



# TRANSITION

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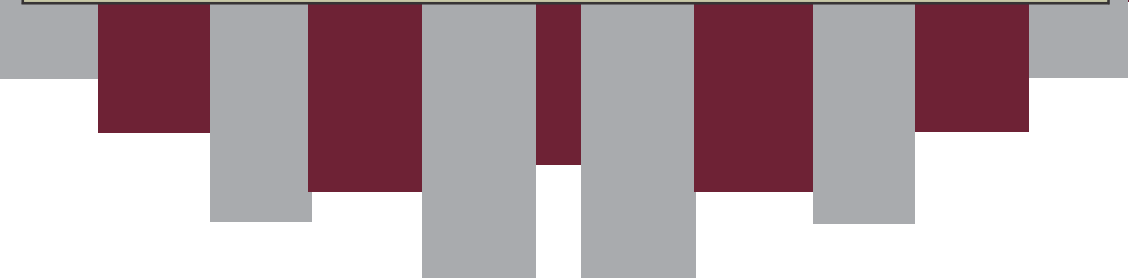
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JOURNAL OF THE INSTITUTE OF DEVELOPMENT STUDIES  
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TURKEYEN CAMPUS



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## BEYOND MACROECONOMIC STABILITY: THE ROLE OF SELECTIVE INTERVENTIONS IN GUYANA'S GROWTH

Joycelyn Williams

### ABSTRACT

*There is wide agreement among development economists that neoclassical growth theory does not fully explain the growth experience of developing and newly developed countries. Thus, alternative theories have been advanced to assist in explaining the growth of such countries. The functional growth model is one such alternative. This paper<sup>1</sup> examines Guyana's growth record, 1992 to 2010, against one aspect of the **World Bank's Functional Model of Growth (1993)**. The mode was developed by the Bank following its review of the development experience of several of the high performing Asian economies. In this model, the main three pillars of sustained growth are macroeconomic stability, selective interventions and facilitating institutions. Since each of these three pillars can be the subject of lengthy discussion, this paper focuses on the role of Selective Interventions (SIs) in Guyana's growth record since 1992 with the objective of examining what policies were used to stimulate growth and why a policy of selective intervention in high growth sectors has been so delayed compared to other CARICOM countries. The sugar and tourism<sup>2</sup> industries are further used as case studies.*

**Key words:** selective interventions, growth, industrialization

### INTRODUCTION

This paper's contribution to the literature on the stagnation of growth in Guyana is to present the issues from a development policy perspective, contained in the World Bank's functional model, which continues to receive the attention of scholars and development policy analysts. This model presents an elegant and relevant framework for policymakers and analysts to gauge progress and deficits in policy from the standpoint of the broad parameters where government must be acting to stimulate a stagnant economy towards renewed and sustained growth. The three main pillars of sustained growth are: **a)** policies that promote macroeconomic stability- that includes low inflation, stable currency exchange rates, low indebtedness, **b)** selective policy interventions, and **c)** institutional policies

such as a technocratic civil service, and wealth sharing mechanisms (World Bank 1993). Guyana has enjoyed macroeconomic stability over the period 1999-2010. This policy plank is in place to broadly facilitate growth. There is the need to evaluate the role of the other pillars of sustained growth to understand Guyana's slow growth. This paper is confined to a discussion on the role of Selective Interventions (SIs).

The key literature on the phenomenon of growth and stagnation in Guyana is reviewed. The paper gives a broad outline of the neoclassical growth theory, the objectives of development, and the functional model within the context of development. Further the role of SIs in the model is discussed in more detail. The broad context of interventions in Guyana is surveyed and finally case interventions are used to argue the position of the "role of selective interventions in Guyana's growth".

## **LITERATURE REVIEW ON STAGNATION OF GROWTH IN GUYANA**

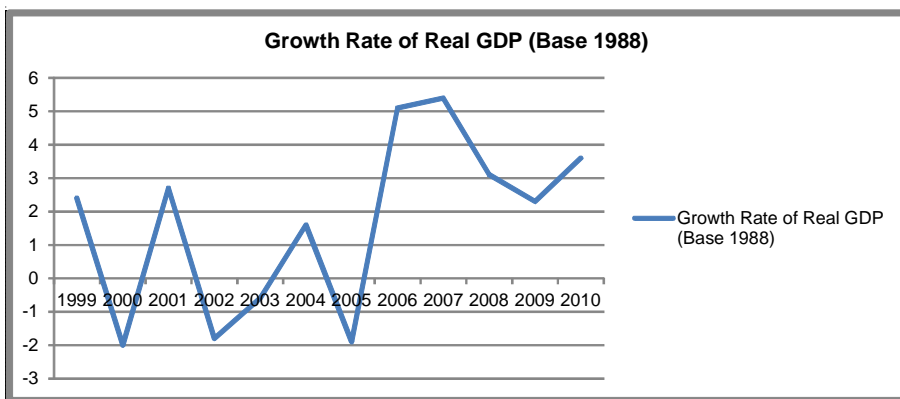
Guyana's economy experienced strong economic growth in the early 1990's, resulting from market-oriented economic reforms initiated in 1989. Growth averaged 7.1 per cent during 1991-1997, but plummeted to an annual average of 1.7 per cent during 1999-2010. Growth rebounded to 3.6 per cent in 2011 and 5.4 per cent in 2012 due to strong global demand for gold and increased investment in the sector. Nonetheless, given Guyana's current GDP per capita of US \$2500 it would take approximately 14.4 years to double this assuming an annualized growth rate of 5 per cent. International organizations and analysts alike have been perplexed by this slowdown of growth in Guyana, and concomitantly a number of studies have sought to present insights into this problem. Guyana had pursued a comprehensive reform program starting in 1989 with an Economic Recovery Program (ERP) which departed from the socialist-based model pursued for decades. The reforms included widespread privatization of several state-owned entities and the development of a market-based economy. The reforms resulted in initial high growth rates as it attracted new investments in forestry, telecommunications, and investment in some of the privatized entities. By 1998 slow growth rates started to show in Guyana, a trend which only in the last two years has seen some reversal based on external factors rather than domestic structural changes.

Staritz, *et al* (2007) notes that some slowdown of growth resulting from reforms could have been expected, but that the evolution of growth in Guyana has been radically different from other countries that pursued large scale liberalization.

They concluded that a significant part of the slowdown in growth in Guyana could be explained by domestic and foreign investment, deterioration of the political and institutional environment, and the dramatic reduction in the labor force due to emigration. This study emphasizes the need to revitalise private sector investment- domestic and foreign as the key for restoring sustained economic growth, through further improvements in the investment and political climate. They also highlight the fact that capital is overestimated in Guyana, given that much of the investment has been for maintenance and repair rather than productive capital, reflected in the larger share of public investment in the total.

DaCosta (2007) explains Guyana’s poor economic performance as the result of poor institutions resulting from the country’s peculiar colonial history and geography. Moreover, ethnic conflict engendered since the creation of two ethnically based parties since independence, has led to a lack of national consensus, with the ethnic group in power at any time adopting a rent seeking position rather than the creation of participatory institutions that are essential for supporting macroeconomic policy. DaCosta also seeks to explain Guyana’s earlier embrace of socialism as part of its sloth in developing strong institutions. Citing the example of Mauritius, DaCosta nonetheless notes that despite ethnic diversity, the latter country has experienced strong economic and social progress and hence underscore the need to create participatory institutions that promote dialogue, and inclusion, and mediate conflict.

Figure 1: Growth Rate of Real GDP: 1999-2010



Khemraj (2008) has discussed the oligopolistic nature of Guyana’s financial system and the position that it nullifies the theoretical benefits of financial liberalization policies adopted by the Government, thus resulting in above competitive level interest rate, which constrains borrowing and private sector investment. The

government of Guyana liberalized the financial sector as part of the reform program of post-1989. With this policy initiative, interest rate controls were dismantled, state-owned financial institutions privatized, allowing the entry of foreign banks. Government sold its shares in the two largest commercial banks and the largest state-owned bank was sold in 2003. These actions effectively ceased the directed credit schemes to priority sectors that were extant in the pre-reform period. In addition, Khemraj (2008) argues that the small size of Guyana's real economy presents a natural barrier to the existence of deep financial markets and results in this dominance of oligopolistic commercial banks that charge above competitive level interest rates. Thus high finance costs provide a constraint on private sector investment and growth in Guyana.

No doubt the previous contributors understand the importance of structural change in sustaining growth. Stronger understanding of Guyana's growth experience resides in resorting to the solid foundations of development theory, *viz* the importance of structural change as a necessary accompaniment of any process of sustainable growth. As such, policies that promote such structural change must accompany the growth process, and they reinforce each other. The failure to adopt such structural oriented policy i.e. industrial policy is at the heart of unsustainable growth in Guyana. This paper explains the historical background that affected Guyana's entire policy stances over the period being focused on. Some simple indicators of the overall structure of both GDP and exports over 1992 to 2011 are then reviewed to shed light on the phenomenon. Two case studies of how Government's selective policy interventions to date have not assisted the growth process are then examined. Subsequent papers on the various sectors in Guyana will explain in more detail peculiar the experience of each sector.

## **NEOCLASSICAL GROWTH THEORY**

The inadequacy of neoclassical growth theory to explain the growth problems of currently underdeveloped countries is well established. These theories ranging from Solow to Cobb-Douglas are well documented in the economic literature (see Thirlwall (2006) for a good summary). These models focus on the aggregate production function and disaggregate growth into contributions of labour, capital and technical progress and explain growth from a 'supply side' approach. The shortcomings of these models are *inter alia* that they do not tell why the growth of capital, labour and technical progress differ over time and between countries. These variables are assumed to be exogenous while on the more realistic side the



supply of these key factors are endogenous and are determined within the economic system. For example capital comes from the growth of output and technical progress can itself be dependent on the growth of output.

Hence, supplementary models of growth have been developed to assist in explaining the various structural and demand-side growth problems faced across developing countries and to explain the varying experiences of newly developed countries. The World Bank's Functional Model is one such model used to explain the East Asian growth experience.

### ***Structural Change and Development***

Structural change is the underlying objective of development policy. Kaldor's Growth Laws (1966 & 1967) constitute a strong tested empirical hypothesis of the effects of structural change on growth. Kaldor was concerned about the slow rate of economic growth in the United Kingdom. The most important laws state that: a) there is a strong positive correlation between the growth of manufacturing output and the growth of GDP; b) there is a strong positive relationship between the growth of manufacturing output and the growth of productivity of output outside of manufacturing. These have been recently subject to econometric tests for African countries: Heather and Thirlwall, (2003) confirmed that "there is something special about industrial activity that makes it the 'engine of growth'"

The justification for structural change as this overriding objective of the development process is well established in development theory (Lin, 2010). These justifications have stood over time and the experience of countries that have over the last few decades transformed their economies from poor and dependent to competitive and robust economies. Within the broadest three-sector division of structural change theory is the desired advancement from dependence on agriculture and transformation towards a greater percentage of GDP emanating from manufacturing and services. The economic desirability of this process occurring rests on fundamentally three or four premises summarized by Stijepic (2010) in a rather incandescent contribution: Fisher (1939 & 1952) explains the necessity for this transformation on non-homothetic demand behavior, that is, income elasticity of demand for agricultural products decreases over time, while income elasticity of demand for manufacturing and services increases over time. Clark (1957) explains the necessity for structural change on the 'nature of the product' which affects total factor productivity in the relevant sector. The production process associated with the 'nature of the product' affects the scope for productivity increases. The revealed view is that

*“Rationalization of mechanical processes is relatively simple and therefore stands at the beginning of the technological development path. Industries/ sectors (especially manufacturing) where mechanical processes are a key component of the production process, profit from their innovations. Over time the rationalization of mechanical processes progresses and technologies that are used become more and more sophisticated and aggregate income increases. This whole process is named industrialization” (Stijepic, 2010 p. 228).*

Other justifications for structural transformation are the international trade or terms of trade argument. The dependency theorists Raul Prebisch (1950) and Hans Singer (1950) had expounded on an observed trend of the terms of trade of developing countries producing primary products declining in comparison to terms of trade for the developed countries.<sup>3</sup> Although recent rises in commodity prices are now challenging this premise, it remains as one of the factors affecting the varying productivity of the three sectors. Marshallian externalities have also been explained as a fourth justification for structural change as contributing to more rapid growth rates due to linkages between manufacturing services and agriculture, in other words when the latter two sectors grow, they provide positive externalities to agriculture and all sectors are allowed to grow faster.

### **THE FUNCTIONAL MODEL: A THEORETICAL/CONCEPTUAL FRAMEWORK FOR GROWTH**

The remarkable growth record of the HPAE's (High Performing Asian Economies) in East Asia, generated a large volume of literature by economists, and development practitioners such as the World Bank, analyzing and debating the relative role of state intervention versus the market in the “East Asian Miracle.” The Bank (1993) in a highly influential study, expounded an eclectic framework that seeks to link rapid growth to the attainment of three functions. This framework was derived from the Bank's detailed survey of the performance of the eight HPAEs and the academic, intellectual literature seeking to explain the remarkable success of these countries. In this framework, three groups of industrial policy instruments are deemed key to industrial policy and growth rates: macroeconomic policy, SIs and institutional factors.

The functional model is an acknowledgement that both the neoclassical and revisionist views of success in East Asia are partly correct, and is a combination

of both. The typical neoclassical view holds that the market played the central role in the success of the HPAE, with government intervention playing only a minor role. For example (Wolf 1988, Chen 1979, Wade 1990 ) had argued that the relatively successful developing economies-Hong Kong, Malaysia, Singapore, the Republic of Korea and Taiwan, China benefited from decisions and policies that limit government's role in economic decision-making, and instead allowed markets-notwithstanding their imperfections and shortcomings-to exercise the dominant role in determining resource allocation. Thus the emphasis is on the fact that there were limited policy distortions in foreign trade regime and in domestic factor markets. Traded inputs were available to manufacturers at international prices, and exporters faced international prices in their export decisions.

The revisionist opposing view was postulated with almost as much vigor as that of the neoclassical view and has added more proponents since the publication of the Bank's Policy Research paper (Pack and Westphal 1986; Amsden 1989; Wade 1990; Chang 2002; Lin 2010). This school of thought argues that governments in the HPAEs especially Japan, Korea, Taiwan and China intervened extensively and selectively promoted individual sectors in the economy. Levels of protection and variation of protection across sectors have been greater than recognized, attesting that promotion of specific sectors was evident. Korea encouraged heavy and chemical industries by setting targets and providing supporting financial incentives. Taiwan used public investment in large scale manufacturing enterprises to ensure inputs for small and medium-scale exporting countries. For this school of thought market failures are pervasive and are a justification for governments to lead the market in critical ways. Governments' need to "govern markets" to lead industrial development in a way faster than the market would allow, "gets prices wrong". This is especially for economies that need to catch up and facilitate the establishment and growth of industrial sectors that would not have thrived through strict operation of comparative advantage.

As noted, the functional policy approach summarizes successful growth and industrial policy into three major planks. The three (3) planks are the following: a) fundamental policies that encourage and promote macroeconomic stability, and that encourage private investment: The principal outcome of macroeconomic stability was that "This has been a potent encouragement for private savings, investment, exports, and growth, since the private sector could count on relatively constant prices and interest rates" (ibid. 108); b) selective policy interventions that are a combination of other policies ranging from market oriented to state

led. SIs include low interest rates, directed credit, selective industrial promotion, and trade policies that push nontraditional exports; and c) institutional policies, wherein the key institutional policies required as part of industrial policy include technocratic leadership in industrial issues through a high quality civil service. The intention is to guide government in designing the right policies and monitoring performance (see World Bank (1993)) for a fuller explanation of this model.

### ***Selective Interventions and Growth***

SIs by the state through an industrial policy defined as “government action to create productivity based growth” (World Bank 1993)” is intended to accelerate this process towards structural change. SIs are premised on two issues - market failure and incomplete markets. When they work properly, a primary function of markets is coordination through the information that is provided by prices. The price system is an invisible mechanism that coordinates the production decisions that make up myriad firms in the economy. When markets are incomplete or missing they cannot perform this function. In well developed economies, information sharing is supplemented by trade journals, association meetings, information newsletters. In developing countries, institutional arrangements for cooperation and information exchange are weaker than in developed countries. Hence, there is need for coordination beyond what markets can provide.

In its model, based on its extensive knowledge of LDCs, the Bank notes that “among the markets most affected by information problems are capital markets. In economies where equity markets are weak or absent, credit mechanisms become the primary vehicle for raising capital and diversifying and spreading risk.”(ibid p.91) As a result, in most HPAEs governments intervened aggressively and supported development banks and other financial institutions. In both Japan and Korea, government set up and directly managed credit programs, and through implicit or explicit guarantees or other forms of intervention, reduced risks to banks and investors. The third strong argument for SIs is to build up technological capabilities being the technical, managerial and organizational skills needed in new industries. Capabilities are firm-specific institutional knowledge made up of individual skills and experience accumulated over time (Lall, 2000).

The position has grown among economists and even previously free market proponents such as the World Bank (2005) that SIs in trade, industry and supporting institutions have played a substantial role in industrialisation through the development of institutions needed to support industrial and technological activity (Lall 2000; Chang 2002; Lin *et. al* 2010). With even the neoliberal organisations

like the World Bank, making this concession, then the need for activist industrial policy in the form of selective promotions has a necessary place in development positioning for sustainable growth. SIs are instruments of development policy used to stimulate sustained growth by creating structural change towards high growth sectors.

*Taking together therefore the theories of structural change summarized above and the accompanying arguments for deliberate selective interventions, it follows that to properly understand the occurrence or non-occurrence of sustained growth in any country, that the structure of GDP over time, must be studied for the foundational explanations. In other words, especially in a developing country, it is not possible to talk about growth or stagnation without referring to the types of industrial policy that has been adopted.*

### **Selective Policy Interventions in Guyana**

A regulatory regime for selective policy interventions was initiated rather late in Guyana, only until 2003. Up to then Guyana's economic policy 1985 throughout to 2003, was the preoccupation with converting the economy from socialism, from onerous indebtedness, and in bringing about macroeconomic stability. The country's current slow growth can never be fully put into proper perspective unless it is appreciated that the devastation of the economy and the economic resources and energies absorbing policymakers up to say 1999 when the country started experiencing debt relief provided more fiscal space for attention on changing the structure of the economy.

