



**GUYANA**  
**BUDGET PRESENTATION**  
**2004**

By

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**Minister of Finance**

# 1. Introduction

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 2004. 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, it would not have gone unnoticed that the PPP/Civic Government has just completed the third year of the renewed mandate that was given to it in the March 19, 2001 General and Regional Elections. We, therefore, believe that at this critical juncture, it would be most fitting to do some stocktaking, to evaluate how far we have progressed since that time, and to chart the course for the remainder of this term.

Mr. Speaker, to date, the third term of the PPP/Civic Government - since it fought for and secured the return to democracy in 1992 - has been marked by a number of challenging, unforeseen and unforgettable circumstances. At the domestic level, we have had to grapple with an unstable political climate, which grew out of the unwillingness of the main Opposition Party to accept the results of the Elections and their subsequent pronouncement to make the country ungovernable. A ray of hope emerged towards the middle of 2003 when this negative position gave way to constructive engagement. Sadly, during the intervening period, the country bore witness to a reign of terror and criminality that caused a significant number of death and injuries; much discomfiture to survivors and their families; and destruction of property.

At the international level, the start of this term coincided with the slowdown in the global economy, which was caused in part by the downturn of the US economy. This was then aggravated by the September 11, 2001 catastrophe in the United States. Although the worst was anticipated in the aftermath of that incident, the world economy showed encouraging signs of recovery towards the latter half of 2002. However, this was soon upstaged by the events of the first half of 2003. I refer here, in particular, to the outbreak of war in Iraq and the deadly Severe Acute Respiratory Syndrome (SARS) virus, both of which have had a negative effect on economic recovery.

Yet, in the face of these adversities, the Government persevered with the agenda that it had set itself. During 2001-03, the economy expanded in real terms by about 1% per annum. Although this is lower than projected for the period, it is still a commendable outturn since average growth remained positive and comparable with that of several countries within CARICOM, especially the tourism-dependent economies. We can also take pride in the fact that our per capita income has risen to nearly US\$900 during that period.

Growth was achieved in an environment of stable prices. The fiscal deficit remained within prudent limits, despite increases in public expenditure that were occasioned, in part, by higher spending in the social sectors and on the fight to repel the growing crime wave. We also managed to increase access to, and improve the delivery of, education and health care services; provide better housing and basic amenities, particularly to those in the low-income group; reduce the incidence of poverty; and generally improve the quality of life of every Guyanese.

Mr. Speaker, our pro growth, pro poor policies have been reflected in our rapidly improving position on the Human Development Index (HDI) and the Human Poverty Index (HPI). According to the UNDP's 2003 Human Development Report, Guyana ranked 92nd out of a list of 154 countries on the HDI, and 23rd among 92 developing countries on the HPI. These are significant advances, especially considering the deteriorated social and economic conditions that the Government inherited in October 1992. While we can pause to compliment ourselves for these achievements, we cannot afford to feel comfortable until poverty is completely eradicated from our society.

Mr. Speaker, we have laid the foundations for growth and further development of our country in 2004 and the remainder of our term in office. The thrust of our policies will continue to centre on addressing critical problems; identifying and removing bottlenecks and sources of vulnerabilities; as well as tackling longer term and structural issues. Our interventions will focus on, among other things, reinforcing macroeconomic fundamentals; retooling the economy to enhance its competitiveness; supporting private investment initiatives; venturing into new growth activities; improving the social and economic infrastructure; human resources development to meet the demands of an expanding economy; and job creation. All of these actions are aimed at infusing dynamism in the economy so as to sustain growth and accelerate development in our country. This is the thinking that has informed the theme for this Budget, which is, Investing for Sustained Economic Growth and Enhanced Social Development.

Mr. Speaker, an exciting period lies ahead. The successful implementation of this agenda will see our country making a quantum leap into the second decade of the millennium. Importantly, however, it will depend on an enabling external environment, our ability to mobilise the required financing for our projects and programmes, and our political maturity. Of these, the latter is completely within our realm. The signing of the May 9, 2003 Communiqué and the subsequent return of the main Opposition Party to Parliament, the highest decision making forum in the land, were important steps in establishing trust and engendering confidence in the difficult process of building this young nation. We will continue to engage the political parties, civic and other groups in dialogue and discussions. Our reality and circumstances dictate that we explore all avenues for achieving lasting peace and stability.

Equally, we are conscious of the need to build strategic alliances and partnerships, while offering all stakeholders opportunities for their full involvement and meaningful participation in the planning and execution of our policies and programmes. This is an approach to which we have long subscribed. It continues to be evidenced by the extensive consultations that we have conducted during this and previous budget cycles.

## 2. Review of the Global Economy

Mr. Speaker, after an initial period of uncertainty and dampened growth prospects, the global economy experienced unexpectedly strong growth towards the latter half of last year. The most recent estimates suggest that world output expanded by 2.5 percent while world trade growth increased by 4.7 percent. Sluggish growth in Japan, Germany and other parts of Western Europe, the war in Iraq, and the impact of SARS were some of the reasons advanced to explain the fragility in the first half of the year. These factors have contributed to a continuation of the economic vulnerability that has lingered since the tragic events of September 11, 2001. There was unexpectedly strong upturn in the second half of 2003, which was attributed to expansionary fiscal policies in the US and Europe. Despite the official end of the war, oil prices remained high, hovering at over US\$30 per barrel. Given the pass-through effect that an oil price rise has on the general price level, it was surprising that global inflation remained relatively stable.

Mr. Speaker, looking at Latin America and the Caribbean, high oil prices brought increased revenues to the oil-producing countries, especially Venezuela and Trinidad and Tobago. However, the rest of the region experienced the effects of the negative multiplier growth in the economy and the deterioration in the balance of payments. Such factors could help to explain, for example, the contraction of Brazil's economy, the continent's largest, by 0.2 percent in 2003, after having grown by 1.9 percent in 2002.

With respect to the Caribbean, as expected, the increased oil prices benefited Trinidad and Tobago, but had the opposite effect on the oil-importing countries. The tourism industry in particular benefited from the growth in the global economy and the appreciation of the Euro against the dollar, which helped to make the Caribbean destination cheaper for European visitors. On the other hand, although some countries experienced increased production, output in the critical agricultural and manufacturing sectors declined.

Mr. Speaker, there are reasons to be optimistic that the global economy will be stronger in 2004. The latest forecast is for world output to grow by 3.5 percent and for world trade to expand by 7.5 percent, with most of the demand expected to come from the import needs of developing countries. However, a worrying militating factor to the planned economic recovery is the frequent attacks on US interests and those of its allies. This could have a negative impact on consumer and business confidence, and global trade and investment. The cost of doing business will inevitably rise, due to added risks from these uncertainties, and compliance with new and onerous regulations and procedures.

Nevertheless, Guyana must be prepared to take advantage of the expected expansion of the world economy. We must rise to the challenges, in 2004 and beyond, which will test our resolve, our resourcefulness and our innovative capability. We need to continue to take the necessary measures to strengthen the domestic economy so that we can withstand and mitigate the impact of these external shocks, whenever they occur.

We believe that globalisation has the potential to contribute towards increasing trade and capital flows across countries; however, if not properly managed, it can also spell disaster for small economies such as ours. This Mr Speaker should not be an excuse for us to be distressed or to do nothing. Rather, it should serve as the impetus for catalysed action. As eloquently expressed by His Excellency President Bharrat Jagdeo, during his address to the nation on the occasion of the 34th Anniversary of the Republic, "We must seek to affect the change agenda as well as mak[e] the necessary mental and organisational leap in adapting to emerging trends." While we will continue to use our membership in the WTO, Caricom, and other international and regional fora, to advance the case for fair and equitable trade, we must carve our own niche for economic survival. This Budget represents another building block towards attaining that goal.

### **3. Review of the Domestic Economy**

#### **A. Real Growth**

Mr. Speaker, largely as a result of a shortfall in sugar production and gold declaration, the economy contracted in real terms by 0.6 percent, in 2003.

#### **B. Sector Performance**

Mr. Speaker, sugar production declined to 302,378 tonnes, from 331,052 tonnes in 2002. This 8.7 percent shortfall was due to unfavourable weather conditions that affected both crops. In the first crop, a prolonged drought reduced cane yield. In addition, higher-than-normal rainfall later in the year affected the second crop, resulting in a lower cane quality. On the other hand, these conditions were ideal for rice cultivation and reaping. As a result, rice output rose sharply by 23.3 percent to 355,019 tonnes. This turnaround from the slump in 2002 is also an indication that farmers are slowly recovering from the financial crisis that hit the industry.

The other sub-sectors also showed positive growth. Livestock increased by 4 percent. This was mainly due to a 41 percent growth in poultry meat to 23.6 million kilograms. Other agriculture increased by 2.2 percent. Forestry grew by 2 percent, reversing the 8 percent decline of the previous year. Good performances were also recorded for sawn lumber, which increased by 43 percent; and round wood products, which rose by 15 percent. However, log production declined by 22.2 percent.

Mr. Speaker, the performance of mining and quarrying continued to be influenced by the major gold producer in the sector. The latest estimates show that the sector recorded yet another decline of 8.7 percent in 2003 following the 6.9 percent contraction in 2002. Overall declaration of gold was 391,323 ounces compared to 453,482 ounces in the previous year. Production by Omai Gold Mines Limited contracted sharply by 16 percent to 285,577 ounces. The steady decline in the company's output is a reflection of the near exhaustion of the mine and the failure to find new, economically feasible, gold-bearing deposits in other areas. Of grave concern to the Government was the 9.8 percent reduction in declaration by the local miners at a time when gold prices were extremely high. Diamond declaration rose considerably to 412,538 metric carats, an increase of 66.1 percent. This continued the upward trend that has been observed for the past three years. Bauxite production was 1,715,705 tonnes, an increase of 4.7 percent.

After growing by 2 percent in the previous year, the manufacturing sector fell by 2 percent in 2003. This is mainly attributed to a steep drop of 20 percent in the production of plywood; lower generation of electricity by Guyana Power and Light as more large industrial users turned to self-generation; and a noticeable decline in the production of beverages - rum, 18 percent; beer and stout, 22.4 percent; and malta, 30 percent. However, improved market conditions and marketing techniques were partly responsible for the increased production of items such as stockfeed, cereals, aerated beverages, mineral and distilled water, and corrugated cartons.

With the exception of distribution, all of the sub-sectors of the services sector performed positively, and this resulted in an overall growth rate of 2.1 percent. Transport and communications grew by 5 percent, largely on account of an increase in cellular telephone users, inbound minutes, and the volume of parcels dispatched. Engineering and construction increased by 5.8 percent, reflecting a substantial growth in public investment. Although loans to the commercial sector fell in 2003, income earned from other financial transactions increased by about 21 percent, and this enabled the financial services sub-sector to grow by 1 percent. Rent of dwellings rose by 3 percent while other services increased by 2.6 percent. Distribution fell by 2.5 percent, mainly as a result of declines in

the import of consumption goods and local manufacturing.

