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**BUDGET SPEECH**

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***Honourable Bharrat Jagdeo, M.P.***

***Senior Minister of Finance***

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**19th January 1996**

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## INTRODUCTION

Mr. Speaker, I rise to move the motion for approval of the Estimates of the Public Sector and the Budget for the financial year 1996. In so doing, I wish to indicate that in concurrence with Article 171, paragraph 2 of the Constitution, the Cabinet has recommended that the National Assembly proceed upon this motion.

Mr. Speaker, we are all aware of the tremendous potential of our nation. In this *Visit Guyana Year*, many others from around the world will also come to see for themselves the human and physical richness with which our wonderful land and people have been blessed. At the same time, the country is faced with many challenges - reducing poverty, developing human resources, growing with equity, rebuilding the infrastructure, overcoming the debt burden, protecting the environment, and managing our resources better. Overcoming these will take a concerted and ongoing effort. Our Government has made great strides in rebuilding the country and has restored our people's confidence in a bright future.

Mr. Speaker, we are acutely aware that the transition we are going through is difficult. In recent decades, our people have endured much hardship. Their impatience for a rapid improvement in their living standards is very understandable. We have been and will continue to work tirelessly to meet the aspirations of our citizens so that each and every Guyanese can fulfill his or her potential. At the same time, we should recognise that these problems cannot be solved overnight. While the Government continues to campaign vigorously for comprehensive debt relief, the harsh reality is that the national debt will continue to serve as a binding constraint on our social and economic development.

Mr. Speaker, at its heart this Budget remains focused on the developmental challenges that we have been addressing since taking office. It seeks development with a human face. It focuses on providing the incentives for Guyana to harness its resources - both natural and human. Combined with appropriate technology and finance, this will provide the foundation for achieving strong

growth rates and addressing our social challenges. Hence the theme of this Budget presentation - *“Unleashing Guyana’s Potential”*. Mr. Speaker, the effects of international development notwithstanding, our future is in our own hands. This Budget, and our policies in general, are about creating conditions under which Government can help Guyanese help themselves. We must create and take opportunities by unlocking that entrepreneurial spirit and hard work of which we are capable.

Mr. Speaker, I am talking about building on and boosting progress that is already underway. Improvements in macroeconomic stability and the incentive framework resulting from our economic policies have created many opportunities and have served to release the energies of many of our producers. Our Government realises that these policies need to be deepened and broadened. This Budget highlights initiatives in this regard.

Mr. Speaker, both the resources available to us and the efficiency with which we use them matter. Increased inputs will continue to be essential for growth. However, in an environment where aid is becoming scarcer and where we cannot be guaranteed future flows of concessional funds, we must better manage available resources in order to raise output. This is more significant than is often realised: productivity improvements can frequently be more important contributors to growth than additional resources.

Mr. Speaker, this Government has striven relentlessly to improve efficiency in the public sector. The reduction of waste and reallocation of scarce resources to attain the highest returns are continually being sought. Equally, the private sector, which we have emphasised as the engine of growth, must become efficient and adapt to the new competitive environment. The private sector must respond to the favourable incentive framework by investing, innovating and engaging in risk-taking required to raise our income if Guyana is to further unleash its potential.

In practice, fulfilling our potential requires a collaborative approach between Government and its partners in development. Indeed, this year’s Budget preparation process, once again, reflects the

PPP/Civic Government's commitment to a participatory approach, by continuing to employ the policy of soliciting a wide spectrum of views of individuals and organisations in our society. In fact, this year it went a step further than previous years, when an open invitation was issued to members of the public to make an input into this exercise. I am pleased to announce to this House, that the response was extremely positive, and several of the recommendations and comments contained in the submissions have helped to shape the policy environment we have constructed for 1996.

A further conviction of this Government is that for such participation in development to be meaningful, and for Guyana's potential to be realised, the benefits from growth should be equitably shared. Mr. Speaker, this Budget is very much part of this Government's people-centered growth strategy, that aims to harness the abilities of Guyanese to improve themselves, their own futures, and their country.

Mr. Speaker, our welfare and future are inextricably bound to grasping the opportunities and avoiding the risks associated with a liberalised global trading environment. The structure of our production, dominated as it is by primary commodities, makes us vulnerable to changes in our trading conditions. However, if our domestic policies remain sound and the private sector response is forthcoming, economic rejuvenation and an unlocking of our potential will follow. This is how Guyana can ensure greater control over its economic destiny.

This is the environment within which our economic recovery has to be pursued. It is, therefore, a timely juncture to undertake a brief review of developments in the international economy in 1995.

## **Review of the International Economy**

Mr Speaker, available economic indicators suggest that the world economy remained strong in 1995 with a growth rate of 3.7 percent. The most recent issue of the *World Economic Outlook* also suggests that recovery will continue in 1996, with industrialised countries growing by 2.4 percent and developing countries by 6.3 percent, and an overall growth rate expectation for the world economy of about 4.1 percent. While this bodes well for our trade prospects, the economic situation in North America and Europe remains tenuous with major underlying problems such as high levels of public debt, high rates of structural unemployment, and large budget deficits.

Developing countries as a group are also expected to continue growing strongly, at over 6 percent. Underlying this impressive growth, however, are significant differences in performance across regions. The emerging Asian economies continued to perform above average, registering growth rates in excess of 8 percent. Other adjusting countries, from India and China, in Asia, to Brazil, Chile, and Colombia, in South America, also performed favourably. The evidence still shows a mixed performance for countries undergoing structural adjustment and market transformation in Central and Eastern Europe.

The economic performance of the Caricom countries as a whole was mixed. High unemployment rates and the heavy debt burden are two major issues that continue to constrain economic growth in the region.

The financial crisis in Mexico demonstrated to the world how fragile the recovery process is for developing countries. The crisis impacted not only on Mexico, but on other emerging markets, leading among other things, to the collapse of several banks in the region.

Mr. Speaker, keen understanding of the risks and potential benefits stemming from liberalization and increased global dependence is critical, if Guyana is to grasp the many opportunities that increased openness is creating.

## SECTION I

### REVIEW OF THE ECONOMY'S PERFORMANCE IN 1995

#### 1.0 Real Sector

Mr. Speaker, I am happy to report to this House that the performance of our economy in 1995 was very heartening. In spite of the decline of Omai's contribution to overall GDP growth, the economy was still able to register a growth rate of 5.1 percent, just about 1.2 percentage points below the targeted rate of growth of 6.3 percent. The improved performance of the agriculture and service sectors, whose outputs were above their targets, helped to minimize the decline in GDP growth. Inflation was not only contained but declined markedly. Although the overall deficit of the balance of payments deteriorated, the exchange rate remained stable for most of the year, while monetary growth was kept under control, and the fiscal position was consolidated.

Mr. Speaker, the growth of the economy last year was led by the agricultural sector. Rice output of 316,000 tonnes represented an increase of 36 percent over the previous year. This result was due to increased acreage under cultivation and substantial investments in drainage and irrigation, among other factors. In the sugar sub-sector, drought and difficult industrial conditions were largely responsible for the lower output of 253,837 tonnes compared to the revised target of 261,501 tonnes. Favourable growth was experienced in the other subsectors. The livestock sector registered an increase of 23 percent, of which the poultry sub-sector increased by 15 percent. Egg production increased by 103 percent, and beef production by 4 percent. The recorded output in forestry was 16 percent over the previous year.

The performance in the mining sector, however, was mixed. Although overall bauxite production remained at basically the same level as in 1994, there were observed increases in the output of the higher-priced grades. Gold output estimated at 288,450 ozs was 31 percent less than the target, as a result of the Omai cyanide spill and lower declarations to the Gold Board. The manufacturing



sector continued to record encouraging growth, especially for such products as garments, aerated drinks and non-acholic beverages, refrigerators, stoves, and electricity.

In services, the main contributions to GDP were engineering and construction, transportation and communication, and financial and government services. Positive trends were also observed in tourism. Visitor arrivals have been on the increase since 1993 and this was one of the main reasons for the increase in contribution made by hotels, restaurants and other tourist-related services to GDP in 1995.

## **2.0 Balance of Payments**

Mr Speaker, notwithstanding an improvement in the current account deficit, the overall deficit of the balance of payments deteriorated last year. The gains we enjoyed from better terms of trade and higher export volumes of sugar, rice and timber, among others, were offset by higher import levels. As a result, the merchandise trade balance remained basically unchanged. Specifically, sugar exports increased from US\$116 million in 1994 to US\$135 million in 1995, while rice exports rose from US\$56 million in 1994 to US\$77 million in 1995. Merchandise imports grew by 7 percent to US\$537 million, although fuel and lubricants, as a result of higher power generation at GEC and increased economic activities, increased by 10 percent. Compared with 1994, changes in net services and private transfers were marginal. There was, however, a doubling of official transfers both over the 1994 and programmed 1995 levels. The net effect was a reduction in the current account deficit from US\$101 million to US\$95 million in 1995.

The capital account, which was budgeted at US\$38 million, deteriorated to US\$12 million, as a result of higher loan repayments. Although disbursements increased by US\$4 million over 1994, they were below budget. At the same time, loan repayments were US\$14 million more than in 1994 and US\$9 million more than programmed.

As a result of developments in the current and capital accounts, the balance of payments deficit increased from US\$64 million in 1994 to US\$89 million in 1995. With lower than expected debt relief, part of this deficit had to be financed by international reserves.

### **3.0 Monetary Developments**

Mr Speaker, consistent with GDP growth rate targets and the balance of payments outlook, the main objectives of our monetary policy have been the lowering of inflation and the maintenance of a competitive exchange rate.

#### **A. Inflation**

Our commitment to contain inflation, protect real wages, and maintain international competitiveness is a firm one. This is demonstrated by an inflation rate outturn of 8.1 percent. This rate compared favourably to the target of 9 percent and the 16.1 percent recorded in 1994. Several factors contributed to this achievement, among them the absence of major external price shocks, a relatively stable exchange rate, and a slowing down in the price increases of some items when compared to 1994. This occurred despite significant price increases in some items including chicken during the second half of 1995. Indeed, the increases in chicken prices were on account of supply disruptions that we experienced during the third and fourth quarters of last year. What is more worrisome is that the appreciation in the exchange rate combined with lower import tariffs were not passed through to the consumer. Were it not for these factors, the overall inflation rate in 1995 would definitely have been lower.

#### **B. Interest Rates**

The Government continued to pursue a market-determined interest rate policy. During 1995, the average discount rate on 91-day treasury bills declined from 18.64 percent at end December 1994 to 15.49 percent at end December 1995, reflecting the slowdown in inflation and excess liquidity

in the banking system. In spite of this decline, interest rates remained positive in real terms and were responsible for the strong growth in savings observed in 1995. While spreads between lending and borrowing rates narrowed, they remained high and continued to be a source of concern to us.

### **C. Exchange Rate**

The improvement in the external trade account and increased foreign exchange retention rates for GUYSUICO and exporters of gold through the Gold Board, allowed for a greater supply of foreign exchange to the cambio market. Total cambio purchases were the equivalent of US\$438 million, or 37 percent higher than in 1994, building on the 15 percent growth in the that year. In fact, since March 1995, purchases outstripped sales, leading to an accumulation of foreign currency balances of about US\$13 million at end-December 1995. As a result, the exchange rate appreciated by 1.4 percent at end-December 1995.

