

Sector Studies

GUYANA

Rural Sector Note



FAO/World Bank Cooperative Programme
Latin America and the Caribbean Service
Investment Centre Division



SECTOR STUDIES

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This Rural Sector Note was prepared in 2005 by an FAO Investment Centre mission (Paolo Lucani) within the framework of the FAO/World Bank Cooperative Programme. In FAO the study was coordinated and supervised by Selim Mohor, Chief of the Latin America and the Caribbean Service of the Investment Centre Division.

It is based on an exhaustive review of available literature on the subject including documentation from the Government of Guyana, multilateral and bilateral donors and agencies and a field visit in November 2004 to discuss issues and options with Government officials and institutions involved in the agricultural sector. Preparation of the report benefited from substantive contributions by FAO and World Bank staff who commented on the draft and participated in its review.

The findings and conclusions presented in the report are the responsibility of the authors and do not represent the views of FAO or the World Bank.

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RURAL SECTOR NOTE
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ACRONYMS

ACP	Africa, Caribbean, Pacific
ASSP	Agricultural Services and Support Programme
CARICOM	Caribbean Community
CARIFORUM	Caribbean Forum
CDB	Caribbean Development Bank
DFID	Department for International Development UK
EEZ	Exclusive Economic Zone
ERP	Economic Recovery Program
EU	European Union
FAO	Food and Agriculture Organisation of the United Nations
G\$	Guyanese Dollar
GDP	Gross Domestic Product
GRDB	Guyana Rice Development Board
GRMEDA	Exporter Association
GUYSUCO	Guyana Sugar Corporation
HIPC	Heavily Indebted Poor Countries
I&D	Irrigation and Drainage
IDB	Inter-American Development Bank
IDF	International Development Fund
IFAD	International Fund for Agricultural Development
IICA	Inter-American Institute for Cooperation on Agriculture
IMF	International Monetary Fund
LIL	Learning and Innovation Loan
M/T	Mega Tons
MOA	Ministry of Agriculture
NDIB	National Irrigation and Drainage Board
NGOs	Non-governmental Organisations
O&M	Operation and Maintenance
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
RNDC	Neighbourhood Democratic Councils
RPA	Rice Producer Association
SDR	Special Drawing Rights
UK	United Kingdom
UNDP	United Nations Development Program
USAID	US Agency for International Development
WB	World Bank
WFS	World Food Summit
WTO	World Trade Organisation

SUMMARY AND CONCLUSIONS

(i) *With the Economic Recovery Programme launched in 1989, Guyana's economy started recovering after a long period of stagnation due to the inward-looking, state led development strategies pursued in the 1970s and 1980s. Substantial progress has been made since then with assistance from World Bank and IMF - the HIPC initiative under which Guyana secured significant relief from its debt burden. A PRSP approved in 2002 opened the way for a PRGF and additional debt relief.*

(ii) *About one third of Guyana's GDP is generated by agriculture with sugar accounting for 16 percent and rice for 7 percent. The two crops participate for 26 percent and 10 percent to total export earnings respectively and provide a living to about twenty percent of the working population. Timber and seafood together with gold and bauxite exports are the most important other export commodities.*

(iii) *Sugar and rice have so far enjoyed preferential trade arrangements under the EU quota system for ACP countries. The announced WTO-EU liberalization measures which should enter into effect by 2007 would terminate the sugar and rice price support schemes with disruptive consequences on the Guyana's economy which is highly dependent on these two commodities as main sources of income for the rural population and for their contribution to export earnings. Hence the need for a restructuring of the sugar industry to make it competitive at world market price levels and for a reduction of production costs and increased productivity for rice so as to make it able to compete at least on the regional Caribbean Common Market.*

(iv) *The World Bank, EU, the IDB and other donors are providing technical and financial assistance to Guyana to initiate comprehensive programmes for the restructuring and modernization of the sugar and rice sectors including construction of a new more efficient sugar factory, rehabilitation of the I&D (Irrigation and Drainage) network, promotion of water users' associations and provision of improved rice seeds and technology for more cost effective production systems. Notwithstanding whatever measures are implemented it is nevertheless likely that the less efficient, outdated sugarcane areas and factories might have to be divested and that marginal rice producing areas would have to be reconverted to other crops. A large number of rural families would be affected adding to the problems of a country that is already suffering from continuous social and political unrest and abnormally high rural poverty. Donors and Government are negotiating on safeguards and safety nets to alleviate the impact of the above restructuring but the solution to the impending crisis is not yet there.*

(v) *Guyana for its natural resources endowment and favourable eco-climatic conditions may enjoy a comparative advantage for sustained agricultural growth based on production of crops like rice, fruits, vegetables and livestock with a potential, promising market in the Caribbeans. Unfortunately there are serious issues which limit the capacity of Government to promote those changes that would generate sustained growth: the most important of these relate to the need of a radical improvement of the business climate including macroeconomic stability, better governance and availability of social and economic infrastructure. These factors compounded by lack of economic opportunities, low wages and lack of security have resulted in an endemic high emigration of skilled people and professionals with far reaching effects on the capacity of the country to enter a cycle of sustained economic development.*

(vi) *The limited implementation capacity of Government institutions and the need for diversifying the agricultural economy together with the impending restructuring of the sugar and rice sectors are the most immediate problems facing Guyana's economy. A strategy will have to*

be designed to transform and modernize the agricultural sector not only by accelerating investment in public goods (irrigation and other infrastructure) - which is already ongoing with external donors' support - but also by involving relevant stakeholders and the civil society into the decision making process regarding the forthcoming changes. Given the limited implementation capacity of Government institutions any holistic approach to development would have to be based on the creation and/or empowerment of rural communities/grassroots organizations including both small and medium size farmers and professional associations (rice growers, livestock farmers, poultry farmers, cane farmers and any other which could emerge) which could take over and actively participate in any decisions regarding restructuring of the farming operations, diversification, the management and operation of productive and social infrastructure and other public services which are more effectively handled at decentralized, local level and processing and marketing of non-traditional crops.

(vii) In other words the objective would be to gradually build up social capital, work on decentralization of responsibilities for those activities that the Government cannot implement efficiently and in the medium/long term build the basis for a more vibrant rural economy ready to exploit the important comparative advantages that Guyana might have on the expanding Caribbean market.

(viii) This will be not an easy process because of past history of state interference in the economy and present socio-political issues. Investing in social capital formation will need alternative strategies which will have to be carefully thought of and adapted on the basis of a consensus of Government, stakeholders and donors. Participation of NGOs and civil society organizations will be essential.

(ix) Taking into account ongoing and future programs by Government and donors, a project to be developed through a participatory process could possibly include: i) Building up of Social Capital through promotion and structuring of farmers groups or associations or communities, including eventual support to related public sector institutions on a demand led basis and intensive training of these groups/communities to initiate investments in land development, diversification and any other agricultural investment considered of priority; ii) Social and Economic Infrastructure through grants to communities for priority investments in health, sanitation, farm to market roads and any other social or economic infrastructure within an accepted range; iii) demand led, supporting Research and Extension work; iv) Support to Rural Growth including training and assistance to existing professional associations including prospective entrepreneurs and agro processing industries for a more active role in the supply chain management, collective bargaining for the purchase of farm inputs, development of marketing channels, contracting arrangements, applications of research and technology innovations, processing and marketing of agricultural commodities; v) Provision of Financial Incentives including matching grants for a supply chain approach to export markets, competitive clusters, support to producers and private sector for diversification including into non-agricultural rural activities and related investments; vi) technical assistance and funding of support assistance by civil society/NGO groups; and vii) pilot work on promising tourism or agro tourism opportunities, that should emerge during the course of project implementation.

(x) The purpose of this draft report is to update the knowledge by the World Bank of the Guyana rural sector and serve as a basis for a future eventual dialogue between the World Bank and Government aimed at identifying promising opportunities for stimulating and diversifying rural growth and social capital formation. Should the World Bank and Government reach a consensus on project priority, a number of essential steps are suggested before entering into actual project preparation/pre-appraisal. These are detailed in the report.

GUYANA

RURAL SECTOR NOTE

1. INTRODUCTION

1.1 The following draft report is the result of a desk study and a field mission to Guyana which were carried out during the month of November 2004. Its purpose is to update the knowledge by the World Bank of recent developments in the rural sector of Guyana and serve as a basis for future eventual dialogue between the Government and the World Bank aimed at identifying promising opportunities for stimulating and diversifying rural growth.

1.2 A number of documents were consulted during the preparation of the draft including the IMF Poverty Reduction Strategy Paper, the FAO WFS Strategy for Agricultural Development 2010, the WB Guyana Development Policy Review (2003), IDB project reports including the Agricultural Support Services Project, the Economist Intelligence Unit Country Profile, the FAO CARICOM/CARIFORUM Food Security Project, Bank of Guyana Annual Report, DFID and various other Government and bilateral sources papers. During the field mission all concerned Government Authorities were contacted and useful discussions took also place with the EU, IICA, UNDP and CARICOM Representatives.

