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McKeanax Papers

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Guyana (1972)

Folder 1

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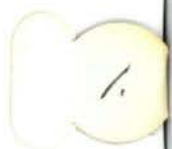
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GIYANA

GUYANA

1. 12/6/72 Dr. P. H. Reid, Deputy Prime Minister and Minister of Agriculture
B. Ramsaroop, Minister without Portfolio
F. Talbot, Ambassador Designate, Permanent Mission UN
P. Mittelholzer, First Secretary, Embassy of Guyana

- 2/13/80 S. Ramphal (Brandt Commission)
(lunch)



OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara (~~Through Mr. Knapp~~)

DATE: December 5, 1972

FROM: Gunter K. Wiese

SUBJECT: Visit of Mr. Peter Ried, Minister of Agriculture
and Deputy Prime Minister of Guyana

The Minister is scheduled to pay a courtesy visit to you at
11 a.m. on December 6. A brief paper is attached for your background
information.

Attachment

President has seen

BRIEFING FOR MR. MCNAMARA'S MEETING WITH MR. PETER RIED
MINISTER OF AGRICULTURE AND DEPUTY PRIME MINISTER OF GUYANA
AT 11 A.M. ON DECEMBER 6

1. It is our understanding that Mr. Ried will be visiting you as a matter of courtesy, and that no substantative issues are likely to come up. The purpose of this note is therefore to provide you with a brief background of the present situation in Guyana, and the role that the Bank has played in the past and assistance planned in the future. Special comment has been made on the agricultural sector which might be of particular interest to the Minister.

2. Guyana's economic performance in recent years has been on the whole satisfactory. The resource base is adequate and the nationalization of the country's largest bauxite mining company, the Demerara Bauxite Company Ltd. (DEMBA), a wholly owned subsidiary of the Aluminum Company of Canada Ltd. (ALCAN) in mid-1971, was handled judiciously. The Government's recent policy measures, taken within the conceptual framework of "cooperative socialism", have emphasized equity, local participation in the economy and self-reliance. The cooperative structure is being increasingly used in the production and marketing of agricultural and industrial goods, and Labor Contract Societies have been set up to facilitate the participation of the unemployed in labor intensive works. Direct Government participation in the economy is being enlarged; an External Trade Bureau has been assigned the exclusive right to import goods valued at about one-fifth of the country's total imports, a National Cooperative Bank, with majority Government shareholding has been set up, and the Guyana State Corporation has been created with broad responsibility for the efficient functioning of autonomous undertakings.

3. Within the framework of a 15-year plan for 1972-86, which is presently in preparation, a 5-year operational plan for 1972-76 would aim to reach self-sufficiency in foodstuffs and textiles and to meet the most pressing housing needs by 1976. While continuing to develop the traditional export sectors - bauxite, sugar and rice - the plan will place special emphasis on the development of other lines of agriculture, forestry and fisheries, and on the penetration of the country's interior. The plan will also focus on the reduction of unemployment, which is presently estimated at 15 percent, and the upgrading of human resources through training programs.

4. It is still premature to forecast the full economic and political impact of the Government's new policy measures; early signs suggest that the implementation of the Government's policy for an increased emphasis on social equity is accompanied by some uncertainty within the private sector and, combined with other exogenous adverse factors, by a diminished growth of the economy over the short term. The longer-term outlook for Guyana's economy, however, promises to be favorable, given the ongoing activities and the plans of the Government and the private sector in Guyana's main commodities. In addition, the Government has shown its willingness to maintain austerity measures and to curb the import of consumer goods.

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5. Most of Guyana's external capital requirements in the past have been met on highly concessionary terms and, as a consequence, the debt service ratio is relatively low. In these circumstances, and assuming that much of the future external assistance will be forthcoming on similar terms, Guyana may be regarded as creditworthy for considerable borrowing on concessional terms. External aid flows have not been affected by the emergence of the new Government policy of cooperative socialism. In 1971, assistance from bilateral sources was provided by the United States, by the United Kingdom and by Canada. This assistance has been focused on the agricultural sector, infrastructural works, sea defense projects and social services. The Bank made a loan for \$0.9 million for agricultural credit in 1961 to the former colony of British Guiana; this loan has been repaid in full. Since the country's independence in 1966, the Bank Group has lent \$22.8 million to Guyana: \$13.3 million from the Bank and \$9.5 million from IDA. The undisbursed balances under these loans and credits on October 31, 1972 amounted to \$9.7 million and \$8.8 million respectively. Approximately half of this lending has been for sea defense projects, the remainder being for an education, a livestock and a highway project. The status of our ongoing operations is outlined in Annex I.