### **D. Money Supply and Credit**

During 1995, the broad measure of money grew by 29.3 percent, compared to the target of 15 percent. This was largely a reflection of the 41 percent growth of deposits in the commercial banking system. Continued fiscal consolidation also supported a growth of credit to the private sector of 41 percent.

### **E. Legislative Reforms**

Mr. Speaker, the Financial Institutions Act (FIA) 1995, replaced the thirty-year old Banking Act. This legislation centralises financial sector regulation at the Bank of Guyana, extends coverage of the legislation to all deposit-taking institutions, and strengthens regulatory powers and penalties as well as introducing enhanced capital adequacy and licencing criteria. Amendments were also made to the Co-operative Financial Institutions Act, Bank of Guyana Act, and the Dealers in

Foreign Currency (Licensing) Act in order to bring them in conformity with the FIA.

#### **F. Institutional Reforms**

The merger of Guyana National Cooperative Bank (GNCB) and the Guyana Cooperative Agricultural and Industrial Bank (GAIBANK) was completed and a restructuring plan for the financial recovery and operational strengthening of the new institution was developed. At the same time, a debt recovery agency, with initial responsibility for the recovery of monies owed to GNCB and GAIBANK, was established.

The last Budget referred to plans to rationalise the currency and highlighted that this process would take time. Extensive discussions were held during 1995 with interested parties and progress has been made. New coins to replace the existing low value notes (\$1, \$5 and \$10) have been designed and will be introduced by the middle of this year. In parallel, low value coins (less than \$1) will be gradually withdrawn from circulation. Also, I am pleased to report that Cabinet has approved the design of the new \$1,000 note which is expected to be in circulation before the end of the year.

### **4.0 Non-Financial Public Sector**

#### **A. Central Government**

Mr Speaker, as a result of the computerisation of the Departments of Inland Revenue and Customs and Excise, a broader tax base, and improved tax administration, current revenue rose sharply to \$29 billion in 1995, an outturn that was 22 percent better than the previous year and 4 percent higher than programmed. Inland Revenue Department overshot its targets by 14 percent to reach \$12.4 billion, while Customs and Excise Department narrowly missed its target of \$13.2 billion; nevertheless, its outturn of \$13.1 billion represented a 20.5 percent increase over 1994. Other current revenue of \$3.4 billion fell short of the target by 7.2 percent. The shortfall in royalty

payments from OMAI was the main reason for this under-achievement. Capital revenue of \$1.4 billion was 50 percent below the target of \$2.8 billion.

Non-interest current expenditure increased by 17 percent over the previous year, even though it was 3.3 percent below the target. Employment cost grew by 20 percent, mainly on account of the 16 percent across-the-board increase which was effected from January 1995, selected salary increases to certain categories of workers, which were in addition to the 16 percent, and increases in various allowances, including meal allowance for nurses, hinterland health service allowance, station allowance, travel allowance, and subsistence and related allowances. Other charges increased by 17 percent.

As a result, Mr Speaker, the primary balance increased from \$12.3 billion in 1994 to \$15.7 billion in 1995. When this balance is adjusted for interest payments of \$9.4 billion, the result is a current balance of \$6.3 billion, a 54 percent increase over 1994.

Capital expenditure amounted to \$12.5 billion, a 17 increase over the previous year, while debt repayment of \$4.7 billion was 6 percent less than was budgeted. As a result, the overall deficit of the Central Government improved by 25 percent in 1995 when compared to the target of \$12.8 billion. About 85 percent of the deficit was financed from foreign sources.

## **B. Public Enterprises**

The Public Enterprises returned revised profit (before taxation) of \$6.3 billion in 1995. This result was 15 percent above the target and 50 percent better than the 1994 level. Current revenue stood at \$44.7 billion, which was primarily the result of higher earnings of GUYSUCO and Linmine. Current expenditure totalled \$38.4 billion, an increase of 11 percent over the previous year and 2.6 percent above the target. With total interest expenses of \$361 million, most of the public enterprises appear not to be highly leveraged. Nevertheless, Linmine registered an operating loss of \$574 million, while GEC's financial situation improved marginally. The public

enterprises paid a total of \$637 million in corporate income tax, while dividends and other transfers amounted to \$1.97 billion. These transfers were 22 percent less than programmed.

### **C. Public Sector Investment Programme**

Mr Speaker, you may recall that in the course of my mid-year review of the economy to this Honourable House, in 1995, I used the opportunity to indicate some of the difficulties we were experiencing in the implementation of a some projects, especially the Essequibo Coast road, the East Coast road and sea defences. In spite of these problems, I am happy to report that the performance of the public sector investment programme which comprises the public enterprises and the central government was favourable with an implementation ratio of 78 percent. Although the 56 percent implementation ratio for the public enterprises was disappointing, the Central Government returned an improved performance with an implementation ratio of 81 percent.

Mr Speaker, some of the major highlights of the 1995 investment programme were:

- rehabilitation of 19.2 km of permanent and temporary sea defences in areas including Stratspey, Buxton, Windsor Forest-La Jalousie, Vergenoegen-Barnwell, Ruby-LaDestin, Fort Island and Devonshire Castle
- rehabilitation of 562 miles of drainage and irrigation facilities in Regions 2,3,4,5,6,10
- installation of a new irrigation pump at Manaribisi and purchase of a second pump
- maintenance of the Corentyne Highway, and the West Coast and West Bank Demerara Highways

- rehabilitation of several rural access roads linking communities to main highways including Plaisance, Enterprise, Beterverwagting, Enmore, Buxton, East Canje, Fyrish, Mahaicony, and De Hoop
- completion of Phase II of the Parika/Morashi, Leguan and Wakenaam roads
- rehabilitation of Lot I (Timehri-Georgetown) of the Timehri/Rosignol main road programme and commencement of the construction of bridges along the East Coast Demerara railway embankment
- commencement of the rehabilitation of the Demerara Harbour Bridge
- commencement of preliminary works for the construction of 16 new primary schools under the Primary Education Improvement Project, and
- rehabilitation of 8 magistrate courts.

In addition, Mr. Speaker, there was also the:

- rehabilitation and construction of 95 nursery, primary and secondary schools through the SIMAP, Basic Needs Trust Fund, GIP, and Central Government programmes
- rehabilitation of regional and district hospitals, including Suddie, Fort Wellington, Leguan and Matthew's Ridge, and construction of two chalets at Fort Canje Psychiatric Hospital
- installation of 125 miles of new pipeline in urban and rural communities

- procurement of 39 pumps for rehabilitation of minor systems in the water sector along the coast, and
- installation and commissioning of a 4- megawatt generating set at Anna Regina.

In the area of **poverty reduction**, the Government, in 1995, budgeted \$500 million for the first year of a three-year direct poverty programme. Under the programme \$247 million was expended and a \$253 million was committed last year. Although the programme started later than planned, because of problems associated with project identification and implementation, I am pleased to inform the House that the Government was still able to commit funds in most areas identified in the 1995 Budget. These areas included:

- provision of uniforms to 40,000 vulnerable nursery, primary and secondary school students
- construction of a market at Grove and abattoirs at Meten-Meer-Zorg and Kwakwani, and construction of a community centre at Linden
- rehabilitation of 34 Practical Instruction Centres
- skills training for 200 women in depressed communities
- purchase and installation of pipelines in several deprived areas
- provision of sports facilities and gear to various sporting clubs and communities, and
- construction of storage facilities to support school feeding programmes.



## **5.0 Private Sector Development in 1995**

In keeping with commitments made in the 1995 Budget to improve the incentive framework, the Government, among other things:

- zero rated consumption tax on key machinery, equipment and material in the productive and construction sectors as per amendment to Consumption Tax (Schedule) 1995
- provided a special incentive package for tourism
- brought into force a new Companies Act of 1991, and
- repealed the Capital Issues Control Act.

This incentive regime has made it easier for companies to expand their capital base and facilitated the transfer of public shares. One constraint facing the private sector in this country is the lack of easy access to international private capital. I am, therefore, encouraged by the recent interest shown by the International Finance Corporation, the European Investment Bank, Citibank, and other international banks in providing much needed capital for private sector investment. In addition, the private sector can now access funds from the Multilateral Investment Fund and the Inter-American Investment Corporation, both of which are under the umbrella of the IDB. Mr Speaker, I believe that this network of financing and the favourable incentive regime are having the desired impact. Information from the Chairman of the Private Sector Commission indicates that over US\$131 million was invested by local companies in 1995, and that another US\$110 million is likely to be invested this year.

Mr Speaker, progress was made in the implementation of the privatisation programme. Government-held shares in Demerara Distillers Ltd were sold to about 4,300 applicants, and some

of the state-owned shares in Guyana Stores Ltd were also divested. The foundry, wharf, shipbuilding, and ship repair facilities of the former Guyana National Engineering Corporation (GNEC) were leased, and the equipment sold to a consortium comprising employees of GNEC, their unions, and a private sector company, in what I consider to be the most satisfying deal of the year.

## SECTION II

### KEY ISSUES OF THE 1996 BUDGET

#### 1.0 Introduction

Mr Speaker, while we feel justifiably proud of the positive changes in the economy over the last several years, which we have engendered, we also recognise that there remains a myriad of problems and issues which need to be tackled with initiative and drive. There are no quick fixes to our problems; the constraints are real and we all have to make greater sacrifices to overcome them. And so, Mr Speaker, I propose to identify some of the more pressing issues and problems which will be receiving our attention in 1996.

#### 2.0 National Development Strategy

Mr Speaker, our vision for the development of this country is set out briefly in two documents, namely, *The Government's Vision of Development*, and *The Government's Policy Orientation Paper*, which were presented at the Caribbean Group for Co-operation in Economic Development (CGCED) Meeting, held in Guyana in January 1994. These documents speak of the vast potential of our people and natural resources, and of the need to develop viable strategies for unleashing this potential, if we are to effect significant improvements in the standard of living of the Guyanese people. In pursuit of this vision, the Government, in 1994, embarked on a major and defining exercise to formulate a National Development Strategy. Currently, there are 21 working groups involving over 200 Guyanese drawn from a wide cross-section of the population, including the Government, trade union movement, professional bodies, private sector, and NGOs who are actively participating in the exercise. It is expected that by March 1996, a draft will be ready for public discussion.

The overall goal of the National Development Strategy is, in the words of our President, "...the progressive realisation of the capacities, abilities and talents of each individual for his/her own satisfaction and enhancement of the social good..." An essential prerequisite for achieving this goal is to ensure continued growth and improved stewardship of our scarce resources. It is in this context, Mr Speaker, that I would like to pay particular attention to: improved public resource management; public sector reform; the rebuilding of our infrastructure; poverty reduction, and debt reduction initiatives.

