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INDUSTRIAL DEVELOPMENT STRATEGY AND POLICIES:
THE EXPERIENCE OF GUYANA, 1950-72

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Summary ^{1/}

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Introduction

1. Political factors have influenced both the pace and pattern of industrial development in Guyana. During the period of Colonial government up to 1957 and the period of internal self-government 1957 to 1964, Sugar and bauxite were produced for export and most manufactured goods were imported; lack of protection and the credit policy of foreign-owned commercial banks made it difficult to establish and expand local industries. Since independence in 1964 the Government has promoted some industrial projects and has gradually taken national control of industries processing Guyana's principal natural resources.

Pre-conditions for industrialization

2. Guyana's small population (428,000 in 1950 and 733,000 in 1970) has provided only a small domestic market. Population has grown rapidly (3.4 per cent per annum in the 1950s and 2.3 per cent per annum in the 1960s) and per capita GDP has increased steadily by more than 3.5 per cent per annum to a level of US \$310 in 1970. The distribution of income changed little in the 1950s, but since 1960 employment has grown faster and the earnings of lower and middle income groups have improved. The domestic market has thus assumed greater importance.

3. The development of the internal transport system, (particularly rapid since 1965), has helped to broaden the domestic market but so far industries have concentrated in the capital city, Georgetown, and the coastal region where reliable sources of power and water have been developed. An industrial estate of 25 acres was established 3 miles outside the capital in 1966; 12 enterprises were in operation in 1973 and the remaining sites are committed. A second industrial estate of 1 acre was established in 1970, 12 miles from the capital.

4. Following a manpower survey made by the I.L.O. in 1956, the Government expanded technical and vocational training facilities in Georgetown and other cities. The bauxite mining and other private companies established training programmes. Skilled labour was therefore more readily

available in the 1960s; the principal shortage has been for engineers, accountants and managers.

5. In the 1950s foreign-owned commercial banks were the only available source of industrial financing, but they concentrated on financing the import trade. Equity shares in some larger enterprises were sold to the public in the late 1950s, but for small enterprises, financing remained an obstacle only partly relieved by the Guyana Credit Corporation (established in 1954) and the Guyana Development Corporation (established in 1964). The Guyana National Co-operative Bank was established in 1970 as a government enterprise to fill this gap and finance co-operatives.

6. Most of the larger enterprises established in the 1950s and 1960s were foreign owned. A small group of local entrepreneurs accumulated sufficient savings to start industrial enterprises and some of these have grown to medium size. Co-operatives have begun to promote small industrial enterprises.

Industrialization Achievements

7. Output of the manufacturing sector grew by 2.2 per cent per annum between 1950 and 1960 and by 7.7 per cent per annum between 1960 and 1970. In the latter period, the growth rate was over 10 per cent per annum if sugar and rice processing are excluded; their output increased by 3 and 6 per cent per annum respectively in this period.

8. Mining (mainly bauxite) has been of major importance to the economy and accounted for 11 per cent of GDP in 1960 and 18 per cent in 1970. Sugar processing contributed about 4 per cent of GDP in 1960 and 3 per cent in 1970. The contribution of other manufacturing industries increased from about 5 per cent in 1960 to about 7.5 per cent in 1970. Guyana has thus just moved up from being a "non-industrial" to an "industrialising" country; according to the IBRD definition this point is reached when manufacturing output (including sugar processing) exceeds 20 per cent of total commodity production. The contribution to GDP of agriculture declined from 26 per cent in 1960 to 20 per cent in 1970.

9. A list of the 25 major enterprises established since 1950 is provided as Annex A. Most of the new industries produce consumer goods (edible oils, margarine, soap, cigarettes, pharmaceuticals, furniture, etc.). The resource based industries still contribute the major part of value added in the industrial sector (bauxite and alumina, sugar processing,

rice milling, timber, hardboard, gold and diamonds in roughly that order of importance). A few intermediate goods are produced (cement, paints, fencing, nails electrodes, industrial gases) but the metal-working industry is so far limited to a foundry, small ship-building and production of simple agricultural implements.