2. BACKGROUND

Introduction

2.2 Guyana is an Amerindian word for "Land of Many Waters". Numerous rivers flow into the Atlantic Ocean, generally in a northward direction. Guyana extends for 197,000 km² along the north-eastern coast of South America and is historically and culturally part of the Caribbean Region. It has three distinct geographical areas: the coastal zone, the tropical forest zone, and the savannahs, in the south. The country is poorly populated with approximately 770,000 people of whom about 60% are classified as rural. It is divided in 10 administrative regions with varying population density. Region 4, one of the coastal frontline regions which comprises the capital Georgetown, is the most populated one with about 300,000 inhabitants and Region 8, bordering Brazil, the least populated with about 6,000 inhabitants. Approximately 90 % live and work in the coastal plain, an area around 10 000 km².

2.3 Over 80% of the GDP, including the entire agricultural production and the vast majority of all non-mining industrial activities are concentrated in the coastal area, which is below sea level, thus needing constant protection from the sea. Main industrial and agricultural productions include sugar, rice, timber, fisheries and in particular shrimps, textiles bauxite and gold mining.

2.4 With a per capita income of US\$ 950¹, Guyana is one of the poorest countries in the Caribbean and the Western Hemisphere. Ethnic composition includes descendents from East Indian 51 %, Afro-Caribbean 43 %, Amerindian 4 %, European and Chinese origin 2 %.

¹ World Bank - 2003

Economic Transition from Independence until the 1990s

2.5 At Independence in 1966, Guyana's economy was dominated by a narrow range of export commodities -sugar, rice and bauxite- which were in the hands of a small number of foreign-owned enterprises. Natural resources were abundant, economic infrastructure well-developed, and the population had access to adequate social services. The country had all the potential to be transformed from a low-income commodity exporter into a prosperous gateway linking North America, South America and the Caribbean.

2.6 Initially, in the 1960s and 1970s, growth and development advanced; however, the inward-looking, state-led development strategy pursued in the 1970s and 1980s together with the "oil shocks" of the early 70s, brought the economy to a halt and had a devastating impact on the economy, welfare, services and infrastructure which reduced Guyana's per capita GDP to the lowest in the western hemisphere. By 1988, Guyana could no longer service its external debts. The 1989 Economic Recovery Program (ERP) marked the beginning of Guyana's transition from a socialist regime to a market-based economy and a democratic system. Substantial progress on the reform agenda has been made since then: price controls were eliminated, import prohibitions abolished, exchange rates unified and floated, the tariff structure simplified and rates reduced, market-based interest rates established, and state-owned enterprises privatized or placed under private management. This resulted in higher growth and lower poverty (falling from 43 percent in 1993 to 35 percent in 1999)¹.

Economic Performance since the 1990s

2.7 Beginning in 1988, policy reforms successfully stabilized and liberalized the economy through an ambitious privatization program. The improved policy framework induced by the Economic Recovery Programme (ERP) launched in 89, had highly positive effects from the early 1990s onwards: during 1991-97, real GDP growth averaged 7% p.a., compared to - 3% p.a. in the 1980s. This period of expansion ended in 1998 when the economy contracted again (-1.7%) owing to civil disturbances, the delayed recovery of agriculture from the effects of adverse weather conditions, and lower export commodity prices. Growth returned in 1999 as good weather conditions resulted in strong performances in the sugar and rice industries that offset lower unit prices and weaker mining output. Economic performance has been slowing down in the two successive years following adverse weather conditions and deteriorating export prices for bauxite, gold and timber and the loss of the preferential "Other Territories and Countries" (OTC) route for rice exports; GDP seems to have grown again in 2004 on the strength of good agricultural performance and rising gold prices.

2.8 The ERP enabled the government to gain access to the external funding necessary to refinance the large accumulated debt arrears. In mid-1990 Guyana negotiated a stand-by arrangement with the IMF, followed by the first three-year arrangement under the enhanced structural adjustment facility. In 1998 Guyana qualified for the IMF-World Bank heavily indebted poor countries (HIPC) initiative, under which it secured significant relief from its international debt burden. HIPC-related resources have had a positive effect since 1999 on growth supporting social programs poverty alleviation oriented. A Poverty Reduction Strategy approved in early September 2002 opened the way for an SDR55m (US\$71.5m) three-year poverty reduction and

¹ Source: Poverty Reduction Strategy Paper. A 1999 household income and expenditure survey, which defined the unemployed as those out of work who are looking for work, put the unemployment rate at 9%. However, it also concluded that around one-half of the working age population was not gainfully employed. Reforms have reduced the public-sector workforce. Wages are low, with starting salaries for civil servants at little more than US\$110 per month.

growth facility (PRGF) and an additional US\$329m in debt relief, leading to estimated savings of US\$25m/year in debt service costs.

2.9 Guyana's economy depends largely on agriculture (including forestry and fishing about 30% of GDP in 2003), services (about 40%) and extractive industries for about 10% (table 1), on international market conditions for export commodities (gold, sugar, rice, bauxite, timber and seafood) which accounted for 88% of total exports in 2003 (table 2), and obviously on weather conditions. Since 2000 weather conditions for most of Guyana's commodities have been generally fair, but the country's terms of trade have tended to be weak. There is a significant informal sector, thought to be equivalent in size to 30% of formal economic activity.

2.10 Sugar and rice contribute close to 90% of the foreign exchange earnings realized from agricultural exports and are still traded at the preferential price levels stipulated by the EU ACP agreements and the protected Caribbean market. These preferential agreements under discussion in the context of the WTO trade liberalization measures should be discontinued by 2007 (see paras. 16 and 19).

2.11 External Trade. Total exports amounted in 2003 to US\$ 501 million, 2 percent above 2002. This reflected mainly higher volumes of sugar, bauxite and rice including large carry over stocks. Of this total, gold was equivalent to US\$ 131 million, sugar US\$ 129 million, shrimps US\$ 54 million, rice US\$ 45 million, bauxite US\$ 40 million and timber US\$ 31 million. Merchandise imports amounted to US\$ 572 million of which more than a half was for intermediate goods (like fuel, chemicals, textiles). The overall balance of payments deficit has been reduced to US\$ 8.9 million from a previous year 25.4 million and it has been mainly financed by debt restructuring under the HIPC initiative.

3. THE RURAL ECONOMY

Agriculture, Livestock, Fisheries

3.2 Of the 19.7 million hectares of total land in Guyana 1.7 million hectares are agricultural lands of which 0.5 million hectares are arable, 1.2 million ha are permanent pastures, and 16 million hectares woodlands¹. Only 25% of the arable land is cultivated, an average of 2 acres per capita.

3.3 Agriculture is concentrated along the coastal belt where most of the population lives. Overall, crop production makes up for 50% of sector output, livestock 30%, fisheries 9%, forestry 3% and others 8%. About 25 % of the arable land is presently irrigated (115.000ha).

3.4 Sugar accounts for 16 percent of GDP, about 40% percent of total agricultural production, employs about 10 percent of the working population (30000 people) and was responsible for 26 percent of total export receipts in 2003. Production, processing and exports are under the responsibility of the state-owned Guyana Sugar Corporation (GUYSUCO) which has under direct management about 90% of the sugarcane plantations (total area 47,000 ha) with the balance being leased to private producers. Sugar production fell sharply during the 1980s as a result of poor management, lack of investment, and central government interference. In 1991 the government sought to rescue the ailing industry by granting a British company, Booker Tate, a

¹ FAO Stat Database.

contract to manage it. Output has risen dramatically since then as a result of improvements to irrigation infrastructure, complete renewal of the planting and production technology, and better industrial relations following the change of government in 1992. In 2002 output was about 331,000 tons (table 3), the highest annual output registered since nationalisation in 1976, and up from 130,000 tonnes in 1990. However, production dipped by 9% to 302,000 tons in 2002 as drought damaged the first crop and unseasonable rainfall the second.

3.5 In an effort to strengthen the competitive position of the Guyana sugar industry¹ on the world market GUYSUCO is investing US\$110m in a new sugar factory at Skeldon in eastern Guyana, including an expansion scheme for about 3000 ha of sugarcane. Construction is expected to start by the end of 2004 and to be completed by the end of 2006. The project would be extended to include a white sugar refinery. Funding has been agreed with Exim Bank of China, the Caribbean Development Bank, and the World Bank, and will cover most of the costs, with the remainder to be generated from land sales and GUYSUCO's own resources. The scheme is expected to produce sugar at about 9 US cents/lb (US\$200/ton).

3.6 For the whole industry at national level, GUYSUCO intends to carry out a modernization plan reducing labour costs through attrition, improving technology of sugarcane cultivation, infrastructure, and diversifying into alcohol production, cogeneration of power, export of molasses. The purpose would be to reduce current production (and transport and shipping) costs (US\$ 18 per pound) to US\$ 11 per pound.