### **C. Balance of Payments**

Mr. Speaker, the overall balance of payments deficit improved significantly relative to 2002. This was due mainly to an improvement in the current account, even in face of a rising fuel import bill.

Merchandise exports earned US\$517 million, 4.3 percent more than in the previous year. The value of sugar exported increased by 8.1 percent to US\$129.2 million, on account of a higher volume. The average export price of sugar declined by 2.4 percent, as Guysuco did not get the full benefit of the extremely favourable euro/US\$ exchange rate. Although there was a 4 percent increase in the volume of rice exported, there was a small decline in earnings to US\$45.3 million. The average export price for rice fell by 3.8 percent to US\$226. Bauxite returned an impressive performance with export receipts increasing from US\$35.2 million to US\$44.6 million. This was attributed to a 9.6 percent growth in volume exports and a 15.7 percent rise in the average price. The category "other exports" recorded a 4.4 percent growth. On the other hand, export receipts from gold declined by 3.9 percent to US\$130.9 million, reflecting a sharp drop in volume of 18.5 percent, even though the average price increased by 17.8 percent. Timber exports declined by 13.5 percent to US\$30.7 million.

There was a small increase of 1.5 percent in the value of merchandise imports, which amounted to US\$571.7 million. There were increases in imports of both capital and intermediate goods. Significantly, the higher acquisition cost of fuel and lubricants was reflected in the 17 percent increase, or US\$21.4 million, that was recorded. Consumption goods contracted by 5.1 percent to US\$149.3 million. Net factor payments abroad declined by US\$5.3 million to US\$49.7 million; a similar trend was observed for the value of net services, which fell by 11.1 percent to US\$69.8 million. Net current transfers increased slightly to US\$40.3 million.

A net inflow of US\$78 million was recorded on the capital account. This 9.4 percent contraction was due in part to lower net inflows of private capital and higher scheduled amortisation of the external debt of the public sector. In spite of those developments, the strong performance of the current account helped to improve the overall deficit of the balance of payments to US\$9.9 million, from US\$25.4 million in 2002. The deficit was over – financed by debt relief, thus allowing the Bank of Guyana to increase its net foreign assets position by nearly US\$1 million.

### **D. Monetary Developments**

Mr. Speaker, the management of excess liquidity remained a priority of monetary policy. This was consistent with our stated objective of fostering an environment of price and exchange rate stability, as well as an expansion of private sector credit. During last year, liquidity growth was contained and this had a positive impact on the inflation and exchange rates.

Currency in circulation and private sector deposits grew by 8.3 percent. Total deposits of residents, including the private sector and non-bank financial institutions rose by 7.5 percent to \$108.7 billion. The private sector accounted for 79.9 percent of that sum. Public sector deposits expanded by 6.1 percent to \$10.9 billion and this enabled the public sector to remain a net depositor with the banking system.

Net domestic credit of the banking system fell by 8.1 percent to \$25.9 billion. However, the net deposits of the financial institutions increased by 18.6 percent. Credit to the private sector decreased by 17.2 percent or \$10.1 billion, primarily as a result of the transfer of \$8.5 billion of GNCB's portfolio to a debt recovery institution. Loans and advances to the

manufacturing, agriculture, rice milling and mining sectors declined by 14.5 percent, 48.4 percent, 42.6 percent and 1.2 percent respectively. Total liquid assets of the commercial banks amounted to \$40 billion, or 7.2 percent higher than the previous year. The banks showed a marked preference for short-term treasury bills, as reflected in the increase in excess liquidity of 3.1 percentage points between 2002 and 2003.

## **E. Prices and Incomes**

### **a. Inflation rate**

Mr. Speaker, in spite of the steep rise in the price of imported petroleum in 2003, we managed to keep domestic prices in check. The inflation rate was 4.9 percent, slight below the 5 percent that was projected in the 2003 Budget. Inflationary pressures in the early part of the year did cause a progressive upward movement in the index, but these slowed considerably towards the latter half of the year.

### **b. Interest rate**

The 91- day Treasury bill rate, the benchmark for the interest rate structure, declined from 3.91 percent at end-December 2002 to 3.4 percent at end-December 2003. In line with this development, the small savings rate fell by 83 basis points to 3.46 percent. The weighted average lending rate declined faster than the savings rate, and this resulted in the spread decreasing by 42 basis points. Mr Speaker, this is a trend in the right direction and we urge the commercial banks to continue to reduce the spreads as this would help to stimulate private sector investment and reduce the excess liquidity. In this regard, the Government commends the action of the New Building Society (NBS) for reducing the interest rate on loans for low-income housing to 7 percent.

### **c. Exchange rate**

Mr. Speaker, the foreign exchange market remained relatively stable during last year. The Guyana dollar depreciated by 1.3 percent against the US dollar, to close at G\$194.25 per US dollar. The total value of foreign exchange transactions increased to US\$2.3 billion, or 11.8 percent, largely on account of higher transaction volumes by the cambios. The Bank of Guyana did not have cause to intervene in the foreign exchange market.

### **d. Wage rate**

Mr. Speaker, the Government announced and paid an across-the-board increase in wages and salaries of 5 percent to all public servants. This was in line with the inflation rate, and it resulted in a new minimum wage of \$22,099. The combination of the wage increase, the increase in the income tax threshold, and the holding of the inflation rate to the targeted level ensured that workers enjoyed a real increase in their disposable income.

## **F. Fiscal Accounts**

### **1. Central Government**

Mr. Speaker, the operations of the central government resulted in a deficit of 9.1 percent of GDP, which was well within the target of 13.2 percent of GDP. Current revenue was \$45.4 billion, or 1.8 percent better than in 2002. This is a commendable performance given the negative growth in the economy last year.

Collections by the Customs and Trade Administration Department rose by 2.2 percent to \$19.1 billion, principally as a result of a 4.4 percent growth in consumption tax. Consumption tax of \$15.3 billion represented 80 percent of the Department's revenue. The Internal Revenue Department collected \$22.4 billion, which was a 1.2 percent improvement on the previous year. Other current revenue increased to \$3.9 billion, with royalties of \$938

million and dividends and transfers of \$719 million being among the highlights in this category.

Current expenditure increased by 3.2 percent to \$49.7 billion. Non-interest current expenditure grew by 9 percent, reflecting increases in the principal categories: personal emoluments, other goods and services, and transfers to the public and private sectors. Restructuring costs, mainly severance payments to the bauxite workers, increased to \$1.5 billion, from \$0.5 billion in 2002. The cost of servicing the public debt declined by 17.2 percent to \$8.9 billion. Capital expenditure was \$17.3 billion, an increase of 9.7 percent.

The current deficit of the central government deteriorated by 20.3 percent to \$4.3 billion, while the overall deficit after grants was \$13.2 billion, the equivalent of 9.1 percent of GDP. The deficit was financed by net external borrowing, \$8.3 billion; net domestic borrowing, \$2.8 billion; and privatization proceeds, \$2 billion.

## **2. Public Enterprises**

Mr. Speaker, the receipts of the public enterprises grew by 31.7 percent to \$66.5 billion, largely because of the re-absorption of GP&L into the public sector and a favourable euro/US dollar exchange rate received by Guysuco. Total expenses rose less sharply to \$64.3 billion or 27.7 percent. The enterprises transferred \$1.1 billion in the form of dividends and taxes to the central government. Capital expenditure increased by 15.3 percent to \$2.5 billion. The overall surplus of the enterprises increased considerably from \$150 million in 2002 to \$2.2 billion in 2003.

## **3. Non-Financial Public Sector**

The consolidated operations of the central government and the public enterprises resulted in an overall fiscal deficit of \$10.9 billion, equivalent to 7.6 percent of GDP.

## **G. Public Sector Investment Programme**

Mr. Speaker, the Government was able to implement 95 percent of the public sector investment programme (PSIP), which was budgeted at \$16.8 billion. This extremely creditable performance was due to improved programme and project planning, aggressive project monitoring, and the cooperation and logistical support of all stakeholders. I would now like to highlight some of the key achievements in the various sectors.

### **1. Physical Infrastructure**

During 2003, we continued to upgrade the road network. The rehabilitation of the 65km road link between Mahaica and Rosignol commenced. Approximately \$1.2 billion of this \$4.5 billion project was spent on widening the shoulders and leveling about 19km of the road. In addition, about \$74 million was spent on designs for 152 km of roadway between New Amsterdam and Moleson Creek. This project would result in the complete resurfacing of the Corentyne Highway from the New Amsterdam Ferry Terminal to the Moleson Creek Ferry Terminal. Another \$167 million was expended to begin work on the conceptual design for an alternative Southern entrance to Georgetown.

Work started on a four-lane highway, stretching from the Demerara Harbour Bridge to Mandela Avenue, and on the road from the Demerara Harbour Bridge to the Best Hospital. Apart from these major road projects, over \$300 million was spent on improving a number of roads in several communities, including Mara, Mahaica, Cane Grove, Bachelor's Adventure, Cumming's Lodge, Bartica/Issano, and Kwakwani / Ituni.

More than \$1.7 billion was spent to construct and/or rehabilitate bridges. In terms of the Main Bridges Rehabilitation Programme, nine bridges and culverts were completed along the East Coast and East Bank Highways. In addition, about \$81 million was expended to



rehabilitate community bridges countrywide. Another \$28 million was spent to rehabilitate bridges at Riverstown and other locations along the Essequibo main road. A number of structures were rehabilitated in several areas, including Lima, Queenstown, Plantain Walk, Kuru Kuru, Hopetown, and Numbers 55, 56, 65 and 66 Villages.

In the air transport sector, over \$1 billion was spent to rehabilitate Runway 2 at the Cheddi Jagan International Airport (CJIA); install security lights on the runway and perimeter road; rehabilitate the Control Tower at CJIA; and rehabilitate the airstrip at Imbaimadai. Also, in 2003, over \$300 million was spent to improve maritime facilities and services, including construction of a new stelling at Leguan; rehabilitation of stellings at Parika and Leguan; purchase of navigational aids and buoys, and rehabilitation of beacons; rehabilitation of MB Baramani, MV Barima, MV Torani, MV Malali and MB Sandaka; rehabilitation of dredge Steve 'N' and dredging of the main rivers; and construction of Phase II of the Coast Guard Wharf in Georgetown.

