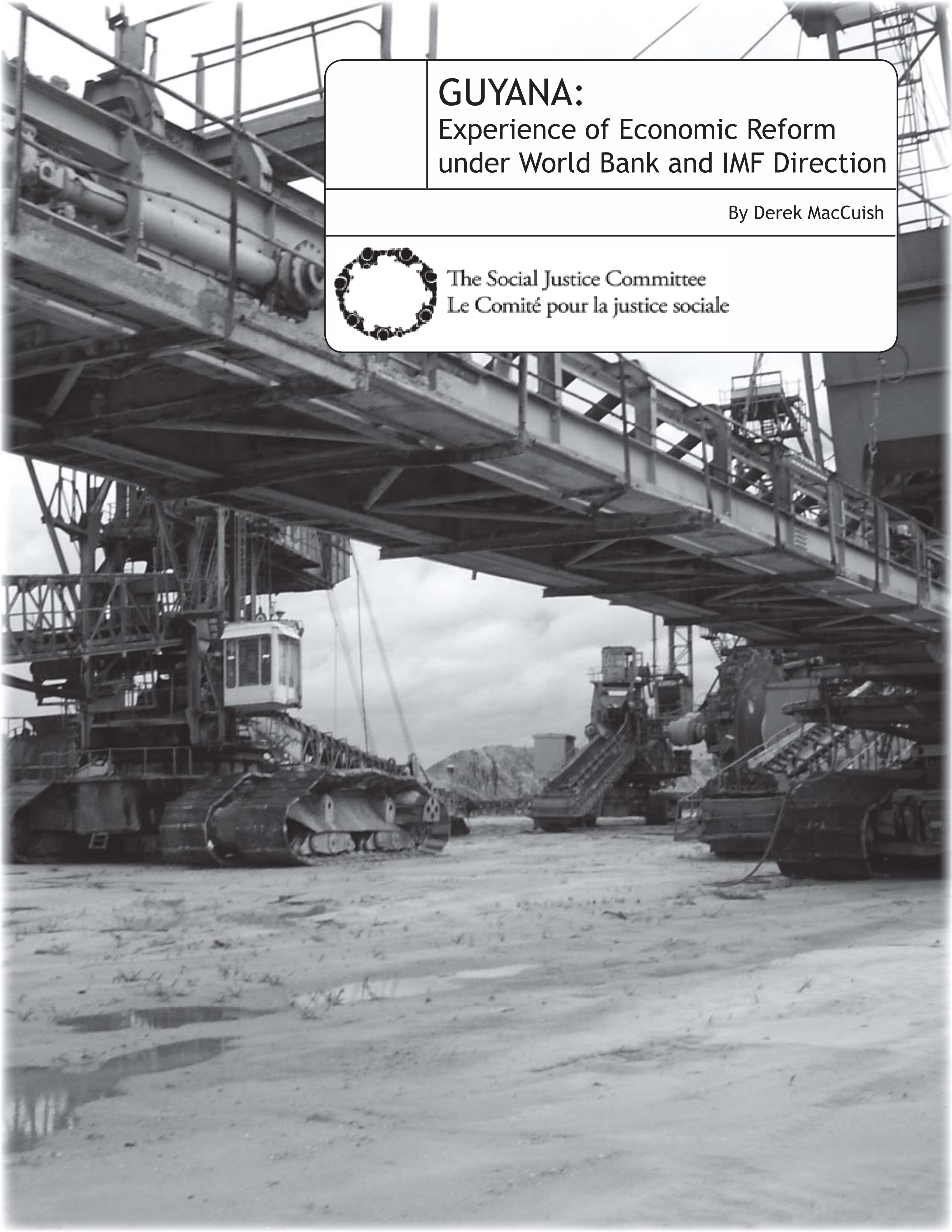

GUYANA:
Experience of Economic Reform under World Bank and IMF Direction

By Derek MacCuish

The Social Justice Committee
Le Comité pour la justice sociale

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This report was written by Derek MacCuish of the Social Justice Committee on behalf of the Halifax Initiative Coalition.

The views expressed in this publication do not necessarily reflect those of all Halifax Initiative Coalition members. Any inaccuracies are the responsibility of the author.

Cover: Equipment at the Linmine bauxite mine stands unused & rusting, a symbol of the deterioration of the operation under government ownership and management. Photo: Derek MacCuish

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ACKNOWLEDGEMENTS

This paper is an introduction to the dynamics of economic change and reform in Guyana from the perspective of an outsider looking in. I hope that the opinions expressed are accepted for what they are attempts to describe the dynamics of policy process as they have been described to me by people who may be considered to be on the "inside."

This short work is mostly the result of interviews with dozens of people in Guyana and Washington, DC, all of whom were welcoming, open and candid in their conversations. They are too numerous to name individually, but they include World Bank and IMF staff, Guyanese government officials up to the level of cabinet ministers, representatives of wealthy countries' development agencies in Guyana, people in the private sector including directors of major companies and owners of small businesses, civil society leaders in trade unions and other worker representatives, people in human rights and development groups, individual working people, and people now unemployed. John Mihevc and David Brooks provided comments and suggestions as part of their commitment and engagement in the Halifax Initiative Coalition. At the Social Justice Committee, Karen Joyner and intern Aurelie Gervais provided invaluable assistance. I owe special thanks to the miners of Linden community who invited me into their homes, and to the rice farmers of the East Coast who took time from their work to tell me their stories, although their struggle to survive will have to be the subject of a different work.

The research also involved a review of the many documents relevant to the economic reforms. Most World Bank and IMF documents are available on the internet, others were provided by staff. Documents were provided by various agencies, the Guyana government, private companies, and donors. The Stabroek News newspaper was a helpful source of information and independent journalistic perspective on events in the country. Unfortunate limits on access to information are noted in the paper.

I have tried to summarize the information from these sources in a few pages, giving a brief picture of the policy process as it affects Guyana and what lessons might be learned in the process. If the effort to be accurate fails at any point, the fault is with me, not with those who gave so generously of their time.

ABBREVIATIONS

CSOs	Civil society organizations
DFID	Department for International Development
GUYSUCO	Guyana Sugar Company
HIPC	Heavily Indebted Poor Country
IFI	International financial institution
IMF	International Monetary Fund
LEAP	Linden Economic Advancement Program
Linmine	Linden Mining Enterprise Limited
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis

EXECUTIVE SUMMARY

This paper examines recent reforms of the economic structures of Guyana, a country with a mixed record of compliance with restructuring under IMF and World Bank direction, and the roles of main actors influencing economic policy. It reviews the country's experience with these financial institutions in drafting and implementing Guyana's Poverty Reduction Strategy, and with reforms in three major areas of the economy in which the World Bank and IMF have been substantially involved: sugar production, bauxite mining and water services.

The government of Guyana initiated reforms in key economic sectors under pressure from the IMF to reduce spending and by the World Bank to make the sectors profitable, and as key conditions for debt relief and development assistance from the World Bank and donor countries. This paper reviews these reforms, starting with efforts to develop and implement a national program of poverty reduction guided by the Poverty Reduction Strategy Paper (PRSP). It then considers reforms in sugar, bauxite mining and water services. In each of the sections the paper describes the overall context and then assesses the roles, motivations and impacts of the main actors: the state, the international financial institutions (IFIs), especially the IMF and World Bank, the private sector and civil society. One donor agency, the UK's Department for International Development (DFID), is included because of its substantial role in structural reform.

Guyana is heavily indebted and poor, and dependent on financial aid from outside. The World Bank especially is a powerful actor in economic development policy. As this review of experience will demonstrate, the relationship between the World Bank and the government is to a large extent one of tension and mutual distrust, and policy decisions are taken in a context of negotiation and conditionality rather than of mutual respect, shared perspective, and agreement on objectives.

