during the same period. This is explained by the fact that the wage bill increased 40% in real terms between 2012 and 2016.

3.A.16. The institutional framework for public service management in the central government is complex and is not working as it is designed for. The three main

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29 For example, Lutchman, H. (2016) The Commission of Inquiry into the Public Service of Guyana
32 Lutchman (2016) This number excludes staff in SOEs, statutory bodies and regional governments, which according to different sources comprise over two thirds of non-financial public sector employment. The latest publicly available data put total public sector employment between 40,000 and 61,000 staff. However, these figures are outdated. Source: United Nations (2004) and ILO (2006).
institutions responsible for public service management: (i) the Public Service Commission and other specialized commissions for teachers, police officers and the judiciary; (ii) the Department of the Public Service (within the Ministry of the Presidency), and (iii) the Establishment Division of the Ministry of Finance have overlapping activities and do not necessarily coordinate well.\textsuperscript{34}

3.A.17. As to the front-office end of the government, there is a rampant perception that basic service delivery is failing in Guyana as mentioned above. Generally service delivery failures occur due to one or combination of the following factors: (i) arbitrary processes that make access difficult; (ii) a lack of citizen information about what services are available, how well they are being provided and how to access them; and (iii) a lack of government information about the services citizens need and how well government employees are providing them. The digital revolution has yielded numerous important and relatively inexpensive solutions for these problems. \textbf{Guyana is lagging significantly in taking advantage of digital solutions.}

3.A.18. As to institutional aspects, e-Government initiatives were traditionally managed out of the e-Government Unit in the Office of the President. With the creation of the Ministry of Public Telecommunications in 2015, e-Government responsibilities were transferred to the e-Government Agency under this Ministry. The Agency is undertaking a series of initiatives mainly focused on internet access at communities and schools but lacks a comprehensive strategy to bring ICTs to the public sector to serve the citizens in a transparent and efficient way. The lack of an e-government plan is reflected in the low position occupied by Guyana in the e-Government Survey published by United Nations. The country is in the position 126 out of 193 with a score of 0.3651 out of 1, well below the region and sub-region's average.

3.A.19. To protect the use of ICT in the public sector, cybersecurity is important. In Guyana this is also the responsibility of the e-Government Agency. There is no specialized institution in leading the security of the cyberspace in Guyana. The head of the Computer Incident Response Team (CIRT)\textsuperscript{35} is in charge of coordinating all cybersecurity activities in the country. The CIRT was created in 2013 within the Ministry of Public Security and transferred in 2016 to the Ministry of Public Telecommunications. According to the 2016 Cybersecurity Report\textsuperscript{36} Guyana lacks a national cybersecurity strategy and substantive cybercrime law. The report which analyses the cybersecurity policy based on 49 indicators shows a low level of maturity in key areas such as citizen awareness, protection of critical infrastructure and formal education in the topic.

3.A.20. With regard to corruption, Guyana’s Corruption Perception Index (CPI) is the lowest (i.e. high level of corruption) among the Caribbean countries. According to the World Bank’s Governance Indicators (2015)\textsuperscript{37} the country also scores poorly in its corruption indicators, and its performance has systematically declined since 1996. Both indicators yield significant lessons for the country, namely that corruption at a governmental, procurement and contracting levels might be high in comparison with other types of corruption, such as petty bribery. This true for both TI's indicator, in which corruption victimization is low (i.e there is less common or petty corruption in comparison with other types, such as political corruption), but also in the World Bank’s indicator, since it includes perceptions on the capture of the state by elites and the rent-seeking power of vested interests.

\textsuperscript{34} Lutchman. Chapter 7.
\textsuperscript{35} http://cirt.gy/
\textsuperscript{36} https://publications.iadb.org/handle/11319/7449
3.A.21. The World Economic Forum (2015)\textsuperscript{38} also points out to an inefficient government bureaucracy and corruption as Guyana’s two biggest issues when it comes to doing business. Both problems run in parallel, but also present numerous and complex intersections and combined effects. In fact, by regressing the Government effectiveness against the CPI a strong correlation is observed between corruption, and government inefficiency and ineffectiveness in Latin America (Figure 3.A.1). Already in 2010, financial management and public procurement were identified by TI as two of Guyana’s biggest problems in terms of corruption in a specific and in-depth report on the country.

Figure 3.A.1: Government effectiveness and Corruption Perception Index (2014)

\begin{figure}
\centering
\includegraphics[width=\textwidth]{Figure_3.A.1.png}
\caption{Government effectiveness and Corruption Perception Index (2014)}
\end{figure}

Source: IDB, based on World Bank and World Economic Forum

3.A.22. Lack of transparency manifests itself in critical area of the Guyanese economy, including the Extractives Sector. For citizens to operate profitably and produce concrete benefits for communities, countries must put in place effective fiscal frameworks that can facilitate the collection of taxes and royalties, as well as mechanisms for oversight and transparency that revenues are wisely invested in projects that provide long term value to citizens and the environment (Vieyra and Masson, 2014). Guyana is still at an incipient stage in this task. Money laundering is also a significant problem related to this theme. While country-level data on money laundering is generally scarce, over the past few years a few indicators have emerged that offer a glimpse of a country’s vulnerability to this phenomenon.\textsuperscript{39} The organization Global Financial Integrity (GFI) produces estimates of illicit financial flows (IFFs), based mostly on trade mis-invoicing. According to GFI, Guyana had the second highest rate of IFFs to GDP (11.2\%) in South America, behind only Paraguay, in the 2004-2013 period.\textsuperscript{40} The government of Guyana has started taking steps to cope with this situation about money laundering. In October 2014 Guyana formally committed to work with the FATF and CFATF to address its AML/CFT deficiencies. Since then it has taken significant steps to addressed weaknesses identified by the FATF,\textsuperscript{41} including by enacting and amending relevant legislation.

3.A.23. Under the circumstances described above, public resource oversight and accountability - auditing and reporting - play a particularly important role in improving public sector management in the dimension of governance. Since 2004, the Auditor Office of Guyana (AOG) has continually made efforts to strengthen its

\textsuperscript{38} Global Competitiveness Index, World Economic Forum (2015)

\textsuperscript{39} It is important to underscore that the methodology of these indicators is not universally accepted by all experts.

\textsuperscript{40} http://www.gfintegrity.org/issues/data-by-country/

\textsuperscript{41} The CFATF specifically recommended that Guyana took measures (i) adequately criminalising money laundering and terrorist financing; (ii) establishing and implementing adequate procedures for the confiscation of assets related to money laundering; (iii) establishing and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets; (iv) establishing a fully operational and effectively functioning financial intelligence unit; (v) establishing effective measures for customer due diligence and enhancing financial transparency; (vi) strengthening suspicious transaction reporting requirements; and (vii) implementing an adequate supervisory framework.
institutional capacities. This has proved to have contributed to strengthening the AGO's capacity through modernizing its organization and defining new procedures, administrative practices - including those related to human resource management - and technical standards; implementing its first 3-year strategic development plan, which contributed to amplify technical capacities for performing Value for Money and Forensic Audits, carrying more effective Quality Assurance, and using data to conduct risk-based pilot audits; and improving its connectivity with its sub-offices in the regions.\textsuperscript{42}

3.A.24. Despite the progress achieved so far, by international comparison Guyana still shows weaknesses in the area of auditing and reporting, presenting the needs for further improvement. According to the Global Competitiveness Index (GCI), the strength of auditing and reporting standards in Guyana is still weak with a score of 3.77 in 2015-2016.\textsuperscript{43}

3.A.25. Internal control is still incipient in Guyana. It lacks a solid institutional structure as well as clear mandates and functions. The PEFA assessments and a Bank’s study on Managing for Development Results found internal control to be the weakest area.\textsuperscript{44} This could be explained by the poor performance of the “financial management, auditing and procurement (FMAP)” pillar of IDB’s Managing for Development Results (MfDR) Index, in which Guyana scored 1.0 in 2010.

Problems and causal factors

3.A.26. From a civil service perspective three main challenges prevent Guyana from offering better and sustainable public services to its citizens: (i) the fiscal sustainability of the wage bill; (ii) a perceived weak capacity of public servants, in particular at the senior level; and (iii) these challenges are affected, in turn, by the transversal issue of lack of updated and reliable data on public employment and pay.

3.A.27. Although no recent employment data is available, the non-financial public sector wage bill’s significant expansion would have been driven mainly by pay increases (IMF 2016). This contrasts with a finding by a recent study which claimed that wages and salaries in the Public Service were well below acceptable levels (Lutchman 2016), which points to the lack of data to assess the situation. Another factor that could be increasing the wage bill is the re-hiring of senior retired public servants on lucrative terms (Lutchman 2016).

3.A.28. The Public Service lacks leadership and management capabilities to achieve the results regarding the strategic objectives and goals that are set for every Ministry/Department/Region (Lutchman, 2016). This has to do with Guyana’s unstable and politicized management of government agencies, which contributes to the reduction of quality and efficient public services. In the context of small states with a tradition of career progress based on seniority as opposed to performance, accountability and crucial skills such as planning, monitoring and delivery (“making things happen”) tend to present important opportunities for improvement, both through training of existing and future managers within the service, and through incorporating talent from the private sector to the public sector, which applies to the Guyana case.

\textsuperscript{42} The Bank has supported significantly to these efforts and results through non/reimbursable technical cooperation: (i) “Institutional Strengthening of the Office of the Auditor General” (ATN/SF-8184-GY approved in 2002); (ii) “Support for the Implementation of the Strategic Plan of the Audit Office” (ATN/SF-10200-GY, approved in 2006); and (iii) “Institutional Strengthening of the Audit Office of Guyana Phase 3” (ATN/OC-12979-GY approved in 2011).

\textsuperscript{43} WGI scale: from 1 to 7, 7 = very strong.

\textsuperscript{44} IDB’s Fiduciary Technical Note for Guyana (2013); and “Managing for Development Result. Progress and Challenges in Latin America and the Caribbean” by Roberto García López and Mauricio García Moreno. IDB, 2011.
3.A.29. Although there are potentials for simplifying service delivery to citizens by adopting ICT solutions, Guyana is slow in this process as shown in the Doing Business Report.\(^\text{45}\) The main causal factors for the lack of progress in modernizing the public sector using information and communication technologies are: (i) lack of an e-government plan that reflects the vision of the government and attends the demands of the citizens; (ii) weak institutional framework to lead the e-government efforts; and (iii) outdated ICT legal environment; (iv) limited availability of financial resources to invest in e-government initiatives.

3.A.30. The lack of preparedness to protect the cyberspace as a way to promote the use to ICT solutions has four main causal factors: (i) almost absent institutional architecture and capacity which is limited to a CSIRT in transition; (ii) outdated legal cybersecurity framework; (iii) lack of involvement of all relevant stakeholders; and (iv) limited availability of expertise in cybersecurity in the country.

3.A.31. According to several diagnostics\(^\text{46}\), generalized lack of transparency and reliable information is one of the main reasons behind public sector efficiency breaches in Guyana. Main challenges for Guyana in this area include: (i) lack of institutional/legal/technical framework for open and transparent information management at the government-as-a-whole level, including data gathering, analysis and use for decision-making; (ii) inadequacy of the institutional framework in the mining and extractive sector; and (iii) weaknesses in the anti-money laundering and counter terrorism financing (AML/CFT).

3.A.32. The lack of transparency generates perverse incentives in the relationship between citizens and the government, as associated with a perception of favoritism in decisions made by its government officials (usually perceived as favoring well-connected firms and individuals). Furthermore, the perception about irregular payments and bribes in the country is negative, along with the occurrence of the diversion of public funds. This also holds for property rights, protection of minority investors and judicial independence.

3.A.33. Weak institutional capacity to audit and monitor production in extractive sector is an important factor that contribute to the lack of transparency in this sector. A significant chunk of revenues from precious metals remains untaxed due to chronic underreporting, which was acknowledged by the Guyanese government in 2015. These weaknesses include low capacity to inspection and monitor procedures, inefficient license registries, outdated ICT systems, lack of a database of extractives operators, and opacity of the mining cadaster, which is not publicly available.\(^\text{47}\) Whilst there are no concrete numbers, these weaknesses could result in a significant share of revenue of the extractive industries leaving the country undetected and untaxed.

3.A.34. Effectiveness of AML/CFT frameworks and technical compliance are yet to be developed. To date there have been no convictions under anti-money laundering statutes in Guyana, which suggests that proving effectiveness may be a challenge. Similarly to other countries in the Caribbean region, Guyana is also vulnerable to de-risking and loss of correspondent banking relations, because of the small size of the economy and the relatively high level of (real and perceived) AML risk.

\(^\text{45}\) [http://www.doingbusiness.org/data/exploreeconomies/guyana](http://www.doingbusiness.org/data/exploreeconomies/guyana)

\(^\text{46}\) For example, Cuesta J., Garcia Moreno, M, Kaufmann J., Pallavicini V. and Sangines M. *Building Effective Governments, Executive Summaries of the Caribbean Country Studies, Guyana*, Inter-American Development Bank.

3.A.35. Despite the strong need for improving its governance, Guyana still shows some weaknesses in the area of government audit. The significance of audit lies in not merely finding weaknesses in an accounting formality but rather in a more fundamental analysis of the government’s capacity to be accountable for the distribution of the citizens’ resources. The challenges in the area of external audit are that AOG: (i) is currently not fully able to fulfill its mandate of complete annual audit of all public institutions, leaving some unaudited; (ii) needs to deepen its capacity to adopt Risk-Based Audit for a better and more efficient use of resources; (iii) has to continue widening its Information Technology capacities and providing further training to auditors; and (iv) needs to develop its incipient efforts on value-for-money audits to provide guidance and orientation for public officials towards better management.

3.A.36. As to internal control, most ministries and state entities lack internal auditing units, despite the fact that the Fiscal Responsibility and Management Act require all entities to create this function. Only the Education, Agriculture and Public Works ministries and the Fiscal Administration of Guyana have internal auditing units. There has not been a solid effort of designing and implementing a coherent model of internal control. As such, the challenge at large is to build up consistent and valuable internal control capacities well anchored within Guyana’s public administration.

Recommendations
3.A.37. Carry out a comprehensive assessment of public sector employment and pay, focused on the central government and government bodies within the non-financial public sector, in consideration of the lack of a current and detailed assessment on public sector management, in particular on public employment and pay, which prevents the identification and implementation of adequate efficiency and capacity building measures. It is necessary to capture a “big picture” of the public sector employment, such as an analyses of the size of the public service relative to the value of the services delivered as well as a study on the wages including public-private pay differentials. These studies, undertaken recently in Belize, Jamaica and Central America, among other countries, collect, analyze and present crucial information which can better inform decision making. Some of the actions triggered in other countries after these studies include: freeze the administrative positions in the education and health sectors and use that fiscal space to create pre-school or high school teachers to increase coverage; avoid pay increases for occupations with significant pay premiums compared to the private sector and target increases for pay of highly skilled occupations such as IT staff; carry out functional reviews to determine optimal size and structure of public institutions; design and implement an early retirement program/voluntary separation program targeting individuals in least-productive positions. As seen in these example in other countries, after completing these studies Guyana could be in a better position to strengthen its workforce planning and pay setting mechanisms to achieve better service delivery, among other efficiency and effectiveness measures which could be designed and implemented to address Guyana’s specific challenges.

49 Integrated Fiduciary Assessment (IFA) 2013
50 According to preliminary findings of an on-going IDB study, Guyana over the last 8 years, by end-2015 had only produce one value-for-money audit report:
51 See footnote 15 for source.
53 For more information see: Lafuente, M. and V. Dumas (2016). The report assesses administrative staff to health professionals or teachers, comparison to private sector pay per segment, compression ratios, and other HRM and pay data based on payroll information at the individual level for the period 2007-2013.
3.A.38. **Carry out a needs assessment on management and leadership skills at the senior management level, and design and implement a program** to: (i) enhance skills of current and future senior civil servants, either through a school of government and partnerships with local and international universities and institutions; and (ii) incorporate talent from the private sector for key positions through a competitive and transparent selection process. Countries like Peru and Brazil have introduced or are improving the School of Public Administration by entering into contracts with universities and targeting managers as a priority segment. Regarding the second point, over 75% of OECD countries including the United Kingdom, Australia and New Zealand, and countries like Peru and Chile in LAC, have managed separately their public managers' cadre. While they allow for recruitment outside of the public sector, strong transparency mechanisms are in place to limit the politicization of these appointments.

3.A.39. **To promote the concept of using ICTs as a tool for better serving the citizens, conduct an assessment on the use of ICTs for improving transparency and efficiency in the public sector.** The assessment would include an analysis of the availability of government services online, the cost for citizens and companies to conduct business with the government and the potential impact of investing in an e-government project both for the citizens and government. Based on this study, an informed discussion can be maintained about the importance of designing and implementing an e-government strategy to improve transparency and efficiency in the public sector.

3.A.40. **In combination of the above, based on the findings of the 2016 Cybersecurity Report, undertake an in-depth diagnosis of the cybersecurity environment in Guyana with special focus on the five pillars of a cybersecurity strategy:** (i) policy and strategy; (ii) culture and society; (iii) education; (iv) legal framework; and (v) technologies. This diagnosis could be the foundation for the design of a cybersecurity strategy, the definition of a cybersecurity institutional architecture and the identification of the main areas of the legal environment to upgrade.

3.A.41. **Enhance transparency at all levels of government while seeking ways to integrate the use of ICTs in this agenda.** The public sector’s ability to make information available both internally and to the public is the first step in strengthening its level of accountability and thus prevents corruption and the misuse of funds. In order to improve transparency, Guyana has to address general information management needs, including data gathering, analysis and use for decision-making without leaving technology behind as described above. Through transparency, Guyana can enhance fact-based decision-making by government entities, which could help support strengthening monitoring and evaluation capacity.

3.A.42. **Revamp governance in the extractive sector.** While improvements in the extractive sector must be couched within a public sector management reform package focusing on procurement, taxes and cross-sector transparency needs, the country can benefit from implementing an agenda aimed at improving governance in the extractive industries. Specific recommendations include (i) review existing regulatory frameworks and its institutional engineering with a view of streamlining decision making processes and bureaucratic procedures in the extractive sector and establishing adequate public disclosure requirements on extractive operators; (ii) develop new legislation and create mechanisms to better manage and control the sector, such as concession law and a sovereign wealth fund; (iii) implement international transparency standards in the sector, such as the EITI, which in turn will help improve communication and coordination among different stakeholders; and (iv) design and implementation of information management tools such as data searching, analytic tools and applications and conduct sound training for public officials on the application of information management tools in the sector.
3.A.43. **Improve the AML/CFT framework.** Continue strengthening the AML/CFT framework and staying ahead of the evolving AML compliance landscape will be essential for Guyana. Based on a money laundering national risk assessment (NRA), a national action plan to address institutional, legal and regulatory deficiencies could be prepared to ensure technical compliance and effectiveness of the AML.

3.A.44. **Strengthen of the Audit Office of Guyana so that the AOG will fully work in accordance with international standards.**

3.A.45. **Regarding internal control system, strengthen this area within a wider public management modernization approach,** stressing the need of a solid, coherent, and properly enforced internal control system for preventing corruption practices and waste of resources, as well as for improving efficient use of public resources. Any intervention should consider providing technical assistance for: (i) improved strategy for internal control by budget execution units, perhaps starting with cross-cutting processes such as pay-roll and procurement; (ii) updated manuals and guidelines (‘how to’ procedural desk-file manuals); (iii) training on these; and (iv) regarding internal audit, develop a modern-style internal audit system that monitors whether internal control systems are functioning properly.

### III. Fiscal and Financial Management

3.A.46. **Guyana faces the challenge of providing infrastructure and public services in a sustainable manner.** Average central government revenues and grants over the last four years were 24.3 percent of GDP, which is in line with regional averages. However, average expenditures were 29 percent of GDP, leading to consistent primary and overall deficits. Debt-to-GDP over the last four years declined in spite of the deficits due to one-off factors but is projected to increase in the absence of corrective measures. As a result, fiscal consolidation would be necessary to safeguard debt sustainability and preserve fiscal and external buffers while maintaining growth momentum.

3.A.47. **Guyana’s debt sustainability depends on access to concessional financing (see Chapter 2).** As a former low income country and beneficiary of debt relief under the Heavily Indebted Poor Country Initiative, most of Guyana’s debt stock is on concessional terms. In addition, the country is able to access concessional financing from multilateral and bilateral creditors, including the World Bank and the IDB. As a result, Guyana’s debt burden is lower than its nominal value suggests. Debt sustainability depends on future access to such below-market-interest rate financing and non-concessional financing should be avoided. However, reclassification as a middle-income country by the World Bank and the prospects of becoming an oil producer within a decade should encourage authorities to take the necessary steps to graduate to market access. Access to concessional financing resources will continue to decline over the medium term.

3.A.48. **The government intends to continue an expansive fiscal policy through investments for environmentally sustainable and socially inclusive growth.** As a result, deficits are projected at 5 percent of GDP over the next five years, which will increase debt-to-GDP from currently just below 50 percent to around 60 percent by 2021. At the same time, the Net Present Value of Guyana’s debt is projected to increase from 33.4 percent to 44.7 percent of GDP (Figure 3.A.2).
3.A.49. **Most revenues in Guyana stem from indirect and direct taxes, with commodity related revenues and royalties low and declining.** As of 2015, 59 percent of total taxes were through indirect taxation (of which 85 percent consumption taxes, 15 percent import duties). Corporate income taxes contribute 21 percent to total taxes, while personal income taxes contribute 14 percent, 80 percent of which from formally employed (see also Figure 3.A.3).

3.A.50. **Government expenditure has hovered around 30 percent of GDP over the last few years.** At 9 percent of GDP, equivalent to over one fourth of total government spending, capital expenditure have been high in comparative perspective. Other important spending categories include wages and salaries and transfers, both around 6 to 7 percent of GDP. Overall government spending is projected to increase over the next few years, with wages and salaries and transfers experiencing the largest increases while capital expenditures should stabilize at 8.6 percent of GDP.

3.A.51. **The expansionary fiscal stance will need to be reversed in the medium term.** In spite of potential beneficial short-term effects from the expansionary fiscal policy, the policy stance will bring new challenges. While sustained deficits will lead to an increase in debt over the medium-term, it is expected that they will be financed mostly in concessional terms, using concessional external funding, grants and domestic borrowing, which will moderate the negative effect on debt sustainability. For domestic borrowing, the authorities envisage the expansion of the domestic capital market with longer-term bonds issuance. However, such borrowing could crowd out private sector credit. In addition, fiscal buffers, which should have been saved for the event of adverse external shocks, will be lower.
Finally, fiscal expansion creates the risk of increasing expenditures that are difficult to reverse.

**Problems and Causal Factors**

3.A.52. **Expenditures in Guyana are high relative to revenues.** Average spending between 2012 and 2015 at 29 percent of GDP was almost 5 percent of GDP higher than average revenues. Because of debt relief and special treatment under the Petrocaribe agreement, debt-to-GDP decreased over the same time period. However, the authorities foresee continued fiscal expansion to modernize and stimulate the economy, which will result in an increase of the debt-to-GDP ratio in the near to medium term.

3.A.53. **An increase in debt from low levels can stimulate the economy, increase the productive capacity of the country and accelerate economic growth.** Empirical studies show that at low levels, an increase in debt can increase economic growth. However, the effect fades and eventually turns negative as debt increases. For the Caribbean, Greenidge et al. (2012) found that increases in debt from levels below 60 percent of GDP increase economic growth while increased in debt above 60 percent of GDP have a negative effect on economic growth.

3.A.54. **With a projected increase in debt-to-GDP, the composition of expenditures becomes central.** Capital expenditures and expenditures for investments in human capital protection and accumulation could compensate the adverse effect on debt with an improved productive capacity, increasing the potential trend growth rate and the ability of the country to repay debt. Conversely, expenditure for consumption would lead to increases in debt without the beneficial effect on economic growth. The remainder of this subsection explores in details the different dimensions affecting fiscal management. After discussing revenues and expenditures, the final part discussed general issues in public financial management and public procurement before ending with recommendations.

**Revenue Collection**

3.A.55. **Tax revenues are in line with other countries in the region.** Guyana’s tax revenues as a percentage of GDP have remained relatively constant in the range of 20 to 21.7 percent for several years and are projected to remain broadly stable as a share of GDP in the years beyond 2016.\(^{54}\) Revenues comprise indirect taxes, direct taxes and other revenues. In terms of revenues, indirect taxes are the main contributor at 12.5 percent of GDP in 2015, followed by taxes from the internal revenue department (mostly Corporate Income Tax and Personal Income Taxes) at 8.6 percent of GDP and other revenues at 2.9 percent of GDP, which includes transfers from state owned enterprises (Table 3.A.1). Besides the VAT, excise taxes are the second largest revenue contributor. Guyana is considering implementing several tax policy measures aligning to good tax policy practices that could lower revenues, notably exemptions from excise taxes for newer vehicles, a 10 percent increase in the threshold for non-taxable income, and a decline in fuel excise taxes amounting to a 10 percent reduction in gasoline prices. The revenue decline is expected to be partially offset by a planned removal of some discretionary tax exemptions. The government also intends to introduce measures to improve tax efficiency, enforcement and compliance in order to boost revenue.

3.A.56. **Tax policy includes distortions through high tax rates combined with a multitude of exemptions.** The main weaknesses in the Guyanese tax system include an inordinate amount of exemptions, high effective tax rates for some tax payers all of which results in low efficiency, distortions and lack of equity. Corporate exemptions have resulted from both offsetting the negative effects from excessively high tax rates as well as from discretionary powers of ministers. In 2014, these tax waivers amounted to $43 billion.

\(^{54}\) These levels of tax revenues are in line with the LAC average of 21.7 percent. For a full comparison, see OECD/ECLAC/IDB (2016), Revenue Statistics in Latin America and the Caribbean 2016, OECD Publishing, Paris.
(equivalent to 6.6 percent of GDP or 27 percent of total tax revenues). Exemptions for companies exist for custom duties, VAT and excise taxes in addition to tax holidays, miscellaneous waivers and concessions and investment allowances. The personal income tax (PIT) is taxable at the source for formally employed or based on self-assessment for self-employed.\textsuperscript{55} The PIT is a single 30 percent flat rate but is slightly progressive because of a threshold under which the rate is zero. However, combining the PIT with the National Insurance Contribution implies a high tax burden, especially for middle income earners, which are taxed up to 34 percent of gross income and a marginal tax rate of 44 percent.\textsuperscript{56} The high average and marginal tax rates are not only a disincentive for formal employment but, combined with weak tax administration, explain high tax evasion, especially by self-employed.\textsuperscript{57}

Table 3. A.1: Revenue Composition, G$ million and percent GDP, 2015

<table>
<thead>
<tr>
<th>Source: Central Bank of Guyana Annual Report 2015</th>
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<tbody>
<tr>
<td>Internal Revenue Department</td>
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<td>CIT</td>
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<td>Withdrawal tax</td>
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<td>PIT</td>
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<td>Property</td>
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<td>Custom and Trade</td>
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<td>Excise</td>
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<td>VAT</td>
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<td>Import duties and miscellaneous</td>
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<tr>
<td>Environment</td>
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<tr>
<td>Export duties</td>
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<tr>
<td>Other revenues</td>
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<tr>
<td>Special transfers from statutory &amp; non statutory agencies</td>
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<tr>
<td>Dividends received from Non Financial Public Enterprises</td>
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<tr>
<td>Miscellaneous revenue</td>
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<tr>
<td>Fees, fines &amp; charges</td>
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<tr>
<td>Bank of Guyana Surplus and rents</td>
</tr>
<tr>
<td>Total revenues</td>
</tr>
</tbody>
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3.A.57. **High numbers of zero rated goods distort the VAT.** VAT is levied at 16 percent and 0 percent. Guyana has a high number of VAT zero rated goods (155) in addition to exemption for exports and government purchases. Ideally, only exports and export-related services are zero rated even though many countries exclude (or have a lower rates) for selected goods. However, the number is Guyana is high in international comparison. The high number of exemption not only reduces tax revenues but, combined with weak tax administration, also contributes to tax evasion and even theft.\textsuperscript{58} Losses from exemption and tax evasion are high, for instance in 2011, Guyana had a gross compliance rate (defined as VAT collected/potential VAT) of 31.1 percent, below comparable countries such as Barbados (65.1 percent) and Jamaica (43.2 percent).

3.A.58. **Taxes are highly concentrated.** Excise taxes on oil products, tobacco products, alcoholic beverages and motor vehicles contribute almost 20 percent of revenues. Similarly, the share of taxes paid by the main taxpayers of all tax types is very concentrated. For example, in 2011, the top 20 percent of tax taxpayers provided 95.5 percent, 90 percent and 73.3 percent of all CIT, domestic VAT and PIT. In addition, the number of tax payers has not increased in line with what would be expected given the

\textsuperscript{55} PIT is also charged on dividends on foreign companies, interests and discounts, rents, royalties, etc.

\textsuperscript{56} NIS contribution are levied at 13 percent on incomes below the middle-income group (G$600,000), 14 percent on middle-income (G$1.8 million in 2014) and zero for incomes above. As a result, the marginal tax rate is 13 percent for persons below the threshold, 44 percent for middle-income earners and 30 percent for high income earners.

\textsuperscript{57} For instance, the tax reform committee report highlights that self-employed professionals such as doctors, accountants and lawyers report incomes well below what is expected.

\textsuperscript{58} Theft happens when a merchant charges VAT but does not pay it to the tax authority.
economic growth that Guyana has experienced over the last years. Part of the weaknesses in tax policy is structural as the significant share of the agricultural sector comprises a high number of small farmers, which are difficult to tax. Similarly, small operatives with varying revenues and incomes in the service sector do not lend itself to easy taxation.

3.A.59. **A distorted and complicated tax system is worsened by weak tax administration.** Efficient tax administration is hampered by relative low capacity of the Guyana Revenue Administration with insufficient skilled and trained staff, weak information technology and insufficient use of information technology to capture common and relevant information and low level of professionalism, opening the GRA to political pressures and bribery.

Figure 3.A.4: Non-Financial Public Sector Revenues and Grants Composition, 2012-2021, as a share of GDP and as a share of total

Source: IMF 2016 Article IV

**Government Expenditures**

3.A.60. **Expenditures as a share of GDP have averaged around 30 percent over the last few years.** While the delay in the Budget led to lower expenditure in 2015, the authorities foresee an increase in capital expenditure, transfers and wages and salaries over the next few years. As mentioned in chapter 2, public sector investments in Guyana are high in international experience, representing just below 10 percent of GDP or between 20-30 percent of total expenditures. Wages and salaries as well as transfers have varied around 50 percent of total expenditures, equivalent to 12-17 percent of GDP. The reminder consists of other goods and services and interest payments. The latter are scheduled to increase even though they remain low at around 1 percent of GDP, reflecting the concessional nature of Guyana’s debt.

Figure 3.A.5: Non-Financial Public Sector Expenditure Composition, 2012-2021 as a share of GDP and as a share of total

Source: IMF 2016 Article IV

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59 See chapter 2 of Guyana’s Review of Tax system for details on concentration.
60 See discussion in Guyana, 2016 National Tax Reform Committee Final Report.
3.A.61. **The increase in capital expenditure as well as transfers are a reflection of the investment strategy with the aim of environmentally sustainable and socially inclusive growth.** The authorities intend to improve transportation and telecommunication infrastructure and renewable energy projects aim to boost productivity, integrate remote regions, facilitate economic diversification, and ease key impediments to growth. Excluding 2015, which had exceptionally low expenditures, the investment program is projected to lead to average capital expenditure of 8.6 percent of GDP between 2016 and 2021, which is slightly lower than the average 9.2 percent of GDP from 2012-2014. However, the medium term fiscal framework also foresees an increase in transfers (from 6.8 percent in 2012-2014 to 8.1 percent of GDP in 2016-2021) and wages and salaries (from 6.3 percent to 7.3 percent).\(^{61}\) To expedite project approval and execution, the authorities have streamlined the procurement process by updating the threshold values on projects that can be approved by individual agencies.

**State Owned Enterprises**

3.A.62. **Transfers to State Owned Enterprises comprise a constant fiscal burden.** Although, there have been advances in increasing transparency of the sector operations and the oversight of aggregate fiscal risks from SOEs, the Ministry of Finance still lacks the information and data necessary to prepare consolidated reports on the fiscal risks posed by the sector.\(^{62}\) In addition, the information deficits also hinder adequate planning and strategic alignment of SOEs with the economic policies of the government. During the 1990s, Guyana underwent a significant privatization process. The authorities divested many of its holdings in the banking, telecommunications, agriculture, and manufacturing sectors. Since then the pace of privatization has slowed. Since 2003, the government has privatized only two entities: National Bank for Industry and Commerce, which now does business as Republic Bank; and National Edible Oil Company, acquired by a biofuels company. Furthermore, the state reduced its participation in two of Guyana's leading bauxite mining companies, the Aroaima Mining Company and Linmine Bauxite.

3.A.63. **The largest 11 SOEs\(^{63}\) in the country provide essential services like electricity, post office and water, and employ around 40 percent of the public sector workforce.**\(^{64}\) Even though the majority of SOEs do not receive subsidies, the fiscal risks posed by the Guyana Sugar Corporation (GUYSUCO) are of great concern for the government. The company has been losing money for years and its deficit is now estimated at $500m, despite heavy subsidies. Transfers to GUYUSCO were equivalent to 1.8 percent of GDP in 2015 and are budgeted at about 1.3 percent of GDP for 2016.

3.A.64. **Guyana follows a decentralized model for managing its public enterprises, where the line ministries are the de facto owners.** Nevertheless, the National Industrial and Commercial Investments Limited (NICIL), a private limited company acts as subscriber and manager of the government's shares, stocks, and debentures of any company, cooperative societies, or other corporate body. It also manages government-owned real estate properties, including their acquisition, disposal, or rental. Managing the government's shareholdings and minimizing conflict of interests is NICIL's main function.

\(^{61}\) According to the authorities, the increase is caused by a redefinition of expenditures rather than an actual increase in salaries and wages.

\(^{62}\) See section PI-9 in 2013 Integrated Fiduciary Assessment.

\(^{63}\) The GoG is currently assessing the number of SOEs or public entities comprising the sector. There are several institutions that have not been accounted for that provide services, charge fees and essentially are considered for profit entities. If those entities are included, the sector could potentially be comprised of more than 200 entities, which would make Guyana one of the countries with the highest SOE per capita ratio in the region.