Work to repair critical sections of the sea defence system was executed. In preparation for the Caribbean Development Bank (CDB) and European Union (EU) financed sea defence programmes, over \$166 million was spent to begin the development of a shorezone management system; conduct hydrographic surveys between Mahaica and Somerset/Berks; commence final designs for over 5000 metres of new sea defence in Capoey/Columbia, Hague, Dekinderen/Meten-Meer-Zorg and Tuschen; and complete final designs for 2000 metres of sea defence structures at Profit/Belladrum. In addition, about \$435 million was expended on the rehabilitation of other critical sections of the river and sea defence system, including raising sea dams in areas such as Goodman, Freetown/Dorn Haig, Mosquito Hall, Little Diamond, Friendship, Unity and Lancaster; and construction of revetment at Rushbrook, Orangestein, Bush Lot, Grove, Craig, Phoenix, Henrietta and Number 77 Village.

Mr Speaker, a reliable drainage and irrigation infrastructure is critical to agricultural development, especially in the low-lying coastal belt of Guyana. In recognition of this, a sum of \$415 million was expended by the National Drainage and Irrigation Board (NDIB) on several projects, including the rehabilitation of 300 miles of canals and drains in areas such as Pomeroun, Somerset and Berks, Leguan, Waakenam, Canal Numbers 1 and 2, Craig, Plaisance, Buxton, and Ann's Grove; rehabilitation of 40 miles of earthen embankment at the East Demerara Water Conservancy; and the rehabilitation of drainage pumps at Cane Grove, Victoria, Golden Grove, and Stanleytown in New Amsterdam.

## **2. Social Sector**

Mr. Speaker, in the education sector, the IDB-funded Basic Education Access Management and Support Systems (BEAMS) project was launched in March 2003. This project aims to improve the general standard of education in Guyana, in particular, increasing literacy and numeracy skills in the most underserved and impoverished regions of Guyana. Under the Secondary School Reform Programme (SSRP), over \$500 million was spent to, among other things, support school management and budget planning; and build, rehabilitate, extend, and renovate the pilot schools. Almost \$100 million of resources provided under the CIDA-funded Guyana Basic Education Training (GBET) project were used to complete the establishment of distance education units. Under the Guyana Education Access Project (GEAP), \$470 million was spent to rehabilitate and construct schools; purchase furniture, equipment and textbooks; and on institutional strengthening of the Ministry of Education.

In addition, the Ministry of Education expended \$430 million on a range of capital works, including the rehabilitation of Winfer Gardens Primary School, Uitvlugt Primary School, St Sidwell's Primary School, St. Gabriel's Nursery School and St. Stanislaus College; and construction of schools at Meten-Meer-Zorg, Viva La Force, Ridge, Wakenaam, Dora, Soesdyke, Cotton Tree and Moleson Creek. The science laboratory for the New Amsterdam Technical Institute was completed while work on the extension of the National Library at New

Amsterdam and the construction of the Upper Corentyne Industrial Training Centre commenced.

In the health sector, Phase 1 of a new hospital being built in New Amsterdam, which is funded from a Japanese Grant of \$1.2 billion, was almost completed in 2003. A project to strengthen the public health system in Guyana, by enhancing the capacity of the Government to better manage, deliver and monitor disease prevention and control was started. Funded by CIDA, the project focused on home and palliative care; prevention and management of HIV/AIDS and STIs; prevention and management of Tuberculosis; and education and health administration. Also, the Ministry of Health completed several capital projects including the construction and/or rehabilitation of a number of hospitals, health centres and health posts throughout the country.

The Government invested more than \$1.2 billion in the housing sector to improve institutional and regulatory capacity, and expand the infrastructure in new and existing settlement areas. Of that amount \$1 billion was spent, under the IDB programme, to complete about 3,100 house lots at Tuschen, Non Pariel and Best Village; construct roads, drains and structures at Diamond, Golden Grove, Foulis, Good Hope, Hope/Waterloo Experiment, Pomona, Anna Regina, Charity and Amelia's Ward; design an additional 9,171 house lots at Zeelugt, Tuschen, Caneville, Block 22 Wismar, Sophia, Parfaite/ Harmonie, Hampshire South, Belvedere, Hope and Williamsburg South.

The Government spent over \$2.1 billion to improve the supply and delivery of potable water. The bulk of the funds was used to complete the construction of major water systems at Bartica, Eccles and LBI; procure supplies and pipelines for stand alone systems in rural areas; acquire equipment for Linden; and finalise designs for the rehabilitation of the Georgetown sewerage and water generation and distribution systems. Under the Urban Development Programme, approximately \$370 million was expended to complete the New Amsterdam Market, Rose Hall Market and Town Hall; Mora Street and One Mile Canvas City Road in Linden; and Mandir Road, White Carib Lane and Market Street in Anna Regina; and to commence rehabilitation of several roads in the municipalities and towns.

### **3. Economic Advancement and Poverty Reduction Programmes**

Mr. Speaker, the Government has been implementing a number of donor-assisted and locally financed projects and programmes to complement the macroeconomic effort to promote growth increase incomes and reduce poverty. In this respect, under the Poor Rural Communities Support Services Project (PRCSSP), a sum of \$108 million was used principally to establish a revolving credit facility; execute drainage and irrigation works; provide technical support; and facilitate community development.

Under the Linden Economic Advancement Project (LEAP), an amount of \$200 million was expended to replace a collapsed culvert at West Watooka; and conduct workshops and train persons in the catchment areas. Approximately \$45 million was used under the Basic Needs Trust Fund (BNTF) on roads, footpaths and water supply in selected areas. Finally, close to \$292 million was expended under the Social Impact Amelioration Programme (SIMAP) to rehabilitate roads; complete multipurpose buildings; and commence and/or complete school buildings, day care centres and a market.

## **H. Institutional Development and Policy Reform**

### **1. Financial Sector**

Mr. Speaker, several actions were taken during 2003 to improve the soundness of the financial sector, and improve the capacity and capability of the Bank of Guyana to effectively supervise the sector. In this respect:

The study on a supervisory strategy for the Bank of Guyana was completed and a report is with the Government.

A Financial Stability Unit was established in the Bank of Guyana. Staff for the unit is being identified and a policy and operational guidelines manual is being prepared.

The Banking Supervision Department of the Bank continued to strengthen its capability to detect early warning signals of financial crises. Directors attended seminars that dealt with topics such as governance in banking, new accounting standards, financial soundness indicators, and risk analysis. A handbook for directors of financial institutions is being prepared.

Consultations were conducted on the feasibility of implementing a deposit insurance scheme and a report has been submitted to the Government.

The enabling regulations to fully implement the Money Laundering (Prevention) Act were drafted.

The Guyana National Cooperative Bank was fully privatised. This brought to an end both the large financial transfers that the Government had to make to cover the annual losses of the Bank and the Government's involvement in the financial sector. A plan was put in place to recover the Bank's non-performing portfolio.

A number of initiatives were taken in the sector, which were directly aimed at building a conducive environment for private sector investment. The stock exchange was officially launched on September 25, 2003. Since then, the exchange has been engaged in modest trading in shares of a number of companies. It is expected that transactions on the exchange will increase as stakeholders become accustomed to, and confident in, its activities. Also, the Government gave approval to a regional development financial institution to offer private equity in Guyana as well as management services to small and medium sized enterprises. Further, a new Commissioner of Insurance was appointed and the Office of the Commissioner of Insurance commenced operations. These actions brought into force the basic infrastructure that was required to fully implement the provisions of the new insurance legislation.

## **2. Public Sector Modernisation**

Mr. Speaker, the Government completed staff audits of the core Ministries, Regional Administrations, and Semi Autonomous Agencies, and has since shifted focus from undertaking job descriptions and a performance appraisal system to completing overview studies and horizontal assessments of the Public Service. A series of public consultations was conducted as a means of building consensus for modernisation of the public sector.

Also, the Government enacted the most comprehensive piece of legislation on budgeting ever formulated in this country. A new Fiscal Management and Accountability Act was passed in December 2003. The Act provides for a modern legislative framework for managing public finances and includes a number of provisions aimed at widening the scope of fiscal reporting to the National Assembly, thereby fostering greater transparency, efficiency and effectiveness of public financial and economic management.

The Government advanced the process leading to the modernisation of the treasury and improving the transparency, efficiency and targeting of public expenditures. In this respect, a contract was signed with a Canadian company, a computerised financial and accounting system was procured and configured, and staff was trained. This system will give the government sector the capability to better manage the budget, appropriations, revenues, purchasing and assets.

New procurement legislation was approved in June 2003. Among other things, it attempts to

regulate the procurement of goods and services, and construction; foster competition among suppliers; and promote fairness and transparency, taking into consideration the ethical issues involved in public procurement.

Other activities undertaken included:

- The establishment of the Demerara Harbour Bridge Corporation as a statutory body to manage the Demerara Harbour Bridge.
- The installation of a new management team to manage and operate the Guyana Power and Light Inc. (GP&L) after the Government and the foreign partner agreed to terminate all of the 1999 agreements to which they were parties. The Government purchased the shares of the investor for US\$1 and agreed to the temporary reversion of the company to the public sector until it could reach a new deal with an interested equity partner.

### **3. Debt Management**

Mr. Speaker, the external debt stock was reduced by 13 percent to US\$1.08 billion towards the end of last year. However, that reduction did not reflect itself in actual debt service payments, which rose by 16.4 percent to US\$49.7 million. Several factors accounted for this increase. First, Guyana did not get the relief from the reduction in the stock of debt, which only took effect from December 1, 2003. Thus, the Government had to meet all obligations due prior to that date.

Another contributory factor had to do with the delivery of the interim assistance by the Inter-American Development Bank (IDB) under the Enhanced Heavily Indebted Poor Countries (EHIPC) initiative. Assistance from that creditor amounted to US\$11.2 million in 2002 compared to US\$5.1 million in 2003. This meant that the Government had to devote more of its resources to the servicing of the debts to the IDB in 2003. A third reason had to do with the reclassification of the debts of Guyana Power and Light Inc (GP&L) from the private sector to the public sector. This entity made payments totaling US\$8.7 million to its creditors last year.

Mr. Speaker, the debt stock reduction in 2003 arose from the decisions of the Executive Boards of the IMF and the World Bank on December 16 and 17 respectively, which confirmed that Guyana met the completion point of the EHIPC. These decisions resulted in additional debt relief of US\$334 million in net present value terms (NPV). Among the non-Paris Club creditors, China agreed to cancel three (3) loans totaling US\$21.3 million, while India cancelled the outstanding balance of about US\$0.5 million on a bilateral Line of Credit. Earlier, on September 5, 2003 the IMF completed the first review of Guyana's performance under the PRGF arrangement. As a result of the favourable review, the IMF released US\$8.2 million. In December 2003, the World Bank disbursed US\$13.2 million under the Poverty Reduction Support Credit (PRSC).