The ideological positions of Guyana's Government was socialist until 1985 when the new President was ushered into office and resolved to change directions (DaCosta, 2007, World Bank 2003)<sup>4</sup>. It follows that there has been twenty six (26) years to address issues related to a new economic structure. The 26 years may be broken down into the following sub-periods: 1985-1992, Structural adjustment; 1992-1999, pursuit of debt relief and macro-economic stabilisation; 1999 to 2012, legislative and policy reform to privatize and achieve macroeconomic stability (see box 1). Cooperative socialism from independence to 1985 meant that the country got a pretty late start, compared to other Caribbean countries, in building a business class. For this reason, it is reasonable to say that the small entrepreneurial class that existed up to the start of privatization would not have been able to take advantage of SIs. In any event, as this paper argues budgetary and ideological considerations did not allow for such policies up until recently.

Beginning with the policy stance from 1991/1992, macro-economic stability was the main thrust of Government rather than structural change. This resulted from the huge debt overhang and previously high inflation rate (Inflation was 100 per cent in 1991

**Box 1- Economic Policies in Guyana**

1966-1985- Cooperative Socialism

1985-1992: Structural Adjustment

1992-2002: Quest for Macroeconomic Stability

2003-2012: Regulatory Reform

(DaCosta 2007). The country also shifted to a flexible exchange rate in 1991. Guyana's broad macro-economic policy was prudent, making the period 1999-2010 one that has enjoyed macroeconomic stability. The country has enjoyed single-digit inflation over the period 1999-2010 at 6.1 per cent as an annual average. Guyana's foreign debt was 93 per cent of GDP up to 2006, currently reduced to 56.7 per cent at this time, with reduced debt servicing burden (Faal, 2003).

The current period, now though late, is ripe for pursuing structural transformation through stronger SIs, which are the core of an active industrial policy. In 2003, the enactment of the Fiscal Amendments Act provided a clear legislative statement by Government of Guyana, of which industries it considers to have high growth potential and which will receive fiscal concessions from the state, in a transparent and predictive manner. It provided a transparent and predictive policy towards industrial development by the Government of Guyana. It provided a regulatory basis to end discretions and arbitrary concessions to specific investors. The activities meriting exemptions from income tax up to five (5) years were listed as the following: non-traditional agro-processing, information and communication technology, petroleum exploration, extraction, or refining, mineral exploration, extraction, or refining, tourist hotels or eco-tourist hotels (p.18). The Act also provides exemption from income tax if the activity creates new employment in any of four (4) depressed areas. Given Guyana's low growth rates, it is clear that the regulatory framework in place for granting concessions over eight years has not been enough to stimulate the kind of growth rates that are required in these sectors. A policy of more active selective industrial policy interventions will be required to promote the structural transformation of the economy that is necessary.

The Guyana National Competitiveness Strategy (NCS)(2006 b) recognizes the need for Government to intervene to create new poles of growth to complement the traditional sectors in the economy. It notes the dependence on four (4) pillars which consist of primary commodities and the need to diversify the economy from this old structure of GDP. In 2006 when the strategy was crafted gold, sugar, rice, timber, bauxite and shrimp accounted for 69 per cent of GDP. In

terms of export performance, in 2006, gold and sugar also accounted for half of the country's exports, also exemplifying the exposure to the vagaries of commodity markets. More importantly the declining international market fortunes for sugar based on the EU's reform of the Sugar Protocol whereby the landed export price received would be reduced by 36 per cent over three (3) years, provided new imperatives for diversification in Guyana, towards industries with more favorable international growth trends. Indeed, the utmost need for diversification of Guyana's economy and fostering of new poles of industrial competitiveness had been espoused quite clearly in Guyana's National Development Strategy (NDS) of 2001 and the Poverty Reduction Strategy Paper. However, SIs to substantiate these stated recognitions have been slow and delayed, not concomitant with the seriousness of these policy actions to overall growth of the economy. The NDS (2001, page 9) states that "Guyana relies too heavily for its economic existence on the production and export of a few virtually unprocessed commodities."

The NCS (2006 p 18) makes the explicit statement that the strategic sub-sectors identified for growth requires targeted [selective interventions] and that

*"If unlimited resources were available, the Government could intervene vertically and horizontally to address obstacles constraining sector-level competitiveness, unlocking bottlenecks across many complete sectoral supply chains simultaneously. But there are not enough resources to experiment with multiple supply chains; such an approach would spread resources too thinly, with little possibility of having significant impact."*

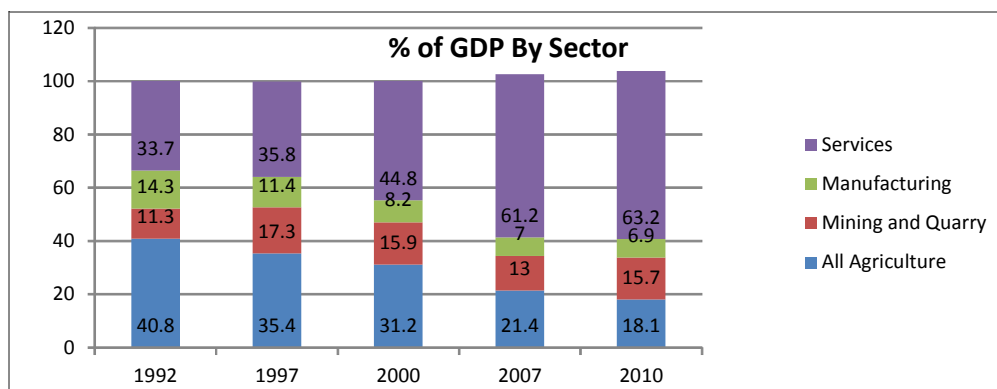
The NCS (2006) therefore expressed preference for broad points of intervention, providing public goods and the selection of market-driven interventions that allow the new sectors to grow. The sectors in the NCS are Information Technology, tourism, non-traditional agriculture (including organic), manufacturing and fisheries (aquaculture).

## **STRUCTURE OF GUYANA'S GDP AND EXPORTS 1980-2012: THE STATISTICS**

Due to the small population and small domestic market, Guyana is an extremely open economy with an export to GDP ratio of more than 50 per cent -in 2010 it was 59 per cent<sup>5</sup>. Hence export performance plays an important role in growth. Guyana's slow growth in the period of 1999-2010 continues to be the result of

two things; a) the composition of GDP has shown strong growth in the percentage of services now dominating GDP- but services are all non-tradables and are negligible in exports; b) exports continue to be dominated by primary products, recently gold, sugar, rice, bauxite.

**Figure 2: Contributions of Sectors to GDP: 1992-2010**



According to official statistics (See fig 2) agriculture accounted for 40.7 per cent of Guyana's GDP in 1992. 50 per cent of this amount consisted of sugar cane production. By 2010 agriculture declined to 18.1 per cent, largely the result of declining production and exports of sugar. Official statistics also show a remarkable increase in the service sector in GDP from 33.7 per cent in 1992 to 63.2 per cent in 2010. In this regard, two important points are to be noted. Firstly, the rebasing of the national accounts in 2010 allowed for the inclusion of a range of legitimate services previously unmeasured such as; government services, education, water, energy. Secondly, the services sector is largely untradeable with services showing an average negative net balance of US \$116.2 over the period 2009 to 2011. Given Guyana's small domestic market and the resulting fact that exports are important to generate resultant growth in GDP then the slow growth of services exports has not assisted the performance of GDP.

The traditional export sectors have not performed impressively over the period (see table 1 and figure 3) either. Recently, the larger percentage in export growth performance has come from growth in the exports of gold, motivated by higher gold prices resulting from the slowdown in the global economy and higher demand for gold. Sugar export revenue in 2010 was below that of 1997 and is expected to reduce further based on the removal of preferential prices for the commodity. The export earnings from rice have gone up due to increased rice production partly responding to higher preferential prices from Venezuela. There has been



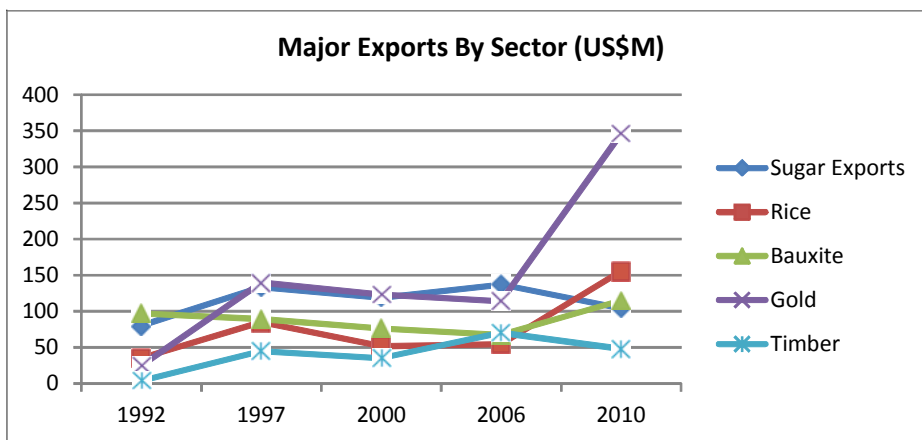
some rebound in bauxite but not significantly higher than 1992. Gold earnings have increased by 1400 per cent over 1992 benefiting from the global economy’s poor performance and the associated increased demand for gold. Other exports have not shown much improvement over the 18 year period. In fact, what is clear from the data is that 36 per cent of the growth in export earnings has come from the externally generated good fortunes of the gold industry. These indicators of export performance for Guyana make the growth experience an even more worrying phenomenon, and of course point in the direction for the need for stronger selective targeted interventions for structural change and diversification of Guyana’s economy.

Table 1: Guyana’s Export Performance (US\$M)

	1992	1997	2000	2006	2010
<b>Sugar Exports</b>	79.9	133.4	118.8	137.0	104.0
<b>Rice</b>	35.0	84.7	51.8	54.6	155.0
<b>Bauxite</b>	97.0	89.4	76.3	67.3	114.6
<b>Gold</b>	24.6	139.8	123.3	114.0	346.2
<b>Timber</b>	3.7	44.6	35.2	70.3	48.0
<b>Other</b>	123.2	81.5	99.8	141.9	124.1
<b>Total Exports</b>	<b>363.4</b>	<b>573.4</b>	<b>505.2</b>	<b>585.1</b>	<b>891.9</b>

Source: Bank of Guyana Reports

Figure 3: Major Exports by Sector: 1992-2010



## **CASE STUDIES: SELECTIVE INTERVENTIONS SUGAR AND TOURISM**

In the remainder of this paper, the discussion centers on the patterns of intervention of the Government of Guyana and how these patterns need to be improved to create the structural changes required. Two productive sectors are selected to discuss the policy attitude of SIs towards old and potential growth sectors. Sugar is selected as one of the old sectors and tourism as an emerging sector given its importance in the global context to contribute to fast growth rates in developing countries. In addition, tourism is the new sector that many Caribbean countries have chosen for heavy SIs since independence, given its high income elasticity.

In subsequent papers more detailed studies of industrial policy in the various sectors are conducted.

### **SUGAR**

Sugar was once king in Guyana.<sup>6</sup> In 1959 it accounted for 50 per cent of export revenue (Reubens & Reubens 1962); by 2006 this had fallen to 23 per cent and by 2010 to 12 per cent. In terms of GDP contributions in 1956 sugar accounted for 15 per cent (Reubens 1962). Accounting for both cane sugar production and the manufacturing component of sugar, in 1992 sugar accounted for 29 per cent of GDP, by 2000 12.8 per cent, by 2006 13.3 per cent and 7.1 per cent by 2010. So the decline of the ability of the sugar industry to contribute to sustained growth in Guyana had long been clear and signaled that attention of industrial policy on growth should be more vigorously on new industries especially in the deployment of budgetary resources. The fall in the performance of the industry and its importance in the economy came as a result of the fall in absolute production levels and not as a result of the fact that the other sectors were growing more rapidly than sugar. Tonnage of sugar produced have seen absolute reductions. In 1960, sugar accounted for 23,000 in employment directly in sugar (Reubens & Reubens 1962), which was approximately 15 per cent of the labor force. Government of Guyana unsubstantiated sources note that by 2010 sugar accounted for 18,000 jobs. It is clear that on these grounds again, that industrial policy was to refocus on other industrial targets to sustain growth of Guyana's small economy.

Figure 4: Contributions of Sugar to GDP: 1992-2010

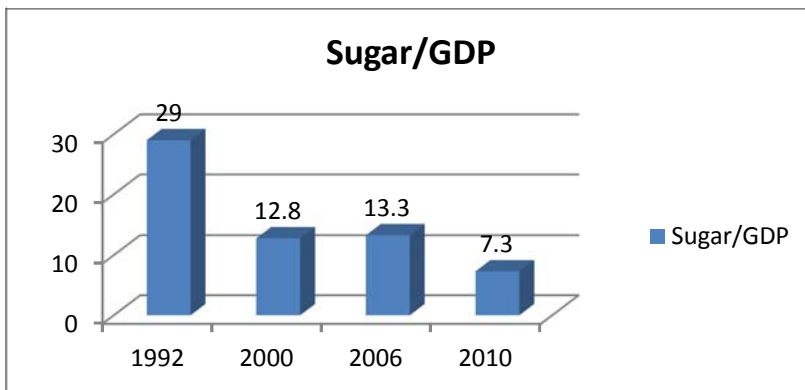
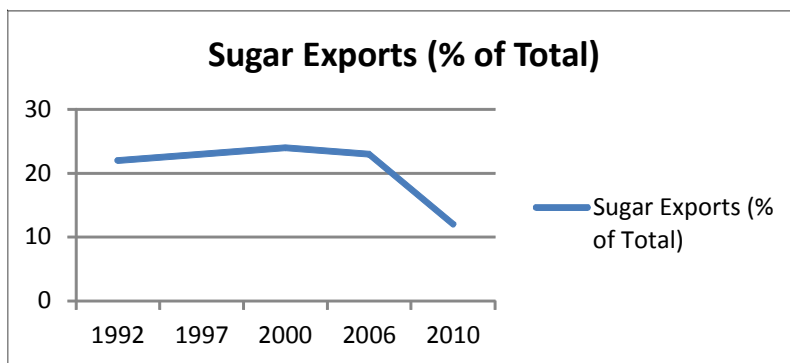


Figure 5: Contributions of Sugar to Total Exports: 1992-2010



**GOG Intervention Action Plan for Sugar**

It is against this background that we evaluate the selective interventions of the Government in the industry. It is well known that many developing countries that heavily relied on sugar have had to make provision for greater exposure to market prices for the product on the international market rather than on previously preferential rates allowed to ACP countries by the EU. This new reality has implied smaller possibilities for relying on this sector for GDP stability and growth. In November 2005 the European Agriculture Council agreed to cut the EU guaranteed sugar price by 36 per cent over 4 years starting in 2006. The Guyana Action Plan (2006) for sugar costing a total of **US\$640M** was prepared in response to the draft EC Regulation of 22 June 2005 that invited Sugar Protocol countries to prepare strategies for the purpose of mitigating the effects of the price cuts. It presented a comprehensive strategy to offset the revenue loss from the EU sugar price cut via new areas of economic activity in the sugarcane industry and in agriculture

(GOG 2006 b, p.3). The expected effect of the announced 36 per cent price cut was to reduce the landed export price receive by Guyana from €523.7 per tonne to €335 per tonne by 2009/10. The reduction in the annual value of the quota will be €31.5 million (US\$ 37 million) when the price cut fully comes into effect (GOG 2006).

The key aspects of the Action Plan were the following: expansion of production in line with new marketing opportunities; adding value by producing direct consumption of brown and refined sugars; branding and packaging for retail; increasing sales to CARICOM countries in addition to the EU and US markets; implementing an agricultural improvement plan covering improved agricultural practices and mechanisation aimed at increasing yields, factory upgrading and improved sugar quality; refining and co-generation.

### ***The Plan and Interventions in the Industry***

GOG (2006) estimates were that the value of lost preferences will be equivalent to 5.1 per cent of GDP and 5.4 per cent of merchandise exports annually. These estimates given by the Government itself appeared too small to warrant the level of resources expended in urgency on the Guyana Sugar Corporation (GuySuCo), the company that produces sugar in Guyana. Looking at the trend in reductions of contributions to sugar to GDP and export earnings as discussed above, gives the clear indication that the level of interventions could be justified by factors other than strict economic criteria per se.

The Government of Guyana was optimistically expecting that if the industry succeeds in fully implementing the main elements of the plan, it should remain profitable even after the EU price cut. The industry plan aims to cut estate production costs from an average of 17 US cents/lb in 2005 to 12 US cents/lb in 2010. After the EU price cut the EU price will be around 18.2 cents/lb. (GOG 2006 p, 5-6).

One important part of the Action Plan has already been funded. The construction of the new sugar mill, co-generation plant and estate expansion at Skeldon (total cost US\$168 M) has been facilitated by the Government of Guyana and financed by loans totalling US\$ 110 million from the World Bank, Caribbean Development Bank and Exim Bank of China. GuySuCo has contributed US\$58 M from its own cash resources. However, most of the investments included in the Action Plan, amounting to US \$621.79 M (€518.16M), remain unfunded. Meeting these financing needs will be a major challenge, (GOG p. 53). A packaging plant was also funded at an approximate cost of US\$12.5M.

In addition to direct budgetary support to sugar, the industry has also benefited from several fiscal concessions which have reduced earnings to the public treasury, deferral of all taxes, and minimal rental to the state for most of the land utilized by the Guyana Sugar Corporation.

### ***Selective Interventions in Tourism***

As we have noted the shift to high income -elasticity sectors which naturally have the greatest potential for growth has not occurred in Guyana, due to the previous emphasis on commodities and on the country's emphasis on exploitation of Guyana's abundant natural resources. In the immediate post-independence period countries in the Caribbean such as Barbados supported foreign investment in manufacturing and tourism to diversify their economies (Guyana embraced cooperative socialism which included state control of most of the economy (nationalization of sugar and bauxite, banks, centralized credit), state-led development of manufacturing, and state controlled education (DaCosta 2007). Within this schema of inward development, tourism as a possible growth industry was not embraced. Further, in the early 1970's Guyana depended on the commodity boom. Guyana's infrastructure was destroyed and remained in disrepair for decades after independence due to the espousal of socialism which made unfeasible a viable tourism industry (ibid 2007).

There is little evidence to suggest that a tourism policy existed prior to the 1990s, either implicitly or explicitly. Several factors may have been responsible for this. First, the Government may have felt that Guyana does not possess what it takes to be a tourist destination. Second, the apprehension that impact associated with tourism would exacerbate social problems may have discouraged its development<sup>7</sup>. Thus, policies to stimulate Guyana's tourism industry came rather late with 1996 being designated as "Visit Guyana" year. Therefore, according to the NDS 1996 report, certain policy decisions have been instituted to give guidance to the tourism industry.

