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**COMMUNIQUÉ**

**NATIONAL COMPETITIVENESS  
COUNCIL**

*21 September 2007*

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*21 September 2007*

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## **Introduction**

On September 21, 2007, His Excellency President Bharrat Jagdeo chaired a meeting of Guyana's National Competitiveness Council to review progress on key economic priorities and actions to attract investment, create jobs and stimulate economic growth. The meeting specifically addressed:

- helping entrepreneurs access affordable finance for business set-up and expansion;
- securing targeted assistance for small businesses;
- determining measures to expand shipping capacity for exporters;
- streamlining the process to set up businesses in Guyana;
- liberalising the telecommunications market-place to support an expansion in ICT and Business Process Outsourcing services;
- improving corporate governance standards;
- progressing corporate and income tax reform;
- reducing red tape and inefficiencies within Customs.

The meeting also discussed measures to improve the marketing of Guyana as an investment location amongst the diaspora and other potential investors from overseas.

This communiqué sets out the background to the discussions, plus the actions agreed by those present.

## **Meeting Participants**

**Chair:** H.E. Bharrat Jagdeo, President of the Republic of Guyana

**Council Members:** Hon. Prime Minister, Mr. Samuel Hinds  
Hon. Minister of Tourism, Industry and Commerce, Mr. Manniram Prashad  
Hon. Minister of Agriculture, Mr. Robert Persaud  
CEO of Go-Invest, Mr. Geoffrey DaSilva  
Chairman, Private Sector Commission, Mr. Mike Correia  
Chairman, PSC Sub-Committee on Trade and Investment, Mr. Ramesh Dookhoo

President, Small Business Association, Mr. Patrick Zephyr  
Chairman, Association of Regional Chambers of Commerce,  
Mr. Daniel Gajie  
President, Federation of Independent Trade Unions of Guyana,  
Mr. Carvill Duncan

**Other Participants:** Advisor to the President and Acting Director, National Competitiveness Strategy Unit (NCSU), Mr. Kevin Hogan  
Senior Economist, NCSU, Ms. Anna Morris  
Programme Coordinator, Support for Competitiveness Programme, Ms. Merlin Udho

**Apologies:** Hon. Minister of Finance, Mr. Ashni Singh  
President, Guyana Trades Unions Congress, Mr. Andrew Garnett

### **Introduction to Meeting**

President Jagdeo welcomed all members of the National Competitiveness Council and spoke of how the meeting represented a historic step forward in addressing substantive policy matters at the heart of Guyana's economic agenda. He spoke of how the National Competitiveness Strategy (NCS) represented a synthesis of policies and plans that had been prioritised by the Government following extensive consultations with the private sector and others.

President Jagdeo spoke of continuing the NCS public-private sector partnership that was codified in the May 2006 Memorandum of Understanding. He emphasised the importance of incorporating Organised Labour fully within the partnership process, and noted that an updated Memorandum of Understanding needed to be signed between the Government, Private Sector and Organised Labour. He also emphasised the need for private sector Council members to ensure continued outreach to the wider private sector.

President Jagdeo commended Mr. Kevin Hogan and Mr. Geoff Da Silva for leading the work to produce the National Competitiveness Strategy in 2005 and 2006. He also informed the meeting that he has asked Mr. Hogan to re-join his staff at the Office of the President, and to also oversee the newly-established National Competitiveness Strategy Unit (NCSU) until a long-term replacement can be found. The President introduced Members of the Council to Ms Merlin Udho, Programme Coordinator of the Support for Competitiveness Programme and Ms Anna Morris of the NCSU.

Mr. Hogan gave a brief overview of the National Competitiveness Strategy and the role of the NCSU. President Jagdeo agreed that Mr. Hogan would spend time with the NCC's trade union representatives to brief them more comprehensively, re-emphasising that a core objective of the NCS is the creation of quality jobs in Guyana. Mr. Duncan expressed the view that Organised Labour needed to be more involved, and said he hoped that this would happen before the next Council meeting. Mr. Hogan informed members of the Council that Mr. Garnett of the GTUC had expressed similar sentiments in advance of the meeting, but was unable to attend due to being out of the country.