\(^{64}\) The most important SOEs in Guyana are the Guyana Sugar Corporation (GUYSUCO), Guyana Gold Board, Guyana Oil Company Limited, Guyana Power and Light Inc., National Communications Network, the Guyana National Printers, and Georgetown's new Marriott Hotel.
3.A.65. **The main problems attributable to SOEs in Guyana could be summarized in the following aspects**:

i. **Operational Efficiency**: a) Investment decisions in many public enterprises are not based on proper evaluation of economic and financial conditions, cost-benefit analysis and technical feasibility. In the absence of definite targets of production, effective production planning and control, and lack of proper assessment of future needs, entities do not make full use of their assets; b) many public enterprises have aged or obsolete machinery, which contribute to high downtime, low quality and inability to compete in local and domestic markets. One example is the Guyana Sugar Corporation whose cost of production is higher than the price of sugar.

ii. **Governance**: a) corporate governance is not well developed and implemented; b) political interventions occur in the management of SOEs, since their members are filled through political appointments directed by the Office of the President. Also, the Boards of Directors are not clear about their mandate; c) there is no defined ownership policy; d) various SOEs are dependent on one another for various aspects of their operations. Despite such interdependence, effective coordination in the areas of personnel, finance, materials management and research has not been achieved. There are no guidelines about the cross-cutting policies needed to exercise the ownership in a homogenous way. Managerial failure sometimes follows from SOEs not adopting sound policies on investment, pricing, financing and projects.

iii. **Management**: a) existence of multiple principals with conflicting goals; b) lack of leadership and governance; c) lack of adequately trained personnel, which makes the administration of public enterprises challenging.

3.A.66. Some of these problems can be illustrated by sugar SOE, GUYSUCO. Sugar remains a vulnerable sector. In 2015, sugar sector marginally grew by 1.7 percent despite higher production. While yields have improved the milling inefficiencies drive up cost of production to non-competitive levels. The average cost per pound of raw sugar in Guyana is US$.45 while the price per pound of sugar on the world market is US$.11 and out-year forecasts indicate continued low world prices. Sugar has been in secular decline since 1999 due to a combination of factors: erosion of EU trade preferences, high costs, mismanagement in the public sector owned Sugar Corporation (GUYSUCO), labour unrest, and bad weather. However, the sector is socially important, as approximately 16,000 persons are directly employed in sugar production and processing. Despite being an annual recipient of substantial fiscal transfers (US$19-24 million over 2008-2014), GUSYUSCO has not regained solvency. In 2016, US$58 million has been budgeted to cover operational costs and short-term debt obligations. Due to a prolonged El Nino related drought, the first harvest of the 2016 was 30,000 tons below target or 29 percent below last’s year first target, meaning that overall production for the year will be probably lower than the total for 2015.

**Recommendations**

3.A.67. **The expansionary fiscal stance should be embedded in a medium term macroeconomic and fiscal framework.** In the absence of a sustainable, medium-term fiscal framework, the expansionary fiscal policy will bring new challenges. Higher levels of debt, interest payments and expenditures that are difficult to reverse would require a stronger adjustment in later years, highlighting the benefits of an early fiscal consolidation.

3.A.68. **Fiscal consolidation should focus on the expenditure side.** Moderating the growth of current expenditures, in particular transfers to public enterprises, would preserve space for public investment while protecting social spending. In terms of revenues, improvements

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65 Based on 2016 IDB mission report.
in tax policy and tax administration would increase efficiency and reduce distortions while keeping the level of revenues at current levels.

3.A.69. **Tax policy can increase or stabilize revenues while minimizing distortions.** Widening the tax base by eliminating loopholes and exemptions would not only broaden the tax base but also reduce distortions for investment and employment. High income tax rates on specific taxpayers give incentives to remain informal and to evade or avoid taxes. Similarly, the high number of zero rated goods under the VAT makes tax administration more cumbersome and decrease compliance.

3.A.70. **Better management and supervision of SOEs could increase operational efficiency and reduce fiscal risks for the government.** A basic challenge with regards SOEs is lack of detailed information and data, including on organization, human resources and operational outcomes. See also next section for a detailed discussion on two major SOEs, Guyana Power and Light and Guyana Water Incorporated.

### IV. Infrastructure and Public Utilities

**Electricity and energy**

**Overview**

3.A.71. **Energy cost is one of the main factors that undermine the competitiveness of firms in Guyana.** The need for improvement on key performance indicators for the power sector is evidenced by: (i) a high rate of System Average Interruption Duration Index (SAIDI) in GPL’s networks which as of 2013, SAIDI stood at 165; (ii) a high rate of System Average Interruption Frequency Index (SAIFI) of 161; and (iii) a high level of losses of about 29 percent in 2015. In addition, the 2016 Doing Business Report ranks Guyana lower than ROSE-C for getting electricity in several key indicators (figure 3.A.6). Addressing the nation’s electricity challenges would help to reduce business costs and improve competitiveness in addition to improving the general welfare of the population.

3.A.72. **Electricity tariffs in Guyana are among the highest in the region.** At an average of US$0.30 per kWh, these tariffs represent a high portion of the monthly expenditures for households and businesses. The high cost of electricity, three times as high as those in continental USA and seven times as high as those (subsidized) in Suriname, is a barrier to the expansion of the manufacturing sector, and does not attract businesses.

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66 The latest rates published by the electric utility Guyana Power and Light (GPL) present several categories of tariffs, starting at US$0.23/kWh for the residential sector, going to up to US$0.35/kWh for the commercial sector.

67 The Chairman of Guyana’s Private Sector Commission (PSC) Mr. Eddie Boyer reiterated in August 2016 “The high cost of energy is perhaps the greatest barrier to the development and expansion of our manufacturing sector.” Kaieteur News, Aug 10, 2016. PSC Commits to supporting “Green Economy”.

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Problems and causal factors

3.A.73. The high cost of energy and unreliable supply of electricity are main constraints to doing business (PROTEqIN Survey, 2014). In Guyana, 41 percent of firms identified that electricity as a major obstacle to performance compared to 28 percent for ROSE-C (World Bank Enterprise Survey, 2010). Guyanese firms spend an average of 9.7 percent of sales on energy cost (fuel and electricity) compared to 6.3 percent for ROSE-C (World Bank Enterprise Survey, 2010). Electricity prices are also higher than comparators, 29 US cents/kwh compared to 21.5 US cents/kwh for ROSE-C (figure 3.B.12). Moreover, more Guyanese firms experience outages, 79 percent compared to 56 percent in ROSE-C (World Bank Enterprise Survey, 2010). The 2016 Doing Business report ranked Guyana 165th out of 190 countries for getting electricity. The country performs worse than ROSE-C in the following areas; Guyana requires more procedures (8 compared to 5), more days (109 compared to 99), and is ranked lower for reliability of supply and transparency of tariff (0 compared to 3), (figure 3.B.12). More than a third of businesses rely on auto-generation plants for their electricity.

3.A.74. Electrification of the interior remains a challenge. The current coverage of Guyana’s interior is estimated at about 80 percent, which is primarily based on centralized community-scale diesel generators, solar systems for social services such as health and education and a predominance of 65-watt solar home systems. Despite ongoing improvements over the last decade, hinterland electrification remains a challenge due to the limited capacity and reliability of generation facilities, lack of sustainability plans for renewable energy projects and inadequate energy supply for community-based productive activities.

3.A.75. Electricity losses are almost double the average in the LAC region. Electricity losses in transmission and distribution (technical and non-technical losses) were 32 percent in 2012, compared to a LAC average of 17 percent and 6 percent in in the OECD. These transmission and distribution losses also contribute to increased electricity prices. The IDB has a US$64 million loan to the power utility, Guyana Power and Light, to reduce overall losses in the next five years.

3.A.76. Guyana Power and Light (GPL) is the state-owned vertically integrated utility whose operations comprise generation, transmission and distribution. GPL’s generation system is a mix of relatively old, high-speed reciprocating engines fueled by Light Fuel Oil, and relatively new medium-speed reciprocating engines fueled by Heavy Fuel Oil (HFO). In recent years the proportion of relatively new HFO units has increased significantly and its share now constitutes a majority of GPL’s system capacity at the
In 2014 a study was conducted on the opportunities to substitute both HFO and LFO for Natural Gas in Guyana through Liquefied Natural Gas (LNG) imports. The conclusion showed that LNG would be viable for Guyana based on certain cost scenarios. In addition, the Berbice harbor was considered as a conduit for coal imports from Colombia, but ultimately this was deemed uncompetitive when compared to LNG. However, according to the study mentioned in footnote 5, the most competitive technology for the mid-term to provide base load generation is mid-size hydro. It seems unlikely that the country will base its generation expansion on fossil fuels given the low-carbon economy pathway the government is planning.

3.A.77. More than 95 percent of the effective electricity generation for the main power grid comes from fossil fuels, while close to 17 percent of the installed capacity is based on biomass. Renewable Energy (RE) generation is very low, yet there is a large untapped hydropower and other potential. The installed generating capacity of Demerara-Berbice Interconnected System (DBIS) is 181 Megawatts (MW) (see table 13), of which 123.8MW is distributed in Demerara and 58MW is distributed in Berbice. As seen in table 13, below, there is a 30MW biomass installed capacity in the country that uses sugarcane bagasse. However, this capacity is mostly used internally by the state-owned and operated Guyana Sugar Corporation Inc. (GuySuCo)’s Skeldon plant, and currently the plant and transmission connection are being refurbished; therefore the majority of the generation on the grid is effectively coming from fossil fuels. GuySuCo also owns 10MW HFO engines, supported by a PPA with GPL. The country’s market also includes independent power producers (IPPs), which must sell their electricity to GPL. These IPPs account for 33 percent of GPL’s available generation capacity. Guyana has extensive hydropower potential estimated at 7600MW, which by far exceeds its annual consumption and installed capacity. Developing part of Guyana’s hydropower potential could therefore meet mid-to-long term demand. Various studies have identified as many as 67 sites.

3.A.78. The energy demand has exhibited an annual average growth of 5 percent during the last 6 years and is expected to continue. A recent study on Guyana’s Power Generation System Expansion estimates that by 2035, the electricity demand in the DBIS is expected to experience a threefold increase, from 722GWh to 1,987GWh (which translates into an installed capacity of 304MW by 2035). This will require additional investments in generation capacity estimated to be between US$900 million and US$1.2 billion over the next 20 years. Energy Efficiency (EE) could reduce the need for additional generation (as well as lead to emission reductions). The above mentioned study estimated that the introduction of EE measures would reduce electricity demand by 11.6 percent, requiring another US$106 million of investment.

3.A.79. Growing reliance on thermal generation is expected to drive higher and more volatile power generation costs. Because of limited planning in the past, the reliance on fossil fuels for electricity generation will not be reduced in the short term. Currently, roughly 70 percent of Guyana’s energy is sourced from crude oil (Ruprah and Sierra, 2016). As such, the supply of power over the next decade will need to be fulfilled by the

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68 The Vreed en Hoop power plants in West Bank Demerara have potential for expansion in the near future. Guyana’s Power Generation System Expansion Study Executive Summary, prepared by Brugman SAS, 2016. Please note that this study is not public.
69 The ‘Natural Gas in the Caribbean / Feasibility Studies’ document was published in 2014 and then updated in 2015.
70 Guyana’s NG prices were estimated as a netback from Henry Hub prices, the main natural gas market located near US Gulf Coast, establishing the maximum upstream price that other regional exporting countries located near Guyana could charge, while still remaining competitive with exports of LNG from the US Gulf Coast.
71 GuySuCo also operates the country’s first ethanol plant, which was commissioned in August 2013, and uses sugarcane molasses as a feedstock and is capable of producing 365,000 liters of ethanol per year.
72 The transmission system in DBIS is constituted by 276 km of 69 kV lines interconnecting 15 substations, from Skeldon (Berbice region) to Edinburgh Cannes (Demerara region) in a radial structure along the coastal area. The frequency of the electrical system in Guyana is 60 Hz. The whole transmission infrastructure belongs to GPL. (Guyana’s Power Generation System Expansion Study Executive Summary, prepared by Brugman SAS, 2016).
installation of fossil fuel generation, until cleaner technologies such as mid-size hydro are ready to be commissioned. This poses a challenge for the stability in generation costs, which are finally translated to the end customer, and represents a major source of fiscal and external vulnerability.

3.A.80. **GPL’s financial situation limits its capacity to effectively cope with increasing demand, quality of service, play a more active role in the expansion of the generation system with alternative energy sources.** Although GPL has practically no financial debt with commercial financial institutions, most of its debt is with the GoG or institutions owned by the GoG. The financial ratios of GPL show that on the operating side, the company has increased its sales by a compounded annual growth rate of only 2 percent over the last 4 years, partially due to the challenge of reducing high technical and non-technical losses. During the same period, the company reduced its investment in plant and equipment by a compounded annual growth rate of (-36 percent) and its sales growth went from 31 percent in 2011 to 5 percent in 2015. Although starting in 2016 GPL no longer requires direct subsidies from the Government for its operations, this is a direct effect from low international oil prices which could be transitory. This leaves the development of renewable energy projects to private developers, not necessarily via open public tenders, but based on case-by-case offers to commit with PPAs. In addition, at the level of the power system operation, GPL does not have the experience of integrating from intermittent energy sources such as wind and solar into its transmission and distribution system, which may further increase the risk of low quality service.

3.A.81. **Lack of updated assessments on renewable energy potential hinders the development of projects to diversify the energy mix.** There only exists limited information in outdated studies that suggest biomass, as well as small and large-scale hydropower may be economically viable, but the information is based on old surveys that need to be updated. Further studies for other renewable energy sources, including detailed and updated demand assessments based on socio-economic data and location-specific resource assessments are required.

3.A.82. **Inadequate record keeping and availability of data is a problem.** Access to updated and reliable data about Guyana’s energy sector operations by electronic means is a challenge which limits appropriate decision making and hinders the development of sector planning. To address this challenge, the Government of Guyana needs to improve its databases, IT systems and modelling techniques to allow for gathering of historical and current data in an efficient and sustainable manner in the long term. This would enable not only power sector planning, but also support the development of the upcoming oil sector.

**Policy Recommendations**

3.A.83. **Diversification of the energy matrix should be promoted.** An efficient power system must have enough generating units available to meet the changes in demand, from base to peak load. According to its geographical location, natural resources, access to international fuel markets and electricity demand characteristics, Guyana will require different types of conventional power technologies including thermal (such as natural gas, coal, heavy fuel oil) and renewables (such as hydroelectric plants) to generate electricity in the most economical and reliable way, considering their dispatchable characteristics which allow them to supply the varying electricity demand according to the time of the day and season. In addition, Guyana is seeking to develop new power generation based on renewable energy sources, such as mini hydroelectricity, biomass, wind and solar, whereby in general terms due consideration must be given to the hourly energy availability (intermittence associated mainly to wind and solar generation), which implies inherent characteristics of “non dispatchable power”. Due to the generation variability, the installed generation capacity from these sources are not considered “firm capacity” which
would be available to supply demand during peak hours. To diversify the generation mix, the use of renewable energy sources needs to be incentivized through Policy (including setting of targets for the implementation of renewable energy projects) as well as fiscal and economic incentives.

3.A.84. Increase private sector participation in the energy sector. Transparent and publicly available guidelines for the development of open tenders to encourage private sector participation is needed to set the path for optimal and economical expansion of the generation system in Guyana. In addition, a framework for the introduction of distributed generation can trigger the development of renewable systems from private developers and small-scale producers. Feed-in regulation can provide economic incentives for the installation of small-scale photovoltaic systems, which foster knowledge transfer and technical know-how for the installation, operation and maintenance of such systems. The experience in small scale, distributed generation systems can also be transferred to utility-scale renewable energy technologies for the operation and maintenance of these systems in the hinterlands. Private-public partnerships (PPP) should be encouraged to initiate medium to large-scale renewable energy target (RET) projects. Such PPPs, where the government provides some parts of the financing or provides financial guarantees and takes on a share of the projects risk, have proven to be an effective way to spur private sector investment.

3.A.85. Actions should be taken for strengthening energy efficiency and conservation. The implementation of energy efficiency and conservation requires a set of measures to be implemented over a number of years. A programmatic approach requires the alignment of policy targets and sequencing of projects into a strategy which, in parallel, progressively increases minimum standards of energy efficiency, while demonstrating the benefits of best practice in energy efficiency through demonstration projects. In this regard, the energy efficiency of the country as a whole can move in a positive direction. In alignment with an energy management program, energy efficiency can help power suppliers to manage electricity demand on their networks.

3.A.86. Policies should be established to ensure sustainable electricity provision in the hinterland. Access to affordable energy services with high quality standards is needed to develop the communities in the interior. A long-term rural electrification strategy or master plan is required to identify an efficient institutional framework, with specific responsibilities and dialogue mechanisms with the communities. The establishment of a coordinated approach for the electrification of the interior need to be supported by an overall strategy in which cost estimates and timelines are developed, including the establishment of efficient tariffs for projects in the interior and the business models to be used.

3.A.87. Strengthen data collection and analysis to support the transition to an energy sector on which informed decision–making, based on reliable information, will be key to face existing challenges in an orderly and structured fashion. In this regard, improved data collection will allow for a proper planning of the diversification of the energy matrix, while contributing to establish a sustainable electricity provision in the hinterland. Moreover, given that the lack of updated information on renewable energy potential and energy efficiency baseline is deemed a main constraint, an integrated information system will also allow to increase private sector participation to invest in the sector. To this extent, an energy planning unit is needed to collect, update and analyze sector-specific data to support the development of long term planning of the energy sector, including supply diagnostics and evaluations, demand forecasting, and annual power generation and transmission expansion plans, based on IT solutions designed to fit this purpose and for other related matters, to adequately guide Guyana’s energy sector expansion.

Water and Sanitation

Overview
3.A.88. Many factors contribute to poor quality of water services, sanitation and drainage. Despite substantial improvements, the water services still face several issues caused by, among others; aging equipment and pipes, leading to high non-revenue water; high energy costs; below-cost tariffs and inadequate financial performance; as well as inadequate operation and maintenance (O&M). 98 percent of the population in Guyana has access to an improved drinking water source (97 percent in urban areas and 98 percent in rural areas), but water quality is considered an issue and limited data is available. Drainage is also considered an issue particularly in the capital and coastal areas. Moreover, political and governance hurdles and the lack of proper solid waste disposal are worsening the drainage situation which affects the poorest population segments (IDB-ECLAC 2000, World Bank 2003).

Problems and causal factors

3.A.89. Environmental degradation affects Guyana water resources. In Georgetown and populated areas of the coastal lowlands, surface water contamination occurs from inadequate waste disposal and from chemicals used in the production of rice and sugarcane, while chemical contamination of surface water occurs along rivers within mining districts.73 Climate change challenges and vulnerability are already imposing constraints in water provision and creating high flood risks, affecting urban, industrial, and agricultural.74

3.A.90. The lack of wastewater treatment facilities and limited expansion of sewers results in poor sanitation. Although, about 93 percent of the population used improved sanitation facilities (96 percent in urban areas and 91 percent in rural areas),75 sewers only exist in the capital covering barely 13 percent of the population, the rest of this coverage corresponding to individual solutions (Septic tanks and pit latrines). Despite the construction of the first sanitary landfill in the country, there are still great challenges in the solid waste management sector, including the inadequate institutional capacity within key government agencies.76

3.A.91. Information on underground water resources are lacking and the quality of surface water is affected by many contaminants. To protect the water resource, the GOGY created the National Water Resources Council to support the local government structure (27 Neighborhood Democratic Councils (NDCs) and 5 Municipalities) in protecting and managing the resources, but the quality of the surface water is affected by waste water, agriculture and mining, while information relating to underground water resources is insufficient.

3.A.92. Financial stability of GWI needs to be improved. Guyana Water Incorporated (GWI) is the State-Owned Enterprise responsible for the design, construction, operation and maintenance (O&M) of the water supply systems in Georgetown and the coastal area as well as for community water supply systems in the hinterland regions. As per CDB benchmarking study of Water utilities of the Caribbean Region, GWI operates with a Working Ratio78 superior to 1 (indicating the inability to recover operating costs). There is however scope to improve the financial sustainability of GWI and reduce its dependence on the national budget.

3.A.93. Drainage systems have deteriorated because of poor maintenance and aging. Guyana maintains through its coastal plain and part of the interior highlands, a system of drainage and irrigation canals designed to provide primarily water irrigation and secondarily other water needs. It similarly maintains sea walls, which compose the coastal sea defense

74 Guyana’s Climate Resilience Strategy and Action Plan (CRSAP) provides a comprehensive framework for adaptation and resilience, with specific actions to reduce flood risk, provide better drainage coverage during extreme events, and reduce water stress during droughts.
76 PCR GY0055 IDB 2016
77 Water quality index 2010 of 42.8/100 (YCELP/CIESIN/Columbia University, WEF, JRC/European Commission)
78 Working Ratio = [Total Annual Expenses – (Depreciation + Debt Expenses)] / [Annual Gross Income]
system. These systems have deteriorated because of a lack of maintenance and aging and may no longer provide their intended roles.

Policy Recommendations

3.A.94. Measures to strengthen WRM through the local governments and improve data collection and research should be pursued. To this end a comprehensive review of the watersheds and the development of an adequate governance structure for Integrated Water Resources Management (IWRM) is required. A first model of intervention has been developed for the Dakoura Watershed which GOGY is using as a pilot for IWRM. In addition, the country need to improve its data and information capacity as the UN Water Country Brief for Guyana (2013) noted that data and available research required for effective water management and investment in water related infrastructure and projects is sparse for Guyana.

3.A.95. GWI should be strengthened to reduce its reliance on government support and improve information availability and quality. Ongoing support to GWI’s route towards self-sustainability, through efficiency improvement (NRW reduction, Energy Efficiency and operational efficiencies), consolidation of the governance structure of the sector, and expansion of the potable water supply as well as wastewater collection and treatment should continue. While GWI is making progress with respect to its information system and its transparency (audited account, corporate web-page), it still needs to consolidate the quality of its information, specifically with respect to Key Performance Indicators (KPI) relevant to a national water and wastewater utility (coverage, quality, efficiency, customer service and reporting).

3.A.96. The national consultation process for a National SWM Strategy which is being conducted by MOC, with the intention of mobilizing local governments should be supported. The implementation of this Strategy should be supported to create the capacities for execution at the local level and for control and regulation at the National level, including the creation and maintenance of a technical, regulatory and control information system (assets database and service KPI).

3.A.97. Guyana should be supported to access climate financing to improve drainage infrastructure. Climate change has impacted the coastline drainage system, which has aged and has become unreliable. Hence, policy intervention in the drainage sector should focus on supporting GOG in accessing climate financing for financing for resilient infrastructure (e.g. sea defense), knowledge based information, such as georeferenced asset database to guide maintenance activities, and modelling of the surface and underground water systems.

V. Public Financial Management and Public Procurement

Overview

3.A.98. Guyana has made significant improvements in both public financial management and public procurement. For PFM, advances were made especially when it comes to incorporating technology to add efficiency to their operations. Nevertheless, important gaps remain, in terms of procurement; the legal and regulatory framework is relatively sound even though there has been little progress in deepening procurement capacity and capability to achieve fuller objectives of fairness, transparency and best value.

Problems and Causal Factors

79 An underground water resources assessment for the Coastal area is being financed by IDB/EU operation GY-L1040 / GY-X1003
80 Under IDB financed operation GY-L1036
81 IDB has been supporting GWI’s institutional strengthening through GY-L1025 and GY-L1036 operations recently closed and though GY-L104 / GY-X1003 in execution
82 Developed under IDB financed operation GY0055
3.A.99. Some of the areas where the MoF has made advances in PFM over the past 10 years are, updating the regulatory framework; incorporating electronic platforms; and streamlining treasury and budgetary processes. Another important milestone achieved by the country is the implementation of the Integrated Financial Management and Accounting System (IFMAS) in 2004, being one of the pioneer countries in the region in adopting a commercial off-the-shelf (COTS) platform. The original IFMAS system consisted of a hybrid platform adapting two COTS solutions Freebalance and Smartstream. As many legacy systems implemented in the early 2000s, Guyana's IFMAS started to have performance issues, which resulted in slow response times for queries and data registry, gaps between committed and executed amounts and eventually the duplication of efforts and information as many public officials resorted back to manual procedures. In 2013 the decision was made to upgrade viable modules to its latest version and phase out the modules that had no support available.

3.A.100. Over the past couple of years the MoF has successfully carried out its plan to upgrade the IFMAS. At the same time obsolete parts of the system were phased out (Smartstream modules) and viable modules upgraded to their newest versions (Freebalance 7). Also the MoF made the decision to expand the scope of the IFMAS and implement as many modules possible of the existing platform. When the project is finished the IFMAS will have all core financial modules implemented (budget, cash management, accounting), and the following functional modules, asset management, procurement, personnel, pensions and payroll. This implementation will allow the GoG to achieve great improvements in their public financial management including implementing a sole PFM platform for all public expenditures, streamlining of budgetary processes, enhanced external audit capabilities, adopting IPSAS standards, phasing out payments by check and further implementation of a Treasury Single Account (TSA).

3.A.101. Important gaps remain in public financial management. The Ministry of Finance (MOF) is the agency responsible for the Public Financial Management (PFM) of the country, with a relatively small presence of sub-national entities in this area. The last integrated assessment of PFM performance, done in 2013, found important advances compared to earlier assessments but also found areas with important weaknesses and potential for improvements. In terms of PFM reform, the main challenges were identified as institutional and human resource capacity constraints and, perhaps, political economy constraints. Some of the major areas for reforms include:

- The budget still lacks credibility to an extent and in-year adjustments to the budget continue to be frequent and appear to lack transparency.
- At the same time, the policy orientation of the annual budget process appears to be sound and revenue administration has strengthened substantially in recent years.
- In terms of Comprehensiveness and Transparency, the budget classification system appears purpose-oriented, albeit complex due to the large number of programs, sub-programs and activities in conjunction with a large number of economic classification codes, and appears to have improved since the 2007 IFA due to the inclusion of the capital budget under the program structure.
- Accounting, recording and reporting systems (PIs 22-25) have shown little improvement since the 2007 IFA and still score low.
- Internal control systems lack strength in some respects, indicating the possibility of the inefficient operational use of resources through wasteful spending, leakage and

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83 2013 IFA Assessment
84 2010, Cem Dener World Bank
85 2013 IFA Mission
86 2013 IFA Mission and 2016 FMM Administration Mission to GY
perhaps fraud, all at the expense of the quality of the public services that GoG has a mandate to provide, and, in general, at the expense of the credibility of the budget.

- The external audit and legislative scrutiny of audit report functions have improved significantly and continue to improve.

3.A.102. Public procurement has significant fiscal and economic relevance in Guyana, estimated to account for 27 percent of 2015 budget. It also plays a critical role in the execution of public investments as a good procurement system helps ensure the greatest possible value for money. For the area of institutional framework and management capacity, the country scored .67 out of 3; for market practices .60 out of 3; and for integrity and transparency 1 out of 3. There are also major gaps in the areas of area of institutional framework and management capacity, market practices and transparency of the system, figure 3.A.7.88

Figure 3.A.7: 2012 MAPS Methodology for Assessing Procurement Systems

Source: Guyana Integrated Fiduciary Assessment, 2013

3.A.103. Procurement practices do not reflect the importance that should be given to procurement. Weak procurement practices in Guyana are reflected in the low score (D+) received in the 2013 PEFA assessment indicator on competition, value for money, and controls in procurement. Guyana’s public procurement system is constrained by the absence of a regulatory body; use of competitive procurement methods; monitoring of contract implementation; transparency in terms of availability of procurement information to the public; procurement audit capacity at internal audit level; full private sector participation in the membership of the NPTB; and interactive procurement portal.89 Specifically, the major weaknesses of Guyana’s procurement are the following:

a. Absence of a regulatory body; the Public Procurement Commission (PPC) provided for in the Procurement Act is not yet operational, while the current body (NPTA/NPTB) has a mix of regulatory and operational functions;

b. Absence of an impartial appeals/complaints mechanism, as provided for in the Procurement Act (it is in place but not functioning);

c. Use of non-competitive procurement methods;

d. Inadequate monitoring of contract implementation, leading to specifications not being met and overpayments;

e. Insufficient transparency in terms of availability of procurement information to the public: contract awards are only partly available, while procurement plans are not available (as budget agencies have not being preparing these);

f. Lack of procurement audit capacity at internal audit level, though external procurement audit capacity is developing; and

88 2013 Methodology for Assessing Procurement Systems (MAPS)
89 Idem
g. The membership of the NPTB is missing full private sector participation and needs effectiveness improved by a rotational approach for all memberships.

h. Absence of an interactive procurement portal.

Recommendations

The 2013 PEFA report and recommendations outline in detail areas to improve PFM practices in Guyana.

3.A.104. **Gaps in procurement practices should be reduced.** To address these gaps, the government is working to establish the Public Procurement Commission that will serve as monitoring and oversight entity; update their legislation to enable electronic transactions, implement training and certification and steps towards the implementation of an e-tendering system. Given the direct and critical role that public procurement plays in determining price, quality and timeliness of public services, improvements in this area are especially important in the country.

VI. Governance, Transparency and Evidence Based Decision Making

3.A.105. **While institutional weaknesses in Guyana have several causes, existing diagnostics** 90 **seem to point to weak information management systems as a significant factor affecting the efficiency and transparency of Guyana's public sector** (figure 3.A.8). As shown in Graph 1, 2009 and 2013 evaluation found that Guyana shows no higher that 2.0 out of 5.0 in the five dimensions of management for development results, a management concept that is fundamentally constructed on the collection and use of information. A country’s ability to produce, manage and use timely, relevant, clear data and information on the performance of its public sector is pivotal for continuous improvement of the public sector work in today’s fast changing environment. On one hand, strong information management systems are an essential input to decision making processes, as well as to monitoring and evaluation activities, particularly in the context of results-based budgeting, and are thus indispensable to make the public sector more effective and efficient. On the other hand, the public sector’s ability to make information available both internally and to the public is the first step in strengthening its level of accountability and thus prevents corruption and misuse of funds.

**Figure 3.A.8. Summary of the Status of Guyana Public Sector’s Information Management**

Source: Cuesta et al. 2015

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90 For example, Cuesta J., Garcia Moreno, M, Kaufmann J., Pallavicini V. and Sangines M. Building Effective Governments, Executive Summaries of the Caribbean Country Studies, Guyana, Inter-American Development Bank.
Overview

3.A.106. Lack of data in Guyana’s public sector is a significant constraint to evidence-based decision-making. A deficiency of data and information has adverse effects on different dimensions of public sector performance: policymaking, particularly on planning, performance monitoring and evaluation. The National Statistical System (NSS) and its lead agency, the Bureau of Statistics of Guyana (BSG), lack the institutional and technical capacity to produce timely, reliable, and accessible data on a regular basis.

Problems and Causal Factors

Statistical Capacity

3.A.107. Statistical capacity in Guyana is low. According to the World Bank’s Statistical Capacity Indicator (SCI), in 2015 Guyana’s overall score was 56.7, while the overall score for LAC was 77.3\(^91\). (See figure 3.A.9) Guyana scored 22nd out of 24 LAC countries included in this diagnostic framework. Guyana’s SCI is not only low in absolute terms, but also has not improved over the last ten years, indicating that not much effort has been made to strengthen the production of official statistics of the country. As far as the Bank’s own observation is concerned, while the BSG and Guyana’s NSS have not had a detailed assessment of their statistical capacity using the Bank’s tool\(^92\), previous Bank work\(^93\) has detected weaknesses in human, technical and physical capital, methodological soundness for data collection, written procedures, documentation and dissemination, standardization of databases and quality assurance across the NSS.

Figure 3.A.9. Statistical Capacity Indicator (Overall)

Source: The World Bank

Data Use for Public Investment Planning

3.A.108. Public investment is of high importance in Guyana’s economy. For the period 2016-2017 it is estimated that the share of public investment in total investment will be 53 percent, and represent an average value of 9 percent of GDP\(^94\). In developed economies the percentage of public investment relative to GDP tends to be lower (3-5 percent) and in developing economies it tends to be high (5-8 percent)\(^95\). Guyana’s 9 percent ratio of public investment relative to GDP is considered high even in the standards of developing economies. This means that efficient and effective public investment management should claim a high importance in the public policy making of Guyana.

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\(^{91}\) The Statistical Capacity Indicator of the World Bank measures mainly the production capacities of statistics. It provides overall scores as well as for the three categories, i.e. Methodology, Source Data and Periodicity. See http://datatopics.worldbank.org/statisticalcapacity/SCIdashboard.aspx

\(^{92}\) The Bank, in collaboration with the U.S. Census Bureau, has developed a self-evaluation tool to assess capacities of a given country’s national statistical system (NSS) and national statistical office called the Tool for Assessing Statistical Capacities (TASC). The Bank has carried out assessments using the TASC in 20 countries to date.


\(^{95}\) IMF http://www.imf.org/external/np/fad/publicinvestment/
3.A.109. Despite the importance of public investment, weaknesses are observed throughout the cycle of public investment management, particularly in planning. Data use is particularly important at the beginning of the cycle – the planning stage. During this stage prioritization of projects needs to be made. In this critical process Guyana’s system shows a lack of technical rigor, as demonstrated by the low coverage of investment projects under evaluation ex ante. Methodologies used for investment project selection are not at the desired level of sophistication to justify the final decisions. For example no differentiation of methodologies is made based on the scale and type of investment project. Social prices are not included in the computation, either. The selection of public investment projects are not linked to the objectives and goals of the medium-term plan. This is demonstrated by the fact that there is no documentation that measures the contribution of each investment project to the plan. Furthermore, when the selection process is completed, the information on proposed and selected projects is not shared in a public realm. Guyana recorded a score of 0.7 in a scale of 0 to 5 (2013) in the component of “ex-ante evaluation and prioritization of investment projects” of the Program and Project Management area of the institutional capacity diagnosis carried out by the Bank using a tool called PRODEV Evaluation Tool (PET). This is one of the lowest in a sample of 24 Latin America and Caribbean (LAC) countries. Furthermore, within Guyana’s own results, this component’s score was the lowest compared to those of other components as shown below in table 3.A.2

<table>
<thead>
<tr>
<th>Program and Project Management</th>
<th>Components</th>
<th>2009</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program and Project Management (overall)</td>
<td>1.3</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>Ex-ante evaluation and prioritization of investment projects</td>
<td>0.7</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>Medium-term sectoral vision</td>
<td>3.6</td>
<td>2.3</td>
<td></td>
</tr>
<tr>
<td>Sectoral management of goods and services</td>
<td>0.9</td>
<td>1.5</td>
<td></td>
</tr>
<tr>
<td>Sectoral information systems</td>
<td>0.7</td>
<td>1.4</td>
<td></td>
</tr>
</tbody>
</table>

Source: Building Effective Governments Executive Summaries of the Caribbean Country Studies: Guyana

Monitoring and Evaluation

3.A.110. Monitoring and Evaluation (M&E) framework: A recent IDB’s study highlighted “Guyana belongs to the group of countries with poorly developed Managing for Development Results (MfDR) capacities”. In effect, “in four of the five main areas of the management cycle display a similar low development level, while monitoring and evaluation (M&E) lags even further behind.” Developing countries with substantial activity of international donors normally do not have in place M&E systems to monitor spending, and

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96 Source: IDB staff’s dialogue with the Ministry of Finance
97 Ibid.
98 PET was developed by the Bank and measures five areas of public sector capacities: results-oriented planning, results-based budgeting, public financial management, program and project management and monitoring and evaluation systems.
where M&E capacities exist, they are often linked to specific foreign funded projects. Building an M&E system that covers the total spending – as in the case of Guyana – is a huge challenge for governments that involves political coordination, managerial, human resources and IT issues. Currently, most Ministries including the Ministries of Finance, Public Works, Health, Agriculture and Housing and Water have staff devoted to monitoring activities that provides reports on the physical and financial progress and issues affecting the projects. However there is no formal structure and is only made available upon request in many instances. The State Planning Secretariat consolidates all the information gathered and makes a presentation at the cabinet sub-committee of Finance. There are significant limitations with regard to institutional information gathering and processing, which seriously restrict government’s capacity to build an M&E system. Data dealing with program and project implementation is primarily stored in the Community Monitoring Reports, which are based on beneficiary and service provider perceptions.