3.7 Most of Guyana's sugar exports are to the EU under preferential trade arrangements (170,000 tons) and to the protected Caribbean Community Market (87,000 tons). If the current EU proposals to cut by 2007, the fixed price paid by the EU for Guyana's sugar exports to 37% below the present level (down to € 329) are implemented, only sugar production at Skeldon (38,000 tons of sugar per year) would remain competitive. As far as the other less cost efficient, older plantations and antiquated factories, these would either have to be divested² or reconverted to other crops³. GUYSUCO has requested the EU that should any such restructuring be inevitable, it should be phased over a reasonable number of years and be accompanied by an adequate compensation programme for the sugarcane workers who would otherwise be left with no other source of income. Negotiations are underway.

3.8 Rice grown on about 65,000 ha of irrigated land employs some 25,000 rural families on an average 1.5 hectare plots (small farmers account for 70% of total production – there are some 10 large rice farmers each with 400 hectares or more). Production increased from 93000 tons in 1990 to 345000 tons in 2003 (table 6) accounting now for about 7% of GDP, and about 10 percent of total export earnings. About half of total exports (200,000 tons) are exported mostly to the EU (similar to sugar, Guyana has access to preferential markets for rice in the EU, where prices have ranged from two to three times the world market level) and to the Caribbeans (about 50,000 tons)⁴.

¹ According to a study by LMC International (Sept. 2000) Guyana's field costs are considerably better than those in most other Caribbean ACP sugar producing countries. It is reported that in 1999/00 Guyana was very close to the world factory cost average.

² The loss-making factories in the Demerara region would be closed.

³ Guyanese production costs are currently around 18 US cents/lb (US\$400/ton) and with European sugar price at €509/ton – while the average 2003 world market price was US\$278 per ton – margins are remunerative. The proposed price reduction would, according to GUYSUCO, result in a loss of revenues of US\$15 million in 2005 to US\$ 37 million in 2007.

⁴ The Caribbeans are now seen as the most promising market provided current problems of subsidized US exports are sorted out.

3.9 A number of factors have contributed to the good performance: industry de-regulation in the early 1990s, including government divestment of milling facilities and operations, the removal of price controls, duty free concessions for rice production inputs, an expansion of the area under cultivation, yield and productivity increases due to the use of improved varieties and technology, the opening of a new seed plant and rehabilitation of some drainage and irrigation infrastructure. Between 1990 and 2003 rice (paddy) yields increased from 3 tons/ha to 4.3 tons/ha.

3.10 Despite these positive trends, the country's competitiveness in rice is threatened by relatively high production, transport and shipping costs¹, by the announced WTO-EU trade liberalization measures (see below) and by lower-priced imports from the USA and Asia. Several producers and processors face financial difficulties. Irregular servicing of rice industry loans (most rice farmers are heavily indebted because of loans contracted to buy equipment) in recent years has proved to be problematic for the financial sector. In response, a programme of debt relief for small farmers was agreed in February 2002, but implementation has been uneven. As EU trade privileges² should in principle be phased out by 2007, the EU has also approved grants of €11.7m to assist in the restructuring of the industry.

3.11 The challenge for the rice industry is to improve its competitive position by increasing productivity (through new research, I&D infrastructure rehabilitation, improved transfer of technology and provision of high quality seed) and reduce input and post harvest costs (including transport and shipping) through better management³. The Guyana Rice Development Board (GRDB) under the MOA, represents the interests of the Rice Producers' Association, the Rice Millers the Exporters Association (GRMEDA) and the consumers and is responsible for all matters involving farmers, millers, marketing, research and rice extension services.

3.12 Diversification Crops. Guyana produces a wide variety of fruits, vegetables and other commercial crops (table 6) which could represent a suitable opportunity for export diversification if quality was improved, standards introduced and adequate market channels identified. Present exports total some 1000 tons per year worth about US\$ 3.5 million, mainly to the Barbados market. The National Marketing Corporation assists with packing and shipping.

3.13 Livestock: With over 1.2 million hectares of permanent pastures, its international accreditation as a foot-and-mouth disease free zone, the presence of two rainy seasons, Guyana enjoys a strong comparative advantage for increasing beef production both for the internal market and for exports. Still, national beef production (no up to date production data are available) falls short of demand and imports of about US\$150,000 worth of fresh meat are necessary. The poultry industry has grown relatively fast in the most recent years. Guyana Stockfeeds Limited is investing in a new G\$110 million feed processing plant for the production of palletized feed with the aim of enhancing poultry production. Guyana has become self-sufficient in egg production and for 80% of its consumption of poultry meat.

¹ A rough calculation indicates an average cost-price of about US\$146 per ton of milled rice ex-field to which about US\$40 should be added up to F.O.B. to include the (relatively high) costs of milling, drying, transportation and handling.

² The EU quota for ACP countries is 125,000 tons in which Guyana and Suriname participate for about 80%. Licensed European importers get a discount of 65% of the levy applied on the imports of rice from ACP countries. However the "third" countries levy which was about € 200 per ton has now been reduced to € 76 per ton which results in Guyana exports being only marginally competitive. The CARICOM market applies a levy of 25% on the CAF value of rice imported from non-CARICOM countries.

³ According to a recent World Bank publication (Guyana Development Policy Review, Nov 2003) Guyana's cost of rice production is about 3 to 4 times higher than low cost Asian producers thus making the long term competitiveness of the industry rather questionable.

3.14 **Fisheries:** Most of Guyana's fishing effort occurs in the relatively shallow waters of the continental shelf. The marine resources exploited within the EEZ are mainly the demersal fishery resources and, to a much more limited extent, the pelagic fish resources over the continental shelf and toward the continental slope. Some of the demersal species are showing clear signs of overexploitation, particularly prawns and sharks. At the same time, some deep slope demersal species and pelagic species are underexploited, in spite of their great potential. Harvesting these stocks and ensuring that they are exploited in a sustainable manner will require joint initiatives with Suriname, French Guyana and Brazil.

3.15 Shrimps exports mainly to the US made up more than 10% of total exports in 2003 up from 3% in 1993.

3.16 The industrial fishery consists of 125 trawlers, 5 major fish and shrimp processing plants, and related infrastructure. The trawlers are 54 percent foreign owned. The total number of trawlers has fallen by about 20 percent since the early 1980s, in response to the trend of decline in the prawn population and the enforcement of a management decision to not increase the size of the trawling fleet. Trawlers have been operating increasingly close to shore, and this has produced a greater incidence of conflicts between the industrial and artisan fisheries

3.17 The small-scale or artisan fishery provides food, in both rural and urban areas, and it is increasingly growing in importance as a source of employment, income and export earnings. There are about 4500 small-scale fishermen, 60 to 70 percent of which are members of fishermen's cooperatives.

3.18 Activities in the inshore artisan fishery is pursued exclusively by Guyanese and comprise freshwater and supplying the ornamental fish industry. The limited data available indicate that most inland fishing is carried out by Amerindians. Ornamental fish industry or the aquarium fish export trade to the USA and Europe is being conducted by licensed exporters.

Forestry

3.19 About 75% of Guyana (16.9 mill. ha) is under forest cover. There is one protected area, Kaieteur National Park (12 000 ha). The forestry sector contributes by about 4 % to the GDP, and employs about 20000 people. State forestry lands (about 13.6 million ha) are under the responsibility of the National Forestry Commission, a semi autonomous body with its own budget and administrative rules, under the direct supervision of the Ministry of Forestry - responsibility now vested in the President of the Republic.

3.20 The Commission restructured in 1996 with the strengthening of the central office and of the 19 Forestry Stations at strategic locations in the forestry areas, has prepared a Forestry Policy and Forest Plan enacted in 1997 and 2001 respectively¹, has introduced a code of practice and wood certification and has established a set of guidelines for forest management and for conducting forestry inventories, and a code of practices which are used as criteria for orienting the work of the staff of the Commission and for the granting of concessions. Concessionaires when applying for concessions larger than 10,000 has, are submitted to a competitive bidding procedure and to rigid rules concerning environmental and social impact assessment. Concessions may be up to 25 years and are renewable.

¹ The overall policy objective is the conservation, protection, management and utilization of the forest resources while ensuring the sustainability of the forest productive capacity. The plan is divided in ten programmes: national planning and coordination, zoning and classification, resource management, operation monitoring and regulation, industry, forest products marketing, research, sector information, education and training, and social development.

3.21 About 50% of the land under the responsibility of the forestry commission has been allocated to concessionaires and several other applications are under examination. Annual production is about 400-500000 qm. of sawn timber and plywood this latter mainly for export with an export value of some US\$ 36 million. Manicole palm, roots and live animals (especially birds) are the most commercially important non-wood forest products. Guyana is the fifth largest exporter of wild birds in the world. Charcoal production has been an important industry in the past, and as a result, large areas of Wallaba forest are degraded. The charcoal export market (primarily to Caribbean countries) has diminished, and current production is primarily for domestic consumption.

