LCDS 2030 Consultations with the Guyana Manufacturing and Services Association (GMSA)

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GMSA NEWSLETTER

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GMSA participates in Stakeholder Meeting on Local Content Legislation

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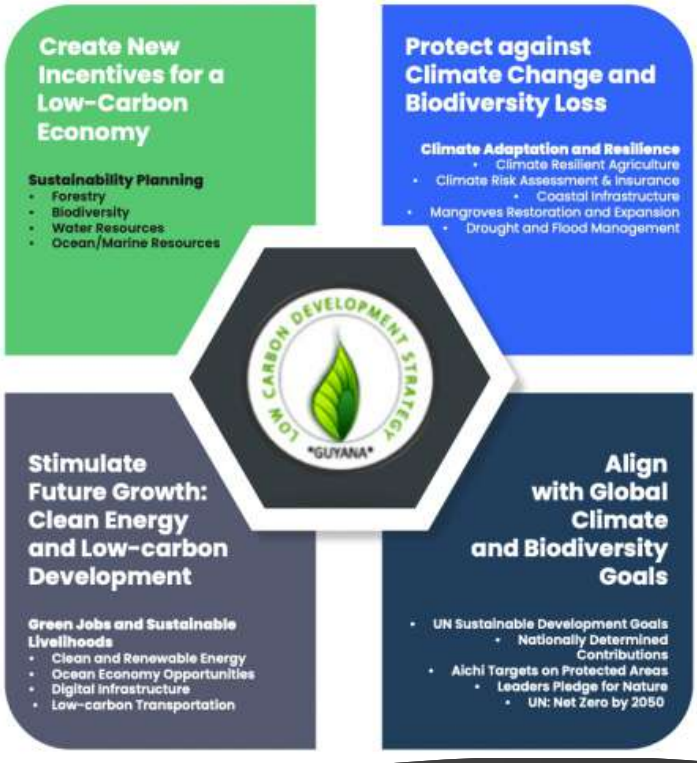
LCDS 2030 Consultations with the Guyana Manufacturing and Services Association (GMSA)

