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National Development Strategy

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The Promotion of Investment in Guyana

Because they are obviously acutely aware of the pivotal importance, of investment in the economic development of Guyana, the authors of the National Development Strategy (NDS) propose that a White Paper on the subject should be expeditiously formulated and presented to Parliament. They leave very little to chance in this regard, but go to the somewhat extreme length of both delineating the structure of the policy paper, and describing its proposed contents in some detail.

They suggest that the White Paper should begin by providing basic and relevant information on Guyana: its location; size; physical, climatic and land-use zones; population and racial composition; and its economic performance over the past decade or so. They urge that the facts that it is the only English-speaking country in South America, and that it enjoys preferential arrangements with CARICOM, the European Community, and other groups, should be stressed. They recommend that in this information section there should be a description of the range and composition of the country's natural resources.

They then go on in this framework White Paper on Investment in Guyana, which they present in the NDS, to adumbrate the opportunities for investment that are available in the country:

- mining: gold; diamonds; bauxite; petroleum; silica; and other minerals
- forestry: extraction; sawmilling; plywood; fibreboard, and particle board manufacture; furniture of all types; parquet flooring; wooden implements and toys; prefabricated wooden houses, etc.
- agriculture: sugar; rice; vegetables; root crops; orchard crops; herbs and spices, oil palm
- horticulture: various types of fruit and flowers
- fisheries: fresh and salt water fish and shrimp; aquaculture
- agro-industries: processing; canning and bottling of agricultural products, including rice, sugar and various non-traditional crops
- manufacturing jewellery and ornaments based on gold, diamonds and semi-precious stones; building materials based on silica, stone, and clay; textiles; ceramics and tiles based on local kaolin.

They point out that this list of investment opportunities is by no means exhaustive but is intended to be merely indicative, and they stress that Guyana would welcome expressions

of interest in other areas. Indeed, they draw the particular attention of financiers to the opportunities that are currently available for investing in cultural and heritage tourism adventure tourism, and ecotourism; in infrastructure development; in information technology; and in a wide range of services.

The NDS describes, in regard to tourism, the possibilities that exist for investment in accommodation (both in the towns and in the hinterland); recreational facilities; various types of transportation; restaurants; tours; and craft shops; and highlights the advantages of including Guyana in multi-destination tourism activities that are designed to embrace both the Caribbean islands and this country.

The NDS suggests that one of the main avenues for private investment in Guyana in the coming years is in infrastructure development (in road and bridge building), and in public utilities through the utilisation of Build, Operate, Transfer (BOT), Build, Own, Operate, Transfer (BOOT), or Build, Own, Operate (BOO) arrangements. Elsewhere in the NDS, in the chapter on implementing the Strategy, it is pointed out that in these types of projects, private sector investors generally provide equity financing in the amount of 10 to 30 percent of total project costs, and seek debt financing for the balance of the investment. The host government may, on occasion, furnish a portion or all of the land that may be required for the project; or grant partial tax relief; or, in road and bridge projects, grant toll rights for a specific amount for a specified period; or divest a part of the land or some of the resources which lie near the road which is being constructed. Several advantages accrue to a host government through these types of arrangements: they allow country to obtain infrastructure with little or no cost to taxpayers; the government incurs little or no risk because generally sufficient bonds are in place, and sufficient letters of credit in hand to ensure completion of the project in the event that the sponsors default; and, because the sponsors are usually required to maintain and operate the facility for a period longer than twenty years, the chances are good that the initial quality of the structures would be high.

The NDS is adamant that in this globalised world Information Technology is now one of the most important determinants of competitiveness and social and economic growth. Countries and firms are becoming more competitive because of their knowledge, rather than because of their natural resources and the low cost of their labour. What now determines a country's advantages are its access to Information Technology and knowledge. What is now more important in the attack on economic underdevelopment is "man-made" not "natural". And since "man-made" competitive advantages can only be acquired by knowledge, the implications with regard to labour markets, technical education, and human capital formation are tremendous and far-reaching. Countries that invest in, and quickly adapt, Information Technology will develop socially and economically. In contrast, the inhabitants of those countries, which do not so invest and adapt are, more than likely, doomed to lives of abject poverty. It is for this basic reason that the NDS strongly emphasises the imperative of attracting to our shores investors in Information Technology, and its allied services. Although we must, of necessity, continue to encourage investment in our national resources and in industries that are based on

them, knowledge-based enterprises and services must receive adequate promotion; indeed, the NDS suggests that they should be given greater emphasis.

The NDS's Investment White Paper then discusses the level and nature of the incentives that should be provided to attract investment to Guyana and the tax regime, which should prevail in the country in the foreseeable future. However, because these imperatives of investment will be presented in a forthcoming article on macro-economic policy, it is not our intention to list in this article the specific investment incentives which are proposed in the NDS, and the tax system which the NDS has put forward. Suffice it to state here the guidelines and principles, which informed their formulation.

