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BUDGET SPEECH

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Minister of Finance

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1. Introduction

1.1 Madam Speaker, I rise to move the motion for the approval of the Estimates of the Public Sector and the Budget for the Financial Year 2008 and, in so doing, I wish to indicate that, pursuant to Article 171 Paragraph 2 of the Constitution, the Cabinet has recommended that the National Assembly proceed upon this motion.

1.2 Madam Speaker, twelve months ago, I presented the first budget of our Government's current term of office under the theme *Building a Modern and Prosperous Guyana*. That budget reiterated our vision of a better Guyana for all Guyanese, it articulated an ambitious policy agenda for the medium term, and it presented programmes and projects for last year, all aimed at consolidating the impressive gains already made in transforming our economy and improving the lives of our people. Throughout 2007, our Government was diligent in implementing this policy agenda and, at the end of the year, the result was an economy which had demonstrated remarkable resilience in an increasingly testing external environment, and a country clearly on its way to realising its long celebrated potential.

1.3 Last year, in a number of other ways, also gave us much cause for pride in ourselves and optimism in our future. Prominent amongst these is the manner in which the collective energies of our entire country were galvanised into the successful hosting of our segment of Cricket World Cup 2007. There could hardly have been a single Guyanese person who did not feel pleased with the manner in which we acquitted ourselves in hosting this mega-event. Our physical surroundings were beautifully enhanced, our services in both the public and private sectors were delivered with courtesy and efficiency, our visitors were vocal in their praise, and we felt good as a people. In like manner, the 2007 Rio Summit and Commonwealth Finance Ministers Meeting were also very successfully hosted in Guyana. This was so from the perspective of Guyana's contributions through these events to the global dialogue on issues affecting our national interest, as well as from the standpoint of the excellent administrative arrangements that were made for these meetings. Still on the same note, the ruling delivered by the Arbitral Tribunal established under the United Nations Convention on the Law of the Sea, on the matter of Guyana's maritime boundary with Suriname, was the source of strong and unified satisfaction across our country, and provided

a very substantial fillip to national confidence and optimism. Madam Speaker, for all of these reasons and many more, 2007 was a good year for Guyana.

1.4 Having said that, Madam Speaker, 2007 was also a year that provided us with a stark reminder of our vulnerabilities as part of the global economic system. The unprecedented surge in world market prices for fuel and non-fuel commodities exceeded all expectations and presented policymakers around the world with the prospect of rising inflation. Guyana and the rest of the Caribbean were to be no exception and, while our Government took a number of proactive steps to contain the impact of these global developments, some amount of pass-through to the domestic economy was inevitable. That notwithstanding, our economy continued to grow.

1.5 Madam Speaker, our vulnerabilities are not only external in origin. The horrific events of January 26 and February 17, 2008 provided us with a cruel reminder of the magnitude of the threat that can be posed from within. Our country mourns the passing of the innocent as we condemn the evil of the perpetrators. The greatest tribute that we can offer to those who paid the ultimate price is to devote all of our energies to the preservation of peace and harmony in our country, and ensure that the gains that we have made as a nation are not undone but instead are advanced. This is the pledge of our Government, that the unity of our people will not be shaken, and that the progress of our nation will not be slowed.

1.6 Madam Speaker, in the face of today's challenges, our Government remains uncompromising in our resolve to continue the task of transforming our economy, developing our country, and improving the lives of our people. It is against this background that the Budget for 2008 is developed. It reaffirms our commitment to take appropriate actions in response to our immediate challenges, both external and domestic, but it balances this with our commitment to continue to take the tough decisions that will create a better Guyana for the longer term.

1.7 In the Budget which I am about to outline, I will set out how we aim to deliver on our promises to the Guyanese people in six broad areas:

- Firstly, we will continue to manage the economy responsibly, and avoid short-term actions that can undermine our potential for long-term growth;
- Secondly, we will accelerate the programme of infrastructure development that has transformed the physical landscape of this country in recent years;
- Thirdly, we will sustain our significant investments in the most important social services, particularly education, health, housing, water, and sanitation;
- Fourthly, we will continue to give practical expression to the belief in compassion, fairness, and equality of opportunity, which are deeply held core values of this Government, by increasing targeted assistance to help the most vulnerable in our society and those most impacted by changes in the national and international economic situation;
- Fifthly, we will ensure that the justice and security sectors continue to accelerate reforms to deal with the current and emerging challenges; and
- Finally, we will advance institutional reforms aimed at further transforming the business environment to stimulate greater investment, job creation and sustained economic growth.

