

National Development Strategy

TERMS OF REFERENCE FOR THE TECHNICAL WORKING GROUPS

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1. Introduction

On a number of prior occasions, the Government of Guyana has articulated its vision of the country's future development¹, and it has been moving to implement that vision through formulation and implementation of policies and programs. The economy has responded in a decided manner, expanding at an average rate of 7.6% per year for the past four years, with attendant increases in employment. Nevertheless, to guarantee that this growth is continued and broadened to all sectors of the economy, considerable work still remains in filling out the policy framework and in developing specific sectoral policies and implementing them, in a manner that ensures their integration with the country's overall strategy.

For this reason the Government is initiating a broadly-based effort to formulate a consistent and comprehensive National Development Strategy. The strategy will reiterate and amplify the overall directions that the economy should take as it continues its expansion, and it will also articulate specific policies and investment requirements. The document is intended to serve not only as general orientation for Guyana's development process, but also as a guide to implementation of specific policies, even to identifying needed changes in the existing legislative framework.

¹ See, for example:

His Excellency Cheddi Jagan, President of Guyana, State Paper on Guyana: The Government's Vision of Development, presented to the National Assembly, Georgetown, March 7, 1994.

His Excellency Cheddi Jagan, "Guyana: Government Policy Orientation," presented at the Conference of the Caribbean Group for Cooperation and Economic Development, Georgetown, Guyana, January, 1994.

Hon. Samuel A. Hinds, Prime Minister, "Human Development, Directions in Policy Formation and Implementation -- Production: Strategies and Approaches, the Role of Private Enterprise, Cooperatives, State Sector, Labor Movements and NGOs," prepared for the PPP/Civic Seminar, Freedom House, Georgetown, March, 1992.

We are now at a fundamental stage in our renewed development process, a stage in which clear decisions and guidelines are required. We are an economy rich in natural resources, and we expect those sectors to continue to expand, but the desired level of social and economic development cannot be attained through promotion of agriculture and extractive industries alone. We need to enhance the value added that is generated in Guyana as a consequence of exploiting our resources, and develop our own specializations that will be internationally competitive and therefore enduring. Over the longer run, increases in productivity are the only way to be sure that real earnings continue to increase.

Concomitantly with that process, and as part of it, we need to strengthen our base of human resources and reduce the poverty that still is too prevalent in town and countryside. We need to rehabilitate, modernize and widen our network of both physical and social infrastructure.

Above all, we should ensure that Guyana's development is sustainable and is widely shared among the populace and not confined to a few enclaves or social strata, and that each citizen has ample opportunity to participate in the basic economic and political decisions that affect the daily lives of everyone.

The challenge for this National Development Strategy is to articulate the fundamental policies that will guide our economy along such a path, not only for the next few years but in the medium and longer run as well.

2. Structure and Nature of the Strategy Document

The National Development Strategy will consist of two volumes. Volume I will state the overall vision and objectives of the development process, define the most essential requirements that must be fulfilled to achieve the objectives, and summarize the macroeconomic and sectoral policies and programs that will be carried out under the strategy. Volume II will present more detailed statements of those policies, along with an investment program and an outline of needed new legislation.

Throughout, the work on the strategy will be focused on identifying objectives and corresponding sub-objectives in each area, and specific constraints that must be released in order to attain those objectives. Thus, for each sector the work will begin with a review of the present situation and the past evolution of policies, an identification of principal outstanding issues or constraints to be addressed, and an analysis of why those constraints have arisen and what approaches will be most effective in overcoming them. Priorities will be identified. Simple lists of desired actions or states of being will be eschewed, in favor of analytic linkages between objectives, characterization of problems, and remedial courses of action, always moving from the more macro level to the more micro level.

Throughout, the process of identifying the most effective ways to achieve our national goals will be analytical and pragmatic, always guided by the objectives at the overall and sectoral levels. The solutions proposed will arise out of careful analysis of causes and effects, accompanied by considerations of cost-effectiveness and implementability. When possible, optional policies will be defined and evaluated, and mention of promoting or encouraging certain developments will not be made without saying how it is to be done. Thus, the document will present an overall strategy and

vision of where Guyana is heading, with its aspirations for the future, and at the same time enunciate concrete policies for putting that strategy into effect.