### **4. Tax Reform**

Consistent with the pronouncements in last year's Budget, the Government embarked on the implementation of major reforms to the tax system, with the overall objectives of broadening the tax base, improving the efficiency of the tax system, and reducing the scope for discretion, exemptions and evasion. In this context, the Government took the following actions:

Passed the Fiscal Enactments Amendment Bill, which, among other things, removed the discretionary grant of remissions and exemptions, except on humanitarian grounds; increased the licence fee for certain categories of professionals; introduced a tax on services provided by professionals and extended the 10 percent tax on hotels to services provided in the hotels; introduced a presumptive tax on self-employed persons; and increased the

penalties for late filing and non-filing of income tax returns.

- Increased the income tax threshold from \$216,000 to \$240,000 per annum;
- Introduced legislation to extend taxes to selected services;
- Adjusted withholding taxes to a uniform 20 percent;
- Passed legislation to repeal the Sugar Levy Act;
- Appointed a Commissioner General and Deputy Commissioner General of the Guyana Revenue Authority (GRA);
- Appointed 12 auditors to strengthen key revenue areas of the GRA;
- Amended the GRA Act to give greater autonomy in the management of its human resources; and
- Implemented a fuel-marking programme as part of the anti-smuggling campaign.

In addition, the Government worked with the Caribbean Technical Assistance Centre (CARTAC) to develop an action plan for the implementation of the Value Added Tax (VAT). A VAT Implementation Team was installed in the GRA and the staff was exposed to training in VAT issues.

## **4. Policies, Strategies and Programmes for 2004 and Beyond**

### **A. Overview**

Mr. Speaker, the Government remains committed to implementing the broad policy reforms that are outlined in the Poverty Reduction Strategy Paper (PRSP). The focus of the PRSP is to raise the level of development and generate sustainable growth so that all Guyanese can enjoy prosperity and a higher quality of life.

The PRSP sets out a matrix of policies, strategies and programmes. These are aimed at addressing the structural and other bottlenecks, which have acted as binding constraints on increased growth, investment, trade and incomes. The implementation of these reforms will result in an economy that is more resilient and capable of competing in the regional and global economies. They will also contribute to raising the standard of living and reducing poverty.

Mr. Speaker, as earlier indicated, for 2004 and the remainder of this term our interventions will continue to emphasise reinforcing the macroeconomic fundamentals; retooling the economy to enhance its competitiveness; venturing into new growth activities; supporting private investment initiatives; improving the social and economic infrastructure; human resources development to meet the demands of an expanding economy; creating jobs; improving the governance environment; and fighting crime. I would like to develop each of these in greater detail.

### **B. Reinforcing Macroeconomic Fundamentals**

Mr. Speaker, the Government will continue to pursue sound macroeconomic policies to ensure strong fundamentals, such as low inflation rate, adequate savings, healthy international reserves, a stable exchange rate and a prudent fiscal position. In addition, efforts will be taken to strengthen economic resilience to enable the economy to withstand shocks, including broadening the economic base and deepening the financial sector and capital market. The macroeconomic prospects for the next two years, 2004-05, hold much promise, with the average real GDP growth rate projected to be positive. Beyond this period, growth is expected to be higher, given stronger growth in sugar, mining, tourism and services.

### **C. Retooling the Economy to Enhance its Competitiveness**

Mr. Speaker, the Government has made steady progress to retool the traditional base of the economy. Already, these efforts have begun to bear fruit, as was evident in the increased production of rice and bauxite last year, though sugar suffered a temporary setback. Further work will be done to modernise and diversify these industries so that they could improve their contribution to GDP growth, exports, revenues and employment. I would now examine proposed activities in each of these industries.

#### **1. Sugar**

Mr. Speaker, the management of Guyana Sugar Corporation (Guysuco) will continue to implement the strategic plan, which is geared to increase the company's competitiveness, profitability and long-term viability. The plan envisages Guysuco increasing production to around 450,000 tonnes of sugar and lowering costs from the current average of US17 cents to about US9 cents per pound by 2007. The Government has already secured the necessary financial and technical assistance for the project. The Chinese company, which won the bid to design, supply and construct the new factory at Skeldon, will start work in the

second half of 2004. In addition, the Government has secured a soft loan of US\$25.2 million from India, which will be used to restructure three estates in Berbice to improve their operational efficiency and productive capacity. Nonetheless, in spite of the emphasis on the Berbice estates, the plan does provide for the continuation of the operations of the Demerara estates. I am compelled to reiterate this fact because of a number of erroneous statements to the effect that these estates will be closed.

In the area of product diversification, Guysuco will examine the feasibility of linking a refinery to the new factory at Skeldon. Meanwhile, the company will increase production of organic sugar and Demerara Gold packaged sugar, and will develop niche markets for these products. The search for new and expanded markets will be pursued aggressively, especially given shortfalls by several Caricom countries and the activation of the Partial Scope Agreement with Brazil. Further, Guysuco has been given approval for a co-generation project that could see 30 megawatts of power being generated from bagasse. A Chinese consortium has offered a soft loan of US\$24.2 million to finance the project and negotiations will conclude shortly.

## **2. Rice**

Mr. Speaker, the rice industry made significant progress in the restructuring of the debts of the farmers, and this played a key role in the substantial growth in rice production and exports last year. During this year, the Government will push for the early and rapid disbursement of the 11.7 million euros, which has been granted by the European Union (EU) to enhance the competitiveness of the local rice industry. A Project Monitoring Unit has been created and plans are moving ahead to appoint a National Steering Committee for the project. The funds will be used to rehabilitate the Dawa pump, replace sluices in Golden Fleece and Westbury on the Essequibo Coast, purchase drain-digging equipment, provide technical assistance to formulate a national rice strategy, provide expertise to analyse the financial and technological needs of millers, market research, and sustainable water management, among other related areas.

In addition to these initiatives, the rice industry will benefit from a soft loan of 3.2 million euros for the procurement of machinery and equipment for use in drainage and irrigation. Further, under the IDB-funded Agriculture Support Services System Project, US\$3.4 million will be made available to support the sustainability of the drainage and irrigation system through the formation of Water Users Association. Rice farmers in Regions 2 and 3 are already benefiting from the IFAD-financed Poor Rural Community Support Services Programme (PRCSSP). Farmers will continue to benefit from education and training seminars, while research and extension work will be intensified with a view of developing high yielding, blast-resistant varieties of rice. With respect to the trade in rice, we will pursue aggressively our proposal for either a regional safeguard mechanism or an increase in the Common External Tariff (CET). We will also seek new markets in Brazil, Venezuela, Colombia, Panama and Haiti.

## **3. Bauxite**

Mr. Speaker, efforts to restructure the ailing bauxite industry will continue this year. In the search for sustainability, the operations of Aroaima Bauxite Company (ABC), which was merged operationally with Bermine in September 2002, will be further rationalised. The company, which has been operating without budgetary transfers since the merger, has suffered a cash depletion of about US\$2 million since 2001, placing it in a precarious financial position. This jeopardy will have to be removed, if the company is to satisfy the contract signed recently with Alcoa to supply 1.5 million tonnes of bauxite over the next three years. As part of the measures to reduce cost, the Government will relieve ABC of responsibility of all historical, social and community responsibilities. In addition, following the cessation of mining at Aroaima, the workforce will be reduced by about 150 workers by September 2004.

Progress with the restructuring and privatisation of Linmine continued in 2003 with the contracting out of the management of the operations to Omai and the payment of separation benefits to the entire workforce. Since mid-2003, Linmine has been operating without Government transfers. However, community power and water for residents of Linden and Kwakwani continue to benefit from Government subsidies of \$1.3 billion. The privatisation of Linmine is slated for the first half of 2004. This would pave the way for the planned investment in the company that could see increased mining of bauxite ore and production of bauxite.

The Government will pursue other initiatives to revitalise the bauxite sector. In this context, last month, a memorandum of understanding was signed with the Russian Aluminum Company (RuSAL) to cooperate in bauxite production. This could lead to the establishment of a joint venture for the mining and export of metallurgical bauxite (MAZ) and the production of alumina. This initiative has the potential of increasing bauxite output by between 500-600,000 annually, and will have a positive impact on employment and incomes in the bauxite communities. Two other initiatives could have a positive impact on the resurgence of the bauxite industry. First, Brazil is exploring the possibility of sourcing metallurgical bauxite from Guyana. Second, an overseas prospecting company has also been studying the extensive laterite bauxite deposits in the Pakaraimas with encouraging results. Preliminary sampling by the company suggests deposits in excess of 100 million tones of 35 percent extractable alumina.

Finally, the Government will redraft the mining act to take account of international best practices, and to offer incentives similar to those of other countries to which Guyana must compete for investment. In addition, an environmental impact assessment of the mining sector will be undertaken to provide a common framework for all companies operating in the sector.

#### **D. Venturing into New Growth Areas**

Mr. Speaker, in addition to restructuring the traditional sectors, we have been pursuing new areas and opportunities for expanding the economic base. In particular, our attention has been focused on services, tourism, non-traditional agriculture, and petroleum exploration. In recent years, the contribution of the services sector to output growth has increased steadily. This has been attributed in part to the growth of new activities in, for example, information and communications, housing, garment manufacturing, and distribution. These and other areas will be fully exploited to realise their full potential so that they can drive economic growth and make a bigger contribution to GDP.

Mr. Speaker, tourism is slowly emerging as one of the new areas with the biggest potential to contribute to foreign exchange earnings, employment and growth. This is attributed in part to the importance that the Government has attached to the sector and the actions taken over the past five years. Last year saw the establishment of a fully functioning Guyana Tourism Authority (GTA). As part of the drive to aggressively market Guyana overseas, the GTA, in collaboration with the Tourism and Hospitality Association of Guyana (THAG), attended several trade fairs and exhibitions. The results were reflected in record arrivals for the last three months of 2003. Already this year, we have seen the largest cruise ship ever to visit these shores and four yachts.

In recognition of the potential of tourism, the Government will undertake further measures and will work closely with the private sector to promote tourism. It will also support initiatives to intensify tourism product development, since, in addition to eco-tourism the prospects look promising for developing other areas such as heritage, health and sports tourism. Training will be stepped up so as to equip workers with the necessary skills to meet the varied demands and expectations of tourists.

Mr. Speaker, given the annual food import bill of Caricom, which is estimated to be US\$3



billion, and Guyana's comparative advantage in agriculture, the Government will continue to encourage and promote investment in this sector, in particular non-traditional agricultural products that have export potential. This area offers the best hope for creating niche products and satisfying nostalgic markets in the Caribbean, North America and other regions with a concentration of Guyanese and their descendants.

Guyana's fish exports have gained access to the lucrative EU market. The Government has in place a strategy for sustainable management of the sub sector, including diversification into aquaculture. Over 6000 acres are presently under fish cultivation. The Food and Agriculture Organisation (FAO) has agreed to finance a project to integrate aquaculture into small rice-based farming systems to diversify production for increased income and improved nutrition. Following the declaration that Guyana was free of the dreaded foot and mouth disease, a private initiative has just resulted in the country exporting beef.