3.22 Raising the quality, volume and value of export products is a feasible objective within the capacity of the Commission to achieve. Further progress has been made with the restructuring of the Commission into a self-financed and professionally managed institution with separate salary scales necessary to recruit and maintain high level skilled staff.

Water Resources, Irrigation

3.23 Guyana's major river the Essequibo runs from the Brazilian border in the south to a wide delta west of Georgetown. The rivers of eastern Guyana cut across the coastal zone, making east-west travel difficult, but they also provide limited water access to the interior. Waterfalls generally limit water transport to the lower reaches of each river.

3.24 The agricultural sector has the largest demand for water withdrawal mainly used for irrigation schemes. People living along the coastline depend almost entirely on groundwater supply to meet their domestic needs. Nationwide, potable water supply facilities include about 178 groundwater wells and eight surface water sources.

3.25 While the access to potable water through house connections and public standpipes is quite widespread, the water and sanitation sector suffers from grave deficiencies due to the low quality of these services¹.

3.26 There are about 115,000 ha with drainage and irrigation infrastructure of which 47,000 ha under sugarcane, 65,000 ha under rice and the rest planted to non-traditional crops. Notwithstanding some major investments executed in the past, the I&D infrastructure is at present poorly maintained because of a chronic lack of resources for O&M (there is no tradition of farmers paying for water use, in fact they were exempted until the early 1990s² and technical staff.

3.27 Guyana has a complex structure for I&D management derived from organizational changes that took place over the last decades³. GUYSUICO is responsible for I&D of the areas under sugarcane, the National Irrigation and Drainage Board (NDIB) for the rest. Operation and maintenance of the I&D system is delegated to the Regional and Neighbourhood Democratic Councils (RNDC and NDC)⁴ except for major works which remain under the NDIB. Under the

¹ There are three major water treatment facilities to produce drinking water, in Georgetown, New Amsterdam and Guymine.

² The Government is not in a position to ensure full funding for rehabilitation and management of the public works and users are not willing to pay for the cost of I&D as they question the legitimacy of such charges because of uncertain definition of responsibilities. This should be resolved by an appropriate amendment to the I&D Act.

³ The infrastructure of the I&D system is composed by three main structures: i) conservancy-similar to a dam, ii) primary and secondary canals and iii) sluice gates in the sea defence.

⁴ Annual O&M budget is about G\$ 415 million per year (US\$ 2.2 million). In addition the Regions receive some G\$ 50-60 million (US\$ 0.34 million) per year. There are 17 technical staff in the NDIB and about 1-2 in each region.

Agricultural Services and Support Programme (ASSP) financed by the IDB (para 46) a consulting firm is presently developing an institutional and policy framework for the modernization of the I&D sector. The programme envisages the transformation of the NDIB in an authority and the establishment of a clear legal framework for Water Users Associations to be made responsible for O&M of secondary and tertiary canals.

Coastline Management

3.28 Guyana has a coastline of approximately 430 km. The coastal plain extends along the entire coast and lies generally between 0.5 m and 1.0 m below sea level at high tides, which makes the coastal plain, where 90% of the population resides and 75% of the main economic benefits are produced, very vulnerable to flooding and erosion. The coast is protected by 69 km of masonry seawalls and 170 km of earthen dams; natural sandbanks protect another 78 km of coast while mangroves protect the other parts. Occasionally this system of defence is subjected to serious pressure from wave action, often resulting in sea defence breaches with consequential damage to villages and agricultural crops by the intruding saline water. This is a unique environmental problem faced by the entire Guyana coast which not only is below sea level, but it is also affected by the presence of a heavy sediment load in the near shore region. These sediments form migrating mud shoals on the seabed, influencing the cyclic pattern of erosion and accretion along the coast. As a consequence the coast is frequently subjected to severe erosion resulting from wave action and the movement of mud shoals¹.

3.29 The coastal mangrove swamps have been drained, and mangrove wood extracted and replaced by a complex sea defence system. This has created a 'second nature' requiring high levels of human inputs, which includes labour and finance, to maintain.

Land Tenure

3.30 Land is owned either by the state or under private freehold tenure. Freehold land is land owned by persons who hold a land title. Freehold land is generally located along the sea coast and riverbanks, access roads and/or rivers. Some freehold lands may be leased to large-scale rice cultivation, particularly if an individual proprietor holds only a relatively small acreage². The risk and uncertainty of weak tenure rights on public lands has been a long standing problem. The Lands and Surveys Commission, a semi autonomous agency directly responsible to the Presidency, is completing an ambitious 5-years plan (Land Tenure Regularization Programme, with IDB and DFID financing) aiming at regularizing land tenure first by creating an up-to-date computerized data basis, second by granting legal leasehold titles to those farmers occupying the land provided they are small farmers with no more than 15 ha of land and third by giving freehold titles to those farmers that possess certain characteristics³.

3.31 Leasehold characteristics have been modified by increasing duration of the lease to 50 years renewable and by providing for the possibility of selling the lease right. Leasehold titles can also be mortgaged for credit purposes and inherited thus assimilating leasehold to freehold, for all practical purpose. The rent to be paid by leaseholders is a nominal G\$1000 per acre per year. To date, more than 50% of the rice lands have been regularized, 50% as freehold and the rest as

¹ The early Dutch settlers had reclaimed the coastal swamps, establishing a plantation system of agriculture. Since their country also has a low lying coast, they were able to establish a complex system of drainage and irrigation canals, kokers (sluice gates) and sea defence works on Guyana's coast.

² Freehold land rentals vary depending on location to other holdings, accessibility, status, etc., from about 15,000-20,000 GYD for rice area and GYD 3,000 to 4,000/acre for non-rice area.

³ Residence in the place, direct use of the farm land, capacity to pay for the survey and related costs.

leasehold. As far as the sugar lands, these are leased by the state to GUYSUCO. Forestry lands are under the jurisdiction of the Forestry Commission (para 28).

Agricultural Services

3.32 In the PRSP Guyana is committed to strengthen the implementation capacity of public institutions by appropriate reforms and restructuring that would ensure an effective and efficient use of scarce human and financial resources. Agriculture formally divided into two ministries (Agriculture and Fisheries and Crops and Livestock) has been in actual terms consolidated under one Minister and Permanent Secretary in charge of the various sectors. Changes at the regional and sub-regional levels have been made to ensure effective work programming and regularisation of reporting and evaluation of staff. The MOA oversees the NIDB, the Crops and Livestock Support Services, the National Dairy Development Programme and the New Guyana Marketing Corporation (a service oriented Government structure facilitating marketing and processing of non-traditional products by providing for the necessary paperwork, packing house etc.¹).

3.33 The Extension Service is being decentralized and each one of the ten administrative regions would be responsible for the work programme and supervision of its own extension officers (4-5 extension officers per region) the centre being left with administration and budgetary control. The Rice (through the Rice Producers Association-RPA) and Sugar sub-sectors have their own extension service. Some other technical advice is provided by fertilizers and pesticides suppliers. The effectiveness of the extension staff is limited by lack of operational funds, of proper exchange of information, of support services and availability of suitable extension messages from NARI. It is also claimed that while in the coastal areas a “conventional” extension system may be adequate, in the hinterland where farming communities are at quasi-subsistence level and lacking of most facilities and social services, the provision of extension advice as such is not sufficient to respond to the needs of the people, the extension officer needing to be an agent of change with “multipurpose” functions.

3.34 As rice and sugar research is under the responsibility of the RPA and GUYSUCO respectively, NARI, the National Agriculture Research Institute is left with diversification crops and livestock. Funding for some of the research work is provided by the IDB project (para 46), by FAO (rice and fish through the RPA), USAID and the IFAD-CDB project (para 48).

The Poverty Issue

3.35 Guyana is a low income country with a per capita income of US\$ 950: 35% of the population lives below the poverty line, the highest number being concentrated in the coastal region and in the interior. In Georgetown, where 20% of the population lives, a growing number of newly poor is to be found, including wage and domestic labourers, construction workers, predominantly those working in the informal sector, public servants at the bottom of the salary

¹ It handles an average of US\$ 3.5 million of non-traditional exports – equivalent to some 1000 tons of produce

scale, unemployed people. In the rural areas the poor are largely self-employed in agriculture or work as manual labourers. The most vulnerable groups are Amerindians¹, female-headed households² and isolated elderly and disabled people. Although only 4% of the population is Amerindian, 87% of them are poor (compared with 43% of Afro-Guyanese and 34% of Indo-Guyanese).

3.36 In a country like Guyana well endowed with natural resources and potential for growth, poverty is a direct consequence of past adverse economic policies and at present, of a weak public service, poorly structured and lacking the human resources to bring about necessary reforms. Infrastructure for basic utilities such as water supply and housing is inadequate. Communications between the coastal areas, where most of the economic activities take place and the interior are difficult with job opportunities limited to the mining and forestry industries. Social and health and education services lack trained staff, adequate infrastructure and technology. Emigration, a problem which originated during the past regime is still continuing to an abnormal extent and it is the cause of severe skill shortages³.

