



GUYANA
BUDGET PRESENTATION
2001

By
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Minister of Finance

1. Introduction

1.1 Mr Speaker, I rise to move the motion for the approval of the Estimates of the Public Sector and the Budget for the Financial Year 2001. 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.

1.2 Mr Speaker, the General and Regional Elections that were mandated under the Herdmanston Accord are now over. The people have spoken. Through the democratic process, they have given the PPP/Civic Government a renewed mandate to consolidate the gains that have been made over the past eight years; and to continue the task of nation building, in order that Guyanese may enjoy a brighter, more prosperous future. We have to work with the political Opposition and other groups in the society to create a lasting environment of peace, trust and enduring stability. Without a doubt, these are vitally important prerequisites for attracting investment that is so necessary for the continuation of economic progress and social development in our country.

1.3 We have taken careful note of our people's demands, their hopes and aspirations. Indeed, these have always accorded with our vision for Guyana's future - a vision which we have shared continuously over the past years and which we elevated in our Manifesto for the recent elections. To restate it succinctly, we envisage a country in which our abundant natural resources are harnessed by a resilient and enterprising people to create wealth that is then equitably distributed among the people for their benefit. We are single-minded in our resolve to establish a society in which no one feels excluded from the mainstream of development - a society in which the rich diversity of our people is used to strengthen the bonds that bind us, rather than accentuate those that divide us. We have achieved much over the years, including improved growth rates; modernisation of the economic infrastructure; reduction in the foreign debt that has facilitated higher expenditure in health, education, housing and pure water, among other areas; and a significant reduction in poverty.

1.4 Mr Speaker, considering the extent of the physical, economic and social decay which enveloped our country not so long ago, many would be satisfied with the progress that has been made to date. Not so the PPP/Civic Government! We recognise that much more needs to be done. The economic base of the country needs to be expanded. Our traditional industries have to become more efficient and productive, while new growth areas such as tourism, informatics and computer-related industries will need to be attracted. We need to integrate our regions, towns, villages and communities; we have to invest more in our education and health systems, our sea defence, drainage and irrigation and road networks; we must devote more resources to improving policing methods, reducing crime, defending our borders and external interests, and protecting our national patrimony. Above all, we must encourage and attract massive investment to create jobs. These are some of the challenging tasks that we will confront during this third

term.

1.5 Mr Speaker, mindful of the impatience of our people and acknowledging the enormity of the tasks that lie ahead, we have developed a comprehensive economic development strategy for implementation over the next five years. We envisage that by 2006, we will have a very robust, diversified economy that is both capable of withstanding adverse external shocks and competing effectively within the new globalised environment.

1.6 Mr Speaker, this Budget draws heavily upon that strategy and, therefore, should be seen as the first step towards the realisation of those goals. The Budget revolves around the theme, "Moving Guyana Forward Together." It is an imaginative attempt to build on the foundations that have been laid for our economic take-off; to promote the well-being of the country; and to address many issues and concerns of the Guyanese people. It has been prepared against the background of a very hostile external environment. As many of you are aware, Year 2000 was a particularly difficult one for Guyana.

1.7 At the external level, massive increases in the price of oil, declining prices for our main exports, and new threats to the survival of long-standing trading arrangements in crucial product markets, affected our capacity to accelerate the pace of our development. Domestically, adverse weather conditions affected production in the real sector, especially sugar and rice. As if that were not bad enough, investors either delayed or postponed investment in light of the Elections that were held in the first quarter of 2001. These factors were responsible for the economy returning a small, negative growth rate.

1.8 We feel confident, nevertheless, that, as in the past, our people and our economy have the capacity and the resilience to rebound quickly from such a temporary setback. We believe that the policy measures and programmes that proliferate in this Budget are sufficient to evidence the turnaround that is projected for 2001.

1.9 Mr Speaker, I firmly believe that the goodwill exists in the society for us to move resolutely forward together. Guyana's gains are the people's gains. Her losses are suffered by all of us. Let us, therefore, eschew the desire to destroy and destabilise our country. Instead, let us embrace the extended hands of friendship, love and cooperation, united in purpose to build the type of Guyana of which we continue to dream. This, Mr Speaker, is the charge of this Budget - the first of this Eighth Parliament of Guyana.

2. Global Economic Review and Prospects

A. Developments in the Global Economy in 2000

2.0 Mr Speaker, the growth in the global economy, which was observed in 1999, strengthened in 2000. Global output expanding by 4.7 percent. This was the highest growth rate since 1984 and was better than the 3.3 percent in 1999. This impressive performance was as a result of the continued strength of the United States' economy; the robust upswing in Europe; the consolidation of the recovery in Asia; and a rebound from last year's slowdowns in emerging markets in Latin America, the Middle East and Eastern Europe. However, output performance in Africa was mixed. While export prices for minerals (including oil) were responsible for the economic expansion in some African countries, growth in others was severely curtailed by natural disasters and adverse movements in commodity prices.

2.1 Growth in the advanced economies improved to 4.2 percent, from 3.2 percent in 1999. The major industrial countries accounted for nearly all of this increase. In terms of Guyana's important trading partners, the United States' economy continued to display remarkable resilience, growing by some 5.2 percent, while in Canada, the economy continued to rebound strongly to 4.7 percent, after a temporary slowdown in the wake of the Asian financial crisis. In Europe, in spite of a weakened euro, the currency of choice for most members of the European Union, the combined output of countries in the euro area expanded by 3.2 percent.

2.2 Mr Speaker, the continued expansion in the advanced economies was responsible for the fall in unemployment to 5.9 percent in 2000. At the same time, however, these countries have had to contend with rising inflation rates, in face of higher energy prices. Oil prices were significantly higher than expected, due to both supply constraints in producing countries and the continued strength of global demand. As a consequence, consumer prices rose by 2.3 percent, higher than the 1.4 percent in 1999. Similar growth trends were observed for the developing countries, where, as a group, output increased by 5.7 percent, up from 3.8 percent in 1999. However, inflation slowed to 6.2 percent, an improvement from the 6.6 percent recorded in 1999.

2.3 World trade in goods and services almost doubled from 5.1 percent in 1999 to 10 percent in 2000. However, this phenomenal growth did not have a uniform impact on the current account position of many countries. For example, while the expected improvement was reflected in the oil exporting countries, there was deterioration in the current account balances of countries such as the United States and the United Kingdom. Although a general upward trend was discerned, movements in non-oil commodity prices were mixed. Prices of metals and minerals rose by about 25 percent, while an overall pattern was less evident for the prices of agricultural commodities.

2.4 Mr Speaker, at the Regional level, the economic expansion at the world level continued to have a positive effect on performance in most of the Caricom countries. Growth in output

ranged from 7.9 percent in Trinidad and Tobago to a small increase in Jamaica. Although there were slowdowns in visitor arrivals and declines in banana production, Barbados and most of the OECS countries were able to return creditable growth performances, as the construction and manufacturing sectors took up the slack.

B. Outlook for the Global Economy in 2001

2.5 Mr Speaker, there are signs that global growth will be slower than projected in September last year. Recent forecasts have scaled down the projection from 4.2 percent to 3.2 percent, with a more robust projection of 3.9 percent in 2002. The cause of this less optimistic outlook is the rapid slowdown of the United States economy - where growth is now being projected at 1.5 percent - and the moderation of growth in Europe and Japan. Growth in the euro area is expected to be 2.4 percent, climbing to 2.8 percent in 2002. The prediction of the International Monetary Fund (IMF) is for a substantial and more broadly distributed slowdown in global economic growth than forecast previously.

2.6 Mr Speaker, while the overall outlook is encouraging, there are still significant risks and uncertainties. While economic fundamentals have improved in all major geographical areas, a number of countries - particularly in Latin America and the Caribbean - continue to have financing difficulties. The on-going tightening of global financial conditions could accentuate the problems of accessing cheap credit. This would impose an inordinate burden on these countries to reduce their exposure to external shocks, even as they seek to take advantage of the world economic expansion.