1.8 Taken together, these objectives reflect the need for steadfastness and discipline as we continue the reform process that is so critical for achieving our vision and realising the aspirations of our people. Budget 2008 is therefore presented under the theme *Staying the Course: Advancing the Transformation Agenda*.

2. Review of the Global Economy

2.1 Madam Speaker, the world economy grew by 4.9 percent in 2007 in line with expectations at the start of the year. This growth was supported by strong performances in emerging economies which grew by 7.8 percent, led by China with growth of 11.4 percent. In comparison, advanced economies recorded more modest growth of 2.6 percent, including the United States where growth of 2.2 percent was realised. While the United States subprime mortgage market triggered financial turbulence in the second half of 2007 and contributed to increased uncertainty and slowdown in that country and other advanced economies, these developments did not have much immediate fallout on emerging market and developing economies.

2.2 Madam Speaker, these growth performances were achieved against the background of significant inflationary pressures arising from movement in commodity prices. Compounding the historic rise in oil prices, non-fuel commodity prices also surged during the year. These increases were dominated by food prices which increased by 27.2 percent, with commodities such as wheat, corn, and soybean recording higher increases, reflecting demand for biofuel feedstock, low inventories of grain, shortages in capacity, along with the impact of the continued escalation in oil prices.

2.3 Madam Speaker, in 2008, world growth is expected to be slower at 4.1 percent, with major emerging markets again taking the lead. Emerging market and developing economies are projected to grow by 6.9 percent and advanced economies at 1.8 percent. The United States is projected to grow at 1.5 percent, reflecting the threat of recession. The main risk to the outlook for global growth is derived from the ongoing turmoil in the financial markets, which can reduce demand in advanced economies. Another key risk for both emerging market and developing economies in 2008 is continued inflationary pressure, with commodity prices projected to remain high.

2.4 Within the CARICOM Region, preliminary information indicates output performances that were positive in 2007, but inflation at levels above expectations. Following the Emergency Meeting of CARICOM Heads of Government late last year to

consider the rising cost of living being faced by the people of our region, Heads recognised that most of the factors contributing to rising prices were beyond the control of our countries. On the subject of food production and food security, Heads expressed appreciation for the generous offer by the Government of Guyana to Member States of access to land in pursuit of agriculture production, and urged that advantage be taken of this offer. They also pledged to proceed urgently with the transformation of agriculture in the Region, particularly through the Jagdeo Initiative. Following the mandate given by that meeting, work is currently ongoing on finalising the list of products for regional agreement to suspend or reduce the Common External Tariff in an effort to lower acquisition costs for selected items imported extra-regionally.

2.5 Meanwhile, 2007 was an especially critical year in terms of the external trade negotiations in which Guyana and the rest of CARIFORUM were involved. On December 16, 2007, CARIFORUM's representatives concluded negotiations with the European Union (EU) on a WTO-compatible Economic Partnership Agreement (EPA) against the backdrop of the threat by the EU of imposition of tariffs on Caribbean exports of sugar, bananas and manufactured goods. Guyana has already expressed our concern that the agreement removes the development features of our long-standing arrangements with Europe.

3. Review of the Domestic Economy

A. Real Gross Domestic Product

3.1 Madam Speaker, I am pleased to report that the economy realised real growth of 5.4 percent in 2007. This reflects a sustaining of the 2006 growth measured at 5.1 percent, and compares favourably with the 4.9 percent that was projected for the year.

