



ADDRESS BY

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at the

**GUYANA INVESTMENT CONFERENCE**

***“MAXIMISING OPPORTUNITIES FOR INVESTMENT IN GUYANA”***

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## **I. INTRODUCTION**

I am very pleased to be participating in today's conference on *“Maximising Opportunities for Investment in Guyana”*.

I wish to thank the Hon. Dr. Ashni Singh for inviting me to speak here, today.

I also wish to acknowledge the High Commission of Canada's role in sponsoring this event. By promoting better understanding of their respective roles, such dialogue will encourage collaboration between the public and private sectors, in the interest of Guyana's development.

The discussion, is unquestionably, very important. The amount, type and quality of investment can have a profound impact on growth dynamics, prosperity and social well-being in Guyana.

## **II. PERFORMANCE ASSESSMENT**

A review of Guyana's key macro-economic fundamentals paints an encouraging picture.

Guyana's economic growth remains unbroken for seven years, averaging 4.5% between 2006 and 2012.

Fiscal reforms and strict adherence to debt management led to improvements in public sector performance. The overall fiscal deficit fell below 5% of GDP in 2012, from an annual average of 44% of GDP in the 1990s.

The external debt-to-GDP ratio was 40% in 2012, compared with over 600% in 1989. And the total sovereign debt stock was only 66% of GDP at the end of 2012.

Guyana's risk of debt distress is now rated “moderate”, and its debt carrying capacity assessed as relatively robust.

Unemployment fell from around 17% in 1980 to under 11% by 2006, a trend which would have continued, given the growth performance.

Poverty, though still high, has fallen substantially. The most recent Household Income and Expenditure Survey reports that the population living below the poverty line fell to 36% by 2006, from 43% in 1999.

The results are not so clear-cut with regard to human progress.

The United Nations Human Development Index points to improvement between 1995 and 2005; but stagnation thereafter. This suggests that overall socio-economic development may **not** have improved significantly, despite the reported gains in economic growth, employment, and education.

## **III. SUSTAINING INVESTMENT AND GROWTH**

Encouraging as the overall results are, we should ask “Will they continue?” “How can we get better results?” and “What are the lessons for the future?”

This morning, I want to share some of my own thoughts on these questions.

**(a) Macro-Economic Stability**

My first point is that macro-economic stability is vital for sustaining investment and growth.

The private sector will invest if it perceives that commitment to prudent fiscal management exists.

Investment is also more likely to flourish if the financial sector is stable.

Investors thrive when the exchange rate is stable and foreign reserves are healthy.

The recent economic crisis reminds us about the importance of a sound and well-functioning financial sector.

Economies now require fairly sophisticated financial markets offering a variety of financial products; well-regulated securities exchanges; and well-functioning credit markets.

The financial system in Guyana is fully liberalised, well-capitalised and profitable.

Improvements in financial sector soundness and oversight continue. Prudential indicators have strengthened.

And the Guyana dollar has been relatively stable.

The authorities in Guyana have remained committed to pursuing a consistent set of macro-economic policies that give these results.

Such policy continuity is reflected in increasing investor interest. Private fixed investment rose by around 14% per annum between 2006 and 2012.

But, there are still areas for improvement.

In the financial sector, intermediation is low; and the stock market remains underdeveloped, with a small number of listed companies and low trading volumes.

There may be a case for regional financial integration to broaden the investment market; increase capital availability, and reduce capital cost.

We must, though, carefully weigh these potential benefits against the requirements for sharing information, harmonising regulations, and coordinating policies.

**(b) Cost of Doing Business**

My second point relates to the Cost of Doing Business. Lowering entry barriers and improving regulatory frameworks are good for promoting investment and stimulating growth.

Guyana ranked 114 out of 185 participants in the World Bank's 2013 "Doing Business" Survey. This is below the regional average of 97 for Latin America and the Caribbean.

The survey results highlight several areas for further improvements, including paying taxes, securing construction permits, and getting electricity. The judicial system is said to be slow, requiring 581 days to enforce contracts.

It is noteworthy that the number of days required for new business start-up dropped to 20 in 2013, from 46 in 2006 with the digitisation of company records.

The 2012-13 Global Competitiveness Report also looks at factors influencing business costs. Almost 65% of the respondents chose crime and theft; transparency; the tax rate; access to financing; and poor work ethic as the major concerns.

These two publications are simply guides to better understanding investor behaviour and should be supplemented with other data sources to inform policy decisions. Policymakers must be open to assessing all relevant factors and to taking appropriate corrective measures, in a timely fashion.

### **(c) Human Capital Development**

My third point focuses on building capacity and strengthening institutions through education and training. Most countries that sustain high growth rates dedicate substantial effort towards deepening human capital.

Guyana's education system has undergone significant transformation in recent years. School enrolment and teacher training have increased.

There is universal access to primary education.

And significant progress towards universal access to secondary education has been made.

These are movements in the right direction!

### **(d) Environmental Management and Climate Resilience**

Long-term growth also requires a commitment to integrating environmental concerns into decision-making. This is my fourth point.

Guyana has satisfied the Millennium Development Goals' target of integrating the principles of sustainable development into its national policies and programmes.

Significant progress has also been made on performance indicators for access to basic services. Coverage has improved. But more work is still needed to address issues of water quality and reliability and to improve housing quality and sanitation practices, particularly in remote communities.

Guyana is very vulnerable to natural hazards events, including flooding. Flooding is most prevalent in the coastal plains where 90% of the population resides. Replacement and maintenance of sea and river defence structures and drainage system will continue to be priority areas for public investment.

Effective environmental management also demands continued attention to, *inter alia*, institutional strengthening; capacity development; and policy formulation.

I have just touched on four areas for sustaining investor interest and promoting long-term growth in Guyana:

- macro-economic stability
- cost of doing business
- human capital development
- environmental management and Climate Resilience

This list is certainly not exhaustive. But it does identify some critical areas which could frame your discussions over the next two days.

#### **IV. CDB'S ROLE**

In the remaining minutes, let me speak briefly about CDB's partnership with Guyana to improve investment and growth, as a stepping stone to systematic poverty reduction.

Since 1970, CDB has provided USD297 million to Guyana. Earlier this year, we signed an agreement with the Government for a USD34 million loan for the West Coast Demerara Road Improvement project. Region 3, Guyana's third most populated region, will benefit from improved road safety and access to farms and agricultural produce.

We have done several road programmes in Guyana with similar results.

Also this year, our Board of Directors approved a new USD47 million country strategy for Guyana (2013-17). The strategy emphasises tackling poverty by increasing access to basic social services; improving skills to take advantage of emerging job opportunities; enhancing competitiveness; and responding to climate change through coastline protection.

This new strategy includes a USD7 million grant under our Basic Needs Trust Fund (BNTF) 7 programme. Later today, I will attend the Launch of BNTF 7.

We are extremely proud of the BNTF programme. It has been facilitating investments in community infrastructure and related services in water and sanitation, access roads and drainage, education and human resource development since 1979.

Through BNTF, we have had our biggest impact on poverty reduction, particularly in rural areas and remote locations in Guyana.

Also under our new strategy, Guyana can access a relatively new USD65.3 million Climate Action Line of Credit. The European Investment Bank-funded Line will provide concessionary resources for climate change related interventions such as energy efficiency, renewable energy, forestry and land use, low carbon technologies, and adaptation.

I want to encourage the Government to take full advantage of this low-cost facility in pursuit of its own objectives of building climate resilience and improving environmental management.

#### **V. CONCLUSION**

With these words let me wish you a productive and successful meeting.

Thank you for your attention.