2.7 Another burning issue, Mr Speaker, is the persistence of poverty in the midst of plenty. A sustained reduction in poverty will require stronger growth that benefits the poor. While the affected countries must continue to work towards improving their macroeconomic conditions, the international community must be prepared to support their efforts. For a start, they could do so by fully funding the Highly Indebted Poor Countries (HIPC) initiative, so as to allow debt relief to be delivered to the poorest countries in a way that achieves poverty reduction. Also, they should reform trade policies that discriminate against poor countries (especially agricultural trade); provide resources for mitigating the harmful effects of globalisation; and reverse the decline in official development aid.

3. Review of the Domestic Economy

A. Real Output Growth

3.0 Mr Speaker, in spite of encouraging performances in a number of sub sectors, real Gross Domestic Product (GDP) contracted by 0.8 percent in 2000. This rate compares unfavourably with the target of 3 percent and the 3 percent realised in 1999.

B. Sector Performance

3.1 Mr Speaker, sugar production of 273,317 tonnes, which was achieved in 2000, was 15 percent less than the 321,438 tonnes produced in 1999. All estates fell short of their projected yields, especially during the second crop. Severe weather conditions at the beginning and middle of the year precipitated water-logging in the fields and this affected cane cultivation. Also, the industry suffered from impaired drainage and irrigation facilities and an attack of smut in the East Berbice area.

3.2 Rice production fell by 20.1 percent. The output of rice was 291,841 tonnes compared to 365,469 tonnes in 1999. Once again, heavy rains led to flooding at sowing time for the first crop. This had an effect on the second crop, when only 112,000 acres were cultivated compared to 190,000 acres in 1999. Rain also affected harvesting of the second crop.

3.3 Performance by the other sub-sectors in agriculture was mixed. Egg production improved by 17.1 percent to 30.1 million units. This was also the case of fresh milk, which increased by 7.8 percent to 31.4 million litres. However, there was a decrease in poultry meat production by 5.3 percent to 11,769 tonnes. The fish sub-sector grew by 14.1 percent, on account of significant growth in catches of prawns, 9 percent; shrimp, 10.9 percent; and fish, 16.9 percent. In forestry, output declined by 16 percent to 418,948 cubic metres.

3.4 Mr Speaker, increased production of gold, diamonds and bauxite contributed to the overall growth rate of 5.9 percent in the mining and quarrying sector. Gold output increased by 4.8 percent to 476,150 ounces. This represented a recovery over 1999, when the mining of a poorer quality of ore and the fall in international prices contributed to the decline in output. Gold prices increased slightly in 2000. Total diamonds declared was 83,912 carats compared to 46,668 carats in 1999. In bauxite, production increased by 14 percent to 2,689,451 tonnes. There were noticeable increases in all grades, in spite of the problems encountered with flooding of the mines, obsolete machinery and equipment, and an unstable power supply.

3.5 The manufacturing sector declined by 13.9 percent. Of the four sub-sectors within the sector, beverages and other manufacturing fell by 12 percent and 16 percent, respectively. Shortfalls in output were experienced in ointments, 19.5 percent; footwear, 12 percent; soap, 54.5 percent; garments, 24.3 percent; and rum, 33 percent. However, increased production was recorded for pharmaceuticals, 45.1 percent and food, 3 percent. The commodities that experienced growth

included electricity, 7.6 percent; stockfeed, 7.5 percent; margarine, 5.5 percent; corrugated cartons, 32 percent; and stout, 68 percent.

3.6 All of the sub sectors of the services sector showed positive growth rates. Engineering and construction grew by 6.5 percent, due largely to the expanded public sector investment programme that encompassed the construction of schools, roads and other facilities. Distribution increased by 5.2 percent, reflecting a recovery in the imports of consumption goods during the year. Transport and communication grew by 5.5 percent, on account of substantial growth in inbound and outbound telephone traffic, and increased movement of passengers, parcels and mail. Financial services increased by 5.5 percent, while government grew by 10 percent, principally as a result of the large increase in wages and salaries paid in 2000.

C. Balance of Payments

3.7 Mr Speaker, in spite of the adverse international developments that affected Guyana's trade deficit, the overall balance of payments experienced a turnaround from a deficit of US\$4.4 million in 1999 to a surplus of US\$17.1 million in 2000. This achievement was attributed to the improvement in the capital account, which registered substantial inflows of official development assistance and private capital. This was more than sufficient to cover the deterioration in the current account deficit.

3.8 Merchandise exports amounted to US\$505.2 million, or 3.8 percent less than in 1999. This decrease was due to lower receipts from sugar, rice and bauxite, even though earnings from gold, timber and other non-traditional exports increased. In spite of an increase in the volume exported, sugar earnings of US\$118.8 million were 12.8 percent less than the previous year. This performance was mainly a reflection of a 15 percent depreciation of the euro against the US dollar. This caused the average export price of sugar to fall by 14 percent, or from US\$495 per tonne in 1999 to US\$426 per tonne in 2000.

3.9 The volume of rice exported fell sharply by 17.5 percent. In addition, the average export price fell from US\$283 per tonne in 1999 to US\$250 per tonne in 2000. As a consequence of these two factors, earnings from rice declined by 27.2 percent to US\$51.8 million. There was a small improvement in the volume of bauxite exported. However, lower export prices resulted in a small decline in earnings to US\$76.5 million. On the positive side, as a result of increased prices and higher volumes exported, gold earned 10.9 percent more than in 1999, or US\$120.5 million, while timber earnings receipts rose by 10.5 percent to US\$40.9 million. Other exports increased marginally from US\$94.8 million to US\$96.7 million.

3.10 Merchandise imports increased by 6.3 percent to US\$585.4 million. Intermediate goods rose by 20.7 percent, reflecting the substantial increase in the acquisition cost of fuel and lubricants, spare parts and accessories. Both consumption and capital goods fell by 6.1 percent and 3.0 percent, respectively. Net services declined from US\$89 million to US\$78.2 million, largely as a result of a decline in interest payments on the external debt, while transfers improved

by US\$6 million to US\$45 million. However, the gains made in net services and transfers (US\$17 million) could not offset the large deterioration in the merchandise trade deficit (US\$55 million). As a result, the current account deficit of the balance of payments increased to US\$113.4 million. The capital account recorded an 81.9 percent increase, to US\$126.6 million, and this facilitated the favourable movement in the overall balance of payments.

D. Monetary Development and Prices

1. Monetary Development

3.11 Mr Speaker, the Government's monetary policy stance was informed by the need for price and exchange rate stability. This led to moderate growth in broad money of 10.9 percent in 2000. Narrow money grew by 15 percent to \$24.4 billion while currency in circulation and demand deposits expanded by 8.0 percent and 26.7 percent, respectively.

3.12 Commercial bank deposits grew by 16.4 percent, compared to 3.9 percent in 1999. This was due mainly to the higher levels of deposits by the private sector, which grew by 12.5 percent to \$69.9 billion. Deposits of the public sector were 25.8 percent higher than the \$7.3 billion recorded in 1999, and facilitated the expansion in commercial banks' investment. Net domestic credit rose by 6.4 percent to \$25.4 billion, with the public sector maintaining its net depositor position.

3.13 In spite of the very cautious approach that has been adopted by the commercial banking system, credit to the private sector expanded by 5.2 percent. Real estate mortgages recorded a phenomenal growth of 35.6 percent, on account of the upsurge in housing construction and repairs. Credit to the agricultural sector rose by 7.3 percent, reversing the decline of 9.9 percent in 1999. Similarly, credit to the services sector increased by 7.1 percent, reflecting higher lending for transportation and communication as well as entertainment and catering. Credit to the manufacturing sector increased by 3.7 percent while credit to the distribution sector grew by 3.5 percent.

3.14 The overall expansion in the monetary base was a reflection of growth in the foreign reserves. Gross international reserves rose by US\$29 million to US\$295.8 million. This was equivalent to 4.8 months of coverage of imports, up from 4.2 months in 1999.

2. Prices

a. Inflation

3.15 Mr Speaker, inflation slowed to 5.9 percent in 2000. This result compares favourably to the target of 9.5 percent and the 8.6 percent recorded in 1999. This achievement is a tribute to the Government's determination to keep the cost of living down, especially in light of the huge increases in the international prices of fuel and lubricants. Given the importance of fuel to the economy and the likely impact the increases would have had on economic activity, the

Government intervened on three occasions in 2000 to reduce, temporarily, the applicable rate of consumption tax. Currently, the tax on gasoline stands at 35 percent, down from 50 percent, while that for diesel is 20 percent, also down from 50 percent. The Government had previously removed the consumption tax on kerosene for domestic use, and had lowered the tax on Av gas and Av jet that are used in aircraft plying the coastal and hinterland areas.