### **Actions Agreed**

#### **Access to Finance & Assistance for Small Businesses**

##### *Background*

Access to finance at competitive interest rates is a critical element in investment decisions and a key requirement for creating and sustaining competitiveness. However, in Guyana many potential entrepreneurs and existing firms (especially small businesses) are unable to gain access at reasonable interest rates to finance to set up or expand businesses.

The issue of access to finance figures prominently in the National Competitiveness Strategy and a dedicated Financing Action Team was established at the Presidential Summit on Private Sector Development in 2006. Since then, the Action Team has identified the establishment of a credit bureau as the priority medium- and long-term solution to increase access to, and reduce the cost of, finance in Guyana.

Credit bureaux are normal components of the financial system in most economies globally, and enable financial institutions to better assess risk. A credit bureau in Guyana will facilitate greater competition between banks as customers will be able to move between banks more easily. Better assessment of risk will reduce the likelihood of default of loans, and thereby reduce the need for customers to put forward formal collateral, which many potential borrowers (especially small businesses) in Guyana have difficulties obtaining. It will also build the informational foundation which will enable banks to offer more long-term financing in the future, the lack of which has been identified as another problem for Guyanese businesses. Furthermore, a reduction in banks' risk will lead to reductions in interest rates charged to borrowers, and a reduction in defaults on payments by borrowers will contribute to an improvement in Guyana's sovereign credit risk rating.

### *Discussion and Actions Agreed at NCC Meeting*

The establishment of a credit bureau was discussed extensively, and the Government's plans to facilitate its establishment were outlined. Members of the Council agreed that while the Government would play an enabling role, the banks and other financial institutions should fund and manage the bureau. To support this, **Minister of Finance, Minister Singh and the private sector Members of the Council will meet with the Bankers' Association and if necessary, individual banks, to (i) update them on work to establish the enabling environment for the bureau, and (ii) seek the banks' formal commitment to establish the credit bureau as soon as possible. The NCSU will provide monthly progress reports to members.**

On related matters, Mr Dookhoo spoke of how the PSC was pleased with the creation of the Commercial Court *[Note: the Commercial Court commenced operations in 2006, and focuses on the resolution of disputes among firms, mainly relating to debt collection and contract enforcement]*. However, he expressed concern over the backlog of cases and whether the backlog could be transferred from the traditional Court to the Commercial Court. **President Jagdeo informed the meeting that the Government had set aside some money and would, once the National Assembly came out of recess, work to put in place mechanisms to deal with backlogs in the Commercial Court.**

Mr. Zephyr said that he was very pleased with the passing of the Small Business Act, but expressed concern relating to the implementation of the Act, in particular problems relating to institutional support for the Small Business Council and Small Business Bureau. **President Jagdeo asked members to work together to develop an Action Plan for implementation of the Small Business Act to be discussed at the next meeting of the NCC in January 2008. Mr. Zephyr will work with Mr. Hogan to monitor the creation of the Action Plan.**

Mr. Zephyr raised the issue of a Loan Guarantee Fund, which is provided for in the Small Business Act. President Jagdeo stated that donor support might be needed to establish such a fund and that care would need to be taken to ensure that the Fund would not take away the responsibilities and incentives of businesses to repay their loans.

Mr. Correia raised the issue of long-term financing and the fact that many Guyanese financial institutions do not lend money over the long term. President Jagdeo expressed his view that this reinforced the need for a Credit Bureau to identify potential clients for long-term financing.

## **Shipping**

### *Background*

Exporters have identified lack of international shipping capacity and its high cost as key impediments to Guyana's competitiveness. They have stated that greater shipping capacity would enable several sectors of Guyana's economy to expand exports significantly (in particular forest products, non-traditional agricultural products and aquaculture).