The reforms are taking place in a society that is polarized on race and class lines. The political system, with the two major parties each identified with the two racial groups, contributes to a difficult and occasionally violent social context of poverty and frustration. The government is highly centralized, with authority concentrated in the office of the president. Civil society

organizations have almost no capacity to engage in the policy process.
The relationship with the financial institutions has focused on the need for restructuring and recovery in the key sectors of the economy, with the World Bank and IMF using their powerful position to press difficult reforms they consider necessary. As this review demonstrates, the reform process has tended to be technocratic and directed by these financial institutions at the expense of national ownership and the strengthening of civil society capacity. Donor agencies like the UK's Department of International Development have operated with a similar approach in the sectors in which they engage, like water services. Too often, elements of democratic process - such as access to information, public consultation, and ex ante monitoring and evaluation - have been weak or absent.

As a result of the strong role and the approach taken by the international financial institutions and foreign agencies, the national government operates in a defensive manner and a readily apparent resentment of the interference of outsiders. This defensiveness appears to contribute to a reluctance to involve and empower civil society organizations, which remain isolated from decision-making processes and without effective avenues of engagement.

This isolation weakens key programs like the Poverty Reduction Strategy, and depriving it of legitimacy in the eyes of civil society. Reforms in major economic sectors are pursued without adequate social impact assessment or public accountability, seeking reductions in government spending at the expense of policies of social stability and job creation. Public support for programs could be better accomplished with a strengthened civil society, engaged in processes that are transparent and accountable.

IMF and World Bank demands on the government result in reforms that are resented and weakly executed, although it is unclear to what extent this reflects low capacity, on the one hand, or lack of political will on the other. The government's policy choices are severely restricted by the country's need for external assistance, and it is resentful of the extent to which these institutions direct economic and social policies, regarding this as a challenge to its sovereignty. Improvements in reform programs could be achieved if the financial institutions and donors provided support rather than direction in economic policy processes.

INTRODUCTION

The story of economic reform in Guyana is characterized by the manoeuvring of people representing various international actors, often with the best interests of the country at heart but sometimes not, in the context of severe economic and social vulnerability. Their actions are affected by the distrust that derives from a power dynamic that has international financial institutions in a strong position overall, and a government that is heavily dependent on donor funding. Foreign private companies, through arrangements set up and financed by the IFIs and donor agencies, increasingly manage major economic sectors and public services.

In the context of Guyana's social tensions and the political entrenchment of racial division, this power dynamic appears to contribute to the defensive and critical stance occasionally adopted by the government. This defensiveness affects its relationship with CSOs, and adds to the marginalization of CSOs in the policy process.

A defensive and critical stance is also occasionally taken with regard to the IFIs, but the power relationship is such that the IFIs are able to direct policy, even to the point of directing economic policy reform and changes in national legislation.

Most people in Guyana are poor, but not so poor (and not so distant from the apparent wealth of North America) that they do not feel that a better life is achievable. As one person put it, "I feel as if I have been told since I was a child about the potential of Guyana. And this is always out of reach. We are always told that the hope is just around the corner, but I've been hearing this since I was small, and it never comes."

Unfortunately, as this review describes, economic reform in Guyana has too often been without an open and informed process that engages the people most affected.

One element that becomes quickly apparent in an examination of the policy process in Guyana is the weakness of civil society organizations (CSOs). Other than trade unions, which wield substantial influence but whose actions are often politically motivated, CSOs are not well positioned to respond to the challenges the society faces. This weakness stems from several sources, including isolation from decisions undertaken by donor agencies and the international financial institutions, especially those involving structural reforms. CSO isolation is also result of government exclusion, stemming largely from a perception of a critical CSO voice as a challenge to government authority.

Of the actor groups, civil society is the least capable of affecting economic policy. Civil society organizations (CSOs) have a low capacity to take part in the policy process directed by the government and IFIs. CSOs are discouraged and disheartened by the infrequent opportunities to engage, and by the ineffectiveness of what dialogue has taken place.

The role of NGOs is weakened by political affiliation, which is common, and by political parties that regard a strengthened civil society as a threat. Donors push service delivery, with results easier to show and funding easier, rather than programs that strengthen CSO engagement in policy processes. It has therefore been difficult to create civil society representation that has its legitimacy and accountability based in community.

The influence of outside actors is clearest in the actions of the World Bank and IMF. By holding the "carrot" of relief from a heavy debt burden, the agencies brought the "stick" of privatization and control over public spending. Analysts at these institutions see a need for fiscal discipline, improved governance and a smaller role for the state in the economy. They are pushing for a thorough reform of the economy based on neoliberal assumptions of improved returns through a better functioning market system. The promise of debt relief, through the "Heavily Indebted Poor Country" (HIPC) Initiative, provided an opportunity to expand their influence. [1]

The promise of HIPC debt relief came with two sets of conditions: macroeconomic reform and the implementation of programs outlined in a Poverty Reduction Strategy Paper. Macroeconomic reform included expenditure restraint, tax reform, changes to procurement legislation, civil service reform, and privatization and restructuring in state-owned industries and public services.

The second set of conditions was the development and implementation of a Poverty Reduction Strategy Paper (PRSP).[2] This process opened the door for engagement of CSOs in the policy process, but this opening was short-lived. IFI-driven, the PRSP overtook another process already in place, the National Development Strategy, and resulted in CSO discouragement when their engagement in the process ended with approval of the PRSP by the IFIs.

Overall, the relationship between the government and the international financial institutions has been one of caution and mistrust on both sides. President Bharrat Jagdeo described what he sees as a shared perspective of countries like Guyana:

They all have a common fear about the future. They have a deep fear, and out of this deep fear, tremendous insecurity. Because they are seeing many things evolving - trade systems, financial systems... - and they do not know what will fill this gap. And the signals they are receiving are that the things that will fill the gaps are going to further marginalize their countries. And they feel powerless because they cannot change this. Their voices are not heard.[3]

For their part, IFI staff and management tend to have a high level of confidence in their analysis and the reforms they require. At times they are frustrated by government reluctance to comply, but there is little room for flexibility. IFI conditions for Guyana are similar to those set in other impoverished countries - reduced public spending, privatization, and an increased role of the private sector in state-owned corporations, including public services.

Long-term development issues have been overtaken by the failure of the function of parliament and the crime wave that built through 2002 and has yet to slow. The exodus of thousands of the most trained and educated Guyanese is draining the country of skills.

The parliamentary system functions erratically, with the opposition party refusing to participate for extended periods of time. The two parties' constituencies are racially defined, with the ruling party reflecting the majority Indo-Guyanese vote. There is a significant level of distrust with government, which is deepened in Afro-Guyanese communities.

There is resentment on the part of Afro-Guyanese who were a main feature of the creation of the country (creation of the dikes, slave labour). The people from India were rural, working the sugar, and many became landowners. Indo-Guyanese emerged into the current political dynamic with a sense that they had been politically persecuted, and Afro-Guyanese came to realize they are a political minority.

Drug smuggling and other gang activities are driving an escalation of assaults and murder, and an increasing supply of guns. Violent acts and reprisals between gang members, and between police and suspects, became increasingly daily news in 2002 and 2003. The government's response to this array of problems has been described by some observers as not focused on social causes and concerns, but on policing and weaponry.

World Bank and IMF adjustment programs added to the sense of this dynamic of inequalities. The economic adjustment programs were not racially motivated, but are perceived as racial in impact. Black unemployment went up while the Indian private sector got stronger. By the late 1990s, black isolation from power and from the benefits of an improved economy was substantial.