Early policy measures at tourism industrial policy in Guyana were:<sup>8</sup> the removal of the visa requirement for the major tourist generating markets, in Japan, North America, Western Europe and Scandinavian and Commonwealth countries, as of 1993, the introduction of a 10 percent room tax on all establishments with a capacity of fifteen (15) or more rooms, with the intention of channeling funds back into the industry, the introduction of a tourism incentive package that granted duty free concessions to a number of items was prepared for the sector in 1995. Subsequently, the Government made the decision to commission the Organization

of America States (OAS) to develop an Integrated National Eco-Tourism Development Plan, of which the plan for Kaieteur National Park is a component. In addition to that, according to the NDS 2000 report, in 1998, a project commissioned by the Government of Guyana and executed by consultants from the University of Guyana resulted in the production policy document. The broad objective of this policy is: "To develop sustainable tourism that produces maximum economic, social, cultural development strategy through the optimum use of human resources and the provision of a product of the highest quality." Then, in 2006, the IADB funded the Tourism Action Plan for Guyana.

Based on conservative estimates of per capita visitor spending, direct tourism receipts for Guyana were estimated between US \$78.9M to US \$116.5M based on visitor arrival of 115,000 (Guyana Tourism Action Plan, 2006). In 2010, there were approximately 150,000 visitors to Guyana (Guyana Tourism Authority). These figures are measly compared with performance of tourism in CARICOM.

The lateness of SIs is best mirrored in Guyana Tourism Authority's paltry destination marketing budget of US\$70,000 in 2006 compared to US \$5M for St Lucia in 2006

The point here is consistent with the argument of the preceding sections that selective industrial interventions in high price and income elasticity sectors has been rather too late and of too small magnitudes to stimulate the kind of sectoral and structural change that is needed to stimulate and sustain higher growth rates, and that the time is now ripe for such a policy shift by the Government of Guyana. Less SIs need to be made in old and declining sectors such as sugar, even though obvious socio-political considerations, such as employment in the short-term, may have guided the Government to bolster sugar, albeit at high cost.

## **CONCLUSION**

The gist of this paper has been that the conversations on the stagnation of growth in Guyana must place greater emphasis on the nature of and the direction of selective policy interventions to understand the most appropriate reasons for the slow-down in growth. Current research, discussions and empirical evidence of high growth countries provide sufficient evidence that sustainable and high levels of growth must come from an economy that is dominated by sectors with high income elasticities, and long term favorable terms of trade. The paper gives

recognition to the fact that recent policy making in Guyana was dominated by efforts to restore macro-economic stability, the opposite of which was the inheritance from several years of socialist policy and aversion to open markets and trade as facilitators of growth. The devastation of Guyana's economy and infrastructure which followed the socialist policy must not be underestimated but recent policy making has taken too long to posture a more activist policy towards the high growth sectors as can be seen from the interventions in sugar against the interventions in tourism.

What the two case studies show is that SIs in Guyana have been disproportionately in favor of sectors in agriculture, such as sugar rather than in favor of sectors with high elasticities and long term favorable terms of trade, which the theory of structural change predict would lead to higher productivity and sustained growth. The disproportionate interventions in sugar have no doubt been starkly to support employment in rural areas in the absence of new industries growing fast enough to absorb surplus labor that would accrue from allowing the natural market forces to operate.

## ENDNOTES

<sup>1</sup> An earlier version of this paper was presented at UWI Trinidad, COTE 2011: The author wishes to acknowledge constructive comments from Thomas Singh, Tarron Khemraj and an anonymous referee.

<sup>2</sup> Subsequent ongoing research by the author and final year Economics students pursuing the Course, the industrial policy at the University of Guyana are examining in more details interventions in the various industries.

<sup>3</sup> Cited in Magnus Blomstrom and Bjorn Hette (1984) *Development Theory in Transition*.

<sup>4</sup> These two (2) studies give broad indicators in changes of policy direction in Guyana. We have supplemented that with our own knowledge of events in the period 2003 to present. Note that 1989 marked the official launch of the Economic Recovery Program (ERP) but steps to dismantle the socialist program started after the death of Forbes Burnham in 1985. In 1992, a new PPP government acceded to office which made strenuous efforts at debt relief and macro stability.

<sup>5</sup> National Budget 2011

<sup>6</sup> This introduction is intended to give broad indicators of Governments intervention in sugar, rather than a detailed coverage of the issue. This is in order to compare it with broad interventions in a high-growth sector tourism.

<sup>7</sup> (NDS, National Development Strategy (2001-2010) A Policy Framework Eradicating Poverty and Unifying Guyana A Civil Society Document Annex 20: Tourism 2000)

<sup>8</sup> In a subsequent paper we will explicitly address in more detail industrial policy in tourism in Guyana



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## **INFLATION IN A SMALL OPEN ECONOMY: THE CASE OF GUYANA**

Dr. Cyril Solomon

### **INTRODUCTION**

The purpose of this paper is to review the experience of inflation in Guyana, a small trade dependent economy, to explain its occurrence and to examine the policy implications. At the micro level, dramatic spikes in the inflation rate have the potential of imposing severe and exorbitant costs on many individuals and groups in the economy, in particular, the vulnerable groups, such as the elderly, especially pensioners with meager means of subsistence and those whose incomes are fixed owing to weak bargaining power. Those who lack the foresight to anticipate inflation and to take the appropriate precautions against it, such as savers and lenders, also suffer great losses of wealth, while borrowers gain. There are also menu costs which can be burdensome for businesses operating with small profit margins. At the macro level, high inflation rates also put countries at a competitive disadvantage vis-a-vis their competitors with lower inflation rates and can affect the balance of payments and the exchange rate. Guyana has had many experiences with inflation, most of which were due to external shocks and needs to pursue policies that avoid inflation and mitigate its effects when it occurs.

### **DEFINITION OF INFLATION**

Inflation has been defined in several ways with some definitions based on the symptoms of inflation. Inflation is popularly defined as: “a period of rising prices,” (Laidler & Parkin, 1975). Some definitions are based on the causes of inflation. A concept associated with Milton Friedman (1970) is that inflation is due to a growth in money supply that exceeds the growth in real output. This definition supports the view of inflation being “too much money chasing too few goods” and obviously, identifies a cause of inflation. This view can also be deduced from an examination of the quantity theory of money, which after manipulation yields  $P = MV/Y$ , which implies that the price level is directly related to the quantity of money (M) and the velocity of circulation of money (V), but is inversely related to output (Y). The concept of inflation used in this paper embraces the idea that inflation can be thought of as a period during which the general price level rises.

This implies that the rise in the price level must be sustained for some period of time before returning to trend.

This study examines the determinants of inflation in Guyana and the findings underscore key variables related to inflation. The study uses macroeconomic data in a parsimonious error correction model which is estimated for the period 1972 – 2007. While structural break is indicated at 1989, the model gives reasonable predictions of the inflationary process in Guyana. The major results are as follows:

- There is a long-run relationship between the price level and money supply, the rate of return on money, real output, the exchange rate, the price of oil and expected inflation which is a major driver of inflation. Money supply, the rate of return, the exchange rate and real output all affect inflation in the expected ways.
- Inflation continues for some time owing to persistent expectations.
- There is evidence of structural change in 1989 however the model does a good job of predicting inflation.
- Inflation is unavoidable but can be controlled by prudent policy measures.

In what follows the paper describes the experience of Guyana with inflation before reviewing the literature on theories of inflation. This is followed by the presentation of a model of inflation in Guyana. A discussion of the data follows before the parameters of the model are estimated and evaluated. The paper ends with a summary and conclusions.

## **GUYANA'S EXPERIENCE WITH INFLATION<sup>1</sup>**

The price level in Guyana experienced periods of volatility between the early nineteen seventies and the present owing mainly, though not solely, to externally generated supply shocks. In 1974 the inflation rate rose to 17.5 per cent from 7.5 per cent in the previous year, only to fall to 7.95 per cent in 1975. Again in 1979 the inflation rate climbed to 15.2 per cent from a rate of 8.3 per cent the previous year. The tendency for the price level to increase continued until 1984 when the rate peaked at 25 per cent. The third inflationary period began in 1987 with a rise in the inflation rate to 28.7 per cent from a rate of 7.9 per cent in the previous year. This was the most dramatic and painful experience with inflation as the rate continued to climb, reaching a peak value of 109.3 per cent in 1990. Though declining, the rate of inflation in 1991 was still as high at 89.6 per cent and declined to 9.4 per cent in 1993. The inflation rate was relatively stable until recently

when it increased from a rate of 4.18 per cent at the end of December of 2006 to 14.0 per cent at the end of December of 2007, returning to 5.8 per cent in December of 2008. On as many as four of these occasions the cause of inflation was thought to be related to external shocks, commencing with the oil price rise in the early seventies. Inflation in the fourth period was occasioned by the radical change in policy as the economy transitioned from a planned socialist approach to a market oriented approach; from repressed inflation to open inflation.

On the last occasion the rise in the Guyanese inflation rate was attributed to two occurrences. The first relates to domestic policymaking, while the other derives from the developments in the global economy.

In January of 2007 a Value Added Tax (VAT) of 16 per cent was levied on a number of items, this coupled with expectations of rising oil prices and a buoyant expenditure gave rise to a projected inflation rate of 5.2 per cent for 2007, a grossly understated amount compared to the headline inflation rate.

In the first place, the VAT was poorly implemented. When it was imposed in January most of the members of the business community had already paid taxes on most of the items on the VAT list and promptly computed the new prices by adding the 16 per cent to their old prices, adding more fuel to the inflationary pressures that already existed.

The second reason for the dramatic rise in the inflation rate was the rise in the prices of imports, in particular, the price of oil and the price of food. In 2005 the price of oil was US \$60 per barrel, but during 2007 the price rose, reaching a high of US \$98 per barrel. Food prices were spiked by the diversion of grains, especially corn, from satisfying the demand for food to the production of ethanol as a substitute for oil. In addition to these, the rapid expansion of Asian economies, in particular the Chinese economy and the Indian economy caused their demand for almost every conceivable globally traded commodity to increase. So not only did the prices of oil and food rise, but so did the price of many other imports. Since then the global financial crisis propelled by the near collapse of the financial system of the United States of America has resulted in global inflation being replaced by global recession and declining prices.

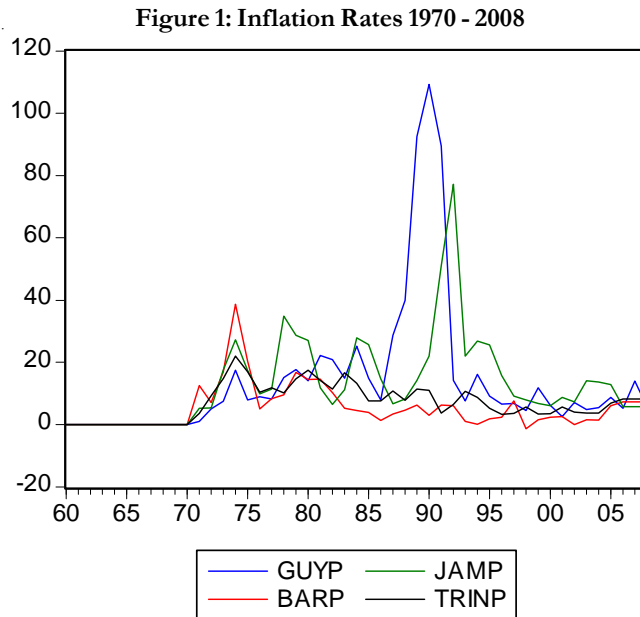


Figure 1, a plot of comparative data in Table I (Appendix A) for selected CARICOM member states shows the movement of the inflation rate over the period 1970 to 2008 for the so-called More Developed Member States (MDCs) of CARICOM. Guyana compares well with some of the other MDCs except for the early years of the Economic Recovery Programme (ERP) when there was a dramatic increase in the average level of prices occasioned by the period of structural adjustment of the economy as the magic of the market replaced the planned economy as the primary means of allocating resources. The ERP brought the era of repressed inflation to an end and ushered in the return to open inflation, more precisely galloping inflation. Prior to 1973 the MDCs, with the exception of Barbados experienced creeping inflation. From 1973 moderate inflation became the order of the day for the MDCs as crop failures and OPEC oil price increases affected the general level of prices. Guyana and Jamaica became the high-inflation countries in the 1980s and 1990s until 2000 when inflation in all of the MDCs decelerated to creeping or near creeping levels once more.

### MODELS OF INFLATION

There is no paucity of studies of inflation though researchers have emphasized their areas of interest ranging from the determinants of inflation to studies of inflation targeting, Barnichon and Peiris (2007) explored the sources of inflation in Sub Saharan Africa by examining the effects of the output and monetary gaps

on inflation. Money gap was found to be the more influential of the two. Ganga (2007) found that monetary and real shocks were responsible for inflation in Guyana. Groen, et al (2009) isolated a set of predictors of inflation to construct a Phillips curve model which outperforms many other forecasting models. Tobias Adrian, Hyun and Song Shin (2009) re-examined the role of prices and quantities in the monetary policy transmission mechanism. Bonato (2008) explored the determinants of inflation in Iran finding a strong relationship between inflation and money. Studies modeling inflation targeting and inflation targeting lite have been done by several writers. Stone (2003) found that countries that commit to inflation targeting are unable to maintain that policy. This Kumhof et al (2007) found was due to attacks on the policy regime, causing Banks to intervene to stave off collapse. Porter and James (2005) did a case study of Mauritius and found that the authorities achieved a reduction in inflation rates by reducing expected inflation. Many of these studies dealt with expected inflation explicitly or implicitly and that is examined next.

Recent models of inflation take expectations into consideration. Expectations are treated either as adaptive or rational with differing results. Both adaptive and rational expectations are dealt with in the modeling of inflation by Frisch (1987)

Johnson (1976) however asserts that for a small open economy with a fixed exchange rate an increase in the money supply would not lead to inflation but, in fact, to a balance of payments disequilibrium. He argues that the domestic inflation rate is determined by world inflation, so the focus should therefore be on control of the balance of payments. However if the small country has a flexible exchange rate an increase in the money supply will not affect the balance of Payments but the exchange rate which will depreciate, resulting in domestic inflation.

More recently a variation of the Augmented Phillips Curve was used to investigate the sources of inflation in Sub-Saharan Africa by Barnichon and Peires (2007). Their model investigated the relationship between inflation; the real money gap and the output gap using the following equation:

$$\pi_{t+1} = \pi e_{t+1,t} - \alpha_y (y_t - y_t^*) + \alpha_m (m_t - m_t^*) + \alpha_z z_{t+1} + \epsilon_{t+1} \quad (11)$$

The annualized inflation rate, is determined by the expected inflation rate modeled as adaptive expectations, the real output gap, the real money gap, an exogenous shift factor and a cost push shock. The authors used panel cointegrating techniques to estimate cointegrating vectors for the production function and the real money

demand function to arrive at the output and money gaps. They find that both gaps contribute to inflation with the money gap being the stronger contributor.

A quite different approach was used to investigate the determinants of Iranian inflation by Bonato (2008). The model used by the author is an inversion of the money demand function. His model took the following form;

$$\dot{p}_t = m_t - \theta_1 y_t + \theta_2 r_t - \theta_3 s_t \quad (12)$$

and achieved the following results:

$$\begin{matrix} \dot{p}_t = 0.83m_t - 0.63y_t + 0.03r_t - 0.13s_t \\ (0.02) \quad (0.10) \quad (0.01) \quad (0.03) \end{matrix} \quad (13)$$

The inflation rate is hypothesized to be determined by the money supply, the Gross Domestic Product (GDP at constant prices), the nominal rate on three month time deposits and the nominal effective exchange rate. All of the parameters have the hypothesized signs and the variables are significant. Using a parsimonious error Correction Model (ECM) he estimated inflation by using ordinary least squares (OLS) obtaining the following results:

$$\begin{matrix} Dp_t = 0.27dp_{t-1} + 0.31dm_{t-1} + 0.16dm_{t-4} - (0.10dy_t) + 0.02dr_t \\ (.08) \quad (.05) \quad (.06) \quad (.04) \quad (.004) \\ -0.05ds_t + (0.01DM - 0.16EC_{t-1}) \\ (.01) \quad (.003) \quad (.03) \end{matrix} \quad (14)$$

The estimation results show that all of the variables play a role in the determination of Iranian inflation, with the money supply affecting inflation in the short-run and with lags of up to four quarters. An appreciation of the exchange rate and higher GDP lower the inflation rate while higher interest rates on deposits reduce the demand for money balances (M1) raising equilibrium prices.

Closer home, Ganga (2007) investigated the determinants of inflation in Guyana for the period 1992 – 2007 using the following model with the following results:

$$P_t = a_0 + a_1 M_t + a_2 M_{t-12} + a_3 E_t + a_4 F_t + a_5 O_t + P_{t-1} + e_t \quad (15)$$

Where  $P_t$  is inflation,  $M_t$ ,  $M_{t-12}$ , are money and money lagged,  $E_t$  is the exchange rate,  $F_t$  is food prices,  $O_t$  is the price of oil and  $e_t$  is a stochastic term. The model



therefore takes into consideration the distribution of the effects of money supply on demand-pull inflation, and the effects of supply side variables such as the exchange rate, food prices and oil prices on the inflation rate. Prices are included on the right hand side to represent inertia inflation. Ganga concludes that the results obtained from OLS estimation confirm that the variables determine inflation in Guyana.

### THE MODEL OF INFLATION

Arising from the models of inflation and empirical results mentioned above it is clear that a number of variables have the potential to play an important role in the determination of inflation in general and inflation in small open economies such as Guyana, in particular. These variables include the money supply, expected inflation, excess demand in the labour market, the unemployment rate, output, productivity, demand management policies, budget deficits, the world inflation rate, the exchange rate and supply shock variables. These variables represent both the demand pull and the cost push causes of inflation.

The model used in this study takes into consideration that the Guyanese economy is a small open economy with a flexible exchange rate regime. It is therefore a price-taker in the global economy with no control over the prices of imports and exports hence the inflation rate will be greatly influenced by external factors. Internal factors, however, will also contribute to the inflation rate, so the model also takes into consideration institutional factors, such as trade unions, employers' organisations and government policy, which are expected to play an important role in wage determination. The following model is therefore hypothesized to explain inflation in Guyana:

$$\dot{P}_t = \beta_0 + \beta_1 y_t + \beta_2 m_t + \beta_3 r_t + \beta_4 e_t + \beta_5 op_t + \beta_6 \dot{P}_{t-1} + \beta_7 m_{t-1} + \epsilon_t \quad (16)$$

Where:

$P$  is the log of CPI, the urban consumer price index published by the Statistical Bureau of Guyana.