### **3.0 Rationalising and Consolidating Public Sector Resources**

Mr. Speaker, it is clear that as our National Development Strategy evolves, the issue of better management of our resources will be brought into sharper focus. In particular, in the face of greater competition for dwindling external resources, and against the background of growing demands in public spending, we must find ways of improving our tax administration, ensuring higher tax compliance, and promoting diversification into alternative revenue sources. On the expenditure side, improvements in monitoring and control, accountability, and transparency have to be vigorously pursued. Institutional strengthening, particularly in improving our capacity to plan and manage the economy, will also be a major focus. In short, Mr Speaker, steps will be taken to correct situations where, because of the paucity of modernised systems in the public service, advantage is taken to deprive the State of much needed revenue; and where, in spite of substantial increases in allocations, there is little or no indicator of the effectiveness of public spending. The Government will, therefore, be introducing a number of measures to enable the better management of our public resources. These include:

- **the introduction of programme budgeting on a pilot basis.** The Government is already in receipt of assistance from the IDB, CIDA/GEM-P and USAID/BEEP, to develop a strategy to operationalise the phased implementation of programme-based budgeting. Pilot projects will be developed utilising the Ministry of Finance and 2 or 3 other key ministries.

- **rationalising existing semi-autonomous agencies (SAAs).** A review of SAAs which are in receipt of annual subventions from the Treasury will be conducted. The objectives of the exercise are to: determine whether these agencies can be justified in their current form and structure; identify those agencies which perform overlapping or duplicating functions; and assess the requirements for those agencies with potential to become fully self-financing.
- **removing certain agencies from the public service.** The Government this year will grant greater autonomy to the main revenue departments, and Lands and Survey Department. Legislation for the establishment of a Revenue Authority has already been drafted and will be laid in this House, shortly. The objective, Mr Speaker, is to improve and enhance the performance of these agencies. The Government will keep under consideration other agencies with similar potential.
- **contracting out certain services to the private sector.** Although this is already being done in some areas, a detailed examination of the services provided by each agency will be conducted, with a view to ascertaining which of them can be more efficiently delivered if they were to be contracted out to the private sector.
- **improving the tendering and procurement process.** The operations, procedures and functions of the tendering system are outdated. The rapid expansion in the investment programme has exposed the deficiencies of the tender board system. With the assistance of UNDP, the Central Tender Board will be computerised appropriately staffed, and existing legislation will be reviewed and updated.
- **computerisation of the operations of Customs and Inland Revenue.** Through funding from the IDB, a programme to increase the capacity and efficiency of the two Departments, through the introduction of automated systems, is well underway. Computer and ancillary equipment, training and experts to support and

facilitate the registration and retrieval of information, have been provided. By the time the exercise is completed in the first quarter of 1996, it is expected that the two Departments would be in a position to exchange vital information on a permanent basis. Already, the initial sharing of information between them has resulted in the Inland Revenue pursuing a number of companies which, according to their files, should have been either inactive or defunct.

- **expansion in the tax base.** Certain fees, fines and other fiscal imposts which, over the years, have been eroded by inflation, will be increased. Mr Speaker, in the particular case of stamp duties, continued violation of the Stamp Duty Act has become an every day occurrence. The Government will be moving aggressively against defaulters in 1996.

#### **4.0 Public Sector Reform**

Mr Speaker, efficiency gains in Government operations have been constrained by the deterioration in the quality of the public service, which has resulted, in part, from the contraction in real wages. Much as we sympathise with the plight of the workers, and have been responding in a positive manner, it must be clearly understood that higher wages must be accompanied by increased productivity. The key issues of a wages policy, the privatisation program, personnel management and record keeping, and improvement of the regional administration system will be dealt with in 1996.

On wages policy, Mr Speaker, a Wages Policy Committee, comprising representatives from Government and the concerned unions, was formed in July 1995. The Committee met twice and, on the basis of the discussions and conclusions, a draft wage policy paper was prepared by the Government. We will be meeting with the public service unions, shortly, to discuss the draft. But without prejudice to those discussions, it is the Government's view that a viable wages policy cannot be developed outside of certain constraining factors. These factors include: existing

international agreements, the need to achieve a balanced budget, debt servicing requirements, other competing expenditure claims, and the ability of the Government to sustain wage increases through the budget. Subject to these constraints, the Government is in general agreement with the principles that public service salaries should be aimed at attracting and retaining key, critical and skilled staff; that we should aim to bring these salaries to within 10 percent of the median rate for comparable jobs in the private sector in the long-term; and that we should develop and implement fair and equitable appraisal systems as the only basis for the payment of merit increment to staff. I will be outlining the expected developments in wages in 1996 in the Budget measures.

Mr Speaker, in the area of privatisation, the Government will bring to the point of sale a number of public entities, including Guyana Pharmaceutical Corporation (GPC), Guyana Stockfeeds Limited, National Edible Oil Company (NEOCOL), and Guyana National Printers Limited (GNPL), in 1996.

Under Personnel Management and Record Keeping, a comprehensive management information system (MIS) will be pursued during the year. This system will serve not only to support budgetary reform, but more important, to permanently record vital information.

In relation to the study of the Regional Administration System, the Government is in receipt of the report prepared by CARICAD and is actively studying the recommendations.

The Government has procured, under the IDA-funded Public Administration Programme (PAP), a range of machinery and equipment, including road building equipment, computers, vehicles, and generators, through the Public Administration Project funded by the World Bank. This has been part of the Government's attempt to improve the efficiency and delivery of public sector goods and services.

## **5.0 Rebuilding the Infrastructure**

Mr. Speaker, the Government will continue to mobilise domestic and foreign resources to ensure the strengthening of the socioeconomic infrastructure, including schools, hospitals, health centres and other social services, and port facilities. In 1996, the PSIP will amount to \$18.9 billion, or 18.8 percent of GDP. It will represent an increase of 31 percent over the latest estimate for 1995.

The development of a robust infrastructural base, including a strengthened transportation network, will continue to be a major focus of the Government. In this regard, major rehabilitation works will recommence on the Essequibo Coast Road; and major works will continue on the Timehri-Georgetown road. Construction of a permanent road along the old railway embankment, from Sheriff Street to Mahaica will also begin. The roadway between the Demerara Harbour Bridge and Georgetown will be modified to accommodate a four-lane highway. This will substantially reduce the traffic build-up associated with the closure of the Harbour Bridge. In addition, Mr Speaker, a total of \$670 million will be allocated for ongoing rehabilitation works on the main roads in Leguan, Wakenaam, Parika-Morashi and Black Bush Polder, and for upgrading other rural access roads. Also, 50 miles of all-weather farm-to-market roads will be upgraded. Works on the Demerara Harbour Bridge will be substantially completed in 1996. Phase II of the Timehri Airport reconstruction programme, which includes the expansion of the check-in and customs areas, will begin, and the terminal for the Guyana/Suriname Ferry will be completed this year.

The Sea Defence programme will accelerate during this year with approximately 10.7 km of permanent sea defence works at Richmond-Anna Regina, Land of Plenty, Mon Repos, and Nos. 76 to 81 Villages in the Corentyne. In addition, rehabilitation works of a temporary nature amounting to 6.2 km will be undertaken at Anna Catherina, Sisters-Providence, Leguan, Wakenaam, Turkeyen, and Joanna Cecilia.

Attention will also be focused on the country's **drainage and irrigation** system. The Government plans to rehabilitate the Torani, Manarabisi, and Seaforth No. 1 and 2 canals; sluices at Letter



Kenny, Garden of Eden, Somerset and Barks, among others. These works will bring more than 20,000 acres of new land under rice and other agricultural cultivation, and facilitate the utilisation of existing land in these areas.

In the area of **power**, the unreliable supply of electricity has been a major concern. However, there have been significant improvements in operations over the past three years, brought about largely by Central Government investment of over G\$2.5 billion in new generating plant and expansion programmes.

Mr. Speaker, Government alone cannot garner the required resources for a complete and timely overhaul of the electricity system. Conscious of these needs of the GEC, the Government, working with the IDB, has decided to carry out a major restructuring of the GEC in order to allow the corporation to access more financing for its development and to improve its overall management. The Government has secured commitments from the IDB for approximately US\$20 million to undertake a countrywide rehabilitation of the dilapidated system of transmission and distribution. A Consultant Group is about to be selected to advise Government on a range of options for providing the additional capital and management expertise for the corporation.

The **Education and Health** sectors are key for the attainment of our human resource development objectives. In **Education**, our main goals continue to be to increase primary and secondary school enrollment and performance, especially in rural areas, and to improve and upgrade skills in the country as a whole. As part of this broader goal, over \$100 million has been allocated for materials and supplies, such as pencils, chalk, text and exercise books, laboratory equipment, and teaching aids for the education system. Under the Secondary School Reform Programme, 12 schools have been selected this year to undergo pilot programmes in curriculum development; once this is completed the exercise would extend to other secondary schools. This should help to minimise some of the gaps in the present curriculum and improve the quality of education.

Under the Primary Education Improvement Project (PEIP), works will intensify on the construction of 16 new schools and 35 other schools will be rehabilitated. An additional 15 primary schools will be designed. Rehabilitation works will also begin on the West Demerara Secondary School, Cyril Potter College of Education and the National Centre for Education Resource Development.

In the **Health** sector, we will continue to focus on improving access to health care services for our people. The Health Care II project will become fully operational during the year, with improved facilities and a 43 bed surgical ward to cater for immediate pre- and post-operation cases. Mindful of its obligations to rural and hinterland communities, the Government, in 1996, will start, and in some cases complete, the rehabilitation of health facilities at Bartica, Mahdia and Moruca district hospitals, among others, and the Georgetown Dental School.

Mr Speaker, with respect to the provision of **potable water**, 65 minor systems will be rehabilitated and the preparation of designs for integrated water systems for Eccles, Pouderoyen and Rose Hall will be completed. The New Amsterdam Integrated Water system will also be completed during the year. Already, residents of Paramakatoi and Kato can see the windmill structures which will ensure that their water supply will continue during the dry season.

In the area of **justice improvement**, the programme for 1996 includes the rehabilitation and refurbishment of a further 12 magistrate courts, the rehabilitation of Supreme Courts in New Amsterdam and Georgetown, construction of an adequate law library, purchase of law books and volumes, and training of legal and para-legal staff.

## **6.0 Poverty Reduction**

The Government's commitment to reducing the scourge of poverty remains unshakeable. The importance of this issue is further underscored by the fact that this year, Guyana and the rest of the world will be observing the United Nations-designated "International Year for the Eradication

of Poverty". Our President, as a signatory to the Copenhagen Declaration and Programme of Action, has indicated that Guyana is working towards a new social contract for the fight against poverty, to create productive jobs, and to strengthen the social fabric of the society. The Government has already taken several steps towards the achievement of this goal, such as the completion of a National Plan of Action for Children to the Year 2000, which was tabled in the House by the First Lady in 1995; and the design of a comprehensive national water supply programme.

But, Mr Speaker, we do recognise that much more still needs to be done. This is why, in 1996, \$600 million has been earmarked for the continuation of the poverty programme. In addition to programmes implemented by SIMAP, GIP, BNTE, and the Ministry of Labour, the Government will:

- provide supplements to pregnant and lactating women
- improve sanitary conditions in schools
- provide school uniforms, textbooks, and health care to needy children
- expand the school feeding programmes
- provide vitamin and iron tablets
- rehabilitate and equip practical instruction centres
- skills training for about 300 women in all the Regions, and
- provide potable water supply to distressed areas.