B. Sectoral Performance

3.2 Madam Speaker, the sugar industry defied less favourable weather conditions and industrial disruptions, particularly in the second half of the year, to grow by 2.7 percent to a total production of 266,482 tonnes. Rice production also suffered from the effects of heavy rain, especially in the second half of 2007, and sector production declined by 2.9 percent to 298,198 tonnes. Other agricultural subsectors returned encouraging growth performances with other crops growing by 4.6 percent while livestock production grew at 2 percent. The fisheries sector was able to return growth of 3.2 percent despite increased incidents of piracy. The forestry sector, however, declined by 11.1 percent, reflecting reduced harvesting as a result of weather factors and a tapering of domestic demand for construction materials towards the end of 2007.

3.3 Madam Speaker, the mining and quarrying sector recorded a strong recovery from last year with growth of 22.7 percent as a result of performances in the bauxite and gold subsectors. Total bauxite production in 2007 increased by 51.6 percent to 2,242,928 tonnes, reflecting strong returns to the increased private investment in the sector. Raw gold declarations totalled 238,928 ounces in 2007, a 15.7 percent increase over the previous year, driven primarily by the high price of gold on the international market. On the other hand, diamond declaration saw a rather disappointing decline of 21 percent with total declaration in 2007 of 268,925 carats. This was partially as a result of diversion of capacity to the more attractive prospects in the gold industry.

3.4 Madam Speaker, the manufacturing sector returned a mixed performance. While some sub-sectors reported increased production over the comparable period in 2006, including plywood, paints, stockfeed, beverages, edible items, and electricity generation, others such as rum and flour reported reduced output. These developments aggregated to an overall growth of 1 percent in the sector.

3.5 The engineering and construction sector grew by 5.7 percent reflecting, strong growth in imports of building materials supported by increases in the number of new mortgages by over 12 percent. This reflected heightened activity to complete facilities in time for Cricket World Cup, as well as sustained activity in residential and commercial construction.

3.6 The services sector returned very strong performances, led by the transport and communication sector which grew by 13 percent. Growth in this sector was led by the communication sub-sector as a result of the unprecedented explosion of market competition between telecommunication companies, bringing with it dramatic increases in subscriber numbers, volume of traffic, and product range, along with significantly reduced prices. The distribution sector grew by 9 percent consistent with the increase in the level of consumer and intermediate goods imported for retail. Similarly, the financial sector recorded 7 percent growth in 2007, on account of increased lending to the private sector as well as increased total deposits. Rental of dwellings, other services and the government sector recorded growth rates of 3, 5 and 1 percent respectively.

C. Balance of Payments

3.7 Madam Speaker, the overall balance of payments at end 2007 amounted to a modest deficit of US\$1.4 million compared with a surplus of US\$42.9 million recorded in 2006 and a surplus of US\$41 million projected for 2007.

3.8 The current account recorded strong growth in export earnings which, together with the increase in remittances and the reduction in net payment for services, counterbalanced the increase in imports arising from commodity price movements and increased economic

activity. The capital account reflected significant increases in inward foreign direct investment which partially offset an increase in short-term capital outflows arising from accumulation of foreign assets by commercial banks.

3.9 Total export earnings increased by 16.4 percent to US\$680.9 million which reflected positive volume and price developments in almost all of our export commodity sectors. Sugar exports amounted to US\$150.1 million or 9.6 percent above the 2006 value. While the volume of sugar exported increased by 3.1 percent to 246,013 tonnes, the average export price obtained for sugar was 6.3 percent higher at US\$610.3 per tonne during 2007 up from US\$574.2 per tonne at end of 2006. This was primarily the result of developments in the Euro to US dollar exchange rate. Rice export earnings amounted to US\$75.3 million, 37.9 percent above the level in 2006. The volume of rice exported amounted to 269,436 tonnes, 31.7 percent above the 2006 level reflecting a significant reduction in rice inventories at the end of 2007 relative to 2006, while the average export price of rice was US\$279.3 per metric tonne in 2007 or 4.7 percent higher than the average price for the previous year. The increase in export volume was due to the expanded extra-regional market for the commodity. Receipts from bauxite exports amounted to US\$101.5 million, 55.0 percent above the value for the corresponding period in 2006. Export volume rose to 2,198,771 tonnes at the end of 2007 from 1,465,358 tonnes for the corresponding period in 2006. The average unit price witnessed a 3.1 percent increase to reach US\$46.1 per tonne. Receipts from gold exports were US\$153.1 million, 33.8 percent higher than the 2006 level. Export volume rose to 232,093 ounces from 202,336 ounces as favourable world prices continued to spur mining activity. The average export price per ounce of gold rose to US\$659.8 in 2007 up from an average of US\$565.6 in 2006.