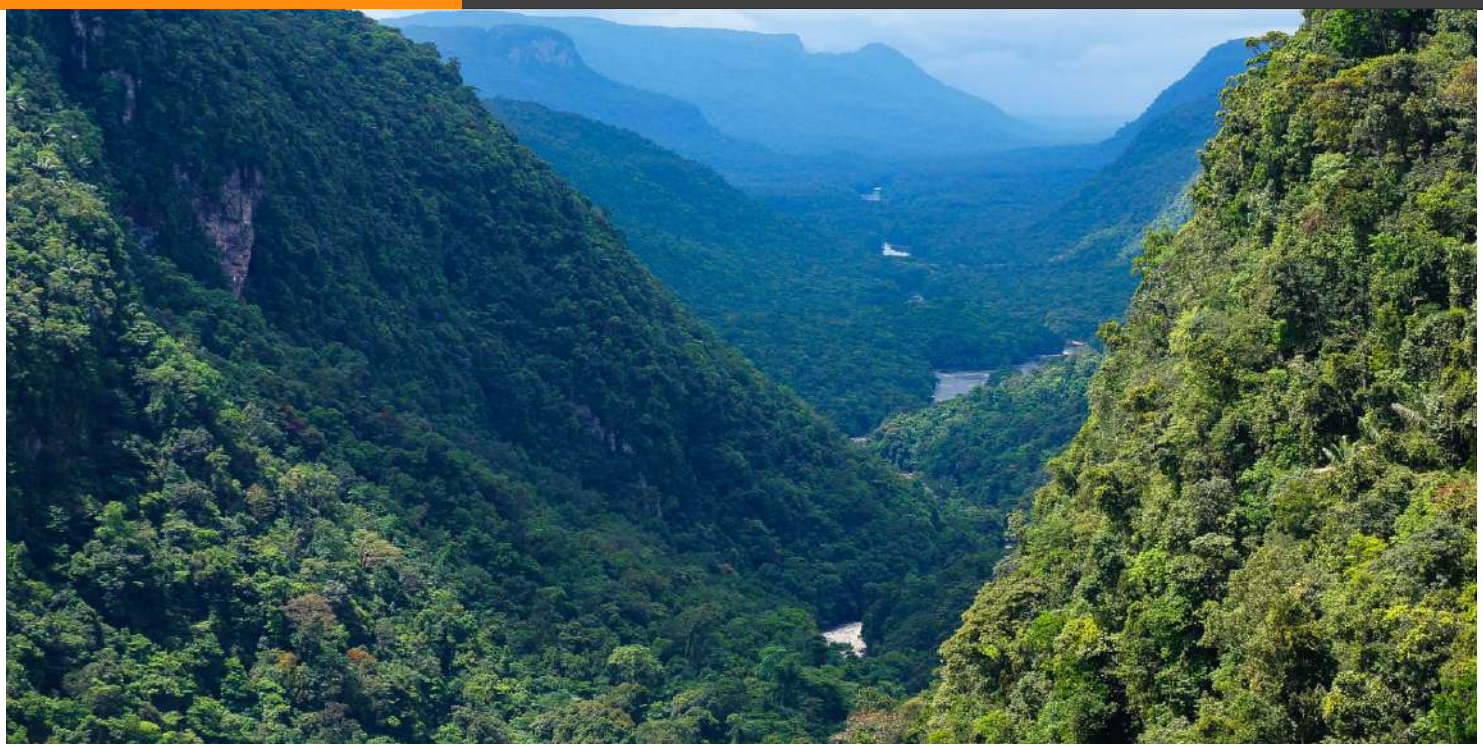
On the 26th of January, 2022 the GMSA and its members met with representatives of the Ministry of Natural Resources, Office of the President and the Guyana Forestry Commission for a presentation and feedback session on the Low-carbon Development Strategy 2030 (LCDS 2030). In this virtual meeting, the revised draft of the LCDS 2030 was expounded and its goals and the plans to achieve those goals were outlined.

In the LCDS 2030, four main objectives were summarized. These include:

- Creating new incentive for a Low-carbon Economy: This will be done through sustainability planning directed at key economic activities, such as Forestry and Mining, Forest Climate Service, protecting and utilizing Biodiversity, and certain types of resources such as water resources and marine/ocean capital.

- Protecting against Climate Change and Biodiversity Loss: Key initiatives to support this objective include improving Climate Resilient Agriculture, Climate





Risk Assessment & Insurance and Coastal Infrastructure, realizing Mangroves Restoration and Expansion and improving Drought and Flood Management.

- Stimulating Future Growth: Clean Energy and Low-carbon Development: Creating Green Jobs and Sustainable Livelihoods is an important element in moving along a sustainable development trajectory. Some of the principal areas of opportunity and development in this regard include the Clean and Renewable Energy industry, Ocean Economy Opportunities, Digital Infrastructure and Low-carbon Transportation.

- To Align with Global Climate and Biodiversity Goals: This relates to national and global pledges to the UN Sustainable Development Goals, Nationally Determined Contributions, Aichi Targets on Protected Areas, Leaders Pledge for Nature and achieving Net Zero by 2050.

Another key initiative of the LCDS 2030 is Guyana's entrance into the Carbon Credit Market whereby the carbon sequestration (storage of carbon) by Guyana's forests are converted into a carbon credit – each credit represents 1 ton of CO2. This carbon credit is a tradable permit or certificate that provides the holder of the credit the right to emit one ton of carbon dioxide or an equivalent of another greenhouse gas – it's essentially an offset for producers of such gases. The main goal for the creation of carbon credits is the reduction of emissions of carbon dioxide and other greenhouse gases from industrial activities to reduce the effects of global warming.