## 7.0 Debt Reduction Initiatives

*Debt Stock:* The large external debt which the Government inherited in 1992, continues to play a major role in the definition of our fiscal and economic policies. At the end of 1995, Guyana's external debt stock amounted to US\$2.06 billion, or a 3 percent rise over the previous year.

The growth of the stock of debt was limited to 6 percent overall between 1992 and 1995, largely because of the write-off of some official development assistance and the buy-back of commercial debts. The increase was due to higher concessional borrowing from the international financial institutions for the public sector investment programme, balance of payments support, and the capitalisation of interest on rescheduled debt. As a consequence, the debt owed to the multilateral institutions has grown from US\$863 million, or 44 percent of Guyana's debt stock in 1992, to US\$986 million, or 48 percent in 1995. This trend is likely to continue in the future.

Bilateral debts, which account for 43 percent of the external debt stock, grew marginally over the last three years. In fact, if Trinidad and Tobago's debt were excluded, the stock of bilateral debts declines substantially.

Mr Speaker, in spite of the expansion of the economy in recent years, the size of our external debt and the high debt servicing requirements are constraining our efforts to improve the infrastructure, pay higher wages, consolidate our gains in the social sector, and achieve our objectives in poverty reduction. In 1996, the Government will pursue several initiatives in order to relieve this burden.

*Naples Terms:* In December 1994, the Paris Club, after much deliberation, adopted the so-called "Naples terms", under which certain severely-indebted, low-income countries qualified for a 67 percent reduction in the net present value of their debt stock. The relief is applied to the entire stock of debt which was either contracted or previously rescheduled on non-concessional terms. Guyana will be approaching the Paris Club in the second quarter of 1996 for a stock-of-debt operation under "Naples terms".

*Trinidad and Tobago Debt:* The debt owed to Trinidad and Tobago accounts for 26 percent of Guyana's external debt stock. Despite the improved economic climate which we now have in Guyana, servicing of this debt remains difficult. I, however, remain positive that with goodwill on both sides, and with the example that is likely to be set by the Paris Club, a mutually satisfactory solution can be found this year.

*Debt to other Creditors:* Mr Speaker, we will continue to work with our other creditors to resolve outstanding debt issues. I am happy to announce that the World Bank has indicated a willingness to assist Guyana to buyback some of these debts at a discount, in an operation similar to that which was carried out on commercial debts in December 1992.

*Multilateral Debt:* As I mentioned earlier, an increasingly large proportion of the external debt of severely-indebted, low-income countries, is to multilateral institutions. As is well known, such institutions have steadfastly refused to agree to the rescheduling of their debt. Now, however, there is a growing body of opinion that multilateral institutions should be more flexible, particularly with respect to loans which were extended in the past on non-concessional terms.

Guyana has contracted several loans from multilateral institutions, and, therefore, welcomes the proposal made by the Chancellor of the Exchequer of the United Kingdom to the effect that the International Monetary Fund should sell 10 percent of its gold stocks, invest the proceeds, and utilise the profits to subsidise the refinancing of past credits on a long-term basis.

*IDB and World Bank Initiatives:* I would like to commend the initiative of the Inter-American Development Bank (IDB), which plans, in its 1995-1997 lending programme to Guyana, to make available balance of payments loans on "soft" terms. In turn, these funds could be used to service debts contracted from the Ordinary Capital (OC) of the Bank, or for debt reduction. I would also like to place on record, the fact that Guyana has benefitted from the World Bank's Fifth Dimension Facility, under which loans on "soft" terms have been made available to offset the debt service due on loans contracted on "hard" terms.

## **8.0 Special Issues**

### **A. Linden and Linmine**

Mr Speaker, in 1995, in order to keep the company afloat, the Government transferred about \$815 million to LINMINE for debt servicing and community-related expenses; yet the Company was unable to break-even. Because of its importance to Linden, the Treasury will have to continue to make transfers to the company. Simultaneously, the Government and Linmine will be working to restructure the company including the “unbundling” of various non-core activities and diversification to reduce the community’s dependence on bauxite mining.

The Government has approached the European Union to access funds through the Sysmin Facility to finance various programmes in Linden including an agricultural infrastructure programme, an industrial estate, a revolving credit programme for small entrepreneurs, and a socio-cultural infrastructure programme.

Meanwhile, the Government, mindful of the effects of the economic depression in Linden and surrounding communities, funded through SIMAP, Basic Needs Trust Fund, the Poverty Programme, and the European Union Sector Programme, the following projects in 1995:

- rehabilitation and construction of schools
- construction of Community Centre/Training Centre
- establishment of school libraries
- rehabilitation of roads
- rehabilitation of drainage works

- provision of water supply
- construction of an abattoir
- provision of sports gears and sewing machines
- provision of nutritional supplements, and
- assistance to municipalities.

The Government will continue to fund similar programmes in 1996. The community can continue to count on this Government's fullest support in its development. As a clear testimony of this, a special incentive package to attract investors to the Linden area has been included in my budget measures.

#### **B. Georgetown**

Mr Speaker, the City of Georgetown is in crisis. Government's recognition of this has prompted a response in this Budget. I am pleased to announce the following:

- an allocation of US\$2 million to rehabilitate main roads in Georgetown. Work on the road from Umana Yana to the Ruimveldt Police Station will commence shortly
- an allocation of \$80 million for road and drainage rehabilitation to be executed by the Ministry of Public Works
- a subvention of \$15 million to the Mayor and City Council to support their programmes

- an allocation of \$155 million to improve the sewerage and water supply system in Georgetown. During the year, work will commence in two of the eight identified zones. At the same time, general maintenance works will be carried out in all areas, including the Shelter Belt Treatment Plant, which produces over 60 percent of the water supplied to the city. Plans are also in train to clean the sewerage chambers, install booster pumps, and generally to overhaul the sewerage system in the city
- a subvention of \$150 million to the Georgetown Sewerage and Water Commissioners (GS&WC), and
- The Government is also negotiating with the IDB for US\$5 million for urban roads.

### **C. Youth**

Cognisant of the crucial role our young people play in the development process, Government has increased the subvention to the National Sports Council by 45 percent to \$35 million. In addition, \$48 million has been allocated for youth development programmes in 1996. These programmes will focus on the rehabilitation of youth facilities at Camp Madewini, the entrepreneurial centre at Brickdam, and thirty-four Practical Instruction Centres. Further, emphasis will be placed on the upgrading of community centres, sports grounds and facilities, as well as the provision of gear and equipment for clubs and youth groups in all Regions. There will also be youth exchange programmes and a Youth Award Scheme for outstanding youths.



## SECTION III

### TARGETS FOR THE ECONOMY IN 1996

#### 1.0 Economic and Financial Policies and Targets

##### A. Real GDP Growth

In the context of the various policies and programmes that the Government will be pursuing in 1996, real GDP growth is projected at **6.6** percent.

##### B. Production

**Sugar production** is projected to recover by **13** percent, in 1996, to reach **287,189** metric tonnes. The increased output would result from improved agronomic practices, efficiency gains, and favourable labour and weather conditions.

**Rice production** is budgeted to grow by **7.6** percent to **340,000** metric tonnes, mainly on account of increased acreage under cultivation and higher productivity.

**Forestry** is projected to increase by **5.5** percent to **575,000** cubic metres.

**Bauxite** output is expected to improve to **2,220,000** metric tonnes.

**Gold** output is projected to grow to **360,000** ozs.

##### C. Inflation

The target rate of **inflation** is **8** percent.

**TABLE 1**  
**Key Economic Indicators**

| Indicator  | 1995<br>Budget | 1995<br>Latest<br>Estimate | 1996<br>Budget |
|--|----------------|----------------------------|----------------|
| GDP Growth (%)   | 6.3            | 5.1                        | 6.6            |
| Inflation (%)  | 9.0            | 8.1                        | 8.0            |
| Fiscal Current Surplus (% GDP)                         | 6.7            | 8.6                        | 9.2            |
| Fiscal Overall Deficit (% GDP)                         | 8.0            | 13.0                       | 14.3           |
| Balance of Payments Current Account Deficit<br>(% GDP) | 23.5           | 18.4                       | 12.4           |
| Money Supply (%)                                       | 15.0           | 29.3                       | 15.0           |

Note: GDP at factor cost used throughout the table.

#### **D. Balance of Payments**

The current account deficit of the balance of payments is projected at US\$73.4 million or 16.6 percent of GDP. Export receipts, will amount to US\$560.5 million premised on improvement in the terms of trade and higher export volumes of sugar, rice, and gold and bauxite. Imports are projected to rise by 8 percent to US\$580 million. Net services and official and private transfers are projected to remain broadly unchanged.

The capital account is projected to deteriorate from a surplus of US\$12 million, in 1995, to a deficit of US\$4.7 million, in 1996. This would mainly be the result of higher scheduled debt repayments and lower private capital inflows. In spite of this deterioration, the overall deficit of the balance of payment is projected to strengthen from US\$89.3, in 1995, to US\$78.1 million.

## **E. Money and Credit**

Consistent with the real GDP growth rate, money supply is projected to increase by 15 percent over the end-1995 level. Gross international reserves are expected to cover about 6 months of imports.

## **F. Financial Policies**

In 1996, the Government will continue to implement policies to promote a more efficient financial system, with a view to facilitating strong and sustainable growth. Monetary policy will build on the degree of price stability achieved in 1995. It will be implemented to ensure consistency with an improving balance of payments and continued exchange rate stability. In keeping with the liberalised financial environment, the Bank of Guyana will continue to use indirect market-based instruments of monetary policy. A framework for monetary programming will be developed in order that forecasting of liquidity can be improved and to ensure that monetary targets are met. To increase the flexibility of these instruments, the Bank of Guyana intends to move to weekly auctions of Treasury Bills in early 1996. As technical capacity is developed, the Bank will also start buying and selling securities in the money market between auctions so that it can regulate liquidity conditions more frequently.

These instruments of monetary policy operate through financial markets. The Bank will, therefore, be endeavouring to facilitate these markets by encouraging the trading of financial instruments. It has already set up a book entry system for secondary market trading of Treasury Bills. In order to provide the incentives for inter-bank market development, the terms of central bank rediscounting will be reviewed.

An important policy objective is to increase competition in the market for Treasury Bills. In this regard, and as will be detailed in the new tax measures for 1996, the taxation of treasury bill interest and bank deposit interest will be harmonised for non-bank investors.

Development of the institutional framework of the financial sector is considered extremely important. Regulations to the *Financial Institutions Act 1995*, have been drafted and will become effective in the course of this year. To this end, considerable efforts have been made to strengthen the supervisory capacity of the Central Bank. Work is also on-going on new legislation which will give the Bank of Guyana greater autonomy to achieve its policy mandate.

The Government recognises that much of the existing foreign exchange control legislation is obsolete, given the liberalised foreign exchange system. In light of this, a review of the *Exchange Control Act* has been undertaken and this will be taken to Parliament for substantive repeal during the year. In order to support the financial and business sector, limits will be introduced below which non-residents will be free to contract domestic-currency loans without the need for Central Bank's approval.

The Government will also continue with its commitment to unify the foreign exchange market by further transferring official foreign exchange receipts to the cambio market. To this end, retention rates for GUYUSCO and goldminers exporting through the Gold Board, which were increased at end-1995, will be raised further, during the year.