10. The proportion of local demand for manufactured goods that is supplied by local production (rather than imports) is estimated to have increased from about 10 per cent in 1950 to about 20 per cent in 1970. An estimated 10 per cent of manufacturing output (excluding processed sugar and bauxite) is exported; these manufactured goods accounted for 6.5 per cent of the total export earnings in 1970.

Guyana's manufacturing industries have made little use so far of Guyana's preferential access to the wider Caribbean Common Market (about 5 million); the principal reasons appear to be lack of interest by management, a growing home market, small capacity and high costs of production, and strong competition from longer-established industries in Jamaica and Trinidad.

11. Employment in the manufacturing sector total 28,400 in 1972 (15 per cent of total employment in the economy) compared with 26,300 in 1960. Large enterprises (employing over 100 workers) account for 50 per cent of total employment, with sugar processing (about 32 per cent) the major employer; small enterprises (10 to 99 workers) employ a further 40 per cent and cottage and artisan industries about 10 per cent.

12. In 1969, there were 40 manufacturing enterprises employing more than 100 workers and 344 enterprises employing 10 to 99 workers. Over 90 per cent of employment is provided by private sector enterprises; the share of employment provided by public sector enterprises (about 8 per cent) and co-operatives (about 2 per cent) is increasing.

Industrial Development Strategy

13. In the 1950s there was little planning of new industries; the emphasis was on developing agricultural output, infrastructure and social

services; this was expected to facilitate industrialization. For the 1960-64 Plan, some 25 project ideas were identified by an Advisory Committee. The Development Programme for the period 1966 to 1972 identified 50 specific projects; of these, 19 had been implemented by the end of 1971. Planning has influenced the pattern of industrialisation but targets have not been met in full.

14. In the 1950s and 1960s, the private sector provided most of the new investment in the manufacturing sector. Foreign investors established many of the new manufacturing plants; the initial investment in these plants was generally much higher than that of local investors in other new manufacturing enterprises.

15. The main bulk of foreign investment was in the extractive industries (bauxite, timber and manganese) and in sugar. The level of foreign investment has fluctuated from year to year, but it is estimated that direct foreign investment (a) contributed 24 per cent of total net capital formation in the period 1954 to 1965 and (b) accounted for 70 per cent of total private investment (domestic and foreign) in the period 1966-1970.

16. For the period 1966 to 1972, the Government indicated that it would actively participate in the establishment of industries to which it gave priority. The Government's plan for the period 1972 to 1976 takes this involvement of the State a step further and indicates specifically both the location and the type of ownership envisaged for each project (public, co-operative, private or a combination of these).

17. The State's participation in economic activities has increased rapidly in recent years in line with the Government's policy of (a) owning and controlling all public utilities and (b) gradually obtaining majority ownership and control of ventures exploiting Guyana's natural resources. The largest foreign-owned bauxite mining company was nationalized in 1971 and the Government has announced its intention to negotiate with the other foreign-owned bauxite company. A major foreign-owned timber manufacturing company was nationalized in 1972.

18. The Government has established as public enterprises large-scale rice mills (Guyana Rice Corporation), a shrimp fishing enterprise (Guyana

Marine Co.) and plants to produce ham, bacon and canned fruits and vegetables (managed by Guyana Marketing Corporation). In 1971, the development of these enterprises and two other public enterprises (Guyana Printers Co. Ltd., and Guyana Electricity Corporation) were placed under the general direction and control of the Guyana State Corporation (GUYSTAC).

19. In the 1950s and 1960s most manufacturing enterprises designed their plant with capacity to serve only the domestic market. Sugar and the extractive industries have largely been responsible for the growth in export earnings from G\$51 million in 1950 to G\$125 million in 1960 and G\$261 million in 1970. A National Export Council and Timber Export Board were established in 1973. Exporting manufactured goods has recently received Government support in the form of subsidised participation in trade missions and trade fairs; awards for export achievement are planned; but no financial incentives for export sales have been offered even though the CARIFTA/CARICOM Agreements permit these.

20. Although Government policy has stressed the need for labour-intensive industries since 1960, results have been disappointing. The 1972-76 Plan envisages specific incentives designed to favour labour-intensive projects.