3.A.111. **Guyana's PET score in the M&E area was 0.9 in the scale of 0 to 5 (2013).** Among the 24 countries assessed in Latin America and the Caribbean, this score represents the fifth lowest. Furthermore, of the five pillars assessed using PET tool (see footnote 6), M&E scored lowest. This means that Guyana's performance in M&E is not only lower than most countries in the region but also lower than other areas of public sector management (see figure 3.A.10).

![Figure 3.A.10. Index for the M&E by Country in 2013 and changes since 2007](https://publications.iadb.org/handle/11319/6510)

**Source:** Cuesta et al. 2015

3.A.112. **Guyana’s M&E system is undeveloped and not yet functioning as a country system.** With the coordination and leadership of the Ministry of Finance, Guyana made some advance in the strengthening of its M&E systems, but it still lacks the institutionalization of the technical processes and building capacities in the Office of the Budget as well as in the line ministries. The Ministry of Health is the only entity of the public sector with a more comprehensive supporting program to build capacities on M&E, indicating that the country still has a lot of work to do to support the rest of the public administration in the development of M&E framework.

3.A.113. **Weak or non-existent baseline data and lack of basic indicators in different sectors for design, monitor and evaluate programs contributes to the difficulty in**

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100 Results-oriented planning: 1.7, results-based budgeting 2.0, public financial management 2.0, program and project management 1.4, (2013)

developing a well-functioning M&E system. Fragmented availability of data negatively affects other areas of public management including public investment planning, which in turn results in unrealistic targets, unclear definitions of outputs, outcomes and corresponding indicators. One of the international trends in the countries with more developed M&E systems is the progressive implementation of public management monitoring systems based on performance indicators, either to measure public spending effectiveness or to analyse achievements in the implementation of medium-term national plans.\textsuperscript{102} Another best practice is the systematic realization of ex-post evaluations of key programs.\textsuperscript{103}

3.A.114. As shown in detail, in section I, Guyana generates a large share of its economic activity from the natural resources sectors. Gold and bauxite exports accounted for half in total exports over the last decade, agriculture exports accounting for the rest. The Guyana Geology and Mines Commission (GGMC) is the statutory body responsible for overseeing petroleum agreements and petroleum licenses for exploration in Guyana. The institution is also responsible for the mining sector. Tax payments are made directly to the Guyana Revenue Authority (GRA), whereas non-tax payments (such as licenses fees and annual charges) are received by GGMC.

3.A.115. Guyana has started preparations to join the EITI initiative. In 2015, the Government of Guyana requested the preparation of a scoping study for the potential adoption of the Extractive Industries Transparency Initiative (EITI), which is a tested framework for governance improvement in the sector. Due to information gaps, the Study was not able to successfully assess critical issues for EITI implementation, including: (i) payments made by mining companies, and (ii) materiality threshold for EITI reporting. The Scoping Study concluded that there is support for the implementation of EITI in Guyana, but the sustainability of such an initiative given institutional weaknesses would be uncertain.

3.A.116. Consistent with these diagnostics, different sources identify a series of weaknesses in the institutional framework for the mining and extractives sector. Weaknesses include weak inspection and monitoring procedures and license registries, outdated ICT systems, the lack of a database of extractives operators, and the opacity of the mining cadaster, which is not publicly available.\textsuperscript{104} Among other effects, these gaps in the system result in a significant share of revenue from gold extraction, for example, leaving the country undetected and untaxed.

Recommendations

3.A.117. Data Production: Relevant, reliable, timely, and quality statistical information produced by the NSS are necessary for strengthening evidence-based policy. The NSS can be institutionally strong only when the lead agency is independent and technically and financially capable of regularly producing censuses and sample surveys, issuing quality certifications for all statistical processes carried out within the system, coordinating and regulating all of the official statistics produced by the country, planning and executing in the medium and long term a system for producing statistics that meets the needs of users within the country and in the international community, widely disseminating the information in a timely manner, and regularly conducting self-assessments and proposing action plans for improving its citizen services. Policies need to be implemented that would support sectorial data collection and sector-specific performance indicators as a vital part of the developmental process. In order to do so, Guyana’s NSS should be strengthened by means of: 1) improving the basic statistics produced by NSS through the use of


\textsuperscript{103} In LAC the best performers in these issues are Chile, Colombia and Mexico.

administrative registers; 2) enhancing BSG’s institutional capacity through a program to train human resources; and 3) linking a Strategy for the Development of Statistics to a national development plan.

3.A.118. **Investment Planning:** In those countries with consolidated Public Investment Management System (PIMS), one governmental agency, mostly Ministry of Finance (MoF), plays an active and strong role as governing body of the PIMS: manages a project bank, provides evaluation methodologies and supervises evaluations ex ante performed by line ministries, and establishes procedures for decision making and incorporation of projects in the budget. In the case of Guyana, where the systematization of public investment management is at an incipient stage, efforts should be directed towards building a framework for an integrated Public Investment Management System (PIMS): improving the project investment bank and information systems, reinforcing procedures and instruments, and providing capacity building to MoF and line ministries, among other things. Priority actions to be taken in the short-run are: (i) updating the current diagnosis in a more detailed way, and on that basis: (ii) design a PIMS pragmatic framework, (iii) improve information systems along all the public investment cycle and (iv) build up basic skills of design, evaluate, and manage investment projects in the public sector, as well as to manage the PIMS in the MoF.

3.A.119. **Monitoring and Evaluation (M&E):** In this area the priority is to focus on a more integrated approach to planning and performance reporting to enhance efficiency and effectiveness of government’s key policies and programs (value for money). This approach would comprise the following main actions:

a. Develop and implement an operational strategy to consolidate the government M&E system.
b. Carry out a comprehensive diagnosis for M&E system, including inventory of other existing systems, databases, and capacities.
c. Set the adequate M&E institutional architecture for the country context (i.e. components, participants, roles, uses of M&E information, and mechanisms to ensure the sustainability of the M&E system).
d. Develop M&E legal framework, tools and processes to collect, manage, and analyze information (i.e. definition of ICT and e-government role, and evaluation methods).
e. Strengthen government’s capacities in planning and M&E both, at the central and sectorial level. There will be a need to inform users of the new M&E system. There will also be a need for training for both the staff collecting the data and using the system, as well as the decision makers utilizing the M&E data.
f. Roll out of M&E system to key ministries. Develop standardized Strategic Business Plans, with a set of measurable performance indicators, for the ministries, agencies and departments.

3.A.120. **Recommendations to increase the transparency for extractive industries**

*include:* Guyana is already receiving support from the World Bank to conduct a sector assessment. If formally requested by the Government, the IDB will continue participating in dialogue with the EITI Secretariat and the WB regarding next steps identified after the EITI scoping study and possible areas to support the government on transparency and information management, including:

a. Design and implementation of information management tools such as data searching, analytic tools and applications;
b. Review regulatory frameworks and its institutional engineering;
c. Training of public officials on the application of information management tools in the sector;
d. Improving communication among different stakeholders.
e. Streamlining decision making processes and bureaucratic procedures, including by improving coordination of instances that manage the institutional framework for extractive sector;
f. Strengthening legislative and regulatory instruments, including by improving mineral agreements, and establishing adequate public disclosure requirement on extractive operators.

3.B. Private Sector Development and Infrastructure

3.B.1. Chapters I and II described an economy that is heavily reliant on the extractive sector and needs policies and programs to promote private sector development. Guyana's private sector faces a number of challenges—small market size, access to and cost of electricity, an inadequately educated workforce, taxes, crime and violence, inefficiency of domestic markets, access to and cost of financing, low research and development; poor infrastructure (roads, ports and air connectivity); weak protection of property rights (land tenure, intellectual property rights, and contract enforcement); and a lack of coordination between government and private sector to develop new industries that can aid economic diversification. These challenges do hinder growth in the private sector and contribute to a less diversified economic structure than the current one. In this section, we further examine the roots causes of these issues and identify policy interventions that can potentially reduce the effects of these constraints on growth. The key areas that we look at are the business environment, access to finance, infrastructure, trade and economic diversification, transportation and logistics, and cross-cutting issues.

I. Business Environment

Overview

3.B.2. Guyana's private sector is small, less open to international trade, most firms are family owned and have a high dependence on imported inputs. The private sector consists of mainly micro, small, and medium-sized enterprises with a few large enterprises operating in the extractive industries (PSAG, 2014). As of October 2013, the Small Business Bureau’s database included 6,756 businesses. Most of these firms sell their goods and services only to the domestic market; with only 8 percent reporting that they export compared to 17 percent for the rest of the Caribbean (Figure 3.B.2). Also, majority of firms are family owned (sole trader and private limited companies), 37.5 percent are sole traders and 33 percent are private limited companies; and depend on imported inputs, 73 percent compared to 57 percent for the rest of the Caribbean, (Figure 3.B.1).

Figure 3.B.1. Legal structure of firms

![Legal structure of firms](image)

Figure 3.B.2. Trade profile of firms

![Trade profile of firms](image)

Source: PROTEqIN Survey, 2014

3.B.3. Many of the large conglomerates possess majority ownership positions in the country’s banks. Amongst the largest conglomerates are: Edward B Beharry & Company Ltd which owns companies in the food and beverage industry in addition to having a large ownership stake in the Guyana Bank for Trade and Industry Limited (GBTI). The Yesu

105 About 73 percent of registered businesses in Guyana employ fewer than five people, while 22.3 percent employ 5-15 people and 4.7 percent employ more than 15.
Persuad Group is a shareholder of the Demerara Distillers Ltd and the Demerara Bank Ltd. The Banks DIH Limited group which controls companies in the beverage and bottling sector has a controlling stake in Citizens Bank Inc. The results of these cross-holdings are that the largest and most sophisticated companies in the country are well banked, while the smaller ones are not. Other medium to large companies do exist, operating in sectors like construction, shipping, agribusiness, mining, and seafood.

<table>
<thead>
<tr>
<th>Names</th>
<th>Sector</th>
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</thead>
<tbody>
<tr>
<td>Republic Bank</td>
<td>Financial Industry</td>
</tr>
<tr>
<td>Demerara Bank Ltd</td>
<td>Financial Industry</td>
</tr>
<tr>
<td>Citizens Bank</td>
<td>Financial Industry</td>
</tr>
<tr>
<td>Guyana Bank for Trade and Industry</td>
<td>Financial Industry</td>
</tr>
<tr>
<td>Demerara Distillers</td>
<td>Alcohol</td>
</tr>
<tr>
<td>Edward b Beharry &amp; Company Ltd</td>
<td>Food &amp; Beverage</td>
</tr>
<tr>
<td>Banks DIH Limited</td>
<td>Food &amp; Beverage</td>
</tr>
<tr>
<td>J.P Santos &amp; Company Limited</td>
<td>Shipping &amp; Logistics</td>
</tr>
<tr>
<td>Guyana Goldfields</td>
<td>Mining</td>
</tr>
<tr>
<td>Troy Resources</td>
<td>Mining</td>
</tr>
</tbody>
</table>

3.B.4. SME’s are a central part of Guyana’s economy, but the business environment is highly unfavorable.\textsuperscript{106} SMEs’ contribution to GDP is estimated to be 28 percent and around 22,000 small and micro firms were in business in 2009. The business environment is highly unfavorable. Guyana dropped 5 positions from 132 to 137 (out of 189 countries) in the 2016 Doing Business Report. The main areas where declines were observed include getting electricity, getting credit, starting a business, dealing with construction permits, paying taxes, trading across borders and protecting minority investor (see Chapter 2). Moreover, Guyana has a lower rank relative to ROSE-C in dealing with construction permits, getting electricity, registering a property, getting credit, paying taxes, trading across borders, and resolving insolvency, (see Chapter 2). This suggests that Guyana’s regulatory framework and business environment places lengthy procedures for business operations, mostly because of outdated pieces of legislation (Insolvency Act among others). In this section, we examine the following issues: property rights protection, innovation climate, the framework for movable assets, corruption and cost of doing business, and resolving insolvency. The other issues identified above are examined in other sections of this report.

3.B.5. The mining sector is made up of large numbers of small private producers, several medium sized producers, and a handful of large producers. The country has a long history of mining bauxite, gold, and diamonds, but gold is the dominant metal. Gold, which makes up 44 percent of Guyana’s exports, has been traditionally dominated by small and medium-sized mining operations that employ around 5-30 workers each. The preponderance of small operations means that the mining sector is closely integrated with the rest of the economy. While there are benefits from having small sized producers closely linked with the rest of the economy, there are drawbacks as well. Large mining operations are more likely to comply with international standards regarding environment, transparency, labour, and relations with surrounding communities. In addition, larger miners use more advanced mining operations that have higher extraction rates. Small and medium sized producers currently extract 30 percent of the gold from the ore compared to upwards of 90 percent for the larger producers. Several international mining operations have arrived in recent years, boosting the country’s production of declared gold. The two largest gold mines operated by multinational firms (Canadian-owned Guyana Gold Fields

\textsuperscript{106}Enterprise Surveys 2010.
Inc. and Australian owned-Troy Resources) currently account for 33 percent of the declared gold.

Problems and Causal Factors

3.B.6. **Inadequate property rights protection affects investment.** The World Bank’s property rights and rule-based governance index (1=low to 6=high) rates Guyana lower (3) than the average for the rest of the Caribbean and small economies (3.9 and 3.3). This index assesses the extent to which private economic activity is facilitated by an effective legal system and rule-based governance structure in which property and contract rights are reliably respected and enforced. The 2016 World Economic Forum’s property rights indicator also shows that Guyana underperforms relative to ROSE-C (figure x, chapter 2). The main consequence of insecure property rights in Guyana is that it limits bank funding, and without it, miners or farmers cannot make long-term investment. Thus, the downside includes less attention given to environmental issues, such as deforestation and water contamination. It also limits the use of modern technologies, which affects the overall productivity of farmers and miners.

3.B.7. **Underdeveloped intellectual property rights.** Despite firm level expenditure on innovation (percent of sales) being higher in Guyana than the rest of the Caribbean, 7.6 percent compared to 1.5 percent and businessperson’s perception of innovation capacity is more favourable than ROSE-C (Proteqin, 2015 and figure 59), the institutional and legal framework for improving intellectual property rights needs to be modernized. The legislation related to intellectual property (Trademarks, Patents and Designs and Merchandise Marks) date of 1972 and the Copyright Act is dated 1956. Related laws such as the Business Names Registration Act (2000) and the Deeds Registry Authority (1999) are almost 20 years old. This is reflected in patents (applications/population (million)) registered by Guyana, 0 compared to 9.6 for ROSE-C (figure 3.B.3). In addition, the institutional framework for promoting innovation and entrepreneurship needs to be modernized and there is the need to build an innovation and entrepreneurship ecosystem, including the University, the private sector and all private sector promotion entities like the Small Business Bureau.

3.B.8. **Resolving insolvency is a major challenge.** Guyana ranks 156th out of 189 countries for resolving insolvency in the 2016 Doing Business Report. Guyana scores lower than the ROSE-C average on every indicator of resolving insolvency (see Figure 3.B.4) recovery rate (cents on the dollar), time (years), cost (percent of estate), outcome (piecemeal sale), strength of insolvency framework, commencement of proceedings, management of debtor’s assets, reorganization proceedings, and creditor participation. Moreover, there is a stigma attached to bankruptcy which results in limited use of the legislative procedures available. An Absolute Order in bankruptcy can remain un-discharged for a lifetime and can thereby destroy the debtor’s business or his prospects of engaging in any further business activity or having legitimate access to credit. This stifles entrepreneurship and penalizes failure. This is an undesirable result having regard to the fact that business failure may not be due to the lack of business acumen but to the state of the economy caused also by external pressures. There is no maximum number of years for which the Bankruptcy Order is effective and no forgiveness of at least some classes of debt. The current law (bankruptcy law) only caters for liquidation.
3.B.9. The control of corruption is weak and the cost of ‘getting things done’ in Guyana is the highest in the Caribbean. Guyana has the lowest score in Kauffman’s control of corruption index, below all Caribbean countries and ROSE-C (figure 3.B.5). This index measures the exercise of public power for private gain, including petty and grand corruption and state capture. It is no surprise then that the cost of ‘getting things done’ in Guyana, which is measured by the amount spent by firms (as a percent of annual sales) on informal payments or gifts to public officials is the highest in the Caribbean. Firms in Guyana report that the average cost of “getting things done” represents 12.2 percent of annual sales compared to the Caribbean average of 2.6 percent (figure 3.B.6). These ‘gifts’ include informal payments made to public officials to get prompter public services for electricity, water, import licenses, government contracts and telephone connections. This presents a significant obstacle to firms as resources that could have been used by firms for investment and innovation is diverted to unproductive use.

3.B.10. Outdated framework for moveable assets. A major impediment to lending in Guyana is the outdated framework for pledging movable property as collateral. The Bill of Sale Act governs the pledging of business and personal assets as security for loans. Although BSA allows for some forms of secured lending, there are some restrictions on the type of collateral, the type of debtor and the type of creditor. The current system particularly disadvantages smaller businesses, new businesses and women entrepreneurs.

Recommendations
3.B.11. **Legal and regulatory framework**: Efforts to support business growth in Guyana should focus on modernizing the legal and institutional framework. Particular emphasis on the areas of resolving insolvency, property rights, and intellectual property rights. The solution to these issues has to be Guyana-specific given the peculiarities of its political economy.

a. **Resolving insolvency**: specific policy measures should focus on strengthening the institutional framework, improving efficiency and effectiveness of processes and procedures so as to reduce time and cost, creditor participation and issues related to commencement of proceedings. Some of the core principles that can be used to guide specific policies to improve insolvency frameworks are (see EU, 2016)\(^{107}\): (1) early identification of debt distress, (2) availability of early restructuring procedures (3), availability, accessibility and affordability of insolvency procedures, (4) effective enforcement of creditor claims, (5) allowing distressed debtors a genuine fresh start, and (6) clear rules on cross-border insolvency.

b. **Intellectual property, property rights and moveable assets**: further research is required to identify and strengthen property rights laws that could increase incentives for firms to conduct R&D.

3.B.12. **Reducing corruption**: Legislative and regulatory changes must be implemented to adequately endow recently formed corruption oversight committees with the authority to compel compliance with anti-corruption regulations and, when necessary, to impose sanctions for non-compliance. Further, these bodies must be given the technological, financial, and human resources necessary to carry out their functions.

3.B.13. **Modernizing Guyana's institutional lending framework is needed**. Efforts to improve the number of innovative and productive firms through programs that provide incubators and seed capital support to start-ups and entrepreneurs with a special focus on young persons, women and indigenous communities.

3.B.14. **Increase investments in public goods, especially research and innovation**. This initiative should incorporate the private sector, especially for export commodities, by targeting the poor with incentives for technology adoption to reduce poverty and increase productivity, provide productive infrastructure (roads, irrigation and energy) in the most productive areas (Regions 2, 3, 5 and 6, with incentives for diversification and promote policies that promote higher use of technology reduce pressure on fragile ecosystems. For example, increasing utilization of precision farming and mobile technologies, together with improvements in data management software, offer expanding opportunities for an integrated data infrastructure that links farm-level management decisions to site-specific bio-physical data and analytical tools to improve on-farm management, reducing pressure on the environment.

II. **Transportation and Logistics**

**Overview**

3.B.15. **Guyana's transportation infrastructure—road, air and ports—requires substantial improvements to support growth of the private sector**. The paved coverage of the road network is low, which hinders connectivity to the country's interior. The country possesses one of the sparsest road networks in South America with 3,995 KM of roads serving a country with 214,920 KM\(^2\). 80 percent of the roads in the system are unpaved with 410 KM of main roads, 510 KM of coastal and feeder roads, and 3,075 of interior roads and trails. The quality of the road network is deteriorating and routine maintenance

\(^{107}\) [https://goo.gl/qQUC6j](https://goo.gl/qQUC6j)
is lacking. Motorization is high for the population size which causes congestion in urban areas. Although road fatalities have increased, the country does not have a national road safety strategy and there is a lack of capacity to enforce existing traffic regulations. Guyana’s port processes and related infrastructure requires operational modernization. Moreover, there are currently no paved roads connecting Brazil to the coast of the Guyana, and there is no bridge connecting the major coastal highways of Guyana and Suriname. Hence, it is not surprising that Guyana ranks relatively low in all three transportation infrastructure metrics; the quality of roads, ports and air transportation infrastructure ranks 104th, 87th and 93rd respectively, out of 148 countries. This places Guyana below par falling into the 3rd and 4th quarters in the ranking of economies. In this section, we examine in more detail the problems and causal factors that contribute to unfavorable transportation infrastructure and logistics in Guyana.

Table 3.B.2. Transport Infrastructure Indicators

<table>
<thead>
<tr>
<th>Country/GDP*</th>
<th>Indicator**</th>
<th>Road Infrastructure</th>
<th>Ports Infrastructure</th>
<th>Air Transport Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guyana (GDP - $3,596)</td>
<td>Score; Rank</td>
<td>3.2; 104th</td>
<td>3.6; 87th</td>
<td>3.8; 93rd</td>
</tr>
<tr>
<td>Suriname (GDP - $8,696)</td>
<td>Score; Rank</td>
<td>4.0; 71st</td>
<td>4.9; 43rd</td>
<td>3.9; 104th</td>
</tr>
<tr>
<td>Jamaica (GDP - $5,541)</td>
<td>Score; Rank</td>
<td>3.6; 85th</td>
<td>4.7; 45th</td>
<td>4.9; 46th</td>
</tr>
<tr>
<td>Dominican Republic (GDP - $5,763)</td>
<td>Score; Rank</td>
<td>4.3; 53rd</td>
<td>4.5; 51st</td>
<td>4.7; 54th</td>
</tr>
<tr>
<td>Trinidad and Tobago (GDP - $18,085.76)</td>
<td>Score; Rank</td>
<td>4.1; 64th</td>
<td>4.0; 71st</td>
<td>4.6; 61st</td>
</tr>
</tbody>
</table>

*Per capita GDP, **Score: Values are on a 1-7 low to high scale; Rank: In a field of 148 countries

Table 3.B.3. Service Parameters

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Suriname</th>
<th>Guyana</th>
<th>Jamaica</th>
<th>Dominican Republic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Road Safety (Fatalities / 100,000 population in 2010)*</td>
<td>16.3</td>
<td>13.8</td>
<td>9.6</td>
<td>22.4</td>
</tr>
<tr>
<td>Motorization</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicles/100,000 population in 2010*</td>
<td>303</td>
<td>97</td>
<td>191</td>
<td>132</td>
</tr>
<tr>
<td>Vehicles/km of road*</td>
<td>32</td>
<td>16</td>
<td>22</td>
<td>76</td>
</tr>
<tr>
<td>Maritime</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liner Shipping Connectivity Index (2014) (100 is maximum)*</td>
<td>5.0</td>
<td>4.1</td>
<td>21.6</td>
<td>26.3</td>
</tr>
<tr>
<td>Shipping Lines Providing Service*</td>
<td>6</td>
<td>6</td>
<td>26</td>
<td>24</td>
</tr>
<tr>
<td>Air</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air Connectivity Index (2007) (100 is maximum)*</td>
<td>2.17</td>
<td>2.46</td>
<td>4.35</td>
<td>4.5</td>
</tr>
<tr>
<td>Available airline seat km/week, millions (2013)*</td>
<td>28.1</td>
<td>11</td>
<td>135.1</td>
<td>386.4</td>
</tr>
<tr>
<td>Institutional</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutions (2013)*</td>
<td>3.5</td>
<td>3.6</td>
<td>3.7</td>
<td>3.0</td>
</tr>
<tr>
<td>Score (Values are on a 1-7 low to high scale)</td>
<td>993</td>
<td>823</td>
<td>853</td>
<td>1243</td>
</tr>
<tr>
<td>Rank (In a field of 148 countries)</td>
<td>993</td>
<td>823</td>
<td>853</td>
<td>1243</td>
</tr>
</tbody>
</table>

*Source: World Bank Development Indicators.

Problem and Causal Factors

3.B.16. Low connectivity to the interior and neighboring countries. Over the past few decades, the road network in Guyana has been incrementally expanding. The country affords acceptable ground connections within the coastal region of the country but to a lesser extent with the interior and with neighbors, Brazil and Suriname. Although the current stock of roads in Guyana appears to be low relative to coverage, it is medium in proportion to the size of the country’s population (Table 3.B.2).

3.B.17. The quality of the road network is deteriorating. The coverage of the road network and the distribution of population can be deemed adequate given that 90 percent of the population live on the coast. However, when considered as a public service with only 20 percent of the network is paved, the quality of the network is deemed the lowest against it comparators and more so, deteriorating due to lack of maintenance. While there are no current scientific surveys on the basic network, expert advice cites the network as 23 percent good, 20 percent regular, and 35 percent and 22 percent bad and very bad,
respectively. This has been attributed to a deficit in the resource allocation for maintenance, both at the planning and execution stages (INT, IDB).

3.B.18. Congestion in urban areas is a major problem. Guyana’s ranks 109th out of 192 countries with respect to motor vehicles per 1000 people.\textsuperscript{109} Although relatively lower than the Caribbean average for motor vehicles per 1000 people, 95 compared to 236.8, and number of registered vehicles, 15,694 compared to 139,111\textsuperscript{110}, Guyana still has a congestion problem in urban areas. This is because of the relatively high density of the population in the coastal belt coupled with narrow roads. Moreover, the port is located very close to the urban center and utilizes the same roads as the rest of the population which results in congestion at key points. Similarly, access to the airport is via an urbanized area which adds to the congestion problem.

3.B.19. Increased accidents and fatalities are a major concern but institutional capacity, legislation, planning and resources are lacking to improve road safety. Guyana’s estimated number of road deaths is higher than the Caribbean average; 138 compared to 82 in 2013 (WHO, 2015).\textsuperscript{111} Unlike other countries in the region, Guyana does not have a national road safety strategy or policy to guide efforts in reducing traffic accidents. Furthermore, the country lacks capacity to enforce traffic regulations and vehicle inspections, since there are no defined road safety criteria being applied to road projects. This is also demonstrated by several key indicators of road safety, such as, the absence of national motorcycle helmet law, absence of a national policy on public transport and on walking and cycling, a national seat belt law which is not applied to all occupants, and the adaptation of national speed limit at a local level (WHO, 2015).\textsuperscript{112} Moreover, Guyana has a national drink-driving law, but the attribution of road traffic deaths to alcohol is much higher than countries in Latin America that poses a similar law, 16.1 percent compared to 11.1 percent.\textsuperscript{113} Though the National Road Safety Council (NRSC) was established in 2006 as the national coordinating mechanism with responsibilities for road safety, its resources are very limited and thus its actions fall short of current demands.

3.B.20. The country’s main port in Georgetown is experiencing high levels of silt build-up, reducing the quantity of cargo that can be shipped in and out. The Demerara River has served as the main point of export for industries like bauxite, sugar, forestry, and other goods. The Demerara has silt-up, and the depth has gone from 6.0 meters to 4.5 meters at low tide between 2008 and 2011. This has imposed limitations on the draught of the vessels, reduced the quantity of cargo that can be managed, and complicates the shipping agencies’ ability to satisfy commercial needs in a cost-efficient manner.

3.B.21. High cost, port processes and infrastructure require operational modernization. The World Bank’s Logistics Performance Index or LPI ranks Guyana 139th out of 189 countries. Guyana scores lower than the LAC average in all six components of the LPI- efficiency of the clearance process; quality of trade and transport related infrastructure; ease of arranging competitively priced shipments; competence and quality of logistics services; ability to track and trace consignments; timeliness of shipments in reaching destination within the scheduled or expected delivery time, (World Bank, 2015). This ranking placed Guyana, who depends heavily on maritime transport for regional and international trade, lowest in the region. In addition, the generalized insurance and freight charged in Guyana for containerized cargo is 21percent for imports and 14percent for exports, compared to an average cost of 6percent in developed economies. The observed problems at Guyana’s ports relates to the need for institutional and legislative

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{109} http://chartsbin.com/view/1114
\item \textsuperscript{110} http://apps.who.int/gho/data/node.imr.RS_194?lang=en
\item \textsuperscript{111} http://apps.who.int/gho/data/view.main.51310
\item \textsuperscript{112} http://apps.who.int/gho/data/view.main.51310
\item \textsuperscript{113} http://apps.who.int/gho/data/view.main.51410
\end{itemize}
\end{footnotesize}
modernization. Others include the use of information systems to facilitate port efficiency as well as improving major encumbrances related to a lack of maintenance dredging and safety navigational facilities.

3.B.22. **Guyana has high documentary compliance and costs.** In 2016, the time required for obtaining, preparing, processing, presenting, and submitting export documents was 200 hours, the highest amongst CCB countries and much higher than the regional LAC average (68 hours). In terms of costs for these same activities, the figure was also high (US$ 178) compared to regional average (US$ 134). Also with respect to ROSE-C, Guyana underperforms in both documentary and border compliance (measured in hours) but does better in terms of cost (Figure 3.B.7). The 2015 Global Competitiveness Index shows that with respect to ROSE-C, Guyana has higher trade tariffs, more adverse rules on FDI and burdensome customs procedures (Figure 3.B.8).

3.B.23. **The air transport sector is in a state of expansion.** Georgetown has one large international airport (Cheddi Jagan International Airport) and one smaller international airport that service the interior and neighboring countries (Eugene F. Correia International Airport). There are approximately 100 airstrips scattered across the country. In 2015, the government announced the US$150 million airport expansion project of the Cheddi Jagan Airport that will be partially financed by a US$138 million loan from the EXIM Bank of China. The government states that the expansion should be concluded in 2017, but recent studies suggest that the expansion project will require investments that surpass US$200 million.

3.B.24. **Data and staff limitations are key constraints for institutions that monitor and supervise transportation infrastructure.** Staff limitations and a lack of investment planning for the medium to long term. The Ministry of Public Infrastructure is responsible for planning, construction, and maintenance of the country’s network of roads and bridges, port and airfields However; it has a limited number of technical personnel (INT, IDB). Many of the problems associated with the sector are embedded in institutional constraints related to data necessary for the design and execution of plans, programs and projects. Therefore, there exists an inability of making optimal use of limited public resources to achieve the expected universal gender impacts that improve lives and stimulate other key sectors for development.

**Recommendations**

3.B.25. **Improve hinterland connectivity.** The policy recommendation is to improve the coverage and quality of road infrastructure through the definition and implementation of
interventions for roads-paved and unpaved. This should be the result of an analysis of technical alternatives and economic profitability around new industries to facilitate urban growth away from the flood-prone coastal plain. Improvements to the road network must respond to and have support from key sectors in synergy with other productive infrastructure initiatives as well as climate change resilience.

3.B.26. **The construction of a road that connects Brazil with the coast of Guyana to improve investment and open new business opportunities.** Brazil has expressed interest in a high quality paved road that extends from the border town of Lethem to the Guyanese coast. The road would reduce the transport time required to export products from the Brazilian states of Roraima and Amazonas. The project has been discussed since the 1970s, and many issues must be resolved before it can move forward. The project is incipient, but it does present a large opportunity for private investment in the long run.

3.B.27. **Road fatalities have increased, yet the country does not have a national road safety strategy and there is a lack of capacity to enforce existing traffic regulations.** A comprehensive review of the organization responsible for transport should be conducted in conjunction with a feasibility assessment to reinforce Government’s role as a regulator with overarching responsibility for planning (master plan for roads and road safety program) the activities of the entire transport sector. **Attention should be given to the definition and institutionalization of a road safety strategy that addresses the following pillars:**

1) strengthen the management of road safety at the national level with interagency participation,
2) increasing safety-intrinsic qualities and protection of road users.

**Intervention in the paved network is recommended by building new roads or rehabilitating trunk roads linked to production centers with agro and eco-tourist potential areas. This should be accompanied by measures of resilience to climate change, ease of road maintenance and interconnectivity between the land, water and air transport systems to the interior of the country. Guyana could benefit from a policy designed to achieve greater sustained funding for the development of the transportation sector from a combination of equity fund, public-private partnerships and multilateral organizations. Further, a central statistical office for transportation should be established to increase efforts to improve gender sensitivity and efficiency in sectoral investments from planning to execution, supported by monitoring and impact evaluation mechanisms.**

3.B.28. **Modernizing marine transport.** Conduct a diagnostic study to inform investments aimed at bringing Guyana’s ports up to international standards using information technology. Additionally, efficiency and safety in the port could be improved through dredging of the harbor and channel, renewal of navigation aids, removal of wreckages, and the acquisition of firefighting and pilot vessels. Supporting these interventions would contribute to improving the competitiveness of the shipping industry in Guyana and by extension, reduce the cost of exports.

3.B.29. **Improving the port infrastructure to reduce the cost of transport in and out of the country.** The port of Georgetown requires new investments in the short and medium term. The wharves that comprise the port are located within Georgetown and have little room to expand due to space constraints. Several of the ports are developing new port facilities and require financing for the development of these sites. Additionally, the shallowness of the Demerara River prevents larger more economical vessels from servicing the country. Existing plans to form a PPP that will dredge and maintain the Demerara River, which will allow larger vessels to dock in Georgetown should be supported.
3.B.30. **Invest in bridges to cross the country's extensive river system.** The Demerara Harbor Bridge is the main transportation link between the East and West banks of the Demerara. It is a two-lane floating toll-bridge that serves the capital city of Georgetown and the surrounding area. Traffic use surpasses capacity and usage is expected to increase in the coming years. A higher capacity bridge is needed to service the capital city. There are currently no definite plans for the new bridge, but it does represent a potential investment opportunity. There is also a need for a bridge over the Corentyne River that connects the major highways between Guyana and Suriname. Traffic currently must utilize a ferry service. A modern high capacity bridge would stimulate commerce between the two countries.

### III. Access to Finance

#### Overview

3.B.31. **Access to and cost of financing is a constraint to firms in Guyana.** This challenge particularly affects SMEs that do not comply with stringent and conservative credit policies. The 2016 Doing Business Report ranks Guyana 167th out of 189 countries for getting credit. This ranking shows up several deficiencies for Guyana including zero credit registry coverage (percent of adults), lower credit bureau coverage and depth of credit information relative to ROSE-C, and an inadequate legislative framework to facilitate lending as reflected by the strength of legal rights index (Chapter 2). The challenge banks face in their effort to expand their lending activities is finding creditworthy clients with proven cash flows and sound business plans. Commercial banks claim that a lack of credit information systems, clients with audited financial statements, bankable business plans, and problems with collateral collection are the main obstacles that prevent a more aggressive credit expansion into the SME segment. The creation of a Credit Bureau in 2013 has helped narrow the deficiencies of credit information; however, the use of this tool has been limited. In the rest of this section, we explore the main factors that contribute to a financing constraint for Guyanese firms.

#### Sector Background

3.B.32. **Guyana's financial sector is small and underdeveloped.** The system consists of a series of entities separated into several groups, including: commercial banks, non-bank financial institutions, insurance companies and pension plans. In addition, Guyana has an incipient capital market, comprised of a stock exchange and a handful of brokerage firms.