3. National Development Objectives

As mentioned, the Government has spelled out its broad approach to development on several occasions, and the general public is aware of many of the objectives in specific areas. For the purposes of the strategy document, it is important to establish which objectives are overarching in nature, and which are contributory to achieving the principal ones. By the same token, it is necessary to prioritize the contributory objectives, or sub-objectives, and to identify the key constraints that need to be overcome in order to fulfill the objectives. These steps will be crucial to identifying the concrete policies that are needed in order to be able to satisfy the objectives.

At the broadest level, the number of objectives or goals is necessary few, and the more detailed objectives are means for achieving the broad goals. Our President expressed very well the most all-encompassing goal of the development process:

"It is the progressive realization of the capacities, abilities and talents of each individual for his/her own satisfaction and enhancement of the social good, including the environment."

and

"This concept one might refer to as 'human development' or 'people-centered development...'"²

For the National Development Strategy, this overall goal is adopted and the following national objectives are established as necessary for the achievement of that goal:

- 1) Rapid growth of average real incomes.
- 2) Poverty alleviation/reduction.
- 3) Satisfaction of basic social and economic needs.
- 4) Sustainment of a democratic and fully participatory society.

Given the current lagging state of our economy, substantial increases in incomes, in the sense of purchasing power, will be essential to permit our citizens to realize their talents and aspirations. For that reason **economic growth per se** has to play an important role in the strategy. As many countries' experiences have shown, from the East Asian 'Tigers' to Mauritius, Cyprus and Jordan and Chile and Costa Rica, rapid growth above all means employment creation and increases in real wage earnings.

However, growth alone is not a sufficient objective, particularly if it does not involve all segments of the population. For that reason, the objective of **poverty alleviation/reduction** has equal

² State Paper on Guyana: The Government's Vision of Development, *op. cit.*, p.1.

standing, for special emphasis will be placed on raising the incomes of the poor more rapidly than for the population as a whole. This is the distributional aspect of the growth process. In the words of President Jagan's State Paper, "The Government of Guyana is committed to attaining growth in a highly equitable manner."

There are two approaches to poverty alleviation/reduction: temporary subsidies to enable the lower income groups to have access to sufficient amounts of food and other basic necessities, and creation of an economic environment that will enable them to secure those necessities through exertion of their own abilities. The latter is the preferred course, although the former approach is a necessary complement in the interim, until the income-earning capacities of the poor are expanded sufficiently. The long-run aim is clear, as again President Jagan expressed it in his State Paper: "In other words, we are ultimately more concerned with ... the strengthening of self-reliance, the eradication of poverty ... rather than with handouts to relieve poverty."

The distributional question has a spatial dimension as well. We are very aware that the population in the interior regions of the country, especially the Amerindian groups, have tended to become marginal players in the country's development process. We intend to remedy that situation while putting in place guarantees that the Amerindians may follow their own choices of lifestyles.

The third fundamental objective, of **satisfaction of basic social and economic needs**, is a necessary component of the strategy because higher incomes alone do not guarantee sufficient access to pure water, health services, education, and other forms of social infrastructure, including opportunities for cultural enrichment. A recent survey by IICA and IFAD has shown that in the coastal areas of the country 51% of the poor do not have their basic needs met, and in addition 19% of the non-poor also suffer that problem, so the problem is rather widespread and somewhat independent of poverty per se.³ It undoubtedly is more serious yet in the interior regions.

The fourth fundamental objective, of **sustaining and democratic and fully participatory society**, can be achieved in part through continuing the national commitment to an open political process, but the economic strategy also can be designed in a way that favors widespread participation in economic decision making and an active role by local organizations, both governmental and non-governmental, in all the decisions that affect their communities. This approach can be contrasted with one that encourages monopolies and relies on centralized decision-making. One of the approaches utilized to achieve this goal will be broadening the basis of ownership of the country's economic capital.

4. Fundamental Policy Conditions for the Development Process

While these four principal objectives will guide the development of the strategy, including the definition of sector-level objectives, there are additional considerations of an overarching nature that

³ IICA and IFAD, Results of Socio-Economic Survey in Coastal Areas of Guyana, Georgetown, 1994.

will be incorporated into the strategy and its implementation. In brief, Guyana will not pursue objectives at any cost; the strategy will incorporate **policy conditions on the development process itself**, and will specify orientations and measures that help ensure that these conditions are continuously observed.