$m$  is the log of the money supply (M1)

$y$  is the log of income (GDP at constant market prices)

$r$  is the nominal rate of return on time deposits (3-month deposit rate)

$e$  is the log of the nominal exchange rate.

$Op$  is the price of oil

$P_{t-1}$  is the log of CPI lagged one time period

$M_{t-1}$  is money lagged one time period

$\varepsilon_t$  is the stochastic term.

Money supply,  $m$ , is expected to have a positive effect on the price level since an increase in the money supply, *ceteris paribus*, causes demand to increase resulting in an increase in the price level. A growth in the real GDP increases the supply of goods and services causing the price level to decrease. An increase in the interest rate would reduce investment and output causing the price level to increase. A depreciation of the exchange rate would increase the cost of imports thereby increasing the price level. Oil is an imported commodity which enters the production of many imported and domestically produced goods and services, therefore, an increase in the price of oil would increase cost, lower supply and increase the price level. The CPI lagged one period represents the persistence of inflation. An increase in the price level increases inflationary expectations as agents adjust to the new price level. Inflation therefore once started is expected to persist for a while before it comes to an end. The coefficient of the inflation lagged variable indicates the speed of adjustment to inflation.

## **THE DATA ESTIMATION METHOD AND EMPIRICAL RESULTS**

Most of the data used in the analysis were published by the Bureau of statistics of Guyana and the statistical unit of the CARICOM Secretariat. Data on the price of oil was obtained from the World Bank statistics.

Several techniques were used in arriving at the final equation representing inflation in Guyana. In view of the fact that economic time series variables tend to be non-stationary, as noted by Nelson and Plosser (1982), possibly resulting in OLS estimates being spurious, the Augmented Dickey-Fuller (ADF) test and the Phillips-Perron unit root tests were performed on each of the variables to determine whether they were stationary. All of the variables were non-stationary. The results of the level, first and second difference tests are found in the appendices.

Granger (1981) however argued that variables that are non-stationary individually may nevertheless be mutually dependent and jointly stationary, for example, income and savings. Such variables are said to be co-integrated. Granger (1981) showed that when two non-stationary variables are co-integrated there is a co-integration representation, the so-called Granger Representation Theorem. In effect, variables

that have unit root, but are co-integrated will yield non-spurious regressions when OLS is applied.

Engle and Granger (1987) require that to detect co-integration the model should be estimated and the residual from the regression should be tested for unit root using the ADF test. If the residual is found to be  $I(0)$  then the variables are co-integrated. In fact the residual is  $U(0)$  and stationary. Hence the estimated model below does not represent spurious results.

### FINDINGS

The estimated model is as follows (t-statistics are in parentheses):

$$\begin{aligned} \dot{P}_t = & 1.452 - 0.2072y_t + 0.09m_t + 0.363ex_t + 0.05op_t \\ & (-4.936) \quad (2.671) \quad (7.324) \quad (2.618) \\ & + 0.0186r_t + 0.41V_{t-1} + 0.143V_{t-3} - 0.4372ar(1) \\ & (8.523) \quad (6.608) \quad (3.874) \quad (-2.276) \end{aligned} \tag{17}$$

$R^2 = 0.9997, F = 11606.9, DW = 1.76.$

The signs in the equation are consistent with those predicted. Growth in GDP brings the price level down while increases in the money supply, depreciation of the exchange rate, oil price shocks and increases in the interest rate all result in a rise in the price level. The adjustment of the price level after an initial shock lasts until the third period.

While the signs are consistent with prediction and all of the variables are significant, the full effect of oil price increases is not allowed to pass through to the consumer and this may explain the weakened impact of oil price increases on the price level and inflation. Regarding the impact of money on the price level there appears to be institutional factors that repress prices, causing a slow response of the price level to money. The lagged effect of the monetary variable the effect of an increase in money is felt in the future.

The F statistic and the coefficient of determination all give credence to the model. The fit is good but there is evidence of serial correlation. The Breusch-Godfrey Lagrange Multiplier statistic was used and it confirmed the presence of serial correlation so the generalized least squares estimation technique was applied to arrive at the results above.

## THE ERROR CORRECTION MODEL OF INFLATION

The error correction model of inflation in Guyana was estimated for the first difference of the price variable with model selection based on the general-to-specific method attributed to Engle and Granger and developed and used by many others: Harvey (1981), Engle, Hendry and Richard (1983), Hendry, Sargan and Pagan (1984), Spanos (1988).

The original dynamic model contains two lags for the endogenous variables. The following parsimonious model was selected:

$$\begin{aligned} Dp_t = & -0.0080 - 0.2348dy_t + 0.3032dm_t + 0.2996dex_t + 0.3151dr_t \\ & (-3.4466) \quad (3.159) \quad (6.6953) \quad (6.8079) \\ & + 0.4329dp_{t-1} - 1.0178EC_{t-1} \\ & (6.6791) \quad (-4.8631) \end{aligned} \quad (18)$$

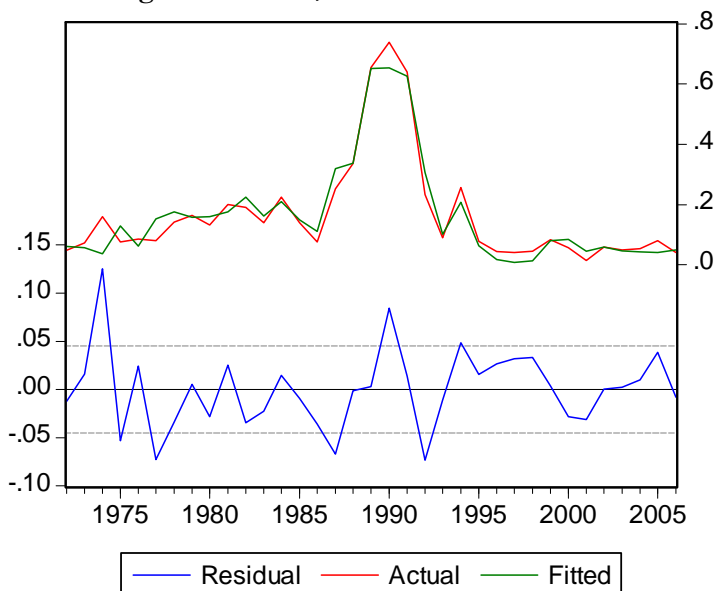
$$R^2 = .9356, \quad DW = 1.975, \quad F = 82.714, \quad LM: 0.1085 \text{ (prob. 0.8975)}.$$

The model fits the data well and meets the specification tests. The stability test implies the absence of structural breaks in the model, while the residuals are normal and show no autocorrelation or heteroskedasticity. The hypothesis of no serial correlation is not rejected by the Breusch-Godfrey Serial correlation LM Test.

Overall the model gives a good description of the short-run dynamics of inflation in Guyana. Money is also an important driver of demand-pull inflation and once started inflation persists, as indicated by the value of the coefficient of the lagged value. Persistence is therefore a cause for concern. Other factors also play important and critical roles in the inflation process. These include output, cost of borrowing and the exchange rate whose effects are contemporaneous. Output growth has a dampening effect on inflation while the cost of borrowing and the exchange rate accelerate inflation. The pass through of the exchange rate to inflation is immediate and is also seen to be significant.

A comparison of the actual and fitted values shows that the model predicts inflation with relative accuracy. The model tends to over-predict inflation before 1989 and under-predict inflation from 1991. (See figure 2)

**Figure 2: Actual, Fitted and Residual Values**



**CONCLUSION**

Inflation affects the standard of living of all Guyanese especially those living on fixed incomes. In Guyana the major episodes of inflation have been caused by rising import prices and in particular the price of oil. Guyana being a small economy and a price taker is most vulnerable to imported inflation.

The study shows that the control of inflation depends on the correct policy stance. Bouts of inflation have been triggered by both demand and supply side factors. On the demand side the amount of money is a key variable. A too liberal monetary policy will trigger inflation. Such a policy may arise from profligate fiscal policy which is not coordinated with monetary policy to achieve price stability.

The model confirms a long-run relationship between inflation and variables such as money supply, output, the rate of return on deposits and the exchange rate.

The parsimonious error correction model of inflation which examines deviations from the long-run price level, current and lagged money growth, the exchange rate and the rate of return on deposits provide plausible in-sample estimates of inflation. The model confirms that controlling the money supply is critical to the control of inflation for excess money growth fuels inflation. The model also points to the supply side factors. A stable exchange rate, output growth and the return on deposits all affect inflation. The key is the control of the money variable.

## ENDNOTES

<sup>1</sup> The information is sourced from the annual reports of the Bank of Guyana and the Statistical Bulletin of the Bureau of Statistics.

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**APPENDICES****Table 1: Price Indices for the MDCs**

<b>Obs</b>	<b>GUYP</b>	<b>TRINP</b>	<b>BARP</b>	<b>JAMP</b>
1971	1.00000	3.60000	12.50000	5.30000
1972	5.00000	9.30000	7.10000	5.40000
1973	7.50000	14.80000	17.00000	17.60000
1974	17.50000	22.00000	38.70000	27.30000
1975	7.90000	17.00000	20.30000	17.40000
1976	9.00000	10.40000	5.00000	10.00000
1977	8.30000	11.80000	8.40000	11.40000
1978	15.20000	10.20000	9.50000	34.90000
1979	17.80000	14.70000	16.80000	28.70000
1980	14.10000	17.50000	14.50000	27.00000
1981	22.20000	14.30000	14.60000	11.90000
1982	20.90000	11.40000	10.30000	6.50000
1983	14.90000	16.70000	5.30000	11.30000
1984	25.20000	13.30000	4.60000	27.80000
1985	15.00000	7.70000	3.90000	25.70000
1986	7.90000	7.70000	1.30000	14.70000
1987	28.70000	10.80000	3.40000	6.70000
1988	39.90000	7.80000	4.70000	8.20000
1989	92.50000	11.40000	6.30000	14.30000
1990	109.3000	11.00000	3.10000	22.00000
1991	89.60000	3.80000	6.30000	51.00000
1992	14.20000	6.50000	6.10000	77.30000
1993	7.70000	10.70000	1.10000	22.10000
1994	16.10000	8.80000	0.10000	26.80000
1995	9.10000	5.30000	1.90000	25.60000
1996	6.60000	3.30000	2.40000	15.80000
1997	6.80000	3.60000	7.70000	9.20000
1998	4.60000	5.60000	-1.30000	7.90000
1999	11.90000	3.40000	1.60000	6.80000
2000	6.20000	3.50000	2.40000	6.10000
2001	2.60000	5.60000	2.60000	8.80000
2002	7.10000	4.10000	0.00000	7.30000
2003	4.90000	3.80000	1.60000	14.10000
2004	5.50000	3.70000	1.40000	13.70000
2005	8.80000	6.90000	6.10000	12.90000
2006	5.20000	8.30000	7.30000	5.80000
2007	14.00000	8.30000	7.30000	5.80000
2008	5.80000	8.30000	7.30000	5.80000



Table 2: Price Indices for the MDCs

Variable	Regression	Augmented Dickey-Fuller t-Statistic				Phillips-Perron t-Statistic			
		Level	First difference	Second difference	Level	First difference	Second difference		
CPI	None	0.361262	-1.372467	-4.809747	1.516044	-1.527302	-4.668706		
	Intercept	-1.023612	-2.670903	-4.742693	-0.542050	-2.349119	-4.586033		
	Intercept and Trend	-2.649705	-2.649705	-4.650944	-1.563955	-2.369355	-4.460960		
M <sub>2</sub>	None	2.284550	-1.155095	-9.06040	4.351237	-1.648298	-9.568330		
	Intercept	-0.700029	-3.664216	-9.085540	-0.510914	-3.746277	-9.440845		
	Intercept and Trend	-2.941449	-3.625452	-8.983462	-1.619205	-3.679333	-9.378298		
Xr	None	0.378891	-2.074212	-10.86003	1.195472	-3.651988	-11.92998		
	Intercept	-0.849481	-4.120852	-10.70814	-0.471757	-4.224088	-11.75145		
	Intercept and Trend	-2.243970	-4.053092	-10.58894	1.825510	-4.163269	-11.82155		
I <sub>r</sub>	None	0.322767	-6.203136	-11.32736	0.332500	-6.203105	-27.36556		
	Intercept	-1.722799	-6.179676	-11.17324	-1.723744	-6.181206	-26.89893		
	Intercept and Trend	-1.443842	-6.242972	-11.01793	-1.443842	-6.245535	-26.81586		
Op	None	1.149169	-5.316421	-7.125837	1.082688	-5.314690	-33.19367		
	Intercept	-2.336018	-5.676534	-7.012406	-2.353719	-5.676534	-32.47293		
	Intercept and Trend	-2.385687	-5.704197	-6.902236	-2.384926	-5.704250	-31.70335		
Rgdp	None	-0.211371	-2.799861	-15.17631	-0.129691	-6.717434	-27.80285		
	Intercept	-2.100716	-2.760554	-14.95367	-1.598296	-6.634564	-27.34092		
	Intercept and Trend	-2.014843	-2.761137	-14.72106	-1.549100	-6.590101	-27.75223		

## THE VALUES IMPERATIVE AND PUBLIC SECTOR MODERNIZATION IN GUYANA

Michael E. Scott

### ABSTRACT

*Guyana's public sector modernization (PSM) programme has been episodic, at times consisting of robust "reform speak" anchoring raised expectations; followed by interludes of despondency and rising frustrations with little or no reform initiatives being pursued. What has become evident is that while the modernization programme was being fashioned/refashioned little attention was being paid to the cultural dimension, with its fundamental basis of "values." These have been acknowledged as strategically important tools for organizations alongside vision and mission. Therefore, there is need to focus on pro-change values which facilitate readiness for modernization as well as operational values which serve as a moral compass for appropriate conduct. In Guyana's context specific focus must also be on values which promote national cohesion in the delivery of public goods and services. This paper attempts to explore those values which have been proffered in the PSM programme and to assess their appropriateness to Guyana's governance environment. The analysis indicates that values are acknowledged as critical to reforms but not given the attention required in a transformation process. Also, specific values relevant to national cohesion and racial harmony have not been given the emphasis required which may militate against the expectation of authentic and comprehensive public sector transformation.*

**Key words:** values, values imperative, modernization.

### INTRODUCTION

The process of modernization of public institutions can only be successful when there is a holistic remaking of these institutions. Crucial to such a remaking are the accompanying values, the bedrock of the culture of organizations (see Geertz, 1973 cited in Sim & Gioia, 1986; Feldman & March, 1981 cited in Sim & Gioia, 1986; Hickson & Pugh, 1995). In this paper, the issue of values is explored in the context of public sector modernization (PSM) in the contemporary period. Indeed very often the media draws attention to moral lapses particularly in government,

in the professions, in sports and in business, among other areas. Thus, increasingly human societies at the local, national, supranational and global levels have directed attention to moral codes for the demonstration of social responsibility, duty and service to mankind. The issue of values is right at the heart of the quality of service being provided by public sector institutions.

The modernization of public institutions has been focused on management innovations, new technology, the realignment of sectors (viz. the public and private sectors) as well as enhancing effectiveness and efficiency. These in effect are reflective of the need for improvement of the public sector's performance. In this regard values are critical factors for sustaining PSM initiatives. The performance of public institutions is determined by people who are from varying social, cultural and working environments, which are underpinned by certain values. These factors may either hinder or enhance performance of public institutions. Thus, the values and understanding "embedded within state structures will be among the principal influences shaping how the state and its component parts function" (Astaphan, 2006, p. 11-12).

Public institutions primarily specialize in the service product (that is, a product, which essentially involves the interaction of the provider with the user). Thus, the inculcation and transformation of relevant values must take cognizance of the various categories of customers/clients and their values. They may include citizens, foreigners, the differently abled, the youth, the aged and the other "vulnerables" of society. Thus, the dimension of values must be an imperative in the modernization of public institutions since it will determine the quality of the service product.

Furthermore, modernization of public institutions, on the human side, consciously addresses the imperatives of enhanced knowledge and technical skills as critical factors. However, values are, more often than not, treated as coincidental with these factors, rather than in their own right, and having their own specifically designed programme of activities for modernization. Thus, the imperative of values, though acknowledged, is not given that degree of importance in the modernization process. This is in spite of the view that "values can play a role: by defining which reforms are compatible with the political system" as well as subtly "through the interpretation of reform projects" (Astaphan, 2006, p. 12). More so as a critical element of strategy formulation, which underpins strategic transformation and management, values share an equal place with the vision and mission of organizations/institutions. It is therefore necessary that in the

modernization of public institutions the transformation of values be addressed simultaneously with all other aspects of transformation in order to adequately shape the expectations, perceptions and motivations of public sector employees.

There are four **objectives**, which this study hopes to achieve:

- To identify and examine the imperatives of public sector modernization generally as well as specifically to Guyana and the incorporation of values
- To identify and assess the values outlined and their appropriateness for modernizing the public sector institutions in Guyana
- To analyze the perceptions of selected senior public officials, involved with the modernization programme, with regards to the relevance and importance of values in that programme; and
- To assess the responses of officials, involved in modernization validation training exercises, from data collected in order to ascertain values adherence.

### ***Discussion of Key Terms***

In the literature perused there are various elaborations of the key concepts identified. These have been reviewed and an appropriate definition has been identified for the purpose of this paper.

#### ***Values***

Ferrante (1992) refers to values as general conceptions about what is good, right, appropriate, worthwhile and important with regard to modes of conduct and states of existence.

Hickson (1995, p. 18) refers to values as a ‘portmanteau term into which too much can be stuffed’. However, he noted that values are key elements of the culture of any organization and are in turn shaped by that culture.

Milton Rokeach proposed thirty-six universal values classified into two types of “personal values” viz. “terminal” (eighteen) and “instrumental” (eighteen). A terminal value is a “personal conviction about lifelong goals or objectives”; an instrumental value is a “personal conviction about desired modes of conduct or ways of behaving” (as cited in Jones & George, 2008, p. 95-96). These instrumental values may relate to behaviours and practices on the job. However, while on the surface it will appear that instrumental values are more pertinent to the organizational context terminal values are also to be constantly referenced since individuals within organizations often evaluate themselves based upon their terminal values.