Guyana also has the potential to export high quality fruits and vegetables to the world market. A recent study by the USAID-funded Guyana Economic Opportunities (GEO) project has identified several commodities, such as bora, boulangier, hot pepper, cucumber, spinach, papaya, pineapple, and mango that can be successfully exported to North America, Brazil and the Caribbean. The Ministry of Agriculture together with agencies such as the National Dairy Development Programme (NDDP), the National Agriculture Research Institute (NARI), and the New Guyana Marketing Corporation (NGMC) will have key roles to play in driving the marketing and export of these and other non-traditional agricultural products.

These bodies will also be important in pushing the diversification of the agriculture sector, including greater downstream processing and the production of value added products. This process gained momentum last year when a private sector company invested US\$4 million in a juice factory, which currently utilises a range of local fruits. The income of hundreds of small farmers has been boosted as a result since the company has been purchasing hundreds of millions of dollars worth of fruit from them. Two other projects in the Intermediate Savannahs are geared to produce passion fruit, oranges, corn for animal feed, peppers, broccoli and cauliflower, among others. Over \$240 million has been invested in these projects and 70 new jobs have been created. In addition, about 50 new jobs will be created on the East Coast Demerara (near Clonbrook and at Hope Estate) and in the Pomeroon when a cocopeat project, involving the use of coconut husk, comes on stream this year.

Mr. Speaker, petroleum exploration has also been targeted as a new growth area. The success of this activity is of heightened importance to Guyana, especially in view of the rising fuel import bill and the high prices for oil. While the Government has moved to settle definitively the dispute that has led to the curtailing of drilling activities offshore, it will support onshore exploration for oil. Such activities will continue this year, as recent surveys on samples excavated in the Berbice area by Onshore Energy, the local subsidiary of CGX Energy Inc, have shown promise.

## **E. Stimulating Private Sector Investment**

Mr. Speaker, since coming to Office in 1992 the Government has espoused the need for the private sector to be dynamic, if it is to spearhead growth in the country. For our part, we have resolutely sought to create an enabling environment for private sector investment to flourish. We are encouraged by the response to date, which is reflected in the fact that for the period 1999-2002, Guyana ranked 17th out of 140 countries on the foreign direct investment performance index. According to the World Investment Report 2003, this compares with 58th during 1988-90. To its credit, Guyana is just one of five countries in the Latin American and Caribbean region to be in the top 44 countries.

During 2004, we will continue to take initiatives to provide a more business-friendly environment and, in so doing, improve our investment ranking. Our investment strategy will

continue to focus on attracting and supporting existing and potential local and overseas investors to invest in manufacturing and the creation of value added products and services for export. This strategy has four components: (i) the diversification of activities across a wide spectrum of sectors, including processed food, fresh food, tourism, wood products, information and communications technology, services, light manufacturing, mining and quarrying, energy, infrastructure, housing, handicraft, garments and textiles; (ii) the encouragement of local and foreign investments; (iii) support for micro, small, medium and large scale enterprises; and (iv) equitable distribution of economic activities across the country.

To further stimulate private sector investment, the Government will take a number of initiatives in 2004, including legislative and tax reforms, financial system reform, debt write – off and restructuring, land titling, and convening an investment conference.

### **1. Legislative Reform**

Mr. Speaker, a new investment law was passed a few days ago. Its key objectives are to offer legal protection to investment; increase the predictability and transparency of the legal regime for investment; promote the development of international best practices for investment; and provide a framework for fiscal incentives for investors and direct investment. An Investment Promotion Council will be established to review and recommend changes to the priority areas for investment, among other matters.

The Small Business Act was also passed earlier this month. This paves the way for the establishment of a Small Business Council, which will promote and monitor the development of the small business sector. The Council will be supported by a Small Business Bureau, which will offer assistance to the sector in areas such as marketing and management. In addition, a Small Business Development Fund will be set up as another source of financing for small and micro enterprises.

### **2. Further Reforms to the Tax System**

Mr. Speaker, as part of its efforts to make the tax system more responsive to investment promotion, and to ensure greater transparency and predictability, the Government, in 2003, implemented the first phase of a comprehensive three-year tax reform action plan. Among the actions taken was the passage of legislation, which defines the geographic areas and sectors that are eligible for tax holidays and other fiscal concessions. During 2004, work to replace the Consumption Tax with the more broad-based Value Added Tax (VAT) by 2006 will be accelerated. In this regard, CARTAC hosted a seminar last month on the VAT for senior officials of the Ministry of Finance and the GRA. A VAT Steering Committee, which will be headed by the Minister of Finance, will be established shortly. Also, during the year, the drafting of legislation for the VAT, and consultations with various stakeholders will begin.

Efforts to strengthen the GRA will continue. The tax and customs systems will be improved with the installation of the ASYCUDA++ and the development, documentation and dissemination of guidelines and procedures. This will reduce the lead ime for processing documents by the department, thus removing a perennial complaint of the private sector. The Internal Revenue Department will improve its capacity to administer and collect taxes, and will strengthen its field and audit units so as to reduce tax evasion. Both Departments of GRA will be linked by a system-wide management information system that will allow for easy storage, retrieval and access of data. The implementation of a Tax Identification Number (TIN) will facilitate the smooth functioning of the system.

### **3. Debt Write – Off and Restructuring**

Mr. Speaker, it will be recalled that the Government worked with the commercial banks to restructure the debts of farmers, and this had a positive effect on the resurgence of the rice

industry last year. The Government has decided to extend some relief to borrowers whose debts are with the Guyana Cooperative Financial Services (GCFS) as follows:

- 100 percent write-off of loans with a principal balance of under \$1 million;
- 50 percent write-off of loans with a principal balance of between \$1-5 million;
- a case-by-case review of loans with a principal balance in excess of \$5 million.

#### **4. Financial System Reform**

Mr. Speaker, the Government has established the Financial Intelligence Unit in the Ministry of Finance to execute the functions under the Money Laundering (Prevention) Act. The Bank of Guyana (BoG) will implement arrangements for supervision of the New Building Society based on the Financial Institutions Act. In addition, the Central Bank will conduct on-site inspections and apply consolidated supervision of all financial institutions. Further, the Bank will continue to implement the loan risk rating system and establish procedures for prompt action, in accordance with international standards. Also, the Bank will begin implementing the comprehensive human resource strategy for the Banking Supervision Department.

The Government will start the process leading to the enactment of legislation on deposit insurance by 2005; and modify the Financial Institutions Act and its regulations, and the Bank of Guyana Act to make them consistent with international best practices. Finally, the Government will complete the restructuring of the GCFS so that it is better able to manage and collect the residual portfolio.

#### **5. Land Titling**

The Government will continue its programme to improve land titling and allocation. In this regard, the Guyana Lands and Surveys Commission (GL&SC) will continue to regularise land outside of land development schemes. It will process additional eligible claims to leases and titles and make these available for issuance to land owners. Priority actions in 2004 will centre on the implementation of land tenure regularisation in the riverain areas of Essequibo, Berbice and Demerara; completion of systems development in land administration; and improving capacity for revenue management within the GL&SC.

#### **6. Investment Conference**

Mr. Speaker, we will continue to encourage foreign direct investment and, at the same time, try to increase local investment. Earlier this year, the Government held wide-ranging consultations with representative organs of the private sector as a precursor to the convening of an investment conference in the second half of 2004. This Conference will bring together both foreign and domestic investors in selected sectors. The Government will seek the assistance of the international donor community to prepare for this meeting.

### **F Increasing the Effectiveness of the Public Sector and Public Expenditure**

Mr. Speaker, another set of policies will focus on increasing the effectiveness of the public sector and public expenditure. In today's world, there is widespread recognition that good management of public business is crucial for macroeconomic stability, investment and growth. The public sector must provide, therefore, the institutional framework and infrastructure for a pro-business environment. Equally, the Government must make the best use of its resources to deliver quality services to the citizens of Guyana. In this context, the Government will accelerate the pace of reforms in the public sector this year. In particular, we will be paying attention to stricter fiscal discipline, enforcing the budget and procurement legislation, and strengthening the management of the public debt. I would now elaborate on

each of these areas.

### **1. Strict Fiscal Discipline**

The Government is currently negotiating with the IDB a loan of US\$32.8 million for a project to support the rational and transparent management of its fiscal and financial affairs. Implementation of the project will start later in the year. The Government will apply strict cost control measures and these will be enhanced by a tight fiscal stance and strict fiscal discipline. Programme budgeting will be strengthened to make budgets increasingly reflective of the Government's priorities. Since January 5, 2004 the computerisation of the public service's accounting system was accomplished with the introduction of the integrated financial and accounting management system (IFMAS). The system will make available timely financial and programme information and, more important, increase the capacity to support effective decision-making in managing budgets and resources. Finally, under the soon-to-be-passed Audit Act, the Auditor General's Office will be strengthened to conduct value for money audits. The IDB is providing US\$0.6 million to build capacity in the Office.

### **2. Budget and Procurement**

Mr. Speaker, all sections of the Fiscal Management and Accountability Act – which was passed in December 2003 - will become fully operational this year. Detailed regulations will be drafted for effective implementation of the law, while the Ministry of Finance will be strengthened to allow it to properly execute its functions under the new law. A committee has also been established to review the legislative and policy framework of all the statutory bodies. This committee is expected to present a report by March 31, 2004. It should be noted that the new Budget Law calls for stricter monitoring, reporting and accountability of these bodies.

The regulations to accompany the new Procurement Act will be drafted this year. Once implemented in full, the Act will allow for transparency and competitiveness in tendering and procurement of goods, services and works. Also, the Government will revamp the project cycle unit in the Ministry of Finance to increase its capacity to do proper project identification, selection, implementation and monitoring. To assist in meeting this objective, the Government has secured a grant of US\$1 million from the IDB. The money will be used to support the design of the institutional and operational model for the project cycle management system; the development and implementation of operating procedures and methodologies for each stage of the project cycle; the design of a computerised information system; pre-investment studies; and the training of staff. Stronger project cycle management that is backed by rigorous procurement procedures will help to reduce cost and increase the effectiveness of public spending.

### **3. Management of the Public Debt**

Mr Speaker, following the completion point, Paris Club multilateral debt negotiations took place in January 2004. Guyana received debt relief in excess of 90 percent in Net Present Value (NPV) terms, with most of the Paris Club creditors providing 100 percent relief. We have already initiated discussions with our bilateral creditors to give effect to the decisions of the Paris Club. We have also contacted our multilateral creditors to conclude implementing agreements regarding their delivery of debt relief to Guyana under the framework of the EHIPC initiative. We will also be communicating with our non-Paris Club creditors, from whom we are obliged to seek comparable terms.