3.16 Mr Speaker, the price of fuel is expected to remain high for the foreseeable future. In recognition of this, the Government has been exploring short-term solutions that involve the acquisition of fuel at a cheaper price. In this regard, it is exploring importation under the Caracas Energy Accord. Other initiatives being pursued include an examination of options for use of alternative fuels and an energy conservation programme by the Guyana Energy Agency (GEA).

b. Interest Rates

3.17 Mr Speaker, after peaking in March 2000 the 91-day Treasury Bill rate declined continuously to its lowest point in November, before settling at 9.2 percent at the end of the year. This trend precipitated the downward movement in the savings and lending rates. The 'small savings' rate declined by 69 basis points to 7.28 percent, the annual average savings rate declined by 10 basis points to 7.65 percent, and the weighted average time deposit rate declined by 194 basis points to 7.51 percent. The weighted average lending rate decreased by a mere 19 basis points to 17.68 percent, thus widening the spreads between the savings and lending rates. Mr Speaker, we have commented, ad nauseam, on the relatively high interest rate spreads and we will continue to maintain an activist role in our quest to have them reduced.

c. Foreign Exchange Rate and Volume

3.18 The Guyana dollar depreciated by a negligible 2 percent against the United States dollar in 2000, compared to 7.7 percent in the previous year. Recorded transactions in the foreign currency market amounted to US\$1.7 billion, 5.8 percent higher than in 1999. Transactions in the cambio market declined by 4 percent to US\$822.4 million. At the close of the year, the US\$/Guyana dollar mid exchange rate was G\$185.54.

d. Wage Rate

3.19 The wages and salaries of all categories of workers in the public service, as well as pension and social security assistance, were increased by 26.66 percent. As a result, the minimum wage in the public service increased from \$15,000 to \$19,000 per month.

E. Review of the Non-Financial Public Sector

1. Central Government

3.20 Mr Speaker, in spite of the contraction in the economy, the operations of the Central Government improved significantly during 2000. Through a combination of higher oil prices, the introduction of a flexible customs valuation rate, and improved tax collection by the Guyana Revenue Authority, current revenue rose sharply by 12.2 percent to \$41.3 billion. The Internal Revenue Department garnered \$18.9 billion, compared to \$16 billion in 1999. The main contributors to this effort were collections of personal income tax of \$7.8 billion (\$6.2 billion in 1999); and company taxes of \$7.1 billion (\$6.3 billion in 1999). Similarly, collections by the Customs and Trade Administration Department reached \$19.1 billion or 21 percent more than the previous year. Consumption tax on goods and services accounted for 78 percent of the amount collected. In terms of the 'other current revenue', profits from Bank of Guyana amounted to \$386 million, while the telephone company paid a dividend of \$288 million, the first time that such transfers were made to the Government.

3.21 On the expenditure side, non-interest current expenditure amounted to \$30.6 billion in 2000, about 25 percent more than in the previous year. Personal emoluments grew by 19.1 percent to \$14.3 billion, and consumed 34.6 percent of the revenue collected. This significant growth in workers' income was a reflection of the large wage increase and the severance payment to security guards towards the end of the year. Expenditure on 'other goods and services' increased by 17.1 percent to \$8.2 billion, while that for 'transfer payments' grew by 48.2 percent to \$8 billion.

3.22 Mr Speaker, when compared to the budget, these results made possible a 30.2 percent improvement in the primary current balance to \$10.8 billion. Interest payments were \$12.4 billion, an increase of about \$2.4 billion. External interest (on an accrual basis) amounted to \$7.3 billion, 13.1 percent higher than the previous year, while domestic interest of \$5.1 billion was 45.7 percent more than in 1999.

3.23 Capital expenditure and net lending increased to \$17 billion, \$2.4 billion more than the target and \$4.7 billion more than in 1999. This performance was attributed to an improvement in the disbursement of external loans and the removal of some of the bottlenecks that affect the rate of project implementation. Included in net lending is an amount of \$1.2 billion that was transferred to Linmine. This is a reflection of the Government's commitment to support the company until its privatisation.

3.24 Mr Speaker, total expenditure (net of principal repayment and rice levy) was \$59.9 billion compared to \$46.7 billion in 1999. The overall deficit before grants was \$18.6 billion, which, though slightly less than the \$19.1 billion that was budgeted, was almost twice the \$9.9 billion recorded in the previous year. Grants, comprising HIPC relief (\$5.6 billion); project grants (\$1.3 billion); and non-project grants (\$3.1 billion), increased by 36.5 percent. The overall deficit after

grants amounted to \$8.5 billion. This deficit was financed largely through net external borrowing of \$7.8 billion. The large disbursement of project and balance of payments loans and the HIPC debt relief enabled the Government to lower its liabilities with and make repayments to the banking system.

2. Public Enterprises

3.25 Mr Speaker, owing to a combination of adverse circumstances, the operations of the public enterprises deteriorated in 2000. Total receipts of \$45.5 billion fell short of the budget by 7.8 percent. This performance was attributed to problems encountered in the key enterprises. Production in the bauxite industry was hampered by irregular power supply and a lack of suitable barges; sugar suffered from the effects of bad weather and an adverse euro/US exchange rate; and contributions to the National Insurance Scheme were less than targeted. However, both the state oil and shipping companies returned commendable performances, but these were insufficient to cover the shortfall.

3.26 Non-interest expenditure amounted to \$42.3 billion, about the same as was budgeted. This was due mainly to the increased acquisition cost of fuels and materials and supplies. The net result of the lower receipts and higher expenditure was a decline in the current surplus to \$3.1 billion, from about \$4 billion in 1999. Capital expenditure amounted to \$2.1 billion while taxes and dividends paid were \$767.7 million. The overall cash balance of the corporations improved by 245 percent to \$975.2 million.

3. Non-Financial Public Sector

3.27 Arising from the developments in the operations of the Central Government and the Public Enterprises, the current surplus of the non-financial public sector fell to \$1.5 billion, from \$6.6 billion in 1999. At the same time, the overall deficit after grants increased to \$6.3 billion, from \$957.3 million in the previous year.

F. Public Sector Investment Programme

3.28 Mr Speaker, we were able to achieve a 91 percent implementation rate for the Public Sector Investment Programme (PSIP). This helped to transform the social and physical landscape of our country. I shall now review some of the achievements in the priority areas as identified in last year's budget.

3.29 In the health sector, approximately \$139 million was spent on rehabilitation works at the Ministry of Health. In addition, a new elevator was procured for the Maternity Ward of the Georgetown Hospital. The Agricola Health Centre, the Tuberculosis Ward, the Nursing School and the Pharmacy Bond buildings were renovated, while more than sixty percent of the work on the Liliendaal Training Centre building was completed. Health facilities in New Amsterdam and West Demerara were renovated and a sanitary block was constructed at the facility in Suddie.

Health posts at locations such as Hotoquai, Aruka, Hosororo, Capoey, Aurora, Richmond in Leguan, Kamana, Itabac, Kopinang, Yakarinta, Katoka, Tupunau, Great Falls and Malali were either constructed or refurbished. Medex and nurses' quarters were constructed at Baramita, Mora Point, Enachu and Sand Creek, and an X-ray room was built at Port Mourant.

3.30 In the education sector, the expansion of technical and tertiary education was further enhanced with the construction of a new Technical Institute in Essequibo and the completion and opening of the Berbice Campus of the University of Guyana. The third phase of the National Library was completed and the new wing was formally inaugurated. Several nursery, primary and secondary schools were refurbished and some new ones, for example, at Beterverwagting and Plaisance, were constructed. The St. Margaret's Primary School and the Queenstown Primary School in Regions 4 and 2, respectively, were also completed. Another seven schools were completed in Regions 3 and 4 while the construction of twelve schools was started in Regions 4, 5, 6, and 10. The rehabilitation of an additional thirteen schools under the Primary Education Improvement Project commenced.