3.B.33. **The Central Bank supervises commercial banks, non-bank financial institutions, money transfer agencies, currency exchange companies, pension plans, insurance companies, brokers and agents.** The country’s central bank, the Bank of Guyana, was established in 1998 as an autonomous institution. Its role is to foster domestic price stability through the promotion of stable credit and exchange conditions, and sound financial intermediation conducive to the growth of Guyana’s economy and the development of its financial system. The Central Bank’s scope of work is governed by a set of legislation which includes the following: Bank of Guyana Act 1998, Financial Institutions Act 1995, Dealers in Foreign Currency (Licensing) Act 1989, Money Transfer Agencies (Licensing) Act 2009, Anti-Money Laundering and Countering the Financing of Terrorism Act 2009, and the Insurance (Supplementary Provisions) Act 2009.

3.B.34. **Commercial banks account for almost 70 percent of the financial system’s total assets, concentrating the great majority of lending and investment capacity in the country (table 3.B.4).** Currently there are six commercial banks that together have a total of thirty bank branches across the country. Three of these banks are foreign owned: Republic Bank (Trinidad & Tobago), Scotiabank (Canada) and Bank of Baroda (India). The other three banks are locally owned: Guyana Bank for Trade and Industry (GBTI), Citizens
Bank, and Demerara Bank. Republic Bank is the largest, accounting for 40 percent of commercial bank assets, followed by GBTI with a 20 percent market share.

Table 3.B.4: Financial System’s Assets (March 2016)

<table>
<thead>
<tr>
<th>Entity</th>
<th>US$ M</th>
<th>Part.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Banks</td>
<td>2,204.6</td>
<td>68.9%</td>
</tr>
<tr>
<td>New Building Society</td>
<td>289.6</td>
<td>9.1%</td>
</tr>
<tr>
<td>Finance Companies</td>
<td>257.4</td>
<td>8.0%</td>
</tr>
<tr>
<td>Pension Schemes</td>
<td>159.3</td>
<td>5.0%</td>
</tr>
<tr>
<td>Insurance Companies Life</td>
<td>148.9</td>
<td>4.7%</td>
</tr>
<tr>
<td>Insurance Companies Non-Life</td>
<td>89.5</td>
<td>2.8%</td>
</tr>
<tr>
<td>Trust Companies</td>
<td>50.3</td>
<td>1.6%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,199.6</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Central Bank of Guyana

3.B.35. **Non-bank financial institutions include both deposit and non-deposit taking institutions.** This group is composed of six entities: two trust companies, one finance company, one merchant bank, one housing lender and an investment firm. These entities represent 19 percent of the financial system’s assets. The housing lender, New Building Society (NBS), is the largest player in this group, with total assets representing 9 percent of the financial system. NBS is a deposit taking institution that focuses primarily on mortgage loans.

3.B.36. **There are 17 registered insurance companies in the country; eleven of them cover general casualty risk**, and six are **long term insurance companies**. The insurance sector is responsible for 7.4 percent of the financial system’s assets. Information from the Central bank of Guyana suggests that insurance companies invest in long term assets, both domestically (68 percent) and abroad (32 percent). According to the Central Bank the sector was adequately capitalized in accordance with the requirements of the Insurance Act 1998 and its soundness indicators reflect a healthy sector. The risk exposure of the insurance industry is being cautiously managed following the collapse of CLICO.

3.B.37. **The pension system is composed of private pension plans and a public pension scheme that provide retirement benefits and other coverages to its affiliates.** There are 28 private pension plans set up by individual companies for the benefit of their own employees. These pension plans are managed by trust companies that, acting on each company’s behalf, make investments and manage the payment of benefits. The pension plans are funded through employees and employers monthly contributions, and their investments are carried out according to each plan’s investment policies and guidelines. Most of the investments are concentrated on private sector shares and other securities (35.7 percent), as well as bank deposits (28.0 percent), foreign companies (25.7 percent) and a minor participation in Guyana Treasury Bills (2.7 percent). These pension schemes represent 5 percent of the assets of the financial system (Central Bank of Guyana, 2016). In addition, Guyana has a social security system in place, managed by the National Insurance Scheme (NIS), a semi-autonomous entity that provides its beneficiaries with long term benefits (retirement, disability, etc.), short term benefits (sickness, maternity, etc.) and industrial benefits (injury, industrial disability and death). The NIS has approximately US$150 million in assets under management. It is funded through compulsory monthly contributions made by employers and their employees (the

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114 General Insurance companies cover Accident & Liabilities, Auto, Marine, and Aviation and Fire.
115 Long Term Insurance companies cover General Life, Health and Annuities and Pensions.
beneficiaries); the combined contributions amount to 14 percent of total payroll. Currently the NIS has approximately 160,000 contributors and 45,000 beneficiaries collecting pensions.\textsuperscript{117}

3.B.38. In addition to the financial intermediaries described above, Guyana has developed a segment of credit unions that are very large in terms of coverage and number of affiliates, but not very representative in terms of intermediation volumes. Structured as co-operatives, these credit unions are non-for-profit depository institutions created to serve their members with depository and loan services throughout the country. There are 24 active credit unions with more than 27 thousand members, but only US$25 million in assets (approximately 1 percent of total commercial bank assets).\textsuperscript{118} The three largest unions serve nearly one-third of the total membership. Three entities lend at the legally established rate of one percent per month, regardless of amount requested and current market interest rates (Holden and Howell, 2009). Unlike the rest of the financial intermediaries, credit unions are supervised by the Ministry of Labour, consequently they are not subject to the same regulatory compliance imposed by the Central Bank upon other regulated financial intermediaries. As the size and relevance of the credit unions in Guyana continue to grow, with many of these entities managing substantial amounts of deposits from the public, it has been recommended that they should be placed under the surveillance of the Central Bank to help protect and preserve the sustainability of the financial system as a whole.

3.B.39. Guyana's capital market is insignificant. There are few active players, with very low trading volumes and lack of debt instruments. The Guyana Association of Securities Companies and Intermediaries (GASCI) is the home of Guyana's Stock Exchange. GASCI is registered with the Guyana Securities Council to carry out business as both a stock exchange and an association of securities companies and intermediaries. There are four entities that are registered as brokers in the exchange, buying and selling securities on behalf of their clients. There are seventeen companies currently listed under two types of listings: the Official List\textsuperscript{119} and the Secondary List.\textsuperscript{120} Trading in the market is incipient. Only 12 of the companies listed are traded on a regular basis, and 9 of them have a majority ownership which means that the actual float is low. No IPOs have ever been issued in the Stock Exchange. Trading sessions are held once a week (Monday) and the average monthly trading since 2013 has been just above US$170 thousand. Total market capitalization is US$704 million.\textsuperscript{121} GASCI has not developed a debt capital market. No corporate bonds, commercial paper, bank time deposits or government securities are currently listed or traded in the Exchange. The government issues Treasury Bills, but they are placed through the Central Bank.

3.B.40. The capital market’s industry regulator is the Guyana Securities Council. The Council is a statutory body created by the Securities Industry Act 1998. The Council was created in 2001 and its main responsibilities are to regulate the securities market and ensure orderly, fair and equitable dealings in securities. The Securities Council is a dependent agency of the Ministry of Finance.

3.B.41. The country receives sizable amounts of remittances from Guyanese people living abroad. According to the World Bank the flow of remittances in 2015 was equivalent to US$300 million, or 9.3 percent of GDP, much higher than the LAC average (1.6 percent). These amounts do not go through the formal financial system, rather

\textsuperscript{117} Information provided by National Insurance System executives.
\textsuperscript{118} See http://www.caribccu.coop/affiliates/guyana
\textsuperscript{119} The Official List consists of those securities that meet the requirements of law and regulation in the management of business and in the disclosure of adequate, timely and accurate information to investors.
\textsuperscript{120} The Secondary List consists of those securities that have not been admitted to the official list. This includes all securities which are eligible for trading automatically by virtue of being registered with the Guyana Securities Council.
\textsuperscript{121} See http://www.gasci.com/
through companies like Western Union and MoneyGram, and they are usually used to finance consumption rather than investment.

**Problems and causal factors**

3.B.42. In spite of its comfortable position of high liquidity, ample capitalization ratios and adequate levels of profitability, the banking system in Guyana must strengthen its position in relation to certain risks that could threaten its stability in the near future. These risks are: (i) elevated portfolio concentration; (ii) high levels of related-party lending; and (iii) increased non-performing loans. Banks and the regulator should exercise prudent measures to ensure that these risks are controlled in order to safeguard the sustainability of the system, and its prominent role in the growth of the private sector.

3.B.43. The institutional foundations of Guyana’s financial sector are weak. According to the Ease of Doing Business index, Guyana’s ranking, in the “getting credit” category is 167 out of 185 countries, two notches below its 2015 ranking, see Figure 2.11 and 2.12. This index is lower than the rest of LAC, except for Haiti and Suriname (both sharing the 174th place). The “getting credit” index measures two sets of issues—the strength of credit reporting systems and the effectiveness of collateral and bankruptcy laws in facilitating lending. According to the World Economic Forum’s Global Competitiveness Report (2014-2015), Guyana ranks 87th in the world (out of 140 countries) for its availability of financial products and services to businesses, and 74th for its affordability of financial services, see Figure 2.11. These scores are better than some countries in the region, like El Salvador, Nicaragua, Venezuela and Haiti; however lower than Trinidad & Tobago, Jamaica and the Dominican Republic (World Economic Forum, 2015).

3.B.44. Commercial banks offer a limited range of loan products and collateral is too high. Most banks offer “plain-vanilla” SME or corporate loans and overdrafts as well as basic trade finance products to their business clients. In addition, all lending decisions are collateral based, and commercial banks require extensive collateral from borrowers, usually in the form of real estate, covering over 200 percent of loan exposure, see Figure 3.B.10. Many small borrowers, particularly smaller firms, are not able to meet these conditions, which excludes them from the formal financial system. Land property rights, particularly in the mining and agriculture sectors, are unreliable, rendering them unfit for collateral, thwarting banking penetration into these sectors, see Figure 3.B.9. Miners hold land leases that must be renewed on a yearly basis. A similar situation is faced by farmers, who can lease the land they farm, but are unable to sell it. Many farmers work on subleased land which cannot be mortgaged. Commercial banks find it challenging to expand credit under these circumstances, and instead choose to develop a portfolio composed of large borrowers with well-established business and sound collateral, with whom they develop long term relationships.

3.B.45. Commercial banks are not allocating resources according to their significance in the Guyanese economy. The composition of the loan portfolio in the commercial banking sector is concentrated on the service sector (43 percent) of which more than half represents wholesale and retail distribution, followed by manufacturing (23 percent) where construction is the largest subsector. It is worth noting that the agriculture and mining sectors, which represent almost a third of the country’s GDP, only receive about 13 percent of commercial financing. In relative terms, agriculture alone is receiving less funding now than a few years ago (see table 3.B.5). The reasoning behind this is twofold. First, the financial structure of commercial banks, combined with simple credit evaluation technologies and products, as well as a very low risk appetite, does not produce an incentive to expand lending in these sectors. Second, the agriculture and mining sectors have inherently carried a much higher and more unpredictable risk profile that banks have not been able to manage efficiently. Agricultural risks, (which cannot be mitigated because

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of a lack of insurance products) such as climate, informality, farming technology, and commodity price fluctuations are too complex for the banking sector to evaluate and price correctly, therefore the incentive is to limit exposure.

### Table 3.B.5: Commercial banks – loan portfolio composition (In US$ M)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Dec-10</th>
<th>%</th>
<th>Mar-16</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>174.08</td>
<td>41%</td>
<td>273.50</td>
<td>43%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>81.84</td>
<td>19%</td>
<td>147.44</td>
<td>23%</td>
</tr>
<tr>
<td>Households</td>
<td>106.16</td>
<td>25%</td>
<td>130.98</td>
<td>21%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>47.20</td>
<td>11%</td>
<td>57.82</td>
<td>9%</td>
</tr>
<tr>
<td>Mining</td>
<td>13.77</td>
<td>3%</td>
<td>23.96</td>
<td>4%</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>0.15</td>
<td>0%</td>
<td>3.93</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>423.20</td>
<td>100%</td>
<td>637.63</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Central Bank of Guyana

### Figure 3.B.9: Credit penetration (loan portfolio/GDP)

Source: International Monetary Fund

### Figure 3.B.10: Value of collateral needed for a loan (percentage over loan amount)

Source: World Bank, Enterprise Surveys

3.B.46. **Low banking penetration leads to low portfolio diversification and high ratios of portfolio concentration.** This is the result of a very conservative business model that feels comfortable assuming mostly corporate risks. According to Central Bank statistics, the average concentration of the top 20 borrowers in the system is 100 percent of the total capital base. On an individual basis, Demerara Bank and GBTI report concentration levels of 298 percent and 235 percent respectively; the latter being the second largest bank in Guyana with a 20 percent market share. These high levels of portfolio concentration make the banking sector vulnerable and crowds-out resources that could be targeted to smaller borrowers.

3.B.47. **Microfinancing in Guyana is not well-developed.** There are only two microfinance entities (MFIs), legally formed as NGOs, but they are not supervised by the Central Bank. These NGOs offer financing for micro, small and medium size companies with loans as low as US$200. Their portfolio is concentrated in agriculture and commercial retail. Though both NGOs have been in the market for several years, their combined portfolio is still low (approximately US$17 million)—less than 1 percent of commercial banks’ total assets. They currently serve over 5,000 clients combined and the average loan is approximately US$3,300 per client. These numbers denote low microfinance penetration,
as the estimated number of informal businesses and self-employed individuals who are eligible and would be interested in a micro loan is approximately 29 thousand clients.

3.B.48. **A lack of transparency, modern business practices and credit information systems hinder firm’s ability to access credit.** One of main impediments to lending is that banks are unable to find clients with audited financial statements (however, the data shows only a marginal difference between Guyana and the rest of the Caribbean, 32 percent of Guyanese firms do not have their financial statements checked by an external auditor compared to 29 percent for the rest of the Caribbean), (Proteqin, 2014). SMEs in Guyana are predominantly owner managed; many are family businesses with leadership transitioning to the second generation. The lack of transparency, modern business practices and weak credit information systems (see Figure 2.12) poses a challenge to growth as creditors are reluctant to lend without sufficient information.

3.B.49. **The nascent stock market is rarely used by private businesses to raise new debt or equity finance.** The stock market is used exclusively for trading existing shares rather than to raise funds finance via Initial Public Offering (IPOs) or Secondary Public Offering (SPOs). There is also the absence of a bond market while trading on the stock market has slowed markedly in terms of the number and value of trades. Stock turnover ratio peaked at 2.2 percent in 2005 and remained subdued thereafter below 0.5 percent. Except for the ECSE, the turnover ratio for Guyanese stock exchange is below other stock exchanges in the region during the period 2010-2014.

3.B.50. **De-risking is a challenge that continues to concern the banking industry in Guyana.** This carries important implications, particularly to locally owned commercial banks that do not have many correspondent bank lines to carry out trade finance transactions. Though originally an issue related to the heightened risk of money laundering and terrorism financing, de-risking is now being executed purely as a business decision based on expected returns. Guyana is officially off the watch list of the global Anti-money Laundering and Countering the Financing of Terrorism compliance process of the Financial Action Task Force (FATF).

**Policy recommendations**

3.B.51. **Diversify loan products, particularly for the SME segment of the market.** A Lack of product diversification has been a deficiency in the financial system and one of the reasons for low banking penetration. The policy recommendation is to develop up-streaming regulation and create an enabling environment for the expansion of leasing; factoring and loans secured by movable property, and provide capacity building and advisory services to commercial banks to develop such products.

3.B.52. **Strengthening the banking sector and accelerating its expansion will have a direct impact on the improvement of access to finance in Guyana.** Commercial banks are well positioned to expand their loan portfolios in the SME segment, given that liquidity is roughly 18 percent of banks assets, ample capital cushion and high profitability; however, they need support to move forward given the segment’s heightened perception of risk. Support should be provided to commercial banks through risk sharing mechanisms which can expand SME portfolios in traditionally risky or unserved sectors, such as agriculture, manufacturing, and women entrepreneurs. This would bring more lending to these markets, while diluting the risk exposure.

3.B.53. **Promote supply-chain finance mechanisms for the agriculture sector to help close the financing gap.** Farmers across the country face challenges when it comes to collecting their accounts receivables from their related industries, within a reasonable amount of time. A recommendation would be the establishment and financing of a fund
that would purchase these receivables at a discount (factoring), and provide the sector with much-needed liquidity. In turn, the fund would exercise the collection of the receivables without recourse to the producer, assuming the risk of the industry, such as the rice millers, sugar millers (GUYSUCO—the government owned sugar producer), and other large commodity traders. This would provide working capital financing to farmers without them going through the rigid scrutiny of a commercial bank, and would indirectly finance the industry and traders without using their commercial lines of credit.

3.B.54. The development and implementation of crop insurance would be a game-changer in the agriculture sector, triggering an expansion of financing opportunities. The expansion of the agricultural portfolio by extending credit through FIs and value-chain mechanisms, and combining these financial products with training support for agricultural producers and SMEs in the form of technical assistance and grants, to improve crop productivity, business and managerial skills, as well as transparency and corporate governance issues.

3.B.55. Improve microfinancing options. Microfinance in Guyana is not very well developed, with only two NGOs and a few credit unions functioning as micro lenders. Support for these entities via medium term loans can facilitate the continued expansion of their portfolios. However, significant challenges would be present, such as: (i) scale, as these entities will not be able to absorb large ticket sizes, (ii) risk profile, given the quality of their assets and credit technologies implemented, (iii) E&S issues, given that approximately half of their portfolio is in the agriculture sector, (iv) local currency, since their portfolios are in Guyanese Dollars and they are not equipped to manage currency mismatches, and (v) corporate governance and regulatory compliance, as these entities are not supervised by the Central Bank.

3.B.56. Guyana requires assistance to develop its capital markets. Current listing requirements are too stringent, and mostly aimed at large companies. The development of a “Junior Market” with lower requirements targeted for SMEs could induce more listings and increase trading. Commercial banks would be interested in this funding alternative as it would help their maturity mismatch issue. In addition, the creation of a debt capital market would open up the possibility to mobilize long term resources towards the productive sector.

3.B.57. Continue to strengthen regulatory and legislative frameworks to address issues related to de-risking. Although de-risking is not expected to represent a systemic risk to the financial system, it could adversely affect a few local banks that will see their correspondent bank lines reduced or eliminated. While Guyana has made strides recently in adopting the legislative framework for AML/CFT, it needs a strengthened Financial Intelligence Unit and strengthened regulation of designated non-financial activities and professions. Although the current legislation contemplates regulation of these activities and professions, there is need for improvement in its implementation.

3.B.58. Financial regulatory and supervision reforms in Guyana are needed specifically in some significant areas: i) deepening monitoring and regulating financial stability risks; ii) bring credit unions under the supervisory authority of the Bank of Guyana (currently under the Ministry of Labour); iii) improve reforms under the AML/CFT framework identified by the CFATF; iv) improve the access to economic and financial data (periodicity and timeliness of key macroeconomic) and v); update and reform of the pension funds framework.

IV. Trade and export diversification: Agribusiness as an engine of growth and employment

123 NGOs can only fund themselves through institutional loans. Credit unions can also take deposits from the public
Overview

3.B.59. Agriculture and mining are the twin engines of economic growth in Guyana; export earnings from these sectors have a multiplier effect on the rest of the economy through investment and domestic expenditure. Much of the agriculture sector is predicated on the fortunes of two key commodities: rice and sugar, which alone contributed to 24 percent of exports and 19.6 percent of GDP in 2014 respectively, see Table 3.B.6. The sector is also the principle livelihood strategy for a third of the country’s economically active population, and is subject to a number of government subsidies and supervision mechanisms. Nevertheless, agricultural production remains vulnerable to the vagaries of commodity price fluctuations, climate change and crop failures, and the shifting fortunes of Guyana’s trading partners. Over the next decade substantial investment will be required to increase competitiveness through mechanization and value-chain consolidation, all while a looming Dutch-disease could potentially price-out Guyanese agricultural commodities (Gleb et al, 1988).

Table 3.B.6: Composition of GDP: Selected Sectors

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry, fishing</td>
<td>21.4 20.9 20.5 20 19.8 19.2 19.6 19.2</td>
<td></td>
</tr>
<tr>
<td>Sugar</td>
<td>4.7 4.2 4.3 3.8 3.1 3.4 -4.5</td>
<td></td>
</tr>
<tr>
<td>Rice</td>
<td>2.5 2.6 2.7 2.7 3.3 3.8 92.2</td>
<td></td>
</tr>
<tr>
<td>Other crops</td>
<td>5.0 4.8 4.8 4.8 4.8 4.8 26.5</td>
<td></td>
</tr>
<tr>
<td>Livestock</td>
<td>2.7 2.6 2.9 2.9 2.8 2.8 34.5</td>
<td></td>
</tr>
<tr>
<td>Fishing</td>
<td>3.3 3.2 2.7 2.9 2.6 1.8 -27.3</td>
<td></td>
</tr>
<tr>
<td>Forestry</td>
<td>3.1 3.3 2.8 2.6 2.6 2.8 19.1</td>
<td></td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>11.2 10.5 9.5 10.8 11.8 12.1 10.3 19.3</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>6.9 7 6.7 6.8 6.6 6.8 7.3 36.7</td>
<td></td>
</tr>
<tr>
<td>Sugar</td>
<td>1.2 1.1 1.1 1.0 0.8 0.9 -4.5</td>
<td></td>
</tr>
<tr>
<td>Rice</td>
<td>1.6 1.6 1.7 1.7 2.1 2.4 92.8</td>
<td></td>
</tr>
<tr>
<td>other manufacturing</td>
<td>4.1 4.1 4.0 4.0 3.9 3.9 4.0 27.3</td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>63.3 64.1 65.9 65.3 65.1 65.2 66.3 36.4</td>
<td></td>
</tr>
</tbody>
</table>

Source: Central Bank of Guyana

3.B.60. Guyana’s main export destination is Canada which accounts for 27.8 percent of its total exports in 2015, followed by the United States (26.3 percent), the United Kingdom (7.9 percent), Panama (6.6 percent), Trinidad and Tobago (5.8 percent) and Jamaica (5.6 percent), (Bureau of Statistics). Exports are highly concentrated in mining and agriculture, amounting to over 78.6 percent of total exports in 2015, a decline in concentration of 2 percentage points since 2010. The country’s main import partner is the United States which accounts for 24.9 percent of total imports, followed by Trinidad and Tobago (24.2 percent) and China (7.6 percent).

3.B.61. High concentration in primary exports and few markets. Guyana’s economy depends on exports of some primary commodities such as gold, rice, bauxite, timber, and

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124 PSAR Compete Caribbean (2014).
125 Rice and sugar contributed 23.6 percent and 6.9 percent of US$1.16bn in total exports. In 2015, while gold accounted for 42.8 percent of this total, IMF WEO (April, 2016).
126 PSAR Compete Caribbean (2014).
127 Research suggests that oil booms have a tendency to cause Dutch-disease and a concomitant decline in agriculture—as was the case in Ecuador, Iran, Nigeria and Trinidad and Tobago during the first and second oil booms of 1972–81.
sugar. Precious and semiprecious metals and mineral products account for 39.7 percent of the country’s exports. Guyana exhibits high concentration of exports in both products and markets. Guyana’s Hirschmann-Herfindal (HH) concentration index for exports is 0.19, higher than the average for ROSE-C (chapter 2). This relatively high concentration, which has increased over the past three years, is an indicator of the country’s vulnerability to external shocks. The top 5 exported subheadings accounted for 73.5 percent of total exports, down from 76.1 percent in 2008. In the case of export markets, Guyana’s situation is along the same lines. The country exports 38.9 percent of its goods to its top 2 exports markets, the US and the UK.

3.B.62. **With a heavy concentration on primary exports, diversification or more specifically the development of agro-processing has been identified as a key area of policy focus.** The evidence presented in chapter 2 shows that agriculture has significant potential, but substantial investments will be required to increase competitiveness, particularly accounting for the looming effects of Dutch-disease. (Gleb et al, 1988). Hence, in this section, we examine main problems that affect export competitiveness and diversification by focusing primarily on agribusiness.

**Problems and causal factors**

3.B.63. **The Guyanese agriculture sector reached maturity years ago and a lack of investment in process and product upgrades limits its competitiveness.** By now, it should be undergoing a process of consolidation, mechanization and growth as more successful companies buy-out smaller ones—a process that many countries in the region have undergone. A number of factors have limited this trajectory, however. In the traditional sector, state-owned sugar company GuySuco has been beset by deteriorating market conditions. Even the privately-run and of-late highly profitable rice sector has failed to invest in the necessary process and product upgrades that would make it competitive. Non-traditional clusters though promising are still nascent and have yet to prove they can lure workers from more lucrative activities such as mining or logging.

3.B.64. **The Government of Guyana provides the highest levels of agricultural support in the region** (see figure 3.B.11). This is comprised of various policy instruments to support the agricultural sector, including trade agreements, fiscal measures, as well as public investment in infrastructure, research, extension services and marketing. The total support estimate, or overall transfers created as a result of agricultural policy, averaged GYD 20 billion, or 3.94 percent of GDP from 2012 – 2014. A hike from 2.2 percent in 2010 to 3.94 percent in 2014 was largely driven by transfers to the sugar sector.

**Figure 3.B.11: Total support estimates in selected countries and regions, 2012-2014**

![Figure 3.B.11: Total support estimates in selected countries and regions, 2012-2014](image)

Source: OECD PSE Database, Agrimonitor

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128 PSAR-Compete Caribbean 2014.
129 Ibid.
3.B.65. **Given Guyana’s free trade agreements, the Effective Rate of Protection (ERP) is relatively low.** Apart from poultry which is protected by a 100 percent tariff, preferential tariffs are applied to imports from other CARICOM signatories, as well as the EU, Colombia, Costa Rica, Cuba and the Dominican Republic. Guyana also has a bilateral free trade agreement with Brazil. All tariff lines in Guyana are bound, and the overall Most Favoured Nation rate for agricultural products averages 22.7 percent as opposed to 10 percent for non-agricultural products.\(^{130}\) VAT of 16 percent is applied to all domestically-produced goods, with the exception of certain key food stuffs.\(^{131}\) Part of the government support consists of budget transfers to GuySuCo and loan repayment waivers for the construction of the Skeldon Processing Facility.\(^{132}\) Financing of on-farm services mainly consists of extension services provided to farmers through the GRDB, GLDA and NAREI.\(^{133}\)

![Figure 3.B.12: Overview of Guyana’s Trade Agreements](image)

**Source:** WTO 2015

3.B.66. **Market Price Support (MPS) constitutes the largest share of agricultural support in the period 2010-2014, where MPS represented 73.4 percent of total support estimates.** While the role of budget transfers increased significantly primarily as a result of subsidies to GuySuCo, consumers pay higher prices across the board for their poultry meat, rice and vegetables due to import duties.

3.B.67. **Currently agriculture products lag on quality standards.** High levels of price support not only prevent farmers from responding to signals from the international market, but hamper more-productive government investment in national quality control infrastructure. As a consequence, Guyana lags on its SPS protocols, and currently only 20 of its products are accepted by the USDA\(^{134}\) and Brazil has not yet accepted its meat and dairy exports. Guyanese rice still has a reputation for uneven quality,\(^{135}\) and coconut exporters have faced quality control issues.\(^{136}\)

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\(^{130}\) Guyana has bound its whole tariff in the WTO at a general ceiling binding of 50 percent for non-agricultural products (with some exceptions) and at 100 percent for all agricultural products. Guyana applies Phase IV of CARICOM’s Common External Tariff (CET), with a maximum tariff of 20 percent for industrial products and 40 percent for agricultural goods, with a number of exceptions. The average tariff is 12.1 percent, and almost two thirds of tariff lines are subject to duties of 10 percent or less but a limited number of products, mainly agricultural goods, alcoholic and other beverages, and tobacco, face duties as high as 100 percent. Guyana grants duty-free access on imports from other CARICOM countries, provided they meet CARICOM rules of origin. There are a small number of exceptions (ginger, curry, beer, spirits, etc.), which are subject to tariffs between 5 percent and 10 percent. Guyana also grants tariff preferences to a limited number of products originating in Colombia under CARICOM-Columbia Trade and Economic Cooperation Agreement, and will do the same with goods from Cuba and the Dominican Republic once pending CARICOM agreements with those countries enter into force. (WTO).

\(^{131}\) Fresh chilled or frozen pork, beef, shrimp, fish and salted fish, peanuts and cashew nuts, (Derlagen and Tas, 2016).

\(^{132}\) The Skeldon Sugar Modernization plant is an upgraded sugar processing facility built by a Chinese company, CNTIC.

\(^{133}\) The Guyana Rice Development Board, the Guyana Livestock Development Authority and the National Agricultural Research and Extension Institute.

\(^{134}\) The main institutions involved in the national quality infrastructure related to export promotion in Guyana are the Ministry of Business, Agriculture and Health (dealing with Sanitary and Phytosanitary measures, health, food and drug). The Guyana National Bureau of Standards (GNBS) is the agency responsible for developing national standards and is governed by a National Standards Council, whose members are appointed by the Minister of Business. (Chambers of Commerce, the University of Guyana, the Guyana Manufacturers’ Association, Regulatory bodies etc.). The National Agricultural Research and Extension Institute (NAREI) under the Ministry of Agriculture is Guyana’s SPS enquiry point and national notification authorities to the WTO.

\(^{135}\) Buyers in the U.S. and Canada demand refrigerated containers, and higher grade coconuts for fresh consumption. Shipments to these markets must also meet specific SPS standards. In March 2015, a rice shipment to Chile was rejected for failing to meet...
3.B.68. **Low investment in agricultural technologies is related to limited access to financing and insecure land and property rights.** The 2015 Global Competitiveness Index shows that Guyana scores lower than ROSE-C in all four indicators of technology adoption examined in figure 3.B.13: individuals using internet (percent), availability of latest technology, firm level of technology, and FDI and technology transfer. Agricultural policy in Guyana is more burdensome than in ROSE-C, as reflected by the perceptions of businessmen (Global Competitiveness Index, 2015). Although farmers are aware of the modern agricultural technologies needed to boost productivity, they are often slow to invest. In addition, efficiency gains from mechanization are hard to achieve for smallholdings. Even when farmers manage to accrue sufficient acreage, it is often through subleasing arrangements that are currently illegal under Guyanese law (see section below on land and property rights). Even under the recently-ended PetroCaribe agreement with Venezuela, well-remunerated rice millers—who are arguably some of the best-placed actors in the sector to invest in mechanization and processing activities—did not use their profits for either process or product upgrading, but rather, increased yields by planting more hectares. As discussed previously, limited access to financing which is related to insecure land and property rights, prevent farmers from accessing loans to invest in agricultural technologies.

**Figure 3.B.13. Technology Adoption**

Source: Global Competitiveness Index (2015)

3.B.69. **Women farmers and entrepreneurs are discriminated against based on gender,** and are less able than men to undertake fixed capital investments, or they are charged higher interest rates and/or tenors, even though collateral requirements suggest that women-operated businesses are not perceived as riskier. An indicative indicator of this practice is the relatively higher interest rate on loans reported by female owned firms in Guyana, 13.5 percent compared 12.6 percent, (Proteqin Survey, 2014).

3.B.70. **Electricity is a major constraint.** Guyana’s costly and unreliable electricity supply is cited as a top concern by the business community, and constrains the development of processing and other value-added activities in the agri-business sector (see section on electricity).

3.B.71. **Low participation in global value chains.** Guyana’s participation in global and regional value chains is somewhat limited. Although there is no unique measure where it is possible to address all the aspects related to the participation of a country in global value chains, a proxy frequently used is the intra-industrial levels of trade. This measurement is based on the premise that global production chains are associated with sequential production where countries can import intermediate goods, add value and export them to another country. Like its CCB counterparts, Guyana’s Grubel-Lloyd (GL) index is low contract specifications for percentage of broken grain and foreign matter. "Chile Rejects Doerga’s Alesis Rice Shipment" Guyana Times, March 26, 2015. http://www.guyanatimesgy.com/2015/03/26/chile-rejects-doergas-alesie-rice-shipment/

136 In 2015 a container of coconut exports was rejected by the Canadian port authorities (see Abdulsamad, 2016).
137 PSAR Compete Caribbean (2014).
139 Tariffs are some of the highest in the region, and range from US$0.28 to US$0.32 per kWh, (PSAR Compete Caribbean, 2014).
(0.014 in 2006), (Bruhart, 2009). One of the reasons behind this lies in the economy’s emphasis on commodities, especially extractable ones.

3.B.72. Dutch disease can result in de-agriculturalization. Commodity booms tend to push up wages and exchange rates making tradable products less competitive in external markets (see Corden and Neary, 1982). With oil production and exports expected to commence over the medium-term, Guyana’s agricultural export sector can suffer adverse effects due the Dutch disease. Research documenting the impact of the Dutch disease in the Middle East and North Africa, indicates a long run negative correlation between oil rents and agriculture value added in the long run, attributable to a resource movement effect from other economic sectors to the booming oil sector in these countries (Apergisa et al. 2014).

3.B.73. Lack of incentives and institutional framework for promoting sustainable tourism. Over time international arrivals have been increasing, in 2014, arrivals were 205,000 compared to 100+ in 2000, (See Caribbean Tourism Organization and Wenner and Johnny, 2015). The main constraints are limited airlift capacity, poor infrastructure, human capacity, and undeveloped attractions (Wenner and Johnny, 2015). The country has significant potential to develop nature based tourism products (wildlife watching, eco-tourism, adventure tourism, boating, fishing, and hiking) but most of those attractions are in the interior and face access and lodging constraints. The vast majority of international arrivals (65-70 percent) are estimated to be expatriated Guyanese and their offspring who visit friends and relatives and other tourism products can be developed aim at this market segment. However, there is a virtual dearth of information on visitor profiles, preferences, and expenditure patterns.

Policy Recommendations

3.B.74. Improve financing for firms in the agriculture sector. Solving the access to finance conundrum for small-holder farmers at the beginning of the value-chain will entail public sector reforms to secure land and property rights, promote the consolidation of parcels through legal sub-leasing or other arrangements. According to interviews conducted for this study, tailored products for specific agricultural products are needed that take into account specific harvesting and production cycles and thus provide more flexible tenors than are currently available. To overcome high collateral requirements, products can be developed whereby clients use their machinery, rather than land, to secure loans.

3.B.75. Improve women’s access to finance. Currently there is gender-based discrimination by banks who charge women higher interest rates than men even though women-owned businesses are not perceived as more risky (similar collateral requirements to men-owned businesses are required). Investing in women entrepreneurs will fast-track Guyana to increased growth and poverty reduction. Since it is so hard to borrow, women have had to be particularly innovative—such as the Chinese bio-chemist who is creating her own genetically unique coconut products; or the rice miller and coconut grower who accessed a loan from the IFC to on-lend to smaller farmers so they could increase their efficiency.