21. The decentralization of location of new industries is also given more attention in the 1972-76 Plan. For the first time, the location of major new industries in cities other than the capital and coastal region is specified; a selective system of incentives will encourage their establishment in these less developed regions.

22. Experience in Guyana has shown the need for Government surveillance over the cost of purchasing foreign technology and its efficiency and suitability. National capability to improve product design and adapt foreign technology is being developed by the newly established National Scientific and Research Council and the Department of Technology at the University of Guyana. Establishment of an Industrial Standards Bureau is planned.

23. The Government has set up vocational and technical training centres to meet industries' needs. Industrial enterprises themselves have provided

on-the-job training in their own interest. Both Government and private enterprise have sent Guyana staff abroad for professional, technological and management training; more recently the University of Guyana has offered courses in these fields.

Industrial Policies and Measures

24. Import duties have been a major source of revenue and in the 1950s protection was not used to promote industrial development. Protection has been used to an increasing extent since the early 1960s, but due to the persistent preference of local consumers for foreign manufactured goods, quantitative import restrictions have been used more frequently than high tariffs. The efficiency and quality of protected industries is checked regularly by the Government.

25. Since 1951, import duty concessions have been available for imported equipment, raw materials and building supplies. But as import duties fall in the range 3 per cent to 10 per cent, the incentive effect has been small.

26. From 1951 onwards, approved new industries were eligible for a tax holiday of 5 years and/or accelerated depreciation of plant and machinery. In 1967, legislation made it possible for the Government to extend this tax holiday to 10 years where the situation so warranted and to offer new enterprises a tax holiday of up to 10 years. Tax holidays of 1 to 5 years duration have been granted as a general rule, with the 10 years period reserved for industries making a special contribution. The incentive is significant as profits tax has been at a rate of 45 per cent for many years. So far Guyana's fiscal incentives have been less generous than those offered by some other members of CARIFTA; however, from 1974 onwards, fiscal incentives will be subject to a harmonising agreement.

27. Policy has encouraged foreign investment and the inflow (see para 15) has been substantial. There is no foreign investment law. Repatriation of capital and dividends have generally been exempt from exchange control regulations. Dividends are now subject to a withholding tax of 25, 27 or 35 per cent depending on the recipient; double taxation avoidance agree-

ments with the United Kingdom and Canada were terminated in the late 1960s.

Institutions and Industrial Development

28. The way in which the institutional framework has been adapted and expanded to fit changes in Guyana's industrial development strategy and policies have been described above. The final section of the paper therefore looks at the broad role of these institutions in policy formulation and execution.

29. In the 1950s the Ministry of Finance, which was responsible for granting tariff protection and investment incentives, implemented a laissez-faire approach to industrial development. In the 1960s, the efforts of the Central Planning Unit (since 1965 under the Ministry of Economic Development) became more important and the Guyana Development Corporation (established in 1964) was charged with administering investment incentives.

30. The range of institutions supporting industrialisation established in the 1950 and 1960s has been described above; it covers industrial financing (para 5), technical and vocational training (para 4), management training (para 21), export promotion (para 19), and adaptation of technology (para 22).

31. When the Guyana State Corporation (GUYSTAC) was established in 1971, it was given overall control of the public sector enterprises (described in para 18) and implementing incentives to private and foreign investors which are now approved by an Incentives Committee. GUYSTAC has thus become the agency responsible for implementing the Government's industrialisation programme working in close co-operation with the Ministry of Economic Development, which formulates and oversees execution of Guyana's Development Plan.