6. Our lending in the past has resulted in developing a close relationship between the Bank Group and the Government of Guyana; as a result, we believe we have been successful in helping the country to shape its investment and financing program. Our association has also contributed to the strengthening of public institutions, and to the more efficient use of total technical and financial assistance received from abroad. In the agricultural sector specifically, the IDA credit (\$2.2 million, 1970) for livestock was conceived as the first step in a continuing, longer-term effort. The project is part of a livestock development program, and would provide funds for on-lending to private, cooperative and company ranches in the coastal and the intermediate Savannah areas. At full development in the eleventh year, the value of the annual beef production resulting from the project would reach over \$1.0 million, or about 45 percent of the present total production.

7. In line with our analysis of Guyana's requirements and the Government's priorities, we are planning to concentrate future lending by the Bank and IDA mainly on agriculture. A copy of the Bank's lending program approved at the last country review appears at Annex II.

8. Priority will be given by us in assisting the development and diversification of Guyana's primary resources. A land development and rehabilitation project has been proposed with a view to diversifying the country's agricultural sector outside sugar. The Government proposes to set up an Agricultural Development Bank to act as a channel for the financing of this project, and to promote Guyana's further agricultural development. A second livestock project is planned to follow up on the earlier credit operation; and a forestry development project has been identified, comprising a forestry access

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road and a forestry industry complex. The Government is carrying out the survey needed for the access road, and has planned a market survey which CIDA will finance. In the fisheries sector, we are studying the possibility of financing port and onshore facilities and possibly also the augmentation of the shrimping fleet.

9. A loan for the equivalent of \$6 million to the Guyana Electricity Corporation, with the Guarantee of Guyana to help finance a power project is scheduled for presentation to the Executive Directors on January 9, 1973.

Latin America and Caribbean Regional Office
December 5, 1972

STATUS OF BANK GROUP OPERATIONS IN GUYANA

A. Statement of Bank Loans and IDA Credits (as at October 31, 1972)

| Loan or Credit No. | Year | Borrower | Purpose | (US\$ million) | | |
|--------------------------|------|----------|---|----------------------------|------------------|-------------|
| | | | | Amount (less cancellation) | | |
| | | | Bank | IDA | Undis- bursed | |
| 559 | 1968 | Guyana | Sea Defence I | 5.0 | - | 1.7 |
| 583) | 1969 | Guyana | Education | 2.9 | - | 2.8 |
| 139) | | | | - | 2.9 | 2.3 |
| 221 | 1970 | Guyana | Livestock | - | 2.2 | 2.1 |
| 765 | 1971 | Guyana | Sea Defence II | 5.4 | - | 5.2 |
| 301 1/ | 1972 | Guyana | Highway | - | <u>4.4</u> | <u>4.4</u> |
| | | | Total (net of cancellations) of which has been repaid | 13.3 - | 9.5 - | 18.5 |
| | | | Total now outstanding | 13.3 | 9.5 | |
| | | | Amount sold of which has been repaid plus exchange adjustment | 0.1 - - | 0.1 - | 0.1 |
| | | | Total now held by Bank and IDA | <u>13.2</u> | <u>9.6</u> | |
| | | | Total undisbursed | <u>9.7</u> | <u>8.8</u> | <u>18.5</u> |

1/ Effective as of November 15, 1972.

NOTE: This table does not include a \$0.9 million loan to British Guiana which has been repaid in full.

B. Statement of IFC Investments

So far there have been no operations of the International Finance Corporation in Guyana, which became a member of IFC on January 4, 1967.

C. Projects in Execution

\$5.0 million Loan of September 27, 1968, for Sea Defence (Ln. 559)

All project items (except for part of the survey equipment costing less than \$100,000) are under contract, and disbursements should be completed before the end of 1973. Construction is proceeding satisfactorily on the East Coast Demerara sea wall. Total project costs are estimated at \$8.5 million, of which the foreign exchange component will be about \$5.7 million, resulting in a cost overrun totaling \$1.0 million. The Government intends meeting the cost overruns. Since benefit increases have been approximately parallel to cost increases, the economic rate of return of the project has not been seriously affected.