THE GUYANA ECONOMY

The country has undergone a substantial shift from heavy state-direction to a market economy, with mixed results. The state planning that was introduced in the 1970s brought a substantial amount of nationalization, so that the public sector came to account for two-thirds of the economy. After 1975, with the country now named a Cooperative Republic, the government began a program of nationalization in key industries.[4] A combination of declining output, falling world prices in sugar and bauxite, and high government spending brought a steady decline in the economy, and an increase in emigration, especially of skilled people.

In 1985, with the country heavily in debt, a new government began moving toward a market system. In 1989 the government launched an Economic Recovery Program and a stronger shift to market policies that continued through the 1990s. In 1990 the government became eligible for IMF programs, which had been suspended in 1985, and agreed to a structural reform program that has continued since.

The loss of IMF support in 1985 had also meant loss of World Band and most bilateral lending. In 1987 the government reached an arrangement with its creditors, helped in large part by the government of Canada, which paid the arrears to the IMF and other multilateral creditors on Guyana's behalf and assisted, along with the World Bank, in buying back commercial debt.

Economic recovery has been uneven. Despite fairly steady growth in GDP since 1990 (after fifteen years of decline, except for a brief sharp rise in 1984/5), foreign direct investment remained static or declined. From 1991 to 2001, the biggest year for investment was 1992, at almost US$170 million. This was followed by three years of investment over US$75 million but every year since has been at lower levels, with the lowest level being 1998 at less than US$50 million.

The currency was devalued several times, especially in the period 1987-1991. Before January 1987 the central rate for the Guyana dollar was G$4.40 per US$1. By February 1991 the rate had increased to G$101.75 per US$1, reflecting the rate on the parallel market.[5] The devaluation, accompanied by removal of price controls, meant sharp increases in the cost of fuel and electricity, and of basic goods like rice and flour.

Guyana has been in transition to a market-oriented economy since the launch of the Economic Recovery Program in 1989, following two decades of state economic planning. By this time, the foreign debt, like that of other developing countries, climbed so high the country defaulted in its payments. In 1989 the external debt was calculated at 276% of GDP, and the government sought relief through the Paris Club of creditor nations (and later, the HIPC Initiative).

Civil service reforms meant the elimination of over 20,000 jobs in the public sector between 1993 and 2000. In later years many of these losses were through attrition, but cuts in the early period meant, for example, the elimination of 3,000 jobs with the central government in 1993-5.

Poverty declined as a percent of population, from 43% in 1992-3 to 35% in 1999, but this improvement is mainly in the Georgetown area, and the situation for the rural poor has not changed.

Even in Georgetown, it is estimated that 20% of the people live in squatter settlements. The vast majority of Amerindians in the interior are poor, with more than 85% in poverty.

THE POVERTY REDUCTION STRATEGY PAPER

MAIN ACTORS:

THE WORLD BANK AND IMF
THE GOVERNMENT
CIVIL SOCIETY ORGANIZATIONS
THE DONOR COMMUNITY

BACKGROUND

Guyana's Poverty Reduction Strategy Paper was driven by the government's desire to get debt relief through the Heavily Indebted Poor Country Initiative, the main international debt relief program run by the World Bank and IMF. Drafting and implementing a PRSP is one of the requirements for the program, along with aspects of economic structural adjustments.

The consultations between the government and civil society that preceded the drafting of the PRSP are generally recognized to have been fairly exhaustive, although there were some NGOs that did not participate mainly because of problems with the process. For many, the consultations were welcomed, since it appeared to offer the opportunity for CSOs to become engaged in the formation of national policy.

Unfortunately, once the PRSP was complete, it was widely considered to be hastily assembled and superficial, and failed to address the country's most pressing issues. A Steering Committee that was set up, with CSO representatives, did not get government support and failed to function. The creation of the Monitoring and Evaluation Unit that was to shepherd the PRSP was delayed; once created, it suffered problems of low effectiveness and legitimacy. Many in the Guyanese CSO community were discouraged by the appointment of a young expatriate brought in from DFID to lead the team watching over PRSP efforts, regarding the appointment as indicative of a lack of commitment in the Office of the President to the PRSP process.

THE WORLD BANK AND IMF

The PRSP process is described by its creators at the financial institutions as meant to draw together development efforts by donors, the financial institutions, the government and civil society, and to be largely "owned" by the government itself. In the case of Guyana, the PRSP is ostensibly authored by the government, but some sections were either written or heavily influenced by the Washington institutions.

The macroeconomic reforms under IMF guidance that accompany the PRSP process are framed in the Poverty Reduction and Growth Facility (formerly called the Enhanced Structural Adjustment Facility) agreement with the government. PRGF goals are not viewed as realistic, and the institution has been described as playing the role of "tough cop," constantly finding new difficulties that need attention. The IMF is perceived as carrying a grudge from its relationship with the previous government, and is reluctant to help the current one.

The IMF sees tax evasion as a problem, and wants a Value Added Tax implemented, arguing that this would reduce taxes in other areas, like petroleum. It also wants a tax on exports other than sugar. These aspects of economic reform are outside the PRSP, and so were not part of the public consultations.

Delays in the IMF program were mainly related to a combination of tax issues and the procurement law. A PRGF was finally agreed in September 2002, but was off track two months later because of problems bringing in tax reform. (Changes in the tax code replaced changes in the investment code as a trigger for HIPC Completion Point.) The program came back on track later in 2003, and the IMF Board of Directors granted Guyana a waiver for non-compliance in September.

The IMF and World Bank wanted a new law on procurement processes, as part of the efforts to reduce corruption. A law that passed parliament in 2002 was not considered by the World Bank to be solid enough, and changes to the law were drafted under the guidance of the Bank. As one World Bank staff person said in conversation with the author, "the only way we're going to get what we want is to write it ourselves."

CIVIL SOCIETY ORGANIZATIONS

Perhaps the most impressive aspect of the PRSP process was the consultation process, which took a few months and went better than some expected. The consultations were widespread, with a lot of community group participation. Some were dubious but other groups, like the Human Rights Association, objected to the process and did not take part.

Initially there were some positive outcomes. One unintended result was the voicing of the extent to which people are dissatisfied with their local governments. The consultations also spurred some enthusiasm among groups, but that faded quickly once the process was over.

The end of the consultation process brought frustration and disappointment for those in Guyanese civil society who were involved in it. The consultations sparked a lot of activity and some expectations in local groups, including NGOs and church groups, but the energy quickly dissipated and was replaced by a renewed sense of weariness and hopelessness, especially since they recognized their capacity weaknesses and limited advocacy focus. The government perspective of civil society engagement in the process is indicated in the Poverty Reduction Strategy – Progress Report 2004, which argued that the problem was with "a weak civil society whose organizations, individually and collectively, did not show much interest in participating actively in the PRS process."

THE GOVERNMENT

The government at first expected the PRSP consultation process to be quick, perhaps lasting just a couple of weeks, and for the document to be short. At World Bank insistence, the consultation process was lengthened and deepened considerably.

Not all government ministries were consulted in the preparation of the PRSP. The Ministry of Education, for example, was already developing its strategy when the PRSP was launched. It was not consulted in the PRSP process, and was unhappy that its efforts were then expected to be incorporated into a new, uninvited dynamic. Ironically, because of the strength of the education programs underway, these were later considered to be among the strongest components of the PRSP.