3.B.76. Climate smart production systems. Climate smart agriculture investments could focus on: water distribution infrastructure to develop areas with potential for agriculture and/or aquaculture; low-carbon power generation and distribution systems to facilitate water pumping, value-adding processing of agro-products, value-adding processing of timber products and minerals; and energy efficient industrial processing, storage clusters and transportation networks. The application of best practice standards, and the labelling of climate-smart value-added products from agriculture, fisheries, forestry and mining, will bolster competitiveness and market access.

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140 In May 2015, Exxon Mobil indicated that it had made a significant find, approximately 200 Kilometers offshore of Guyana—the estimated volume of hydrocarbons ranges from 800 Million to 1.4 Billion barrels.
141 According to the World Economic Forum’s equality (2015), only 44 percent of women in Guyana hold formal jobs compared to 83 percent of men, and of those who work for salaries are a mere 50 percent compared to men.
3.B.77. **Develop a comprehensive national tourism development plan.** This plan should include: i) positioning and marketing strategy; ii) investments in infrastructure; iii) training and technical assistance; iv) legal and regulatory framework; and v) data collection and analysis.

3.B.78. **Develop investment programs in the fields of technology and innovation that successfully complement productive supply chains.** Transforming GoInvest into a world class export and investment promotion agency would be a step in the right direction and there is an important opportunity to implement international best practices such as investment aftercare programs that can enhance established investments while simultaneously creating new ones.

3.B.79. **Improve energy efficiency and invest in renewable energy for self-supply.** Given the high energy costs in Guyana—for rice millers for example, energy costs account for 18–22 percent of production (Rogers and LaCruze, 2014)—there is an immediate opportunity to invest in self-generation projects using renewable energy technology such as biomass, fuelled by agricultural waste particularly from rice and sugar. The first biomass installation was funded privately by a rice miller in Guyana, and can be used as a model for replication.

3.B.80. **Undertake process/product upgrading.** There are opportunities for strategic value chain financing in both the rice and sugar sectors, with the latter presenting more challenges.

a) **Rice:** In the rice sector, to achieve the necessary economies of scale, there is an option to support rice millers with factoring and other financial instruments through their association. Interviews with several rice millers and other agricultural producers indicate that support can occur through local banks with market intelligence; leading to tenors that better reflect specific commodity cycles, as well as alternatives for stringent and fixed collateral requirements.

b) **Sugar:** As state-owned GuySuCo contemplates partial privatization, and a likely diversification into other commodities, there is a need for substantive technology and management upgrades at the most viable estates. Other GuySuCo properties will require land-lease options, or wholesale divestment to attract tenable private sector interest. Both scenarios can be informed by the Skeldon estate, which attracted Chinese investment, but with varying results.

c) **Non-Traditional Products:** Guyana’s Agriculture 2020 Strategy envisions an increase of non-sugar and rice exports by at least 25 percent by 2020. The F5 Approach anticipates that exports of non-traditional crops will become increasingly more important, as well as the use of non-traditional agricultural products in fashion and health (including cosmetics and medicine).

3.B.81. **According to Compete Caribbean, recent agricultural cluster initiatives in non-traditional agricultural crops show significant export potential, and have already attracted international investments, and should be supported:**

a) **The fruits and vegetables sector.** This sector has received investment from an Israeli firm that has provided training, packaging and storage services to small local producers. In the coconut water agro-processing cluster, many small farmers and a few larger farms sell coconuts to three processing plants, the largest of which is Trinidadian.

b) **Coconuts.** Create value chain partnerships to reduce transaction costs and build economies of scale in quality control, marketing and service delivery. Any future investment in Guyana’s coconut value chain related to process, product, and/or functional upgrading, particularly at an industrial scale, strongly depends on reducing transaction costs involved in assuring flow of raw materials and linkages between agents in the value chain.

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142 This includes such as coconuts, soya, corn, cassava, bora, pineapples and plantain, among others.
143 Compete Caribbean market development plan.
c) In the forestry sector, a Malaysian multinational firm is specializing in the production of floors, decks, furniture and other wood products; and there is also interest in the pulp and paper cluster.

3.B.82. Support SMEs through a value chain strategy. Developing existing clusters in the country, such as those related to tourism, specialized agricultural goods and fisheries may help to promote more innovative practices amongst firms present in those industries and to increase productivity and the country’s level of exports. Agriculture Strategy for Guyana emphasizes the importance of a value chain approach. Policies designed to improve standards, packaging, and labeling could boost agricultural firms’ participation in global and regional value chains, allowing them to reach customers in an increasing number of countries.

V. Cross-cutting issues: Gender, indigenous people, climate change and environment

3.B.83. Women’s participation in the private sector workforce is low. Women make up approximately 35 percent of the labour force with labour force participation rates (as a percentage of the total female population) of 45 percent compared to that of men (as a percentage of the total male population) at 82 percent. Gender inequality is evident in Guyana’s firms, as studies have shown that female participation rates in top management are the lowest among Latin American and Caribbean Countries (LAC). In the 2014 PROTEqIN survey, 16 percent of firms reporting female participation in ownership. Majority of these female owners operate in the garment and transport sectors. Lack of professional expertise, the pervasiveness of informal businesses, segregation by sector and occupation, and family responsibilities limit the opportunities for women to participate in the formal private sector and to become entrepreneurial business owners or rise to managerial positions (PSAR Compete Caribbean, 2014).

3.B.84. The use of technology by women-owned businesses in Guyana can be measured using two types of approaches: the ownership of a website for the business and the level of technology/Knowledge Intensity (TKI). For those women-owned businesses with more than five employees, 47.4 percent of them own a website, a higher value than the Caribbean average of 42.1 percent. However, in general, the companies owned by females in the Caribbean are very low TKI: only 5.9 percent of these types of businesses are considered high TKI, and Guyana surpasses that number reaching 15.2 percent.

3.B.85. Participation of women in non-traditional export goods sectors is low. An estimate from a data set that includes approximately 100 enterprises, women represent less than 30 percent of the companies of those in the non-traditional agro-processors (derivatives of coconut and other fruit & vegetables, seafood and processed products). Non-traditional goods are being promoted by the Guyanese Office for Investment and the low participation of women represents a missed opportunity for them to being included in higher value trade processes.

3.B.86. Indigenous peoples have limited access to training and business resources. In addition to the significant differences between indigenous and market economic systems, indigenous peoples have limited access to the financial, educational, technical, informational, logistical and other resources necessary to engage in market activities and to create economic development models that capitalize on their knowledge and resource base. Finally, indigenous economic initiatives face considerable market barriers: lack of infrastructure (roads) and energy; rough geography and remoteness; limited access to financing, markets, market intelligence, technical assistance, etc.

144 World Development Indicators database.
3.B.87. **Climate change threatens the agriculture sector.** Given its small scale, and concentrated as it is along the narrow coastal strip where Guyana's most productive soils are found, agriculture is particularly vulnerable to sea level rise and other adverse effects of climate change. Risk models predict increased flooding, erosion and salt water intrusion in the coastal areas, where currently 90 percent of the population resides and where most of the agricultural production occurs. If current trends in global warming persist, fertile land and water resources would be compromised; although low population densities in the country’s ample and undeveloped hinterland should allow for a margin of resilience if development planning is carried out judiciously.

3.B.88. **Increased temperatures and increased intensity and frequency of extreme weather events are expected to pose a challenge to the viability of plants and livestock production.** The impact is expected to be on the quantity and quality of agricultural produce. Plant vitality debilitation, increased propagation of pests, and impacts on growing seasons and crop patterns are expected, challenging the adaptability of certain crop varieties. This problem is exacerbated in Guyana where the agricultural sector remains dependent on two commodity crops, with lack of diversification in terms of crops and geographic areas where agriculture occurs.

3.B.89. **Even though the mining sector tends to be increasingly regulated and formalized, enforcement and environmental management compliance had not kept consistent pace.** With the gold mining industry projected to continue growing, the Government has endeavored to ensure that mining operations promote higher standards of environmental sustainability. In becoming a signatory to the Minamata Convention, Guyana has committed to phasing-in restrictions against the use of mercury in mining, but putting this in practice is still a challenge.

3.B.90. **Activities in the mining sector contribute to deforestation and degradation of forest ecosystems, which adversely impacts on nature's capacity to provide essential services.** The mining sector’s impact over the last 3 years represents on average 89 percent of total forest loss. Thus, the principal threats to the sustainability of Guyana’s mining sector are: (i) the impact of extraction activities on deforestation levels and degradation of forest resources; and (ii) pollution due to the use of inappropriate techniques (mercury use in gold mining being the most significant). Without proper environmental considerations this activity tends to have severe environmental consequences including forest and habitat loss, water body contamination by mercury, and river sedimentation.

3.B.91. **The recent offshore oil and gas findings with an estimated potential of 800mn-1.4bn provides both an opportunity and a challenge for management of natural resources, economic diversification and growth.** The expected increase in productions will demand a careful fiscal management policy, sound environmental rules and controls and measures to benefit the wider population.

**Policy Recommendations**

3.B.92. **Continue market-based strategies to improve environmental quality of mining operations.** This includes becoming Party to the Extractive Industries Transparency Initiative (EITI) and adapting its operational scheme – which is mostly designed for large-scale mining – to the conditions in Guyana, where a great deal of the pollution problem is derived from small and medium scale miners. At the same time, Guyana must advance implementation of the National Action Plan to comply with the Minamata Convention on Mercury, in particular, enhancing environmental controls to reduce forest degradation and deforestation, and promoting technological improvements focused on the artisanal and small gold mining. Improving environmental governance in the mining sector.

3.B.93. **Indigenous peoples’ economic empowerment is gaining attention, but a more coordinated and structured policy and programmatic framework is needed.** Private sector development in hinterland villages is considered a priority area by indigenous
peoples and development actors, and represents an area of growing intervention. The 2011-2015 Poverty Reduction Strategy addresses the strengthening of village economy and community development through programs such as the Presidential Grant, the National Hinterland Secure Livelihood Program, and, most importantly, the national Low Carbon Development Strategy (LCDS) focuses on supporting economic development through the development of the Indigenous Development Fund (ADF) and Community Development Plans (CDP). Additionally, development actors such as Conservation International, WWF, Iwokrama, are contributing to livelihoods development. While these efforts have generated important advances, they are still at an incipient stage and face a great deal of barriers: shifting economic systems, insecure land tenure, remote location, limited access to capital, markets and skills development, migration of youth, etc. In light of the scope and scale of challenges a comprehensive framework that thoroughly addresses the complexities and opportunities of indigenous economic empowerment. The country's indigenous population, predominantly found in forested landscapes, relies heavily on forest resources for their livelihood, though this contribution is poorly quantified.

3.B.94. Invest in remediation. Eliminating use of mercury implies a reduction in terms of environmental liabilities, but improving environmental conditions will also require remediation of damage caused by past operations. According to current production level and operational condition, remediation cost of environmental impact would represent an annual cost of US$ 71.4 Million; estimated initial investment in private sector for technological conversion is around US$ 71 Million. Invest in training programs. Guyana must promote technical-skills upgrading to foster greener and more sustainable gold mining practices in Guyana’s labour force, focusing on artisanal and small-scale miners.

3.B.95. To combat the potential effects of climate change water-shed conservation is needed. The coast requires draining while the hinterlands need improved water management and irrigation. Certain actions need to be taken now if sustainable development is to be attained while preparing and adapting to the effects of climate change: this includes a clear land-use policy, planning and management systems.

3.B.96. Forestry. Increase capacity in the Government for enforcement, monitoring and verification. This includes support to the EPA, MNR, GL&SC, GGMC, GFC and OCC. A common platform and a single database will reduce costs for the private and public sector and increase confidence for investment. Increase the number of products that can be marketed from natural forests. This includes support for the processing of high-quality timber, as well as ecotourism. The economic value of this kind of support needs to be calculated by including the value of the forest for other purposes, like compliance with international agreements (GRIF) and global goods (carbon sequestration). Invest in standing forest and other natural vegetation as income sources, in particular through eco-tourism, which in turn will require clear and enforced zoning to protect the country’s pristine ecosystems.

3.B.97. Policies measures that focus on building climate resilient agricultural systems should be examined. Some important areas to consider are improving water management, research and investment in climate proof sustainable farm systems and building the adaptive capacity of the agriculture sector to reduce the vulnerability of farmers (Guyana, 2015a)

3.B.98. Effective integrated spatial planning and the need for clear organizational-institutional frameworks for managing natural resources. There is a need for a clear national land use policy to establish the priorities for land allocation (taking into consideration the effects of climate change in the future productivity and availability of the lands), to be further translated into comprehensive national and regional land use planning systems based on multi-criteria analysis that incorporate environmental and social elements, after modeling the potential benefits, costs and tradeoffs from different land use alternatives. In the absence of these land managing tools, the lack of coordination amongst governmental agencies leads to land use conflicts between mining and forestry,
mining and indigenous lands, and other problems like pollution, habitat loss and reduced forest productivity, all of which will only be exacerbated by climate change.

3. C Human Capital and Productivity

3.C.1. Guyana’s 2014 Human Development Index (HDI) of 0.636 roughly is below the average of 0.748 for countries in Latin America and the Caribbean. In 2015 the HDI score remained at 0.636 with a ranking of 124 out of 188 countries with HDI growth stalled since 2010.\textsuperscript{147} Several factors contribute to this persistently relatively low HDI performance and these include high poverty rate and weak social protection policies and programs to reduce poverty and vulnerability, low life expectancy, low education outcomes and weak and inefficient labour market performance and a high level of violence and crime.

3.C.2. The constraints in the development of human capital then result in low labour productivity which limits economic growth and diversification. The social tensions and dearth of quality human capital continue to limit opportunities for the country. An important challenge to human capital development is the considerable inequity that exits between the coastal and hinterland regions which need to be overcome. In addition, the country has one of the highest emigration rates in the world that began in the 1970s causing many qualified Guyanese to leave the country. This brain drain afflicts the country until today (UNESCO/ IBE World Data on Education, 2006/2007). A recent survey shows that 73 percent of graduates migrate or have intentions of migrating. As signalled by the relatively low ranking on the Human Development Index, the following sections therefore show the challenges in Human Capital formation in Guyana.

VI. Health

Overview

3.C.3. Guyana’s health profile is characterized by a double burden of disease, with non-communicable diseases (NCDs) increasing while communicable diseases remain a challenge. As Figure 3.C.1 shows, in 2015 non-communicable diseases (NCDs) represented 69 percent of the total causes of death in Guyana with Ischemic Heart Disease (17 percent), Stroke (12 percent), and Diabetes Mellitus (8 percent) representing the highest mortality rates of all NCDs. Communicable, maternal, neonatal, and nutritional diseases (Group I) made up 19 percent of total causes of death in 2015. HIV represented 7 percent and lower respiratory infections (LRIs) represented 4 percent of total deaths within this category. Malaria remains endemic in the interior regions of the country, affecting mostly indigenous and mining communities.\textsuperscript{148} Other vector-borne diseases such as dengue, chikungunya, and recently zika also continue to affect people’s health.\textsuperscript{149} Accidental deaths and injuries were not far behind Group I in total causes of death at 12 percent, with self-harm at 3.4 percent, road injuries at 2.5 percent, and violence at 2.3 percent of accidental mortality rates.

\textsuperscript{147} UNDP (2015) Multidimensional Poverty Index (MPI) @ http://www.ophi.org.uk/multidimensional-poverty-index/mpi-2015/mpi-data

\textsuperscript{148} The incidence of infection is four times greater in males (78.0 percent) than in females (21.9 percent), affecting 78.6 percent of adults (age 15–49) as of 2010.

\textsuperscript{149} In 2015, the incidence rate of laboratory-confirmed dengue cases was 48 cases per 100,000 people.
3.C.4. **The national health system is public, universal, and free to all Guyanese.** Most people depend directly on the public sector, while an estimated 5 percent of the population access private services through voluntary private health insurance. Out-of-pocket payments are estimated at 8-10 percent of total health spending.\(^{150}\) The public system is financed by general taxation; public health expenditures represented 3.1 percent of GDP in 2014 (see Figure 2.27).\(^{151}\) As can be observed in Figure 3.C.2 below, public health spending is low in comparison to other countries in the region.

3.C.5. **The Ministry of Public Health (MoPH) is the steward of the system, responsible for policy-setting, regulation and supervision, and health surveillance.** Regional Democratic Councils (RDCs) are responsible for service provision, under the guidance and oversight of the MoPH.\(^{152}\) The health care network is organized along five levels, including health posts, health centers, district hospitals, regional hospitals, and national referral hospitals. The primary of which is Georgetown Public Hospital Corporation (GPHC), a reference for highly specialized care for the entire country. Table 3.C.1 below shows the distribution of health facilities per region of the country.

\(^{150}\) Guyana Health Financing Review, PAHO 2013.

\(^{151}\) Below regional average of 3.7 percent. MoPH and World Development Indicators 2016.

\(^{152}\) Health care provision was decentralized to RDCs in 1986. In 2005, Regional Health Authorities (RHAs) were established to assume responsibility for service provision in the regions. RHAs boards are appointed by the Minister of Health and they have service contracts with the MoPH. So far, one RHA has been implemented (Region 6) and it is expected that another four will be established by 2020.
Table 3.C.1. Public health facilities per region of Guyana

<table>
<thead>
<tr>
<th>Region</th>
<th>Health Post</th>
<th>Health Centre</th>
<th>District Hospital</th>
<th>Regional Hospital</th>
<th>Reference Hospital</th>
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<tr>
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<td>4</td>
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<td>17</td>
<td>11</td>
<td>1</td>
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<td>0</td>
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<td>17</td>
<td>2</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
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<td>7</td>
<td>36</td>
<td>2</td>
<td>0</td>
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<td>1</td>
<td>14</td>
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<tr>
<td>10</td>
<td>15</td>
<td>11</td>
<td>3</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>198</strong></td>
<td><strong>125</strong></td>
<td><strong>19</strong></td>
<td><strong>7</strong></td>
<td><strong>1</strong></td>
</tr>
</tbody>
</table>

Source: Data from the MoPH.

3.C.6. **Over the years, the country has seen improvements in various key health indicators.** For example, immunization coverage for vaccine-preventable diseases has been consistently above 90 percent, contributing to reductions in infant (less than one year of age) and child (under five years of age) mortality (see Figure 2.27). The infant mortality rate decreased 12 percent between 2000 and 2014. The under-five mortality rate also decreased 26 percent between 2000 and 2014. Guyana met the Millennium Development Goals targets for nutrition, child health, communicable diseases, and water and sanitation, with positive performance on health outcomes. The percentage of children under five who suffer from moderate to mild malnutrition, for instance, reduced from 12 percent in 1997 to 6 percent in 2008. Although prevalence of HIV/AIDS remains high, incidence has declined and access to antiretroviral drugs reached 93 percent in 2012. However, despite the progress observed, the health sector continues to face important challenges.

Problems and Causal Factors

3.C.7. **Guyana continues to experience maternal and infant mortality rates that are among the highest in the Latin America and Caribbean (LAC) region.** The maternal mortality ratio is estimated at 121 per 100,000 LB and the infant mortality rate is estimated at 22 per 1,000 LB. Figures 3.C.3 and 3.C.4, below show maternal and infant mortality rates in Guyana in comparison to other countries with a similar GDP. The majority of infant deaths occur in the neonatal period (up to 28 days after birth). In 2014, 93 percent of deaths in children less than one year of age occurred in the neonatal period. In the same year, there were 177 cases of stillbirth. The main causes of maternal mortality are post-partum haemorrhage (PPH) and pregnancy induced hypertension (PIH), while 70 percent of neonatal deaths are caused by prematurity, followed by respiratory illness (20 percent). Pregnancy in adolescence (10-19 year of age) is also high (about 20 percent of all live births), representing a higher risk for both mothers and new-borns. Some of

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153 Hogan et al. 2010 and World Bank data.
155 An estimated 94 percent of households have access to improved sources of drinking water and 95.4 percent to improved sanitation facilities. Guyana Multiple Indicator Cluster Survey (MICS) 2014.
157 In LAC maternal mortality is 62.9 and infant mortality is 15.7 (PAHO Basic Indicators 2014).
158 CMO 2014.
159 Percent of all births.
the underlying causes are related to access and use of quality health services. For instance, the unmet need for contraception in Guyana is 28 percent. Only 54 percent of women initiated antenatal care during the first trimester of pregnancy. Of these, one in every ten women had their first visit when they were already six or seven months pregnant.

Figure 3.C.3. Maternal deaths per 100,000 live births (2013)

Figure 3.C.4. Infant deaths per 1,000 live births (2013)

3.C.8. Rates of NCDs continue to be on the rise. In 2013, according to the Institute of Health Metrics and Evaluation, they represented 60 percent of the Disability-Adjusted Live Years (DALYs), (see Table 2.3). Between 2005 and 2008, an annual average of 8,872 new cases of diabetes was reported, with 71 percent of those being in persons under 65 years of age. In that same period, 53 percent of all deaths in females were due to cancer, with breast and cervix cancer accounting for 36.6 percent of those deaths. In males, prostate cancer accounted for 34.2 percent of cancer deaths. A recent study on the annual direct outpatient cost of diabetes and hypertension in Guyana estimated that around US$17 million and US$17.8 million respectively are spent annually just for outpatient visits.

3.C.9. Indigenous people are being disproportionately affected by NCDs and communicable diseases. Rapid lifestyle changes, lack of information or support in managing changes, and exacerbated levels of poverty and geographic isolation are having a negative impact on the health status of indigenous communities. Increased intake of processed starches, sugars, and oils and a more sedentary lifestyle is translating into increased rates of diabetes, hypertension, and dental problems, as well as malnutrition. Indigenous populations have limited awareness about the nutritional content, dietary habits, and health ramifications of non-traditional food consumption. Alcoholism, drug consumption, domestic violence, suicide rates, and HIV/AIDS incidence have been growing at alarming rates amongst indigenous communities, threatening their traditional way of life.

163 Studies have estimated that 30 percent of maternal deaths are avoidable by the provision of family planning (Winikoff and Sullivan 1997). Reproductive health is key to maternal and neonatal wellbeing, as it helps delay the age of first birth and promotes optimum spacing between pregnancies. Planning a pregnancy also allows women to identify and mitigate underlying risk factors such as nutritional deficiencies and anemia.
164 The relative contribution of antenatal care to reduce maternal and neonatal mortality is difficult to estimate; nevertheless, all care provided in these visits have been proved to make a difference: prevention, detection, and treatment of anemia; early detection and treatment of pre-eclampsia and eclampsia, with referral if necessary; screening for infections; and tetanus immunization, among others (Brouwere and Lerberghe 2001).
and social cohesion.\textsuperscript{167,168,169} Indigenous people reside in remote areas where they are also disproportionately affected by malaria.\textsuperscript{170} Indigenous communities also often rely on drinking water from rivers, streams, and wells, causing endemic gastro-intestinal parasitic infections.\textsuperscript{171} The proximity of these communities to gold mines also increases their exposure to mercury, which is used in the washing of gold. Although data on mercury contamination is limited, a 2008-10 study found mercury concentrations of at least five times over the WHO limit in pregnant and nursing indigenous women living close to small scale gold mining sites.\textsuperscript{172} Indigenous populations face a high level of exposure to food and environmental resources contaminated by mercury.\textsuperscript{173} Even low levels of mercury contamination can have serious health impacts on the cardiovascular, immune, reproductive, and nervous systems, potentially resulting in death, impaired vision, hearing, paralysis, emotional instability, and insomnia.\textsuperscript{174} Children and developing foetuses are especially vulnerable to neurological damage, causing learning disabilities and behavioural problems.\textsuperscript{175}

3.C.10. There are significant geographic inequities in access to health care, particularly in the rural interior locations. For instance, despite 92.4 percent of all births nationwide being attended by a skilled birth attendant, the figure was only 47 percent in the hinterland Region 9, where the majority of residents are indigenous. 87 percent of pregnant women in Guyana have access to four antenatal consultations, nevertheless, in Region 1; only 67 percent of women had four antenatal consultations.\textsuperscript{176} Similarly, the unmet need for contraception varies between 22 percent in Region 6 to 40 percent in Region 1.\textsuperscript{177} According to the last Demographic and Health Survey (2009), the main barriers for access and use of health care, on the supply side, are related to the insufficient availability of providers (reported by 49 percent of interviewees) and drugs and other supplies (44 percent). On the demand-side, the main barriers include not wanting to go alone (16.8 percent) and having to take transport (15.8 percent). Even though there are many primary level of care facilities in the rural interior (health posts and health centres), the low population density (lower than one person per square kilometer in the hinterlands) makes it hard for people to access the facilities.

3.C.11. Quality of health care constitutes a challenge. For example, only 22 percent of pregnant women were given at least two doses of tetanus toxoid vaccine and 67 percent received counselling on HIV. In Region 9, only 62 percent of pregnant women had their blood pressure measured and urine and blood samples taken, versus 98 percent in Region 4. In the postpartum period, merely 47.8 percent of check-ups occur less than four hours after delivery and 52 percent of new-borns do not receive a


\textsuperscript{175} Idem. Effects of prenatal exposure include: mental retardation, cerebral palsy, seizures, vision and hearing loss, delayed development, fin motor function deficits, memory problems, cardiovascular problems.

\textsuperscript{176} It is estimated that 40 percent of maternal and neonatal deaths and stillbirths occur around the time of birth. A significant proportion of maternal mortality, for instance, is due to conditions not detectable antenatally (e.g. hemorrhage, sepsis). Hence, facility-based delivery and care around the time of birth is key to preventing avoidable deaths (Lancet Newborn Series 2014).

\textsuperscript{177} MICS 2014.
postnatal care visit following birth.\textsuperscript{178,179} The quality of healthcare depends on many factors, including an enabling environment (infrastructure, equipment, and supplies) and the availability of skilled health workers. In Guyana, many health posts and health centres are not adequately equipped and supplied, which causes people to by-pass these facilities and seek care directly at hospitals for ambulatory care sensitive conditions that could have been managed at the primary level of care. This pattern contributes to an inefficient use of resources. In addition, there are severe challenges related to the retention of health workers in the rural interior, which also contributes to affect quality.

3.C.12. Managing health will present a challenge as a result of climate change. It is projected that the impacts of climate change on the health sector in Guyana will result in a higher incidence of both vector borne diseases such as malaria and dengue and water-borne diseases including cholera and diarrhoea (GOG, 2012). Estimates of direct costs (treatment and prevention costs) and indirect costs (productivity losses) due to the increased occurrence of these diseases are projected to increase over time under different climate change scenarios (UNECLAC, 2011). For instance in the case of malaria, during the period 2012-2030, prevention/treatment costs (i.e. costs of nets and antimalarial medicine) and indirect costs are estimated to increase by 23 – 30\% (ibid). Similar trends may be expected for other vector borne diseases. This is in addition to other potential health related losses including loss of life from extreme climatic events and indirect impacts associated with malnutrition.

3.C.13. There are significant limitations related to the quantity of human resources working in the health sector. In 2008, Guyana had the lowest number of public sector physicians and the second lowest supply of nurses in the Region of the Americas.\textsuperscript{180} The estimated ratio of the total number of physicians and nurses per 10,000 people in 2010 was 7.25 (see Figure 2.27). Even if all public and private physicians, nurses, midwives, and nursing assistants are included, Guyana’s ratio increases to only 17.7 (see Figure 2.27). The comparable figure for the non-Latin Caribbean is 21.7 while the current recommended World Health Organization (WHO) target ratio is 25 per 10,000 members of the population. This situation is attributed to high rates of outward migration of nurses and doctors trained in the country and the concentration of remaining health professionals in or near to the capital city of Georgetown.\textsuperscript{181} The critical shortages are concentrated in primary care nursing staff and midwives. In 2010, a Health Human Resources Gap Analysis determined that Guyana requires an additional 309 nurses and that over 7,450 Guyanese nurses work abroad, with an expatriation rate of 81.1\%.\textsuperscript{182} A more recent analysis suggests important gaps related to professional midwives.\textsuperscript{183}

3.C.14. The available evidence also suggests that the health workforce lacks the appropriate skills, competencies, and motivation, as a result of deficiencies in the educational system, insufficient on-the-job training, and poor work environment and human resources management. For example, the country has three public nursing schools – one in Georgetown (Region 4), one in Linden (Region 10), and one in New Amsterdam (Region 6) –, as well as one private school at the St. Joseph Mercy Hospital in Georgetown. In the face of ongoing shortages, nursing enrolment was increased significantly. The country’s public nursing schools were under-resourced to accommodate

\textsuperscript{178} Postnatal care is critical for new-borns, particularly immediately after birth. Around three quarters of neonatal deaths occur in the first week, with up to half occurring within 24 hours of birth. UNICEF 2014.
\textsuperscript{179} MICS 2014 and DHS 2009.
\textsuperscript{181} Region 4 employs 73.6\% percent of Guyana’s total physician workforce (Health Human Resource Action Plan for Guyana, PAHO 2010).
\textsuperscript{183} Rapid healthcare system diagnostic.
the increase in the number of student; as a result, the quality of the programs deteriorated and student course completion and exam pass rates declined. In a 2010 survey, a group of 36 providers scored an average of 75 percent on how to diagnose asphyxia and on what to do if a new-born is not breathing or breathing slow. Interviewees responded correctly only 60 percent of what needs to be done to resuscitate a new-born (UNFPA 2010). These low scores suggest the need to strengthen educational programs and on-the-job training to refresh knowledge and skills. Lastly, it is important to mention that the lack of employment incentives, performance appraisal, and reward systems, combined with inadequate salaries with insufficient benefits or pay increases have also been identified as important challenges related to the productivity and performance of the workforce, together with insufficient supervision and accountability mechanisms.184

3.C.15. Finally, it is important to mention the institutional capacity of the MoPH. Following the national elections of 2015, the new government changed the name of the Ministry of Health (MOH) to Ministry of Public Health (MoPH), representing the Ministry’s new focus on addressing the essential public health functions with an emphasis on strengthening primary health care (PHC). To this end, the MoPH has drafted a number of health strategies in key areas to address these challenges, such as the Health Vision 2020 and the Non-Communicable Diseases (NCD) Strategic Plan 2020, which seeks to reduce the four most prevalent NCDs in Guyana (cardiovascular disease, diabetes, cancer, and chronic lung condition) by 25 percent by 2025. Despite this progress related to the strategic direction of the health sector, challenges remain in the areas of health intelligence and supervision and regulation. Guyana lacks a health information system to make timely and informed policy decisions based on up-to-date information and real time surveillance data. It could also improve efforts to monitor and supervise on a routine basis health care providers.

Recommendations

3.C.16. Consider strengthening the primary level of care and integrated health care networks with improved quality. Given the country's epidemiological profile, it is important for the Government to consider strengthening health posts and health centers to be the gate of entry of the population into the health system. Evidence from different countries have shown that NCD’s are more effectively managed at the primary level of care, with teams of well-trained health professionals that can undertake promotion and prevention activities to reduce risk factors, detect early symptoms, initiate and monitor adherence to treatment programs (close to patient's homes), encourage community participation and empower self-care among patients, and liaise with the secondary level when necessary. Similarly, a qualified primary level of care team is key to ensure quality consultations for women in reproductive age, pregnant women, and children, as well as timely referrals to more complex levels of care.

3.C.17. Improving service delivery and quality of care at the primary level could include the upgrade and expansion of the physical infrastructure of primary health care posts and centres and the equipment of facilities with the necessary materials and supplies. Improvements in clinical and management processes would also be important, including reviewing and updating health care protocols, defining the areas of competency and responsibility of each cadre of health worker, and providing continuous education for health professionals, especially in the areas of NCDs management (including cultural and gender-sensitive promotion and prevention activities) and maternal and infant health. It would also be important promoting the organization of an integrated network of secondary and tertiary providers to support the primary level, to guarantee effective care continuity, including counter-referrals to health care centers for

follow-ups and monitoring. At the specialized level, improvements in infrastructure, equipment, and clinical and management process will also be crucial to improve quality.

3.C.18. Health services and programs should be inclusive and accessible to minority groups. Given the disparity in health access, it would be relevant to identify the main barriers to accessing and using care for vulnerable groups, especially indigenous populations. An option to consider would be community-based health initiatives that provide culturally-sensitive services that address the needs of the communities to increase demand among indigenous peoples. It would be relevant to strengthen the community platform for service delivery, including the use of innovative strategies such as demand-side incentives. On the supply side, aspects to consider include ensuring the availability of key supplies and personnel, who should also be well-trained to provide culturally-sensitive care.

3.C.19. With respect to health personnel, future Government’s actions could consider the recruitment and retention of trained workers in order to reduce shortages and create a motivated and productive work force. International evidence suggest that competitive remuneration and professional development opportunities are key elements to strategies aimed at hiring, retaining, and boosting the productivity of health workers, with improvements in care delivery as a result. To contribute to close the human resource gap in the rural interior, innovative solutions including the use of telemedicine and other technologies, as well as alliances with non-governmental organizations (NGOs), could be explored.

3.C.20. The Government could consider revising the health education system and curriculums according to international standards and best practices. For instance, training for rural midwives by the Ministry of Public Health’s Department of Health Sciences Education lasts 12-18 months, but international evidence suggests that training should be provided for 24 months (Koblinsky et al. 2006). Once in service, it is important to consider ensuring continuous learning opportunities and training, through formal programs that can be established at the national or regional levels. Finally, it is important considering the improvement of management processes in health facilities while guaranteeing the establishment of supervision and accountability mechanisms to monitor the performance of health workers.

3.C.21. Consider strengthening the institutional capacity of the MoPH, including the areas of health intelligence, monitoring and evaluation of health care providers, and regulation. It is important considering the improvement of health information systems (HIS) at all levels towards ensuring timely data entry, analysis, interpretation and use in planning, implementation, and monitoring and evaluation. Strengthening of HIS at the regional level is also important. Monitoring and evaluation of providers and accreditation efforts should also be prioritized. Inter-sectorial efforts with other line Ministries, particularly the Ministry of Communities and the Ministry of Indigenous Affairs should be strengthened to guarantee effective inter-agency coordination in the delivery of care. Finally, it is important to strengthen the Ministry’s ability to regulate the health sector, including the private sector.

VII. Education

Overview
3.C.22. Education in Guyana is compulsory from ages 5 up to 15 years old. Primary and secondary studies are publicly provided at no cost. The operations and goals of the education sector are informed by an overarching vision which is set out in the Guyana Education Sector Plan 2014-2018 (ESP). In it, the Ministry of Education (MOE) identified two main objectives: a) to improve learning for all students at all levels of education; and b) to decrease the differences in learning among subgroups. The majority of education services
are public; enrolment in private schools accounts for less than 8 percent at the primary level and 9 percent at the secondary level. Private schools do not receive government subsidies.

3.C.23. **Guyana has achieved good levels of enrolment in primary and secondary levels but falls behind in early childhood and tertiary enrolment.** To date, the country has achieved 66.2 percent of (gross) enrolment in the early childhood level (ages 3 years to 5 years). However, it is still below the 78 percent average in the Latin American and Caribbean (LAC) Region. The net enrolment rate in primary education is 97 percent and 84.5 percent in secondary education (MICS 2014), comparing favourably with the rest of the LAC Region where net primary enrolment averages 93 percent and secondary net enrolment reaches 74 percent (UNESCO 2015). At the tertiary education level, the country lags behind, with a 12.9 percent gross enrolment rate compared to 38.1 percent in the region (UNESCO 2015). Completion of primary education is high: 96.4 percent of children entering the first grade of primary school eventually complete the last grade. Furthermore, the literacy rate among young people (aged 15-25) is high: 98 percent for women and 97.7 percent for men (MICS 2014).