3.31 In addition, twelve schools were refurbished under Phase 2 of the Secondary School Reform Project. These were Cotton Field Secondary, L'Adventure Secondary, Fort Wellington Secondary, Vryman's Erven Secondary, Belladrum Secondary, Uitvlugt Secondary, New Campbellville Secondary, Dolphin Secondary, Tucville Secondary, Manchester Secondary, Mc Kenzie High and Annandale Secondary. Also, it was during this period that the Stewartville Secondary School was completed.

3.32 Mr. Speaker, we did not invest only in the physical infrastructure in education. In fact, much of the investment in this sector was focused on improving the quality of education. To this end, teacher training and learning strategies, testing and assessment, textbook development, library and laboratory facilities, and curriculum reform facilitated an improved learning experience. Most important, for the first time in Guyana, the teaching of Information Technology was introduced into the primary and secondary school system.

3.33 In the third priority area, water and sanitation, the Georgetown Sewerage and Water Commissioners supplied and installed water metres in Lamaha Gardens, Prashad Nagar, Alberttown, Queenstown, Kingston, Bourda, Bel Air Park, and the eastern sections of North and South Ruimveldt. One well was drilled in Tucville, bringing relief to the residents of Tucville, La Penitence, Lamaha Park, and Meadow Brook Gardens. Some residents of North and South Ruimveldt also benefitted from a water distribution system that was installed during this period. The drive to provide potable water to every home and to every Guyanese, whether on the coastland, riverain communities or the hinterland region, continued with the installation of integrated water systems at Pouderoyen, New Amsterdam and Rose Hall. Numerous stand-alone hand-pumps, windmills and other generation facilities throughout the riverain and hinterland areas were provided.

3.34 Mr. Speaker, nearly 22,500 house lots were distributed and 22 new housing schemes were established last year. Further, 5,472 land titles were granted and 62 squatter settlements were regularised in the more densely populated areas of Regions 3, 4 and 6. In Region 3, fourteen squatter settlements in Tuschen, Zeelugt Scheme, Meten-Meer-Zorg and Crane, were reorganised and upgraded. In Region 4, twenty-eight areas, including Martyrsville, Sophia, Block 2 Enterprise, and Enmore/Hope. In Region 6, twenty settlement schemes were completed. In addition, about 76 miles of road were either built or upgraded and 75 miles of pipelines were laid in these areas. Housing schemes were also developed in a number of areas.

3.35 In agriculture, investment focused on upgrading farm to market roads in several areas, including Nos. 70 and 71 Villages, Mahaicony River, De Hoop Branch Road, Charity/Supenaam, Coglan Dam, Windsor Forest and Parika Back Dam. In addition to massive improvements in the drainage and irrigation infrastructure, especially along the coastal belt, works were also undertaken in Regions 3, 4, 5, and 6. Specifically, 200 miles of canals were maintained in Cane Grove, Ann's Grove, Clonbrook, Two Friends, Beehive, Nabacalis, Plaisance, Belfield, Mon Repos, Buxton/Friendship, Beterverwagting, Triumph, Garden of Eden, Craig, Canals Nos. 1 and 2, Windsor Forest, Den Amstel, Parika, Liverpool, Nos. 52 – 74 Villages, and Black Bush Polder. Thirty-four miles of conservancy embankment from Nancy to Madewini were constructed. Three sluices were constructed – one at Georgia and two at Canals No. 1 and 2 Polder. Additionally, 12 sluices were rehabilitated in areas such as La Retraite, Hope, Essex, Nos. 65, 67, and 73, and Unity.

3.36 At the same time, numerous feeder and community access roads either were upgraded, constructed and/or re-constructed. Our roads rehabilitation programme has positively affected residents in communities such as Nurney, Mara and Whim in Region 6; Champagne, Bath and Bush Lot in Region 5; Buxton, Enmore and Peter's Hall in Region 4; and Harlem, Windsor Forest and Pouderoyen in Region 3. More than \$2 billion was spent on road rehabilitation and construction works in Regions 2, 4, and 10. The stretch of road from Anna Regina to Hampton Court was completed. The Main Road Rehabilitation Programme, Lot 2 - from Georgetown to Mahaica - was completed in 2000. Work on the Linden/Soesdyke Highway was completed. The project was extended to include Burnham Drive, the road to Christianburg cemetery, and the One Mile/Wisroc Road in Linden. Maintenance work was carried out on the West Berbice, East Bank Demerara and West Coast Demerara main Roads. In the City, work was completed on streets in Kingston, Cummingsburg, Campbellville, West Ruimveldt and Tucville.

G. Review of the 2000 Policy Agenda

3.37 Mr Speaker, in spite of the difficulties encountered on the domestic and international fronts, the Government continued the task of moving the economy forward in 2000, and, in this regard, was able to realise success in the implementation of policies and programmes.

1. Commitments from the Government/Private Sector Engagement

3.38 Progress was made in the implementation of the commitments made at the conclusion of the historic business summit between the Government and the private sector, in October 1999:

- In the case of the establishment of a development bank, a concept paper was developed by the Guyana Manufacturers' Association (GMA) and submitted to the Government. Subsequently, in September, a memorandum of understanding was signed between the GMA and Development Finance Limited of Trinidad and Tobago to establish a development bank in Guyana. Once operational, this bank would be an important source of financing for small and medium-sized enterprises in manufacturing, commercial and industrial services, agro-industry, private health care facilities, and tourism. The Government has already signaled its intention to provide the necessary incentives to the bank.
- With respect to housing and funding the Tourism Authority, a building was identified and approaches made to obtain financing for its rehabilitation. A subvention of \$20 million was provided in the Budget, in anticipation of the start-up of the Authority. However, the legislation establishing the Authority was delayed because of the heavy legislative agenda, in particular those related to Constitutional Reform.
- On the subject of the decentralisation of land administration, the Act establishing the Guyana Surveys and Lands Commission, as an autonomous body, was passed and technical assistance was provided by the United Kingdom to help operationalise the agency. The new entity, which will be responsible for land management, land use planning and information systems, came into effect on June 1, 2001.
- With respect to tax administration and reform, the Guyana Revenue Authority started operations in January 2000, while the study on value added tax (VAT) was circulated to the private sector. A seminar to expose the public to the VAT and its application was held two days ago.
- A Small Business Development Act has been drafted and after consultations, it will be tabled in the National Assembly.

2. Debt Reduction and Management

3.39 Mr Speaker, after intense negotiations, the Boards of the International Monetary Fund (IMF) and the World Bank approved the Interim Poverty Reduction Strategy Paper (IPRSP) and the second year annual arrangement under the Poverty Reduction and Growth Facility (PRGF), in November 2000.

3.40 The approval of the second year programme resulted in the immediate release of US\$9 million in balance of payments assistance. Also, it served as an important benchmark for the

consideration of Guyana for the Enhanced Highly Indebted Poor Countries' (E-HIPC) initiative. In this regard, Guyana reached the decision point of the E-HIPC initiative, becoming only the second country in Latin America and the Caribbean to be so considered. This means that Guyana stands to benefit from debt relief of US\$590 million over the next 20 years. This is in addition to the US\$440 million that was secured under the Original HIPC initiative. The Government is working with the international donor community and a wide cross section of Guyanese, through broad-based consultations, to fulfill all the conditions necessary to reach the completion point.

3.41 Mr Speaker, mindful of the increased access to, and utilisation of, foreign sources of financing by the private sector, the Government hosted the first Sensitisation and Private Sector External Debt Workshop, in February 2000. This workshop formed part of a capacity-building programme for the efficient management of the country's debt. It sought to build on previous initiatives, such as the National Debt Strategy Consultations, in September 1999, to strengthen cooperation between the public and private sectors in monitoring private capital flows and private sector external borrowing.

3. Privatisation and Public Sector Reform

3.42 The Government completed the sale of 70 percent of Guyana Stores Limited. In October, a contract was executed with a Chinese company for the leasing of the dyeing and printing sections of Sanata Textiles Limited. The company will be investing about US\$10 million in the new entity. Also, the point of sale for 90 percent of the shares of GNCB Trust was achieved. Further, the valuation of GNCB prior to its eventual sale was completed. In addition, several properties were advertised and sold during the year, in the process netting over \$370 million. Work has started on the creation of a national assets register.