## **2.0 Fiscal Targets**

### **A. Central Government**

Mr Speaker, total expenditure in the 1996 Budget is **\$45.6 billion**, an increase of about **11 percent** over the amount expended in 1995.

The Central Government's performance on its current operations is budgeted to continue to improve in 1996. Non-interest current primary surplus is expected to be **\$16.9 billion**, an improvement of **8 percent**.

The current revenue projection of \$33 billion represents a 14 percent increase over 1995, and is premised on the two key revenue Departments performing even better than they did last year. Receipts from the Customs and Excise Department are projected to grow by 14 percent to \$14.9 billion while those from the Inland Revenue Department are budgeted to increase by 14 percent to \$14.2 billion. Sugar levy payments are expected to remain broadly unchanged, while other current revenues are projected to increase to \$2.1 billion, from \$1.5 billion in 1995. The 40.5 percent increase in this category of revenue is mainly due to the anticipated resumption of production at Omai Gold Mines Limited.

On the other hand, non-interest current expenditure is budgeted to grow by 21 percent to \$16 billion. Employment cost is budgeted to increase by 22 percent; this comes after a 20 percent increase in 1995.

Other Charges are budgeted to grow to \$9.3 billion, 21 percent more than in 1995.

Scheduled interest payments are projected to decline to \$11.4 billion in 1996, or 13 percent less than in 1995. The declining interest rate on the domestic debt and an assumption of "Naples terms" for the external debt is mainly responsible for the projected decline. The result of this favourable movement is a 112 percent improvement in the current balance which is budgeted at \$5 billion.

Capital revenue, the bulk of which is divestment receipts, is budgeted at about \$1.5 billion, while capital expenditure is expected to rise by 21 percent to \$15.1 billion. Unlike interest payments, scheduled principal repayments are projected to rise to \$9.7 billion, or 21 percent.

The improved current account position and the budgeted capital revenue are more than offset by the increases in capital expenditure and debt repayments. As a result, the overall deficit of the Central Government operations deteriorates by 8 percent to about -\$17.9 billion. This deficit is expected to be financed mainly from disbursement of foreign loans and grants of \$11.8 billion and

debt relief of \$5.8 billion.

### **3.0 Public Enterprises**

The public enterprises are expected to generate a profit of G\$8.5 billion in 1996 which is about 30 percent higher than the level achieved in 1995.

The size of the capital programme of the enterprises is projected to grow by 80 percent to about \$4 billion.

### **4.0 Non-Financial Public Sector**

Mr Speaker, when the accounts of these enterprises and the Central Government are consolidated, the result is a 43 percent improvement in the current balance, which is projected at \$13.8 billion. However, the overall deficit, after adjusting for capital revenue and expenditure, deteriorates slightly, from \$1.4 billion in 1995 to \$1.6 billion in 1996.

## **SECTION IV**

### **BUDGET MEASURES AND POLICIES**

#### **1.0 Financial Sector Policies**

Mr. Speaker, the following financial and exchange system policies, which I detailed earlier will be implemented this year:

- introduction of weekly auctions of treasury bills
- revision of the terms of central bank rediscounting, and
- introduction of regulations to the Financial Institutions Act 1995

#### **2.0 Exchange System Policies**

- repeal of the Exchange Control Act
- introduction of ceilings on domestic-currency loans by banks to non-residents below which approval is no longer required from the Bank of Guyana, and
- further integration of the cambio and official exchange markets.

#### **3.0 Wages, Salaries, Pensions, and Public Assistance**

Mr Speaker, a seminal aspect of our programme of public sector reform is remuneration for government workers. It is said that over the decade to 1992, public sector wages fell by more than 50 percent. Our Government came to office with the promise that we will do all that we

possibly can to maintain and improve real wages of public servants. We have kept our promise to the workers. Aggregate inflation since we presented our first budget under the current term of government has been 32 percent, while the minimum wage in the public service has increased by over 100 percent, or from \$3,137 in January 1993 to \$6,380 in January 1995.

Over the years, the trade unions representing public servants have been arguing, quite correctly, that actual take home pay is still inadequate. They have also contended that, quite apart from our concerns about inflation, there should be a level of equity between public and private sector pay, and some rewards for productivity increases, particularly as they relate to growth.

As a working class government, we accept the legitimacy of these arguments and have been trying to weave these and other related variables into a public sector wages policy which, it is hoped, will, with the co-operation of the concerned unions, be finalised shortly.

Mr Speaker, as regards the Government's incomes policy for 1996, we consulted with the Public Service Union (PSU) about the approach to be followed in the absence of an agreed wages policy. There was no agreement on how to effect the pay increases for 1996. We have decided, therefore, pending agreement of a wages policy and in order to bring immediate relief to the public servants, to pay a 15 percent across-the-board increase for the 1996 financial year. This increase is in keeping with the union's stated position that workers should be compensated for the effects of inflation and also share in the growth achieved in the economy. In this regard, Mr. Speaker, I would like to draw attention to the fact that inflation and growth in 1995 were 8.1 percent and 5.1 percent, respectively. The 15 percent increase exceeds the combined performance of these two variables.

Mr Speaker, in making this tangible gesture of our commitment to the public sector workers, I must hasten to caution that it must not be taken as a precedent. Various sectors and individuals are also contributing and they must be equally rewarded. Wage increases for 1997 and beyond will be guided by the wages policy.



Mr. Speaker, the 15 percent increase also applies to all pensioners and recipients of public assistance.

#### **4.0 Tax Measures**

##### **A. Personal Income Tax Relief**

It is proposed to increase the threshold from \$12,000 per month to \$15,000 per month. As a result, approximately 20,000 taxpayers will no longer be required to pay income tax. The measure will take effect from 1st January 1996.

##### **B. Deduction of Tax From Discount on Treasury Bills**

Mr Speaker, since 1994, in keeping with the commitment to foster a climate for investments, the Government has introduced in this National Assembly, fiscal measures designed to encourage small investors by providing tax incentives. During 1994, dividends were exempted from both withholding tax and income tax and last year we extended the withholding tax regime to interest paid on loans secured by Bonds and similar instruments.

With effect from 1st January 1996 Mr Speaker, there will be no further tax liability on discounts earned on treasury bills which are subject to the 15% withholding tax. As such the 15% tax deducted at source will be a final tax for non-bank investors. This measure is intended to promote competition in the market for Treasury Bill and thereby improve the functioning of the Central Bank's main monitoring instrument. This measure will also serve to further rationalise the treatment accorded to all types of investment income.

### **C. Minimum Tax On Turnover**

A minimum tax of 2% was introduced by the Government, Mr Speaker, in order to ensure that businesses pay their fair share of taxes.

While the Government cannot be unmindful of the need to collect revenues in order to undertake various expenditure, we need to ensure that manufacturing and productive enterprises are given the necessary fiscal support.

As such, Mr Speaker, with effect from the year of assessment commencing 1st January 1997, companies, other than commercial companies, would no longer be required to pay the minimum tax.

### **D. Taxes, Licences and Other Fees administered by the Licence Revenue Division of the Inland Revenue Department**

Certain taxes, licenses and other fees which are currently set at unrealistic economic values will be increased accordingly. The last increase was implemented since 1993 and since then, the administrative costs in collecting these fees have increased significantly. The economic activities that presently prevails bear little or no relation to the cost of the licence fees charged among the various categories which include:

- Licence fees for Vehicles
- Trading Licences
- Road Traffic Vehicle Fees.

### **E. Miscellaneous Regulations**

The following Acts will be amended to bring the fees payable by operators of the relevant businesses or persons engaged in activities requiring payment of such fees, more in line with the administration and collection costs involved.

|       |                                    |
|-------|------------------------------------|
| 90:14 | Weights and Measures Act           |
| 80:04 | Miscellaneous Licenses Act         |
| 69:05 | Coconut Products Control Act       |
| 80:01 | Tax Act                            |
| 91:06 | Hucksters Licenses and Control Act |
| 91:07 | Auctioneers Act                    |
| 95:05 | Rice Factories Act                 |

### **F. Amendment to Purchase Tax Regime**

Mr Speaker, changes in the Purchase Tax Regime during 1994, resulted in a significant importation by used car dealers, of vehicles below under 1500 cc or rotary type engines under 750 cc. A number of persons and businesses have been engaging in various schemes of deception, in order to take advantage of the favourable rate applicable to this category of vehicles. Moreover, the serious deterioration of the country's roads is, in part, attributable to the rapid increase in vehicular traffic. In order to redress this situation, the rate of purchase tax applicable to vehicles under 1500 cc or vehicles with rotary type engines of under 750 cc would increase

from 5 percent to that of 10 percent, with immediate effect.

#### **G. Amendment to the Consumption Tax Regime**

An addition of selected plant machinery and equipment to the existing list of zero rated items is proposed. These items will be defined in the Amendment to the Consumption Tax Act which will be tabled in this House shortly.

Mr Speaker the necessary changes to the relevant tax acts will be tabled shortly in the National Assembly so that these measures can take effect without any undue delay.

#### **H. Special Incentive Regime for Linden and Surrounding Communities**

In addition to the incentive regime which presently obtains in Guyana, new manufacturing and agricultural entities locating in Linden, Ituni, Kwakwani will be eligible for the following concessions:

- consumption tax and duty free concessions on all plants, machinery and equipment
- consumption tax and duty free importation of all spare parts
- tax concessions for vehicles to be used exclusively for business operations.

The detailed guidelines on the operation of this scheme will be issued by the Ministry of Finance shortly.

## CONCLUSION

Mr. Speaker, given that this year marks the 30th Anniversary of our Independence, we - as a nation and as individuals - are presented with the unique opportunity to assess our achievements so far and to address the challenges that lie ahead. Honest reflection and a clear understanding of where we are going, supported by the programmes of our Government, are critical if we are to improve the lives of all our people.

Since assuming office, the PPP/Civic Government, despite various constraining factors, has striven towards a people-centred development, and has worked tirelessly to resolve the various problems that face us. The challenges that remain, however, are many and the road to a more secured future is not going to be easy to travel. Difficult decisions will have to be made along the way, great efforts will be required and hard work will be essential. The Government recognises the sacrifices the Guyanese people are making, and is aware that their resolve and perseverance have been and will be critical for the success of Guyana's development.

Mr. Speaker, this country belongs to all its people, and its future lies in their hands. The success of our development strategy depends on the positive and concerted effort of each and every one of us. We need to look within ourselves to see what role we can play, however large or small that role may be. As His Excellency President Cheddi Jagan stressed in his 'New Year's Address, **"We cannot stand alone and command the stream to stop. We need the link chain of Guyanese hands, the unity of Guyanese hearts and endeavours to take us all to safer economic shores. We can only do it by working together"**.

Mr. Speaker, let us look to the future. Irrespective of our differences, let us work together to unleash the enormous potential of our great nation.