**Problems and Causal Factors**

3.C.24. **Low levels of student learning.** The results from both national and regional assessments show that Guyana’s students’ learning is low (see Table 3.C.2). Nationally, only 31 percent of students score 50 percent or above on the national grade 6 exam in math and 20 percent in language. Students performing below this level are considered not to have achieved proficiency in these subjects. The low level then translates into weak student performance at the secondary level where only 28 percent pass CSEC exams (taken at the end of the 5th year of secondary school) in Math (Figure 3.C.5) and 46 percent do so in English Language (Figure 3.C.6).

**Table 3.C.2. Results of National 6th Grade Exams (English and Mathematics)**

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Key Outcome Indicators</th>
<th>Education Level</th>
<th>Key Outcome Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>National Grade Six Exam (NGSE) Pupils Scoring 50% and Over in Mathematics</td>
<td>National Grade Six Exam (NGSE) Pupils Scoring 50% and Over in English</td>
<td>National Grade Six Exam (NGSE) Pupils Scoring 50% and Over in Science</td>
</tr>
<tr>
<td></td>
<td>Hinterland</td>
<td>Coastal</td>
<td>Hinterland</td>
</tr>
<tr>
<td>Primary - 2013</td>
<td>16%</td>
<td>42%</td>
<td>100%</td>
</tr>
<tr>
<td>Primary - 2009</td>
<td>4%</td>
<td>10%</td>
<td>8%</td>
</tr>
</tbody>
</table>

**Figure 3.C.5. Passing Rates of various Caribbean Countries in CSEC Exams for Math 2007-2013**

**Figure 3.C.6. Passing Rates of various Caribbean Countries in CSEC Exams for English 2007-2013**

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186 UNESCO. Education for All Global Monitoring Report. 2015. It is to be noted that the enrolment rate (gross) for primary education vary between the UNESCO database and MOE information. According to MOE and Education for All report (2015), GY has achieved universal access to primary education and has not yet achieved universal secondary education.
Regionally, Guyana performs below neighbouring Caribbean countries. CSEC results show that GY has the lowest percentage of passing rates in both Math and English when compared to its neighbours (Figure 3.C.5 and 3.C.6). Furthermore, not all secondary students take the CSEC exams. It is estimated that only 20 percent of the age cohort actually take the exam, leaving a great number of young persons with limited options for their continued education and/or work.

Unequal levels of student learning. Available national assessment data not only shows that student learning is weak at both the primary and secondary level but, also, that significant differences exist between the Hinterland and Coastal regions. The results of the National 6th grade exam show that 42 percent of students in the coastal areas score above 50 percent. However, only 18 percent of students in the Hinterland achieve 50 percent on the assessment (Table 3.C.2). The results for English are even lower. Comparing the 2009 and 2013 results, the exam data also show that the achievement gap between the Hinterland and coastal region has increased over time in both subject areas (Table 3.C.2). At the secondary level, performance in the CSEC in Mathematics declined between 2008 and 2013 whereas performance in English improved. However, learning differences between boys and girls in the two regions are striking in both Math and English. For example, 26 percent of girls in the Hinterland compared to 49 percent in the Coastal Area pass English in the CSEC exam; and 10 percent of boys in the Hinterland compared to 29 percent of boys in the Coast pass Mathematics in 2013.

Low spending in education. The low performance could in part be explained by the relative low level of educational spending (Jackson 2015; Vegas and Coffin 2015). Table 3.C.3 shows that MOE spends PPP$506 at the primary education level, compared to other countries in Latin America whose average is adjusted PPP$1,451 or high income countries that spend PPP$7,732. At the tertiary education level, Guyana spends PPP$955 per pupil compared to PPP$2,756 in Latin America. It is noted that Guyana spends only 3.2 percent of its GDP on education compared to 6 percent in Barbados and Jamaica and 4.6 percent in the LA region.

<table>
<thead>
<tr>
<th>Government spending on education % GDP in 2013</th>
<th>Per-Pupil Spending in Primary Education</th>
<th>Per-Pupil Spending in Tertiary Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>GUYANA</td>
<td>3.2%</td>
<td>PPP$506</td>
</tr>
<tr>
<td>BARBADOS</td>
<td>5.8%</td>
<td>No information</td>
</tr>
<tr>
<td>JAMAICA</td>
<td>6.0%</td>
<td>No information</td>
</tr>
<tr>
<td>Latin America</td>
<td>4.6%</td>
<td>PPP$1,451</td>
</tr>
<tr>
<td>High Income Countries</td>
<td>4.6%</td>
<td>PPP$7,732</td>
</tr>
</tbody>
</table>


Low levels of teacher quality. The development of a more qualified teaching corps has long been an objective of the education sector. To date, the MOE works towards the goal of having 70 percent trained from the baseline of 58 percent in 2008 (MOE ESP 2014-2018). The issue is particularly relevant for the Hinterlands as a larger share of teachers in these regions lack adequate qualifications and teach in multi-grade schools. Furthermore, few teachers are prepared to work with indigenous populations. Due to the remoteness of some areas, MOE has difficulties to assign experienced teachers to work in these areas (ESP 2014-2018). Furthermore, the MOE reports a high level of teacher

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188 Kirabo Jackson. 2015. “Education Sector Diagnosis Trinidad and Tobago”. Ministry of Education; financed by ATN/OC-12994-TT. IDBdocs#4010-3912.
absenteeism in the Hinterlands due to long distances and high transportation costs but does not quantify the hours/days of teaching lost. In addition, the country continues to experience a shortage of teachers trained in math and science, especially at the secondary education level (ESP).

3.C.29. **Internal efficiency: Repetition, Dropouts, & School attendance.** In 2010, the MOE adopted a system of automatic promotion that eliminated grade repetition. Dropout rates are also low with 4 percent at the primary level and 7 percent at the secondary level in the Hinterlands; and 3 percent and 7 percent, respectively, in the Coastal Area (MOE 2011-2012). However, school attendance remains a concern as only 77 percent of primary students in the Hinterlands and 79 percent of students in the coastal area actually attend school (Annual Statistical Questionnaire 2012-2013). MOE reports that financial burden is one of the main reasons for the high levels of student absenteeism. For example, transportation and school feeding costs limit parents’ ability to send a child to school, and children help their families during the harvest season (ESP 2014-2018).

3.C.30. **Low organizational capacity of the MOE.** The MOE is headquartered in Georgetown and has 10 Regional Offices/Districts. Management capacity at the MOE is weak and limits its capacity to deliver and monitor quality services. More and better qualified human resources are needed to successfully carry out the functions of both the MOE and its regional offices.

3.C.31. **School infrastructure lags behind especially in the Hinterland.** Despite continued initiatives to provide a positive learning environment at all levels, more effort is necessary to ensure that all secondary schools have fully equipped computer and science labs and all schools have maintenance plans. Furthermore, many schools in the Hinterlands lack access to water and electricity. In sum, not all schools provide an adequate learning environment.

3.C.32. **Special Needs Education (SNE) is almost non-existent.** There is no data available about the number of children with special needs and their access to and participation in education. MOE/ESP states that many children with special needs are not in school, and that the system is not well prepared to serve them. Teachers are not trained to deal with special needs students and learning materials are scarce. More information is needed to assess the special needs population in order to develop appropriate education services for it.

3.C.33. **Challenges in Technical Vocational Education and Training (TVET) institutions and programs.** According to the Guyana TVET Policy report for 2009-2014 and a report by UNESCO (2016), some of the problems experienced by TVET institutions include: (i) high percentage of instructors with deficiencies in technical and/or pedagogical skills; (ii) outdated or out-of-service equipment; (iii) curricula that are not adapted to labour market needs; (iv) lack of systematic dialogue with the productive sector; (v) existence of a stigma associated with attending TVET courses; (vi) lack of guidance and counselling; and, perhaps most importantly, (vii) lack of on-the-job-training. In terms of the Apprenticeship Scheme, there are no readily available reports on their results. Research is needed to assess their impact and improve its effects on labour insertion and skills availability.

3.C.34. **Given the remote location of much of indigenous peoples in the hinterlands, they have limited access to public education, particularly at the secondary level.** As stated above, student performance in the hinterlands lags significantly behind the

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190 School enrolment is high but daily attendance can be low (MOE 2014-2018).
192 World TVET Database – Guyana, 2016, Unesco
193 The 2009 Guyana Demographic and Health Survey highlighted the educational disparities in the predominantly indigenous regions - Regions 1, 9, 7, 8 - and the limited participation of indigenous youth in secondary schooling and post-secondary education. In Region 1, 55 percent of females and 50 percent of males had never been to school or just attended some primary school (in contrast to 22 percent of females in Region 10 and 25 percent of males in Region 4). The gap in secondary school attendance between the Coast and the Interior is 82 percent and 69 percent, respectively.
coast. Indigenous regions also have the lowest percentages of post-secondary schooling. Inequality of education services is further exacerbated by the fact that compared to other countries in the LAC region; Guyana does not have policies for intercultural and bilingual education. The lack of pertinent education curricula for indigenous students undermines not only economic opportunities, but also their self-determination and development. However, due to limited disaggregated data, the magnitude of the challenges facing Guyana’s indigenous peoples is unclear.

Recommendations

3.C.35. Consider reviewing the existing programs and curricula for language, math, and teacher training to ensure that all students achieve mastery by Grade 3. Also consider developing curricula that address the needs of the Indigenous Population: consider an intercultural approach and bilingual education to provide education that is consistent with indigenous reality and identity, and capable of providing indigenous youth with the skills and knowledge for them to participate in the economy and contribute to society. The Government could consider intensifying efforts to provide teachers, school directors, and parents with more information on student performance to improve instruction and support to student learning. Furthermore, given the high levels of poverty, the government could consider targeting families with school-aged children to ensure that they can attend school regularly (see Social Protection section).

3.C.36. Consider universal access to quality Early Childhood Education (ECD) towards ensuring that each child is ready for school. Consideration could be taken towards scaling up the pilot of an ECD assessment to the national scale and continue to work towards universal access by providing more places and train more teachers; and ensuring that ECD programs are integrating health/nutrition components.

3.C.37. Consider improving teacher preparation (pre-service) and in-service professional development towards ensuring that teachers are prepared to promote student learning. Teachers are insufficiently prepared and supported to implement the current and any new program. Consideration should be made towards introducing a special teacher training program to address the needs and concerns of the IP and special needs students. The Government could also consider intensifying its efforts to provide housing and/or scholarships for teachers in remote areas to make an assignment in the Hinterlands attractive. Finally, it should be considered the measurement of teacher quality by introducing independent assessments of students at the end of each academic year towards calculating individual teacher’s value added from student level data.

3.C.38. Consideration could be made towards ensuring that all schools have access to basic services, including computers and labs. The outdated school infrastructure and limited access to basic services such as electricity and water is not conducive to learning. The Government has invested in upgrading existing infrastructure to ensure that it meets the established standards. However, these efforts should continue and could be intensified to ensure that effective teaching and learning takes place.

3.C.39. Consider implementing a revised secondary education curriculum that is relevant to young persons and prepares them for the world of work. Apprenticeships could be expanded and modernized to provide alternatives. TVET could be strengthened by establishing closer ties with the business sector. Specific programs could be developed that promote the inclusion of indigenous youth, particularly indigenous women through affirmative action initiatives such as academic “bridging programs”, scholarships, tutoring, mentorship that support the academic and professional advancement of indigenous youth. Furthermore, the Government could consider scaling up programs that provide alternative training options for indigenous students who do not attend secondary school, such as the

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194 Idem.
195 MOE might also consider introducing a more rigorous teacher evaluation system and eventually a reform of the teaching career to attract the best talent to the profession.
Bina Hill Institute and Iwokrama that provide intercultural and practical education to indigenous youth in areas such as natural resource management, forestry, wildlife management, agriculture, tourism, business, traditional skills, basic computer skills, mathematics and English.

VIII. Labour Markets

Overview

3.C.40. Since 2002, Guyana’s unemployment level has been decreasing steadily, while labour force participation remained around 57 percent, mainly due to new job creation. Current unemployment rates (11.1 percent) are higher than comparable economies like Trinidad and Tobago and Suriname, but lower when compared to other small states in the Caribbean, where figures often exceed 11 percent. There is also a gap between adult and youth unemployment, where youth unemployment is more than 10 percentage points higher (23.8 percent). For the population between 15 and 24 years old, male unemployment is 10 points higher than female unemployment, which may be a result of females enrolling in education at higher rates than males. When compared to Suriname (17.9 percent) and Trinidad and Tobago (10.6 percent), Guyana shows significantly higher youth unemployment.196

3.C.41. While Guyana has almost reached gender parity in important areas such as education and health, gender gaps in economic opportunities have increased over the past six years. Guyana’s overall ranking in the Global Gender Index shows a detriment in its position (see GAP analysis in Chapter 2).197 The country reached slot 35 (of 135 countries) in 2009, and in 2015, it was placed in position 66 (of 145 countries). The sub-indices for Educational Attainment and Health & Survival got better results during this 6-year period (from 0.99 to 1 and from 0.97 to 0.98, respectively). However, the Economic Participation and Opportunity sub-index score declined from 0.61 to 0.56. Despite this valuable data, there is insufficient information in Guyana about the main factors that constrain women’s access to the labour market and to enterprise development.

3.C.42. Indigenous labour market participation is limited and does not leverage the skills and assets of indigenous peoples. On average, only 1 to 10 percent of indigenous people’s villages have members with full-time salaries.198 Indigenous wage labour is mainly informal and directed at mining, forestry, the construction sector for males, and in the domestic work for women. Indigenous peoples often face cases of exploitation or non-payment. The majority of villages have “mixed” economies where individuals depend on a varying mix of subsistence based activities (small plot farming, foraging, and hunting) and market activities, (wage labour, cash crops and cottage industries). Indigenous women and men possess traditional knowledge (practices, skills and abilities) that is highly specialized and geographically specific. Despite their rich knowledge, income-generating activities and vocational training courses that make use of their skills and knowledge base have yet to be developed in Guyana.

Problems and Causal Factors

3.C.43. Slow labour productivity growth. As shown in Chapter 2, estimations indicate lower labour productivity growth over the years, with economic growth largely resulting from high commodity prices rather than productivity growth. When comparing Guyana’s labour productivity level as measured by GDP per worker, its growth has been lower than the average for Latin America and the Caribbean, and so has enterprise annual labour productivity growth.199 This is also reflected in the World Economic Forum (WEF) Global Competitiveness Ranking, where Guyana overall ranks 121 of 140, which is lower than...
Trinidad and Tobago (89) and other small Caribbean economies, such as Jamaica (86). Moreover, the literature on Guyana’s labour market suggests there is a large informal sector, although there are no readily available estimates on its actual size. Informality not only affects productivity levels via misallocation of resources, but also through disincentives to human and physical capital investments, such as innovation and training.

3.C.44. **Inadequately educated labour force is the main obstacle for business.** An essential aspect of economic diversification and productivity growth is the development of adequate skills of the labour force. Data from the WEF competitiveness ranking (2015) and the World Bank (WB) Enterprise Survey (2010) shows that firms face obstacles when hiring new workers due to lack of adequate skills, which may hamper the development of strategic economic sectors. When examining the “Higher education and training” pillar of the WEF index, Guyana ranks 61 in quality of education, 58 in on-the-job-training and 126 on efficient use of talent, significantly lower than a similar economy like Trinidad and Tobago. In this line, the WB Enterprise Survey has shown that more than half of the firms in Guyana point at “an inadequately educated workforce” as a major constraint for business, and moreover, this is mentioned as the top business obstacle in the country (see Chapter 2). Overall, seeing this as a critical obstacle signals the lack of a skills anticipation mechanism to estimate human capital requirements, as well as to a deficient education and training system.

3.C.45. **Migration is a significant obstacle for adequate skills development.** Aside from educational and training factors resulting in an inadequately educated labour force, Guyana continues to experience a severe brain drain limiting the availability of adequately educated workers, further hindering its ability to close the skills gap. Comparing Guyana’s outflow migration with other Caribbean countries, the existence of a brain drain becomes clear: 37 percent of Guyana’s population lives abroad, against 20 percent for Trinidad and Tobago, 30 percent for Suriname and 27 percent for Jamaica. Furthermore, the highest rate of migration is seen among university graduates who cannot find suitable work opportunities in Guyana.

3.C.46. **While female labour force participation has increased, it is still well below regional averages.** Even so Guyana’s female labour force participation increased from 38.4 percent in 1994 to 42.9 percent in 2014; women still have much lower participation rates than men (80 percent in 2014), and Guyana has one of the lowest female labour market participation rates in the Caribbean (The Bahamas and Barbados registered 76 percent). Furthermore, women’s employment is more concentrated in sectors with lower earning potential. Available data shows that 60.8 percent of women are employed in the service sector, compared to only 41.8 percent of men. In contrast, women have lower participation in agriculture and the extractive industries, which are the largest sources of employment and profits in Guyana.

3.C.47. **Guyana shows a significant gender wage gap.** Women on average earn 63 cents per every dollar men make despite the fact that the constitution calls for “equal pay for equal work or work of equal value”. Low labour force participation among women prevents countries from developing their full potential and experiencing higher growth rates. Despite this valuable data, there is insufficient information in Guyana about the main factors that constrain women’s access to the labour market and to enterprise development.

3.C.48. **Women have a low participation as firms’ top managers.** Women represent 17.7 percent of firms’ top managers in the country, which is slightly lower than the regional

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202 UNDP, 2010
203 World Bank Development Indicators (2016).
204 World Bank (2016).
205 World Bank 2016 (database for 2002). Industry sector shows figures of 23.7 percent for men and 20.3 percent. For agriculture data shows 16.3 for women and 33.5 for men.
average of 21.1 percent, and even lower when compared to countries such as Barbados (25.4) and the Bahamas (33.2). Research finds that female representation in top management can lead to better performance and firms with three or more women on their senior management team score higher on all nine organizational dimensions (including leadership, work environment and values, coordination and control) that are positively associated with higher operating margins.

3.C.49. Indigenous peoples’ economic empowerment is gaining attention, but a more coordinated and structured policy and programmatic framework is needed. Private sector development in hinterland villages is considered a priority area by indigenous peoples and development actors, and represents an area of growing intervention. The 2011-2015 Poverty Reduction Strategy addresses the strengthening of village economy and community development through programs such as the Presidential Grant, the National Hinterland Secure Livelihood Programme, and, most importantly, the national Low Carbon Development Strategy (LCDS), focuses on supporting economic development through the development of the Indigenous Development Fund (ADF) and Community Development Plans (CDP). Nevertheless, these initiatives are at an incipient stage and will require more time and effort.

Recommendations

3.C.50. Consider improving the collection and analysis of timely and relevant data to allow better diagnostics and evidence-based decision making. Two recommendations can be outlined in this regard. Given the apparent but unknown levels of informality of the labour markets, the government could consider the implementation of efforts to collect information on social security protection on a regular basis and specifically collect information that sheds lights on the causes of labour market informality in the country. The second recommendation is considering the construction of an information system to identify skill needs in the labour market and use the data to inform policy decisions. Data should inform on the nature of possible skill mismatches as well as their plausible causes (skill deficiencies, wage rigidities, inefficient recruitment practices and/or weak intermediation services). There could also be centralization and processing of administrative information on the tertiary education sector so it is available for decision making and integrated with administrative data on migration and labour market dynamics. Labour market outcomes and migration patterns of graduates are crucial to assess the quality and relevance of the tertiary education system as well as the magnitude and nature of the brain drain.

3.C.51. Consider strengthening the Technical Vocational Education and Training (TVET) system. Considering the challenges mentioned in the education section, TVET institutions could be strengthened in terms of teachers’ skills, equipment maintenance and upgrade, curriculum development (so as to align it with productive sector needs), increasing the on-the-job-training component of the curriculum and maintaining a systematic dialogue with firms. Labour market information systems could be used strategically to satisfy human capital requirements in the productive sector and to effectively design strategies that increase the coverage and quality of matches between employers and job seekers.

3.C.52. Given the high level of youth unemployment in Guyana, measures should be considered in relation to strengthening labour intermediation services for youth, so as to ensure an integrated approach that encompasses education, training and labour insertion. Intermediation services should be flexible and ensure adequate assistance to different beneficiaries and provide young people with information and guidance about their options in terms of training and employment, and the potential returns. In the case of those already out of school, apprenticeship programs may be a good passport to better jobs, and countries who have implemented apprenticeship
schemes have a shorter duration of youth unemployment as well as a lower rate. As mentioned before, there are no available reports on the impact of the Apprenticeship Scheme in Guyana, but it could potentially enhance youth employability. Given the stigma associated with vocational training tracks, a communication strategy could be devised to better inform young people of the options and rates of returns they have in terms of jobs and further studies.

3.C.53. **As the country is starting to develop new sectors, such as oil and gas; the following measures should be considered for these sectors:** (i) Implement labour market intelligence protocols to estimate (and periodically update) the human capital requirements; (ii) Develop qualification frameworks and training standards (if required); (iii) Streamline training and apprenticeship programs, given the human capital requirements; Strengthen intermediation services to attract potential trainees to training paths in strategic sectors; (iv) Guarantee the involvement of the relevant stakeholders (employees, workers and training providers) at the sector level by an adequate institutional framework.\(^{209}\)

3.C.54. **Reducing barriers to women’s labour force participation and to alternative sources of economic opportunities can be achieved by adopting different policy and program instruments.** To create a better environment for women in the economy, the following recommendations could be considered:

3.C.55. **Consider enhancing legislation to promote flexible work arrangements.** Access to family leave, even unpaid, increases the likelihood of women’s return to work following childbirth. Increasing flexible work arrangements for both women and men have shown greater impacts in advanced economies where a large share of women’s jobs is formal.

3.C.56. **Consider strengthening the policy framework and public initiatives that support the growth of female-owned businesses.** Growth-focused initiatives for female-owned enterprises of all sizes would be: tax credit schemes for capital investments in SMEs; favourable lending ceilings and public credit guarantees; and rules ensuring that small, female-owned firms have access to public procurement.\(^{210}\)

3.C.57. **Consider collecting data that enables analysis on the constraints women experience accessing labour markets and enterprise development.** As a first step, Guyana needs updated and periodic sex-disaggregated data on labour markets (information can be gathered from periodic–eg. quarterly– household labour force surveys). As a second step, initiatives such the Enterprise Survey should be updated and enhanced periodically.

3.C.58. **Consider implementing training programs that are effective for promoting employment for women in different sectors of the economy and increasing wages.** The impacts of training programs to improve skills of unemployed or vulnerable groups show positive results for women and youth.\(^{211}\) Training programs that are successful at promoting women’s employment stimulate: (i) participation of private sector providers; (ii) offer demand-oriented training; (iii) include labour intermediation; (iv) offer on-the-job training; (v) regular accreditation processes of training institutions or firm trainers; (vi) inclusion of modules to develop socio-emotional skills; and (vii) integration of training programs for vulnerable groups within a life-long learning system.

3.C.59. **Consider diversifying and initiating skills training in non-traditional occupations.** The Government and other organizations such NGOs can provide information that shape women’s choice of study or employment. This intervention could reduce occupational segregation, and in turn, reduce wage gaps related to gender. Programs that teach women how to use administrative and technology tools can improve business practices

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\(^{209}\) In this regard, lessons can be learned from Ireland’s experience, which is also a small economy that has made important investments in the anticipation of skill needs to stimulate economic growth and successfully designed an institutional setup in which policymakers, business representatives, trade unionists and education providers are active participants.

\(^{210}\) OECD GENDERNET (2012)

\(^{211}\) OECD GENDERNET (2012): The assumption that female business owners want to stay small is misleading for policy. There is a substantial pool of women who are eagerly pursuing growth strategies for their companies.
and outcomes. Mentoring and networking training could teach women how to enhance their business skills and share their experiences with other female entrepreneurs.

3.C.60. Consider facilitating greater access to finance for women entrepreneurs. The program Women of Worth could be expanded and better adapted to women’s needs. However, programs like this should be implemented along with policies that promote the growth of businesses owned by women, with a stronger focus on instruments that can help female-owned businesses realize their aspirations for growth.

IX. Poverty, Social Protection, and Housing

Overview

3.C.61. Between 2012 and 2016, Guyana rapidly transitioned from a low income to an upper-middle income country. However, economic growth has not translated into changes in overall human development. Between 2005 and 2013, the economy grew at 4.7 percent per year on average. By 2015, GNI per capita was US$4,090 (2015). Growth was projected to be around 4 percent in 2016. Despite a decade of uninterrupted growth the consumption poverty headcount was 33 percent in 2006 (the most recent year for which data is available). Extreme poverty was estimated 18.8 percent in that year. In 2009, the multidimensional poverty rate was 8 percent. Health (as measured by child mortality and nutrition) is the strongest contributor to overall multidimensional poverty in Guyana (50 percent). Living standards and education contribute 32 percent and 17 percent, respectively.

Problems and Causal Factors

3.C.62. Health and education outcomes vary significantly across wealth quintiles. Women in the poorest quintile have more children than women in the wealthiest quintile (4.9 compared to 1.9 children) and are less likely to give birth in a health facility (74 percent compared to 96 percent). Eighteen percent of children under age 5 are stunted, with 5 percent severely stunted. Stunting is highest among children in the poorest wealth quintile (Figure 3.C.7). About 63 percent of children are fully vaccinated with full vaccination coverage not clearly linked to income. With respect to education, over 98 percent of the primary school age cohort is enrolled in either primary or pre-primary, but enrolment among the secondary school age cohort drops significantly and is linked to wealth status -23 percent of males and 19 percent of females in the poorest quintile are not in school in contrast to 7 percent of males and 1 percent of females from the wealthiest quintile (Figure 3.C.8).

Figure 3.C.7. Percent of Stunting in under 5 Children by Wealth Quintile

Figure 3.C.8. Percent of Secondary Age Cohort Not in School by Wealth Quintile

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214 OECD GENDERNET (2012): The assumption that female business owners want to stay small is misleading for policy. There is a substantial pool of women who are eagerly pursuing growth strategies for their companies.


216 IDB estimates based on Bureau of Statistics data.

3.C.63. **Many of the poor are unemployed, but poverty is also a problem of the working people.** Labour market outcomes are better among males than females, with 39.9 percent of females and 87.5 percent of males employed at some point during 2009 (the most recent date for which employment information is available). Employment rates among females increased from 28 percent in the poorest quintile to 48 percent in the wealthiest. This pattern is not discernible for males with 86 percent of the poorest quintile employed as compared to 82 percent of the wealthiest quintile.

3.C.64. **The demographic transition is well advanced in Guyana and the population is aging.** The share of the population aged 0-14 is projected to decline from 28.8 percent to 21.1 percent between 2015 and 2050, while the population 15-59 will increase from 62.9 to 65.1. During the same period, the population aged 60 years and over is expected to nearly double (from 8.8 percent to 16.2 percent). Moreover, the population aged 80 and over is projected to increase at a faster pace (from 0.5 percent in 2015 to 2.4 percent by 2050). While increasing life expectancy is a great achievement, this will have significant implications for the demand for social protection services.

3.C.65. **In spite of the commodities-based growth, the hinterland—Regions 1, 2, 7, 8 and 9—continues to have high incidence of poverty and scant access to basic services and economic opportunities.** The increase in extractive activities in the hinterland over the last two decades, particularly in the search for timber, gold, and bauxite (see section 3.B.), contributes to the gradual consolidation of urban expansion in hinterland settlements. However, in spite of the potential for economic growth associated with these activities, indigenous communities in the hinterland (mostly regions 1 and 9) are the most affected by multidimensional poverty. Most of the 185 communities live on community/communitarian lands, in very small, dispersed villages or on the margins of rural towns with populations of up to 5,000 inhabitants. For these groups, agriculture, particularly rain fed farming, continues to be the main form of employment but income generation is highly unpredictable. There is an urgent need to improve and expand access to safety net programs, improved health care and education services, and to affordable and adequate housing solutions and services in the hinterland. Table 3.C.4 shows the disparities in head count poverty between Regions:

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**Source:** MICS 2014

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Table 3.C.4. Poverty levels per region. Hinterland regions highlighted in blue.

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage of people in the region living in poverty</th>
<th>Share of the group in the national population (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Barima-Waini</td>
<td>80.06</td>
<td>3.18</td>
</tr>
<tr>
<td>2 Pomerron-Supenaam</td>
<td>51.94</td>
<td>6.25</td>
</tr>
<tr>
<td>3 Essequibo Island-West Demerara</td>
<td>40.09</td>
<td>14.08</td>
</tr>
<tr>
<td>4 Demerara-Mahaica</td>
<td>24.56</td>
<td>42.43</td>
</tr>
<tr>
<td>5 Mahaica-Berbice</td>
<td>42.58</td>
<td>6.11</td>
</tr>
<tr>
<td>6 East-Berbice-Corentyne</td>
<td>28.45</td>
<td>15.76</td>
</tr>
<tr>
<td>7 Cuyuni-Mazaruni</td>
<td>61.42</td>
<td>2.48</td>
</tr>
<tr>
<td>8 Potaro-Siparuni</td>
<td>94.28</td>
<td>1.48</td>
</tr>
<tr>
<td>9 Upper Takatu-Upper Essequibo</td>
<td>74.38</td>
<td>2.96</td>
</tr>
<tr>
<td>10 Upper Demerara-Berbice</td>
<td>39.36</td>
<td>5.26</td>
</tr>
</tbody>
</table>


3.C.66. **Existing non-contributory social protection programs.** The main programs are the Old Age Pension (OAP), Public Assistance (PA), the Difficult Circumstances Program, and the School Feeding Program (SFP). The OAP, established in legislation, is a universal pension for persons 65 years and older and provides a monthly benefit of GD 18,200 (USD 54) per month; its benefits are increased annually. In 2011, expenditures on the OAP were estimated at GD 701.0 million (USD 3.4 million) or 0.2 percent of GDP benefitting 42,400 beneficiaries that year. Program administrators report that they currently budget for 50,000 beneficiaries. The PA, which is guided by the Poor Relief Law of 1903, provides a cash grant targeted to the poor of GD 7,300 (USD 34) per person per month up to a maximum of three persons. Program administrators report that they budgeted for 10,000 beneficiaries in 2016 with a planned increase to 15,000 in 2017.222 The Difficult Circumstances Program in the MOSP provides assistance to poor households for 58 different categories of assistance, but the largest by far is Uniform Assistance for School Children which absorbed 97 percent of the budgeted GD 42.5 million (USD 0.2 million), or 0.02 percent of GDP in 2012. The SFP in the Ministry of Education (MOE) provides free lunch for primary school students and the Central ministry expenditures on the SFP were estimated at GD 1.2 million (USD 5 thousand) or 0.2 percent of GDP. Other programs include universal provision of school uniforms; targeted provision of school shoes; fee waivers for school examinations; fee waivers for extraordinary medical expenses; social care services (counselling services and homes/shelters for drug users, the elderly; homeless persons, and persons with Hanson's Disease); school transport; and the Basic Needs Trust Fund, which supports community infrastructure and skills training.

3.C.67. **The Government initiated actions to strengthen delivery of safety net programs.** These include establishment of the Ministry of Social Protection (MOSP); strengthening its information management system, and infrastructure improvements for MOSP headquarters and Georgetown officers; training of staff; and expansion of SFP from the Hinterlands to coastal schools. The MOSP (Formerly the Ministry of Labour, Human Services and Social Security) also articulated a 5-Year Strategic Plan for 2015-2019. Despite these measures taken, implementation challenges continue to exist.

**Recommendations**

3.C.68. To address the challenges outlined above, the following recommendations are made for three areas: 1) improved information systems to allow better targeting of beneficiaries of the social welfare programs; 2) strengthening of organizational capacity to enhance program implementation; and 3) strengthening of organizational capacity to inform policy and planning. Each one is further described below.

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222 Most recently amended in 1981
3.C.69. **Consider strengthening the targeting systems.** Eligibility for Public Assistance (PA) is via an income based means test that includes a multi-stage process of intake, social worker assessment, home visit, social worker recommendation, and final approval by a Board of Governors. Criteria for final approval are not specified. Data from 2006 indicated that PA was well targeted, with 73 percent of beneficiaries in the two poorest quintiles. However, errors of exclusion are significant, and Public Assistance reaches only about 4 percent of households in poorest quintile. Current targeting outcomes are unknown. Social workers expressed concern about bias among Board members whose appointments require Cabinet approval. MOE and MOH programs use their own targeting mechanisms. Targeting outcomes for these programs is unknown. These targeting mechanisms require completion of separate applications, investigations, and documentation. A common targeting system would enhance targeting efficiency. This could come through adjustments to the exiting formulas or through introduction of a proxy means test. Technical assistance could be considered to determine the best approach for Guyana given capacity and data limitations and to design a revised targeting instrument. Changes in targeting for PA would require repeal or amendment of the Poor Relief Law.

3.C.70. **Organizational Capacity for better Program Implementation: Consider modernizing payment procedures and documenting policies and procedures.** The Old Age Pension (OAP) and PA beneficiaries are paid through 12-month and 6-month coupon books, respectively, that can be cashed at Post Offices. However, the transfer of funds varies across regions and the payment process is labour intensive; it requires a multi-step reconciliation process and involves multiple actors, therefore weakening fiduciary control. The current process also imposes significant time and travel charges on beneficiaries; and the actual collection of the benefit depends on cash availability; post offices do not always have the cash on hand when beneficiaries come. Outside of Georgetown, beneficiaries can identify a proxy to pick up their benefit. However, this practice makes it difficult to verify if a beneficiary received the benefit or if s/he is alive. Thus, a streamlined mechanism for the payment of the benefits would be needed to ensure that beneficiaries receive them on time. To this end, the MOSP is exploring alternative payment options. Technical assistance may be required to select and plan for implementation of a revised payment mechanism. Besides different payment mechanisms, the programs do not have operational manual that clearly define benefits, eligibility and selection criteria, leaving many decision up to discretion. The absence of fully documented policies and procedures reduces accountability and control. It is therefore recommended to invest time and effort in preparing operation manuals.

3.C.71. **Consider strengthening the delivery of the Old age Pension (OAP).** Some elderly persons are excluded from social protection programs due to lack of a birth certificate and, therefore, a national identification number. This may become an increasing obstacle as the MOSP moves to use the National ID number as the required identification and beneficiary number. At the same time, unreliable reporting of deaths (especially in the Hinterland) and possible collusion between some village leaders and families may lead to leakage to “ghost beneficiaries”. In the short-term, areas in need of improvements include development of an outreach campaign to vulnerable households with unregistered elderly and to identify strategies to improve reporting mechanisms for deaths of OAP beneficiaries, and to develop regulations for and oversight of the use of proxies to collect benefits.

3.C.72. **Consider evaluating the School Feeding Program expansion.** Effective in 2015, Government expanded the SFP from the Hinterlands to schools in coastal areas. Further expansion to schools in poor communities is planned. The Government should consider undertaking assessments of the costs and benefits of the different delivery modalities used by the SFP.