3.43 In the area of public sector reform, the Government completed a major exercise in its on-going efforts to outsource those services that can be competitively provided by the private sector. In this context, the services of nearly 1500 security guards were severed. They received severance payment that was in excess of the legal requirement and all superannuation benefits due to them. The unions representing the guards formed a new security and domestic services company that was contracted by the Government.

3.44 Also, Mr Speaker, the second phase of the computerisation of the Government Payroll and Pension Systems was completed. So far, 75 percent or 35,000 monthly-paid employees have been captured on the new Payroll System. The Government intends to expand this project to include all weekly and fortnightly-paid workers.

3.45 Mr Speaker, the modernised Pension System now facilitates the speedy processing of over 7000 Government pensioners. Other reforms in financial management that were pursued included the initiation of the second phase of the CIDA-financed Guyana Economic Management Project (GEMP); and the implementation of a data warehouse to facilitate

macroeconomic forecasting and human resource analysis for public service management.

4. Institutional Developments in the Financial Sector

3.46 The Government continued with its plans to build institutional capacity in the financial sector. Among the actions taken in 2000 were the enactment of the Money Laundering Prevention Bill No. 10 of 1998, whose intention is the prevention of money laundering and related activities; and the passage of the New Building Society Amendment Bill, which is intended to provide easier access to mortgage financing. Together with the Income Tax (Amendment) Act 2000, which provides for lower tax rates to financial institutions that grant mortgages, these measures would have a positive effect on the housing drive. An agreement to establish the first Merchant Bank was signed in June.

4. Moving Guyana Forward Together

A. Overview

4.1 Mr Speaker, this is the first year of the PPP/Civic Government's renewed mandate. Therefore, it is fitting and right that I should highlight in clear and concise terms, our expectations of the country's progress in five years time. The President, at the opening of this session of Parliament, succinctly addressed the Guyana that we are striving to build. He identified the new Guyana as one in which all the people benefited from "accelerated economic progress, expanded opportunities and rapid social development; a place where fairness and justice dwell and from which fear, prejudice and discrimination are banished."

4.2 The strategies, plans and programmes that will be fashioned and implemented over the next five years will be in pursuit of the attainment of these laudable goals. As highlighted in the National Development Strategy (NDS) document, the priorities of macroeconomic policy will address issues in respect of the promotion and sustainability of growth, and ensuring that the benefits are distributed in an equitable manner. But, Mr Speaker, there will be challenges, both external and domestic. How successful we are in confronting them will, to a large extent, determine the pace of our development – indeed, I daresay our very survival. As clichéd as it may sound, we live in a world that is undergoing changes at a rapid rate. Through a multi-dimensional process called globalisation, structures, institutions, practices and ideas are being transformed in profound ways. This will have far-reaching consequences for us as a country, and our relationships and interactions with the international community. Domestically, we will have to eschew ethnic division, confrontational politics, and other negatives that serve to decrease the attractiveness of our country as a haven for foreign investment.

4.3 Mr Speaker, we have forged a strategic approach with the objective of positioning Guyana to compete effectively in the global economy, while building the kind of society about which we have dreamt. The strategy encompasses (i) making traditional industries and sectors more efficient and competitive; (ii) diversifying the economic base; (iii) pursuing human development initiatives (including unlocking our human resources potential); and (iv) defending the national patrimony. I will now develop each of the elements of the strategy.

B. Re-engineering the Economy

1. Restructuring of the Traditional Industries

4.4 Over the years, Guyana has relied principally on three products – sugar, rice and bauxite – to provide the bulk of foreign exchange, domestic income and employment. Although key investments in gold mining and forestry have increased their sectoral contributions to national income, it is the three traditional products that maintain a predominant influence on the yearly growth rate of the economy. Unfortunately, in recent times, these industries have experienced

significant setbacks that threaten their survival. Each of these industries, therefore, will have to undergo some form of restructuring to enhance its viability, its ability to compete effectively in the international market place, and its net contribution to the economy.

4.5 In the case of sugar, a comprehensive, viable plan has been prepared. This plan envisages sugar production rising to around 500,000 tonnes by the fifth year of implementation, from the 273,000 tonnes that was produced last year. At an estimated cost of US\$200 million, it calls for the building of a new factory at Skeldon and the modernisation of the factories at Albion and Rose Hall, the rehabilitation and replacement of field and factory equipment, and the consolidation of operations, among others. Most important, the cost of producing sugar would be reduced from the current 17.5 US cents per pound to around 9 US cents per pound, the current world market price. Further, in achieving the cost and production targets, the Demerara Estates could become viable. There will be no need, therefore, for closure of these estates and loss of jobs.

4.6 Mr Speaker, the issue of the restructuring of and support to the rice industry was raised at the Business Summit between the President and the private sector in 1999. After responding to the incentives of the Government and the lucrative European market, rice production rose sharply between 1992 and 1999. But a combination of circumstances, including the El Nino and La Nina weather phenomena and the loss of the preferential market in Europe left operators owing billions of dollars to the banking system. Thus, one of the outcomes of the business summit was the establishment of a tripartite committee that was tasked with resuscitating the industry. A five-pronged strategy was agreed upon. These are reducing cost, exploring new markets and marketing strategy, examining ways to ease the financial burden, improving drainage and irrigation, and pursuing the European Union's proposal to fund an improvement programme for the regional industry.

4.7 Mr Speaker, much progress has been made in this direction. At the urging of the Government, the commercial banks were persuaded of the wisdom of rescheduling and restructuring the debts of the industry. We will continue to engage the banks in dialogue to reduce the indebtedness of the small operators in the industry. The Government has been having intense bilaterals with Trinidad and Jamaica on matters involving access of Guyana's rice to their markets. Other potential markets, including Brazil, are being actively examined.

4.8 We have expended huge sums to improve the drainage and irrigation system throughout the country and we propose to do so once again this year with the planned expenditure of over \$1 billion. Also, Mr Speaker, a joint proposal for funding from the European Union (EU) was submitted by Guyana and Suriname. The EU is committed to assisting the regional rice industry to improve its productivity and enhance its competitiveness. Specifically, the programme will improve marketing, modernise the infrastructure, and increase research activities.

4.9 Mr Speaker, the Government-owned bauxite companies have been ailing for some time. In fact, had it not been for large injections of cash by the Government, averaging about \$1.1 billion

over the last two years alone, Linmine would have folded a while ago. This would have brought untold suffering to the community. More recently, Bermine has been requesting direct support from the Government to maintain its operations.

4.10 Linmine has been engaged in a restructuring exercise. In this regard, all of the non-core bauxite activities were removed and the power plant was privatised. However, to date, the Government has not been successful in attracting an investor who is prepared to inject a large capital sum in the company. While the search continues, both the Government and the stakeholders in the industry will have to continue to implement measures to cut costs further, improve the marketing arrangements, and ease the financial strain on the Treasury.

4.11 Mr Speaker, it is because of the strain imposed on the Treasury by Linmine that we are unable to extend further subsidies to Bermine. It, therefore, becomes necessary to find a viable solution for Bermine's continued existence. The Bauxite Committee has been exploring various options. However, any plan that is put forward must have the characteristics of being practical, feasible, immediately implementable, and does not impose any financial burden on the Treasury. Mr Speaker, every dollar that is transferred to the Linmine and Bermine in the form of subsidies denies funding of critical programmes in other sectors. The Government is prepared to work with the community to arrive at a consensus on the future of the industry.

2. Diversifying the Economic Base

4.12 Mr Speaker, even as we seek to restructure and strengthen the traditional production centres, we recognise that our economic base will remain vulnerable to the vagaries and volatility of the international markets. To continue to depend on a few primary products with limited value-added is to put in jeopardy the country's future development and the attainment of a decent standard of living by our people. The reality is that we must diversify into new products and markets that are emerging in our increasingly globalised world. We must position ourselves to take advantage of advances in computer technology, telecommunications, fibre optics, and the internet, among others, which are facilitating the creation of a new super highway of ideas, information, markets, e-commerce, and services. We have to develop new industries in light manufacturing, agro-processing, eco-tourism and other services. In pursuit of this, we have allocated \$425 million to stimulate investments in activities that have the potential to create substantial jobs and capable of increasing export earnings in the medium to long term.