Basically, these conditions refer to the sustainability of the development process, in different dimensions, so that in later years we will not lose the gains made in the first years of the strategy. The process has to be:

- 1) Environmentally sustainable.
- 2) Fiscally sustainable.
- 3) Institutionally sustainable.

Environmental sustainability

The environment not only is critical to our health and well-being but, more than in most countries, it is our source of livelihood. Short-sighted approaches to managing the environment will undercut the basis for the prosperity of future generations and also will damage the health and earnings capacity of the present one. Our water and soil resources, so vital to life itself, are fragile and can easily be affected by economic activity. The positive side of the picture is that in many countries and contexts conceptual approaches and technologies have been developed that can permit a continuation of economic growth while at the same time providing the necessary protection to the natural environment. The challenge for us is to adapt those lessons, and create our own complementary approaches as necessary.

The Government of Guyana, working together with NGOs and representatives of the University of Guyana, prepared a comprehensive plan for environmental action.⁴ It is preparing legislation in this field as well, and it is committed to the formation of an Environmental Protection Agency. The plan covers the fields of coastal zone management, liquid and solid waste management, natural resources, mining and Amerindian peoples, as well as the institutional and legal aspects of those issues. This document, and the scientific studies that underpin it, will serve as a basic guideline for the environmental aspects of the strategy. At the same time, the environmental plan will be reviewed to determine if it needs to be updated or extended.

Fiscal sustainability

Fiscal and monetary stability is one of the prerequisites for a prosperous economy, and control of the fiscal deficit is in turn a requirement for that stability. Great strides have been made in reducing the deficit, but further efforts are required. In addition to simply reducing the deficit, it is important that Government programs be placed on a self-sustaining basis wherever possible, through user fees for example, so that it is the main beneficiaries of the programs who acquire a vested interest in adequately

⁴ Government of Guyana, National Environmental Action Plan, Georgetown, 1994.

funding them and monitoring their performance. In addition, the base for generation of fiscal revenues needs to be as equitable as possible, because the public's perception of fairness in taxation is essential to its continuation in the long run.

Equally, subsidies should be oriented in the directions in which they can be effective and are justified, and vigilance must be maintained not to introduce generalized subsidies or those aimed only at special-interest groups. The discipline of economics and also development experience throughout the world teach us that subsidies are justified in the following circumstances, and in no others:

-- Assistance to impoverished groups in meeting their essential needs until they acquire the means to do so themselves.

-- Assistance in supplying basic social services that the economy would not provide on its own, although in this case it is important to reduce the magnitude of the subsidy as much as possible through user fees.

-- Transitional subsidies for the purpose of eliminating long-run subsidies, as in cases in which the Government subsidizes the purchase of shares in state enterprises by workers or the public as a whole, as part of a process of divestment which reduces the recurring drain on the public finances.

-- Subsidies to compensate for environmental externalities, as in underwriting part of the costs of environmental management programs or improvements that benefit the general public.

Used judiciously, these four classes of subsidies can be powerful instruments for promoting the attainment of the goals of the National Development Strategy, and there is no need to have recourse to other forms of subsidy. Otherwise, we would run the risk of jeopardizing the stability of the economy and consequently discouraging productive investments and eroding the purchasing power of pensioners and low-income groups in general.

Institutional sustainability

Institutional sustainability, or viability, is one of the keys to ensuring that the strategy can continue to produce benefits over the medium and long run. Quick fixes in an institutional sense can do more harm than good. Clearly one of pillars of institutional viability is assuring sustainable financing. We have a painful example in the area of health, in which "low salaries and ... deteriorated infrastructure ... make it very difficult to attract and retain staff to work in the public health system" and "over 90% of the specialist medical staff in the public sector are expatriates."⁵ This is an issue that has to be confronted in several sectors.

⁵ Ministry of Health, in collaboration with Public and Private Health Sectors, Draft National Health Plan of Guyana, 1995-2000, Georgetown, January, 1995, pp. 63-64.