3.C.73. **Address gaps in human capital development among children in poor households.** The safety net system could do a better job of promoting nutrition and education outcomes
for children from poor households starting in early childhood. The Government has expressed interest in a conditional cash transfer; however, it is not clear on the approach to conditioning that it would like to adopt (traditional conditional cash transfer as found in Mexico, Jamaica and many other countries or a social intermediation service as found in Chile, Barbados, Trinidad and other countries). Therefore, the Government should consider systematic analyses of the available evidence and relevance for Guyana to decide on whether and how to introduce conditions on receipt of cash benefits.

3.C.74. Consider closing the gaps in access to housing and basic services for hinterland communities. A shortage of skilled labour and poor infrastructure, coupled with limited accessibility, present considerable challenges to the development of adequate housing. Yet, the hinterland presents tremendous opportunities, such as 1) local expertise in the construction of transitory structures, supported by the availability of local materials, 2) the importance of collective land titling among Indigenous communities, granted by the Indigenous Act of 2006, and 3) the catalytic role that public investment in rural infrastructure has in terms of growth and poverty reduction.223 Therefore, the Government should consider the development of relevant housing programs taking advantage of the local labour availability and construction expertise applied to the hinterland realities.

3.C.75. Given the demographic transition, the Government should consider planning ahead for an aging population. In light of the demographic developments, the number of Old Age Pension (OAP) beneficiaries and program costs will continue to grow without parametric reforms. The MOSP Strategic Plan includes introduction of means testing for the OAP; however, it is not clear if this is still on the policy agenda. Another option would be to raise the age of eligibility. Technical assistance to assess the costs and benefits of both options would provide information for decision making. At the same time, there is a gap in provision of social care services for the elderly and demand for these services can also be expected to grow. Guyana should consider planning for a fiscally sustainable approach to social care provision for its aging population.

3.C.76. Consider filling the information gaps. There are a number of areas where more information is needed to assess the strengths and weakness of the non-contributory social protection system. These include a better understanding of the range of safety net programs and expenditures, the social protection needs of indigenous persons, and persons with disabilities and the elderly. Support for the incremental costs of including a social protection module in the next household income and expenditure survey would help to fill critical information gaps. A poverty map to guide the SFP expansion and other programs is also needed. Similarly, the country lacks up to date information for housing and urban development—particularly with regard to estimates for housing and urban infrastructure needs at subnational scales (region- and settlement-specific)—and suffers from an absence of centralized land management systems, which should be improved through the digitalization of existing data as well as improved institutional coordination to oversee surveying, zoning, property registration, and land regularization. Finally, prospective impact evaluation designs are recommended to be included since the design phase of social and labour programs, as well as for housing and urban development programs.

X. Crime, Security, and Trust

Overview

3.C.77. Crime and insecurity in Guyana is detrimental to private sector development, social capital and social cohesion.224 The issue of crime and insecurity is particularly important for the private sector as firms in Guyana report that crime is a major impediment

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224 Numerous studies have linked violence and social capital formation. For an overview see: Cuesta Jose A, Alda Erik, Lamas Jorge. 2007.
to their performance. Indeed, 37 percent of firms in Guyana report that crime is a major or severe obstacle to performance, compared to 21 percent in ROSE-C (World Bank Enterprise Survey, 2010). In the recent Proteqin survey (2014), more firms reported crime as a major or severe problem, 46 percent compared to 20 percent for the rest of the Caribbean. Guyanese firms experience significant losses due to crime (mainly theft and vandalism, 2.8 percent of annual sales) and they spend more on security (5.1 percent of annual sales) than firms in ROSE-C (4.12 percent of annual sales). Guyana ranks lower that the ROSE-C average with respect to the business cost of crime and terrorism (Figure 3.C.9). Although reducing crimes that directly affect firms is important for private sector growth, acts of crime and violence that do not directly affect business performance can indirectly impact their productivity levels and investment decisions, and these are very prevalent in Guyana. For example, there is a high level and tolerance for domestic violence (DV), corporal punishment of children, and human trafficking. Moreover, Guyana has some of the lowest levels of trust in the police and justice system in the LAC region (Figure 3.C.10), especially among Afro-Guyanese, which undermines the authorities' ability to control crime and violence. In this section, we examine some of the drivers of crime which include the social tolerance for use of violence in the community and in the home.

**Figure 3.C.9. Crime and security**

Source: Global Competitiveness Index (2015)

### Problems and causal factors

**3.C.78. The homicide rate is high and the prevalence of crime is increasing.** Since 2000, homicide rates have doubled (from 9.9/100,000 in 2000 to 20.4 in 2013). The national reported robbery rate (191/100,000) and burglary rate (278/100,000) both significantly exceed global averages (United Nations Office on Drugs and Crime). Moreover, actual crime victimization rates are likely far higher because crime is generally underreported in areas where trust in the police is low. Crime victimization surveys are widely regarded as a complementary and in some ways a superior source of data. Unfortunately, consistent and comprehensive national crime victimization surveys have not been implemented in Guyana. Moreover, security, crime, and violence are considered by nearly 1 in 4 Guyanese (22 percent) to be the most pressing issue facing their country in 2016. In recent years, the number of individuals who identified crime as the most important problem increased significantly in Guyana than anywhere else in the LAC region (LAPOP, 2014). Twenty-nine percent of the population believes that violence in their neighbourhood has stayed the same or increased in the last year (LAPOP, 2014).

**3.C.79. The Guyanese Police Force (GPF) is the least trusted institution in Guyana.**

Trust in the police had been declining among all Guyanese between 2006 and 2014, but was lowest among the Afro-Guyanese (LAPOP 2012-2016). The reliability of the GPF is also lower than the average for ROSE-C (Figure 3.C.10). Poor treatment of citizens by

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225 In the LAPOP 2014 survey trust in institutions was measured on a scale of 0-100. The average score for the following institutions were: Evangelical Church 60.2, Defense Forces 58.0, Catholic Church 45.1, Parliament 46.3, Executive 45.5, Justice System 40.4, Political Parties 38.6, Police 35.4.

226 Between 2012 and 2014, on a scale from 0-100, the average score for trust in the police decreased 17.2 points for Afro-Guyanese, 9.9 points for Indo-Guyanese, and 7 for other groups.
police, the perception of discrimination, and lack of instruction to engage with the population are all structural problems that contribute to lack of trust and reliability of the GPF.

Figure 3.C.10. Trust and police satisfaction for 27 countries in LAC

Figure 3.C.11. Tolerance of Wife Beating if Unfaithful

Source: LAPOP 2014

3.C.80. Poor operational capacity of both the GPF and the justice system. In 2014 Guyana police had the longest response time in the region other than Nicaragua, Venezuela, and Haiti. In 2016, 44 percent of the population says that the police would take at least one hour to respond to a call and 3.3 percent reported that there were no police in their neighbourhood. This is an improvement from 2014 but still far from sufficient. The GPF employs 313 police officers per 100,000 inhabitants, which is lower than the rate recommended by the United Nations of 400 per 100,000 inhabitants. Being understaffed, lacking proper training, and tense relations with the community contribute to the GPF’s limited ability to investigate. Similarly, a small judiciary makes it difficult for Guyanese courts to adjudicate matters in a timely fashion. Guyana has approximately 3.5 judges and magistrates per 100,000 inhabitants – a ratio far lower than that of other judiciaries in the region. Prisons operate at over 33 percent capacity, and 36 percent of the prisoners are pre-trial detainees owing to a backlog with more cases filed than decided.

3.C.81. Exposure to violence and social tolerance for violence are high in Guyana. In 2016, thirty percent of Guyanese reported having witnessed a serious attack resulting in severe injury or death, and 20 percent having lost someone close to them to violence. In the 2011 Safe Neighborhoods Survey, 28 percent of respondents stated that they had

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228 GPF Strategic Plan 2011-2015 identifies the need for police training in community policing, outreach programs, and improving police-public relations.
230 LAPOP 2014, where 46 percent responded that police took more than an hour and 12 percent reported there were no police in their neighborhood.
232 2012 clearance rates for homicides, robberies, and burglaries were 56 percent, 20 percent, and 18 percent, respectively.
233 Trinidad and Tobago, for instance, has 6.3 judges per 100,000 inhabitants; the Dominican Republic has 7.0; and Saint Kitts and Nevis has 15.0. IDB 2006, Project Concept Document: Modernization of the Justice Administration System (GY-L1009). http://www.iadb.org/document/cfm?id=707419
234 According to the European Committee on Crime Problems, severe overcrowding is defined as a situation in which the planned capacity of a prison or prison system is exceeded by more than 20 percent.
235 LAPOP dataset 2016. Questions polled were: In your lifetime, have you ever witnessed a serious attack or beating in which another person was badly injured or killed?; In your lifetime, has anyone you felt very close to been killed by violence?
threatened to seriously harm someone, had assaulted someone, or used someone else to harm someone. Twenty-nine percent agreed that a person has the right to kill in order to defend the family (27 percent in the case of defending home or property).

3.C.82. There is a relatively high tolerance for domestic violence and corporal punishment of children in Guyana. In Guyana, tolerance of beating one’s wife if she is unfaithful (48 percent) was the highest in the Americas (LAPOP 2012-2016). Results from the Americas Barometer LAPOP 2014/15 also show that 30.8 percent of Guyana’s population condones violence against a wife who neglects her chores, ranking third out of 16 countries. According to the same survey, more than half of the population thinks that domestic violence (DV) is a problem in the neighbourhood (Figure 3.C.11). Indigenous women are twice as likely as Indo-Guyanese and six times as likely Afro-Guyanese women to tolerate DV. Social acceptance is a key driver of DV and an obstacle for its prevention. When asked for children, seventy-two percent of respondents reported believing it is necessary to physically punish their children, with 7.4 percent believing that physical punishment should be used very frequently or always. Moreover, eighty-two percent reported that their parents used physical punishment with them – 18.7 percent of which reported physical punishment was used frequently or always (LAPOP 2012-2016).

3.C.83. Intimate Partner Violence (IPV) is highly prevalent among women. Three out of five women in four regions of Guyana experienced physical IPV in their lifetime; 50 percent of women were sexually abused and 75 percent of women were emotionally abused by their partners, according to a 2010 study. Rural women were three times more likely to suffer from IPV than urban women. Implementation of the Sexual Offences Act and the National Domestic Violence Policy 2008-2013 has remained very slow.

3.C.84. Interpersonal trust is low and it is driven largely by crime and insecurity. According to LAPOP 2016 survey data, the highest levels of trust are found in Region 2 and the hinterland, with the lowest levels in the most populated area (Region 4). Higher levels of trust were also found among Whites and Indo-Guyanese, with lower levels among Afro-Guyanese and mixed ethnic groups. The evidence also shows that crime and insecurity are one of the strongest and most significant contributing factors to interpersonal trust in Guyana in 2016 (LAPOP, 2016).

3.C.85. The lack of up-to-date, consolidated, and reliable data on Violence against Women (VAW) is a critical challenge. Data from surveys (on prevalence, victimization, perception, risk factors and service use and satisfaction) is fragmented, outdated, covers only a few sub-national regions and does not always allow for comparison over the years. With regards to administrative records, police reports and justice cases on DV or sexual offenses (e.g. resolution rate) are not available online; rape and sexual assault are not accurately reflected in the official statistics; and data on the violence and services for victims or survivors is not centralized, so incident duplication may occur. Recent information on VAW comes primarily from NGOs or media reports. Reporting rape and

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236 Numbers are from 2014 when all countries were last surveyed.
237 Americas Barometer Insights: 2016 One in Four Condone Spousal Violence, Though Attitudes Vary across Countries and Individuals in the Americas By Lauren Pak, with LAPOP Vanderbilt University
238 After Guatemala (53 percent) and Suriname (43 percent)
239 Very, somewhat or a little serious.
240 Americas Barometer 2016.
241 Calculated using LAPOP data 2016 questions: VOL207n. Do you think that to correct a child who misbehaves it is necessary to hit or physically punish them? VOL208n. When you were a child, would your parents or guardians hit or physically punish you in some way to correct your misbehavior?
244 Amnesty International Report 2014/15
246 Idem US State Department 2015.
sexual assault to authorities is low, likely due to fear of stigma, retribution, or further violence, and lack of confidence in authorities. 247

3.C.86. Women victims of violence face barriers to access police and justice services. 248 Despite improvements in physical infrastructure of police stations, women and girls still report problems when interacting with the police. In 2015 only 52 percent of DV cases reported to the police resulted in charges. Some survivors accept pecuniary settlements over going to court due to a lack of confidence in the justice system. Prosecution of cases of rape is rarely successful and a large court backlog exists. 249 Victims of DV also hesitate to report when the partner is the breadwinner and sometimes wish to withdraw the case during investigation and prosecution. Some women lack preparation for the court experience; cases can be lengthy and/or can expire due to the absence of the accused or key witnesses. 250

3.C.87. Guyana is a source and destination country for human trafficking, which affects men, women, and children. 251 Sex trafficking and forced labour is common in mining, agriculture and forestry sectors in the Hinterland, where government presence is limited. 252 Despite the Domestic Violence Act, the Child Protection Act, the Sexual Offences Act, violence against young indigenous women continues to be significant, with indigenous girls representing the majority of human trafficking cases (taken into prostitution or domestic servitude). 253,254 Several reports point to the significance of this issue, and highlight that young girls and women have limited awareness of the risks involved in accepting work offers from passersby who then force them into prostitution. 255 Forced labour is also used in domestic service and shops; and can reach into other Caribbean countries. The Government has improved prosecution of traffickers and reparation to victims, funds a shelter for trafficked women in Georgetown, and reformed the anti-trafficking taskforce. However, challenges remain, such as the lack of staff in the Anti-Trafficking Investigation Unit, the lack of protection for victims in the Hinterland and the prosecution of some victims for crimes when they were being subjected to trafficking. Furthermore, the trust in the policy by indigenous peoples is very limited as police officers are often considered foreigners in indigenous territories and in particular situations have partaken in trafficking in persons. 256

3.C.88. People face discrimination based on gender identity and sexual orientation. Cross-dressing and sexual relations between men are punishable by the criminal code in Guyana. According to a 2013 survey on attitudes towards homosexuals, the Guyanese appear to be relatively tolerant (39 percent accept, 19 tolerate, and 25 hate homosexuals) and 71 percent are conscious of the fact that violence against them is an extreme form of discrimination. 257 However, when it comes to their opinions on the current laws, 61 percent think that the State should start enforcing them, 47 percent think the laws make sense, 76 percent don’t support same sex marriage, and 64 percent think that the protection of Lesbian, Gay, Bisexual, Transgender (LGBT) rights is not a priority. NGOs and activists reported discrimination of LGBT people in accessing employment, education and health;

248 This section draws on the US State Department (2015).
249 Based on media reports and commentary from NGOs. Of 233 reports of rape received only 36 were charged.
250 From interviews with NGO during an IDB 2016 May mission.
251 This section draws on the United States Department of State, 2016 Trafficking in Persons Report – Guyana.
252 Brazil, Dominican Republic, Suriname and Venezuela
257 Caribbean Development Re GENsearch Services Inc (CADRES). Attitudes towards homosexuals in Guyana (2013)
intimidation by the police; and fear to report crimes due to the possibility of being accused and prosecuted for their sexual orientation.  

**Recommendations**

3.C.89. **Guyana’s high levels of violence, violence against women and mistrust within communities and in public institutions is extremely damaging to social cohesion and development.** In order to improve social cohesion and thus social capital, the Government should consider five important areas of focus:

3.C.90. **Consider investing in more reliable, comprehensive, and continuously collected crime data to remove obstacles that currently prevent a full understanding of the dimensions of crime and violence in the country, and to contribute to the design of relevant policies.** Also, there is a need to develop protocols to collect, manage and analyze data on VAW victimization, perceptions, prevalence, service use, reporting, and case resolution in a centralized system, and to facilitate public access to data that is deemed appropriate under public information laws and confidentiality protocols. Data on human trafficking resolution rates, and appeals should also be included.

3.C.91. **Consider investing in, and evaluate the results of, violence prevention programs which target social tolerance for violence, dispute resolution and violence in the home.** A wide range of international research has consistently shown that effective prevention policies are more cost-effective than investments to cope with violence after it has occurred. Continued investment in these programs should also be accompanied by effective monitoring and evaluation practices. More systematic evaluation would take the guesswork out of determining whether programs are successful and could suggest possible modifications. Committing scarce funds on non-performing programs is counterproductive, and it is better that such resources be carefully invested in programs with a demonstrated capacity to be effective.

3.C.92. **Consider strengthening the capacity of the criminal justice system.** This should include: a) Improve the police crime prevention and investigation capabilities. As identified in Guyana Police Force Strategic Plan 2011-2015. It is necessary to implement police training on community policing, outreach programs, and improving police-public relations, as well as investigatory capacity; b) Focus on reducing court backlogs and pre-trial detention to foster a more efficient and fair criminal justice system. This can be done through improved court case management, diversion of low level offenses and alternative sentencing (i.e. Restorative Justice and the like); c) Improve access and quality of police and justice services to VAW victims. In order to reduce obstacles and fragmentation of services, it is recommended to explore the potential creation of a one-stop-shop model to assist VAW victims including DV and sexual violence. Concentrating different security and justice services under a single roof can minimize the time and resources women need to spend, and help victims navigate the system as well as guarantee quality services in a safe environment, thus improving the outcomes for women. These centres could include law enforcement and prosecution services with specialized units on DV, sexual assault, children violence and human trafficking; as well as medical assistance, crisis intervention support, counselling, and legal assistance. They could also provide referrals to NGOs or emergency shelters and housing assistance. It is also recommended to continue keep improving police capacities and adapt the physical infrastructure to interact with VAW victims, to improve investigation and prosecution of VAW cases, and to ensure protective...
orders are respected. Also to strengthen the criminal justice system regarding VAW cases by developing court protocols to properly manage these cases and minimize emotional trauma of victims, and by offering systematic training to judges and magistrates in the DV and the Sexual Offenses Act.

3.C.93. **Consider strengthening the legal and policy framework on VAW.** While the passage of important legislation on VAW represents important progress in Guyana, it is important to move to its effective application to protect women’s rights and provide reparation.\(^\text{261}\) In addition, there are some pending actions that should be considered towards strengthening the legal and policy frameworks: (i) consider banning the use of conciliation or mediation in VAW cases, (ii) consider passing legislation to protect reproductive rights (e.g. allowing access to post-exposure prophylaxis and sexual transmitted diseases treatment after sexual abuse), (iii) consider passing legislation to protect people from discrimination based on sexual orientation and gender identity, (iv) consider finalizing the action plan to combat trafficking, and (v) consider evaluating and disseminating the National Policy on Domestic Violence 2008-13.

3.C.94. **Consider conducting prevention initiatives to modify social norms and attitudes that justify VAW.** Evidence suggests that the acceptability of violence is related to the severity and nature of the perceived transgression,\(^\text{262}\) so it is important to support initiatives that help to modify beliefs on what is and isn’t acceptable behaviour.\(^\text{263}\) Challenging the traditional gender roles about male authority over women\(^\text{264}\) can contribute to decrease DV. Empirical evidence indicates that parenting programs,\(^\text{265}\) and tailored communication campaigns\(^\text{266}\) with youths and adults, are effective in changing gender norms and behaviours associated to violence. NGOs currently working in VAW issues can play a significant role in these initiatives, along with the work the Government does.

3. D Cross-Cutting Issues

3.D.1. **The complexities of some the problems in Guyana suggest a cross-sectorial approach.** Major themes where cross-sectorial approaches would be adequate include indigenous people, climate change and the mitigation of risks of natural hazards and gender.

I. Indigenous People

**Overview**

3.D.2. Indigenous peoples (IP) in Guyana comprise 10.5% of the country’s population (Population Census, 2012). The majority of Guyana’s population is found on the coast, which represents 10% of national territory. Conversely, the majority of indigenous peoples live in the remaining 90% of the interior.\(^\text{267}\) Regions 1, 2, 7, 8, 9 are the regions where indigenous issues are more salient. Indigenous Peoples constitute the majority of the population in regions 1, 8 and 9 where they represent the 64.5%, 72.0% and 85.5% respectively.\(^\text{268}\) The indigenous population in Guyana has nearly doubled in size in 30 years with the number of indigenous peoples increasing from 40,343 inhabitants in the 1980 population census to 78,492 in the 2012 census. There are 9 main indigenous


\(^{262}\) Violence viewed as excessive or “without cause” is more likely to be condemned by women and others. Go et al., 2003; Jeejebhoy, Santhya and Sabanwal, 2013; Yount et al., 2013

\(^{263}\) Fulu and Heise, What Works to prevent violence against women and girls evidence reviews, 2015.

\(^{264}\) Connell, 2005; Connell and Messerchmidt, 2005

\(^{265}\) A Randomized Control Trial evaluation of Triple P Model found a 22 percentage reduction of parental over-reactivity (Morawska, A.

\(^{266}\) According to Pronumdo in Brazil, public awareness campaigns to change attitudes are most effective for addressing “deep-seated
titudes on gender” when they are delivered through “intense interactive processes”, rather than just mass marketing. (Mostue, Mostue,


groups: the Akawais/Kapon, Arawaks/Lokonos, Arekunas/Kamarakoto, Karinya/Caribs, Makushis/Macuxi, Patamonas, Wai Wais, Wapishanas and the Warraus. This diversity is noteworthy in terms of policymaking as it highlights need for targeted approaches suitable to diverse realities.

3.D.3. Although Guyana has taken important measures and made headway in addressing disparities, IP still remain the most economically disadvantaged and vulnerable ethnic group in Guyana.\textsuperscript{269} Disparities disproportionately impact indigenous peoples in the areas of education, health, basic services, housing, land rights, and economic development. IP continue to face a broad spectrum of challenges that combined, generate an acute level of vulnerability, marginalization and impoverishment. Land rights, indigenous governance, education, food security, access to basic public services and health represent the most critical issues requiring both standalone and mainstreamed actions in favor of indigenous peoples to effectively tackle entrenched disparities and further the advancement of indigenous peoples’ rights and development.

Problems and Causal Factors

3.D.4. Land tenure continues to be a central area of contention that undermines indigenous peoples’ livelihoods as well as trust in the government. In collaboration with the Government of Norway, Guyana launched the national Low Carbon Development Strategy (LCDS) in 2009. Indigenous land tenure was signalled as priority issues for LCDS. As a result, the Indigenous Land Titling, a three-year program, was created in 2013 to attend to the cases of 68 villages on issues of titling, demarcation and extensions requests and develop conflict resolution mechanisms for land disputes.\textsuperscript{270} As of August 2016, 18 villages were completed.\textsuperscript{271} The Project’s board highlighted as the main barriers: (i) Overlapping and competing interests in land administration processes, by agencies such as the Guyana Lands & Survey Commission (GLSC) and the Guyana Geology and Mines Commission (GGMC); (ii) Entanglement of indigenous land tenure requests with state land leases, mining and forestry concessions and protected areas; (iii) Lack of consent by some villages to accept demarcation process; and (iv) Difficulty in addressing these issues and formulating solutions to move forward.

3.D.5. Public policy instruments and regulations provide limited protection to indigenous lands. The land tenure conflict arises from limitations of the Indigenous Act (no rights over waterways or subterranean resources; the lack of recognition of customary lands; and the ability of the Government to override land titles), as well as the overlap and lack of coordination between the Indigenous Act with other Acts: the Mining Act, the Forestry Act, the Environmental Protection Act and the Protected Areas Act. The complexity of indigenous land tenure also limits the government’s ability and desire to effectively address and resolve land tenure issues.

3.D.6. At the national level, the National Toshaos Council (NTC) is the highest representative body of indigenous peoples. Financed by the Government of Guyana (GoG), it is a semi-autonomous platform that enables direct dialogue between indigenous leadership and the GoG through the Ministry of Indigenous Peoples Affairs. The NTC also serves as a platform for Village Counsels to collectively address issues and develop strategies that advance the rights and wellbeing of indigenous peoples. The NTC generally addresses issues relating to poverty reduction; village development; recognition, land tenure; resource management; and good governance. The NTC has an Executive Committee that includes one Toshao from each administrative region and

\textsuperscript{269} President Granger has proposed a 10 Point Plan directed at Indigenous peoples that addresses: education; youth employment; the Georgetown-Lethem Highway; solar farming; agricultural investment; land titling; community strengthening; citizen registration; improved access to ICT; building of sports facilities; a hinterland zoological park; strengthening law enforcement; and an infrastructure extension program.

\textsuperscript{270} Notes from Amerindian Land Titles Project Board Meeting August 6, 2016

\textsuperscript{271} Notes from Amerindian Land Titles Project Board Meeting August 6, 2016
not more than ten additional Toshaos. The Executive Committee meets at least twice a year and the National Toshaos Council at least once every two years.

3.D.7. The NTC requires significant institutional strengthening in order to more influence national policy, assure its independence from political influence and engage more directly in the advancement of development with identity for indigenous communities. Indigenous leadership, NGOs and The Executive Committee of the NTC consider this as the most important challenge at the organizational level. Likewise, the NTC budget covers administrative functioning but not programmatic activities. As a result the NTC is unable to directly engage with communities, assess issues first hand, be responsive to constituents, or implement projects.

3.D.8. Village Councils needs to improve its capacity for local governance. The Indigenous Act gives Village Councils the authority to govern villages and create and enforce laws. Such responsibilities require broad technical skills such as project management, accounting, contractual negotiation, resources planning, among others. Such skills are often lacking at the village, district or national level thereby limiting the ability of these structures to work effectively.

3.D.9. More equitable gender representation is needed at all levels of indigenous governance structures. The National Toshaos Executive Council includes 21 leaders, however only 1 official is woman. In a review of over 200 Village Toshaos, approximately 7 - 10 female Toshaos were identified. However, participation of women at the Village Council is considered more significant.

3.D.10. While access to education has improved, educational attainment and retention rates are low for indigenous youth. The 2009 Guyana Demographic and Health Survey highlighted the educational disparities in the predominantly indigenous regions - Regions 1, 9, 7, 8 - and the limited participation of indigenous youth in secondary schooling and post-secondary education. In Region 1, 55 % of females and 50 % of males had never been to school or just attended some primary school (in contrast to 22 % of females in Region 10 and 25 % of males in Region 4). The 2013 National Grade Six Assessment (NGSA) revealed that the majority of hinterland students fail to attain scores necessary to enter secondary schooling: 82 % of hinterland students scored less than 50% in Math; 90 % scored less than 50 % in English and 91 % scored less than 50 % in Science. The gap in secondary school attendance between the Coast and the Interior is 82 % and 69 %, respectively. In tertiary education, indigenous regions have the lowest percentages of post-secondary schooling: Region 9 at 0.8 %; Region 1 at 1.7 %; Region 8 at 2.1 %; and Region 7 at 3.1 %.

3.D.11. Indigenous peoples are particularly vulnerable to HIV/AIDS due to their involvement in mines (which are high-risk areas for HIV/AIDS) as well as limited knowledge regarding HIV/AIDS. Miners and sex workers are among the most high risk populatons and indigenous peoples partake in both of these activities. The Guyana Demographic Health Survey in 2009 identified that people from the hinterland, particularly Regions 1, 8, 9, where the majority of indigenous peoples live, have the least knowledge of HIV/AIDS nationally.

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272 Interview with Red Line (women’s organization) during the IDB mission to Guyana in August 2016
273 Ministry of the Presidency. “Five-member authority to oversee, monitor implementation of decisions of Toshaos Council”  

274 2009 Guyana Demographic and Health Survey.
275 Idem.
276 Osborne-Moses, A., Moore, S. Challenging risk behaviors in the hinterland: Peer Education with miners and sex workers in Guyana


http://www.hivgateway.com/entry/1209d8b1d506ee5f282311aa221ae9f2/
3.D.12. Indigenous girls and women are targeted by human trafficking. Despite the Domestic Violence Act, the Child Protection Act, the Sexual Offences Act, violence against young indigenous women continues to be significant, with indigenous girls representing the majority of human trafficking cases (taken into prostitution or domestic servitude).\textsuperscript{277} There is also anecdotal information that links Trafficking in Persons (TIP) and sexual abuse to mining.\textsuperscript{278} Several reports point to the significance of this issue, and highlight that young girls and women have limited awareness of the risks involved in accepting work offers from passersby\textsuperscript{279} who then force them into prostitution.

3.D.13. Indigenous peoples have limited access to basic public services like water, sanitation and electrification. Moreover, they also face inadequate and overcrowded housing. Approximately 60 percent of indigenous villages lack access to safe drinking water, while more than 80 percent of indigenous peoples lack basic access to electricity.\textsuperscript{280} As a result, communities often use fossil-fuel systems, firewood, candles and disposable batteries for energy access. Finally, around 74 percent of the population in the hinterland lives in inadequate and overcrowded housing.

3.D.14. Availability of natural resources is critical to indigenous peoples who predominantly rely on food and water sources found in their surrounding environments. Environmental degradation, such as deforestation and environmental contamination, undermine water, wildlife and other food sources and contribute to generating food insecurity, diet impoverishment and deepening vulnerability.\textsuperscript{281} Mining is a central driver of deforestation, contamination and dredging of waterways (causing sedimentation in rivers, destruction of streams, and widespread degradation of ecosystems).\textsuperscript{282} It is also plays a central role in mercury pollution which is widespread in Guyana; mercury has been found both in nearby mining areas as well as seemingly untouched areas.\textsuperscript{283}

Recommendations

3.D.15. Strengthen ability of responsible ministries to provide effective response to titling requests and conflict resolution. Including an exhaustive review of the Acts, determining their overlap, and involving all stakeholders in designing the revisions and the functional mechanisms necessary to move forward (eg. coordinating body between the GGMC and the NTC; a conflict mediation body for indigenous peoples and concessions to be able to address land and resource disputes; enforcement of social and environmental assessments for small and medium scale mining, etc).

3.D.16. Establish formal mechanisms to facilitate proper consultation and participation of indigenous peoples in identifying solutions for land tenure claims. Guyana adopted the 2007 United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) which recognizes indigenous peoples’ rights to collective land ownership and indicated the obligations of States to provide free, prior and informed consent (FPIC). For the moment, proper consultation does not occur. Indigenous Peoples Association, a leading indigenous NGO, indicates that there are no national standards of FPIC, mechanisms to provide input, or parameters by which to determine what makes an appropriate FPIC

\textsuperscript{281} With fish supplies no longer available or communities aware of the health risks of contaminated fish, an important source of protein is eliminated from diet and communities are forced to purchase imported food which is of less quality and represents an economic cost to families. Audrey Butt Colson. Dugout, Dried out or Flooded Out? Hydropower and Mining Threats to the Indigenous Peoples of the Upper Mazaruni District, Guyana. FPIC: Free, Prior, Informed Consent? September 2013.
consultation. Indigenous peoples are central stakeholders in national development strategies and key industries - such as the Low Carbon Development Strategy and mining - yet they are not at the center of policy design or thorough consultations. Given the importance of the LCDS for Guyana’s national development, and the new programs emerging from the strategy that impact indigenous peoples – Indigenous Land Titling (ALT), Opt In/Opt Out mechanism, FLEGT - the need to assure effective consultation, participation and transparency becomes increasingly relevant to the success of these programs and the national LCDS strategy. FPIC should be elaborated in conjunction with indigenous peoples and consider mechanisms that allow for their continued engagement.

3.D.17. Strengthen technical capacity of government institutions to develop quality social and environmental assessments and plans that integrate indigenous people’s perspectives. The Environmental Protection Agency (EPA) has a pivotal role in protecting the environment in indigenous peoples’ territories. Therefore, its technical capacity should be improved to: i) manage the process of Environmental and Social Impact Assessment (ESIA), ii) adequately ascertain the impact on indigenous peoples and their environment and territories; and, iii) ensure that potential social impacts are fully incorporated into ESIA procedures. The EPA will also require support in elaborating indigenous – sensitive indicators so that assessments can capture issues of relevance to indigenous peoples; for example, not limiting environmental impact to only endangered species but including the species and natural resources in indigenous territories that communities depend upon.

3.D.18. Recognize the customary uses and traditional knowledge in land management. The titling of villages without recognition of customary uses (including sacred lands) and traditional knowledge in land management for nearby villages has led to increasing intra village tensions. The privatization of resources that were previously under customary land use systems, either shared or accessible and is now private property has created a system of “haves” and “have nots” resulting in conflict between communities. The Indigenous Peoples Association conducted a Land Tenure Assessment of Regions 1 & 2. In visiting 42 communities, 39 communities identified land tenure issues, the majority relating to customary uses not considered in their land titles. Given the possible scale of this issue, as the cases from Region 1 & 2 would suggest, a broader assessment of land tenure conflicts (particularly as it pertains to customary use) on a national level would provide visibility on the scale of these “emerging” issues - potentially not anticipated by the Indigenous Land Titling (ALT) and possible courses of action.

3.D.19. Strengthen the capacity of indigenous peoples’ organizations and institutions. A needs assessment of the NTC is required to determine priority areas for technical and organizational strengthening. Likewise, it is important to consider support for district and village levels of governance. It is recommended that particular attention be given to strengthening district councils. Both village and national councils could benefit from stronger district councils. As is seen in Region 9, there are 3 large district councils that have catalyzed development at the district and also at the regional level. Region 9 is

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284 Interview with APA during the August 2016 IDB mission to Guyana.
287 Interview with APA during the August 2016 IDB mission to Guyana.
289 The NTC and the GOG are considering creating the National Indigenous People’s Authority, a 5 member authority to oversee implementation of NTC decisions. This entity may also want to be considered in the needs assessment.
290 The Technical Cooperation Project “Leadership Development in Amerindian Communities” (TC-0301037) in 2004/5 which focused on the preparation of training materials, including an Operations Manual for Village Councils and a Guide for the Rural Constabulary in Amerindian Communities, and the organization of training workshops for 200 leaders from 58 villages on finance, governance, community development and environmental management.
unique in terms of the development initiatives lead by indigenous organizations, the
strength of indigenous organizations and the presence of international development
agencies. The three district councils are the North Rupununi District Development
Board (NRDDB)\(^\text{291}\) which represents 16 Makushi communities; the South Central
Peoples Development Association (SCPDA) which represents 17 Wapichan
villages\(^\text{292}\); and the Kanuku Mountain Community Representative Group (KMCRG)
which represents 11 Indigenous villages and 7 satellite communities located around the
Kanuku Mountains Protected Area (KMPA). These 'model' organizations provide a
valuable foundation of knowledge and experiences that should be leveraged to help
support the strengthening, training or creation of district councils in other regions.

3.D.20. Promote gender equality at all levels of indigenous governance structures. The
Women’s Rights Commission has been collaborating with the NTC in raising gender
awareness. Two strategic areas of intervention that could build upon the work of the
Women’s Rights Commission would be: i) developing a gender policy for the NTC and
at the Village Council; ii) rolling out at the village level, an intercultural train the trainer
module on gender equality.\(^\text{293}\)

3.D.21. Improve capacity of teachers and other education professionals to deliver inclusive
and intercultural quality education. According to one survey developed by IDB in
Guyana in 2015 in 11 Villages\(^\text{294}\) from the hinterland, the majority of teachers in these
villages are uncertified. Because quality of education relies importantly on quality of
teaching, it is important to improve teaching skills (including intercultural issues) and
knowledge of educators in indigenous communities through certified programs. It is also
important to provide incentives such as scholarships for specialization to retain qualified
teachers.