3. Creating the Climate for Attracting Investment

4.13 Mr Speaker, the key to diversifying the economy, producing more goods, accelerating development and achieving some modicum of equity is investment. In addition to maintaining a sound and consistent macroeconomic environment, we will be undertaking several initiatives to attract investment to our country. These are grouped as follows: legislative, institutional, and infrastructure.

a. Legislative

4.14 An investment code has been prepared and it will be enacted into law as soon as all the consultations are completed. The Act will clearly define the various areas of interest and concern to potential investors, including the incentives' structure. As stated previously, the Government intends to make liberal use of tax incentives to attract investors to Guyana.

b. Institutional

4.15 The Guyana Office for Investment (GO-Invest) is being restructured. The new agency will be expected to aggressively seek out investors, promote Guyana as a place with which to do business, and expedite the processing of applications. At the same time, the new Foreign Trade and International Cooperation Ministry will be expected to pursue bilateral investment protection and promotion agreements and assist and support the work of the agency. Further, the trade offices that have been established in Guyana's Embassies and Consulates will be re-organised and appropriately staffed to become pro-active agents for advertising Guyana and Guyana's products abroad. Mr Speaker, while I am on the subject of Guyana's image, I wish to recall here, that last year, the Overseas Private Investment Corporation (OPIC) restored insurance coverage to Guyana. This is essential for attracting US investment into Guyana.

c. Infrastructure Development

4.16 Mr Speaker, we recognise that investment of the magnitude we seek will not occur without the necessary infrastructure. In this regard, therefore, we forecast to spend \$18.7 billion on the Public Sector Investment Programme, in 2001. This PSIP represents an ambitious undertaking of physical and social infrastructure renewal and expansion in the country. I would now turn to the highlights of this programme.

(i) Agriculture

4.17 Mr Speaker, enhanced agricultural production is an imperative that cannot be over-emphasised. In recognition of this, we intend to spend \$2.1 billion in the agriculture sector for this year. While we are focused on improving Guysuco's productivity, we must promote the small and medium-sized farmers who are engaged in activities such as rice and other crops' cultivation, marine fisheries and freshwater aquaculture, beef and dairy, pork, poultry and egg production. We will implement the Poor Rural Communities Project, which provides for institutional support, the creation of farmers' bodies in the form of water users' associations, a revolving credit scheme, and civil works in selected areas in Regions 2 and 3.

4.18 Our planned drainage and irrigation programme for this year, which exceeds \$1 billion, involves works in areas such as Mibicuri, Nos. 52 – 57 Villages, Golden Fleece, Handsome Tree, Ann's Grove, Belfield, Mocha, Goed Intent and Parika. In addition to rehabilitation works programmed for West Berbice, a major, sea defence programme, costing approximately US\$20

million over the next two years, will commence this year. The programme entails the reconstruction of sea defences where breaches have occurred and remedial maintenance at Capoey/Columbia, Tuschen, Meten-Meer-Zorg, DeKinderen, and Hague.

(ii) Transport

4.19 Mr Speaker, I am pleased to announce the completion of the entire integrated coastal highway system. We have secured funding for re-surfacing the Mahaica to Rosignol Road. We are currently in negotiations and are in the process of securing funds to re-surface the West Coast Demerara Highway; to create a four-lane link from the Demerara River Bridge into Georgetown; and to initiate a study for a bypass road to Timehri. Also, we are in discussions with local and international donors to construct the Guyana/Brazil Road. In addition to creating a major artery, the completion of this road will open the important North/South corridor of the country, and integrate the three Guianas.

4.20 We will continue to place emphasis on remedying the extensive network of community and farm-to-market roads and accesses. Over \$1.8 billion has been budgeted to construct, re-construct or rehabilitate the Bartica-Issano, Black Bush Polder, Mabura-Lethem Roads and several roads country-wide, including at Hague, Enmore, Buxton, Mara, Nurney, Bushlot, Champagne, and Bath. We will commence the upgrading of the road linking Crabwood Creek to the Guyana Suriname Ferry Terminal.

4.21 Mr Speaker, this year, we will expend \$448 million on our bridges' programme. All of the bridges on the East Coast and East Bank of Demerara and the West Coast Berbice, including the main Mahaica and Mahaicony bridges, are scheduled for rehabilitation over the next four years. Already, we have started pre-qualifying the contractors for the first phase of the programme, which includes fifty-seven bridges. In addition, we will be designing a road safety programme for Georgetown and the major highways that will, among other things, identify the areas for street lighting and road marking. Negotiations have been re-started with Ballast Nedam for the construction of the Berbice River Bridge. Funding has been secured for the creation of a Port Authority and institutional strengthening of the Ministry of Public Works and the Transport and Harbours Department.

4.22 A massive, US\$30 million, four-year Air Transport Project is scheduled to start this year. The objective is to raise the standards of air transport operations, safety procedures, and affiliated services in Guyana to internationally accepted levels. The programme includes improvements to the Cheddi Jagan International Airport, Timehri. In this regard, \$158 million has been provided in the Budget to start construction and rehabilitation of the Airport's facilities, including resurfacing the runway, and repairs to the roof, radar and runway lighting system. In addition, the Project caters for the privatisation and expansion of the Ogle Airport, of which private investors intend to invest about US\$3 million in the first phase, and the creation of the Guyana Civil Aviation Authority. Plans are in train, and funds have been budgeted, to upgrade the

Albion Airstrip into an aerodrome to facilitate flights from Timehri, Ogle and Suriname.

(iii) Power

4.23 In the area of power supply, the Government has contributed \$200 million for a Rural Electrification Project and is currently negotiating a US\$25 million loan, from the Inter-American Development Bank (IDB), for an Unserved Areas Electricity Project. This Project will provide 55,000 customers with electricity over a five-year period. Both projects will be implemented by the Guyana Power and Light Company Limited and will start in Region Six this year. As part of its contribution to these projects, GPL will provide over \$1 billion and will boost its generation capability, through the addition of three 10-megawatt sets, to meet the additional demand for electricity, particularly by the new housing schemes and industrial estates and parks. The Government will examine all areas for lowering the cost of electricity, including the possibility of developing Amalia Falls as a hydropower site and pursuing offshore exploration for fossil fuels.

(iv) Telecommunications

4.24 Mr Speaker, if we are to take advantage of the limitless opportunities created by the internet and information technology and become a haven for telecommunications work, we have to make our country more attractive in all areas. At the very minimum, we must have access to cheap, stable and reliable electricity and a well-developed telecommunications system. I have just outlined our programmes in the electricity sector. We have embarked on two programmes to create a more favourable climate for the development and exploitation of the emerging telecommunications technology and internet. First, the Government has declared its intention to liberalise the provision of telecommunications services in Guyana. Already, we have secured US\$1.6 million in financial assistance from the IDB to define Government's policy on investment in this sector and to institute legal, regulatory and business reforms. Second, we propose to develop an Information Technology Development Strategy that will increase connectivity for homes and will give Guyanese access to internet-related services. We are currently negotiating a large loan from the IDB to implement this project.

C. Human Development Initiatives

4.25 Mr Speaker, while we seek to upgrade the physical infrastructure, we must not lose sight of the equally important development of our people. And so encapsulated in this Budget is a set of human development initiatives - education, health, water and sanitation, housing and poverty programmes - that defines our approach to improving the standard of living of our people. Together, these initiatives are expected to cost \$20.5 billion or 14.7 percent of GDP and 39.6 percent of the expenditure to be appropriated. I now turn to each of these initiatives.

1. Education

4.26 Mr Speaker, we have identified five initiatives that we intend to pursue in the education sector. First, is the universal secondary education approach in which we are seeking a loan of US\$50 million from the IDB to build more primary and secondary schools and to convert primary tops and community high schools into secondary schools. Second, we have provided resources to further technical/vocational training. Specifically, we will be building a technical institute at Corentyne and will be upgrading those at New Amsterdam and Linden. Third, is the project to computerise all schools. Fourth, is a Distance Education Learning Project that will utilise computers and the internet. Fifth, is reform of the curricula of schools to make it more relevant to the demands of today's world.