\$5.4 million Loan of June 24, 1971, for Sea Defence (Ln. 765)

The Georgetown Sea Defence Project is at a critical stage. When the tenders for civil works were opened on July 6, 1972, only two bids were received, of which the lower was more than twice the amount estimated by the appraisal mission. After consultation among the Government, the Bank, and the consultants, it was decided to reject both bids, and the consultants were asked to discuss with both bidders a more acceptable price. Discussions are still going on. The result could be a revised version of the project which would eliminate all items that could be postponed for later construction by force account. Furthermore, the Government is studying the possibility of constructing the entire works through force account. A decision on the project, which became effective on August 19, 1971, will be taken after the consultants' findings and Government's report have been received.

\$2.9 million Loan and \$2.9 million Credit of January 31, 1969, for Education (Ln. 583 and Cr. 139)

Construction of the teachers' training college has been started, and is expected to be completed by July 31, 1973, some 15 months behind the appraisal schedule; the major causes of delay have been in the selection of consultants, award of construction contract, and adverse weather conditions during construction start-up. A contract for the construction of the multilateral schools has recently been awarded; construction has not yet started, but is expected to be completed by April 1975, about 18 months behind the appraisal schedule, and four months beyond the present closing date of December 31, 1974. Signature of the construction contract was delayed due largely to discussions between the lowest bidder and a large international construction firm on the provision of expert management and procurement consulting services. The anticipated delay in completion of all project construction is expected to result in cost increases of about eight percent. The Government intends meeting the cost overruns. In spite of these cost increases, the project is still considered worthwhile.

\$2.2 million Credit of November 27, 1970, for Livestock Development (Cr. 221)

The Credit became effective on September 15, 1971, but disbursements have been minimal. However, steady progress has been made towards getting the on-lending program operative. The first on-ranch loan has been made, and two cooperative groups have their programs at an advanced stage of planning.

\$4.4 million Credit of April 26, 1972, for a Highway Project (Cr. 301)

The Credit, after its date of effectiveness had been postponed twice, was declared effective on November 15, 1972, after UNDP assurances had been obtained on the financing of \$1.2 million for technical assistance for transport planning, a management study of the Ministry of Works and Communications, and road feasibility studies. The transport planning technical assistance and the management study are expected to start shortly.

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: December 6, 1972

FROM: Gunter K. Wiese SUBJECT: GUYANA - Visit of Deputy Prime Minister with Mr. McNamara, December 6, 1972

On December 6, 1972, Mr. P. H. Reid, Deputy Prime Minister and Minister of Agriculture in the Government of Guyana, called on Mr. McNamara. The Minister was accompanied by Mr. F. Talbot, Ambassador Designate, Permanent Mission to the UN in New York; Mr. B. Ramsaroop, Minister without Portfolio; and Mr. P. Mittelholzer, First Secretary in the Embassy of Guyana, Washington. Mr. Isbister and the writer were also present. The meeting lasted thirty minutes. It was essentially a courtesy call; no operational issues were discussed.

The Minister described the major thrust of Guyana's agricultural development program which concentrated on the coastal plains. There the emphasis was on raising the productivity of the land and establishing food preservation and processing plants. All of this was an integral part of Guyana's development program which was aiming at eliminating the country's present heavy dependence on imported food stuffs. The Government had also begun to mount a program for the settlement of the interior. Settlers were carefully selected volunteers. The Government would build the infrastructure and contribute about \$2,000 per settler to his subsistence during the first year.

Many of the agricultural development activities were carried out in the form of "self-help" programs. Available estimates indicated that total past investment costs incurred within the framework of such programs had already amounted to almost \$40 million. Unfortunately, attempts to introduce self-help programs into the cities had so far been a failure. Apparently, the relationship between effort and benefit was not as evident there as it was in the case of rural projects.

Mr. McNamara stated that the Bank welcomed the Government's efforts to make life in the rural areas more livable and to reduce unemployment in those areas while at the same time increasing production and productivity. Pointing out that the Bank was planning to carry out a large operations program in Guyana, he assured the Minister that we would give our full support to the Government's efforts to develop the country while at the same time improving the distribution of the benefits of economic growth. Countries having such a program and also trying to carry it out on the basis of heavy self-reliance were indeed rare and deserved the special support of international lending agencies.

cc: Mr. Ljungh
Mr. Kapur

GKWiese:mr

President has seen