4. INVESTMENT IN THE RURAL SECTOR

4.1 Public investment in the rural sector is supported by assistance programmes by multilateral and bilateral donors⁴. IDB, the major donor has recently approved an Agricultural Services Project for a total of about US\$ 22.5 million with the objective of raising rural incomes by increasing the efficiency of agricultural production in the coastal plains. Finance is provided for the rehabilitation of irrigation and drainage systems (60,000 ha in 9 areas), I&D institutional development (both representing about 81% of the total loan), rice seeds development and agricultural diversification.

4.2 The EU is providing grants (9th IDF) for budgetary support and maintenance of sea defences. Through its Caribbean Regional Programme it also provides funding for increasing the efficiency of rice production in Guyana and Suriname including some € 10 million for rehabilitation and maintenance of the irrigation infrastructure, and studies on the impact of the new EU policy on the rice sector and on micro credit. The CDB through its Basic Needs Trust Fund (grant) scheme has a programme focussed on poverty alleviation in urban and rural areas. The GEF Protected Areas System project aims at conservation of globally important biodiversity

¹ Guyana's indigenous peoples, also known as Amerindians inhabit around 131 communities throughout the Hinterland region. Life in the Hinterland is challenging: the terrain is difficult and many Amerindians live in dispersed settlement patterns. In 1976, a National Act set aside 65 areas for the exclusive use of native communities. Approximately 40 000 Amerindians occupy and have legal title to some 14 000 km² of land, much of which is forested. Forest resources are important to Amerindians for food (wildlife, fruit, seeds and nuts), medicines (from more than 130 plant species), building materials, fibres for textiles and weaving and tannins and dyes. Some communities have undertaken commercial harvesting of the resource. Amerindian land is managed and regulated by the resident communities, and no formal distinction between production and protection areas is made

² Women play a crucial role in agricultural production and post-harvest activities, and contribute to economic activities of rural farm households. Female agricultural labour is paid at lower levels for longer hours of work. Livestock rearing, cleaning, sanitation and tending of animals is carried out by women as unpaid wage workers. In the poorer households women assist their husbands in land clearing, harvesting, marketing of vegetables, processing and marketing of foodstuff. Most of the female headed households are either landless or cultivate marginal, smaller holdings.

³ The retention of qualified personnel is a problem in all sectors. It is estimated that between 20,000 - 50,000 Guyanese migrate annually for the U.S., the U.K. and Canada. Many of these are trained personnel. MOA finds difficulty in recruiting staff for its senior positions.

⁴ Disbursements in 2003 by external donors have totalled US\$ 43 million with IDB contributing US\$ 28 million, CDB US\$7.4 million, IDA US\$ 7 million and IFAD US \$ 0.8 million.

as well as introducing some limited programs in Amerindian communities aimed at reducing poverty and enhancing the delivery of basic services.

4.3 A recently completed Rural Communities Project financed by CDB and IFAD will be soon evaluated. It is expected that it will provide useful lessons on how to approach promotion and empowerment of grassroots associations and farmers groups. USAID is also providing funds for community driven initiatives supporting small scale projects that seek to reduce poverty by addressing basic needs of most disadvantaged groups, Amerindians, women. The Italian Government is financing € 3 million for the procurement of equipment to construct, rehabilitate and maintain I&D facilities in one of the irrigated areas. Most of the above donors are also involved in providing assistance to infrastructure, health, sanitation and education programmes covering both urban and rural areas.

4.4 Private investment in the rural areas consists mainly of foreign direct investment attracted to Guyana by its natural resource base (mining, timber) or the privatization of major utilities. Although private investment is not likely reach the “catch up” rates exhibited in the early 1990s, still remains high in comparison to other countries but not as relevant as it should be to promote sustainable growth¹.

5. GOVERNMENT POLICY

5.1 The prevalent themes of the policy agenda are dictated by the structural reforms agreed by the Government with major donors on the basis of the Poverty Reduction Strategy Paper. The PRSP strategy seeks: i) broad based job-generating economic growth, ii) stronger institution and better governance, iv) investment in human resources with an emphasis on primary education and health, v) investment in physical capital with better safe water and sanitation services, farm to market roads, I&D systems and housing, vi) improved safety nets and interventions to redress regional disparities in economic and social conditions, and vi) special intervention programs to address regional pockets of poverty. This calls for strong growth in public investment alongside with efforts to improve public finances and reduce the fiscal deficit and strengthening the delivery of basic services. High priority is set on the improvement in productivity of traditional crops (sugar and rice) in order to successfully compete in the international markets and to establish a favourable environment for developing production and export of non traditional crops.

5.2 Major investments in the rural areas will be the restructuring of the sugar industry through the construction of the new processing plant and substantial investments to rehabilitate and modernize the irrigation and drainage systems both for sugar and rice (para. 46, 47). Given the limited implementation capacity of Government institutions this will only be achieved if appropriate policies and incentives to facilitate beneficiary’s involvement are set in place. Hence the strong interest of the Government to explore mechanisms that could promote the emergence of farmers groups or associations including the strengthening of intermediate level professional groups (like the RPA²) that could take over those functions that the public sector cannot

¹ The possible relevance of private sector investment can be measured by the volume of private remittances from Guyanese working abroad. According to recent WB estimates, private remittances account for approximately US\$90 million a year equivalent to almost 13% of the GDP and have important implications for the domestic market development and macroeconomic competitiveness impacting on the level of the exchange rate and augmenting demand for imported goods and services.

² There are a number of professional associations active in Guyana including cattle farmers, poultry farmers, cane farmers, fishermen.

efficiently provide. A step forward in this direction has already been taken by Government with the decision to create Water Users` Associations (para 36).

5.3 Government is aware of the strong linkage between poverty (more than 80% of the poor are in the rural areas) and agricultural and rural development but recognizes that being Guyana a net exporter of food¹ and due to the limited internal market, export led growth is perhaps the only alternative at least in the short-medium term. Besides sugar and rice, focussing on agricultural diversification and exports of non traditional crops implies changing the production structures, improving marketing channels and updating or enacting legislation so as to take care of the requirements of importing countries in terms of food quality controls, sanitary measures, food safety and regulations for the import, use and application of pesticides.

6. ISSUES

6.1 It is recognized that Guyana`s economic and social development depends on a radical improvement of the business climate including macroeconomic stability, better governance and improved social and production infrastructure. From this it follows that agricultural development which is of vital importance for Guyana`s economy remains as other economic sectors, highly dependent on the improvement of the overall socio-political setting and that in the absence of clear signals that would make agricultural investment a profitable business for the private sector, it remains to the Government the responsibility of initiating those programmes that can bring about a change by addressing some of the main constraints and bottlenecks to future sustained growth.

6.2 It is also recognized that the capacity of public institutions to implement development programmes is severely constrained by the availability of adequate human resources and technical skills. Guyana has one of the highest emigration rates of skilled people and professionals due to underlying political tensions, lack of economic opportunities, low real and relative wages in the public sector², absence of adequate social services³, poor state of productive infrastructure like roads, electricity and telecommunications, lack of confidence in public commitments and lack of security both in urban and rural areas.

6.3 The derelict state of the drainage and irrigation infrastructure is negatively impacting on increased production and productivity. The defective system limits the possibility of flood control or allows the salinisation of coastal irrigation water which severely limits crop yields at full potential. The poor state of rural roads and the absence of proper infrastructure in the interior affect the movement of inputs, machinery and produce to and from those areas. Major rivers cross the country and most cross-river transport is by unreliable ferries. In addition to bad roads the country has only two ports, both on the Demerara (Georgetown and Mackenzie) both of which are antiquated and inefficient. Vessel turn-around is slow and freight rates high, combining to discriminate against the export of perishables. The lack of good quality seeds for all farmers and the high cost of inputs result in sub-optimal output of the crops produced especially by the smaller farmers. Inadequate technology generation and transfer also hamper increased productivity of the small farmer. In this respect, NARI faces a number of serious constraints: difficulties in recruiting and retaining good quality staff (professional staff totals about 30) due to the low salary levels in

¹ Notwithstanding the fact that food production exceeds its total demand there are nevertheless serious nutritional deficiencies.

² Government institutions-MOA is an example-find difficulty in recruiting staff. One of the consequences is that sometimes senior positions have to be filled with junior staff.

³ It is reported that at least a third of the population lack equal educational opportunities and have insufficient health coverage.

the public sector, a very poor interface with farmers and therefore poor understanding of their requirements, lack of integration of research and extension activities, insufficient consideration of economic and marketing aspects, inadequate financial and material resources and poor linkages with other agricultural institutions, domestic and foreign.