3.D.22. Support programs that provide alternative training for indigenous students who do
not attend secondary school. There are successful models that can inform national
educational programs or policies in this regard. For example, private initiatives such as
the Bina Hill Institute\(^\text{296}\) and Iwokrama provide intercultural and practical education to
indigenous youth in areas such as natural resource management, forestry, wildlife
management, agriculture, tourism, business, traditional skills, basic computer skills,
mathematics and English. This type of practical trainings has been highly requested by
several indigenous leaders.\(^\text{297}\)

3.D.23. Develop differentiated public health interventions targeting indigenous peoples. To
design health interventions or services for indigenous peoples it is important to first
obtain a comprehensive understanding of the status of indigenous peoples’ health,
which must consider the multiple health threats, service gaps (medical staffs, facilities,
equipment and medicines) and cultural specificities. Indigenous participation should
inform that any study that attempts to understand the causes, social aspects and
indigenous understandings on these issues such as HIV/AIDS, suicide, mercury
poisoning, domestic abuse, trafficking in persons, alcoholism, diabetes, nutrition,
represent to indigenous peoples.

3.D.24. Support the creation of intercultural health initiatives and awareness campaigns to
address the multiple health issues that indigenous peoples face. These initiatives need
to: i) focus on strengthening indigenous peoples awareness of the benefits and risk

\(^{291}\) http://nrddb.org/

\(^{292}\) SCPDA is composed of mainly Wapichan villages and the NRDDB to Makushi villages.

\(^{293}\) A gender module has been already elaborated by the Institute of Gender Studies at the University of Guyana.

\(^{294}\) The survey was developed in: Baramita, Waramuri, Wakapau, Santa Aratak Mission, St. Cuberts Mission, Moraikabai, Orealla,
Jawalla, Waramadong, St. Ignatius & Muritaro.

\(^{295}\) Vegas, E.; Umansky, I. 2006. Improving teaching and learning through effective incentives. What can we learn from education

\(^{296}\) North Rupununi District Development Board. 2016. Bina Hill Institute Youth Learning Centre Shttp://nrddb.org/bhiylc

\(^{297}\) Deliberations at the National Toshaos Council. August 22 to 26. Georgetown Guyana & APA.2016. Resolutions from the
associated with nontraditional practices/new activities and foods; ii) develop skills to deal with change management; iii) revitalize traditional knowledge and practices associated with traditional medicine and notions of wellbeing; iv) involve indigenous organizations in the creation of intercultural materials, campaigns, and outreach strategies; v) as pertains to mercury: strengthen villages' ability to assess mercury exposure through training in community-led assessment of mercury exposure; strengthen indigenous miners knowledge and best practices of working with mercury; create a technical liaison between the Ministry of Public Health and the Guyana Geology and Mining Commission to ensure that community health concerns are addressed when a mining project is underway; vi) As pertains to trafficking in persons: raise awareness among villages about all forms of human trafficking and facilitate their access to law enforcement services.

3.D.25. Expand the coverage of basic infrastructure services to indigenous households, with attention to the cultural appropriateness of the investment. Lack of public services can be explained in part due to geographical isolation of indigenous peoples. However, even when infrastructure is provided, it frequently lacks cultural pertinence, which may result in disuse and even abandonment of the new infrastructure. Provision of public services infrastructure in rural areas, especially culturally appropriate housing, requires consultation and community participation from the design to the execution of projects.

3.D.26. Promote the protection of environmental assets and livelihoods of indigenous peoples to reduce their economic vulnerability. Access to land, water, forest, biodiversity and other natural resources that constitute part of community livelihoods are the basis for the economic subsistence of IP and their identity. Any development project in indigenous territories must safeguard these resources to guarantee the wellbeing of indigenous peoples. Productive projects operating in territories of indigenous peoples should share the economic benefits with the communities in which they operate to help reduce economic poverty.

II. Climate Change and the Mitigation of Risks of Natural Hazards

Overview

3.D.27. The vulnerability of Guyana to the impacts of climatic shocks is a function of various elements. It is expected that climate change will have significant impacts on the sustainability of the economic and social wellbeing of Guyana, a littoral developing economy, given the expected effects of sea level rise, temperature increase and changing precipitation patterns to specific productive sectors like of agriculture, forestry, human health, water resources and coastal zones (Guyana, 2015a), and considering the lack of preparedness and high cost of adaptation to climate change relative to GDP; which adds to potential alterations to its trade flows (Read, 2010).

3.D.28. Climate has become ever more influential on development with the advent of climate change. The dynamics of development could change while uncertainty in and the cost of planning and implementation of activities increases, whether it is planting and harvesting of crops, the availability and supply of water or the unpredictability of historic weather-related events. The principal response to these changes is to integrate and implement adaptation measures across the socio-economic sphere in order to

298 The United Nations’ Declaration on the Rights of Indigenous Peoples highlights the importance of incorporating traditional knowledge into the provision of intercultural healthcare: “indigenous peoples have the right to their traditional medicines and to maintain their health practices, including the conservation of their vital medicinal plants, animals and minerals. Indigenous individuals also have the right to access, without any discrimination, to all social and health services.”


301 The Amerindian Act 2006 (§51.1) stipulates that small and medium-scale miners must pay to village councils not less than 7% of the value of any minerals obtained from village lands.
increase the resilience of the society, economy and environment to the impacts of climate change and climate variability.

**Problems and Causal Factors**

3.D.29. **It is expected that climate change will have significant impacts on the sustainability of the economic and social wellbeing of Guyana**, a littoral developing economy, given the expected effects of sea level rise, temperature increase and changing precipitation patterns to specific productive sectors like of agriculture, forestry, human health, water resources and coastal zones (Guyana, 2015a), and considering the lack of preparedness and high cost of adaptation to climate change relative to GDP; which adds to potential alterations to its trade flows (Read, 2010).

3.D.30. **There are costs associated with vulnerability**, whether those related to the expected losses/damages caused by climate change, those related to developing a measure of resilience to the impacts as well as those related to reducing the level of vulnerability through mitigation measures to reduce GHG emissions, given the urgency for global action to climate change. There are different climate change scenarios being considered and depending on which one materializes by the end of the century, the scale of impact and adaptation or resiliency costs will be determined; nevertheless, there is global consensus that adaptation costs increase under higher emissions scenarios (UNEP 2016).

3.D.31. **Twelve economic sectors of Guyana are considered at climate risk**, four of them have been identified with the combination of catastrophic consequences and almost certain likelihood: agriculture, indigenous peoples and housing sectors (Guyana, 2015a). As a result of differing assumptions and availability of information, there are varying estimates (UNECLAC, 2011) for all of the costs associated with these expected impacts and there is an increasing need for improvements or refinement especially at the sectoral level. Nevertheless, there is a common understanding (UNEP, 2016) that developing countries already face an adaptation finance gap; this gap is large and likely to grow substantially over the coming decades, unless significant progress is made to secure new and additional finance for adaptation, and to put into effect ambitious mitigation measures.

3.D.32. **Sea level rise (SLR) presents a significant threat to the country given its extensive low lying coastal zone and the concentration of socio-economic activities within this area**. In a comparative analysis of eighty-four developing countries globally (World Bank, 2007), in relation to impacts of SLR, Guyana is ranked highest in Latin America and the Caribbean in terms urban area impacted and the second in terms of percentage of national population affected and percentage of GDP affected. Table 3.D.1 below provides a summary of the impacts caused by SLR in Guyana under scenarios of 1m and 3m SLR.

**Table 3.D.1. Impacts of SLR on Guyana under a 1m and 3m SLR scenario**

<table>
<thead>
<tr>
<th>Area of Impact</th>
<th>1m SLR</th>
<th>3m SLR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population affected (%)</td>
<td>6.3</td>
<td>25</td>
</tr>
<tr>
<td>GDP affected (%)</td>
<td>5</td>
<td>15</td>
</tr>
</tbody>
</table>

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302 The flooding events in 2005, 2006, 2008, 2010, 2011, 2013, 2014 and 2015 and the droughts of 1997-8, 2009-2010 and 2015 are examples of the negative effects caused by climate change in Guyana. Flooding in 2005 alone caused damage estimated at 60% of GDP. These events are now presenting themselves at increasing frequency (Guyana 2015a). The IDB Disaster Exposure Index (DEI) identifies Guyana as the fourth most exposed country, 0.60 on a scale of 1.00, in the Latin American and Caribbean region to natural disasters: the first most exposed country to flooding and very highly exposed to droughts (Garlati, 2013). This is primarily the result of the country’s high exposure to and experience of flooding as well as drought. Guyana’s DEI score is particularly high given that the country is not significantly exposed to tropical storms, is not on the Caribbean hurricane belt and also has no significant earthquake or volcano risk (Guyana 2015a).

303 Adaptation gap: the difference between the level of adaptation actually implemented and a societally set target or goal, which reflects nationally determined needs related to climate change impacts, as well as resource limitations and competing priorities (UNEP, 2016)
| Urban area affected (%) | 10 | 38 |


3.D.33. According to the vulnerability scenarios for the coastal zone of Guyana (Guyana 2012), a large area of the coastal zone is likely to be flooded. Rice cultivation, residential areas, sugar cane, mixed farming and cash crops are the land use categories that will be most highly impacted.

3.D.34. In addition to its high vulnerability to SLR, Guyana is threatened by increase in storm surges (Guyana 2012); increases in average annual temperature of up to 2°C by 2030, 3.3°C by 2040-2070 and 5°C by 2100; changes in rainfall patterns will have significant impacts: an overall reduction of total precipitation is expected together with an increase in the frequency of heavy rainfall events (Guyana 2015a). This expected climate changes imply changing conditions for important sectors of Guyana’s economy and society, as described in Annex1.

3.D.35. In light of these expected impacts, it seems clear that the costs of not implementing the necessary measures to face the challenges posed by climate change will be significant. An estimate of the adaptation costs is outlined in Guyana’s Second National Communication to UNFCCC (Guyana, 2012) with a total of US$ 1 billion as a conservative estimate.

3.D.36. Resiliency is a key pillar for climate compatible development and sustainability in Guyana and principal components for improving and maintaining resiliency will be those of good governance, business environment to accept investment and the social factors that enhance the mobility of the investments to be converted into adaptation/resilient actions. Governance is a critical element in policy-making and building capacity for economic resilience and is dependent on the availability of technological, financial and social capital as well as economic diversification including the exploitation of new and/or secondary areas of economic development (Haskins, 2012).

3.D.37. Governance readiness, economic readiness and social readiness are all three areas in need of improvement as it relates to resiliency for Guyana, which is reflected in the country’s ND-GAIN Index (University of Notre Dame Global Adaptation Index). The index summarizes a country’s vulnerability to climate change and other global challenges in combination with its readiness to improve resilience – it is a composite of vulnerability and readiness indicators. The vulnerability indicator would provide a measure of a country’s exposure, sensitivity and ability to adapt to the negative impact of climate change. The index covers a country’s vulnerability in the following areas - ecosystem services, food, health, human habitat, infrastructure and water. The overall Readiness Index measures a country’s ability to leverage investments and convert these to adaptation actions. It is a composite assessment of Economic Readiness (i.e. a measure of the country’s business environment to accept investment that could be applied to adaptation – the score is based on the World Bank’s Doing Business Index); Social Readiness (i.e. the social factors that enhance the mobility of investment to be converted to adaptation actions. It is a measurement of the level of social inequality, ICT infrastructure, education and innovation); and Governance Readiness (i.e. the institutional factors that enhance application of investment for adaptation and is a measure of the level of political stability and non-violence, control of corruption, regulatory quality, and rule of law).

3.D.38. Table 3.D.2 provides the overall ND-GAIN ranking of Guyana, together with the ranking by vulnerability and readiness indicators (additionally disaggregated by indices. Guyana is the 49th most vulnerable country and the 68th least ready country in terms of dealing with the effects of climate change. There is room for significant improvements in

304 http://index.gain.org/
all three areas of readiness as it is reflected in its low ranking for all three indicators, if it is to effectively address the impacts of climate change and sustainability.


<table>
<thead>
<tr>
<th>ND-GAIN Index score</th>
<th>Overall ND-GAIN Ranking (country position)</th>
<th>Vulnerability ranking (country position)</th>
<th>Readiness ranking (country position)</th>
</tr>
</thead>
<tbody>
<tr>
<td>43.9 (out of 100)</td>
<td>125 (out of 192)</td>
<td>134 (out of 192)</td>
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</table>

Recommendations

3.D.39. In order to attain sustainability in a changing climate given the current socio-economic, environmental and institutional conditions in Guyana and projected trends, there are opportunities for interventions that can help shift the current paradigm towards resilience. These would include improved governance in all economic and social sectors, economic diversification, strengthening natural capital (e.g. payments for ecosystems services), improvements to education, development of sustainable physical infrastructure, enhanced institutional and regulation frameworks including improved enforcement and increased involvement of private sector, etc. Future interventions should be focused on responding to these challenges in an integrated manner trying to maximize the impact of the proposed actions, and the creation of innovative financial mechanisms for climate change. However these actions will require an integrated platform for success so as to avoid the “silo approach” to implementation. Some of the possible opportunities would lie in:

- Innovation, processes, designs and technologies, e.g. improvements in the design of critical and vulnerable infrastructure to make it resilient to climate change effects; continue pursuing a low carbon, resilient and sustainable, energy sector; invest in the management of soil and water resources based on an operational land use planning system; improve the engagement in sustainable forest management and protected areas system incorporating state- and privately- run PAs.
- Workable nexus approaches, e.g. water-agriculture-energy nexus, land rights-community development-climate change consideration nexus: innovation in the agricultural sector in order to adapt to changing climatic conditions and water availability (water efficient technology and climate smart agriculture adapted to water stress and aimed at GHG mitigation) to be delivered under the framework of integral land use planning system.
- Innovative financial mechanisms, e.g. explore the nesting of subnational REDD+ initiatives to be run by concession holders, indigenous communities and sub-national jurisdictions, allowing them to enter the voluntary carbon markets; explore the creation of specialized guarantee funds to facilitate the involvement of the private sector in climate smart agriculture, energy efficiency, sustainable energy and sustainable waste management.

III. Gender

Overview

3.D.40. Guyana still faces several challenges that have to be addressed with specific gender related issues in mind (see also discussion within specific areas above, especially labour market and crime). Women and men face different challenges in terms of employment, health and education. In addition, women in general are more
vulnerable to discrimination and violence. At the same time, the majority of crimes are perpetrated by young males.

Problems and Causal Factors

3.D.41. While Guyana has almost reached gender parity in areas such as education and health, gender gaps in economic opportunities have increased over the past six years. Guyana's overall ranking in the Global Gender Index shows a detriment in its position. The country reached slot 35 (of 135 countries) in 2009, and in 2015, it was placed in position 66 (of 145 countries). The sub-indices for Educational Attainment and Health & Survival got better results during this 6-year period (from 0.99 to 1, and from 0.97 to 0.98, respectively), however, the Economic Participation and Opportunity sub-index score declined from 0.61 to 0.56. Despite this data, there is insufficient information in Guyana about the main factors that constrain women's access education, health service and to the labour markets.

3.D.42. Guyana has one of the lowest female labour market participation rates in the Caribbean. Even after an increase from 38.4 percent in 1994 to 42.9 percent in 2014, female labour force participation remains well below the male one at 80 percent. In addition, women's employment is more concentrated in sectors with lower earning potential. Available data shows that 60.8 percent of women are employed in the service sector, compared to only 41.8 percent of men. In contrast, women have lower participation in agriculture and the extractive industries, which are the largest sources of employment and profits in Guyana. At the same time, gender imbalances are less in the public sector. According to the 2012 Census, 45 percent of employed in the public sector, including statutory bodies, were women, while the same value for the private sector was only 26.6 percent. In terms of wages, Guyana shows a significant gender wage gap. Women on average earn 63 cents per every dollar men make despite the fact that the constitution calls for “equal pay for equal work or work of equal value”.

Finally, Women have a low participation as firms' top managers. Women represent 17.7 percent of firms’ top managers in the country, which is lower than the regional average of 21.1 percent, and even lower when compared to countries such as Barbados (25.4) and the Bahamas (33.2).

3.D.43. Women and children are the main victims of domestic violence. A large share of Guyanese women experience physical intimate partner violence in their lifetime, including sexual and emotional abuse with the share three times higher for rural women. At the same time, women and girls report problems when interacting with the police. In 2015 only 52 percent of domestic violence cases reported to the police resulted in charges and prosecution of cases of rape is rarely successful, worsened by a large court backlog.

Recommendations

3.D.44. Several recommendations related to gender as a cross-cutting issue were discussed in earlier sections. However, the most important ones are outlined again here:

3.D.45. Low labour force participation among women prevents countries from developing their full potential and experiencing higher growth rates. Despite some data, there is insufficient information in Guyana about the main factors that constrain

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305 For comparison, female labor force participation in The Bahamas and Barbados was 76 percent in the same year.
306 World Bank (2016).
307 World Bank 2016 (database for 2002). Industry sector shows figures of 23.7 percent for men and 20.3 percent. For agriculture data shows 16.3 for women and 33.5 for men.
312 Based on media reports and commentary from NGOs. Of 233 reports of rape received only 36 were charged.
women’s access to the labour market and to enterprise development. The lack of up-to-date, consolidated, and reliable data on Violence against Women (VAW) is a critical challenge that should be addressed. Both data from surveys (on prevalence, victimization, perception, risk factors and service use and satisfaction) and administrative records, police reports and justice cases on DV or sexual offenses (e.g. resolution rate) should be improved.

- **Economic opportunities for women can be improved through gender based facilitation of businesses.** First, improve women’s access to finance to overcome gender-based discrimination by banks. Investing in women entrepreneurs does not only support economic growth but also can have positive effects on children health and education. Second, Diversify and initiate skills training in non-traditional occupations. The Government and other organizations such NGOs can provide information that shape women’s choice of study or employment. This intervention could reduce occupational segregation, and in turn, reduce wage gaps related to gender. Programs that teach women how to use administrative and technology tools can improve business practices and outcomes. Mentoring and networking training could teach women how to enhance their business skills and share their experiences with other female entrepreneurs.

3.D.46. **Conduct prevention initiatives to modify social norms and attitudes that justify violence against women.** Evidence suggests that the acceptability of violence is related to the severity and nature of the perceived transgression, so it is important to support initiatives that help to modify beliefs on what is and isn’t acceptable behaviour. Challenging the traditional gender roles about male authority over women can contribute to decrease domestic violence. Empirical evidence indicates that parenting programs, and tailored communication campaigns with youths and adults, are effective in changing gender norms and behaviours associated to violence.

### CHAPTER IV: CONCLUSION

4.1 The objective of this document is to provide evidence based analysis of the country’s development challenges, prioritise those challenges and consider policy options as an input for the Bank’s country strategy for the period 2017-2021. This document falls short of meeting this objective adequately due to a dearth of comprehensive data and scarcity of research on Guyana, including by the Bank, which typically is more readily available in other member countries. This caveat needs to be kept in mind while reading this document.

4.2 Development challenges and performance of Guyana stem from the characteristics of the country: small, ethnically diverse, open, commodity-based, economy. Guyana’s population is only 747 thousand persons that is compounded by a positive net migration particularly of Guyanese with a tertiary education. Ethnic diversity follows from 39 percent of the population is of East Indian origin, 29.3 percent Black African, 19.9 percent multiracial, and 10.5 percent Indigenous. The foreign trade ratio is 84 percent. Guyana’s economy and exports are dependent upon and concentrated in agriculture and extractive industries—

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315 Violence viewed as excessive or “without cause” is more likely to be condemned by women and others. Go et al., 2003; Jeejebhoy, Santhya and Sabanwal, 2013; Yount et al., 2013
316 Violence viewed as excessive or “without cause” is more likely to be condemned by women and others. Go et al., 2003; Jeejebhoy, Santhya and Sabanwal, 2013; Yount et al., 2013
317 Violence viewed as excessive or “without cause” is more likely to be condemned by women and others. Go et al., 2003; Jeejebhoy, Santhya and Sabanwal, 2013; Yount et al., 2013
318 Fulu and Heise, What Works to prevent violence against women and girls evidence reviews, 2015.
319 Connell, 2005; Connell and Messerchmidt, 2005
320 A Randomized Control Trial evaluation of Triple P Model found a 22 percentage reduction of parental over-reactivity (Morawska, A. 2010).
321 According to Promundo in Brazil, public awareness campaigns to change attitudes are most effective for addressing “deep-seated attitudes on gender” when they are delivered through “intense interactive processes”, rather than just mass marketing. (Mostue, Mostue, and Muggah, 2013). Programa H encourages a positive conception of masculinity. A quasi-experimental survey found significant positive changes in 10 out of 17 gender attitude items (Muggah, R., H. Moestue, L. Moestue. 2013).
specifically gold and bauxite. Seventy one percent of the export basket consists of gold, rice, timber, and sugar. Foreign direct investment mainly flows to the extractive industries and is pro-cyclical with respect to international commodity cycle. Like other small economies, Guyana relies on imports to satisfy most of its domestic demand particularly for capital and intermediate goods with imports representing half of GDP. These characteristics, both individually and their interactions, underlie the manifestations of the development challenges of the country.

4.3 Economic performance, given the dependency on commodities and absent policy buffers, has followed the world super-commodity cycle. During the boom Guyana averaged a 4.4 percent real growth per annum between 2011-2014. As the boom waned economic growth fell to 3 percent in 2015. Fiscal deficits as a share of GDP, rose from 3.5 percent in 2011 to 4.7 percent in 2016 and current account deficits were high, averaging -13.15 percent in the same period. However, when both oil and gold prices fell in mid-2014, offsetting effects were observed. Economic growth rates weakened but the current account deficit improved since fossil fuel and lubricants hitherto accounted for approximately a third of total imports. In 2015, the current account deficit was -4.9.

4.4 Economic diversification, as a means to reduce dependency on the vagaries of the super-commodity cycle and to mitigate Dutch disease effects, remain an elusive goal. With the recent offshore oil discoveries (estimated to be between 1.5 and 2.1 billion barrels of oil) and a growing dependence on two large gold mines that account for a substantial amount of declared gold (33 percent), there is an increasing risk of an accentuation of the ill effects of Dutch disease, i.e. reducing the competitiveness of the non-extractive sector as in in five to seven years hence oil is slated to be commercialised. In addition, to the Dutch disease induced overvaluation of the exchange rate another impediment to diversification is the low institutional capacity to develop a policy framework to incentivize the non-extractive private sector and create the legal-regulatory framework, programs and their institutional basis, on top of the standard issues of a better business environment, improved access to finance, and reduced infrastructure bottlenecks (ports, roads, and energy).

4.5 The temporal evolution of poverty and inequality are largely unknown hence the gains and losses from economic growth cannot be determined nor can the existing situation. The country does not have frequent and comprehensive either labour or household surveys. However, a snapshot of multidimensional poverty for Guyana was calculated to be 26.6 percent in 2010, significantly higher than the 18 percent for other Caribbean countries, excluding Haiti. Despite sparse data, the country is classified as one with very high levels of social and economic inequality. Sharp differences in living standards between the coastal plain and the hinterlands are visible as anecdotal evidence underscores marked differences in income distribution among the various ethnic groups. The existence of high levels of inequality generates unanswerable questions pertaining to the distribution of the gains and losses from Guyana’s recent economic growth experience.

4.6 Guyana’s development and growth challenges are centered on low investment that is about one-third of the LAC average. Underlying this is the high cost of domestic financing and non-access to international capital markets and low returns on investment. The latter is influenced by a low rate of appropriability due to a weak government and private sectors compounded by inadequate infrastructure, and reflects low social returns that stem from low human capital.

4.7 Guyana faces high cost of domestic finance and does not have access to international capital markets. Domestic cost of financing is high and penetration is low and there is a high portfolio concentration reflecting cross-holdings between banks and large conglomerates. There is zero credit registry coverage and low credit bureau coverage. Microfinancing in Guyana is under-developed particularly effecting agriculture. Underlying
these features is a poor financial regulation and supervision. The country does not have a sovereign credit rating and no access to private international capital markets to smooth external shocks effects. Most sources of international finance are multilateral and bilateral development agencies. Although Guyana receives a significant amount of remittances, these transfers appear -there are no GDP by expenditure components nor micro data of recipients of remittances- to support consumption of goods and services and not the financing of productivity enhancing investments and are pro-cyclical with respect to source countries economic cycle.

4.8 To reduce high cost and low penetration of domestic financing and non-access to international capital markets will involve the following. In the domestic sphere will involve financial regulatory and supervision reforms, creation of a credit registry and improvement of coverage of credit bureaus, expand microfinancing options, and develop crop insurance in the agriculture sector that could trigger an expansion of financing opportunities for the agricultural sector. There is concern that a country that received major debt relief might take on excessive risks by expanding borrowing on non-concessional terms, and thereby jeopardise debt sustainability. In addition to developing the required technical capacity including meeting IMF’s Special Data Dissemination Standards, it also requires strong growth within a stable macroeconomic environment, while making progress on key reforms to improve governance and build sound institutions that will facilitate the country to take on debt over time.

4.9 Underlying low appropriability is the problem of a weak public sector. The public sector is large but simultaneously inefficient and supplies inadequate public services. In an understanding of these problems it should be kept in mind that Guyana is a small, resource based economy with a political system based on ethnic politics. The small size of the country implies that given indivisible fixed costs in public services the public sector is relatively larger, and the pool of human resources, further reduced by migration of people with tertiary education, that the public sector can draw upon is limited hence the state is plagued with inadequate skills mix. Resource based economies are plagued by market failures that imply that economy and the public sector purse are not only subject to the vagaries of international price of commodities hence have to deal with volatility but are also subject to the resource curse. The latter implies that resource-based economies have poor public management due to: state centered explanations that contend that resource booms tend to weaken state institutions combined with societal explanations that resource exports tend to power interest groups that favour inclusive-growth impeding policies and state’s inability to enforce property rights. Ethnic diversity makes governance more difficult as a counterpart of ethnic social cleavage into the political sphere. Ethnic based political systems are associated with low production of public goods; ethnic based rent distribution and levels of corruption. The manifestations of these factors in Guyana in traditional dimensions of the public sector performance are: inadequate management of resource dependency, weak fiscal, financial management and public procurement, internal inefficiency, and problems of governance and deficiency of transparency all compounded by the absence of evidence-based policies.

4.10 To alleviate low appropriability due to a weak public sector entails enhancing sustainable public services in the following dimensions. This will involve the following areas: First, managing better fiscal resources, i.e. by adopting fiscal rules cum a stabilization fund, however, strong institutions are essential for success in such rules. Second, strengthening institutions will involve revamping fiscal (including reviewing the budgetary process and integrating state owned enterprises into it) and public procurement. Improving public procurement system would involve creating a regulatory body, the use of competitive procurement methods; the monitoring of contract implementation; transparency in terms of availability of procurement information to the public; and an interactive procurement portal. Third, enhanced governance and transparency will involve greater use of evidence- based
policy making that in turn improvements in data -both administrative and surveys-
generation and their dissemination. Both would be enhanced by the country joining the
Extractive Industries Transparency Initiative as would be adopting e-government.

4.11. In addition, underlying low appropriability is a weak private sector and inadequate
infrastructure. Although the country does not produce standard economic census,
publically available administrative data, or annual enterprise surveys particularly of small
and medium-sized firms, available information suggests that it is far from being a dynamic,
innovating, and exporting sector. A large proportion of activity is informal. Guyana’s private
sector faces a number of challenges—small domestic market size, low access, particularly
in the hinterland to international markets, cost of electricity, an inadequately educated
workforce, low access to and high cost of financing, low research and development
expenditure. Underlying this profile is inadequate public goods: poor infrastructure (roads,
ports and air connectivity) within the country and with foreign markets; weak protection of
property rights (intellectual property rights and contract enforcement); and a lack of
coordination between government and private sector to develop new industries that can
enhance economic diversification.

4.12. To alleviate low appropriability due to a weak private sector, productive development
policies to help the private sector overcome the market and coordination failures will have
to be fashioned. Develop an adequate policy framework and programs to create the
economic incentives for economic diversification, promoting intra-linkages hence
supporting growth of the non-extractive private sector. An alliance between the private
sector and the government would facilitate the development of the policies and their
respective institutional capacities to implement them. Policy interventions that can
potentially reduce the effects of these constraints on private sector growth are: improve the
business environment including property rights and conflict resolution, enhance and
increase access to finance, improve infrastructure (logistics and transportation, crime and
security, trade and economic diversification. Improvements in public goods would include
investing in public research and development, improving hinterland connectivity including
bridges to cross the country’s extensive river system, and improving connectivity with
international markets will involve constructing a road connecting Brazil with the coast of
Guyana, modernising the port infrastructure to reduce the cost of transport in and out of the
country. Improve data and overcome staff limitations that are key constraints for institutions
that monitor and supervise infrastructure. With respect to under coverage of power policy
needs the diversification of the energy matrix and greater private participation in the sector
plus greater energy efficiency. In the area of power, diversification of energy sources,
greater participation of the private sector (currently Guyana Power and Light (GPL) is the
state-owned vertically integrated utility whose operations comprise generation,
transmission and distribution) and policies established to ensure sustainable electricity
provision in the hinterland.

4.13. Underlying low returns to economic activity are low social returns stemming from
inadequate human capital, although data gaps hinder the depth and soundness of analysis
on any given area. There are marked weaknesses in the educational system, health sector
and high violence, which affect human capital and, subsequently, productivity levels and
capacity for innovation. Guyana’s Human Development Index is below the LAC average.
The health profile reveals a double burden of disease, with non-communicable diseases
(NCDs) increasing while communicable diseases remain a challenge. Maternal and infant
mortality rates are among the highest in LAC. Indigenous people are disproportionally
affected by NCDs and communicable diseases. Public health spending in Guyana is
amongst the lowest in LAC, and many challenges remain regarding the provision of quality
services and the availability of qualified human resources (the country has one of the
lowest number of physicians and nurses in the public sector in the Region). Guyana has
achieved good levels of enrolment in primary and secondary levels but falls behind in
tertiary enrolment and preschool services. However, available national assessments show that student learning is weak at both the primary and secondary level and there are significant differences between the hinterland and coastal regions. School infrastructure lags behind especially in the hinterland. Internal efficiency is reflected in high repetition and dropout rates and low school attendance. Problems that reflect that Guyana spends only 3.2 percent of its budget on education compared to 4.6 percent in the LAC region. Crime and insecurity is detrimental to private sector development, and social capital. The homicide rate is high and the prevalence of crime is increasing and where exposure to violence and social tolerance for violence are high in Guyana. There is a relatively high tolerance for domestic violence and corporal punishment of children and intimate partner violence is highly prevalent among women. Guyanese Police Force is the least trusted institution in Guyana and interpersonal trust is low both driven largely by crime and insecurity.

4.14 To enhance social returns will require an improvement in health, education, and a reduction in violence and crime. Regarding health this will involve, among others, strengthening the primary level of care and organizing integrated health care networks to provide services more efficiently and with higher levels of quality; upgrading and expanding the physical infrastructure of primary health care posts and centres and equipping the facilities with the necessary materials and supplies; and ensuring that services and programs are inclusive and accessible to minority groups. The health education system and curriculums should be revised according to international standards and best practices and the policies for human resources in health should be revised and strengthened to improve the quality of care, to promote the efficient use of available resources, and to improve the distribution and retention of personnel. Strengthening the institutional capacity of the Ministry of Health, including the areas of health intelligence and regulation, including the monitoring and evaluation of health care providers, will also be key. Regarding education, ensure that all schools have access to basic services, including computers and labs. Implement a revised secondary education curriculum that is relevant to young persons and prepares them for the world of work. Work towards universal access to quality early childhood education to ensure that each child is ready for school. Continue to improve teacher preparation (pre-service) and in-service professional development to ensure that teachers are prepared to promote student learning. Regarding violence invest in and evaluate the results of violence prevention programs that target social tolerance for violence, dispute resolution and violence in the home, build up the capacity of the criminal justice system, including improve police crime prevention and investigation capabilities, and strengthen the legal and policy framework on violence against women and conduct prevention initiatives to modify social norms and attitudes that justify violence against women.

4.15 Gender, ethnicity, environmental protection, and climate change are issues that affect the pace of growth and development. These issues cross the public sphere, private sector and human capital. Women are underrepresented in economic and political spheres of power in Guyana. In the private sector, female representation in top management and formal business ownership rank low compared to other Latin American and Caribbean countries. Lack of professional expertise, the pervasiveness of informal businesses, occupational segregation, and family responsibilities limit the opportunities for women to participate in the formal private sector. In the public sector, women have more opportunities for senior management positions but female participation in Parliament is relatively low. Therefore, more effective legislation and programs that facilitate women’s participation in the labour force and business ownership may be in order.

4.16 In addition, the political culture is divided and polarized. Race based parties and voting is common. The two main political parties/coalitions, one predominately Indo-Guyanese and one predominately Afro-Guyanese, rarely find common ground and accentuate racial/ethnic
social cleavages during election cycles, which makes it difficult to craft bipartisan solutions, build consensus and undertake structural reforms that would improve the functioning of the public service, enhance competitiveness, and achieve economic diversification.

4.17 Guyana faces environmental degradation and pollution. Extractive industries are intrinsically disruptive to the environment in the absence of strong legal frameworks, monitoring and enforcement and remedial capacity. The challenge is how to build awareness, strengthen institutions, define property rights, align incentives, and force polluters to internalize costs. Lastly, Guyana faces climatic risks such as increased sea-level rise, more irregular rainfall patterns, and greater frequency and severity of floods and droughts. Adaptation to climate change remains insufficient and the continued rise in average temperatures is likely to further increase the country’s vulnerability. Sectors such as agriculture, fisheries, forestry, tourism, infrastructure, hydroelectric power generation, health, and housing would be likely affected.

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## Annex 1

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<th>Indicator description</th>
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<td>Outcome indicators</td>
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<td>Mortality rate, infant (per 1,000 live births)</td>
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<td>Proportion of the population using improved sanitation facilities</td>
<td>Millennium Development Goal Indicators</td>
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<td>Property rights, 1-7 (best)</td>
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<td>Diversion of public funds, 1-7 (best)</td>
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<td>Public trust in politicians, 1-7 (best)</td>
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<td>bribes</td>
<td>Irregular payments and bribes, 1-7 (best)</td>
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<td>favor</td>
<td>Favoritism in decisions of government officials, 1-7 (best)</td>
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<td>Wastefulness of government spending, 1-7 (best)</td>
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<td>governance</td>
<td>Averge of control of corruption, government effectiveness, political stability and absence of violence, regulatory quality, rule of law, voice and accountability</td>
<td>World ofwide Governance Indicators (World Bank)</td>
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<td><strong>Citizen Security</strong></td>
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<td>Business cost of crime and violence, 1-7 (best)</td>
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<td>Gross savings (as % of GDP)</td>
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<td>Private credit by deposit money banks and other financial institutions (as % GDP)</td>
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<td>Firms competing against unregistered firms (% of firms)</td>
<td>Enterprise Surveys (WB)</td>
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<td>Firms formally registered when operations started (% of firms)</td>
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