Kaplan and Norton (2008) identified three critical elements for the contemporary management system pertaining to the formulation of strategy viz. vision, mission and values. They noted that values set out the “moral” [author’s addition] compass that will guide actions. These they refer to as core values which prescribe the attitude, behavior and character of an organization. They identified those values that are promoted such as; courtesy, respect for authority, equity and responsiveness to customer/client as well as those that are forbidden such as; bribery, harassment and conflict of interest. (p. 65-66).

Generally, one can deduce from the foregoing that values refer to ideas which induce people to act in particular ways. They form a critical part of the process by which social actors define and evaluate the meaning of their behavior. Thus, an organization’s values provide practical, ethical and moral boundaries to guide its constituents. It provides the borders wherein the constituents think, communicate, make decisions and act in keeping with the vision and mission of the organization

### **Organisational Culture**

According to John Cumberford (2006) the heart and soul of any organization is its unique culture, which is defined as ‘the moral, social and behavioural norms of an organization based on the beliefs, attitudes and priorities of its members’. He further addressed the notion of “cultural tenacity”, which he opined, “surfaces when change is looming” and added that the time and cost of reform is often determined by this cultural tenacity. One can extrapolate that this cultural tenacity is redolent of those values which are anti-transformational and pro-inertia.

Hickson, quoting Hofstede, noted that culture is “the ‘software’ or ‘collective programming’ of the mind, the programming of values being fundamental”. Specifically, this programming will relate to the way people work and interact at work (as cited in Hickson & Pugh, 1995). Thus, it is important to have a grasp of organizational culture in order to appreciate the importance of values.

Quoting Hagberg and Heifetz, Cumberford (2006) points out that it is important for government to

know what the actual culture is *per se* and assess whether or not the culture is compatible with its vision, mission and strategic plan. Because the culture was appropriate to get you where you are does not mean it is appropriate for where you want to be tomorrow.

Generally, organizations must be viewed as cultural systems, where culture refers to the shared set of beliefs, norms, values, standards, expectations, priorities and work routines “that influence how members of an organization relate to one another and work together to achieve organizational goals” (Hickson & Pugh, 1995, Jones & George, 2008).

Values imperative refers to the realities, considerations and underlying rationale that make values, relevant and important to the success of the modernization process and without which that process can be counterproductive.

Modernisation represents the planned changes to tasks, structure and objectives utilising “vision, strategy, plans, programmes and people to bring about sustained and sustainable change” that will meet both current and future needs. Intrinsic to this process is emphasis on adherence to modern standards, and the use of modern technology and techniques (Sutton, 2006). Modernisation of the public sector is therefore about radical change to the methods and approaches of transacting business, delivering goods and services and meeting the needs and demands of citizens, clients or customers, who access, depend on, or simply require efficiency and effectiveness in the public sector to lead productive lives whatever their means of livelihood (Sutton, 2006, p. 129-130).

Modernisation requires that the public sector efficiently pursues its core responsibilities viz. ensuring the following: public safety and public order, enabling macroeconomic environment with sound impartial regulations, improved human resources, satisfactory infrastructure and a safety net for the poor. Simultaneously, the public sector is required to demonstrate strategic awareness of the strategic directions of the private sector. This can only be achieved through institutionalised consultative mechanisms in order to promote awareness of each sector’s activities and plans and so ensure positive alignment, an alignment between citizens’ expectations and political actions. This is a demanding process for low capacity and vulnerable states such as Guyana, where it is obvious that the key stakeholders in this process are not yet in a state of readiness (Sutton, p. 2006). Thus, the private and public sectors, civil society and the relevant trade unions must be reoriented, retooled and reconfigured in order to pursue new roles under new conditions with new values and thinking. The focusing should therefore be on developing effective and mutually beneficial partnerships.

## THEORETICAL PERSPECTIVES ON PUBLIC SECTOR REFORM

Public sector reform according to Mascarenhas (2007) refers “to changes in the task, structure and objectives of the political institutions and administrative agencies, thus reflecting the changing values of respective societies.” There are two perspectives which have found their way in the literature relating to PSM in Guyana (Presidential Statement, 2001, p. 14-15; Cumberford, 2006, p4). Thus there will be a brief examination of New Public Management (NPM) and the Whole of Government (WOG) approaches which have underpinned public sector reform or modernization in the contemporary era. While elaborating on these perspectives/approaches, an attempt will be made, simultaneously, to explore their respective focus on the issue of values.

Sutton noted that there are no “universally accepted set of features unique to NPM” and thus identified some defining characteristics proposed by Minogue (as cited in Sutton, 2006, July 4-6, 2002) viz.

- Entrepreneurial dynamic
- Reinstatement of the market as a potentially more proficient provider of public services; and
- Transformation of managerial behavior

Sutton proceeded to identify some “common elements” from NPM in most public sector reform programmes, including the Caribbean, as follows:

- Introduction of output and performance indicators (benchmarking)
- Devolution/decentralization of decision-making lower down the hierarchy
- Monitoring and greater emphasis on management as opposed to administration
- Contracting out
- Strategic planning
- Customer orientation; and
- Transforming the workforce (rightsizing, downsizing and capacity building etc.)

Actually, the Guyanese President (2001) in referring to NPM identified fifteen (15) features which he declared will be considered in Guyana’s public sector reform efforts and to be “incorporated into its localized new public management ethos,” as follows:

- Clarification of roles of those involved in the processes of government
- Identification of the few critical overarching goals or the primary major goal

- Clear and realistic specific objectives
- A professional and impartial public service that is mandated to increase productivity and improve performance
- Delegation of managerial responsibility to appropriate levels
- Decentralization of operations and attendant decision-making
- Modern performance management systems for people and institutions
- Focused performance scrutiny and analysis
- Focus on citizens as valued clients and customers accessing and being provided with goods and services through public sector mechanisms
- Separation of policy formulation, regulatory, monitoring functions from delivery and implementation functions
- Utilization of business principles and market- type mechanisms e.g. competitive resourcing/sourcing; cost recovery, value for money; performance incentives; productivity indicators; results and outcomes orientation, outsourcing
- Separation of purchasing and provision functions
- Legislative and regulatory amendments
- Adoption of change amendment and organizational development strategies, techniques and interventions
- Reorganization/restructuring institutional and organizational functions and forms for improved performance and service delivery and programme implementation

Notably, five years after the President's statement, Cumberford identifies "Whole of Government" thinking and analysis as relevant but absent in Guyana's PSM (2006, p.4). The key elements of this approach are as follows:

- Public agencies work across portfolio boundaries
- Integrated government response
- The goal is to achieve shared results
- Arrangements are formal or informal
- Policy development, program management, service delivery are principal focal areas
- Cultural change is a key focal area in order to institutionalize a common ethic and cohesive culture of "Public Service"
- Building a strong and unified sense of values, trust, value-based management and collaboration; team building; involving participating organizations and improving training and self-development of public servants
- Key concerns are the corrosion of loyalty; increasing mistrust; window dressing and consequent unethical and illegal conduct and behaviour (Christiansen et al, 2010).



The Whole of Government (WOG) perspective builds on the NPM approach. However, it goes further by addressing the issues which constitute the culture and values gap in the NPM approach. Thus, it is to be ascertained whether Guyanese officialdom has changed their philosophical approach based on Cumberland's observation.

### **THE LITERATURE – PERSPECTIVES ON VALUES IN ORGANIZATIONAL CHANGE**

A review of the literature as it pertains to values is crucial to an understanding of organizational change whether described as reform, transformation or modernization. Feldman and March (1981), utilizing an interactionist perspective, demonstrated that symbolic actions influence beliefs and values and thus can either sustain a given construction of reality or stimulate the fabrication of a new one (as cited in Sim & Gioia, 1986, p. 54). On the other hand Diesing (1967) utilized a functionalist approach to address the issue of values conflict as part of a cultural system. He noted that stresses and strains result from such conflict and solutions have been aimed at changing values and other factors to “produce some kind of resolution, adjustment, reintegration, harmony, equilibrium etc.” (Diesing, Paul 1967, p. 186).

For Hickson and Pugh (1995) reconstituting institutional culture is about identifying, evaluating and challenging the values that are counterproductive.

Diesing (1967) noted that the possibilities of change are driven by three critical variables:

- Introducibility – referring to the fact that change has to be introduced
- Acceptability – change has to be accepted if it is to persist, and being accepted as in a functionalist schema means “fitting into the previously existing scheme of things without strong incompatibilities or frictions.” i.e. fitting into the culture of the organization.
- Flexibility – openness to change of a system is also an important factor in determining whether a newly introduced change will be accepted or not.

The third variable above implicitly points to the culture of the organization or its value system. Also as noted the easier a series of changes the greater the likelihood of the transformation being successful. However, is change ever an easy proposition? Never- the-less it is expected that the decision must be made to

select the easiest possible relevant changes to introduce the transformation process. However, the determination as to what is the easiest change may be a valid problematic for those pursuing change. For it is quite possible some may view values as more difficult to change than structures, processes, mission and vision or vice versa.

The possibilities for change may also be driven by the interaction between “changes of values” and the “adaptive energy” in an organization (Diesing, 1967). Assimilation according to Diesing may be “slight” or “extensive”. It must be noted that the adaptive energy is characterized by rigid defenses, diffuse anxiety and/or affective blocking which may be great or little. Where adaptive energy is great (i.e. defenses are less rigid, anxieties are less diffuse and there is little affective blocking) and assimilation of changes in the value system is extensive, organizational or institutional modifications are manifest. However, when it is slight the obverse will occur. (Diesing, 1967 p 188-189). Thus, one can extrapolate that in order to pursue effective institutional transformation it is important to promote greater adaptive energy and extensive assimilation of new values through appropriate programmes or initiatives aimed at:

- reducing manifest and latent resistance and/or defences
- curtailing anxieties by addressing them openly as well as frankly, and
- reducing affective blocks.

These should be able to address the knowledge gaps in change processes and overcome the emotional reactions which overtake reason in the face of change resulting in the “cultural tenacity” alluded to earlier.

Alastair Fraser and Suzanne Neville (1994) identified two aspects of organizational culture: Firstly, the “corporate culture” (i.e. the culture promoted by the organization as the pattern of beliefs which are known understood and shared by most people in the organization) or the “keystone” that holds the organization together as its members share certain values, beliefs and expectations – exhibited as vision, mission, strategies and objectives. Secondly, the “underpinning culture”, which is less tangible but may “complement or conflict” with the corporate and influences “the willingness of individuals to accept and ‘buy into’ the corporate values and systems.” Fraser and Neville (1994, p. 20-27) also identified four cultural orientations (viz. power, role, task and people) of organizations from which several values can be extrapolated as follows:

- Power culture – trust, centrality (control), toughness and abrasiveness

- Role culture – impersonal, bureaucratic, legality and stability
- Task culture – resourcefulness, adaptability and results
- People culture – flexibility, personal freedom and autonomy.

From the foregoing Fraser and Neville (1994) would locate public sector institutions within a role culture with the concomitant values identified. However, the perspectives on public sector transformation point to a shift in emphasis in certain values thus a reform of the organizational culture.

Finally, According to Kettl et al (1996, p. 80) to build capacity for change and renewal within the public service the next generation of civil servants will need three clusters of qualities. They include:

- ***initiative***, characterized by a willingness to exercise discretionary authority and a preference for autonomy as a work style
- ***strong intellectual abilities***, shaped by a broad liberal education and strong technical skills; and
- ***a spirited desire to serve the public***

The foregoing discourse of the literature raises pertinent questions as to the considerations, priorities and dispositions to organizational transformation. In this regard it has been recognized that not only are decision makers and employees critical to this process but also the wider environment of stakeholders and their cultural environment. Therefore, context is extremely important when examining the transformation process in public sector organizations more so those in the Caribbean with their particular evolution.

## THE HISTORICAL CONTEXT AND VALUES

An examination of the public sector modernization (PSM) process in Guyana cannot be done without a brief review of the historical context in which it has evolved. Anthony Payne (1993) suggested that the Anglo-phone Caribbean has an adapted West Minster value system whereby the post independence leadership best embodied the values of the British Political system by training and socialization. However, he noted that with the exception of Guyana

Under the avowed Marxist, Cheddi Jagan, the political leaders who contested power in the Commonwealth Caribbean at the time of

independence possessed values that were more rooted in liberal democratic politics than any other ideology.

Inherent in this may lie the problematic of public sector reform in Guyana since Guyana's adaptation of the Westminster Model has been at best eclectic, and which Payne described as "non-conformist."

Thus, those values which are inherent in the public sector from the inception and their adaptation will be the concern of this section. Therefore, following Payne's (1993 p. 62) line of argument, the extent to which those values were adapted by "conformists" would have given optimism for modernization in the liberal tradition. Cognizance must be taken of this since the liberal tradition is clearly the tradition in which the current modernization perspectives have been framed to underpin the PSM process.

Payne identified some "inherited values" which he noted were neither abandoned nor "adhered to in every respect"; but have survived "in recognizable form." (This is indicative of his notion of "adaptation" to "local circumstances"). Those "inherited values", which are fairly broad and could be considered as macro-values include constitutionalism, the doctrine of civilian supremacy, bureaucratic and police neutrality, competitive elections and pluralist representation. He identifies the "presumptive Whitehall dimension" and related values with the Westminster bureaucratic tradition (1993 p. 65).

Those presumptive Whitehall values, which are universal values, that can be gleaned from his discourse (1993 p. 65-67) include:

- Neutrality or Impartiality - where the bureaucracy is a "neutral broker"
- Diversity - plurality of interests are attended to indiscriminately in adherence with the public interest
- Equity - fair treatment in service delivery and recruitment based on merit
- Legality - impartial administration of the law
- Loyalty - public officials to show allegiance to the institutions of the state in the conduct of their duty.

He noted that the post-colonial era and globalization have presented greater challenges to the upholding of those values citing the "growth of corruption" and the related drug trade as contributory factors (1993 p. 67). Those factors he opined constituted an "irretrievable break down" in the inherited bureaucratic values. This breakdown coupled with the issue of non-conformity does not bode well for a successful

transformation process. Thus, one could conclude that a grown “non-conformist” polity as Guyana, in Payne’s formulation, will logically find it difficult to proceed with a transformation process which is erstwhile to its convictions. However, as a member of CARICOM Guyana has endorsed the imperative of public sector modernization/ reform mapped out by the working group on Public Sector Reform and Administrative Restructuring established by the CARICOM Heads of Government in 1993.

### **THE IMPERATIVE OF PUBLIC SECTOR MODERNIZATION (PSM)**

There are two aspects to the imperative of PSM in Guyana. In this section the CARICOM and domestic elements of the imperative will be outlined. Firstly, there are four dimensions including certain principles and practices in the CARICOM element as cited by Sutton (2002, p. 10) indicated by the following:

- (i) Redefining the role of the state, under which “those in authority be prepared to examine all our institutions, procedures and systems of decision-making in the light of new paradigms and understanding of human behavior and the need for personal satisfaction and creativity in the discharge of professional obligations”
- (ii) The primacy of human resource development, which will entail introducing in the public service the principles of promotion by merit not seniority, training at all levels, remuneration according to skills and responsibilities, and delegation of authority
- (iii) Greater dedication to service provision under which public employees would be customer focused and “more responsive, timely and business-like in dealing with the public”
- (iv) A strong commitment by the political directorate and senior public servants to public reform in a clearly articulated public sector reform programme, institutionalized in government and involving as ‘stakeholders’ public employees at all levels and their staff associations and trade unions.

Regarding the domestic/national element as it pertains to Guyana, the President (2001) identified twenty-one (21) dimensions, as follows:

- Redefining, clarifying and identifying and articulating the new role and function of the State and its machinery
- Rethinking and reformulating of policy planning and implementation
- Inadequate human resources; and HR policies, plans, systems

- Inefficient financial systems
- Overall inadequate approaches to planning e.g. strategic planning
- Over centralization
- Weak ability to manage information and communication
- Legislative and regulatory framework in need of renewal
- General poor performance
- Poor service delivery systems
- Insufficient attention and responses to needs, requirements, demands of citizens and stakeholders for improved service
- Reviewing, reorganizing and restructuring the Public Service organizations to be more responsive and to generate higher levels of performance and value for money
- Concerns about the size of government in terms of both employees and functional areas
- Ineffective inter-agency co-ordination
- Lack of performance reporting, monitoring and evaluation
- Adopting ways of transacting state business in a more relevant , contemporary and technologically supported environment
- The state and status of oversight or overarching institutions and systems that cut right across the public service
- The ability of the public service to deliver programmes, projects in line with Government's policy implementation agenda
- The need for creation of the environment to facilitate socio-economic development
- Dissatisfaction with the levels of efficiency, effectiveness and performance as expressed by various stakeholders
- The lack of a value system that influences attitudes, thinking, behavior in the workplace and with respect to interactions with others, including other public employees and those who are the recipients of service from the public sector.

### **VALUES FOR THE MODERNIZED PUBLIC INSTITUTION**

While the PSM Project in Guyana seems to be flagging, a rechristened “Public Management Modernization Program” has officially taken its place. Thus, the imperative of appropriate values becomes more pertinent in this era of deepening regionalization. In this process the demands on public institutions/organizations are greater. Indeed the performance of successful and productive organizations, globally, has been attributed to three “motivators” viz. Vision, Mission and Values, and Inspiring and Challenging Leadership (Kotter, 2007).

Early recognition was given to the importance of values during the design phase of Guyana's PSM Project. Indeed the Inter-American Development Bank (IDB) Loan Approval of January 1999 (The Governance Network Report, 2002 p. 2) identified the following as some of the reasons for the failure of reform efforts worldwide:

- unclear policy framework and **values**
- over-dependence on staff to 'change' themselves; and
- absence of a clear vision".

More so, the Leadership Group identified some "critical values" for a modern Public Sector. They were focused on getting the right mix of values before embarking on the modernization process. The Group (IGN, 2002) also "accepted that value statements will assist the public sector to maintain character and purpose and will serve as a constant reminder of the right way of carrying out the business of the Public Sector". In stressing the importance of values in this process the expectation will be that no effort will be spared in ensuring that there is a narrowing of the gap between espoused values and practised values.