Guyana's total forest carbon stock amounts to 21 billion tons of CO2. This storage potential, if tapped into can become a massive source of income for Guyana and can drive climate adaptation and resilience efforts. The uses of the monies in achieving the four goals mentioned above are a main element of discussions within the LCDS 2030. It is encouraged that you read the document and offer and suggestions that you can on its improvement.

Since the presentation of the officials from the Office of the President and the Guyana Forestry Commission, GMSA has made a submission for the Office to consider more concrete ways of including and engaging the private sector. Some of the measures identified in this regard include: incentivizing sustainable mining and forestry practices, incentivizing renewable energy production sustainable energy practices, capacity building initiatives, provision of finance for certain activities, products and services among others.

The GMSA believes that the LCDS 2030 offers a great opportunity for the Government and the Private Sector to work together to secure their mutual interest in the fight against climate change. The Private Sector remains committed to this agenda and encourages all efforts of inclusion and engagement in national climate efforts.

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The company had decided earlier this year to place an emphasis on the local market and in this regard, invested significantly in upgrading their plant & equipment, as well as the physical infrastructure of their facility. As a result, the company has total confidence in all of their products, with the attention to detail that takes place in the manufacturing process.

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GMSA engages Ministry of Finance on Budget 2022

At the Ministry of Finance Conference Room, the GMSA along with other private sector representatives met with Senior Minister within the Office of the President with responsibility for Finance, Dr. Ashni Singh and his team to discuss the GMSA's budget submission for Budget 2022.

The GMSA was represented by Mr. Kayshav Tewari and Construction and Engineering Sub-sector Chair, Mr. Komal Singh. Representatives of the Georgetown Chamber of Commerce, Private Sector Commission, the Women's Chamber of Commerce and Industry, the Berbice Chamber of Commerce and other chambers were also present.

During the engagement, important issues concerning the private sector were raised including the state of the labor market and its inefficiencies, the need for systematic engagement with the Ministry of Finance and the private sector, the resuscitation of the National Competitiveness Council, and the issues associated with access to finance for businesses among others.

Dr. Ashni Singh asserted his government's commitment to the development of the nation and recognizes the significance of the private sector in achieving said development. He insisted that continuous engagement is to be a staple of his Ministry and its work. Dr. Singh went on to speak of the Budget's objectives of transforming public infrastructure, building capacity and improving the education of the local labor force, tackling issues of health, women's rights and the cost of living and raising the standard of living of all. Budget 2022, he promised, would be historic and transformational and works for all Guyanese.

The GMSA recognizes that 2022 is a pivotal year for Guyana and we wish to express our commitment to working in partnership with Government to enable private sector growth and advancement, particularly within the manufacturing and services sectors. In that regard, the GMSA has identified General Measures which cut across several sectors under the GMSA purview, and Sectoral Measures which are specific to sectors. These measures are as follows:

BUDGET SUBMISSION FOR THE YEAR 2022

GENERAL MEASURES

Creation of Economic Zones

The GMSA fully supports the establishment of economic zones in which special incentives and tax regimes are developed for a specific geographic location to boost manufacturing, industrial development, warehousing and connectivity.

The Government has identified the setting up of the Wales Development Authority and the GMSA is interested in working closely in the planning and development of this and other such initiatives to create opportunities for local investments in agro-processing and other manufacturing and value-adding opportunities.

Finance

The Government's intervention is essential to make finance accessible to support growth and development for manufacturing and services businesses. Some areas that should be taken into consideration:

- The banking sector should give more financing concessions for investment and re-investments either through overdraft or loan facilities.
- The Government's intervention in the financial market is necessary to help lower the lending rates instituted by banking institutions.
- Improve access to affordable finance such as improved performance of the Small Business Bureau (SBB).
- Institute a well-funded development finance organization modelled to deliver capital investment finance to manufacturers.