## **APPENDICES**

**APPENDIX I**

**GUYANA: SELECTED SOCIO-ECONOMIC INDICATORS 1991 – 1995**

|  | 1991   | 1992   | 1993   | 1994   | 1995   |
|--|--------|--------|--------|--------|--------|
| <b>NATIONAL ACCOUNTS AGGREGATES</b>                                |        |        |        |        |        |
| <i>Growth Rate of Real GDP</i>                                     | 6.1    | 7.7    | 8.3    | 8.5    | 5.1    |
| <i>GDP at factor cost (US\$M)</i>                                  | 303.7  | 323.1  | 390.0  | 456.8  | 517.0  |
| <i>GNP at factor cost (US\$M)</i>                                  | 167.4  | 212.7  | 296.2  | 373.8  | 431.0  |
| <i>Per capita GDP (US\$)</i>                                       | 420    | 454    | 531    | 612    | 680    |
| <i>Per capita GNP (US\$)</i>                                       | 232    | 299    | 403    | 501    | 567    |
| <i>Gross National Disposable Income (US\$M)</i>                    | 235.9  | 293.5  | 400.7  | 488.6  | 563.4  |
| <i>Private Consumption as % of Gross Domestic Expenditure</i>      | 53.9   | 42.7   | 42.6   | 43.9   | 43.2   |
| <i>Public Consumption as % of Gross Domestic Expenditure</i>       | 11.6   | 11.6   | 12.5   | 14.4   | 14.8   |
| <b>EXTERNAL TRADE AND FINANCE (US\$M)</b>                          |        |        |        |        |        |
| <i>BOP Current Account Balance</i>                                 | -118.0 | -146.7 | -137.9 | -100.8 | -94.9  |
| <i>Imports of Goods and Non-Factor Services (G&amp;NFS)</i>        |        | 513.7  | 567.6  | 576.2  | 626.9  |
| <i>Exports of Goods and Non-Factor Services (G&amp;NFS)</i>        |        | 447.4  | 494.5  | 526.4  | 579.0  |
| <i>Resource Balance</i>  |        | -66.3  | -73.1  | -49.8  | 47.9   |
| <i>Imports of G&amp;NFS / GDP (%)</i>                              |        | 159.0  | 145.5  | 126.1  | 121.3  |
| <i>Exports of G&amp;NFS / GDP (%)</i>                              |        | 138.5  | 126.8  | 115.2  | 112.0  |
| <i>Net International Reserves of Bank of Guyana</i>                | -27.9  | 15.2   | 56.5   | 78.8   | 89.4   |
| <i>External Public Debt Outstanding</i>                            | 1873.3 | 2054.0 | 2062.0 | 2004.0 | 2058.0 |
| <b>PRICES, WAGES AND OUTPUT</b>                                    |        |        |        |        |        |
| <i>Rate of Inflation (% change in Urban CPI)</i>                   | 70.3   | 14.2   | 7.7    | 16.1   | 8.1    |
| <i>Public Sector Monthly Minimum Wage in G\$ (e.o.p)</i>           | 2546   | 3137   | 4314   | 5500   | 6380   |
| <i>% Growth Rate</i>   | 147.9  | 23.2   | 37.5   | 27.5   | 16.0   |
| <i>Electricity Generation (in M.W.H)</i>                           | 219.1  | 237.5  | 252.2  | 290.6  | 335.0  |
| <b>POPULATION &amp; VITAL STATISTICS</b>                           |        |        |        |        |        |
| <i>Mid-Year Population ('000)</i>                                  | 723.1  | 712.4  | 734.8  | 746.0  | 760.4  |
| <i>Population Growth Rate (e.o.p)</i>                              | -1.5   | 2.8    | 1.1    | 1.6    | 1.1    |
| <i>Net Migration ('000)</i>  | -23.6  | 6.4    | -7.0   | 0.3    | -4.3   |
| <i>Visitor Arrivals ('000)</i>                                     | 74.5   | 94.9   | 107.3  | 112.8  | 107.6  |
| <i>Life Expectancy at Birth</i>                                    | 65.0   | 64.9   | 64.0   | 64.0   | ...    |
| <i>Crude Birth Rate</i>  | 25.2   | 25.6   | 27.3   | 29.2   | 29.8   |
| <i>Crude Death Rate</i>  | 7.1    | 6.6    | 6.9    | 7.1    | 7.1    |
| <i>Infant Mortality Rate</i>                                       | 43.0   | 42.9   | 34.9   | 28.8   | ...    |
| <b>HEALTH AND EDUCATION</b>  |        |        |        |        |        |
| <i>Public Expenditure on:</i>                                      |        |        |        |        |        |
| <i>Education as % of National Budget</i>                           | 1.9    | 4.8    | 6.2    | 7.3    | 6.7    |
| <i>Health as % of National Budget</i>                              | 2.9    | 5.3    | 6.9    | 7.4    | 8.3    |
| <i>Number of Physicians per Ten Thousand Population</i>            | 2.0    | 2.0    | 2.1    | 3.1    | 3.0    |
| <i>Number of Nurses per Ten Thousand Population</i>                | 5.9    | 5.9    | 5.0    | 6.3    | 8.0    |
| <i>Number of Hospital Beds per Ten Thousand Population</i>         | 28.8   | 28.0   | 27.7   | 35.9   | 35.9   |
| <i>Low birth-weight babies (&lt;2500g.) as a % of live births</i>  |        | 23.9   |        |        |        |
| <i>Nutritional Status of children under 5 as a % of age group:</i> |        |        |        |        |        |
| <i>Severely malnourished (&lt;60g.)</i>                            |        | 3.0    |        |        |        |
| <i>Mild to moderately malnourished (60-70g.)</i>                   |        | 23.6   |        |        |        |
| <b>CRIME</b>   |        |        |        |        |        |
| <i>Reported Serious Crimes</i>                                     | 8084   | 5842   | 6768   | 4916   | ...    |
| <i>of which: Homicides</i>   | 192    | 105    | 117    | 103    | ...    |

Source: Bureau of Statistics, State Planning Secretariat

**APPENDIX II****REAL OUTPUT INDEX 1995 – 1996**

(1988=100)

| Sector                       | 1994<br>Revised | 1995<br>Budget | 1995<br>Revised | 1996<br>Budget |
|------------------------------|-----------------|----------------|-----------------|----------------|
| Sugar                        | 150.8           | 157.7          | 149.6           | 161.1          |
| Rice                         | 177.1           | 190.0          | 239.2           | 243.5          |
| Livestock                    | 73.0            | 77.4           | 89.7            | 93.7           |
| Other Agriculture            | 115.8           | 121.6          | 125.1           | 131.4          |
| Fishing                      | 99.4            | 103.4          | 109.5           | 109.5          |
| Forestry                     | 246.0           | 261.3          | 284.9           | 300.6          |
| Mining & Quarrying           | 148.5           | 163.1          | 131.6           | 153.7          |
| Manufacturing                | 97.3            | 102.2          | 109.7           | 115.2          |
| Distribution                 | 123.6           | 129.8          | 129.8           | 135.0          |
| Transport and Communication  | 115.0           | 119.6          | 125.4           | 136.6          |
| Engineering and Construction | 129.1           | 154.9          | 142.0           | 156.2          |
| Rent of Dwellings            | 110.2           | 119.0          | 119.0           | 126.1          |
| Financial Services           | 124.6           | 133.3          | 134.6           | 138.3          |
| Other Services               | 121.0           | 125.8          | 128.3           | 137.3          |
| Government                   | 96.0            | 97.9           | 97.9            | 99.9           |
| <b>TOTAL</b>                 | <b>123.7</b>    | <b>131.5</b>   | <b>129.9</b>    | <b>138.4</b>   |