The NDS recommends that there should be a move from the prevailing consumption tax to a value-added tax; that there should be accelerated allowances for capital depreciation; that no import duty should be levied on developmental machinery and on raw materials that are imported by registered manufacturers; that there should be no export tax; and that increased allowances should be granted to companies which export all or a requisite minimum proportion of their products, provided that such products are not sold to CARICOM countries. More-over, because the current import tariff regime is still somewhat non-uniform, the NDS strongly recommends that further simplifications be made in the import tariff schedule, and specify that there should be four categories of goods for the purpose of applying tariffs; capital goods, intermediate goods for production, ordinary consumer goods, and luxury goods. Capital and intermediate goods, it urges, should be exempt from duties, corporate taxes should be reduced for non-commercial companies; and the royalty rates and licensing regimes for forestry, fisheries and mining should be revised.

Most important, the NDS insists that all the discretionary powers now held by the President and his Ministers in respect of all types of taxes should be removed, and that, in future, tax holidays should not be granted on an individual basis but should be applied to all forms of productive enterprises, both domestic and foreign, and should be for a maximum duration of five years.

The NDS, in its White Paper on Investment, also proposes that over the next ten years, two export promotion zones should be established, and that there should be total exemption from the payment of duties and taxes for those investors who operate in them. The White Paper then devotes a not inconsiderable amount of its attention to the establishment and functions of a one-step Investment Agency. It is strong on the point that this agency should be the sole government authority both for receiving and approving proposals for investment in Guyana and that the responsibility for its operations should reside in the Ministry of Finance.

It proposes that the functions of the Agency should be as follows:

(i) collect, compile, and disseminate to potential investors all relevant data on the possibilities and conditions for investment in Guyana.

This information should include, inter alia, descriptions of the types of economic and

social activities in which investment will be encouraged in the country; the fiscal incentives which will be available both across-the-board, and for investment in specific geographical areas or for specific sectors; the prevailing system of taxation; and the location of available sites for investment;

(ii) prepare a list of the requirements for investment in Guyana, either of a general nature, or for specific sectors and projects, as the law requires;

(iii) receive applications and investment proposals from prospective investors. These should be accompanied by official documents, completed by the investors, embodying the relevant requirements for investment in Guyana;

(iv) decide, within a period specified in the law, whether the application for investment is approved or not; and

(v) inform the minister of finance and, through him, relevant ministers and central government institutions, on a regular basis, of the applications received, their status, and of the reasons either for their approval or rejection.

The NDS further recommends that the authority to approve investment applications for various developmental activities and for different sectors of the economy should be delegated to the minister of finance by the several line ministers, and that the minister of finance should in turn delegate approval authority for a selected number and levels of activity, to the Director of the Investment Authority. This delegation of authority from other ministries to the Ministry of Finance, and from the Minister of Finance to the Head of the Investment Agency, would be much facilitated by the total removal of the prevailing discretionary powers, and by the specificity of both requirements and incentives.

The NDS suggests that the Investment Agency should be staffed by Guyanese of the highest probity, integrity and competence and that in addition to including a core of high-level administrators, economists, financial specialists and managers, the organisation should be bolstered by high-level members of the Ministries of Forestry, Mining, Agriculture, Trade, Foreign Trade and Regional Development whose duty it would be to liaise with their ministries, and to ensure that their technical policies are being taken into account.

The NDS advocates that the Investment Agency rely heavily on computerised data and computer systems to enable it not only to access relevant information from various sections of the Public Service, and indeed from several countries of the world, but also to process investment applications as quickly as possible.

It recommends that the Investment Agency be managed by a board that is chaired either by the minister of finance or by a knowledgeable and respected member of Civil Society. The board should be hi-partisan and composed of members recommended by the main opposition party, the private sector, the trades unions, the ministers of foreign trade and tourism, and such other persons as the president of Guyana might select.

The Investment Agency should be proactive. It should be provided with a budget which would enable it to market and promote Guyana's investment possibilities both locally and

internationally, through normal advertising media and through well-organised promotional visits abroad. It should be the policy in all these endeavours to present a politically and ethnically united front to foreign nations and potential investors. The NDS also recommends that, if necessary, the foreign service should be re-organised in order to ensure that our embassies and high commissions are staffed by personnel that are not only conversant with Guyana's investment policy, its investment opportunities, and the various incentives that apply to a range of investments, but have the capacity actively to seek investment and promote the country.

Our approach to investment promotion must be inclusionary. We simply cannot afford in this vital aspect of our development to maintain the old confrontational attitudes which have constrained our development ever since independence was attained. It is for this reason that it is essential that a White Paper on Investment, along the lines formulated by civil society in the NDS, be presented to Parliament for possible approval.

The NDS points out that it is not enough, however, to formulate and adopt an investment policy and to promote investment. In addition, we must ensure that our local exporters are capable of supplying their products in the quantities required, and at international quality standards; that our judicial system is incorrupt and efficient; and that our institutions, such as that pertaining to the distribution of land, are free from the shackles which now forcibly constrain their effectiveness.