Taxation

- Increasing the Income Tax threshold to $100,000.
- Reduce Corporation and Income Tax by 5%.
- Reduce Corporation Tax for companies that meet the "Guyanese Company" standard set in the Local Content Legislation, so as to allow competitiveness since majority of the foreign investors enjoy tax holidays with their investments.
- Removal of duty-free allowances (usually received by those who can actually pay the duties) and reduce the standard vehicle duties faced by Guyanese so that they can enjoy safer, lower maintenance and lower emissions vehicles in order to compensate for the pollution that is being created currently.
- Grant tax rebate to companies utilizing alternate energy technologies and for efficient energy initiatives.
- Removal of excise tax on "Diesel" fuel used in manufacturing/value addition for a period of at least 2 years. The world market price for fuel is expected to increase significantly in 2022 which would put manufacturers further behind in competitiveness.

Public Procurement

- The goals of the Small Business Procurement Programme (Small Business Act 2004), which guarantees that the local small firms get at least 20% of the contract goods and services required annually by the government, must be realized
- Government procurement of goods and services must consider and prioritize locally manufactured items and locally provided services – pharmaceuticals, aggregate and quarry products, timber products, agro-produce and juices, educational services etc. – especially when products can meet standards of the market and are within a competitive price range.

Energy

Even as efforts move forward to realize Government's major energy projects, the GMSA proposes the following measures to help manufacturing businesses:

- Tax waivers should be considered for manufacturing companies on the fuel used in electrical power and thermal (boiler) power generation (much like the mining sector).
- Incentives should be provided for renewable energy options such as gasifiers to utilize biomass, e.g., in wood processing and agro-processing (rice husk, etc.)

Standards and Regulations

- Strengthening of standards and regulatory bodies, e.g., GNBS and Government Analyst – Food and Drug Department.
- Expediting the establishing of national quality infrastructure (laboratory facilities)
- The anti-dumping legislation should be enforced to combat goods that are dumped into a jurisdiction.
- Incentivize international standards certification to boost competitiveness for the Guyanese Companies.
- Prioritize and promote the Digitization of Guyana's economy. This can take the form of digital payment systems, digital data storage and building ICT infrastructure and capacity for public institutions.

Digitization of a nation is closely linked to its economic growth and dramatically improves productivity, efficiency and data protection.

- Support online payments and facilitate E-commerce by allowing local banks to process online credit or debit card payments. Currently the main if not only method of sending or receiving monies for commercial purposes through local banks is via wire transfer; this is both time-consuming and inefficient and restricts E-commerce activity.
- Digitize Support services for the private sector such as licenses and documentation required for import and export activities, applications to the Food and Drug Department (FDD) and permits from regulatory agencies etc.

Competitiveness

- Resuscitate the National Competitiveness Council.
- Review and update the National Competitiveness Strategy.
- Place emphasis on value addition and supporting the expansion of the manufacturing and services sectors.
- Take urgent action to develop the ICT industry so as to enhance competitiveness and productivity.

Proactive Ministerial Engagements with Stakeholders

- The Government and its ministries should conduct systematic and continuous engagements with stakeholders within the private sector and the general public. This will enhance private-public sectors co-operation, allow for greater accountability and move away from the norm of engagements being reactive to a situation rather than proactive and preventative.

SECTORAL MEASURES

The following table depicts the key sectors within the GMSA and some proposed measures to be considered for Budget 2022 that will facilitate their development and expansion:

SECTOR	GMSA's PROPOSED MEASURES FOR BUDGET 2022
Forestry This sector plays a pivotal role in the growth of Guyana's economy. The measures proposed by the GMSA will further assist to stimulate growth and advancement.	• **Fuel Subsidy for Manufacturers:** The high cost of energy continues to be a major hindrance to the competitiveness in the forestry sector. The sector is heavy reliant on fuel to self-generate power for the industry. Fuel prices have risen this year and it continues to increase. The sector needs support from government to reduce the cost of fuel for the advancement of value-added and tertiary production. We recommend that the government: - Grant duty free exemptions on "Diesel" fuel to wood manufacturers and concessionaires for a period of 2 year commencing January 1st, 2022. • **Duty Free Concessions on Double-cab and Wagon-type 4x4 off-road vehicles:** These vehicles can no longer be seen as luxuries but are necessities for the survival of many businesses, especially those that involve Guyana's natural resources. They are also important for the safety of people who work in these industries and therefore traverse dangerous terrain. • **Interior Road Repairs:** Interior roads need to be built to last and protected by continuous maintenance and observation. The most critical roads for immediate repairs include: - Mabura - Itebali to Puruni - Orealla to Busurini - Bisuruni to Kwakwani - Bisuruni to fort parallel - Unamco road - Kwakwani to Linden - Mabura road