3.10 Merchandise imports increased by 20.1 percent to US\$1,062.5 million. This increase reflected a 19.3 percent increase in the value of imported fuel and lubricants to the value of US\$284.6 million, along with substantial increases of 30.6 percent in the value of imported consumption goods, 16.6 percent increase in non-fuel intermediate goods, and 16.1 percent increase in capital goods, as a result of heightened economic activity.

3.11 The capital account registered a surplus of US\$238.7 million compared with US\$268.6 million in 2006. This outturn was due to net short-term private capital outflows which rose to US\$95 million from US\$4.1 million for the corresponding period in 2006 and reflected commercial banks accumulation of foreign assets. Net private investment expanded very significantly to US\$152.4 million from US\$102.4 million in 2006 and was concentrated mainly in the mining and telecommunication sectors.

3.12 The modest balance of payments deficit was financed by debt relief, while the Bank of Guyana increased its external reserves position to end the year with total reserves of US\$313 million compared with US\$278 million at the end of 2006.

D. Monetary Developments

3.13 The principal focus of monetary policy continued to be the fostering of price stability while encouraging private sector credit growth. Net domestic credit by the banking system increased by 4 percent to \$45 billion. Consistent with the real expansion in output recorded in 2007, credit to the private sector increased by 18.7 percent to \$73.3 billion. This accelerated growth was due primarily to increased lending to the real estate mortgage sector which grew by 31 percent, the personal/household sector by 35.9 percent, other services by 21.3 percent, and the distribution sector by 12.5 percent. Credit to the rice milling and manufacturing sectors also grew by 11.2 percent and 3.8 percent, while credit to the agriculture and mining sectors declined by 15.4 percent and 13.9 percent respectively.

E. Prices and Income

a. Inflation Rate

3.14 Madam Speaker, the inflation rate was 14.0 percent in 2007, compared with 4.2 percent in 2006 and 5.2 percent projected for 2007. This reflected a number of factors. Imported price escalation, particularly in the fuel and food categories, unseasonal rains, and flood conditions in food producing areas exerted upward pressures on domestic prices. These were compounded by challenges in the transition to value-added tax, where there was

evidence that some retailers did not adjust for the consumption tax transitional relief and input tax credits that they would have benefited from and merely added the value-added tax on top of their existing prices.

3.15 Our Government took a number of steps during the year to contain the inflation rate and to mitigate impact on the domestic consumer. In addition to maintaining a disciplined fiscal and monetary policy stance, we implemented a number of direct interventions.

3.16 Madam Speaker, over the course of last year, Government progressively lowered the excise tax rate on gasoline and diesel from the standard rate of 50 percent to 17 and 10 percent respectively. The result was that, while the acquisition cost of imported gasoline rose by as much as 73.3 percent during 2007 on the world market, consumers in Guyana only faced a 6 percent increase in the price of gasoline at the pump. This was the direct result of Government's reduction of the tax rates, and the same pattern is revealed in the case of diesel, while Government maintains its policy of no taxation on kerosene.

3.17 Prudent management continued to be applied to the public sector utilities, such as electricity, water, ferries, and the harbour bridge, in an effort to contain the extent to which increased operating costs were felt by consumers. In addition, to reduce the impact of rising prices on the cost of living, our Government opened the market for flour to allow for competition, and zero-rated the value added tax on an extensive list of food and other items of basic necessity.

b. Interest Rate

3.18 Commercial bank interest rates trended downward as a result of higher levels of liquidity in the banking system, with the weighted average lending rate declining from 13.12 to 12.40 percent during 2007 while the small savings rate moved from 3.19 to 3.15. The 91-day treasury bill rate also contracted from 4.16 to 3.90 percent due to competitive bidding for treasury bills while the spreads between the various interest rates remained mixed.