Source : Bureau of Statistics



## APPENDIX III

### FINANCIAL OPERATIONS OF THE CENTRAL GOVERNMENT (ECONOMIC CLASSIFICATION)

| G\$Million   | SCHEDULED EXTERNAL DEBT |                   |                  |                  | WITH CASH EXTERNAL DEBT |                   |                  |                  |
|--|-------------------------|-------------------|------------------|------------------|-------------------------|-------------------|------------------|------------------|
|  | BUDGET                  | LATEST            | BUDGET           | ACTUAL           | BUDGET                  | LATEST            | BUDGET           | ACTUAL           |
|  | 1996                    | ESTIMATES<br>1995 | 1995             | 1994             | 1996                    | ESTIMATES<br>1995 | 1995             | 1994             |
| <b>1.0 CURRENT REVENUES</b>  | <b>32,999.1</b>         | <b>28,961.4</b>   | <b>27,780.4</b>  | <b>23,653.8</b>  | <b>32,999.1</b>         | <b>28,961.4</b>   | <b>27,780.4</b>  | <b>23,653.8</b>  |
| 1.1 Inland Revenue   | 14,160.7                | 12,442.4          | 10,900.0         | 9,389.5          | 14,160.7                | 12,442.4          | 10,900.0         | 9,389.5          |
| 1.2 Customs & Excise   | 14,905.8                | 13,136.6          | 13,235.0         | 10,903.0         | 14,905.8                | 13,136.6          | 13,235.0         | 10,903.0         |
| 1.3 Sugar Levy   | 1,850.0                 | 1,900.0           | 1,900.0          | 2,000.0          | 1,850.0                 | 1,900.0           | 1,900.0          | 2,000.0          |
| 1.4 Other 1/   | 2,082.6                 | 1,482.4           | 1,745.4          | 1,361.3          | 2,082.6                 | 1,482.4           | 1,745.4          | 1,361.3          |
| <b>2.0 CURRENT EXPENDITURES</b>  | <b>16,113.8</b>         | <b>13,275.0</b>   | <b>13,722.1</b>  | <b>11,342.5</b>  | <b>16,113.8</b>         | <b>13,275.0</b>   | <b>13,722.2</b>  | <b>11,342.5</b>  |
| 2.1 Employment Cost  | 6,791.5                 | 5,567.1           | 5,877.7          | 4,623.1          | 6,791.5                 | 5,567.1           | 5,877.7          | 4,623.1          |
| 2.2 Other Charges 1/   | 9,322.4                 | 7,708.0           | 7,844.5          | 6,719.4          | 9,322.4                 | 7,708.0           | 7,844.5          | 6,719.4          |
| <b>3.0 CURRENT PRIMARY<br/>(NON-INTEREST) BALANCE</b>                                    | <b>16,885.2</b>         | <b>15,686.4</b>   | <b>14,058.3</b>  | <b>12,311.3</b>  | <b>16,885.3</b>         | <b>15,686.4</b>   | <b>14,058.2</b>  | <b>12,311.3</b>  |
| <b>4.0 INTEREST</b>  | <b>11,414.7</b>         | <b>13,108.6</b>   | <b>12,100.9</b>  | <b>12,195.8</b>  | <b>9,101.3</b>          | <b>9,397.7</b>    | <b>9,396.9</b>   | <b>8,252.5</b>   |
| 4.1 Internal 2/  | 5,198.7                 | 6,132.8           | 5,916.5          | 5,080.5          | 5,198.7                 | 6,132.8           | 5,916.5          | 5,080.5          |
| 4.2 External (Scheduled)   | 6,216.0                 | 6,975.8           | 6,184.4          | 7,115.3          | 3,902.6                 | 3,265.0           | 3,480.4          | 3,172.0          |
| <b>5.0 CURRENT BALANCE</b>   | <b>5,470.5</b>          | <b>2,577.8</b>    | <b>1,957.4</b>   | <b>115.5</b>     | <b>7,783.9</b>          | <b>6,288.6</b>    | <b>4,661.3</b>   | <b>4,058.8</b>   |
| <b>6.0 CAPITAL REVENUES</b>  | <b>3,502.0</b>          | <b>2,998.1</b>    | <b>4,881.2</b>   | <b>5,479.5</b>   | <b>3,502.0</b>          | <b>2,998.1</b>    | <b>4,881.2</b>   | <b>5,479.5</b>   |
| 6.1 Grants   | 2,022.0                 | 1,605.1           | 2,063.0          | 995.4            | 2,022.0                 | 1,605.1           | 2,063.0          | 995.4            |
| 6.2 Proceeds from Divestment   | 1,300.0                 | 1,221.3           | 2,500.0          | 1,520.2          | 1,300.0                 | 1,221.3           | 2,500.0          | 1,520.2          |
| 6.3 Other incl. Sale of Assets 3/  | 180.0                   | 171.7             | 318.2            | 2,963.9          | 180.0                   | 171.7             | 318.2            | 2,963.9          |
| <b>7.0 CAPITAL EXPENDITURES</b>  | <b>15,100.4</b>         | <b>12,520.0</b>   | <b>15,272.7</b>  | <b>10,687.4</b>  | <b>15,100.4</b>         | <b>12,520.0</b>   | <b>15,272.7</b>  | <b>10,687.4</b>  |
| 7.1 Central Government   | 14,884.9                | 11,770.8          | 14,398.1         | 10,052.3         | 14,884.9                | 11,770.8          | 14,398.1         | 10,052.3         |
| 7.2 Transfers to Public Enterprises  | 210.0                   | 744.2             | 869.6            | 622.0            | 210.0                   | 744.2             | 869.6            | 622.0            |
| 7.3 Other  | 5.5                     | 5.0               | 5.0              | 13.1             | 5.5                     | 5.0               | 5.0              | 13.1             |
| <b>8.0 OVERALL BALANCE</b>   | <b>(6,127.8)</b>        | <b>(6,944.1)</b>  | <b>(8,434.1)</b> | <b>(5,092.4)</b> | <b>(3,814.4)</b>        | <b>(3,233.3)</b>  | <b>(5,730.2)</b> | <b>(1,149.1)</b> |
| <b>9.0 TOTAL FINANCING</b>   | <b>6,127.8</b>          | <b>6,944.1</b>    | <b>8,434.1</b>   | <b>5,092.4</b>   | <b>3,814.4</b>          | <b>3,233.3</b>    | <b>5,730.2</b>   | <b>1,149.1</b>   |
| <b>10.0 NET EXTERNAL BORROWING</b>   | <b>7,406.5</b>          | <b>4,981.5</b>    | <b>5,163.8</b>   | <b>3,675.2</b>   | <b>5,093.1</b>          | <b>1,270.7</b>    | <b>2,459.8</b>   | <b>(268.0)</b>   |
| 10.1 Disbursements of Loans  | 9,769.1                 | 5,589.1           | 7,027.9          | 4,073.6          | 9,769.1                 | 5,589.1           | 7,027.9          | 4,073.6          |
| 10.2 Debt Repayment (Scheduled)  | 8,190.0                 | 7,593.3           | 8,854.9          | 9,715.4          | 4,678.0                 | 4,318.4           | 4,568.1          | 4,341.6          |
| 10.3 Interest Debt Relief  | 2,313.4                 | 3,710.8           | 2,704.0          | 3,943.2          | -                       | -                 | -                | -                |
| 10.4 Principal Debt Relief   | 3,514.0                 | 3,274.9           | 4,286.8          | 5,373.7          | -                       | -                 | -                | -                |
| <b>11.0 NET DOMESTIC BORROWING</b>   | <b>(4,171.1)</b>        | <b>4,419.3</b>    | <b>1,729.6</b>   | <b>(1,660.1)</b> | <b>(4,171.1)</b>        | <b>4,419.3</b>    | <b>1,729.7</b>   | <b>(1,660.1)</b> |
| 11.1 Net Advances  | (1,431.3)               | 3,361.6           | 2,131.4          | (7,214.8)        | (1,431.3)               | 3,361.6           | 2,131.5          | (7,214.8)        |
| 11.2 Net Increase in Treasury Bill Holdings  | (1,233.0)               | 1,459.5           | 0.0              | 993.5            | (1,233.0)               | 1,459.5           | 0.0              | 993.5            |
| 11.3 Net Increase in Debentures  | (1,506.8)               | (401.8)           | (401.8)          | 4,561.2          | (1,506.8)               | (401.8)           | (401.8)          | 4,561.2          |
| <b>12.0 NON-PROJECT BALANCE<br/>OF PAYMENTS GRANTS (+) 4/</b>                            | <b>2,892.4</b>          | <b>970.8</b>      | <b>1,540.7</b>   | <b>3,606.2</b>   | <b>2,892.4</b>          | <b>970.8</b>      | <b>1,540.7</b>   | <b>3,606.2</b>   |
| <b>13.0 OTHER FINANCING 5/</b>   | <b>0.0</b>              | <b>(3,427.4)</b>  | <b>0.0</b>       | <b>(528.9)</b>   | <b>0.0</b>              | <b>(3,427.4)</b>  | <b>0.0</b>       | <b>(528.9)</b>   |
| <b>Total Domestic and Scheduled External<br/>Debt Service as a % of Current Revenues</b> | <b>64.0%</b>            | <b>72.9%</b>      | <b>76.9%</b>     | <b>73.3%</b>     | <b>46.3%</b>            | <b>48.7%</b>      | <b>51.7%</b>     | <b>34.0%</b>     |

Source: Ministry of Finance

1/ Excludes reimbursable Rice Levy (a).

2/ Excludes interest on GNCB debentures, which are offset by repayments to Government, and payments on Sinking Fund holdings.

3/ 1994 figure includes G\$2610m in EDF funds transferred from BOG.

4/ 1996 figure reflects counterpart funds which are included in the capital budget.

5/ G\$1789m of 1994 'Other Financing' arises from capital transfers to BOG accounts.

**APPENDIX IV**

**GUYANA  
URBAN CONSUMER PRICE INDEX  
GEORGETOWN**

DEC '84 = 100

| GRQUP                                   | 1994  | 1995  |       |       |       |       |       |       |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|   | DEC   | JAN   | FEB   | MAR   | APR   | MAY   | JUN   | JUL   | AUG   | SEP   | OCT   | NOV   | DEC   |
| <b>ALL ITEMS</b>                        | 100.0 | 99.7  | 100.5 | 101.7 | 102.5 | 103.3 | 104.5 | 104.3 | 105.6 | 106.5 | 107.3 | 107.4 | 108.1 |
| <b>FOOD (incl. Alcoholic Beverages)</b> | 100.0 | 98.8  | 100.1 | 101.2 | 102.6 | 103.3 | 105.8 | 105.3 | 108.3 | 110.2 | 110.2 | 110.7 | 108.8 |
| <b>HOUSING (incl. Furniture)</b>        | 100.0 | 100.5 | 101.0 | 103.9 | 103.9 | 104.2 | 104.9 | 104.8 | 104.4 | 105.3 | 107.9 | 107.9 | 113.3 |
| <b>TRANSPORT &amp; COMMUNICATION</b>    | 100.0 | 99.7  | 101.0 | 102.6 | 102.9 | 104.2 | 104.7 | 104.0 | 103.5 | 103.0 | 103.0 | 101.9 | 101.9 |
| <b>MEDICAL CARE</b>                     | 100.0 | 100.1 | 100.3 | 100.1 | 100.1 | 100.0 | 100.6 | 100.6 | 103.1 | 105.4 | 104.7 | 105.1 | 109.3 |
| <b>OTHER GOODS &amp; SERVICES</b>       | 100.0 | 100.8 | 100.7 | 98.5  | 98.9  | 99.6  | 99.1  | 99.5  | 99.8  | 99.0  | 99.3  | 98.8  | 99.2  |

12-Jan-96

Source: Bureau of Statistics

**APPENDIX V**

**GUYANA BALANCE OF PAYMENTS  
ANALYTIC SUMMARY (US\$ Millions)**

|          | ITEM  | 1993<br>Actual | 1994<br>Estimates | 1995<br>Latest<br>Estimates | 1995<br>Budget | 1996<br>Projections |
|----------|---|----------------|-------------------|-----------------------------|----------------|---------------------|
| <b>A</b> | <b>CURRENT ACCOUNT</b>                      | -137.9         | -100.8            | -94.9                       | -116.8         | -73.4               |
| <b>1</b> | <b>Merchandise (Net)</b>                    | -69.8          | -40.6             | -40.8                       | -56.3          | -19.5               |
|          | Exports (f.o.b.)                            | 414.0          | 463.4             | 495.7                       | 491.7          | 560.5               |
|          | Bauxite                                     | 89.7           | 76.4              | 82.9                        | 85.6           | 98.6                |
|          | Sugar                                       | 116.3          | 116.4             | 135.0                       | 130.8          | 152.2               |
|          | Rice  | 33.0           | 55.5              | 77.4                        | 53.3           | 88.5                |
|          | Gold  | 99.8           | 128.0             | 108.4                       | 135.3          | 124.0               |
|          | Other                                       | 63.7           | 71.1              | 74.5                        | 74.7           | 83.2                |
|          | Re-exports                                  | 11.5           | 16.0              | 16.8                        | 12.0           | 14.0                |
|          | Imports c.i.f.                              | -483.8         | -504.0            | -536.5                      | -548.0         | -580.0              |
|          | Fuel & Lubricants                           | -80.7          | -87.6             | -96.5                       | -92.0          | -105.0              |
|          | Other                                       | -403.1         | -416.4            | -440.0                      | -456.0         | -475.0              |
| <b>2</b> | <b>Services (Net)</b>                       | -97.1          | -92.2             | -93.1                       | -92.5          | -94.1               |
|          | Factor                                      | -93.8          | -83.0             | -86.0                       | -83.0          | -86.0               |
|          | Non Factor (Net)                            | -3.3           | -9.2              | -7.1                        | -9.5           | -8.1                |
| <b>3</b> | <b>Transfers</b>                            | 29.0           | 32.0              | 39.0                        | 32.0           | 40.2                |
|          | Official                                    | 4.0            | 6.0               | 12.0                        | 6.0            | 12.7                |
|          | Private                                     | 25.0           | 26.0              | 27.0                        | 26.0           | 27.5                |
| <b>B</b> | <b>CAPITAL ACCOUNT</b>                      | 78.1           | 22.9              | 12.0                        | 38.0           | -4.7                |
|          | Non - Financial Public Sector Capital (Net) | 8.4            | -20.1             | -34.3                       | 6.5            | -34.2               |
|          | Disbursements                               | 54.0           | 28.0              | 32.3                        | 65.7           | 48.1                |
|          | Amortization                                | -40.9          | -58.3             | -72.1                       | -63.2          | -82.3               |
|          | Resheduling                                 | -9.1           | 0.0               | 0.0                         | 0.0            | 0.0                 |
|          | Sale of Assets                              | 4.4            | 10.2              | 5.5                         | 4.0            | 0.0                 |
|          | Private Sector (Net)                        | 69.7           | 43.0              | 46.3                        | 31.5           | 29.5                |
|          | Direct Investment                           | 25.0           | 17.0              | 15.0                        | 27.0           | 12.0                |
|          | Other Investment and Capital Flows          | 38.3           | 26.0              | 38.4                        | 4.5            | 25.0                |
|          | Net Foreign Assets of Commercial Banks      | 6.4            | .                 | -7.1                        | .              | -7.5                |
| <b>C</b> | <b>Errors and Omissions</b>                 | 10.1           | 14.0              | -6.4                        | 0.4            | 0.0                 |
| <b>D</b> | <b>OVERALL BALANCE</b>                      | -49.7          | -63.9             | -89.3                       | -78.4          | -78.1               |
| <b>E</b> | <b>FINANCING</b>                            | 49.7           | 63.9              | 89.3                        | 78.4           | 78.1                |
|          | Bank of Guyana net foreign assets           | -38.4          | -27.8             | 24.3                        | 14.0           | 28.9                |
|          | Assets (increase-)                          | -55.0          | -20.0             | 14.3                        | 7.0            | 27.0                |
|          | Liabilities                                 | 16.6           | -7.8              | 10.0                        | 7.0            | 1.9                 |
|          | Change in Public Sector Arrears             | ..             | 0.0               | 0.0                         | ..             | ..                  |
|          | Exceptional Financing                       | 88.1           | 91.7              | 65.0                        | 64.4           | 49.2                |
|          | Debt Relief                                 | 44.6           | 66.1              | 56.0                        | 34.4           | 37.7                |
|          | Balance of Payments Support                 | 43.5           | 25.6              | 9.0                         | 30.0           | 11.5                |

Source : Ministry of Finance, Bureau of Statistics & Bank of Guyana .