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SECTOR	GMSA's PROPOSED MEASURES FOR BUDGET 2022
	- Shurima road - Shurima to Bartica/Potaro road - Omai road / Road to Hydro (from Kuburi area) - Manaka - Buckhall - Port Kaituma network • **Value-added Sector Development Fund:** Such a Fund should be created to incentivise and promote the value-adding Forestry Sector. Management and operation practices can be determined but the essential aspects are as follows: - A portion of export levies on logs can go towards this fund for its operation. The following suggestion should be considered on a fixed levy rate as against the current FOB application : 1. Schedule A – US$45/m3 ($5 for Value-added Sector Development Fund through GMSA) 2. Schedule B – US$35/m3 ($3 for Value-added Sector Development Fund through GMSA) 3. Schedule C – US$25/m3 ($1 for Value-added Sector Development Fund through GMSA) 4. Others Lesser Used/Known Species – US$10/m3 - This can be a percentage rather than a fixed value. • **Setting up of a Virtual Consolidated Stockyard:** The Government has already approved $50 million towards the setting up of consolidated stockyard/s. To date this has not materialized due to varying stakeholder contentions. The GMSA can act as a vehicle to move this process forward by setting up a virtual stockyard as a step towards achieving the objectives of this budgetary allocation. With the agreement of Government, GMSA can provide a proposal to include a project that will facilitate a financial generation component to sustain the life of the virtual platform. A request of $25 million is being sought to facilitate the establishment and implementation for the virtual platform. • **Forestry/Natural Resources Expo:** This must be done to showcase and market Guyanese products to Guyanese, the region and the world. We must develop institutions that assist Guyanese businesses in getting appropriate market exposure, exposure that can only be achieved with the assistance of the state. Our marketing efforts must also become more coordinated in order to benefit from economies of scale. A Marketing Body for the Forestry Sector must therefore be created. • **Waver on Duties and VAT** for sawmilling and processing equipment, chainsaws, blades and accessories. • **Forestry-Sector Development:** A percentage of the

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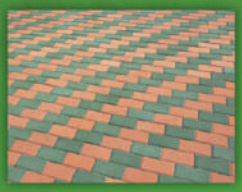

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SECTOR	GMSA's PROPOSED MEASURES FOR BUDGET 2022
	remaining funds from the Guyana REDD+ Investment Fund (GRIF) can be set aside or earmarked for Forestry sector development projects such as roads, product development, marketing, capacity development in preparation for EU FLEGT and Certification etc. and also, any new climate financing for an annual amount to be earmarked for the forestry sector.
Agro-processing The Agro-Processing sub-sector is a key sector that can facilitate the diversification of the economy, moving Guyana towards producing more value-added products. The measures proposed by the GMSA will incentivize investment and enable expansion.	• **Agro-processing Facilities:** More agro-processing plants must be established across the country and access to these be given to small agro-processors at sustainable fees. This will ensure the growth and development of local value-added agricultural products. Uptake of existing facilities must be examined and awareness of and access to these facilities must become more extensive. • **Support for Agro-processors:** The Government should find means to enhance capacity and build markets for local agro-processors. This can be done by providing equipment, as well as technical and marketing support for the agro-processing businesses. Incentives must also be instituted for export sales from these agro-processors. • **Support for UncappeD Marketplace:** Government support is needed to facilitate and develop the UncappeD Marketplace, an initiative which will allow for the exhibition of Guyana's locally produced products on regional and international platforms, through online and in-person events. • **The Guyana Marketing Corporation (GMC) must expand its role to assist Agro-processors:** A comprehensive survey on the various package uses must be done and GMC should facilitate this process by importing and storing the various packaging and sell to the Agro-processors in small amounts (as per their requirement) with a minimal mark up. • **Prioritize Locally Produced Products:** Government agencies must be given mandates to prioritize the purchase of locally produced items when possible. • **Access to Finance through an Agriculture Bank:** An Agriculture Bank is required to provide much needed access to finance in order to accommodate new ventures and support existing ones. • **Systematic Engagement with Agro-processing sector:** The Government should have regular and systematic engagements with the agro-processing sector to gain feedback and also establish a basis for extension services. • **Reformation of the Small Business Bureau:** This entity must be reformed to include a feature where small to medium Agro-processors can receive loans with a