In July 2007, the Ministry of Tourism, Industry & Commerce, in conjunction with GO-Invest and the Shipping Association of Guyana, organised a meeting of key stakeholders to discuss the issue of shipping. The meeting involved representatives from Government, major shipping companies and exporters. A follow-up meeting was held to discuss the specific concerns of exporters in the forestry sector. At these two meetings, exporters identified several problems:

- Current shipping (including by air) and terminal capacity is insufficient for exporters' needs; exporters often need to wait for containers and shipping capacity to become available
- Shipping rates from Guyana have increased significantly in recent years
- Currently available shipping capacity is not sufficiently flexible
- Slow processing at harbours, customs and unloading facilities causes delays in shipping products, which makes Guyanese exports less attractive.

### *Discussion and Actions Agreed at NCC Meeting*

Mr. Hogan highlighted that there was a fundamental mismatch between the export projections of shippers and exporters, and that this was the first thing that needed to be addressed. Moreover, some exporters, particularly in non-traditional agriculture products, were unable to sign up new customers because they were unable to guarantee shipping capacity. On the other hand, shippers were reluctant to commit to expanding capacity due to uncertainties in the level of demand. Mr. Dookhoo explained that the immediate issue is the dredging of the bar, since without this each vessel is leaving with 100 containers short each trip. The handling and other services are operating at 50% capacity.

The Council discussed that while in the long-term, the building of new facilities on the Berbice River will assist in expanding Guyana's shipping export capacity, it was necessary to identify more short- and medium-term solutions to enable exporters to grow at the rate they were predicting. Prime Minister Hinds pointed out that the draft in operation on the Demerara River was less than it had been, and that ways to finance dredging operations may be part of a solution.

**The Prime Minister agreed to work with relevant Government agencies, representatives of major exporters, the Shippers Association and individual shipping companies to progress actions to expand shipping capacity in line with realistic export projections for major economic sectors. The President asked for a monthly report on progress made.**

## **Improving the Process of Registering Businesses: Deeds Registry Reform**

### *Background*

The legal registration of businesses in Guyana is undertaken by the Deeds Registry. Formal business registration is an important task for several reasons:

- Efficient business registration procedures help make business ventures less risky, as well as encouraging their longevity and likelihood of success;
- Legally recognised companies have better access to finance and public services, including recourse to the judicial system in the case of commercial disputes;
- Business registration provides information on the business sector and so can help inform Government public policy and investment decisions; and
- Business registration is the first contact that businesses have with Government and so strongly impacts perceptions of the investment climate.

The Deeds Registry currently faces the following challenges:

- All registration procedures are currently manual
- There is no in-house legal expertise
- Registration turnaround times are not set and turnaround times can be inconsistent
- Storage facilities for companies and business name records are poor and because records are not maintained properly, the search facilities at the Registry are inadequate
- The Registry has inadequate links with other complementary government agencies such as the GRA.

The NCS sets out the Government's plans for a major modernisation programme to streamline processes within the Deeds Registry, including those relating to business set-up. This work will reorganise and train the Deeds Registry's workforce, establish targets for registration turnaround times and expand the use of information technology to allow for better record-keeping and more automated (and hence more efficient and quick) processes.

### *Discussion and Actions Agreed at NCC Meeting*

President Jagdeo informed the members of the Council that work will start on the modernisation of the Deeds Registry in early 2008. **He instructed the NCSU to provide an overview of this work at the next NCC meeting.**

On related matters, members discussed inaccuracies in the World Bank's Doing Business Index relating to business registration process. **President Jagdeo instructed Mr. Hogan to lead work on identifying actions to improve the accuracy of indices such as the Doing Business Index, so that work could focus on progressing genuine process issues.**

Mr. Da Silva said that not all business registration issues were related to the performance of the Deeds Registry, and that some were a result of delays at other institutions, including local government entities. **President Jagdeo suggested that the NCC examine inefficiencies across the entire business registration process, and not just the Deeds Registry at its next meeting.**

The members also discussed the costs of setting up a business, including the stamp duty.