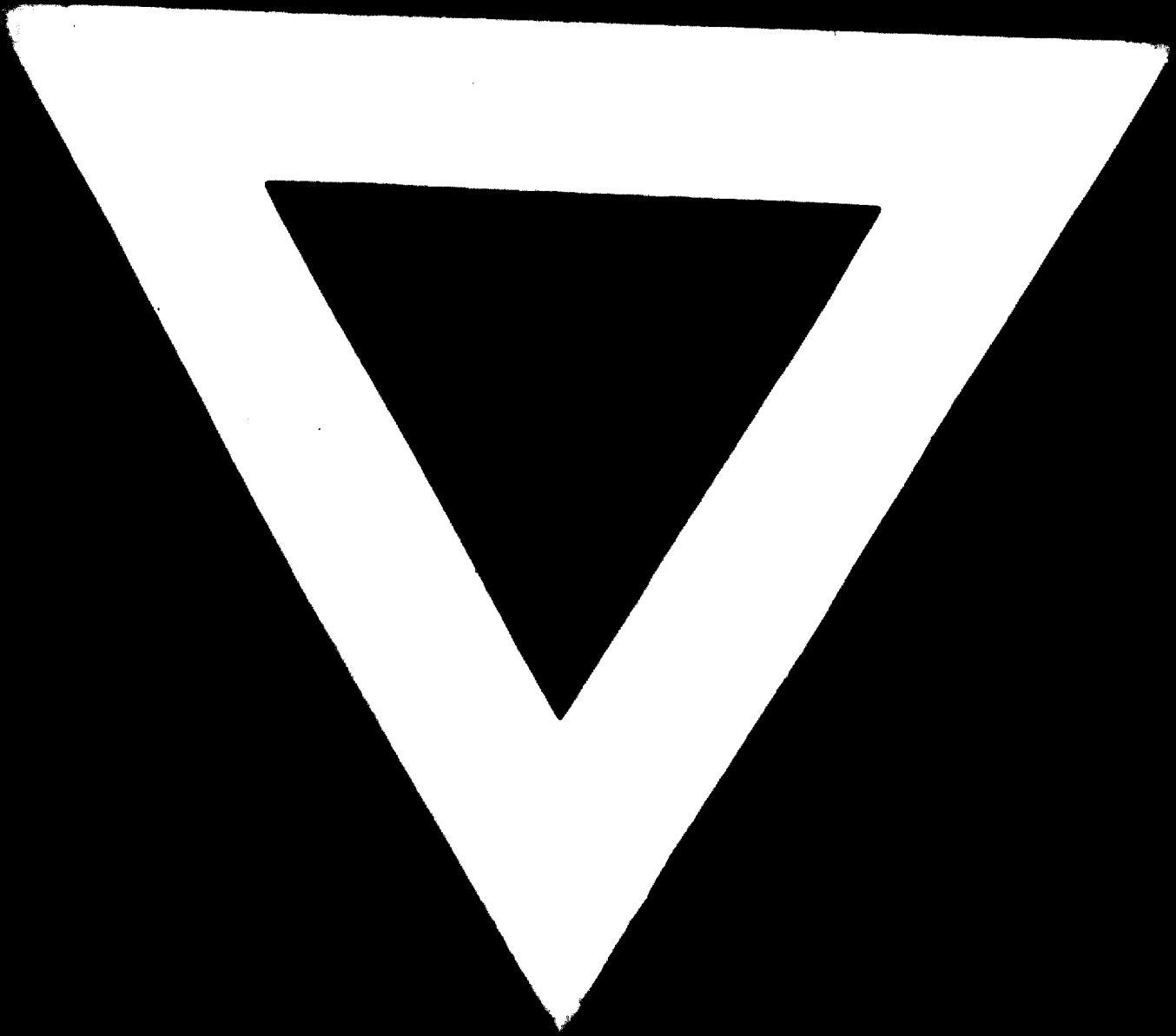
TABLE 1: SOME MAJOR NEW MANUFACTURING ENTERPRISES ESTABLISHED BETWEEN 1970-1972

NAME OF ENTERPRISE	YEAR ESTABLISHED	PRODUCTS PRODUCED	INITIAL FIXED CAPITAL INVESTED (G\$Mn.)	VALUE OF ANNUAL SALES, 1970 (G\$Mn.)	APPROX. VALUE OF IMPORTED INPUTS, 1970 (G\$Mn.)
1. B&S DIET LTD.	N.A. 1977 N.A. N.A.	SOFT DRINKS BEER STOUT RUM		5.0 6.5 0.1 5.5	2.0
2. NATIONAL MILLING CO.	1969	WHEAT FLOUR	2.9	9.2	6.7
3. GUYANA STOCKFEDS LTD.	1961	STOCKFEDS	1.2	5.4	3.7
4. HENZELARA TOBACCO CO.	1960	CIGARETTES	1.5	9.0	6.8