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SECTOR	GMSA's PROPOSED MEASURES FOR BUDGET 2022
	percentage of these loans being grants. These grants will be used for the expansion as well product improvement. • **Develop Transportation Networks:** Develop and maintain roads to aid in easy transport and to link markets with suppliers.
Extractive Industry The Extractive sub-sector and its associated industries are a major contributor to the economy as they include both Mining and Oil and Gas activities. The measures outlined will enable further growth in these industries and thus bolster economic activity	• The Government should put into effect the ***user-policy for roads*** with repairs and maintenance in order to prevent overloaded capacity that contributes to its degradation. • **Multiple Land-use Committee:** A multiple land use committee should be setup with GFC, GGMC, EPA, GLSC, GGDMA, MoAA, GMSA, FPA and chaired by the Office for Climate Change or MNR. Here roads, land use conflicts, LCDS programs etc. can be done in a participatory manner • The Government should place more emphasis on having the roads traversed on being built to withstand heavy rainfall (prevent erosion) and to further accommodate any maximum capacity of haul load. (This will decrease the constant degradation and obliterate the cost borne to repair and maintain constantly both privately and publicly). • Tax concessions should not be limited to only mining but also extended to better cater for exploration materials (core boxes). • Reports on the recoveries of sand should be made accessible to the sector. • The inclusion of Go Invest in the process of issuing and renewing Investment Agreements has become a hurdle with overzealous regulation and an agency without technical capability inserting itself as a regulatory body. • The Extractive Industry Sector (EIS) has always and is increasingly an important factor to the economic growth of Guyana which comes only with hard work and perseverance; thus, it is expressed that tax relief for employees, tax concessions and bonus tax relief be given to the industry. • The Government should have regular rapport session to engage the members in the sector about on-going plans for the way forward. • The Government can provide a Cyanide Plant to assist small miners which will improve greater returns and recoveries. • Also, the Government can mitigate the VAT concessions which the committee, has been combatting for quite a period. • There continue to be overlaps in the purview and jurisdiction of multiple agencies with separate agencies all claiming oversight for similar issues. For example, PTCCB and the EPA both claim to have regulatory oversight of the importation, storage and use of