Mr. Speaker, with the grant of the EHIPC, Guyana exited from the Paris Club arrangement. This has occurred at a time when our debt ratios are still high and are expected to remain so in the medium to longer term. The ratio of debt to revenue is projected to peak at 248 percent in 2007 before falling marginally in the outer years. It is therefore imperative that we pursue further avenues for debt relief. But more important, we must enhance our capacity to

manage the public debt. In this respect, we will continue to adopt prudent borrowing procedures, including restricting new borrowing to priority areas of intervention that facilitate private sector development and poverty reduction; and accessing outright grants or borrowing on highly concessional terms. This will be reinforced by the Debt Strategy Technical Working Group (DSTWG), which has been formally established to serve as a coordinating body to develop, implement and monitor the debt strategy and to support and ensure consistent debt management implementation.

Mr Speaker, the Debt Management Division (DMD) will be expanded to include the management of the domestic debt. Other activities that will be pursued include the upgrading of skills; acquisition of equipment; and the improvement of the physical environment. A National Debt Strategy and New Financing Workshop will be convened in April 2004. The workshop aims to strengthen the human and economic capacity of the Government in debt strategy and new financing issues that apply in a post-HIPC context.

## **G. Improving and Expanding the Infrastructure to Support Economic Activity**

Mr Speaker, improving and expanding the physical infrastructure has been a cornerstone of the Government's strategy to boost investment and stimulate economic growth. We have spent billions of dollars in constructing, re-constructing, rehabilitating and repairing the decrepit infrastructure facilities that we inherited in 1992. We intend to continue this approach in 2004.

### **1. Transport and Communication**

We have budgeted to spend \$3.4 billion to improve the network of highways, roads and bridges. This year, work will be completed on the rehabilitation of the Mahaica/Rosignol road; the construction of the 4-Lane highway; the rehabilitation and expansion of the West Demerara main road; and the designs for the rehabilitation of the New Amsterdam/Moleson Creek Highway and the southern entrance into Georgetown. The project to reconstruct the Corentyne Highway will be presented to the IDB in June. Almost \$700 million has been allocated to refurbish community roads countrywide.

Mr Speaker, a bridges rehabilitation programme has complemented the rehabilitation and expansion of the road network. We will spend over \$2.2 billion to complete the construction of the two new main bridges at Mahaica and Mahaicony, and the construction and/or replacement of smaller bridges and culverts between Timehri and Rosignol. Routine maintenance will be carried out on the road and bridges network on the national highways throughout Guyana. In February 2004, work restarted on the construction of the Takatu Bridge that will link Guyana and Brazil. Also, the IDB has agreed to finance the pre-feasibility study for a multi model project involving the construction of a heavy-duty cargo highway linking Guyana and Brazil, and a deep-water port in Guyana. In the interim, a local private sector company has been given the contract to improve and maintain the road. Finally, discussions are continuing on the most feasible option for constructing the Berbice River Bridge.

The completion of these projects will not only result in a continuous throughway between Eastern Guyana and Southern Brazil but will also open up new lands, investment and trading opportunities. This will redound to the benefit of Guyana, especially Linden and the surrounding communities, which would be further challenged economically with the planned closure of Omai Gold Mines next year. The Government will also spend \$100 million on the repair of minor bridges throughout the country.

In the air transport sector, a sum of \$670 million has been programmed, of which \$573 million will be used to execute works under the IDB Air Transport Sector Reform Project, specifically the upgrade of the runway, rehabilitation of the Arrival's Terminal and the sewerage system, and acquisition of X-ray equipment and a sweeper truck for the main

airport. The Hinterland Airstrip Programme will continue with the rehabilitation of airstrips at Orinduik, Annai and Port Kaituma. Under the Airport Security Programme, \$17 million will be spent to strengthen security at Ogle and Cheddi Jagan International Airports, including the procurement of equipment and the redesign of security procedures.

In terms of our maritime facilities, we will spend \$295 million to complete the construction of the Leguan stelling; continue the rehabilitation of phase 2 of the Coast Guard Wharf; rehabilitate ferry stellings at Georgetown, Vreed-en-Hoop, New Amsterdam and Stanleytown; and refurbish buoys and beacons, among other projects. The Guyana National Shipping Corporation will spend about \$19 million to upgrade port facilities and improve security, including the installation of security cameras to monitor the movement of people and cargo. Also, the Government is examining a proposal of the Shipping Association of Guyana to acquire a Container Inspection System that can be used by all the ports in Georgetown. All of these efforts are designed to meet the new regulations of the International Maritime Organisation by July 1, 2004. Finally, the Government will be focusing attention on developing a coherent transport sector policy. We have already secured financing from the EU to conduct a study to develop an integrated transport network that will allow for smooth movement among air, water and road. The study will begin this year.

## **2. Sea Defence and Drainage and Irrigation**

Mr Speaker, during 2004, we will expend \$955 million to improve our sea defences. In particular, \$457 million will be spent on the rehabilitation of critical sections of river and sea defences at areas such as Johanna Cecelia, Lower Pomeroun, Maria's Pleasure, Blenheim, La Grange, Hyde Park, Grove, Turkeyen, Buxton/Vigilance, Belladrum, and Cornelia Ida; \$345 million will go towards the construction of sea defence at Profit/Belladrum; and \$153 million be used to continue our shorezone management programme, and finalise the designs and prepare tender dossiers for the construction of sea defences at Capoey/Columbia, Hague, Dekinderen/Meten-Meer-Zorg and Tuschen.

The National Drainage and Irrigation Board (NDIB) will spend \$400 million on a range of D&I projects. In addition, the Government has approached the IDB for a loan of \$5 billion for an Agriculture Sector Support Programme. This programme will bring under beneficial occupation over 120,000 acres of prime farmlands in Regions 3, 4 and 6. Feasibility studies and final designs are currently being done.

## **3. Electricity**

Mr Speaker, after the departure of the foreign investor, the new management of Guyana Power and Light (GP&L) was tasked with the immediate responsibilities of stabilising the company's operations, fixing the erratic billing system, and reducing commercial and line losses. While the Government is exploring options for re – privatising the company, a business strategy covering the period 2004-08 has been prepared. It calls for an investment of US\$64 million to tackle many of the problems.

The company is discussing the reformulation of the Unserved Areas Electricity Project Loan with the IDB to focus attention on technical and commercial loss reduction activities. This could result in a reduction of technical and commercial losses of approximately 11 percent over 5 years. This is in addition to new connections to homes that are currently not served with electricity. The number of persons that will benefit will exceed 25,000. The company needs to add in excess of 50 megawatts of new generating capacity in the next five years. It will negotiate purchasing power agreements wherever possible and, in this regard, anticipates purchasing the excess power from Guysuco when the co-generation project comes on stream.

#### **4. Telecommunications**

Mr. Speaker, I wish to reiterate the Government's commitment to a liberalised telecommunications sector - one in which the consumer benefits from freedom of choice and competitive rates. In this regard, the Government obtained funding from the IDB for a project to modernise and promote competition within the telecommunications and information sector, including developing the regulatory framework. In tandem, the Government approached IDB for a loan of US\$22.5 million for an ICT project but the Bank halted processing after the local telephone monopoly company mounted a legal challenge. Since the dismissal of the court action, some progress has been made in the negotiations between the Government and the telephone company. The Bank has made the successful settlement of the issues a precondition for the renewed processing of the loan.

Meanwhile, the telephone company has embarked upon a major expansion programme this year that would result in many existing and new areas benefiting from the addition of 11,000 landlines this year. The company is also the major provider of cellular services, which has grown phenomenally over the last three years. Consumers in this market will benefit tremendously from the entry of another cellular provider.

#### **5. Urban Development**

Mr Speaker, the works, which commenced on several streets in New Amsterdam, Rose Hall and Corriverton, will be completed this year. Another \$519 million has been budgeted under the Urban Development Programme to execute works on No. 79 Market Street and Queen Street in Corriverton; First, Second and Fifth Streets, Swamp Section, and the Main Drainage in Rose Hall; Charlotte, Chapel, King, Church, Pope, Magdalene, Ferry, Kent and Coburg Streets, Cooper's Lane and Lad Lane, as well as the Market and Town Hall in New Amsterdam; Upper Greenheart Street, Purpleheart Street, the Town Hall and Wismar Market stalls in Linden; Dabadeen Street and Bush Lot Market in Anna Regina; and Bourda and Albouystown Markets, and the Abattoir in Georgetown.

Four areas – Bartica, Charity, Parika and Supenaam – have been identified for upgrade to the status of secondary towns, under a Towns Programme. These areas will undergo a series of interventions, including institutional strengthening and development of the basic infrastructure. In 2004, a detailed study to establish the current institutional capacity, human resources, and the administrative and financial systems of each area will be conducted. Also, preliminary work to assess the state of roads, market, stelling, sanitation, waste management sites, and drainage systems will start this year.

### **H. Improving the Quality of Life of the People**

Mr Speaker, it is clear that significant progress has been made with respect to poverty alleviation in Guyana. The 1999 Living Conditions Survey reported that 35 percent of the population was living below the poverty line, with 19 percent living in extreme poverty. While these percentages represent an improvement since 1993, they are still high and further work needs to be done to reduce them. In recognition of this, we have been spending an increasing proportion of our Budget in the social sectors and on special poverty programmes. We intend to continue this trend both in our fight against the scourge of poverty and to give ourselves a reasonable chance of achieving the Millennium Development Goals.

#### **1. Education and Training**

Education and training will remain important components of our strategy for meeting emerging job requirements, increasing incomes, and breaking the generational cycle of poverty. This is why the Government has increased the allocation to this sector from \$12.1 billion or 8.4 percent of GDP in 2003 to \$14.5 billion or 9.4 percent of GDP in 2004. A

number of priorities have been identified. These include curricular and pedagogical reforms, teacher training, recruitment of ancillary personnel, reducing overcrowding, improving facilities and their management, targeting functional illiteracy among out-of-school youths, and institutional strengthening of the Ministry of Education. The PEIP, SSRP, GBET and GEAP projects have already contributed immeasurably to our efforts to address these priorities.

A sum of \$790 million has been budgeted under the SSRP to complete emergency repairs to 20 schools including Port Kaituma Community High, Abram Zuil Secondary, Anna Regina Multilateral, St John's Community High, Friendship Community High, and East Ruimveldt Secondary Schools. In addition, \$20 million has been earmarked under the GBET project to extend the teacher training and distance education programmes. Also, \$279 million has been programmed under GEAP to rehabilitate schools, and purchase furniture and equipment. Under the BEAMS project, over \$450 million will be used to finance several activities including the rehabilitation and construction of schools, purchase of vehicles, furniture and equipment; human resources and institutional strengthening; and provision of numeracy and literacy programmes.