NAME OF ENTERPRISE	YEAR ESTABLISHED	PRODUCTS PRODUCED	INITIAL FILED CAPITAL INVESTED (G\$Mn.)	VALUE OF ANNUAL SALES, 1970 (G\$Mn.)	APPROX. VALUE OF IMPORTED INPUTS, 1970 (G\$Mn.)
5. BATA FOOTWEAR LTD.	1970	CANVAS and RUBBER FOOTWEAR	0.7	0.6	0.7
6. BOOKERS (B.D.H.) LTD.	1947	PHARMACEUTICALS	0.8	2.9	
7. DIAMOND LIQUORS LTD.	1966	BLENDED WHISKY RUM BLENDED BRANDY BLENDED VODKA BLENDED GIN BLENDED LIQUORS	0.8	0.4 2.3 0.3 0.3 0.3 0.05	1.1
8. TOOLSTIE PERRAUD LTD.	1954	CRUSHED STONES	0.7	1.3	0.1
9. CONFIDENTIAL BISCUIT FACTORY	1957	BISCUITS	0.6	1.7	0.8
10. HERBER PAINTS LTD.	1964	PAINTS, LACQUERS and ENAMELS	0.5	1.1	0.7
11. GUYANA MATCH CO. LTD.		MATCHES	0.5 (net investment 1969)	0.5	0.2

NAME OF ENTERPRISE	YEAR ESTABLISHED	PRODUCTS PRODUCED	INITIAL FIXED CAPITAL INVESTED (G\$Mn.)	VALUE OF ANNUAL SALES, 1970 (G\$Mn.)	APPROX. VALUE OF IMPORTED INVESTS, 1970 (G\$Mn.)
12. TOOLSIE PERMAID LTD.	1954	SAP-MILLING	0.4	1.3	0.3
13. GUYANA CANNING AND PACKING CO. LTD.	1963	FRUIT JUICES, JAM, and MARMALADE	0.5	0.3	0.06
14. STERLING PRODUCTS LTD.	1956	MARGARINE LARD GHEES LAUNDRY SOAP	0.2	1.1 0.2 0.1 0.3	1.1
15. CONFECTIONERY GUYANA LTD.	1960	CONFECTIONERIES	0.2	0.3	0.1
16. CONTINENTAL INDUSTRIES LTD.	1968	PAPER BAGS CURRY POWDER	0.2	0.5 0.04	0.4
17. BENERARA OXYGEN CO.	1948 1961	OXYGEN ACETYLENE Co ₂	0.2 0.2	0.3 0.03 0.1	0.1
18. MODERN INDUSTRIES LTD.	1964	WOODEN and METAL FURNITURE	0.2	0.9	0.7
19. LYON'S DIE KNI LTD.	1968	DIED and FINISHED FABRICS	0.2	1.3	1.3
20. BOMA MANUFACTURING CO. LTD.	1965	MOSQUITO NETS/SCREENS	0.1	0.6	0.3

NAME OF ENTERPRISE	YEAR ESTABLISHED	PRODUCTS PRODUCED	INITIAL FIRED CAPITAL INVESTED (G\$Mn.)	VALUE OF ANNUAL SALES, 1970 (G\$Mn.)	APPROX. VALUE OF IMPORTED INFUTS, 1970 (G\$Mn.)
21. MAHARAJA OIL MILL	1948	DEODORIZED EDIBLE OIL, COPRA MEAL and SOAP STOCK	0.1	1.0	0.2
22. WINDSOR SHIRT FACTORY	1968	SHIRTS	0.1	0.8 (in 1972)	0.5
23. FRIENDSHIP INDUSTRIES LTD.	1964	CHAIN-LINK FENCING and ACCUMULATORS (Batteries)	0.05	0.4	0.3
24. HABBY and SONS	1970	WIRE NAILS	0.05	0.1	0.5
25. CYRIL'S ICE CREAM CONES.	1962	ICE CREAM CONES	0.03	0.03	0.03



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