SECTOR	GMSA's PROPOSED MEASURES FOR BUDGET 2022
	chemicals. In some cases, multiple approvals are required from separate agencies for a single item. • There is a disconnect between the conditions of Mineral Agreements vs the provisions of Investment Agreements. • There is still no clarity as to why companies with Mineral Agreements are even required to get Investment Agreements.
Services The Services Sector has grown for the period of 2021 due to the gradual relaxation of the measures to curtail the COVID-19. The Government ought to implement initiatives that develop capacity, stimulate demand and create the enabling environment for service providers. GMSA recommends the following to be considered for 2022 Budget.	• **Removal of VAT on Restocking Fee:** A restocking fee is charged to a customer when merchandise is returned for a refund. To apply VAT on this fee – a fee for the refund of an item – is counter-intuitive given that VAT is a consumption tax or a tax to be ultimately charged to the final consumer of a good or service. If that goods are being returned, there is no consumption, therefore VAT ought not apply. To place VAT on the service of restocking presents an unnecessary burden to the consumer who essentially has received no value in terms of a good or service, yet pays a tax to the government. This should be revised. • **Removal of VAT on Service Charge:** VAT is placed on repairs and servicing of items already purchased – hence VAT was likely already paid for them. These should be removed. • **Charge Duty on Cost Price Only and not on CIF for Necessity Items:** Given the current global supply chain crisis, its impact on freight charges and the uncertainty of its longevity, measures need to be put in place to cushion the effects for Guyanese businesses and consumers. This will limit shortages and restrain inflationary pressures. • **Removal of property tax:** Property tax ought to be removed in order to facilitate a more enabling business environment. • **The provision of grants and/or other forms of financing** such as soft loans to investors or other interested persons wanting to expand or start-up businesses in specifically identified services including but not limited to ICT education centres and facilities, customer services training, accounting services, hospitality services and digital commerce platforms. Additional incentives should be given to persons wanting to expand or start-up businesses outside of Region # 4. • **Special Incentives for ICT services:** Duty free concessions on all ICT equipment such as UPS (Uninterruptible power supply) units, and other parts and units that are essential for ICT services. Incentives can also be provided in the form of Tax holidays for start-ups. In this way businesses can start off on a competitive footing and work their way into the market. Such measures also encourage investment into ICT more generally, a market/service that desperately needs to evolve in order to allow Guyana to take the fullest advantage of the opportunities presented to it.

SECTOR	GMSA's PROPOSED MEASURES FOR BUDGET 2022
	• **Incentivise private tertiary education and other forms of private education:** Human resources and capacity are key to services sector performance. Education initiatives and policies are important to help workers adjust to globalisation and structural change and should help provide the qualifications that are needed in services. Life-long learning and qualification are also important and often overlooked aspects of labor force development. If incentives are provided, educational investments will be encouraged, and competition introduced. The market benefits doubly from more institutions and learning facilities to choose from as well as lower costs and higher quality (from competition).
Construction The Construction sub-sector is set to play a significant role in national development as Guyana rises to meet the demands brough on by the Oil and Gas economy. The GMSA proposes the following measures to stimulate such:	• **Duty Free Concessions on Double-cab and Wagon-type 4x4 off-road vehicles:** These vehicles can no longer be seen as luxuries but are necessities for the survival of many businesses. Not only are they important for transportation of people and goods, but also provide safety for individuals especially in dangerous terrain. • **Timely Reporting on Future Projects:** Information on projects to be implemented what is demanded for the next year, and how much volume is required for local products should be presented the year prior so that private sector companies know what projects are on the agenda and are able to respond to the demands of upcoming projects especially in the oil and gas and public works fields. This will allow lead time for manufacturing entities and make them better prepared. Guyana also needs to develop the infrastructure and capacity for Just in Time approaches. • **Problems with electricity supply continue to hinder manufacturing entities.** The cost of electricity is too expensive, and lacking in quality and reliability. There is an urgent need to understand the initiatives in place to address the issue of unstable and unreliable electricity. • **There is a VAT law/clause which states that if the construction of a house cost 6.5MGYD and above, that cost is subjected to 14% VAT.** This is counterintuitive with the Government's plan to ensure that every Guyanese have their own home especially in light of rising prices. It is proposed that this law/clause be removed or amended to at least 10M. • **Incentives for research and development must be institutionalized**, and significant mechanisms for the injection of new technology and investments must be in place and facilitating the transfer of technologies through partnerships. • **Credit Arrangements in Oil and Gas sector:**