The demand for tertiary education has been growing. In response, the Government has expanded distance education learning, added a Berbice campus to the University of Guyana, and increased the number of technical and vocational institutes. This year, the Government will pass legislation that will establish a framework for technical and vocational education nationally. The Government has approached the Caribbean Development Bank (CDB) for a loan of US\$8 million to increase the infrastructure; and improve the technical, managerial and human resource capacities of Guyana's technical and vocational education system. This programme will result in a higher quality of technical and vocational education – one that is more relevant to the nation's development and more accessible to the population.

Specifically, the proceeds from the loan will be used to train lecturers in specialist areas including pedagogy and androgogy; upgrade libraries; develop resource centers; provide adequate supplies of materials, tools, equipment and machines for classrooms, workshops and laboratories; rehabilitate and enlarge existing Practical Instruction Centres (PICs); enhance teacher training facility of the Government Technical Institute (GTI); provide effective and manageable record-keeping systems via computerisation; provide access to distance learning via both print and electronic resources; encourage stronger partnerships with industry and commerce; and provide information technology equipment for the Technical Institutes and PICs. In addition, \$600 million will be used to procure laboratory and scientific equipment for the University campuses at Turkeyen and Berbice.

Local resources have been budgeted to extend the library in New Amsterdam; rehabilitate the Teachers Training Complex; re-start works on the construction of the Science Laboratory of the University of Guyana, Berbice campus; complete the construction of the Upper Corentyne Industrial Training Institute; construct teachers' quarters; construct and/or extend schools at Hague Back, Bagotsville, Versailles, Zeelugt, Enmore/Hope, Supply, Buxton, Novar, Port Mourant, Glasgow, Kato, West Watooka, and Amelia's Ward; and construct students' hostels at Amelia's Ward and Port Kaituma, and dormitories and a mess hall at Madhia.

## **2. Health and Nutrition**

Mr Speaker, an efficient and capable health sector is vital for improving the standard of living of our people. In 2004, the Government will continue to accord a high priority to programmes aimed at promoting better health care, preventing diseases, and increasing life expectancy. In this respect, the health budget has been increased to \$6.7 billion.

Phase I of the reconstruction of the New Amsterdam Hospital was completed in March 2004



and Phase II has already started. The Government is seeking a loan from the IDB to finance a new, 5-year, US\$15.6 million Health Sector Programme. This project will have two components. The first will target organisational and institutional capacity improvement, including institutional strengthening of the health system; human resource development; health management information system improvement; and strengthening of the pharmaceutical system. The second component will focus on the improvement of health service delivery, and will consist of the rehabilitation and upgrade of the Linden Regional Hospital; feasibility studies and rehabilitation of other priority facilities; and rehabilitation and upgrade of the inpatient ward, and the electric, water and sewage systems of the Georgetown Public Hospital Corporation.

The Basic Nutrition Programme will commence this year. This programme is intended to reduce malnutrition among women and young children in poor communities in Guyana. It focuses on the areas of child feeding practices, anemia reduction, institutional strengthening, and impact evaluation.

The CIDA-funded project on HIV/STIs will continue this year. The focus will be on technical assistance to the National Aids Secretariat; strengthening laboratories to support diagnosis and treatment of STIs, HIV and TB; establishing a new health information system (HIS) to support the collection, storage and communication of health data, and the processing of that data into health information; community health development with an emphasis on the training of nurses, and community and home health care workers for the delivery of palliative care to TB and AIDS patients in non-institutional settings. Given the shortage of nurses in Guyana, the aim will be to train “trainers” capable of developing a cadre of community-based workers and volunteers as complementary health workers. The World Bank has approved US\$10 million for a HIV/AIDS Prevention and Control Project. Both of these programmes will go a long way towards managing HIV/AIDS in Guyana.

### **3. Housing and Water**

Mr Speaker, in 2004, nearly \$1.4 billion has been budgeted to accelerate the housing programme. Under the Low Income Settlement project, more than \$1 billion will be spent to complete infrastructural works at Amelia’s Ward, Waterloo, Good Hope, Non Pariel, Foulis, Golden Grove, Best, Charity, Pomona and Anna Regina; prepare 9,171 house lots at Zeelugt, Tuschen, Caneville, Block 22 Wismar, Sophia, Parfaite / Harmonie, Hampshire South, Belvedere, Hope and Williamsburg South; commence the Environmental Home Ownership Training Programme (EHTP); and start work on the development of a practical model and functional framework for low-income funding under the Mortgage Access Credit Scheme.

Another \$200 million has been allocated to complete infrastructural works at Mon Repos, Parfaite/Harmonie, Eccles, Golden Grove, Culvert City, Bath, Onderneeming and Mosquito Hall/Riversview; and to construct roads, drains and a water distribution network at Cornelia Ida, Eccles, Hope Lowlands, Enmore/Haslington and Belfield. Under the EU housing development programme, \$10 million will be used to procure the services of a consultant to prepare terms of reference for the design of new housing areas; and to establish a Community Development Fund.

With respect to water and sanitation, \$1.5 billion has been budgeted to improve and upgrade the systems. The bulk of the funding will be used to complete work at Eccles, LBI, and Bartica; rehabilitate the Linden Water and Georgetown Sewerage and Water Systems; improve water supply in rural communities; procure pipelines and other supplies; improve the billing system; and provide for a hygiene promotion programme.

### **4. Social Safety Nets and Poverty Intervention Programmes**

Mr Speaker, the Government is cognisant that the process to reform the economy would

result in some dislocation. To mitigate the impact and reduce the discomfiture felt by poor and vulnerable sections of the population, it has taken two approaches: strengthen social safety nets; and target special poverty intervention programmes.

In terms of safety nets, the National Insurance Scheme (NIS) has upgraded its systems and facilities to better serve its stakeholders and beneficiaries. It has also raised benefits, including pensions. In recent years, however, the Scheme has experienced declining income, both from investment and contributions. The Government will take action to arrest this development and will move to safeguard the integrity of the Scheme. It will undertake a review of the investment strategy, with a view of finding other low-risk high-yielding outlets. I also wish to announce an increase in the NIS contribution rate from 12 percent to 13 percent, effective April 1, 2004. The employee would now be required to pay 5.2 percent and the employer 7.8 percent. The self-employed contribution rate will increase from 10.5 percent to 11.5 percent, effective from the same date.

The Ministry of Labour, Human Services and Social Security will undertake an analysis of the profile and needs of people affected by sector restructuring. This analysis will help it to develop novel safety net options, including innovative severance packages and re-training for new and emerging job opportunities. The Ministry will also continue to administer its Old Age Pension and Social Assistance Programmes. Approximately 50,000 persons will benefit from a sum of \$1.1 billion that has been budgeted to support these programmes this year.

Mr Speaker, in 2004, we have increased the budgetary allocation and expanded the coverage of our poverty programmes. Under SIMAP III, over \$980 million has been provided to finance community development, education, health, and drainage and irrigation projects. The budget for the BNTF V programme is \$385 million, which will be used for rehabilitation of roads; construction and/or extension of schools, the Lethem Hospital, and health centres; and the laying of pipelines and fittings in selected areas. Approximately \$370 million will be spent under the PRCSSP. Also, the LEAP is programmed to spend \$450 million. Other poverty intervention initiatives, which the Government will undertake this year include:

- An Exercise and Text Book Programme, \$250 million;
- A School Feeding Programme for Nursery and Primary students, \$100 million;
- A Poverty Programme inclusive of a School Uniform Programme, \$350 million;
- A CXC Subsidy for needy children, \$47.5 million;
- An Oral and Optical Health Programme for the Aged, \$50 million;
- An Amerindian Development Fund, \$30 million; and
- A Nutrition Programme for children and pregnant and lactating mothers, \$109 million.

## **I. Job Creation**

Mr. Speaker, during this year, Go-Invest will continue to encourage and facilitate a number of private sector investments that will add value and create jobs in the economy. In the wood sector, over \$300 million will be invested in two projects to produce outdoor furniture, dressed lumber and prefabricated wooden homes for sale in the Caribbean. Sixty new jobs will be created in the Linden area. In preparation for the Cricket World Cup in 2007, the construction of two new hotels will start this year. This \$8 billion investment will see the addition of 340 rooms and the creation of 150 jobs. In the information and communications technology sector, approximately \$800 million will be invested to establish a call centre in Linden that will create 150 jobs. Another investment of about \$200 million in this sector is

currently being negotiated.

Mr. Speaker, as indicated before a number of public sector projects will either commence or be advanced this year. Projects such as the Skeldon Estate Modernisation Project, the rehabilitation of the Corentyne Highway and Phase II of the New Amsterdam Hospital will create hundreds of jobs in Regions 5 and 6. The planned initiatives to revitalise the bauxite sector will generate jobs and provide vital income and economic support to Linden and the surrounding communities. In addition, the new legislation on small business development together with the numerous training programmes mounted by public and private sector agencies will boost self-employment and the start-up of small and medium-sized businesses.

## **J. Governance and Accountability**

Mr. Speaker, over the past year the Government has worked assiduously to have more participatory governance and enhanced public accountability. This process has been driven by the constructive engagement between the President and the Leader of the Opposition and facilitated by the return of the main opposition party to Parliament in May 2003. Important Parliamentary and constitutional reforms have been initiated. The Parliamentary Management Committee and the four sectoral committees of Parliament have been constituted and they have commenced work. The 2004 Budget contains provision to strengthen Parliament Office so that it can properly execute its support functions to these bodies. The emoluments of Members of Parliament (MPs) who are members of the Parliamentary Sessional Committees have been increased, in recognition of their increased workload, while a new allowance has been introduced for geographic constituency MPs.

After a protracted period of being held in abeyance, all of the constitutional commissions have finally been re-constituted and the emoluments of the members have been increased. The work of these bodies is already evident in, for example, the filling of critical vacancies, and new appointments and promotions in the Police Force, the Judiciary, and the Public and Teaching Services. Funds have been budgeted for the Ethnic Relations Commission, which has already started its work. Provision will be made for the other commissions when they begin operations. Legislation was passed last year to give greater autonomy to local government bodies. The Government hopes that democracy at the local government level will be advanced further with the holding of elections this year, after yearly deferrals since 1997.

Mr. Speaker, with respect to public accountability and the oversight of the financial affairs of Government, both the Audit Act and the Public Procurement Commission Tribunal Act will be passed this year. The Audit Act will elaborate the functions and authority of the Auditor General; and promote the greater independence of the Office of the Auditor General (OAG), among other objectives. Together with the Office of the Auditor General and the Economic Services Committee, the Public Procurement Commission Tribunal will help to improve the oversight of public financial management.