Once the consultations ended the government was not as open to working in partnership with civil society groups. Dialogue with civil society came to a close following World Bank and IMF acceptance of the PRSP. Meetings with the CSO representatives that were to comprise a PRSP working group were not convened. The government resisted establishing a monitoring unit for months until the World Bank agreed that it be part of the President's Office. The hiring of a young Irish national to head the office was problematic to many NGOs. Some saw the hiring of a young, inexperienced person as an effort by the president to control the office. Some also regarded it as an insult to national sensibilities.

There is some concern with the extent to which the PRSP overtook other processes that had not been completed, especially the National Development Strategy (NDS). The NDS is widely recognized as more complete and relevant than the PRSP. Aspects of Guyana's development are considered in depth, and the NDS tackles difficult issues like racial division in the country's political processes, which the PRSP does not.

The NDS was brought to the first stage of discussion by parliament, but was tabled for a vote and was not adopted by the government. As it is, the NDS an in depth study of obstacles and opportunities in Guyana's economic development, but it had not become more than that before the PRSP process was installed, perhaps in part because it was donor driven, organized and funded by the Carter Foundation (US).

The broad, non-partisan objectives that were identified by civil society organizations are not seen to be reflected in political will. The non-partisan interests of CSOs that emerged in the consultations came up against the interests of the ruling party. Although some argue that the objectives are too ambitious for capacity, to many the heart of the problem is that the government doesn't have a solid vision of shared economic development of Guyana, or one of any form that is shared with CSOs, the donors or the financial institutions.

On the other hand, the government is faced with a divided society. Along with other reasons, difficulties in implementing the PRSP were attributed to the rise in violent crime and problems in the parliamentary process because of the boycott by the opposition party.

DONORS

The donor agency coordination is not as strong as in some other countries, but there are thematic groups in education, health, sanitation, water and housing, and the private sector. They did not contribute content to the PRSP; even so the agreed position is one of support of the process and matching their programs up with PRSP objectives, despite reservations about its limitations and the government's motivation of debt relief. They had watched the PRSP process with a degree of scepticism, regarding it as agreed to by the government mainly to get HIPC and World Bank funds and debt relief without a substantial and real commitment on the part of the government.

Donors were not pleased with the PRSP Progress Report issued in early 2004, in which the frustration of the government, and the President in particular, with the IFIs and the donor community was explicit. The opening paragraphs of the report's introduction argued that "bilateral donor and other multilateral financing have been closely tied to compliance with IMF and World Bank programs accompanied by their own cross conditionalities," so that "in essence, this linkage and coordination provide little or no degree of freedom in vigorously implementing the development program."

The report argued that structural reforms were being required by the financial institutions and donors at the expense of poverty reduction efforts:

Notwithstanding, resource flows have been especially slow as conditions leading to program disbursements were many and required legislative, institutional, and regulatory reforms. Many of those conditions focused heavily on structural reforms and less so on programs to generate actual goods and services for poverty reduction. Such delays have negatively influenced expectations and reduced the interest of stakeholders.

In addition, the use of part of enhanced debt relief resources to pay down on debt means that programmed resources for priority areas in the poverty reduction program will not be available. Consequently, both the Poverty Reduction Strategy (PRS) targets and the MDG will be revised downwards to accommodate for this policy change.[6]

The report recognized that there were problems engaging civil society in implementing poverty reduction programs, arguing that "in part, this may be attributed to the unavailability of donor resources." Whatever the reasons, the PRSP was not given strong government support, and Guyanese civil society organizations remained marginalized from the PRSP and from processes of economic and social development policy.

SUGAR REFORM

"...with each passing day, [the Guyana people] wonder what would emerge from the present legal assault on sugar in the WTO, the impending CAP reform of sugar in the European Union and the general threat from other sources to the commodity arrangements that we have lived under for almost half a century.

I can only empathize with them and promise them that my government is doing and will do its utmost to try and protect their jobs and basic livelihoods. Your presence here today is all part of this effort, and yet another attempt to try to build solidarity with other commodity-dependent nations with similar interests in safeguarding their economies and the well being of their peoples.

All of you can bear testimony to how hard we have tried over the years to convince our trading partners and the international community in general of our plight as commodity producers. Yet, our cries keep falling on deaf ears, and many nations - some big, rich and powerful - continue to remain highly insensitive to our plight."

- President Bharrat Jagdeo, to the meeting of Ministerial Representatives of the G90 in Georgetown, Guyana. June 3 - 4, 2004

MAIN ACTORS:

THE GOVERNMENT (OWNER)
BOOKER TATE (MANAGER)
THE WORLD BANK AND IMF
THE WORKERS

BACKGROUND

Sugar provides a livelihood for about 75,000 people. Cultivated in the coastal region, most of the farming and refining is done by the national company GUYSUCO. Since 1996 GUYSUCO has been managed by Booker Tate Ltd. (UK).

Sugar is an important industry for Guyana, accounting for approximately 16% of GDP and 23% of foreign exchange earnings. GUYSUCO is the largest foreign exchange earner and the biggest corporate contributor to public revenue. The annual production is 300,000 tons, 90% of which is exported, mostly to Europe.

Guyana has a regional (Caribbean) comparative advantage in sugar production. It benefits from preferential access to European Union markets and prices (in 2003 the world market price for sugar was US6.5 cents per pound whereas GUYSUCO received US25 cents per pound from the EU). Unfortunately the size of the quotas has been diminishing and there is an excess production in the global sugar industry. The world price is now lower than the cost of sugar production in Guyana. The factories are old and require new investment to bring the production costs down. Factories in the Demerara region are loss-making and are the recipients of various government subsidies amounting to about 2% of GDP.

The European Union is proposing changes in pricing (37% drop over two years) and a lower quota, which will cost Guyana an estimated US$15 million the first year (2005), US$23 million the next, and US$37 million in the third year. The government is lobbying the EU to change its proposal, but the industry still faces stiff international competition from countries like Brazil, which produces at four cents (US) a pound less.[7]

The sugar modernization plan will have some environmental impacts, notably the expansion of land under cultivation by approximately 100,000 hectares in the Berbice region. This will require the drainage of freshwater swamp forests and wetland. This will lead to the loss of various natural habitats and possibly plant or animal species, and possible vulnerability to seasonal flooding. A problem more particular to agriculture is contamination by pesticides and fertilizers in the canal and drainage systems.

THE GOVERNMENT

The government-owned company has been losing money in some sectors, especially plantations with older facilities, which is affecting overall profitability. Reform of the industry through new growing areas and processing methods and equipment was projected to cost US$110 million. This investment was to come from within GUYSUCO and from land sales, plus loans of US$72 million from agencies like the Caribbean Development Bank (US$28million loan approved July 2003), the World Bank (including PRSC loans of US$12 million and US$8 million), and the export credit agency of China (US$24 million). The government is looking for an additional loan of US$25 million from India to allow even more restructuring. Annual debt service from these loans is projected to be about US$1.5 million per year.

The government is caught in a "Catch-22" imposed by the World Bank, which is demanding reduced costs. The fixed cost element of production is high, so increased cane yield is considered by the company to be the best way to increase profit but requires substantial new investment.

In the 2002 budget, the government of Guyana outlined its plans for the sugar industry and a restructuring and modernization plan, including building a new factory in Skeldon, increasing the cultivation of cane in Berbice area, and diversifying the product mix and markets. The plan is to look for new markets, including markets for organically grown sugar, and to repackage the sugar for different sizes and longer shelf life.