6.4 Lack of dedicated credit lines for agricultural development is reported to be one of the critical factors affecting agricultural investment. This may not be so as many prospective investors may be discouraged not so much by lack of an agricultural bank but by the few opportunities for viable investments. There is a lot of liquidity in the banking system and most of it is invested in real estate. An additional problem is rice farmer's indebtedness and creditworthiness. Land tenure which is reportedly one of the major issues affecting the motivation of farmers to invest on land improvements seems to be on the way of a reasonable solution once the Land Commission current programmes are satisfactorily implemented (para 39).

6.5 The sugar sector which so far has been the main engine for agricultural sector growth and one of the main providers of employment faces a formidable challenge if the future preferential access to the European markets is discontinued. There are not many alternatives for the sugar lands which could provide the same economic and financial returns. The solution proposed by some donors to concentrate production in the few viable estates cutting off the marginal ones would have an immediate impact on the life of thousands of cane workers and their families and could result in serious social and political instability unless mitigated by the proposed safeguards (para 16)¹. Alternative uses of sugar and sugarcane are being considered (para. 15) but it is unlikely that any of these will be able to provide employment to such number of labourers as the present sugarcane industry. It is possible that in the long run and if the industry remains viable, there would be little justification for the Government to continue to own and operate GUYSUCO: hence, there could be an option to fully privatize the industry with cane producers sharing both production risks and returns and income diversification alternatives.

6.6 The rice sector is in almost the same situation as sugar insofar it faces similar problems of future preferential access to European markets and decreasing price support. Although during the late 90s significant productivity gains have been achieved, still Guyana's rice yields (an average of 3.9 tons/ha) lag far behind other rice producing countries both in LAC and Asia². Production costs are also higher than other low cost Asian producers while other problems are found throughout the entire production chain like lack of high yielding, high quality varieties, the poor conditions of I&D infrastructure and relatively high fertilizers costs³.

6.7 Alternatives for diversification from sugar and rice with crops for which Guyana can have a comparative advantage in the Caribbean and other foreign markets are technically feasible as the country can produce relatively high quality fruits and vegetables. Some exports to Barbados, Trinidad and Tobago and other Caribbean countries are already taking place (para 21). Prospects are in principle encouraging if solutions are found to the existing problems related to: i) lack of adequate policies and of an institutional framework designed to provide the right incentives to private sector investors/businessmen, ii) lack of an authority to control the application of existing recent legislation on food safety and quality, iii) inadequate cold storage facilities, iv) limited installed agro processing capacity for semi processed or processed products for export, and v) last but not least lack of organized producers' groups guaranteeing a constant

¹ One estimate places the number of GUYSUCO workers to be retrenched at about 6000 over the next few years, i.e. about 25 to 30000 people considering a family with 4-5 dependents.

² For example, Colombia: 5.5 ton/ha, Venezuela: 5.3 ton/ha, Indonesia: 4.4 /ton/ha.

³ Also due to the lack of farmers' organizations with capacity to bargain for lower prices with fertilizers and other inputs importing firms.

volume of production at agreed quality standards. Increasing production of fruits and vegetables for the internal market is not an alternative as the local market is already saturated. Conversely no major problems seem to exist for diversification into poultry and pig production for the local market and exports and for beef production development. Guyana has been declared foot-and-mouth disease free and provided the necessary diagnostic laboratories and international standard meat processing plants are established, good opportunities seem to be there for expanded production and exports. The feasibility of alternative strategies for investing in beef cattle development need however to be confirmed by a closer assessment of the availability of high quality pasturelands for cattle breeding at accessible locations and costs for internal transport and export.

6.8 No major issues are found for increased wood exports in semi processed or processed form. However there is room for an improvement in sustainable management of forestry resources, harvesting practices, use of forest by-products and in the quality of products, for increasing the efficiency of sawmills and reducing the wastage of raw material¹. Only 30 species are used commercially: this range should be expanded to lower excessive costs of forestry exploitation.

7. CONSIDERATIONS ON PRIORITIES FOR DEVELOPMENT

7.1 With its natural resources endowment and proximity to potential Caribbean and US markets, Guyana has ample opportunities for exploiting its comparative advantages, develop its crop and livestock production and achieve broad based, export led growth of the agricultural sector. Given the existing problems and considering the future challenges facing the traditional exports (sugar and rice) and the impact that any restructuring of these industries would have on employment and rural poverty, it is evident that any developments can be attained only if accompanied by strong political commitment and appropriate policies. A synthesis of current prospects for major Guyana products follows.

7.2 Sugar the most important crop will shortly be facing a crisis if EU support prices are discontinued. The matter is however still under discussion with Guyana requesting the EU for more adequate safety nets and compensation for the sugar workers should the proposed developments take place. The World Bank and other donors (para 14) are financing the construction of a modern sugar processing plant to help reducing costs to more competitive levels and are suggesting a drastic restructuring of the industry to concentrate production on the few areas where it can be economically competitive. The IDB and other donors are financing important rehabilitation and modernization works for the complex water control infrastructure essential for drainage and flood control (serving both sugarcane and rice areas) and some restructuring of the management system including appropriate institutional changes. For the time being no further investment funding seem to be needed.

7.3 Rice, the second most important crop has similar problems to sugar for the future price support policy changes to take place in the immediate future (para 19). The situation is however somewhat brighter as there is no reason why Guyana with appropriate technological and quality improvements, better extension work and organization of producers could not successfully compete on the external markets especially if the CARICOM common market tighten the enforcement of existing rules restricting subsidised rice imports from the US and other extra-

¹ Because of old and outdated equipment sawmills are operating at 30-40% efficiency levels,

regional sources. Funding is provided by the EU for such above restructuring of the rice industry (para. 47).

7.4 The PRSP indicates the further development of Guyana's forestry resources as a key potential source of growth in the economy while committing to the principle of sustainable natural resources use. Requested legislation has been approved by the Cabinet and is being submitted to Parliament for approval. It has been mentioned that several large companies are waiting for the granting of new concessions on the basis of the preparation of detailed feasibility studies, a transparent land allocation process and competitive bidding. Guyana's tropical rain forest fauna and waterfalls have a still unexploited tourism potential. The Ministry of Tourism and foreign agencies are interested in exploring possibilities to develop an eco-tourism strategy and promote Guyana as a tourist destination point.

7.5 Prospects for shrimp exports remain strong after the decision by the US to propose anti-dumping duties to a few Asian countries and the opening of the more lucrative EU market to Guyana exporters.

7.6 In the immediate future prospects for a substantial increase in the exports of non-traditional crops (fruits and vegetables and livestock products) to the Caribbean market do not appear a promising alternative for the mentioned problems (para 59). Efforts at developing the non-traditional sub sector will have to be supported by adequate policies, institutional arrangements, research, market intelligence, information systems, technical training of farmers and support personnel and organization of producer groups, improved post harvest know how and technologies and the provision of relevant storage, transportation and marketing facilities.

7.7 There are good prospects for increasing livestock (beef cattle) production both for the internal and external markets. This will require investments in meat processing facilities, diagnostic laboratories, quality control (para 59). Conversely, poultry and egg production on a medium-large scale has been increasing steadily, with the country reportedly close to self sufficiency due to well developed production capacities and private sector initiative.

7.8 From the above it follows that although the physical potential is there, the prospects for maintaining traditional crops production and for expanding into diversified agriculture remain dependent on a revitalization of the agricultural sector that would start from an enabling policy environment, a modernization of agricultural services to respond to the needs of the sector on a demand led basis and the empowerment of grassroots organizations as the main agents for change. In other words promoting the gradual transformation of the rural society now polarized between plantation workers and individual rice growers operating in a sort of protected environment, into a farming community with a more secure livelihood, that would be more open to take risks, driven by market demand and capable to form a constituency that would take a leading role in any decisions or programs affecting the rural space. A major policy statement by President Bharrat Jagdeo at the Paramaribo Inter-sessional Meeting of the Conference of Heads of Government of the Caribbean community is relevant in this context¹.

“the key constraints to a dynamic and competitive agriculture sector across the Caribbean span from the range of resource inputs necessary for increased agricultural production and productivity to the facilitative administrative and institutional framework...the more pressing constraints that emerge are ...fragmented and disorganized private sector, inadequate research and development, weak linkages and participation of producers in growth market segments, lack of skilled and quality human

¹ “A Proposal for Interventions to Alleviate the Key Binding Constraints to the Agricultural Sector in CARICOM Countries”. Intersessional Meeting of the Conference of Heads of Government of the Caribbean Community. Paramaribo, 16-17 February 2005.

resources...The recommended programme of interventions includes...creating an enabling economic and business environment for competitive and sustainable agricultural and rural development; improving supply capacity and competitiveness; establishing and strengthening of private sector organisations...in agriculture including farmers and commodity associations, as a medium to facilitate, develop and empower entrepreneurial capacity throughout the value chain..., increasing the level of financing for research and development activities...and refining the resource management capabilities for business and trade efficiency...