The Guyanese President (2001) in his statement identified two sets of values. Firstly, there were values which were an imperative to drive the reform/modernization process which the author characterized as "pro-change values". Secondly, there were values which must be institutionalized in the operations of the modernized institutions which the author characterized as "operational values". The latter values are captured under "Values Institutionalisation" in the first set of values. The President declared, "In order to keep the buoyancy of reform (modernization) action vibrant particular values and principles must be adhered to and must be reflected throughout". Those pro-change values are summarized by the author as follows:

- **Restiveness** – being skeptical and curious in re-examining and challenging the meaning of the certainty of the status quo
- **Integration** – pursuing an interconnected and holistic Public Sector Reform strategy
- **Strategic Awareness** – being aware of, and considering global, regional, political, social, economic and cultural environments/trends driving change
- **People-centricity** – people must be seen as the most important resource and must be made aware of that
- **Renewal or Re-engineering** – doing new things or new work, and doing work differently

- **Ethical leadership** – developing strength of character and convictions
- **Values Institutionalization** – consolidation of such values as integrity, trust, professionalism, openness, caring for others, quest for quality, zest for improvement, reliability and mutual support
- **Receptiveness** – welcoming change and upholding core values (traditions that are life sustaining)

The above pro-change values were to be utilized as a means of countering the pro-inertia or anti-change values. The issue therefore becomes: How will they be inculcated and utilized to propel change?

Additionally, the Public Sector Modernization Unit (PMU) (PSMP 2002) identified nine (9) operational values which could be captured under “Values Institutionalization” (one of the eight (8) pro-change values driving the modernization process) in the President’s statement. Coincidentally, both the PMU and the President identified nine (9) operational values which should be institutionalised during the modernization process. Though stated differently the values are quite similar. However, a few of the President’s seem to be clearer and easier to interpret, e.g. “caring for others”, “quest for quality”, “zest for improvement” and “mutual support” can be identified as appropriate values for a fractured society. For effective modernization/reform of the Guyanese public sector the vision and mission must be accompanied by appropriate operational values.

These operational values are as follows:

**Integrity:** The Public Sector demonstrates irreproachable behaviour in all its actions and decisions and meets the highest ethical norms and standards. It acts responsibly and with probity to gain and retain the trust of its customers and stakeholders through efficient and effective use of public resources.

**Honesty:** Public Sector employees are direct and honest in their dealings with their employer and their customers. They practise the adage “An honest day’s work for an honest day’s pay”.

**Professionalism:** The Public Sector is informed of current technical and professional standards of expertise and behaviour. It is self-disciplined, seeks to enhance its performance and committed to public service and wins public trust by principled, ethical and equitable decisions and actions.

**Consultation:** The Public Sector assures the relevance of its decisions and actions by keeping the public informed and by responding to its needs, expectations and priorities while applying a consensus building approach.



**Transparency:** The Public Sector communicates to the public the values, principles, and relevant information that guide its decisions and actions in the formulation and implementation of policies and programmes.

**Customer Focus:** The Public Sector understands and meets the needs, expectations and priorities of its customers and stakeholders through its qualities of courtesy, reliability and promptness. It encourages its customers to provide feedback on its performance, which it acts upon and keeps the customers informed.

**Impartiality:** The Public Sector builds national confidence by responding to all its customers equitably, openly and without prejudice, and by clearly communicating its decision-making processes.

**Performance:** The Public Sector delivers its programmes based on diligence, efficiency, value for money and a realistic appreciation of its available resources. It uses established procedures to evaluate its performance and the relevance of policies and programmes it manages.

**Initiative:** The Public Sector promotes and encourages its employees to demonstrate confidence, resilience and creativity in achieving desired results. It values results achieved through commitment and diligence rather than through bureaucratic compliance.

As separate and apart from the pro-change values identified by the President these operational values are expected to be the basis of the new organizational culture in the modernized public sector. They are viewed as the “moral compass” to guide and provide restraints on the conduct of public officials in the course of the delivery of public goods and services. Furthermore, it was noted (PSMP 2002) that “Core values are an organisation’s essential and enduring tenets, which are not to be compromised for financial gain or short term expediency.”

On the launching of the Public Management Modernization Program (PMMP), Minister responsible for the Public Service, Dr. Jennifer Westford, noted that the purpose of the reform process “is to change in a fundamental way, policies, systems, structures, attitudes and habits in the organizational culture ... to serve the public more effectively.” She also suggested that the public sector which should emerge must be instilled with a higher sense of mission, purpose and with new values (PMMP, 2006 p. 3 & 5).

In the Guyanese context, values supportive to nation building, national integration and national cohesion in a racially/ethnically diverse society need to be inculcated and reinforced. They must be publicized and elaborated upon to avoid. Such

values must indicate what the public sector believes in and how employees must and must not behave. They should include respect for cultures and value systems, cooperation (mutual support), non-discrimination and non-racial conduct, empathy (sensitivity in caring for others). These, are necessary in order to contain tensions among and between public service providers and users. The spin-off effects on the wider society will be invaluable and productive in terms of public order, stability, public confidence, enhanced public service, human development and economic dynamism. Therefore, there must be a clear identification of priority operational values which are appropriate for both the public organizational and national contexts thus ensuring an effective modernization process.

Kettl (1996, p. 81) noted the importance of values in the performance of the “careerist who will live its values; and political appointees who will give those values shape by working in partnership with the careerists.” Thus, the successful inculcation and internalization of appropriate values will determine the degree of success of reform/modernization of public institutions, which should provide a quality service product for all, without pre-conditions. In this way the public sector will be an instrument for national transformation in societal relations.

Notably, the New Public Sector Vision devised during the Design phase also incorporated certain general values (e.g. innovativeness, integrity and professionalism) as follows:

The Guyana Public Sector aims to be a results-driven, customer-focused institution, recognized for its innovative leadership, integrity, and professionalism in promoting socio-economic stability and sustainable development in Guyana. It will attract and retain highly motivated qualified personnel who partner with stakeholders to provide quality services that exceed the public’s expectations in the pursuit of poverty reduction and national development. (PMMP, 2006 p.1)

However, this is not satisfactory as noted above because of lack of specificity. Thus, there is need for a values statement highlighting what the sector believes in, does not believe in and behaviours it will condone and not condone in the course of service provision and use. Thus, service providers and users will be accountable for violations with the appropriate sanctions. While it must be acknowledged that there are institutions to prevent, minimize and/or sanction inequities in the public sector (viz. Office of the Ombudsman and the Public

Sector Commission and to some extent the Ethnic Relations Commission) the problem which remains is the absence of a strategy to inculcate and transmit those general and critical operational values. The inculcation, internalization and exhibition of those values will be the litmus test of the success of the modernization process.

### **PERCEPTIONS OF SELECTED PUBLIC OFFICIALS - VALUES IN PUBLIC SECTOR MODERNIZATION**

A qualitative approach was utilized to extract relevant data and for the analysis. Eight senior public officials who were involved in the modernization process were approached since it was assumed that they are cognizant of the values dimensions of the process. Four, willingly agreed to participate in this research activity, the others cited fear of victimization and/or a preference not to be part of the activity without any specific reason. The activity involved private time to complete and return the research instrument and follow-up face to face meetings to ensure clarity. Strict confidentiality was assured.

They were requested to respond to questions on self-evaluation, decision-making, ranking key factors in the conduct of their duty and strategies to inculcate preferred values identified for modernisation. The respondents/interviewees comprised two females and two males. The males had between twenty (20) to more than twenty-five (25) years of continuous experience in the public service. Meanwhile the females had ten (10) to fifteen (15) years. Both female respondents were single. All the respondents except one had university level qualifications. However, that respondent had more than thirty years service.

All respondents positively evaluated themselves as performing “very good” on the job. In their responses they acknowledged the values of performance, professionalism and customer focus. These were extrapolated from the reasons they proffered which ranged from the experience of continuous promotion due to their and the organisation’s performance; their experience in, and commitment to, the job; and the desire to satisfy the public service users.

Respondents generally made decisions with reference to the specified rules or authority governing such. They also indicated that there is often some discussion with other senior level colleagues within the public service to formulate an appropriate decision. This is indicative of valuing “mutual support.” However, it was noted that their

experience was crucial to the approach they took to decision making. Additionally, two of the respondents noted that the nature of the problem and the need for expediency will dictate their approach to decision making, which exemplifies “initiative.” As an illustration it was pointed out that a project-based activity with set timelines and required deliverables would dictate that “time is of the essence and decisions must be made quickly.” Similarly, they recognized that political directives from the elected public servants may also influence their approach to decision making.

**Table 1 Ranking Important Considerations in Conduct of Duty**

<b>Factors</b>	<b>Ranking</b>	<b>Mean Rank</b>
Customer Focus	5,5,6,6	5.5
Contract/job	5,5,3,2	3.75
Pay	4,1,3,4	3
Career and pension	4,4,3,3	3.5
Political bosses	2,2,2,1	1.75
Institutions' Objectives	6	
Commitment to Service	6	
<b>Source: From Data compiled by researcher, 2012.</b>		

In ranking (Table 1) the key factors which are important in the conduct of their duty the researcher was able to compile the responses and tabulate them. The rankings were in descending order with 6 being the most important through to 1, the least important. The mean was used to arrive at the average ranks. Where there was ranking for one item only it was noted e.g. commitment to service and institutional objectives.

Notably, customer focus was highly ranked followed by the contract/job, performance and pension, respectively. Of the nine (9) values stated in the modernization documents only customer focus and commitment to service or professionalism have featured in the ranking. This may imply the level of awareness of, and diligence in addressing values in the training and other sessions for the modernization programme.

Regarding strategies to inculcate preferred values, there was general agreement that values are important and that training is needed. However, respondents confided that they do not focus on this aspect of transformation. However, they suggested the use of role play and coaching as two useful training strategies for the inculcation of preferred values.

## **MODERNIZATION VALIDATION TRAINING AND PRO-CHANGE VALUES**

The researcher utilized data collected on the participation of public sector officials and external stakeholders during the validation training exercises. The data was then analysed to ascertain the level of acceptance or adherence to the pro-change values identified for the modernization process. The eight pro-change values identified earlier are: restiveness, integration, strategic awareness, people-centricity, renewal or reengineering, ethical leadership, values institutionalization and receptiveness.

Programs to transmit pro-change values which are necessary during the “introducibility” phase are extremely important since they create the foundation for acceptance of change. Thus, public servants/officials involved in this introducibility phase will be expected to display pro-change values as the prime change agents. Engagement in pro-change activities such as training and/or retraining is therefore viewed as necessary for such values to be displayed since they will demonstrate commitment to the change process and give it some level of viability.

The public sector requires an orientation to change and this requires commitment and effort by officials and external stakeholders (i.e. availability for relevant and appropriate training) to internalize and exhibit the pro-change values in pursuit of modernizing the public sector. Additionally, the public or external stakeholders must be intimately involved in validating the effectiveness of programs for they are the recipients of the service. Thus, they too must be a part of the change internalization process to give it buoyancy. Therefore it will be interesting to assess the extent to which this is demonstrated in and through training activities at the formal and informal levels.

A preliminary examination of the orientation efforts in Guyana’s Public Management Modernization Program points to the “values deficits” in the behaviours of critical stakeholders directly and indirectly involved in the process. Utilizing data gathered on absenteeism, from two workshops of wide scope and pertinence regarding consensus building and validation issues, certain inferences can be drawn regarding the pro-change values identified earlier.

The researcher noted that attendance and/or its obverse, absence, at critical workshops is/are indicative of the restiveness for change, commitment to renewal,

integration of efforts for change and values institutionalization. These are four of the pro-change values which were identified as central to the vision and imperative for the “buoyancy” or rate of modernization and the degree of sustainability.

During the period of July 24 to November 15, 2006 sixteen (16) workshops/sessions were held under Component 1 - The Strengthening of Public Service Management generally, and the Public Service Ministry (PSM), in particular. Of the sixteen (16) sessions, twelve (12) were held on orientation, consensus and validation, all focused on Human Resource Strategy for the Public service. While the remaining, four (4), focused specifically on the validation of Training Needs identified for Permanent Secretaries and Heads of Department as well as Curriculum Development.

The available data reveal that of the participants invited, mainly permanent secretaries and heads of department an average of 54 and 59 percent attended the workshop sessions for the four and twelve validation sessions. Thus there was reasonable non-conformity with the pro-change values identified above.<sup>1</sup> For those two days the attendance averaged 58 percent which is remarkable considering the other two days in late November (on the eve of the Christmas festivities) averaged 50 percent, which is equally remarkable considering working traditions. (Appendix, figure 3) The lowest and highest percentage attendance at any of the sixteen sessions as seen in (Figure 2) was 15 percent and 87 percent, respectively. The low attendance was due to lack of effective consultation resulting in non-release of personnel to attend that session, which is reflective of an inadequate display of renewal or reengineering.

Additionally, during November to December, 2006, 12 consultation sessions on consensus/validation of the draft Framework for the Modernization of the State were convened. A total of 551 stakeholders were invited nationally (see Appendix, figure 1). The focus was on participation, consultation and readiness for modernization on the part of the society. This was viewed as critical for values development and consensus where the organizational culture of the Public Service was poised for fundamental change.

The data examined revealed that an average of 40.8 percent of invitees attended the sessions which secretariat officials opined was a reflection of “consultation fatigue” (a phenomenon which is due to the frequency of consultants engaging stakeholders, who are more concerned with implementation and results, which

leads to apathy on the part of stakeholders towards future/further consultations). This brought into question the pro-change value of receptiveness or acceptability of change, people centricity and ethical leadership in the change process. Notably more than 20 percent of the invitees were from the central Regional Development Council, Demerara–Mahaica (Region 4), where three sessions were convened. The attendance was 45.5 percent a little above the average. This Region also had the lowest attendance at any session, 19.1 percent. Attendance recorded for Regions 5 and 8 are rated as good. While for the Barima Waini Region (Region 1) it was fair. For the Berbice-Corentyne Region (Region six) it was on the lower end of the acceptable standard. For the other Regions it was generally poor (see Appendix, figure 4). Thus using stakeholders’ responses to the process one sees that the underpinning pro-change value system towards modernization of the public services was not being inculcated. Whether, this was a reflection of cultural tenacity or political opposition as in the case of observations of Region 4 remains unclear. However, this has served to make the modernization process unsustainable since these values have not been adequately transmitted to the key stakeholders, the service users.

## **CONCLUSION**

Change is always a controversial process, particularly when there are shifts from what is deemed customary and traditional to what is contemporary or modern. Since it involves people it may lead to cultural tenacity or political opposition. However, the level of “adaptive energy” and “assimilation” exemplify the desire for change and may prove to be critical to overcoming such tenacity or opposition. The challenge, therefore, is to increase adaptive energy by lessening the rigidity of defences, lessen anxieties and affective blocking; and facilitating assimilation in an extensive values system.

Moreover, change must be strategic being reflective of the context, organizational vision and mission as well as values. These are crucial for strategy formulation as well as ensuring strategic and sustained change. However, when societies have a history or syndrome of “non-conformity” it seems to be difficult for them to accommodate changes that are outside their philosophical or ideological perspective. Purportedly, such is the case with Guyana’s public sector modernization process which has stalled and stuttered to an apparent halt.

The focus on values is important since it is often ignored even in strategic approaches to change which has proven to be counterproductive. The analysis

and findings from this study indicate that values have been acknowledged as important for change processes. Several have been identified as pro-change values to ensure readiness and lend buoyancy to the change process e.g. restiveness with the status quo, integration of efforts, strategic awareness of change processes and issues, ethical leadership of change and receptiveness among others. There are also several values which must be institutionalized to provide a moral compass for service providers and users e.g. integrity, customer focus, professionalism and performance among others.

Both these values imperatives were found to be minimally adhered to and inculcated during the truncated modernization programme. There is no obvious strategy being utilized to entrench the preferred values thus a crucial missing plank in strategic change is being ignored. Additionally, there is need for the elaboration of values which are appropriate to the Guyanese context so as to ensure the vision and mission of a modern public sector will be accomplished.



## ENDNOTES

<sup>1</sup>N.B. there was some lack of sensitivity and strategic awareness by organizers when two workshops were slated for August 2nd and 3rd, immediately after the Emancipation Day National Holiday.

<sup>2</sup>Regions refer to administrative demarcations of Guyana. There are 10 administrative regions

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## APPENDICES

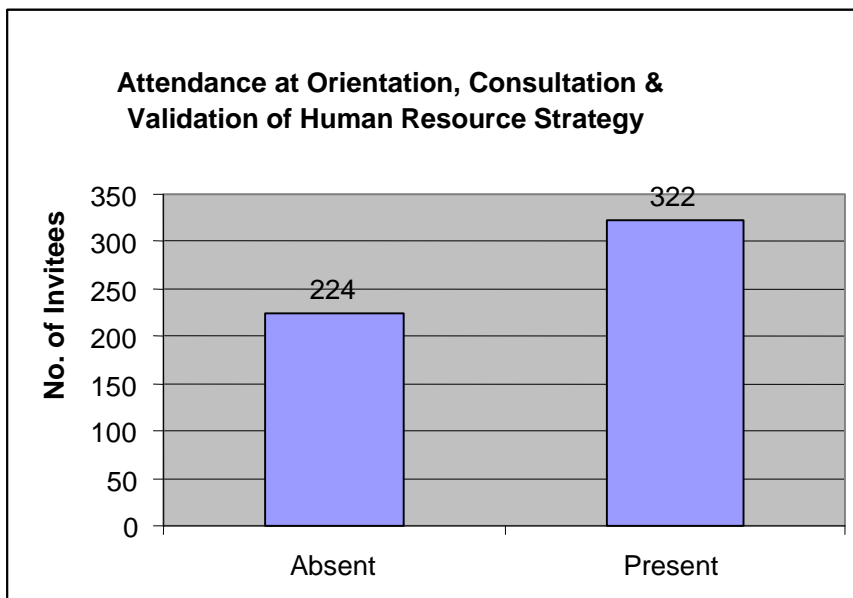
### Box: 1-18 Instrumental Values

**18 Instrumental Values:**

1. Ambitious (hardworking, aspiring)
2. Broad-minded (open-minded)
3. Capable (competent, effective)
4. Cheerful (lighthearted, joyful)
5. Clean (neat, tidy)
6. Courageous (standing up for your beliefs)
7. Forgiving (willing to pardon others)
8. Helpful (working for the welfare of others)
9. Honest (sincere, truthful)
10. Imaginative (daring, creative)
11. Independent (self-reliant, self-sufficient)
12. Intellectual (intelligent, reflective)
13. Logical (consistent, rational)
14. Loving (affectionate, tender)
15. Obedient (dutiful, respectful)
16. Polite (courteous, well-mannered)
17. Responsible (dependable, reliable)
18. Self-controlled (restrained, self-disciplined)