THE WORLD BANK

The World Bank is pushing for improved returns in the sugar industry, since predictions are for continuing decline in world prices. The Bank has been pushing for unprofitable and money-losing parts of the company to be closed down, while new facilities are built in another plantation area. The predictions are for a major shock coming as the European Union plans to open its market in 2007, with a resulting fall in the price paid for sugar. For example, preferential access to the EU brought a transfer value of US$85 million in 1996, double the net profit of the company. In July 2004 the EU proposed a drop in sugar prices by 20% in the coming year, and down by 33% in 2007 – a loss of about US$33 million a year.[8]

The World Bank and IMF consider that reform of sugar will require substantial funding for new facilities and more efficient harvesting and processing, to get the cost of production down from $.20 to $.12/pound, and so implementation of a modernization plan for GUYSUCO by November 2000 was one of the World Bank conditions for HIPC debt relief. The government will retain ownership of GUYSUCO, because of its importance for the economy and livelihood of many Guyanese, while keeping it under private management. In a study on the sugar industry in Guyana, the World Bank concluded that full privatization of GUYSUCO was not feasible for the time being.

The World Bank has been arguing for the closure of the older Demerara estates, with an estimated loss of 8,000 jobs (out of 17,500). It's objectives are set out in the three Poverty Reduction Support Credit loan agreements, which cover various issues of the modernization plan (i.e.: changing management contract, environment impact assessment for the new factory, building it, natural habitat mitigation measures).[9] The reform plan, as stated in the PRSC documents, is to:

• expand production in the Berbice region,
• start an Agricultural Improvement Program to restore cane yields to levels of the 1960s and '50s,
• increase private cane farmer production as well as private led cogeneration, refining and distilling,
• replace the existing sugar levy by a dividend and taxes as source of government revenue,
• base salaries on productivity and profitability,
• build new mills in Berbice and either improve or shut down the mills in Demerara.

By the end of 2002, the World Bank had provided US$12 million in loans for actions completed by 2002, with three more loans to come contingent on prior actions (improvement to the plants and reduction of "redundant employment").

BOOKER TATE

Booker Tate Ltd, based in the United Kingdom, is the largest sugar company in the world. It has managed GUYSUCO under an agreement from March 1996. Under this agreement, Booker Tate receives a fixed fee, an incentive fee, and reimbursement of expenses. For example, in 2001 the fixed fee was G$99 million, the incentive fee G$89 million, and the expenses G$206 million. The total paid to Booker Tate that year was G$394 million, or about US$2.2

million.[10]

The CEO of the company wants to see the improvements in new facilities, and is planning ways to boost the harvest, but doesn't want to close the unprofitable sectors. He argues that production costs can be reduced through increased efficiency in raising the crop and harvesting it. He prefers cross-subsidizing weaker sections of the company - covering losses in one area with profits from another – to closures and layoffs.

Booker Tate's relationship with the government has been unusual. Booker Tate brought legal action against the government concerning the payment of compensation promised when the sugar industry was privatized in the 1970s, then dropped the claim in 2003. The basic lack of trust between the government and the private management continued to be evident in relations between the Board of Directors, appointed by the Minister of Agriculture, and the management, which regarded the Board as tending to micro-manage at the expense of the broader picture. The management considers the need to be one of investment in new equipment, and a lack of access to investment because of government refusal to get access to private investment by selling to private owners.

On the other hand, the company's management regards the arrangement between the World Bank and the government as not helpful. Commenting on the expected loss of up to 8,000 jobs if the World Bank's directions are followed, the CEO told the author that in that circumstance "maximizing GUYSUCO's profits is not the best thing for the country." He prefers cross-subsidizing sectors within the company, especially since 75% of the sugar sold is not connected to the official world market price. The hope for the company is in the young managers with skills, but the country is losing skilled people rapidly, to countries like Canada, the US, and the UK.

WORKERS

In 2001 sugar employed 6% of the labour force or 21,500 people, with another 5,000 people farming cane. Most of the farming is done on the GUYSUCO estate. There are some small private cane farmers, but they produce less than 10% of the cane that goes into the mills. The number of permanent workers is 18,500, down from 28,000 in 1991, the reduction coming mainly through attrition and small-scale rationalization of factory and estate.[11]

Closing money-losing sectors, as the World Bank wants, will cost about eight thousand jobs, affecting 33,000 people in workers' families. Most jobs are held by middle-aged men. Unemployment and poverty in rural areas is already higher than the national average of 35%.

A Poverty and Social Impact Assessment (PSIA) on sugar reform was not positive for the short to medium term well being of people whose income was related to the sugar industry. Prepared as part of the World Bank PRSC loan documents in 2002, the PSIA identified that the most devastating effects will be in the Demerara region, if the mills are not brought to profitability and hence shut down. Job losses will not only affect the sugar workers, but also the service sectors that built up around the sugar industry and its workers.

GUYSUCO is the social provider for the workers and their communities in terms of health, education, and even housing. If the mills shut down, the workers will lose these services along with their jobs.

Another negative impact of the modernization plan comes from the liberalization of the price of sugar in Guyana. The PSIA recognizes that this will lead to an increase in general prices and mean a net welfare loss for the poor.

Production in Skeldon is projected to increase from 38,000 tons to 110,000 tons, which will require more field labour. The expansion of the factory, however, will not create many jobs and will most likely only take in existing staff because of mechanization.

The increase in private farming will benefit the small farmers only if pricing policies are changed. The GUYSUCO estates produce cane at US$ 238/ton while they buy from private farmers at US$ 381/ton. Even though the policy is to shift from the public estates to private growers, they may not benefit much because of the costs involved in increasing productivity. PSIA recommends government assistance to small and medium scale farmers to increase the yield and quality of their crop.

The shift in production means some land ownership problems, and sorting out tenure and ownership. Tracking of ownership is occasionally in disarray, and court action can take ten to fifteen years.

It remains to be seen if the company management will continue to cross-subsidize in the face of World Bank pressure to downsize and close unproductive areas. Restraint in the European Union's desire to let prices fall would help, at least until investment in new facilities and other efforts brings down the unit cost of production.

MINING PRIVATIZATION

MAIN ACTORS:

THE GOVERNMENT (OWNER)
CAMBIOR (MANAGER)
THE WORLD BANK AND IMF
THE COMMUNITY

THE BACKGROUND

Mining is an important activity in Guyana, involving small scale and medium scale operations as well as large scale operations led by international firms such as Cambior, Vanessa Ventures, and Sutton Resources Ltd. Guyana is rich in the variety of minerals and gems present in its soil. The main resources exploited are bauxite, gold, diamonds and more recently granite.

Gold is collected by small-scale "portknockers" who pan along rivers and streams and medium-scale miners who use land and water dredges. There are also bigger international operations, particularly the Omai gold mine, owned 95% by Cambior Inc., a Canadian company. The Omai mine consists of two open-air pits; one of which will be used to dump the tailings of the other. The mine is scheduled to shut down in late 2005 unless current explorations turn up new veins or deposits.

Failing since 1998, the operation was considered to be bankrupt in 2002. Operation of the ore extraction was contracted to Cambior, which took over managing all aspects of the mine and kiln operations in 2003.

World Bank documents describe an industry that it considers in decline because of a combination of external market conditions and mismanagement. The CEO gives several reasons for the industry's decline:

• declining use of refractory grade bauxite in the world,
• the overburden (waste rock) to ore ratio,
• the bauxite is below the water table,
• high unit costs of production,
• the continuing problem of dust river siltation.

He argues that the industry is important in terms of employment and has a few advantages. There is still a high supply of bauxite in the ground, worldwide recognition that Guyana bauxite contains the best refractory grade material (the main product is high-alumina refractory bauxite), an experienced work force and an excess capacity for machinery repair and manufacture.