Other aspects of institutional viability concern the structure of the institutions themselves. For example, the Government has made a commitment to involve local entities more in the management of the drainage and irrigation systems, in recognition that it is the local users who have the greatest interest in maintaining the system and the greatest awareness of priorities in that area. Another example occurs (in many countries) in the field of agricultural finance, where State agricultural banks have been found to be non-viable over the long run if they do not have a true capacity for resource mobilization (deposit collection) and adequate portfolio administration procedures. If they are viewed only as channels for credit, then their ability to function is dependent on the generosity of the national treasury, and in times of fiscal stringency the banks' operations inevitably suffer. Also, if the loanable funds are not in fact deposits made by members of rural communities, the incentive for loan recovery is not as strong as otherwise. Other examples may be cited to reinforce the need for structuring institutions with a view to their long-run viability. The strategy will be based on sustainability in this sense as well as the others.

5. Outputs from the Technical Working Groups

Outputs

Each of the Technical Working Groups for the National Development Strategy is expected to produce the following five outputs:

- 1) A summary, in ten to twelve pages of text, of the issues, objectives, constraints, and recommended policies in its respective sector.
- 2) A more complete sectoral strategy document, of thirty to sixty pages, from which the above summary is drawn.
- 3) Recommendations for changes in the existing legislative framework.
- 4) Recommendations for priority investment projects, indicating approximate costs in each case. (This exercise will draw upon work already underway under coordination of the Ministry of Finance.)
- 5) A bibliography of materials used by the group.

The complete sectoral strategy will be expected to be structured according to the following outline:

- 1) Basic features of the sector, using data to the extent possible.
- 2) Past evolution of policies in the sector and description of current policies as observed in practice.
- 3) Description of the principal issues and constraints facing the sector.
- 4) Establishment of sectoral objectives. These objectives should be designed to play the roles of:

- a) Contributing directly to the **fulfillment of the overall objectives** listed above.
 - b) Contributing to **satisfaction of the policy conditions on the development process** that are described above.
 - c) Contributing to **overcoming economy-wide constraints** that may be defined and communicated to the working groups.
 - d) Contributing to **overcoming sector-level constraints** to the achievement of the sectoral and national objectives.
- 5) Discussion of basic alternative lines of policy for the sector for achieving the stated objectives, with assessments of their advantages and disadvantages.
- 6) Systematic presentation of policy recommendations, divided into economic policies, institutional policies, and other policies.
- 7) Recommended legislative changes.
- 8) Preliminary investment program.
- 9) Bibliography.

The use of illustrative tables and graphs is encouraged.

The summary documents of ten to twelve pages will include only sections 3) through 6) in the immediately preceding list.

Timetable

Quite a bit of basic analysis and preliminary policy work has been done in most of the sectors, so it should be feasible, as well as necessary, to produce these documents in an expeditious manner. The Technical Working Groups should be functioning in June, and the summary document will be required by August 15 at the outside. Work can continue to provide additional material for the complete sectoral strategy, and those documents will be due by September 30.

This is a tight but realistic timetable. It is necessary so that the Government can initiate the implementation process in areas where new policy orientations are defined, and also so that it can take the initiative in negotiating the kinds of continuing external assistance that the country will need.

Members of the Technical Working Groups will be expected to give priority to this task for its duration.

6. Mechanisms of Coordination

The coordination for the work on the National Development Strategy will be carried out through the Office of the Junior Minister of Finance, assisted by advisors from the Carter Center. The groups themselves will have representation from a large number of governmental and nongovernmental entities, along with technical-level participation from donor agencies (see attachment).

Each group will have a coordinator or two co-coordinators who will convene the working meetings, ensure that minutes are taken and distributed to all members, and provide copies of all basic references to the members. The meetings will function in a collegial fashion, and the members are expected to draw upon their own experiences and analyze objectively the available documentation. They should work as creatively as possible and should not be bound by past or current policies. The coordinators will not dictate policy guidelines to the groups but rather will moderate the discussions and will ensure that all group members have full participation. They will be responsible for seeing that deadlines are met.

Meetings of each group will take place at least once per week until the tasks are completed, and the groups may divide themselves into subgroups as required.

A Technical Coordination Group will be established in the Ministry of Finance to assist the Technical Working Groups and help define procedures in cases of jurisdictional overlap. The Coordination Group also will supply to the working groups, at intervals, statements of economy-wide constraints to development that should be considered in the formulation of sectoral objectives, i.e., some of the sectoral objectives should be addressed to overcoming those constraints. At the end of each month, each coordinator of a working group will supply a one-page summary of progress to this Technical Coordination Group.

When the preliminary draft of the complete strategy is assembled, the Government will review it at policy levels and will make arrangements for public forums at which each group can make presentations of its work to a wider public audience.