7.9 This is a long term process based on capacity building, development of human resources, selective training of interested and motivated rural communities and strengthening of producers' alliances. The objective would be to promote the formation of social capital in those rural areas where it is feasible to do so, providing incentives to farmers to work in groups or other type of informal or formal associations, empower communities to actively participate in the management and operation of basic infrastructure and other public services which are more effectively handled at decentralized, local level and set up mechanisms and incentives to associate entrepreneurs and agro industries to the rural environment. This approach should be designed in such a way to help in overcoming some of the problems due to weak implementation capacity of Government institutions and could be a critical step towards constructing a different more modern rural society.

8. RURAL COMMUNITIES AND PRODUCERS' ALLIANCES - PROJECT OUTLINE

8.1 The above indicates that in the short and medium term it would be appropriate for Guyana to design and implement a project which would aim at supporting rural growth by building up social capital, empowering local communities, grassroots and other private sector associations and by providing technical assistance, training, grants and financial incentives for private sector investments in the rural areas.

8.2 Such a project could be developed: i) first through a participatory process whereby all stakeholders would be consulted about their own problems and priorities; ii) second, through contacts with interested partners including civil society groups and NGOs that could play a support role to the communities in the rural areas in project preparation and in the initial stages of development; iii) third through the preparation of a strategy that would take into account past experiences, constraints and what could realistically be achieved in the short/medium term and iv) fourth, through a process of participatory project preparation which would be based on a flexible design to be adjusted during implementation. Such a project would complement and support ongoing and future rural sector programs by Government and donors.

8.3 At this stage it would be difficult to define project components in any sort of detail. It is only possible to infer that should initial investigations prove that the above approach is feasible, project components could include:

Building up Social Capital:

- Promotion and structuring of farmers groups or associations or communities following whatever existing legal instruments are found to be more appropriate, in selected priority areas. Water Users Associations would be included as any other existing farmers groups or communities. Eventual support to related public sector institutions could also be considered;
- Empowerment of these groups through intensive training to identify priorities, initiate investments in land development, diversification and any other essential infrastructure.

Social and Economic Infrastructure:

- Facilitation through grants, of financial resources to the communities for priority investments in health, sanitation, farm to market roads and any other social or economic infrastructure within an accepted range. Creating the right environment for providing incentives to the private sector to invest in the rural areas could become an essential element of this component;
- Demand led, supporting research and extension work providing producers with the skills and knowledge needed to adapt technology to external markets opportunities and promote production of high value crops including organic agriculture and biological pest control.

Support to Rural Growth:

- Training and support to existing professional associations including prospective entrepreneurs and agro processing industries to enable them to play a more active role in the supply chain management, collective bargaining for the purchase of farm inputs, development of commercialization channels, contracting arrangements, applications of research and technology innovations, processing and marketing of agricultural commodities;
- Provision of financial incentives including matching grants for a “supply chain” approach to export markets, competitive clusters, support to producers and private sector for diversification comprising into non-agricultural rural activities and related investments;
- Technical assistance and funding of support assistance by civil society/NGO groups; and,
- Pilot work on promising tourism or agro tourism opportunities based on communities involvement that should emerge during the course of project implementation.

9. FOLLOW UP

9.1 The purpose of this draft report is to serve as a basis for a dialogue between the World Bank and Government on the rationale and justification for a programme to promote rural development and agricultural diversification through empowerment of grassroots rural groups and professional organizations as broadly outlined in the previous chapters.

9.2 Should the World Bank and Government reach a consensus on project priority, the following steps are suggested before preparation/pre-appraisal:

- A detailed field survey to assess the eventual interest and motivation of the stakeholders (Government decentralized institutions, farmers, professional organizations, private agro processing industries/entrepreneurs, bilateral and multilateral donors) to participate in and/or support a possible project.
- The identification of capable, dedicated and experienced NGOs or other civil society groups that would be interested to join in the initiative and participate in project preparation and implementation.
- A debate with all stakeholders concerned to reach an agreement on the priority areas and components of the project and on whether at this stage it would be more prudent to start with a pilot instead of a full scale project.
- A decision in the Bank on the kind of financing instrument that would be more adequate. (Technical Assistance Loan, LIL ...).

9.3 Once the above steps are completed and agreement on the various issues reached, project preparation/pre-appraisal could be carried out in a relatively short time. Given the political and social implications of the proposed strategy, it would be important for the Bank and

Government that the project is formulated in full understanding and with the cooperation of all donors concerned so that the same approach is consistently used as a framework for any future rural development initiatives.



Table 1

GROSS DOMESTIC PRODUCT, INCOME AND EXPENDITURE
(AT CURRENT PRICES)
(G\$ Million)

Item	1993	1995	1997	1999	2001	2002	2003 ^{1/}
Product							
Sugar	11,139	14,608	14,560	16,906	12,029	15,402	18,448
Rice	3,199	9,682	9,301	9,950	9,057	8,565	8,621
Livestock	731	1,249	1,807	2,111	2,546	2,754	2,979
Other Agriculture	2,227	3,518	4,478	5,482	5,825	5,971	5,415
Fishing	3,344	4,536	5,532	6,282	7,780	7,768	8,389
Forestry	1,046	2,473	3,103	2,569	2,433	2,295	2,411
Mining & Quarrying	10,275	12,604	15,565	16,156	17,603	17,671	15,930
Manufacturing	1,977	2,846	3,297	3,681	3,599	3,953	3,874
Distribution	2,323	3,205	3,855	4,268	4,927	5,024	4,996
Transport & Communication	2,645	3,742	5,183	7,138	9,599	10,432	11,502
Engineering & Construction	1,673	3,098	4,446	4,771	5,589	5,580	6,199
Rent of Dwelling	2,197	2,798	3,498	3,848	4,567	4,704	5,087
Financial Services	1,790	2,324	2,974	3,387	4,049	4,149	4,400
Other Services	746	1,057	1,315	1,570	1,979	2,043	2,201
Government	4,220	6,187	10,839	16,976	20,636	21,451	22,809
G.D.P. current at Factor Cost ^{2/}	49,532	73,927	89,744	105,095	112,219	117,762	123,261
Indirect Taxes net of Subs.	9,592	14,344	16,934	18,570	21,185	20,585	20,803
G.D.P. at Market Prices	59,124	88,271	106,678	123,665	133,403	138,447	144,064
Net factor income paid abroad	11,912	12,203	10,460	12,216	9,612	10,485	8,325
G.D.P. current at Factor Cost	37,620	61,724	79,284	92,879	102,608	107,278	114,936
G.D.P. at Market Prices	47,212	76,068	96,218	111,449	123,792	127,962	135,739
Expenditure							
Domestic Expenditure at market prices	68,408	95,068	116,812	131,669	155,888	155,929	160,016
Public Investment ^{3/}	9,581	12,159	19,110	16,160	18,170	20,291	19,393
Private Investment ^{4/}	21,164	27,918	27,989	31,443	33,205	32,375	31,080
Public Consumption	8,529	14,093	21,747	29,947	30,505	32,976	37,928
Private Consumption	29,134	40,898	47,966	54,119	74,008	70,287	71,615

Sources: Bureau of Statistics and Bank of Guyana.

^{1/}: Includes Utilities.

^{2/}: Components may not up due to rounding.

^{3/}: Includes Investments of Public Enterprises.

^{4/}: Includes Stock changes.

Table 2

DOMESTIC EXPORT (f.o.b.)
(US\$ Million)

Period	Total	Bauxite	Sugar	Rice	Shrimp ^{1/}	Timber ^{2/}	Molasses	Rum ^{3/}	Gold	Other
1993	404.0	91.1	116.3	33.0	11.4	4.5	1.4	9.3	99.8	37.2
1994	447.0	76.4	116.4	55.6	13.1	7.9	0.6	11.5	128.0	37.9
1995	479.3	82.9	125.5	76.5	3.1	8.3	0.4	3.0	94.7	84.9
1996	552.8	69.8	150.7	93.8	12.8	8.9	0.4	11.5	103.5	101.6
1997	573.4	89.4	133.4	84.7	20.2	44.6	0.7	8.6	139.8	52.0
1998	525.0	78.5	129.0	73.3	18.5	31.0	1.2	6.2	124.0	63.3
1999	504.7	77.2	136.2	71.1	29.2	37.3	2.3	7.5	108.7	35.2
2000	502.7	76.3	118.8	51.8	47.1	35.2	2.4	7.2	123.3	40.6
2001	487.1	61.0	109.2	50.2	49.3	33.0	1.6	7.9	127.0	47.9
2002	491.5	35.2	119.5	45.5	52.6	35.5	2.8	9.0	136.2	55.1
2003	501.4	40.4	129.2	45.3	53.9	30.7	3.1	7.9	130.9	60.0

Sources: Bank of Guyana and Bureau of Statistics.