4.27 This year, the Government has budgeted \$11.8 billion to improve the quality of education and enhance its delivery throughout the country. Some of these resources will be used to continue the construction and rehabilitation of educational facilities, including nursery, primary and secondary schools, student dormitories, teachers quarters and practical instruction centers in areas such as, Skeldon, Reliance, Stanleytown, Annai, Karaburi, Manawarin, Friendship, Madhia, Santa Rosa, Buxton, Jawalla, Dora and Wakapoa. In addition, we will be focusing on teacher training at CPCE, and curriculum development and text book production at NCERD.

2. Health

4.28 Mr Speaker, by now it is self-evident that a healthy workforce is a prerequisite for improved production and productivity. Our health policy will continue to emphasise individual responsibility, equity and quality, primary health care, and institutional strengthening. In 2001, a total of \$5.3 billion has been earmarked for this sector. Some of the expenditure will focus on: (i) establishing dental clinics at Moruca, Matthew's Ridge, Sophia, Lethem, Kato and Paramakatoi; (ii) constructing health posts at Tassiwini, Itaballi, Mikwak, Orinduik, and Kuduwini; (iii) extending the health centre at Ithaca and constructing new centres at Bush Lot and Calcuni; (iv) rehabilitating the Kamarang, New Amsterdam and Skeldon Hospitals; and (v) new living facilities for nurses at Kwakwani and Suddie. We have secured a grant of \$450 million from the Canadian International Development Agency (CIDA) to fund three critical projects: (i) HIV/AIDS Prevention and Control through improved management of curable sexually transmitted infections; (ii) Tuberculosis Control; and (iii) Health Information Management. These projects will start this year.

3. Water and Sanitation

4.29 Mr Speaker, we will continue to improve the provision of adequate, reliable and affordable potable water to the population. This year we will be investing \$2.5 billion. These resources will be used to, among other things: (i) start the construction of the LBI inter-connected system, which will improve the quality and availability of potable water to the villages between

Cummings Lodge and Strathspey; (ii) complete and commission the Pouderoyen inter-connected system; (iii) complete the Rose Hall inter-connected system; (iv) upgrade and extend the Leguan system; (v) complete the refurbishment of the Wakenaam system; (vi) finalise arrangements for the transfer of the Linden water system to the Guyana Water Authority; and (vii) complete and commission the second phase of the New Amsterdam water system.

4.30 In addition, other stand-alone systems will be refurbished country-wide, including those at Yukasari, Williamsburg, Lesbeholden, New Hope, Caledonia, Timehri and Covent Garden. Over 50 hand pumps and windmills will be installed in Regions 1,6 and 9, including at Quarrie, St Ignatius, Kuduwini, Tigerpond, Taushida and Gunn Strip.

4.31 In Georgetown, we have targeted the completion of Phase I of the GS&WC project, which entails further upgrading of the distribution network in North Ruimveldt and Sophia, and the installation of water meters in Queenstown, Bel Air and Lamaha Gardens. Further, we have secured US\$25 million for Phase II of this project, which will continue the expansion of the distribution network and refurbish the sewage system. Preliminary activities for this phase will commence this year.

4. Housing

4.32 Mr Speaker, in 2001, about \$650 million is provided to continue the land distribution programme, accelerate the development of infrastructure in the housing schemes and squatter settlements, expedite the granting of titles, enhance community participation by empowering them in the housing areas, and focus on the building of settlements in the hinterland and riverain areas. The US\$30 million Low Income Settlement Programme will start this year. In addition to providing much needed institutional support to the Central Housing and Planning Authority, this programme will target the upgrading of squatter settlements in Tuschen, Zeelugt, Diamond, Golden Grove, Sophia and Amelia's Ward. Additionally, we have earmarked in excess of \$400 million to upgrade existing housing schemes in Regions 2, 6, 7 and 10, including Parfaith/Harmony, Belle West, Lowlands/Hope, Onderneeming, Haslington and Bath.

5. Poverty Reduction and Employment Creation

4.33 Mr Speaker, the Government intends to build on the Interim Poverty Reduction Strategy Paper, for which country-wide consultations will be launched next week. We maintain that an attack on poverty must focus on creating opportunities for all Guyanese. We are striving to put in place the kind of climate that is conducive to attracting massive investment, so thousands of jobs can be created. The additional resources that will be released under the Enhanced Highly Indebted Poor Countries (HIPC) Initiative will be used to augment Government expenditure in health, housing, pure water and sanitation, and education, with the overall objective of reducing poverty in the country. At the same time, we are pursuing a number of initiatives that target different categories of the poor. Mr Speaker, over \$2 billion has been budgeted for such programmes as:

- The Social Impact Amelioration Programme - \$1.1 billion
- The Poverty Programme - \$500 million, targeting mainly distressed communities
- The Poor Rural Communities programme - \$188.4 million
- The Basic Needs Trust Fund programme - \$100 million
- The Youth Initiative - \$240 million, for projects identified by the youths.

4.34 The very large public sector investment, maintenance and poverty programmes of the Government will generate many jobs, of varying skill categories, for Guyanese throughout the country. In addition to these, other projects that can trigger self-employment or the establishment of micro enterprises, for which provision has been made in the Budget are:

- The Linden Economic Advancement Project (LEAP), which is a \$2.0 billion programme, over four years, to provide a credit fund, vocational training and the creation of a business incubation machinery for the Linden community
- Project Support Programme - \$425 million, to support small economic ventures
- The creation of Industrial Parks - \$225 million, to develop industrial sites at Lethem, Belvedere, New Amsterdam and selected new areas.

D. Defending the National Patrimony

4.35 Mr Speaker, the Government has embarked on a programme of re-capitalisation of the Guyana Defence Force (GDF). In this regard, a sum of \$575 million has been indicated to repair an aircraft, to purchase a new aircraft, and to acquire a high-seas patrol boat. In addition, the Army has been the beneficiary of four 44-ft motor life boats, which were acquired from the United States Department of Defense. These will be used to conduct search and rescue operations, and to patrol our sea borders to guard against poaching within our maritime zone and drug trafficking.

4.36 Mr Speaker, in relation to the fight against crime, we have sought to equip the police as best as possible, given the limitations of our resources. Both the capital and current budgets of the Police Force have increased significantly over the past three years. This has allowed them to recruit more persons, purchase equipment and motor vehicles, and employ new tactics, skills and techniques to reduce crime. We will continue to show our support to the Force in tangible ways.

4.37 Equally important in the quest for peace and stability is the observance of the rule of law. The judicial system must be able to dispense justice swiftly, fairly, and impartially, for this is the essence of a system of good governance.

5. Economic and Financial Targets in 2001

A. Growth Rate and Production

5.1 Mr. Speaker, I am pleased to inform this House that, after declining in 2000, real growth is set to return in 2001. Real GDP is expected to grow by 2.8 percent and this is premised on strong growth in both the traditional and non-traditional sectors.

1. Agriculture

5.2 Sugar output is expected to increase by 6.9 percent to 292,297 tonnes. This performance would be as a result of better weather conditions, which would improve planting and reaping of the canes. Rice production is projected to increase by 20 percent to 350,000 tonnes, after falling to around 292,000 tonnes in 2000. Other agricultural activities are targeted to grow as follows: other crops, 2 percent; livestock, 4 percent; fishing, 4 percent. On the other hand, forestry is again projected to decline; this time by 7.7 percent, reflecting the continuing difficulties being faced by operators in this sub sector.

2. Industry

5.3 The targets for the industrial sector reflect the mixed performance expected by the sub sectors. In the mining and quarrying, total production of bauxite is projected to decline by 3.5 percent to 2,594,000 tonnes, in part because of problems being experienced by Bermine. Gold output is expected to increase by 4.6 percent to 498,196 ounces. A very small increase in output is being projected for diamonds.

5.4 The engineering and construction sub sector is expected to increase by 4 percent, in keeping with the large public sector investment programme, the expanded housing drive and increased lending for construction of and improvement to homes.

3. Services

5.5 Financial services should rise by 3.5 percent, in line with the increased demand for credit by the private sector. Other services are expected to grow by 4 percent.