An Australian firm, Minproc, was contracted to manage the Linden Mining Enterprise Limited (Linmine) bauxite mine in 1991. At that time it downsized the work force from 3000 workers to 1400, but a lack of new investment meant the company was not brought to the point of privatization, and Minproc's contract expired in 1994. Since 1992 the government has been providing subsidies for the operation at a cost of approximately 1.5% of GDP. The UK aid agency, DFID, contracted the Adam Smith

Institute to study the implications of reform of Linmine, which was provided in 1995. This study identified several concerns about impacts of privatization on people in the community, given the area's heavy reliance on the mine for employment, other economic benefit and public services, and recommended strong government support to mitigate negative impacts.

The Omai gold company, majority owned by Cambior of Canada, was contracted to do the stripping for Linmine in 2000, and took over the mine management in July 2003. The privatization of Linmine, with Cambior and the government in partner ownership, was begun in May 2003 but was delayed pending a feasibility study and IFC funding.

As in the case of the sugar industry, the Poverty and Social Impact Analysis of the bauxite reform concludes that there will be negative impacts in the short and medium term, with positive results predicted in the long run. The main benefits identified by the PSIA derive from the new legislation on mining, with the economy as a whole benefiting if tax exemptions for the mining companies are eliminated.

THE GOVERNMENT

The bauxite industry is of concern to the government, not only in terms of ownership but because bauxite mining accounts for 5% of GDP and employed about 2,000 people in 2003. There are three major bauxite mines: Linmine, Bermine and Aroaima. The latter two have merged into a single company.

Privatization was a requirement for the HIPC debt relief program run by the World Bank and IMF and for other World Bank financial aid, although full privatization of the Linden mine was postponed and the mine placed under private management.

The focus of most discussion on the mining sector is Linmine, which has been operating at a loss since 1995. In 1998 the CEO of Linmine described the industry as being "in a state of limbo since 1988." The cost to the government has been about US$6 million a year. The causes, at least in part, are the lack of reliability in the delivery of the product due to production problems and equipment not being adequately maintained. The government sought a private buyer for years, finally completing the privatization with the sale to Cambior Inc. in December 2004.

CAMBIOR

Cambior's Omai gold mine was a centre of world attention in 1995, when a tailings dam ruptured, spilling cyanide into a major water system. In 2004 Cambior expected to produce 705,000 ounces of gold at an operating cost of US$221 an ounce, in the context of a world price of over US$400. The mine has produced 3.1 million ounces of gold, according to a Stabroek News report which noted that "even as the mine life nears its end, no taxes have been paid to the government." [12]

Aware that it was in a good negotiating position, Cambior sought a fairly risk-free deal for Linmine, given the World Bank demands for privatization and the government's need to cut its losses in the sector. The bulk of investment in the restructuring was originally planned to come from World Bank lending to the government, with Cambior's investment mainly coming in the form of equipment brought from the Omai gold mine that it being closed.

Cambior took over full management of the mine in 2003, shifting the method of ore extraction from drag line shovels and rail transport to truck shovel and transport. This method uses equipment brought from the slowing Omai operation, and requires fewer workers.

The company originally sought an arrangement in which $20 million in IFC financing would be injected into the bauxite mine and kiln. Its investment would be mainly in equipment brought over from the gold mine.

The deal reached in late 2004 has the company investing US$5 million in cash, US$5 million in equipment, and securing a US$10 million credit from a Caribbean financial institution. The company gains 70% ownership of the operation, with the government retaining 30%. There are to be no dividends before year seven. Half of the government's dividends are to be used to fund environmental recovery, which is solely the responsibility of the government. In year four there will be a 12% royalty, plus a corporate tax rate of 35% less debt repayment and after a tax holiday of three to five years.

Cambior wants to focus on the mine operation itself, and leave other aspects of services that had been the responsibility of the mine under government management in the hands of other agencies. Electrical generation, for example, is essential for the bauxite processing, so the company has brought in generators but does not want to be responsible for delivering electricity to the town and nearby communities.

THE COMMUNITY

The mine and the town of Linden are closely connected. Linden and nearby communities have grown to the point that, although they ultimately derive what well-being they have from the mine, they are more than a collection of homes and services that serve the mine alone.

The 2002 contracting of Cambior to mine the ore, and its shift to truck and shovel extraction and transport, initially resulted in the unemployment of many who used to do the stripping for Linmine. The following year all workers at the mine, including management, were laid off. Miners were offered a voluntary redundancy package, with the remainder let go through 2003. The net job loss was projected to be about 1300, with 300 jobs retained, but by 2004 the company only hired about 200 workers to continue operations, brought in from the reduced operation at Omai or selected from former workers at the Linden operation.

80% of the mine workers are men, mostly between the ages of 40 and 60. Of these 179 people were eligible for retirement by 2004, leaving almost 1000 jobs eliminated in a community with a high rate of unemployment. As in the past downsizing, it is expected that many workers will migrate and the community will survive with remittances. The main recommendations of the PSIA are to conduct surveys of the affected populations and track them, essentially to evaluate what happens so that the government can develop appropriate policies in the future.

Changes in the mine management affect the community's supply of electricity. After the government privatized electricity production in late 1999, supply to both the town and mine became increasingly erratic because of lack of investment in equipment. The failure of the company to provide reliable electricity for nearby communities has been a source of frustration. In April 2003 frustrations with electricity and water shortages resulted in a public protest that closed the town bridge and the main highway to the interior for a week.

The creation of the Linden Economic Advancement Program (LEAP) is an effort to use development funding to stimulate small-scale entrepreneur activity in the area. The program had a shaky beginning, with a series of problems and a string of different directors. The dispersion of investment funding was complicated by the local political dynamic, with an entrenched mayor and council with little accountability to the citizens. Local businesses continue to struggle to adjust to the economic downturn, although some maintained hope that LEAP would provide an entrepreneurial spark. Funded by the European Union, LEAP's budget is 12 million Euros over a seven-year period, intended to finance technical assistance, micro-finance programs and investment in economic infrastructure.

The government provides free services to the community such as water and electricity. After privatization the government will stop subsidies to the sector and will no longer provide free utilities. The deal with Cambior provides that the mining company generators will supply electricity to the town if its costs are recovered, and that the town will be responsible for distribution and billing of customers (although management of the town itself has been criticized as inefficient and prone to cronyism).

WORLD BANK AND IMF

The goal of privatising the mine has been a central element of IFI recommendations to the government for years. The big push came when Linmine privatization became a key condition for HIPC debt relief, and World Bank lending through Poverty Reduction Support Credits (PRSCs) required reform in the mining sector. The argument is that resources used to subsidize sugar and mining can be refocused on health, education and other "basic" services. The key condition in the privatization process was the elimination of government subsidization of the mine, so the deal with Cambior aimed at eliminating these costs by the end of 2003.

When it became apparent that there are not many buyers for a run-down bauxite mining operation in Guyana, the Bank eased its demands and allowed the HIPC Completion Point, in December 2003, once Cambior took over mine management and reduced costs, mainly through layoffs, in preparation for full privatization.

WATER SERVICES

In a bid to make up millions of dollars in debt, the British company running Guyana's water utility said Tuesday it would begin cutting supplies to press thousands of customers to pay their bills... The company will supply water for only 10 hours a day beginning Tuesday, or two hours less than previous, [said Derek Hodson of Severn-Trent]. If customers do not pay their bills this week, they will have their supply cut off in September, he said.