c. Exchange Rate

3.19 Madam Speaker, the foreign exchange market continued to be very active in 2007. Total foreign currency transactions in the financial system amounted to US\$3.5 billion, 8.2 percent more than in 2006. The market continued to reflect an adequate supply of foreign currency, and the floating exchange rate adjusted accordingly.

d. Developments in Wages

3.20 Madam Speaker, teachers benefited in 2007 from the comprehensive multi-year wage agreement concluded in 2006. In accordance with this landmark agreement, they received a 5 percent across the board increase which was incorporated into their salaries for January 2007 and paid from the start of the year. In addition, they received increased education and uniform allowances and other benefits during the year pursuant to the agreement. Later in the year, they were also paid an additional across the board increase of 4 percent, bringing the total increase paid to teachers to 9 percent effective from January 1, 2007.

3.21 The disciplined services received a 6 percent increase incorporated into their January 2007 salaries, and a further 3 percent increase later in the year to bring their total increase to 9 percent with effect from January 1, 2007.

3.22 Public servants and pensioners also benefited from a 9 percent across the board increase with effect from January 1, 2007.

3.23 In addition, Constitutional office holders and members of the National Assembly received a 9 percent increase with effect from January 1, 2007 while, with effect from December 15, 2007, Appeal Court Judges received a further increase of \$200,000 monthly and Puisne Judges and Magistrates received a further increase of \$100,000 monthly.

3.24 Madam Speaker, our Government continues to view the conclusion of multi-year agreements as the most appropriate means of ensuring predictability and timeliness in the award of increases to wages and salaries of public sector employees.

F. Fiscal Position

a. Non-Financial Public Sector

3.25 Madam Speaker, the non-financial public sector recorded a deficit of \$16.6 billion in 2007, as against an actual deficit of \$20.6 billion in 2006 and \$18.9 billion projected for 2007.

b. Central Government

3.26 Current revenue (net of rice levy) increased by 28.6 percent to \$80.3 billion as a result of improved revenue performance across several categories of tax revenues. Total tax revenues collected by the Guyana Revenue Authority (GRA) amounted to \$77.3 billion compared to \$58.5 billion in 2006. Collections from internal revenue amounted to \$32.4 billion an increase of 6.2 percent over the previous year, reflecting significant increases of 20.7 percent in income tax from self-employed persons and 11.8 percent in corporation tax from private sector companies. Customs and trade taxes yielded \$8.2 billion, reflecting a 45.9 percent increase in import duties and including \$1.4 billion of residual consumption taxes received in 2007. The value-added and excise taxes yielded total collections of \$36.7 billion. The increased collections from customs, trade, value-added and excise taxes are reflective of the significant increases in imports realised during the year. Non-tax revenues declined partly as a result of lower dividends received, although transfer of profits from the Bank of Guyana increased.

3.27 Non-interest current expenditure amounted to \$58.5 billion or 6.2 percent higher than in 2006. This reflected growth of 9.9 percent in personal emoluments to a total of \$22.1 billion, growth in other goods and services of 4.5 percent to \$20.4 billion and growth in transfer payments of 3.6 percent to \$16.1 billion. Much of the increased expenditure was driven by requirements in such areas as security, electricity, water, drainage and irrigation and other infrastructural maintenance expenses, and hosting of the major international events held during the year.

3.28 Total interest payment declined by 12.5 percent to \$6.2 billion, reflecting lower external interest costs as a result of the conclusion of the Multilateral Debt Relief Initiative (MDRI), while domestic interest costs increased on account of higher interest paid on treasury bills.

3.29 Capital expenditure increased by 2.6 percent to \$42.9 billion. Underlying this is an increase of 20.4 percent in the Central Government public sector investment programme. This was primarily the result of higher spending on the electrification programme, including on the acquisition of interim power generation, network expansion and loss reduction activities, increased investment in the provision of coastal water, on the implementation of machine readable passports, and in acquiring equipment for house to house registration and in preparation for local government elections. Also underlying this is a decline of 54.3 percent in Central Government transfers to public enterprises to finance capital projects. Specifically, transfers for the Skeldon project declined from \$10 billion to \$3.8 billion.