Mr. Gajie suggested that the Government consider setting up regional branches of the Deeds Registry to make it easier for individuals outside of Georgetown to set up businesses. **President Jagdeo said that at this time the Government was not in a position to decentralise the Deeds Registry but suggested that the Regional Chambers of Commerce could provide an advisory service to assist people in the regions to set up businesses.**

## **Telecommunications Reform**

### *Background*

Guyana possesses several competitive advantages in Information and Communications Technology (ICT)-related industries such as call centres and e-commerce:

- English-speaking population
- Literate and trainable workforce
- Relatively low labour costs
- Time zone (same as east coast North America)

The NCS identified ICT as a key growth opportunity for Guyana. Similarly, Guyana's ICT strategy, ICT4D, identifies measures to accelerate economic growth and social development in Guyana through the development and use of ICT. The Strategy's

specific objectives include ensuring access to reliable ICT at the lowest sustainable cost, and developing the necessary policies, laws and regulations that would support sustainable development of the ICT sector.

However, the objectives of the NCS and ICT4D are currently being held back by the status of telecommunications infrastructure and service in Guyana. As a result of changes in the telecommunications industry across the world, the longstanding monopoly of the incumbent telecommunications provider in Guyana can no longer provide the service quality, price and international competitiveness that are required for the ICT sector and Guyana's economy and society to reach their potential. The current monopoly results in a lack of agility in responding to the emergence of new, dynamic ICT-enabled growth poles in the economy. This results in higher costs and lower service quality. A number of call centres and back-office processing centres have been established in Guyana recently, but further development of the sector has been hindered.

Notwithstanding significant progress made by the incumbent operator, and the valuable efforts of its employees, it is the Government's view that further reform of the telecommunications sector is required to generate substantial exports and large numbers of jobs.

For these reasons, the Government intends to revise the legislative and regulatory framework governing the telecommunications sector so as to encourage, facilitate and effectively regulate a fully competitive sector that will act as an engine of growth for the economy.

#### *Discussion and Actions Agreed at NCC Meeting*

President Jagdeo informed members that the Government would continue to pursue liberalisation, and asked for the support of the private sector and organised labour in this work.

**All members of the NCC expressed their support for the liberalisation of the telecoms sector, and discussed the importance of ensuring that this is done in accordance with international norms.**

### **Corporate Governance**

#### *Background*

Corporate governance has three main purposes:

- Facilitate and stimulate the performance of corporations by creating and maintaining incentives that motivate corporate insiders to

- maximise firms' operational efficiency, return on assets and long-term productivity growth;
- Limit insiders' abuse of power over corporate resources – whether such abuse takes the form of asset-stripping or otherwise siphoning off corporate resources for private use, and/or their causing significant wastage of corporate-controlled resources – which are otherwise likely to result from insiders' self-serving behaviour;
  - Provide the means to monitor managers' behaviour, in order to ensure corporate accountability and provide for reasonably cost-effective protection of investors' and society's interests vis-à-vis corporate insiders.

Good corporate governance is a product of companies' and individuals' own norms and cultures, as well as of Government regulations. Both the Government and the business sector have incentives to encourage and follow better corporate governance practice.

Although corporate governance has in the past tended to be seen as a concept with greater relevance to economies with large stock markets, good corporate governance is increasingly being seen as important for the successful economic development of emerging-market countries. Not only do well-governed firms tend to find it easier to attract outside financing at lower cost (and are therefore more likely to invest, grow, and experience sustainable success), good corporate governance practices also help companies to maximise productivity, efficiency and profitability. Well-governed firms have better managerial incentives that are likely to encourage an increase in productivity. On a country level, improvements in corporate governance impact positively on economic activity, as measured by GDP growth, productivity growth and the ratio of investment to GDP.

Guyana currently has several laws and regulations that aim to promote good corporate governance. These include, among others, the Securities Industry Act 1998, the Companies Act 1991, the Financial Institutions Act 1995, the Foreign Exchange Act 1996, the Bank of Guyana Act 1998, the Money Laundering Act 2000, the Small Business Act 2004, the Investment Act 2004 and the GASCI Rules.