- AP news item, 27 August 2003

MAIN ACTORS:

THE GOVERNMENT (OWNER)
SEVERN-TRENT (MANAGER)
THE WORLD BANK
DFID
THE COMMUNITY

THE BACKGROUND

There are problems with water in Guyana in terms of distribution and quality. There are poor water and sanitation services especially in the poor urban and Hinterland communities. Because of poorly maintained distribution networks and illegal connections, there is an estimated water loss of more than 70%. The state-owned water company has been heavily subsidized, and is in need of repair and maintenance. The water going into the system was of good quality, but leaky pipes allow infiltration by silt and other contaminants.

In the areas where water is distributed, there are problems with continuity, reliability, and safety. There are no quality standards for drinking water. There is little water treatment and sewerage coverage is low; only 35% of the population is covered. Floods can be frequent during the rainy seasons, as the drainage system is overwhelmed, contaminating surface water, which in some areas is the drinking water for the poor.

Pressure for private management of the water system came from two directions: the British aid agency (DFID) and the World Bank. Reform of the water sector is a main component of the World Bank lending through the Poverty Reduction Support Credit, which is supposed to finance PRSP implementation.

As the private management moves forward, it is unclear how poor consumers were going to be provided service. Subsidies to low income users ended without a plan in place to cover them. No strategy for service to the rural areas of the Hinterland had been developed, despite recognition that service in these areas would never be possible without government subsidies.

DFID AND KPMG

In the 1990s DFID commissioned a series of studies on water reform and privatization which provided the guidance for the reform adopted by the World Bank. KPMG, the firm contracted to do the studies, submitted its main report, referred to by Severn-Trent representatives as "the master plan," in December 1999. The report recommended merging the two water companies, placing them under private management with oversight by a National Water Council, and raising tariffs. Severn Trent, a UK-based company, took over management of the water company in 2002.

Another KPMG study was prepared for DFID in 2002, on the impacts of increased tariffs and options for subsidies given political realities. This study recognized that weaknesses in the distribution system are central to the problems in the sector, with losses estimated at some 70%, because of leakage, illegal connections and widespread non-payment of tariffs.[13]

In the absence of new investment, efforts were directed to maintaining the weak system but there was no capacity to improve the poor service and crumbling infrastructure.

The British government proposed the management arrangement contract that was put in place, financed by the UK, and with a DFID project officer to administer the contract. The management contract is projected to cost US$6 million, funded by DFID, which is also providing US$26 million for the company's development program.

SEVERN-TRENT

Severn Trent, a British firm, took over management of the company in May 2002, with the two water companies merged into one, Guyana Water Inc. The management contract called for full cost recovery by 2004, and the turning of a profit by the year following. It had the dual goals of improving service and financial viability, but the situation soon became similar to that of Guyana Power and Light - investment in infrastructure relied on public funding that was not available.

Severn-Trent took on management of the water company with the understanding that the five-year deal, if successful, would have probabilities of continuing, and that the government would be retaining full ownership. Severn-Trent's goals were set out in its licence, with the main objectives of extending the provision of service and improving its quality while becoming financially viable.

The company has since been frustrated by what it considers a lack of government funding for repair and maintenance. It stepped up its program of collecting water tariffs and cutting off customers for non-payment in 2003, but was not happy with the results. In May it announced that more disconnections would take place, with a company representative quoted as saying that "since we are not satisfied with the responses from customers… we are now forced to disconnect every owing customer and this campaign is already being executed across the country."[14]

The government responded to comments on lack of funding by noting that in 2003 the government transferred G$686 million to the company, of which G$499 million went to pay the electricity company arrears (the net transfer in 2002 was G$1,064 million - about US$6 million).

The company's financing difficulties have brought it into disagreement with the publicly-owned Guyana Power and Light, which threatened to shut off electricity in 2003 because of arrears of almost US$2 million.

The government also claims the company has not delivered on its commitments to expand access to potable water on the East Coast, and had not begun work on water access in the Hinterland. In July 2003, the Minister of Housing and Water, Shaik Baksh, publicly criticized the management of the company, saying its performance was not up to standard, and expressing concern that the company mangers did not have people in place for either Hinterland development or for customer service.

THE GOVERNMENT

The government remained sole owner of the water company, even as it formed the new water company through the Guyana Water and Services Act of 2002 and its private management arrangement. The government stated that its plan in these actions was for:

- a new Water Bill, identifying quality standards and a Water Council to direct the water resource management policy,
- the merger of GS&WC and GUYWA into a single company,
- a five-year private management contract, with a special clause for the Hinterland supply and sanitation issues,
- a full cost recovery strategy through metered services; the government indicated that poorest consumers would be subsidized,
- investment programs to rationalize production facilities, lower operating costs, introduce water treatment and disinfection, and support the rehabilitation and expansion of the distribution network.

The transfer to the private management arrangement was not without problems. The new managers regarded their Board of Directors - appointed by the government - as wanting to micro-manage to the point that it was affecting efficiency.

In 2002 the government ended subsidies for water use by the poor. This was an aspect of service that was to be taken over by the Ministry of Social Services, but it remains unclear if that will be the case.

THE WORLD BANK

The World Bank pushed for reform of the water sector, and private management, as part of its overall strategy and as a requirement for loans through the World Bank's Poverty Reduction Support Credit (PRSC). It is one of "seven pillars" of the PRSP.[15] The objectives of the PRSC are restructuring the sector by merging the two companies and changing the pricing policies, providing universal access by 2007 including access in squatter settlements and Hinterland communities, and establishing quality standards.

The World Bank commissioned a Poverty and Social Impact Assessment (PSIA) that identified additional policies that would ensure that the poor benefit from the water reform. The PSIA suggested that the government work with the private manager to ensure that policies and prices do not serve as an access barrier. To alleviate the water bill, the PSIA recommended charging for the amount used rather than flat fees, frequent billing as opposed to the actual yearly bill; and, for those who cannot afford the utilities, a targeted government subsidy.

The PSIA recognized that health benefits from access to safe water would be better achieved if accompanied by a targeted hygiene campaign and included in the national curricula. Water reform would also better benefit the poor if the methods used were labour intensive. The PSIA concluded also that the Hinterland development strategy should ensure a community based operation, and maintenance. It proposed creating annual investment plans and using the poverty map to better target the rural and marginal communities and prioritise the investments to increase water supply and rehabilitation. Finally, the PSIA recommended a fair and transparent process for the evaluation of the staffing needs of the new water company.

If these proposals are taken into consideration the PSIA predicted that water reform would increase the well being of the population. Incidence of water related illnesses were predicted to decrease, and time and work put into water collection saved. The PSIA predicted new job opportunities, since the merger of the two companies and subsequent service expansion was to create more jobs than redundancies as local contracting for the construction and installation of pipes provided jobs throughout the country.

Reform of the water sector is recognized by all involved as a necessary step in assuring safe water through improved delivery systems. Unfortunately the process has been divisive and marked by distrust and, to some extent, animosity. There is no information available on the social impact of the privatization of the system and shift to a cost-recovery approach, including the acceptance of a shut-off approach to customer non-payment, or the imposition of tariffs in low-income areas including squatter settlements.

OTHER SECTORS

ELECTRICITY

The state-owned electricity company was poorly maintained for years, and then offered up for privatization in 1996. In September 1999 the government reached a deal with the UK-based Commonwealth Development Corporation (CDC)/ESBI consortium. The process was marked by criticism that documents related to the agreement were not made public. The negotiator for CDC/ESBI was reported in the Stabroek News of August 14, 1999 as stating that it was standard practice for commercial negotiations to remain confidential, and that release of the documents "could easily lead to more confusion than clarity."

The company raised the tariffs but was unable to operate successfully, and was sold back to the government for US$1 in April 2003. In 2004 the company announced its plans for improved services through US$125 million in investment over the next five years, including a program of zero-tolerance for illegal connections, more efficient metering and collection, and investment from loans from the Inter-American Development Bank.