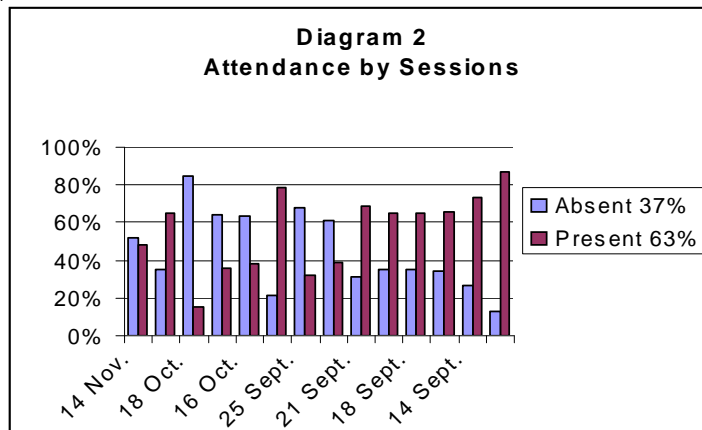
**Source:** Rokeach (see George and Jones, 2008: 95)

**Figure 1: Attendance at Orientation, Consultation & Validation of Human Resource Strategy**



*Source: PMMP news Dec. 2000 -p. 6*

Figure 2: Attendance by Sessions



Source: PMMP news Dec. 2000 -p. 6

Figure 3: Attendance at Sessions held under Sub-component 1.5

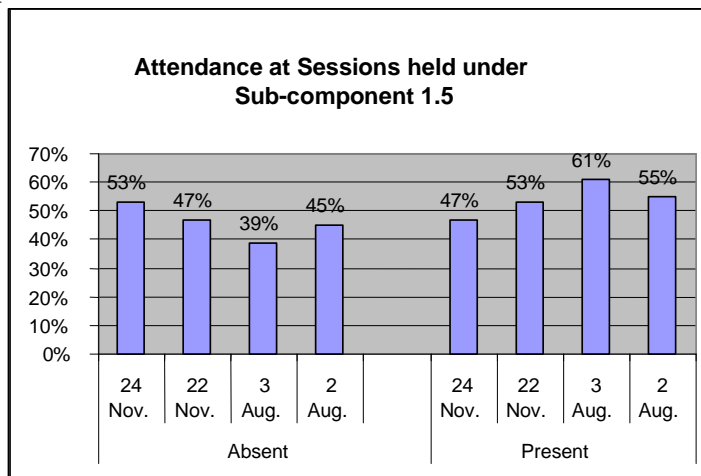
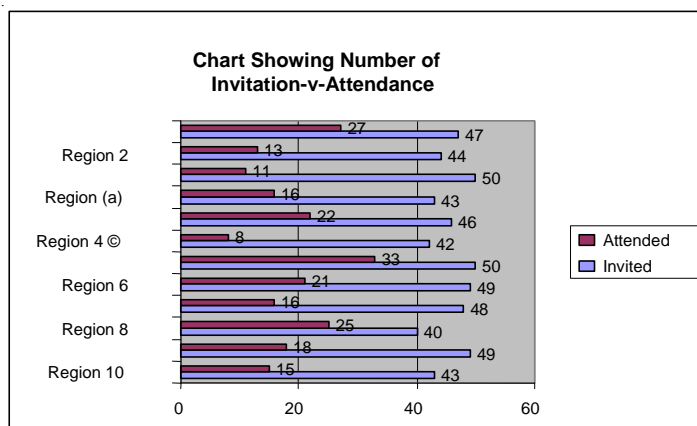


Figure 4: Chart Showing Number of Invitation-v-Attendance



Source: PMMP news Dec. 2000 -p. 4

## COMMUNICATION

### CRIMINAL LIABILITY AND RECKLESS TRANSMISSION OF HIV IN GUYANA

Evelina Singh

#### ABSTRACT

*The transmission of Human Immuno Virus (HIV) through sexual intercourse is of grave concern in Guyana. Notwithstanding, the National Assembly, after consultation with a Special Committee tasked with the responsibility of facilitating public discussions on Criminal Responsibility of Persons living with HIV, concluded that the criminalisation of transmitting HIV is not the solution to prevent the deliberate spread of HIV because this would debilitate public health initiatives. Therefore, in the absence of HIV-specific criminal legislation in Guyana, a victim would have to seek justice by invoking the Criminal Law (Offences) Act. Similarly, a victim to whom HIV was recklessly transmitted would also have to invoke this legislation. This article seeks to explore whether the law relating to inflicting grievous bodily harm can facilitate criminal liability for recklessly transmitting HIV through sexual intercourse; to what extent **R v Dica** is persuasive to criminal liability for recklessly transmitting HIV through sexual intercourse; and whether Guyana should have created HIV-specific criminal legislation.*

**Key words:** HIV AIDS, Criminal legislation, Guyana

#### INTRODUCTION

The prevalence of Human Immunodeficiency Virus (HIV) in Guyana is one of the highest in Latin America and the Caribbean (USAID, 2010). The first case of HIV in Guyana was reported in 1987 and there was an increase in the prevalence until 2004 (USAID, 2010). Since 2004 there has been a steady decline in the prevalence of HIV among the general population from 2.4 percent to 1.1 percent in 2011 (Presidential Commission on HIV and AIDS, 2012).

Despite the efforts made to mitigate the prevalence of HIV and its decreasing trend, additional efforts are needed to further decrease it. Mr. Everall Franklin,

former Member of Parliament from the Guyana Action Party-Rise Organise and Rebuild (GAP-ROAR) in 2011, moved a motion in the National Assembly to create HIV-specific criminal legislation to protect people who are not living with HIV from being intentionally infected with HIV. Minister of Health at that time, Dr. Leslie Ramsammy (2011), was very concerned about the repercussions that such legislation may have on public health initiatives and contended that there was no proof that the criminalisation of HIV transmission prevents the spread of HIV; it discourages persons from getting tested which may increase the spread of HIV by those unaware of their HIV status; and exacerbates stigma and discrimination against those who are already living with HIV. Thus, he tabled an amendment to the motion to facilitate the formation of a Parliamentary Special Select Committee to deliberate on whether the wilful transmission of HIV with the intent to cause harm should be criminalised. All Members of Parliament concurred with the amendment to the motion.

Upon recommendation of the Parliamentary Special Select Committee, the National Assembly decided against the creation of HIV-specific criminal legislation due to the negative impacts such legislation may have on public health initiatives. The Committee contended that it is unnecessary to create HIV-specific criminal legislation and the existing laws relating to assault or criminal negligence must be invoked when dealing with wilful HIV transmission (National Assembly of the First Session of The Ninth Parliament of Guyana, 2011). It would follow that when dealing with reckless transmission<sup>1</sup> that existing laws must also be invoked. In the United Kingdom (UK) successful convictions for the reckless transmission of HIV have been obtained under the law relating to inflicting grievous bodily harm as epitomised in the leading case of **R v Dica** [2004] EWCA Crim. 1103.

### **INFLECTING GRIEVOUS BODILY HARM & CRIMINAL LIABILITY FOR RECKLESSLY TRANSMITTING HIV THROUGH SEXUAL INTERCOURSE**

In the UK, s20 of the Offences against the Person Act (OAPA) (1861) has been used to criminalise the reckless transmission of HIV through sexual intercourse since this may amount to inflicting grievous bodily harm. The section provides:

*“Whosoever shall unlawfully<sup>2</sup> and maliciously<sup>3</sup> wound or inflict any grievous bodily harm upon any other person, either with or without any weapon or instrument, shall be guilty of a misdemeanour, and being convicted thereof shall be liable to imprisonment for not more than five years.”*

Section 50 Cap.8:01 of the Criminal Law (Offences) Act of Guyana is similar to s20 OAPA 1861 (UK); therefore it would logically follow that this section can be used to criminalise the reckless transmission of HIV through sexual intercourse in Guyana. The section provides:

*“Everyone who unlawfully and maliciously wounds or inflicts any grievous bodily harm upon any person, whether with or without any weapon or instrument, shall be guilty of a misdemeanour and liable to imprisonment for five years.”*

Notwithstanding that it is possible for there to be criminal liability for the reckless transmission of HIV through sexual intercourse under s20 OAPA 1861, this section was not designed to deal with the transmission of diseases (Weait, 2005). Thus, the same is true of Section 50 Cap.8:01 Criminal Law (Offences) Act Guyana. However, what is imperative is that the statutes, when interpreted, facilitate criminal liability for the reckless transmission of HIV. Further, with reference to the UK, the Law Commission’s Report of 1993 explicitly advocated that the OAPA 1861 could be used for the prosecution of alleged cases of HIV transmission (Weait, 2007).

The leading case in the UK on the criminal liability for recklessly transmitting HIV through sexual intercourse is **R v Dica**. In this case, the accused Mohammed Dica had unprotected sexual intercourse with two women notwithstanding he knew he was HIV positive, a fact which they were unaware of. He insisted on unprotected sexual intercourse with the first woman, claiming he had a vasectomy while with the second woman initially he used protection but ceased to do so later in the relationship. Dica was convicted of two counts of inflicting grievous bodily harm contrary to s20 OAPA 1861. He claimed that these women were aware of his HIV status and notwithstanding having this knowledge consented to sexual intercourse with him. However, the trial judge withdrew the issue of consent from the jury on the ground that **R v Clarence** [1888] 22 QBD 23, was no longer good law and on the authority of **R v Brown** [1994] 1 AC 212, the women lacked the legal capacity to consent to grievous bodily harm in sexual intercourse. Dica appealed and the appeal was allowed since the trial judge erred in law when he withdrew the issue of consent from the jury.<sup>4</sup>

As regards the first conclusion of the trial judge that **R v Clarence** was no longer important precedent because it has been thoroughly undermined, the Court of Appeal concurred with this position, thus, unequivocally overruling the precedent

laid down in **R v Clarence**.<sup>5</sup> In **R v Clarence**, Clarence had sexual intercourse with his wife, fully aware of the fact that he had gonorrhoea; his wife contracted the disease from him. His wife claimed that she was unaware that he had gonorrhoea and had she been aware of this, she would not have consented to sexual intercourse with him. Clarence was convicted of unlawfully and maliciously inflicting grievous bodily harm upon his wife contrary to s20 of OAPA 1861. This decision was quashed. According to Stephen J (**R v Clarence** [1888] 22 QBD, p.41) an assault and battery in which a wound or grievous bodily harm was “*the manifest, immediate and obvious result*” was implicit from the words of the statute and since this did not result from Clarence’s act, he did not inflict grievous bodily harm unto his wife.

The majority in **R v Clarence** thought that for a conviction to be upheld for unlawfully and maliciously inflicting grievous bodily harm there must be an assault. Notwithstanding Hawkins J dissented, rejecting the majority’s interpretation of the requirement of an assault. He contended:

*“Here it will be observed that where the legislature intends that an assault shall be the foundation of the offence, it says so in express terms. If in using the word ‘inflict’ in s.20 it had intended that it should be interpreted as ‘caused by means of an assault’, s 47<sup>6</sup> would have been superfluous; for by merely substituting the word ‘actual’ for ‘grievous’ in s.20, the whole object of both sections would have been attained; for the punishment awarded in each is the same, and the ‘actual’ harm of necessity includes ‘grievous’ harm... These considerations lead me to the conclusion that the word ‘inflicted’ when used in the statute was not intended to be construed as involving an assault, whatever may be its strict etymological interpretation, as to which I do not think it necessary to enter upon a discussion.”* (R v Clarence [1888] 22 QBD, pp.49-50)

Almost a century later in **R v Wilson** (Clarence George) [1983] 3 All ER 448, it was settled by the House of Lords that the interpretation of the section to require an assault was erroneous. The Australian case of **R v Salisbury** [1976] VR 452 was persuasive in arriving at this decision. Thus, Lord Roskill relied on the following from **R v Salisbury**:

*“It may be that the somewhat different wording of s. 20 of the English Act has played a part in bringing about the existence of the two lines of authority in England, but, be that as it may, we have come to the conclusion that, although the word “inflicts” ... does not have as wide a meaning as the word “causes” ... the word “inflicts” does have a wider meaning than it*



*would have if it were construed so that inflicting grievous bodily harm always involved assaulting the victim. In our opinion, grievous bodily harm may be inflicted ... either where the accused has directly and violently "inflicted" it by assaulting the victim, or where the accused has "inflicted" it by doing something, intentionally, which, though it is not itself a direct application of force to the body of the victim, does directly result in force being applied violently to the body of the victim, so that he suffers grievous bodily harm. Hence, the lesser misdemeanours of assault occasioning actual bodily harm and common assault ... are not necessarily included in the misdemeanour of inflicting grievous bodily harm ..."* (R v Salisbury [1976] VR 461)

The cases of **R v Ireland** and **R v Burstow** [1997] 4 All ER 225, which were joined together on appeal in the House of Lords support the contention that bodily harm does not require an assault. Both appeals were dismissed. In **R v Ireland** the accused had repeatedly made silent telephone calls to three women over a period of three months. The majority of these calls were made at night and on some occasions he breathed heavily on the telephone. The women subsequently suffered psychiatric illness. He pleaded guilty to three counts of assault occasioning actual bodily harm under s47 of the OAPA 1861 and was sentenced to three years imprisonment. He appealed and one of the issues before the Court of Appeal was whether psychiatric illness may amount to bodily harm under s47 OAPA 1861. Using the precedent established in **R v Chan-Fook** [1994] 1 WLR 689, the court found that psychiatric injury may amount to bodily harm under s47 OAPA 1861, thus, elucidating the contention that bodily harm does not require physical violence.

In **R v Burstow** the accused was in a relationship with a woman and when she ended the relationship he rejected her decision and commenced to harass her in various ways over an extensive period. Consequently, he was convicted and incarcerated several times. Burstow continued to harass the woman by making silent telephone calls to her; repeatedly frequenting her home and place of employment without cause; clandestinely taking photographs of her and her family; he even sent her an ominous note. Thus, she became fearful of personal violence and suffered a severe depressive illness. Addressing the issue of whether an offence of unlawfully and maliciously inflicting grievous bodily harm in contravention to s20 OAPA 1861 may be committed in the absence of either direct or indirect physical violence applied to the victim's body, the trial judge contended it may be committed. Burstow pleaded guilty to one count of unlawfully and maliciously inflicting grievous bodily harm in contravention to s20 OAPA 1861 and was sentenced to three years imprisonment. He appealed to the Court of Appeal.

There were two issues before the Court of Appeal, the first being whether psychiatric injury amounts to bodily harm under s20 OAPA 1861. Following the precedent enunciated in **R v Chan-Fook** the court found that it may. The other issue was whether an offence may be committed under s20 OAPA 1861 notwithstanding there was no application of physical violence directly or indirectly to the victim's body. The Court of Appeal answered in the affirmative. According to Lord Bingham of Cornhill C.J.:

*“It is not straining language to speak of one person inflicting psychiatric injury on another. It would in our judgment be an affront to common sense to distinguish between section 18 and section 20 in the way contended for by the applicant. It would also, we think, introduce extreme and undesirable artificiality into what should be a very practical area of the law if we were to hold that, although grievous bodily harm includes psychiatric injury, no offence against section 20 is committed unless such psychiatric injury is the result of physical violence applied directly or indirectly to the body of the victim. The decision in Chan-Fook is in our view fatal to the applicant's submission.”* (R v Burstow [1997] 1 Cr.App.R. 149)

Thus, the Court of Appeal dismissed Burstow's appeal.

Burstow then appealed to the House of Lords contending that R v Chan-Fook was wrongly decided because at the time of drafting the OAPA 1861 psychiatric injury was not envisaged; therefore, the Act does not extend to psychiatric injury. The House of Lords rejected this argument. Thus, Lord Steyn contended:

*“The proposition that the Victorian legislator when enacting sections 18, 20 and 47 of the Act 1861, would not have had in mind psychiatric illness is no doubt correct. Psychiatry was in its infancy in 1861. But the subjective intention of the draftsman is immaterial. The only relevant enquiry is as to the sense of the words in the context in which they are used. Moreover the Act of 1861 is a statute of the “always speaking” type: the statute must be interpreted in the light of the best current scientific appreciation of the link between the body and psychiatric injury.*

*For these reasons I would, therefore, reject the challenge to the correctness of Chan-Fook [1994] 1 W.L.R. 689. In my view the ruling in that case was based on principled and cogent reasoning and it marked a sound and essential clarification of the law. I would hold that “bodily harm” in sections 18, 20 and 47 must be interpreted so as to include recognizable psychiatric illness.”* (R v Burstow [1997] 4 All ER 232)

Similarly, the reckless transmission of HIV through sexual intercourse was not envisaged at the time of the drafting s50 Cap.8:01 Criminal Law (Offences) Act Guyana. Notwithstanding, this section can be interpreted to extend to the reckless transmission of HIV through sexual intercourse, since it appears to be of the “always speaking” type referred to by Lord Steyn *supra*. Consequently, a person who recklessly transmits HIV to another through sexual intercourse may be charged with unlawfully and maliciously inflicting grievous bodily harm upon another.

### **R v DICA AND CRIMINAL LIABILITY FOR RECKLESSLY TRANSMITTING HIV THROUGH SEXUAL INTERCOURSE**

It is possible for there to be criminal liability for the reckless transmission of HIV through sexual intercourse as elucidated in the leading case of **R v Dica**. Therefore, this case is further explored in order to determine the extent to which it is persuasive to criminal liability for recklessly transmitting HIV through sexual intercourse. In **R v Dica** two important principles were propounded by the Court of Appeal as regards the reckless transmission of HIV through sexual intercourse. Firstly, no offence is committed by the HIV carrier for transmitting HIV if the other party consents to the risk of contracting HIV through sexual intercourse and secondly, consent to sexual intercourse is not the same as consent to the risk of contracting HIV through sexual intercourse (Rogers, 2005).

According to Rogers (2005) it is unclear whether the first principle should be interpreted to mean that it is unnecessary for there to be a good reason for the consented to activity once the accused intended to cause bodily harm (deliberate transmission of HIV) as confirmed in **R v Brown**; or whether a good reason such as the pursuit of sexual gratification is required for the consented to activity when the accused does not intend to cause bodily harm, but is aware that this may be a consequence of his action (reckless transmission of HIV). While Judge LJ did not explicitly address the issues that Rogers rightly argued were unclear, it seems implicit from his judgement that a good reason for the consented to activity was immaterial where the accused intended to cause bodily harm and material where the accused was reckless. Thus, the defence of consent would be immaterial to criminal liability for the intentional transmission of HIV through sexual intercourse while material to criminal liability for the reckless transmission of HIV through sexual intercourse (Weait, 2005).