SECTOR	GMSA's PROPOSED MEASURES FOR BUDGET 2022
	Measures must be put in place to cater for the restrictive payment plans of operators (i.e., 60-90 days credit after completion of projects) so as to allow Guyanese companies to compete effectively. • **More pressure should be put on the banking sector**, in terms of financing for concessions being given, whether it be over-drafting facilities or loan facilities. • **Cement and concrete are not zero-rated items even though they are considered building materials.** It is suggested that these be moved to zero rated because they are essential for construction especially given the recent inflation in prices. This will reduce the burden that will be placed on the final consumer of these products. • **Shortage of stones and certain sized aggregates will be a huge problem as Guyana progresses into the construction boom.** Local quarries must be created through incentives and government intervention in order to secure supply for exponentially rising demand. • **Zero-rating locally manufactured Castings and Inputs:** Locally manufactured castings and inputs (Fire Hydrants, Manhole Covers) ought to be zero-rated. Presently, local companies manufacture various types of engineering castings for industries such as GuySuCo, GWI and other sectors. To enhance our competitiveness, along with supporting local skill development, job creation and stability in the community we operate, consideration is sought to have the following products Zero Rated: • **Mill Bearing and Factory Spares** – Products made for GuySuCo • **Fire Hydrants** – These are essential for fire protection of property and should be a part of our country's protection system **Manhole Covers** – these are access and protective covers used in construction, drainage and sewerage chambers.

GMSA participates in Stakeholder Meeting on Local Content Legislation

From Guyana's first discovery of oil in 2015, businesses began to position themselves to ensure they can benefit from the sector which is seeing rapid development and transformation. The Local Content Legislation has come at a critical time and paves the way towards our success and the benefits which future generations will inherit.

Guyana's Local Content Legislation is progressive especially in this part of the world where energy exploration and services are on the rise. Guyana is set to become the economic ripple center and eventually spread into both Latin America and the Caribbean. Before its provision, consultations were held to ensure that key stakeholders and the wider citizenry were able to make contributions as to how the legislation will frame the future of Guyana.

On the eve of the New Year, the Local Content Legislation having been tabled and passed in the National Assembly was assented to the President of the Co-operative Republic of Guyana to become law. Many individuals especially local business operators saw this as a New Year's gift to be welcomed by all Guyanese. Shortly after this, the Ministry of Natural Resources held a stakeholder meeting in which the Guyana Manufacturing and Services Association (GMSA) participated in order to better understand Local Content and Guyana's developmental journey.

First on the agenda was an overview of the Local Content Act and the duties of the subject minister which include among others setting the minimum local content targets and prescribing the rules of local content measurement and certification. It also outlined an establishment of a Local Content secretariat which would manage the entire process and be the interlink between Guyanese businesses and oil and gas companies. The procurement process and requirements for both contractors and sub-contractors were highlighted during this discussion along with all legal obligations to ensure that all actions are held accountable. During this discussion the content which was disseminated will set the stage for the way in which the GMSA will operate in future.

The GMSA welcomes the provision of this act and the many benefits companies within the association and the country at large will receive. The GMSA remains committed to work at strengthening this Act so that companies would be equipped to deal with the needs which will arise as Guyana moves forward.

5th YEAR ANNIVERSARY

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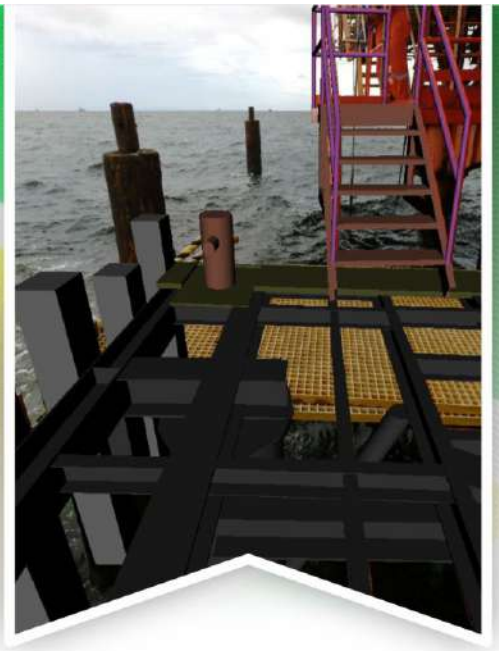

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