In 2003, the Guyana Securities Council issued draft *Recommendations for a Code of Corporate Governance*. The *Recommendations* relate to areas such as the Board of Directors, financial reporting, transparency, remuneration, the role of shareholders and ethics.

#### *Discussion and Actions Agreed at NCC Meeting*

President Jagdeo underlined the importance of good corporate governance and highlighted its potential benefits to investors, consumers and the country as a whole. **He suggested that members should consider how to introduce an index for measuring overall adherence to corporate governance standards in Guyana**

**and challenged the private sector and organised labour to place this issue on their priority list for appropriate action.**

**Mr. Correia said that the PSC was willing to collaborate with the Government in putting in place such an index, and also in education and training on corporate governance. He said that the PSC would make every effort to involve institutions such as the Securities Commission and banks. Mr Dookhoo asked that the NCSU provide support for this, and President Jagdeo instructed Mr. Hogan to ensure that this happens.**

## **Income/Corporate Tax Reform**

### *Background*

Taxation is a key element of competitiveness, since taxation can retard or encourage productive investment. The NCS sets out the Government's policy that the tax system should provide sufficient incentives to business and individuals to undertake economic activity whilst being fair to all tax-payers and maintaining the Government revenue that is needed to fund public expenditure.

Since the early 1990s, Guyana's tax system has undergone a series of reforms aimed at stimulating investment. However, there is room for Guyana's business taxation and tax incentives system to be further streamlined so as to further encourage new investment and to assist the country in becoming more competitive in the global marketplace. The first step toward the necessary reforms will be an analysis of the various components of the current tax system and an evaluation of what would be the best mix of taxes in line with Government policy as articulated above.

The Government has initiated work to carry out a study of the tax system and to devise an action plan to implement tax formulae that will boost investment while sustaining revenues to support the Government's policy objectives. The specific aims of the study are as follows:

- Decrease the cost of doing business in Guyana;
- Increase the simplicity of tax compliance and of tax collection;
- Increase the transparency of the tax system;
- Preserve government revenue;
- Recommend a tax system that is in line with the government's tax policy objectives.

### *Discussion and Actions Agreed at NCC Meeting*

President Jagdeo informed the NCC members that the Tax Study would commence in 2008, and asked all members to ensure that their organisations participate in the

work to progress the study. At the next NCC meeting in January 2008, **the NCSU will communicate the plan to progress the study at the next NCC meeting in January 2008.**

## **Customs Efficiency**

### *Background*

The NCS sets out the Government's recognition of the need to streamline the administrative procedures involved in the export of goods, including the removal of "red tape". It also indicates a plan of which a Trade Transactions Study is the first step to improve export facilitation efficiency by establishing the necessary information base. Customs, wharf operators, freight forwarders and a sample of exporters from traditional and non-traditional industries would be involved in the study, and the target outcome of the work is a reduction in the time and cost involved in processing imports and exports.

### *Discussion and Actions Agreed at NCC Meeting*

The Council was informed that the Trade Transaction Study is expected to commence in April 2008. **At the next NCC meeting in January 2008, the NCSU will provide an overview of the plan to progress the study, and to increase overall export efficiency.**

On related matters, Mr. Dookhoo expressed concern that there were stability problems with the new software (TRIPS) that was being administered by Customs, with significant down-time. He also asked the Government about the possibility of introducing e-filing of documentation. **President Jagdeo instructed the NCSU to ask the Commissioner of the GRA to provide him with an update on the software problems within two weeks.** He said that e-filing was something to consider for the future, but was currently not prioritised for implementation.

## **More Effective Marketing of Guyana as an Investment Destination**

Due to insufficient time, this issue was not substantively addressed. Instead, President Jagdeo instructed the NCSU to convene a series of meetings whereby public and private stakeholders can discuss ways to improve Guyana's overall investment marketing capability.

**The NCSU will provide an update at the next NCC meeting.**