As regards the finding of the Court of Appeal in **R v Dica** that consent to sexual intercourse is not the same as consent to the risk of contracting HIV through

sexual intercourse, Rogers (2005) correctly contended that the establishment of consent to the risk of contracting HIV through sexual intercourse is challenging because it is dependent on an assessment of risks of possible consequences. This is due to the fact that while a general understanding of sex is sufficient for there to be consent to sexual intercourse, a more distinctive understanding of the risk involved is required for there to be consent to the risk of bodily harm as a result of sexual intercourse (Rogers, 2005). Taking cognisance that almost everyone who engages in unprotected sexual intercourse is aware that there is always some statistical risk of contracting HIV, there is clearly a distinction between a person agreeing to have unprotected sexual intercourse with someone whose HIV status is unknown to the consenting party and a person consenting to sexual intercourse with a person that he/she knows is HIV positive (Rogers, 2005). Consequently, with reference to the former, consent to the small risk of transmission maybe negated by the ignorance of the consenting party that the other party suffers from HIV (Rogers, 2005).

Thus, since the risk of transmission is different between individuals, challenging cases are foreseen. Notwithstanding, these challenging cases may be mitigated because according to Wait (2005), while the court did not specifically address the issue of whether the degree of risk associated with the conduct of the accused is or should be material to the availability of the defence of consent, it is implicit from the judgement that the degree of risk is immaterial when dealing with the reckless transmission of HIV. Thus, *R v Dica* is distinguished from **R v Emmett** [1999] EWCA Crim 1710, **R v Wilson** and **R v Brown** where the degree of risk was material.

Another area of obscurity from the decision in **R v Dica** pertains to concealment of HIV status by the accused and the defence of consent. Pendain (2005) submitted that it is unclear from **R v Dica** whether something more than simply leaving the credulous victim ignorant of the HIV positive status of the accused was required to satisfy concealment. This submission appears to be laudable when the following contention by Judge LJ is considered:

*“These victims consented to sexual intercourse. Accordingly, the appellant was not guilty of rape. Given the long-term nature of the relationships, if the appellant concealed the truth about his condition from them, and therefore kept them in ignorance of it, there was no reason for them to think that they were running any risk of infection, and they were not consenting to it. On this basis, there would be no consent sufficient in law to provide the appellant with a defence to the charge under s.20.”* (*R v. Dica* [2004] EWCA Crim. 1103, para. 39)

Notwithstanding the preceding, it appears that once the victim is kept ignorant of the HIV status of the accused, concealment is satisfied whether it is by simply leaving the victim ignorant of his/her HIV status or whether by the accused doing more to hide his/her status.

According to Pedain (2005) **R v Dica** can be interpreted in two ways: 1) informed consent which means that if a victim consented to sexual intercourse unaware of the HIV positive status of the accused then that victim did not consent to the risk of transmission of HIV and 2) liability- restricting interpretation, where it is possible for a victim unaware of the HIV status of the accused to consent to the risk of HIV transmission by expressing a willingness to take such a risk being cognisant of his/her own lack of knowledge of the extent.

As regards the second interpretation, only victims who enquired about the HIV status of the accused and probably those who had a relationship of trust with the accused that it can be legitimately expected that such information would be divulged without enquiring would be protected by the criminal law (Pendain, 2005). Conversely, a person who had unprotected sexual intercourse aware of the fact that he/she was ignorant of the HIV status of the accused and had not enquired about this status would be unable to complain he/she did not consent to the risk of HIV transmission (Pedain, 2005). From the judgement in **R v Dica**, it appears that ignorance of the HIV status of the accused and the lack of enquiry by the other party without more do not result in him/her being unable to complain that he/she did not consent to the risk of HIV transmission. Reason being, Judge LJ contended that the issue is not the victim's knowledge but whether the victim consented to the risk of HIV transmission. According to Judge LJ:

*“The effect of this judgment in relation to s.20 is to remove some of the outdated restrictions against the successful prosecution of those who, knowing that they are suffering HIV or some other serious sexual disease, recklessly transmit it through consensual sexual intercourse, and inflict grievous bodily harm on a person from whom the risk is concealed and who is not consenting to it...If however, the victim consents to the risk, this continues to provide a defence under s.20. Although the two are inevitably linked, the ultimate question is not knowledge, but consent. We shall confine ourselves to reflecting that unless you are prepared to take whatever risk of sexually transmitted infection there may be, it is unlikely that you would consent to a risk of major consequent illness if you were ignorant of it. That said, in every case where these issues arise, the question whether the defendant was or was not reckless, and whether the victim did or did not*

*consent to the risk of a sexually transmitted disease is one of fact, and case specific.” (R v. Dica [2004] EWCA Crim. 1103, para. 59)*

Further, it appears that there are circumstances where the other party would not be deemed to be ignorant of the risk of contracting HIV, notwithstanding the accused did not expressly tell him/her that he/she was HIV positive. Thus, the defence of consent should be available to the accused in these circumstances, for example, where the other party knows that one of the past partners of the accused is HIV positive, or the person practiced unsafe sexual intercourse or the person belongs to a demographic group with a high prevalence of HIV (Weait, 2005). Weait (2005) meritoriously submitted that for **R v Dica** not to be interpreted this way when dealing with circumstances such as these would be a disservice, since this would absolve the other party from responsibility for his/her own sexual and physical health, thus, reinforcing the view that HIV/AIDS is somebody else’s problem.

Similarly, another issue arises from the judgment in **R v Dica**, that is, whether the accused had to have been tested and told that he/she was HIV positive or whether it is sufficient that he/she knew there was a real likelihood of being HIV positive, for example, previous partners tested positive and informed him/her about their status, for there to be recklessness. According to Weait (2005) the case held that the accused must know of his/her HIV positive status. He submitted that the actual knowledge of the accused of his/her HIV positive status is necessary for subjective recklessness (Weait, 2005). Notwithstanding, Weait (2005) acknowledged that there may be valid disagreement with his submission since a person who is aware that he/she may be HIV positive and engages in sexual intercourse carrying the risk of HIV transmission maybe considered to be reckless if indeed he/she is HIV positive and transmits the virus to another. This seems to be the preferable position, since it would be undesirable for the accused to escape liability where he/she knew that there was a real likelihood of being HIV positive on the ground that he/she did not have actual knowledge of his/her HIV positive status.

In addition, if there is no liability where the accused knew that there was a real likelihood of him/her being HIV positive, it may encourage persons who engage in risky behaviour not to get tested so they can avail themselves of the defence that they did not have actual knowledge of their HIV positive status. It would also be undesirable if an extremist interpretation is applied to knowledge of the accused that there was a real likelihood of him/her being HIV positive, such as, everyone that had unprotected sexual intercourse is aware that there is a real likelihood of being HIV positive. Therefore, whether the accused was aware that

there was a real likelihood of him/her being HIV positive would have to turn upon the facts of the case before the court.

It appears that the decision in **R v Dica** is persuasive to criminal liability for the reckless transmission of HIV through sexual intercourse to a great extent only when dealing with cases that are similar in facts to those of **R v Dica**.

### **CREATION OF HIV-SPECIFIC CRIMINAL LEGISLATION**

The literature on the effects of the creation of HIV- specific criminal legislation seems to suggest that this course of action might not be the best way to deal with the intentional or reckless transmission of HIV through sexual intercourse, since public health initiatives may be impacted negatively. Thus, people may be discouraged from testing for HIV, which can potentially result in an increase in HIV transmission through sexual intercourse and also stigma and discrimination surrounding HIV may intensify.<sup>7</sup>

According to the UK National AIDS Trust (2006), to date there is no evidence that criminal penalties against disease transmission generally or HIV/STI specifically have impacted the decrease of onward HIV transmission through incapacitation, rehabilitation or deterrence. In fact, in many countries where for quite a number of years there have been such criminal penalties, the prevalence and rate of HIV is higher than those without such penalties (National AIDS Trust, 2006). According to the then Minister of Health, Dr. Ramsammy, Guyana and many of the countries in the Caribbean are distinguished examples of countries without HIV criminalisation laws that have made more considerable progress in dealing with HIV when compared with those that have such laws (Ramsammy, 2011). Notwithstanding, there are insufficient empirical data to support the hypothesis that criminal prosecutions may be detrimental to public health by increasing the rate of onward transmission (National AIDS Trust, 2006). The absence of such empirical data and the unlikelihood of obtaining such data any time soon mean that policy makers will have to arrive at reasoned conclusions on the possible impacts of criminal prosecution on public health initiatives (National AIDS Trust, 2006).

Further, there is no persuasive data in support of the usefulness and effectiveness of HIV-specific criminal legislation.<sup>8</sup> In fact, some countries are questioning their HIV/STI- specific criminal legislation (UNAIDS, 2011). In 2010 a committee in Norway was set up to advise on the ongoing revision of s155 of the Penal Code under which the wilful or negligent infection or exposure to communicable diseases

hazardous to public health were criminalised (UNAIDS, 2011). Notwithstanding that s155 of the Penal Code covers communicable diseases, this section has only been invoked to prosecute people transmitting HIV. The committee unveiled its recommendations in October 2012, it advised *inter alia* the replacement of s155 of the Penal Code (Hiv-Nordic, 2012). In Denmark, subsequent to the declaration made by the Minister of Justice in February 2011 that Art. 252 of the Danish Criminal Code dealing with criminalisation of HIV transmission is suspended due to perceived obsolescence, a similar committee was established to advise on whether the article should be revised or abolished (UNAIDS, 2011). The work of this committee is still in progress (Hiv-Nordic, 2012). Further, in the US, which has the highest number of reported prosecutions, there were concerns raised by the adoption of the National AIDS Strategy about HIV-specific criminal legislation which included long prison sentences for exposing another to HIV due to spitting and biting, which carry almost no risk of transmission (UNAIDS, 2011). In addition, in Africa during 2010, Guinea, Togo and Senegal have amended legislation relating to the criminalisation of HIV (UNAIDS, 2011).

From a practical stand point, it is argued that it is unlikely that criminal sanctions would significantly serve as deterrence to behaviour that may result in the transmission of HIV, because most people are unaware of their HIV status during the first months after being infected, the time when there is the greatest risk of them transmitting the virus (UNAIDS/UNDP, 2007). In addition, there is reduction of risky behaviour in most people who test positive for HIV, especially if they are the recipients of voluntary counselling and testing that is of a high quality (UNAIDS/UNDP, 2007).

It was conceded there is no scientific evidence supporting the contention that criminal prosecution of HIV encourages disclosure of HIV status to sexual partners or discourages risky conduct (UNAIDS/UNDP, 2007). The first empirical study done on the effect of the criminal law on the behaviour of people living with HIV or at risk of contracting HIV found that people who lived in Illinois, a state where there was HIV-specific criminal legislation, reported slightly different sexual behaviour than those who lived in New York, a state where there was no such legislation (UNAIDS/UNDP, 2007). The study concluded that support for the contention that the criminal law causes people living with HIV to demonstrate less risky behaviour and causes those who are not living with HIV to demonstrate more risky behaviour is insufficient (UNAIDS/UNDP, 2007). Conversely, moral values influenced behaviour, but these values did not emanate from the creation of HIV-specific criminal legislation (UNAIDS/UNDP, 2007).



There is also the imperative issue of stigma and discrimination. It is believed that the creation of HIV- specific criminal legislation will further stigmatise people that are HIV positive as potential criminals and a threat to others (UNAIDS/UNDP, 2007). This is because the introduction of such legislation and criminal prosecutions for HIV transmission or the risk thereof was often accompanied by seditious and badly informed media coverage or commentaries by high profile persons (UNAIDS/UNDP, 2007). However, sufficient research on how the criminalisation of HIV transmission may potentially negatively impact public health initiatives has not been executed (UNAIDS/UNDP, 2007). People living with HIV are already subjected to high levels of stigma and discrimination, a situation that does not need exacerbation. Much effort has been exerted in fighting the stigma and discrimination associated with HIV and to encourage testing in Guyana. Therefore, if there was a possibility that the creation of HIV-specific criminal legislation would have been counterproductive to progress made, Guyana seemingly made the right decision by not creating HIV-specific legislation.

In its final conclusion, the First Global Parliamentary Meeting on HIV/AIDS (2007) submitted that while it is reprehensible for a person to knowingly expose another to HIV or any other fatal disease, it is possible that the use of criminal sanctions for acts other than intentional transmission may violate human rights and undermine imperative public policy objectives (Inter-Parliamentary Union, 2007). The participants of the UNAIDS International Consultation on the Criminalisation of HIV Transmission (Geneva 2007) had shortly before expressed the same sentiments as the First Global Parliamentary Meeting on HIV/AIDS. There was consensus among the participants that the application of criminal law was necessary to deal with the deliberate transmission of HIV in the interest of justice and to punish the wrongdoer, but they were at variance on whether criminal law should be applied to the reckless transmission (UNAIDS/UNDP, 2007). Given that prosecution for the deliberate transmission of HIV through sexual intercourse may be relatively rare and challenging to prove (Bennett, Draper and Frith, 2000); in the interest of justice for the victim the criminal law should be applied to the lesser offence of reckless transmission of HIV through the invoking of existing legislation.

In light of the available data on the effects of creating HIV- specific criminal legislation, albeit insufficient for statistical analyses, Guyana seemingly made the right decision in not creating such legislation because that course of action could have possibly undermine public health initiatives.

## CONCLUSION

The offence of unlawfully and maliciously inflicting grievous bodily harm found in s50 of the Criminal Law (Offences) Act of Guyana may be invoked for criminal liability for the reckless transmission of HIV through sexual intercourse. This section is similar to s20 OAPA 1861 (UK), which has been successfully invoked to prosecute the reckless transmission of HIV through sexual intercourse. Notwithstanding, at the time of drafting s50 of the Criminal Law (Offences) Act of Guyana, the imposition of criminal liability for the reckless transmission of HIV was not in contemplation. However, the subjective intentions of the drafters are irrelevant and since the nature of the statute appears to be of the ‘always speaking’ type, a person who recklessly transmits HIV to another through sexual intercourse may be charged with unlawfully and maliciously inflicting grievous bodily harm under s50 of the Criminal Law (Offences) Act of Guyana.

The case of **R v Dica** epitomized the fact that the law relating to inflicting grievous bodily harm may facilitate criminal liability for the reckless transmission of HIV through sexual intercourse. This case irrefutably overruled the precedent laid down in **R v Clarence** that for there to be infliction of bodily harm there had to be physical violence, thus, endorsing the precedent in **R v Chan-Fook**, which was followed in **R v Ireland and Burstow**, that bodily harm does not require the application of direct or indirect physical violence to the victim’s body.

The precedent laid down in **R v Dica** that there may be criminal liability for the reckless transmission of HIV through sexual intercourse is highly persuasive to cases that are similar in facts to **R v Dica**, that is, the straightforward cases. For the complicated cases, the decision would be less persuasive due to the uncertainty created by the case as it pertains to aspects of consent by the victim as a defence to the reckless transmission of HIV through sexual intercourse by the accused. It appears to be implicit from **R v Dica** that while the defence of consent would not be available to the accused in cases of intentional transmission of HIV through sexual intercourse, it would be available in cases of reckless transmission of HIV through sexual intercourse. Further, the degree of risk associated with the behaviour of the accused is immaterial when dealing with the reckless transmission of HIV through sexual intercourse. The material question is whether the victim consented to the risk of contracting HIV through sexual intercourse, which is not the same as consenting to sexual intercourse.

The creation of HIV-specific criminal legislation could possibly impact public health initiatives negatively by deterring testing which may result in the increased

spread of the virus, and by intensifying stigma and discrimination surrounding HIV. The available data, notwithstanding insufficient for statistical analyses, seem to undermine the usefulness and effectiveness of HIV-specific criminal legislation. In fact, countries with such legislation are reviewing them. Notwithstanding that the prevalence of HIV transmission is high in Guyana; the country has made significant strides in dealing with HIV transmission through public health initiatives. Therefore, Guyana seemingly made a wise decision in not creating HIV-specific criminal legislation which possibly could have been counterproductive to the successful public health initiatives.

## ENDNOTES

<sup>1</sup> For the purpose of this article recklessly transmitting HIV is defined as the accused knows that there is an unjustifiable risk of spreading HIV through sexual intercourse and still takes that risk, while sexual intercourse refers to penetration of vagina by penis.

<sup>2</sup> without lawful excuse

<sup>3</sup> the *mens rea* which may be intentionally or recklessly

<sup>4</sup> Recklessness was not at issue in **R v Dica**. According to Judge LJ at para. 11: “It was not in dispute that at least on the majority of occasions, and with both complainants, sexual intercourse was unprotected. Recklessness, as such, was not in issue. If protective measures had been taken by the appellant that would have provided material relevant to the jury’s decision whether, in all the circumstances, recklessness was proved.” Recklessness was interpreted to mean subjective recklessness as established in **R v Cunningham** [1957] 2 All ER 412. Hence, the accused knew that there was an unjustifiable risk of transmitting HIV through sexual intercourse and still took that risk.

<sup>5</sup> According to Judge LJ at para.31: “In our judgment, the reasoning which led the majority in Clarence to decide that the conviction under s.20 should be quashed has no continuing application. If that case were decided today, the conviction under s.20 would be upheld.”

<sup>6</sup> S 47 OAPA states: “Whosoever shall be convicted on indictment of any assault occasioning actual bodily harm shall be liable to imprisonment for no more than five years.”

<sup>7</sup> The Special Select Committee set up by Guyana highlighted what it believed to be the impacts of criminalisation on public health initiatives. They contended: “The most powerful tools for promoting disclosure and safer sex are initiatives such as voluntary counseling and testing and community engagement, including with and for persons who are living with HIV. Criminalization will certainly reduce people’s willingness to learn their status and access treatment, care and support. Guyana has made great strides in the areas of HIV-related treatment, care and support, and its successes in the prevention of new HIV infections are lauded regionally and globally. Voluntary counselling and testing services are accessed freely and without hesitation or fear by hundreds of persons weekly. The Treatment Programme ensures that Guyana achieves universal access to HIV treatment with the most efficacious regimen based on current science.” The Committee had also identified increased stigma as an impact of criminalisation (National Assembly of the First Session of The Ninth Parliament of Guyana, 2006-2011, pp.6-7)

<sup>8</sup> This is indicative in the following reports: UNAIDS Report on Criminal Law, Public Health and HIV Transmission: A Policy Options Paper (2002); the Report of the WHO European Region Technical Consultation on the Criminalization of HIV and Other Sexually Transmitted Infections (2006); and the Report of the AIDS and Rights Alliance for Southern Africa (ARASA) and Open Society Initiative for Southern Africa (OSISA) Civil Society Consultative Meeting on the Criminalization of the Willful Transmission of HIV (2007). The inclination against the creation of HIV-specific legislation was a common feature among these reports (UNAIDS/UNDP, 2007, pp. 2-3).

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