^{1/}: From 1987 figures includes exports from non-residents.

^{2/}: From the first quarter of 1997 figures include Barama's export.

^{3/}: Includes Neutral Spirit.

Table 3

HECTARE HARVESTED AND PRODUCTION OF RICE BY REGIONS 2002 & 2003

Region	Hectare Harvested			Rice Production (mt)		
	2003	2002	% Change	2003	2002	% Change
Essequibo Coast Sub Total	25,954	23,988	8	80,718	69,535	16
West Dem/ Ess. Island Sub Total	16,101	13,707	18	47,546	38,960	22
Cane Grove/ Mon Repos Sub Total	5,415	5,332	2	16,842	14,956	13
Mahaica Abary/West Berbice Sub Total	50,303	40,328	25	128,188	106,458	20
East Berbice Black Bush Polder Sub Total	29,879	24,547	22	71,724	–	23
TOTAL	127,662	107,902	18	345,017	–	20

Source: Guyana Rice Development Board.

Table 4

AREA AND PRODUCTION OF SUGAR / SUGARCANE BY ESTATES 2002 & 2003

ESTATES	AREA (Hectare)		SUGAR PRODUCTION (M/T)		PER HECTARE Output (M/T)	
	2003	2002	2003	2002	2003	2002
Skeldon	5,021	4,712	33,280	38,597	6.63	8.19
East Berbice	16,158	13,964	109,706	109,738	6.76	7.85
Blairmon	5,262	5,210	42,425	45,596	8.08	8.75
Sub Total Berbice	26,441	23,886	185,411	193,931	7.01	8.11
East Demerara	10,374.4	9,190	60,541	70,862	5.92	6.74
Wales	4,963	3,086	27,945	33,087	5.63	10.72
Uitvlugt	5,105	5,135	28,481	33,204	5.58	6.46
Sub Total Demerara	20,442.4	17,411	116,967	137,153	5.72	7.87
TOTAL GUYANA	46,883.4	41,297	302,378	331,084	6.45	8.01

Source: Guyana Sugar Corporation Limited.
Farmers' cane included in the respective estates.

Table 5

PRODUCTION, EXPORTS & IMPORTS OF RAW SUGAR 1993 - 2003

YEAR	PRODUCTION	EXPORTS			IMPORTS (000 M/T)
		(000 M/T)	(G\$ M)	Unit Value (G\$ Tonne)	
1993	246.5	236.8	15,120.0	63,863	0.0
1995	253.8	225.4	18,310.3	81,325	2.7
1997	276.4	247.4	27,104.7	109,723	1.1
1999	321.4	270.9	24,603.4	90,821	2.3
2001	284.5	252.3	20,504.0	81,258	-
2002	331.1	282.7	23,192.7	82	0.0
2003	302.3	311.8	25,096.0	12.42	0.0

Table 6

BREAKDOWN OF EXPORTS BY DESTINATION: 2003

DESTINATION	QTY EXPORTED (M/T)	VALUE (G\$ M)	UNIT VALUE (G\$ Tonne)
EU Protocol	168,603	16,960.0	9.94
SPS (Special Preference Sugar)	14,949	1,474.0	10.14
U.S.A.	6,000	483.0	12.42
World	31,700	1,078.0	29.4
Caricom (Bag)	61,180	3,791.0	16.1
Caricom (Bulk)	26,298	1,190.0	2.2
Regional	2,905	99.0	29.3
Packaged	209	21.0	9.95
Special	2	0.0	0
TOTAL	311,846	25,096.0	12,426.0

Table 7

PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES 1986 – 2003

COMMODITY	UNIT	1986	1990	1995	2000	2001	2002	2003
Rice	000 mt	165.3	93.4	317.0	292.0	322.3	228.3	345.02
Sugar	000 mt	249.4	132.0	253.8	273.3	284.1	131.1	-
Refined Oil	000gals	511.9	616.0	789.3	171.8	304.5	186.9	-
Coconut (dry)	mill nuts	51.0	48.7	91.5	98.9	52.5	72.3	105.30
Peanut	000 mt	1.4	1.5	1.7	2.3	1.3	1.3	1.31
Blackeye	000 mt	-	0.5	0.4	0.3	0.2	0.04	0.05
Minica	000 mt	-	0.3	0.5	0.4	0.3	0.9	0.50
Com	000 mt	1.8	3.0	3.8	3.8	2.0	1.0	1.10
Other Legumes	000 mt	1.5	1.0	2.3	0.1	0.0	7.9	0.02
Plantain	000 mt	20.8	13.0	21.2	23.3	16.9	9.2	5.42
Ground	000 mt	44.5	10.7	12.9	15.3	11.4	5.4	8.73
Provision	000 mt	-	21.8	35.1	44.9	28.9	20.0	27.40
Cassava								
Tomato	000 mt	3.7	1.3	3.3	4.7	2.6	0.3	2.62
Cabbage	000 mt	2.1	1.5	2.6	0.3	0.3	0.4	1.90
Citrus	000 mt	13.2	6.4	6.6	14.5	11.9	3.5	7.90
Pineapple	000 mt	5.3	7.6	10.6	3.2	4.4	0.5	1.70
Banana	000 mt	17.4	12.7	16.7	18.6	17.1	20.0	16.81
Milk	mill gals	6.2	8.3				NA	-
Beef	000 mt	1.7	2.2	3.8	1.9	1.3	1.9	2.10
Pork	000 mt	1.1	0.9	0.4	-	-	0.5	0.45
Poultry	000 mt	3.0	2.1	7.3	11.8	12.5	15.6	23.70
Table eggs	mill eggs	49.9	13.4	30.4	30.1	25.7	17.4	9.30
Fish	000 mt	33.8	23.0	37.0	28.6	25.2	23.7	-
Shrimp/Prawns	000 mt	6.3	5.117.0	17.0	19.3	25.8	19.9	-

Table 8

INDICES OF OUTPUT OF SELECTED COMMODITIES

Commodities	Unit (000)	Output in '72	Weights	(1972 = 100)						
				1993	1995	1997	1999	2001	2002	2003
Agriculture:										
. Sugar	Tommes	321	46.7	76.8	79.1	86.1	100.1	88.6	103.1	94.2
. Rice	Tommes	96	11.6	220.1	331.4	356.8	380.7	335.7	300.4	369.8
. Coconuts	Nuts	28,500	2.4	221.1	321.1	493.0	315.9	184.4	253.7	-
. Ground Provisions	Kg	20,248	4.1	66.7	63.7	79.1	92.7	90.5	57.1	-
. Plantains	"	12,621	3.4	104.7	168.1	107.8	23.2	60.9	33.2	-
. Bananas	"	4,812	0.8	283.4	347.2	228.5	85.9	161.6	355.9	-
. Citrus	"	10,442	0.8	73.0	63.0	27.0	28.2	51.6	15.0	-
. Pineapples	"	2,043	0.2	463.7	509.4	807.2	55.6	98.4	11.3	-
. Corn	"	2,815	0.2	124.0	135.1	282.3	51.6	32.6	15.0	-
. Coffee	"	688	0.7	155.1	117.2	-	19.4	12.1	24.4	-
. Pulses	"	196	0.1	-	1,632.6	806.1	132.4	123.4	199.8	-
. Tomatoes	"	1,589	1.4	119.0	208.0	191.0	47.1	75.3	7.4	-
. Cabbages	"	749	0.3	231.3	347.3	163.0	44.9	16.2	20.5	-
. Meat	Ltr.	12,983	13.4	31.3	55.7	92.3	95.8	96.2	128.9	182.4
. Milk	N ^o	16,366	2.0	240.0	211.1	-	-	-	-	-
. Eggs	"	26,400	1.3	32.2	115.1	114.9	97.5	97.3	65.8	35.1
Fisheries:										
. Shrimp	Kg	5,448	1.7	60.6	171.6	421.8	264.1	513.4	377.0	393.2
. Other	"	12,258	0.6	303.7	310.6	291.1	336.5	221.4	217.9	284.6
Forests:										
. Timber	Cu.Mt.	170	1.6	86.9	197.2	206.8	293.2	257.9	114.4	-
. All Agriculture	-	-	100.0	116.0	146.0	150.0	130.3	113.5	117.0	-

Source: Central Bank – Statistical Bulletin 2003.

Guyana for its still unexploited natural resources endowment and favourable ecoclimatic conditions enjoys a unique comparative advantage for sustained agricultural growth based on production of crops like rice, fruits, vegetables and livestock with a potential, promising market in the Caribbeans.

The limited implementation capacity of Government institutions and the need for diversifying the agricultural economy together with the need to restructure the sugar and rice sectors are the most immediate problems facing Guyana's economy. A strategy is proposed to transform and modernize the agricultural sector not only by accelerating investment in public goods (irrigation and other infrastructure) - which is already ongoing with external donors' support - but also by involving relevant stakeholders and the civil society into the decision making process regarding the forthcoming changes.