## **K. Crime and Security**

Mr. Speaker, it is well known that crime, like political instability, can and does have a negative effect on growth and investment. Guyana's experience over the past two years stands as eloquent testimony to this fact. The Government has responded positively and swiftly with a number of measures to fight crime, and these have been responsible for a moderation of especially violent crime. But the nature of crime is constantly changing; therefore, our approaches and methods must change to meet the new challenges.

We will continue to provide the Guyana Police Force and other enforcement bodies with the necessary legislative, financial and technical support in the fight against crime. Funds have been budgeted to rehabilitate buildings; purchase equipment and vehicles; recruit additional policemen; and increase police patrols and their presence in the worst affected areas. The

British Government will provide training in firearms and crowd control. We will work with our international partners to remove the threats posed by the upsurge in terrorism, drugs and arms trafficking, money laundering, kidnapping, and other serious crimes. All of these efforts must be buttressed by greater involvement of the politicians, the private sector, civic society, and non-governmental organisations, indeed all of the people of Guyana. The judicial arm of the state also has an important role to play in crime fighting. Mr Speaker, there can be no wavering in our collective commitment to remove this scourge from our society, lest we send the wrong signals to the criminals.

## **L. Improving Data Coverage and Accuracy**

Mr. Speaker, the Government will move to improve the country's capacity to generate economic and social data, undertake evidence-based policy analysis, and monitor the implementation and impact of the Poverty Reduction Strategy (PRS). In this regard, the Population and Housing Census was completed and submitted to the Government earlier in the year. The Census is an invaluable source of information on population characteristics, income, and quality of life. It will be released to the public shortly.

The Bureau of Statistics will undertake two important projects this year. The first has to do with re-basing the GDP. Guyana's current base year is 1988, the year preceding the year of introduction of the Economic Recovery Programme. It has become necessary to change the year of reference to one that is closer to the current year, and to ensure that the changes in the sectoral composition of the economy are properly reflected in their contributions to overall national economic performance. At the regional level, a core challenge of the movement towards a Single Market and Economy is for countries to have a common base year to measure and compare economic activity and growth nationally and regionally. This does not exist currently. The Caricom Secretariat will be working with member countries with the intention of re-basing their national accounts to a common base year of 2002.

The Bureau of Statistics will also be embarking on a nationwide Household Income and Expenditure Survey (HIES), commonly called a Living Conditions Survey. This exercise will start in July/August and will last for one year. The main objective of the survey is to derive a new basket of goods and services that households currently consume, from which to compute a new consumer price index (CPI). The CPI is the basis on which the inflation rate is determined. The last major HIES was done in 1992/3 and this was after a period of twenty-two years. It is important therefore to capture not only the current expenditure patterns but also the relevant components of expenditure so that the monthly tracking of consumption will permit the most accurate determination through the inflation rate.

The Bureau of Statistics will be the centerpiece of a new, US\$3.8 million, IDB-funded Social Statistics and Policy Analysis Project, which will come on stream this year. The objective of the project is to improve the collection and dissemination of timely and reliable statistics through capacity strengthening of the Bureau. Another component will be devoted to training of technical staff in line ministries and other agencies in PRS implementation to promote the use of quantitative data analysis for monitoring, evaluation, and public decision-making.

## **5. Economic and Financial Targets in 2004**

### **A. Real Gross Domestic Product**

Mr. Speaker, our policies and measures to reform the economy would result in the resumption of growth this year. Real GDP is projected to grow by 2.5 percent in 2004. The implied growth rate and performance of each sector are as follows:

#### **1. Agriculture**

Sugar production is budgeted to grow by 8.6 percent to 328,383 tonnes, reversing the decline of last year. Rice output is projected to increase by 1.4 percent to 360,000 tonnes, and is premised on increased acreage being put under cultivation, better drainage and irrigation facilities, and favourable weather conditions for the first and second crops. The projected growth rates for the other sub sectors of Agriculture are: livestock, 2 percent; other agriculture, 2 percent; fishing, 0.5 percent; and forestry, 0.5 percent.

#### **2. Industry**

The mining and quarrying sector is programmed to decline by 3 percent, reflecting mixed performances in gold, diamonds and bauxite. Gold declaration is projected to fall by 5.5 percent to 369,737 ounces, largely because of an anticipated 10.8 percent decline in production by Omai Gold Mines Limited. Declaration by the local miners is budgeted to increase by 8.8 percent. Output of diamonds is projected to increase by 1.8 percent to 420,000 carats. Bauxite production is expected to fall by 10.5 percent to 1,535,000 tonnes. The sizeable increase in public sector investment and the acceleration of the housing programme are partly responsible for the projected growth in the engineering and construction sector by 3 percent. The manufacturing sector is budgeted to increase by 1.5 percent.

#### **3. Services**

Mr. Speaker, services will continue to make a significant contribution to the GDP. The transport and communication sector is projected to grow by 3 percent, mainly as a result of the anticipated expansion in landline and cellular telephones. Distribution is targeted to grow by 2 percent, reflecting increased consumer imports and domestic economic activities. Other sectors under services are projected to grow as follows: rent of dwellings, 1.5 percent; financial services, 1 percent; government, 1.5 percent; and other services, 1.6 percent.

### **B. Inflation and Monetary Policy**

Mr. Speaker, the Bank of Guyana will conduct monetary policy so as to achieve the objectives of stability of exchange rate and prices, the promotion of private sector credit expansion, and meet the balance of payments and reserves targets. The growth in base money has been targeted to ensure a low inflation rate, which has been projected at 4.5 percent in 2004. The Bank of Guyana will intervene in the foreign currency market, as necessary, to meet the official net international reserves target.

### **C. Balance of Payments**

Mr. Speaker, even though the current account deficit of the balance of payments is programmed to deteriorate sharply, the overall deficit is projected to improve to US\$5.4 million, from US\$9.9 million in 2003.

Merchandise exports are budgeted to increase by 6.9 percent to US\$552.7 million. Increased volume exports and a favourable euro/US\$ exchange rate would be responsible

for the 14.9 percent growth in the export value of sugar, whose earnings are projected at US\$148.4 million. Export receipts from rice are budgeted to grow by 23.4 percent to US\$55.9 million. In addition, bauxite exports are expected to earn US\$48 million, an increase of 7.6 percent, while other exports will improve from US\$124.9 million to US\$137.8 million. However, gold exports are programmed to decline by 3.3 percent to US\$126.6 million.

The target for merchandise imports has been set at US\$645.4 million, an increase of 12.9 percent, partly reflecting the accelerated implementation of key public sector projects and increased imports of consumer and capital goods. Net services are programmed to fall by 3.7 percent, largely because of lower debt servicing commitments. With transfers expected to remain flat, the current account deficit is projected to increase to US\$118.9 million, from US\$84.1 million in 2003. On the other hand, the capital account is expected to improve by 45.5 percent to US\$113.5 million, and this will help to reduce the overall deficit to US\$5.4 million, from US\$9.9 million.

## **D. Targets for the Non-Financial Public Sector**

### **1. Central Government**

Mr. Speaker, current revenue of the Central Government is projected to grow by 5.5 percent to \$47.9 billion, with the GRA accounting for 92.8 percent of the total. The Internal Revenue Department is expected to increase its collections by 7.1 percent to \$24 billion, largely reflecting a substantial growth in company income tax, and the impact of the tax reform and administrative measures. Revenue of the Customs and Trade Administration Department is also budgeted to increase by 7.1 percent to \$20.5 billion. The contribution of other current revenue is programmed to decline to \$3.4 billion, from \$3.9 billion, partly in response to lower royalties, dividends and Bank of Guyana profits.

A marginal increase in current expenditure (net of the reimbursable rice levy) has been planned. It is projected to grow to \$50 billion compared to \$49.7 billion last year. However, there will be significant shifts in the composite categories. Personal emoluments will rise to \$17.7 billion; other goods and services will increase by 16.7 percent to \$13 billion, while transfers are projected to decline by 9.4 percent to \$12.1 billion. Interest payments are programmed to fall to \$7.2 billion, from \$8.9 billion in 2003, reflecting a mix of external debt relief and slightly higher domestic interest cost.

The substantial growth in capital expenditure to \$23.8 billion, from \$17.3 billion last year, is partly due to a \$3.5 billion increase in capital transfers to Guysuco for the Skeldon Estate and drainage and irrigation projects. Grants are projected to rise by 23.2 percent to \$10.3 billion. These developments will result in an overall deficit after grants of \$15.6 billion (equivalent to 10.1 percent of GDP) compared to \$13.2 billion, or 9.1 percent of GDP in 2003. The deficit will be financed by net external borrowing of \$11.7 billion and net domestic borrowing of \$4 billion.

Mr. Speaker, this Budget envisages the largest spending ever undertaken by the Central Government, with a total expenditure estimate of \$75.6 billion. This represents an increase of 5.3 percent over the latest estimate of expenditure in 2003.

### **2. Public Enterprises**

Mr. Speaker, total receipts of the public enterprises is projected at \$74.2 billion, an increase of 11.6 percent. Total expenditure is estimated to grow by 11.4 percent to \$71.6 billion. The current surplus of the enterprises is expected to rise by 58.2 percent to \$7.6 billion, while the overall surplus should improve to \$2.6 billion, from \$2.2 billion in 2003.

### **3. Non-Financial Public Sector Deficit**

Mr. Speaker, the deficit of the non-financial public sector is programmed to increase to 8.4 percent of GDP, from 7.6 percent of GDP in 2003. The increase is due largely to a 2.2 percentage point growth in the capital transfer to Guysuco.

## 6. Conclusion

Mr. Speaker, we have presented to this Honourable House a Budget that aims to restore growth, increase public expenditure in all of the priority areas and enhance social development. This in itself is testimony of our continued commitment to progressively improve the quality of life of all Guyanese. More important, however, to be able to do so in the context of projected low inflation and without increasing taxes is a tribute to, and a belief in, our management capability.

From the beginning of this renewed mandate, we have sought to chart a course and pursue an agenda to meet the goals and objectives that we set in our Manifesto, and which have been subsequently developed in the Poverty Reduction Strategy Paper. There have been many challenges, not least of which have been emerging threats in the international economy, and domestic political instability and crime. These have led to some setbacks; for example, we have not grown as fast as we had planned. But we have never wavered from our resolve to build a better place for the people of this country. Each time we stumbled, we emerged more learned, more determined to take the next step in that long journey to prosperity.

This Budget is another building block in our effort to lift the country from the status of a highly indebted poor country to a medium-income, semi industrial one, (capable of withstanding shocks) where growth is sustained and where citizens enjoy high social development. With the continued implementation of sound policies and reforms, such as those in this Budget, and with the collective will of all of our people, such a vision is increasingly achievable in the not too distant future. Let us, therefore, rise above whatever differences we may have and unite in the common cause of building this great nation that has been bequeathed to us by our fore – parents so that we may leave a rich legacy for future generations.

May God continue to bless Guyana!

Mr. Speaker, I thank you.