In January 2005 the government of Guyana put GPL up for sale, with a 50/50 share offering, for US$30 million. The government is hoping that this would allow a further US$150 million in debt financing.

RICE

By the end of 2003, rice farmers and millers had suffered a deteriorating situation in which falling exports and problems with the harvest combined to result in mill closures and problems for farmers trying to get paid for their harvest. Some millers ran into problems of credit, and farmers were left waiting for payment on their paddy. It is common for farmers to wait for payment, but this in the past this takes a few weeks. Delays of several months were reported, and some millers closed entirely.

At the same time, the price of the rice was disappointing to farmers, who received at most G$1,300 per 200Kg bag for the highest-grade paddy. It costs between G$1100 to G$1300 to produce a bag of paddy, so falling world market prices have been devastating for Guyana's 18,500 farmers. The Guyana Rice Producers Association points out that Guyana farmers are efficient producers, but subsidization has been driving global prices down to half what it was in the mid-1990s. Rice farming in the US is subsidized at 125% of the cost of production, which is higher than the cost in Guyana.

As a result, rice farmers face hunger, poverty and increasing debt. Many own small plots of land and have limited options on diversifying or changing their employment income.

AMERINDIAN COMMUNITIES

Land issues remain central to disputes between the government and organizations representing Amerindians, who are a minority in the country

– 7% of total population - mostly living in poverty in the Hinterland. They do not form a homogenous group, but are separated by geography and language, and do not have well organized representation to lobby for their interests.

Mining activity in the Hinterland generates social problems and conflicts between the miners and the local Amerindian communities. There are problems of sexual harassment and the spread of STDs, and conflict over land use. The government tends to give out concessions to mining companies without regard for the Amerindian communities that may be living there. New legislation on mining should help regulate the activities of large mining companies, but it is unclear how well the government will be able to control small-scale operations which are usually individual and informal.

Land ownership and protection of land rights is an ongoing problem. The Amerindian Peoples Association, for example, has argued that it was not part of the process to expand Kaieteur National Park, regarded as an intrusion into lands claimed by Amerindians. Lack of protection and clarity in Amerindian land rights also result in disputes and problems in the forestry industry.

In these and other aspects, there is a sense frustration by Amerindian representatives who feel excluded from key policy decisions that affect them.

CONCLUSION AND RECOMMENDATIONS

The theme of country "ownership" is now part of World Bank and IMF policy language, deriving from the lesson learned in too many countries, that, without a strong commitment on the part of a government, programs were not implemented with conviction. In case after case, they were doomed to failure or considerable underachievement.

A review of economic policy in Guyana shows that the country has not moved to "ownership" of economic policies, but continues to be dependent on the financial support of donors (both bilateral and multilateral) with a substantial amount of policy direction by the international financial institutions.

There is a continuing sense of impatience and, in some cases, resentment on the part of the government, donors, IFIs and the foreign private sector managers of state industries. Civil society organizations are exhausted and disillusioned, with very low capacity - or interest - in engaging in economic policy design or implementation.

The PRSP process in Guyana was motivated by the desire for debt relief, in a context of shaky political representation and weak civil society capacity. The local private sector was absent, while the IMF and World Bank turned their attentions to conditions of macroeconomic reform. The end result was a weak process with little commitment from any of the participants and little chance of success.

The World Bank and IMF are pushing for substantial reforms in the absence of adequate social impact assessments or measures in place to provide social stability and job growth. Their desire for efficiency and the reduction of public spending - legitimate though they may be in themselves - is overtaking local considerations of poverty, high unemployment, the exodus of the educated and trained, the increase in violence, the racially divisive nature of national politics, the limited capacity of government agencies, and the absence of effective civil society capacity for engagement.

Donor agencies like DFID have a large role to play in the country's development, but its representatives continue to conduct themselves as managers rather than partners. The government is resentful of having to take direction from outside agencies, but has been unable to address the economic problems the country faces after years of expensive state support for failing industries. The IMF and World Bank staffs, confident in their prescriptions and holding the keys to outside resource flows, make demands of the government that are resented and weakly executed.

The dynamic is one of interest group politics – "realpolitik" and mutual suspicion - not of partnership and negotiation among actors with a common interest. Interestingly enough, this dynamic occurs even though the various actors often regard themselves as behaving in the best interests of the country.

Even though it is a fundamental prerequisite for country "ownership" and civil society engagement, access to information is limited. Decision-making processes are less than transparent, and there is little in the way of real dialogue or policy input from people affected.

Guyana needs a better-informed civil society, and active strengthening of CSO capacity to engage in policy formation. This would be assisted by open policy processes, including access to all pertinent documents at every level of policy development. Government recognition that input from its citizens, while occasionally constituting a challenge, is an essential element in building public support that would provide crucial in negotiations with donors and IFIs.

This will not happen if there is not donor agency recognition that they need to support rather than direct economic and social policy process, and thus provide greater respect for the sovereignty of the country. At the same time, donor support for public capacity building and engagement is essential for the short term, if it does not encourage dependency but targets longer term strength and capacity.

The World Bank and IMF could incorporate better *ex ante* social impact assessments into their programs. For example, assessments of job creation potential or aspects of social disruption could accompany assessments of unproductive public expenditure. The IFIs' Poverty and Social Impact Analysis process could assist with this, if the analyses were done in advance and could affect design and implementation.

Most importantly, Guyana has to move beyond its dependency on outside funding and find its own path. Delays in providing HIPC debt relief were not helpful in assisting Guyana's self-sufficiency. The failure of the World Bank to cancel debt on a par with that cancelled by bilateral creditors adds to a continuing dynamic of dependency, national resentment and outside interference.

The international community needs to let Guyana chart its own future, free of onerous debt and donor dependency, and then be ready to assist with resources in the design of programs that involve an informed, engaged and capable civil society.

ENDNOTES

[1] The World Bank and IMF launched the Heavily Indebted Poor Country Initiative in 1996, as a comprehensive response to the pervasive debt problems in impoverished countries.
[2] The World Bank requires a PRSP for all countries seeking HIPC debt relief. A country must draft a PRSP, through a consultative process, and implement it successfully for one year to reach the HIPC Initiative "Completion Point."
[3] Remarks: President of Guyana Bharrat Jagdeo, at the Global Development Forum, Carter Center, Atlanta Georgia, May 2002.
[4] Guyana declared itself a cooperative republic in February 1970, cutting ties to the British monarchy and establishing a ceremonial president. Relations with Cuba were improved, and Guyana became active in the Nonaligned Movement hosting the Conference of Foreign Ministers of Nonaligned Countries in 1972.
[5] Egoume Bossogo, Philippe, Ebrima Faal, Raj Nallari, Ethan Weisman. "Guyana: Experience with Macroeconomic Stabilization and Structural Adjustment and Poverty Reduction" Washington: IMF 2003.
[6] Guyana Poverty Reduction Strategy – Progress Report 2004. Available from the Office of the President www.op.gov.gy
[7] Stabroek News 1 Dec. 2004
[8] Stabroek News 20 July 2004.
[9] Guyana PRSC Document-Annex III.14
[10] GUYSUCO Annual Report 2001
[11] PSIA documents
[12] Stabroek News 15 January 2004. A request for comment, sent to Cambior 23 Feb. 2004, got no response.
[13] The author requested access to the studies, through representatives of DFID, the World Bank, the government of Guyana and Severn-Trent, without success. References to the studies are from secondary sources that may not be identified.
[14] Stabroek News 18 May 2004
[15] PRSC Program Document-Annex II II.10

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