B. Inflation and Monetary Policy

1. Inflation

5.6 Mr. Speaker, an inflation rate of 6 percent is targeted for 2001. This rate is in line with that achieved in 2000 and is consistent with the very low rates returned for the first five months of the year and the projections over the next seven months.

2. Monetary Policy

5.7 The Government will continue to pursue a monetary policy that is aimed at mopping up excess liquidity in the system, maintaining price stability, protecting the balance of payments, and promoting private sector expansion in the economy. Also, monetary policy will be supportive of the projected growth in the economy. In this regard, we intend to maintain gross international reserves at about four months of imports. Private sector credit is projected to grow faster than nominal income growth.

C. Balance of Payments

5.8 Mr. Speaker, the international economic environment has always had an impact on the terms of trade, investment, income and growth in Guyana. This has become stark over the past three years, in the wake of globalisation and liberalisation. Thus, even though the volume of exports is projected to grow appreciably, earnings from the export of merchandise are expected to increase less slowly to US\$515 million. On the other hand, imports of merchandise are projected to increase to US\$605 million, with fuel accounting for 21.5 percent of imports. Net Services are projected to grow by US\$4.8 million while transfers should increase by US\$1 million.

5.9 The anticipated developments in exports and imports will result in a current account deficit of US\$127 million. The capital account is projected at US\$122 million. The overall deficit of the balance of payments is targeted at US\$5 million in 2001.

D. Fiscal Targets

1. Central Government

5.10 Mr. Speaker, the developments on the international front, which are adversely affecting export earnings, and those locally, especially in the aftermath of the general elections, have forced the Government to adopt a cautious stance in its projections. Thus, current revenue of the Central Government (net of rice levy) is projected to grow by 6.5 percent to \$44 billion.

5.11 Current expenditure (net of rice levy) is budgeted to grow by 6.8 percent to \$45.8 billion. The largest increase of 15 percent occurs in the "Other Goods and Services" category, in part because of the additional expenditures incurred in holding the General Elections and the projected increase in spending as a result of the HIPC and Enhanced HIPC relief. An amount has been set aside to meet increases in wages and salaries, and pension. Projected interest payments, on an accrued basis is \$12.3 billion, slightly less than the revised 2000 figure. However, cash interest payment is budgeted at \$9.1 billion, down from \$9.9 billion in 2000.

5.12 The primary balance of the Central Government is projected to decline by 2.7 percent to \$10.5 billion while the current balance is expected to deteriorate by \$229 million. Capital expenditure should grow by 9.7 percent to \$18.7 billion. As a result, the overall deficit before grants should increase by \$1.9 billion to \$20.4 billion. However, a 57 percent increase in HIPC

relief to \$8.9 billion, which more than offsets the decline in project and balance of payments grants, facilitated an improvement in the overall deficit after grants from \$8.5 billion (6.6 percent of GDP) to \$7.4 billion (5.3 percent of GDP).

5.13 Mr. Speaker, in spite of the lateness of the budget and the relative flatness of the revenue projections, this budget is bigger than last year's. Total expenditure is estimated at \$64.7 billion, 4 percent more than the \$62.2 billion budgeted in 2000.

2. Public Enterprises

5.14 Mr Speaker, largely because of setbacks at Bermine and a projected fall in Guysuco's revenue, the receipts of the enterprises are budgeted to decline by 3.2 percent to \$44 billion. However, total non-interest expenditure should grow marginally by 1.3 percent to \$42.8 billion. Total operating expenses should reach \$46.2 billion, reflecting the growth in the capital programme to \$3.3 billion, from \$2.1 billion last year. The overall balance of the enterprises is expected to decline from a surplus of \$975 million (0.8 percent of GDP) to a deficit of \$2.2 billion (1.6 percent of GDP).

3. Consolidated Balance

5.15 Mr Speaker, the anticipated improvement in the operations of the Central Government will not be sufficient to offset the deterioration in the performance of the public enterprises. As a consequence, the overall deficit of the non-financial public sector is targeted to decline from 4.9 percent of GDP in 2000 to 6.7 percent of GDP in 2001. However, the disbursement of over \$15 billion in external inflows, which have been programmed, will allow the Government to achieve its objective of repaying the banking system, thus allowing the private sector access to more credit.

6. Budget Measures

A. Introduction

6.1 Mr. Speaker, I would like to announce that there are no new taxes, fees, fines or other fiscal imposts in Budget 2001. I am sure that all will agree that this is a fitting way to start this new term of Government.

B. Private Sector Development

6.2 Mr. Speaker, during the annual consultation with interest groups for the budget exercise, several proposals for tax relief and tax reform were presented for inclusion in this year's budget. I should like to compliment all of those persons who made submissions, written and oral, and assure them that we value their contributions highly. We have examined each proposal and have concluded that they do merit further consideration. Therefore, we will be collaborating with the private sector with a view of enhancing the incentives' regime. Without prejudice to those discussions, I would like to indicate that the Government is prepared to offer increased concessions to support investment in areas such as information technology, eco-tourism, garment manufacturing, agro processing. We would also be favourably disposed to granting liberal incentives for the opening of new areas such as the intermediate savannah.

C. Measures to Protect Workers' Income

6.3 Mr. Speaker, public servants were paid increases of 31.06 percent for 1999 and 26.66 percent for 2000. These increases effectively brought the incomes of these workers in line with many of their counterparts in the private sector for similar skills' categories. In fact, for some lower grades, the salary paid in the public service is more than that of the private sector. The Government's record of wage increases over the past eight years has been unenviable, and we will continue to reward labour so as to keep incomes from being eroded by inflation. Mr. Speaker, in spite of the negative growth performance last year, the problems being encountered by our major industries and political instability that affected economic activities, we have made provision for the payment of wages and salaries, and pensions in 2001.

D. Other Measures

1. Poverty Programme

6.4 Mr. Speaker, \$500 million has been set aside for the implementation of various poverty programmes. This represents an increase of 113 percent and is in recognition, in part of the need to expand the programme to a number of distressed communities. This amount is additional to the \$1.1 billion allocated under the SIMAP, the \$188.4 million to be spent under the Poor Rural Communities Project, and the \$100 million budgeted to be spent under the Basic Needs Trust Fund Programme.

2. Subvention to Neighbourhood Democratic Councils and Municipalities

6.5 Mr. Speaker, \$254 million has been budgeted to assist local government bodies in the execution of their programmes. A substantial sum has been budgeted for the City Council. The Government will insist that the money be used to improve the welfare of the citizens of Georgetown. A total of \$753.6 million has been allocated under the Urban Development Programme to construct and rehabilitate infrastructure in the six municipalities.

3. Housing and Squatter Regularisation

6.6 Mr. Speaker, an additional \$538 million has been provided in this budget for the development and upgrading of existing housing schemes and the regularisation of squatter settlements in several areas of the country.

7. Conclusion

7.1 Mr. Speaker, the broad policies and programmes that are outlined in this Budget attest to the Government's commitment to move the country for the benefit of all Guyanese, regardless of whether one hails from the coast or the clay belts of Berbice, the reefs and villages of Demerara, or the highlands and savannahs of the mighty Essequibo.

7.2 Nation building, as we know, is by no means an easy task, especially for a country like ours with its difficult past. This legacy continues to be a source of pain for all Guyanese who stand not for conflict but for goodwill, peace, progress and prosperity. For too long we have talked about Guyana's potential. Now is the time for us to take drastic actions to convert potential into reality by harnessing our natural and human resources for the common good. If nothing else, we will be honouring the aspirations of our ancestors who came from diverse parts of the world, under trying conditions, who lived a life of toil and sacrifice, in the rigours of a tropical climate, for the promise of a better Guyana for succeeding generations. Let us not make their toils in vain by abandoning the rule of law and literally embracing the laws of the jungle.

7.3 Mr. Speaker, it is recorded that time and age pass on before our very eyes, the days which are gone never return. Why squander our future by conflict? Learning from our past, we must now look to the future with renewed optimism. Let us, with one purpose, retool our proverbial swords into ploughshares. Let us work to create wealth and opportunities for a better today and a brighter tomorrow for all of us. I call on all Guyanese to embrace our common vision and earn the satisfaction of a job well done.

7.4 May God bless Guyana and thank you.