**APPENDIX VI****SUBSET OF MAJOR SECTOR INVESTMENT PROGRAMME****1995 - 1998**

| <b>PROJECT / PROGRAMME</b>                            | <b>EXECUTING AGENCY</b>   | <b>INVESTMENT COST GSMN</b> | <b>STATUS</b>   | <b>OBJECTIVES</b>   |
|---|---|-----------------------------|-----------------|---|
| <b>AGRICULTURE FORESTRY AND FISHING</b>               |   |                             |                 |   |
| <b>Agriculture Sector Rehabilitation</b>              | <b>Ministry of Agriculture</b>  | <b>350.000</b>              | <b>New</b>      | <b>Improved Drainage and Irrigation facilities and Land Administration Capabilities.</b>  |
| <b>East Bank Essequibo Development Project</b>        | <b>Region No.3</b>  | <b>361.450</b>              | <b>Ongoing</b>  | <b>Rehabilitation of existing Drainage and Irrigation Facilities between Vreed-en-Hoop and Salem, Research and extension and distribution of farm inputs.</b> |
| <b>Agriculture Sector Hybrid Programme</b>            | <b>Ministry of Agriculture</b>  | <b>658.000</b>              | <b>Ongoing</b>  | <b>Upgrading and maintaining of access roads.</b>   |
| <b>Drainage and Irrigation Rehabilitation Project</b> | <b>Ministry of Agriculture</b>  | <b>1,600.000</b>            | <b>Ongoing</b>  | <b>Rehabilitation of D&amp;I Channels and structures in Region 2,3,4,5 and 6.</b>   |
| <b>Sea and River Defence</b>                          | <b>Ministry of Public Works, Communication and Regional Development</b> | <b>7,500.000</b>            | <b>Ongoing</b>  | <b>Rehabilitation of Sea and River Defences.</b>  |
| <b>Shorezone Management</b>                           | <b>Ministry of Public Works, Communication and Regional Development</b> | <b>1,400,000</b>            | <b>Pipeline</b> | <b>Incorporation of all environmental concerns including mangrove management, sea defence data collection and monitoring and land use planning.</b>           |

**APPENDIX VI**

| <b>PROJECT / PROGRAMME</b>         | <b>EXECUTING AGENCY</b>  | <b>INVESTMENT COST GSMN</b> | <b>STATUS</b> | <b>OBJECTIVES</b>  |
|------------------------------------|--|-----------------------------|---------------|--|
| <b>TRANSPORT AND COMMUNICATION</b> |  |                             |               |  |
| Demerara Harbour Bridge            | Ministry of Public Works, Communication and Regional Development | 1,593.000                   | Ongoing       | Construction and Maintenance of bridge across Demerara River.        |
| Feeder Road Project                | Ministry of Public Works, Communication and Regional Development | 1,800.000                   | Ongoing       | Construction and Rehabilitation of Feeder Roads.                     |
| Timehri Airport                    | Ministry of Public Works, Communication and Regional Development | 450.000                     | Ongoing       | Improved facilities at Timehri.                                      |
| Ferry, Cargo Vessels and Ships.    | Ministry of Public Works, Communication and Regional Development | 500.000                     | Ongoing       | Rehabilitation of ferry and ships and construction of ferry vessels. |
| Urban Road and Drains              | Ministry of Public Works, Communication and Regional Development | 460.000                     | Ongoing       | Rehabilitation of roads and drains in urban areas.                   |
| Stelling and Wharves               | Ministry of Public Works, Communication and Regional Development | 160.000                     | Ongoing       | Rehabilitation of Stellings and Wharves.                             |
| Guyana/Suriname Ferry              | Ministry of Finance  | 620.000                     | Ongoing       | Construction of Ferry terminal and access roads.                     |
| Essequibo Coast Road               | Ministry of Public Works, Communication and Regional Development | 1,240.000                   | Ongoing       | Reconstruction of Charity - Supernaam Road.                          |
| Georgetown/ Timehri/Rosignol Road  | Ministry of Public Works, Communication and Regional Development | 3,600.000                   | Ongoing       | Rehabilitation of East Bank and East Coast Highways.                 |
| Road Maintenance Project           | Ministry of Public Works, Communication and Regional Development | 182.100                     | Ongoing       | Maintenance of West Bank, West Coast and Corentyne Roads.            |

**APPENDIX VI**

| <b>PROJECT / PROGRAMME</b>                         | <b>EXECUTING AGENCY</b>  | <b>INVESTMENT COST G\$MN</b> | <b>STATUS</b> | <b>OBJECTIVES</b>   |
|--|--|------------------------------|---------------|---|
| Soeskyke/Linden Highway                            | Ministry of Public Works, Communication and Regional Development | 950.000                      | New           | Rehabilitation of Soesdyke/Linden Highway.  |
| <b>SOCIAL SERVICES</b>                             |  |                              |               |   |
| Rural Health Centre                                | Ministry of Health/Regions                                       | 670.000                      | Ongoing       | Construction and Rehabilitation of Rural Health Facilities.   |
| Georgetown Hospital Health Care II                 | Ministry of Health   | 2,200.000                    | Ongoing       | Improved Health Care Services.  |
| Health Care Reform Programme                       | Ministry of Health   | 108.000                      | Pipeline      | Improved Health Care facilities.  |
| Secondary School Reform Programme                  | Ministry of Education  | 1,000.000                    | New           | School quality Improvement, Regional and National Institutional Strengthening and Emergency repair to school buildings. |
| Primary Education Improvement Project              | Ministry of Education  | 2,076.384                    | Ongoing       | Construction and Rehabilitation of Primary Schools, training and curriculum development.                                |
| SIMAP  | Ministry of Labour, Human Services and Social Security           | 3,300.000                    | Ongoing       | Rehabilitation and construction of physical and social infrastructure.  |
| BASIC NEEDS III                                    | Ministry of Finance  | 350.600                      | Ongoing       | Rehabilitation of infrastructural facilities in Health and Education Sector.  |
| BASIC NEEDS IV                                     | Ministry of Finance  | 400.000                      | Pipeline      | Rehabilitation of infrastructural facilities in Health and Education Sector.  |
| Secondary Towns Infrastructure Development Project | Ministry of Public Works, Communication and Regional Development | 133.500                      | New           | Design of an Urban Rehabilitation Programme and design of secondary roads.  |

**APPENDIX VI**

| <b>PROJECT / PROGRAMME</b>               | <b>EXECUTING AGENCY</b>  | <b>INVESTMENT COST GSMN</b> | <b>STATUS</b> | <b>OBJECTIVES</b>  |
|--|--|-----------------------------|---------------|--|
| Georgetown Sewerage and Water Commission | GUYWA  | 1,030.000                   | Ongoing       | Rehabilitation of Georgetown Water and Sewerage System.                          |
| Water Supply Improvement                 | Ministry of Public Works, Communication and Regional Development | 5,500.000                   | Ongoing       | Rehabilitation of rural water systems and institutional strengthening of Guyana. |
| New Amsterdam Water Improvement          | Ministry of Finance  | 870.000                     | Ongoing       | Improvement of New Amsterdam water distribution system.                          |
| Infrastructure Development               | Ministry of Public Works, Communication and Regional Development | 450.000                     | Ongoing       | Development of housing areas and upgrading of squatter schemes.                  |
| <b>ADMINISTRATION</b>                    |  |                             |               |  |
| Public Administration Project            | Office of the President  | 1,450.000                   | Ongoing       | Procurement of equipment and provision for studies.                              |
| ✓ Poverty Alleviation                    | Ministry of Finance  | 1,600.000                   | Ongoing       | Improved standard of Living  |
|  |  |                             |               |  |

**APPENDIX VII**

**ACTUAL AND PROJECTED EXTERNAL DEBT STOCK  
1992 - 1996**

(US\$ millions)

| ITEM   | Actual | Actual | Actual | Prelim. | Proj.  |
|--|--------|--------|--------|---------|--------|
|  | 1992   | 1993   | 1994   | 1995    | 1996   |
| <b>Total External Debt</b>                       |        |        |        |         |        |
| 1. Public and Publicly Guaranteed Long-Term Debt | 1576.9 | 1564.8 | 1609.6 | 1684.1  | 1702.4 |
| <i>Official Creditors</i>                        | 1416.4 | 1429.9 | 1478.5 | 1559.4  | 1644.9 |
| Multilateral                                     | 540.1  | 583.8  | 618.1  | 678.3   | 767.6  |
| of which IBRD:                                   | 45.0   | 40.9   | 38.9   | 38.2    | 34.1   |
| of which IDA:                                    | 134.5  | 161.1  | 183.1  | 213.2   | 242.3  |
| of which IDB:                                    | 227.8  | 239.8  | 251.2  | 274.8   | 328.9  |
| Bilateral  | 876.3  | 846.1  | 860.4  | 881.1   | 877.3  |
| <i>Private Creditors</i>                         | 160.6  | 134.9  | 131.1  | 124.7   | 57.5   |
| Suppliers  | 97.4   | 75.1   | 71.6   | 68.9    | 8.4    |
| Financial Markets/Bonds                          | 63.2   | 59.7   | 59.5   | 55.8    | 49.1   |
| 2. Total Long-Term Debt Stock                    | 1576.9 | 1564.8 | 1609.6 | 1684.1  | 1702.4 |
| 3. IMF Credit                                    | 168.0  | 176.6  | 178.5  | 169.7   | 171.0  |
| 4. Short-Term Debt                               | 222.2  | 218.3  | 211.4  | 204.5   | 202.5  |
| 5. Total including IMF and Net Short-term Debt   | 1967.1 | 1959.7 | 1999.5 | 2058.3  | 2075.8 |

Source: Ministry of Finance