3.30 Total grants amounted to \$11.1 billion, a decline of 36.5 percent from the level of grants received in 2006. This decline reflected the integration of enhanced HIPC grants into MDRI relief along with lower disbursement of non-project grants.

c. Public Enterprises

3.31 The overall performance of the public enterprises deteriorated significantly, with an overall deficit of \$415 million in comparison with a surplus of \$3.4 billion in 2006. While total revenue increased by 6.5 percent to \$90.2 billion, non-interest current expenditure also increased by 7.8 percent to \$84.4 billion. Total capital expenditure incurred by public enterprises increased by \$3.2 billion over 2006 almost entirely as a result of Guysuco's higher expenditure on Skeldon. As a result of this, relative to 2006, Guysuco's overall balance declined by \$2.7 billion, while that of the Guyana Power and Light Inc. (GPL) declined by \$801.5 million reflecting primarily the impact of high oil prices on the operations of that company. Taxes transferred by the public enterprises to Central Government declined by 5.6 percent to \$1.2 billion.

G. Debt Management

3.32 The most significant development during 2007 regarding the Guyana's external debt position was the delivery and implementation of the Inter-American Development Bank's MDRI with effect from January 2007, which has finally returned Guyana's debt stock to a sustainable level for the first time since the country fell into arrears over twenty-five (25) years ago. Under the MDRI, the IDB has cancelled all outstanding debts incurred by Guyana prior to December 31, 2004 which resulted in savings of about US\$20 million in debt service in 2007. By end December 2007, the stock of external debt had fallen by 31 percent to US\$0.7 billion while debt service payments decreased by 18 percent to US\$18.5 million, relative to 2006.

3.33 Guyana continued to approach its non-Paris Club and commercial creditors for debt relief. In February 2007, the Government and Citizens Bank Inc. signed an agreement to reach an out-of-court settlement on the repayment of the outstanding Government of Guyana bonds. This was followed by China granting additional debt relief to Guyana in July 2007, of approximately US\$15.3 million which brought the total debt relief provided to Guyana by China to approximately US\$34.9 million. Negotiations have reached an advanced stage to enable Guyana to sign a debt cancellation agreement with Venezuela in 2008 to write off 100 percent of Guyana's outstanding debt in the value of US\$12.5 million.

3.34 The debt sustainability outlook in 2007 relative to 2006 showed a significant improvement, but Guyana remains moderately at risk with respect to debt distress since we still face the prospect of a decline in the availability of concessional resources from our traditional development partners and remain vulnerable to potential external shocks. We remain firm on the need for greater access to concessional financing as a key component of our strategy for debt management and sustainable financing of our development agenda.

H. Public Sector Highlights

1. Infrastructure Expansion and Modernisation

a. Roads and Bridges

3.35 Madam Speaker, over \$8.8 billion was spent on construction, rehabilitation and maintenance of roads and bridges during 2007. Key highlights included substantial completion of Phase 1 of the New Amsterdam/Moleson Creek Road Project at a cost of \$2 billion, completion of the four lane road on the East Bank Demerara at a cost of \$459 million, rehabilitation of 33 kilometres of roads at Bartica, Charity, Parika and Supenaam to the tune of \$823 million, rehabilitation of 24 kilometres of paved roads at DeHoop and Mara Road at a cost of \$201 million, rehabilitation and maintenance of rural roads and bridges in all ten Regions. Among the benefits arising from these interventions are improved access to thousands of acres of agricultural lands and increased opportunities to farmers. In addition, 2007 saw the installation of 47 sets of traffic lights at key junctions along urban roadways.

b. Air Transport and Maritime Infrastructure

3.36 Madam Speaker, the continued modernisation of the Cheddi Jagan International Airport saw the replacing of two conveyor belts, the extension of the immigration and customs arrivals areas, and the outfitting of the arrivals and departures booths with computers and passport reading machines. In addition, Government allocated \$668 million to upgrade and modernise the equipment capabilities of the Civil Aviation Authority. Over \$600 million was also expended to rehabilitate the New Amsterdam, Morawahanna and Stanleytown stelling, and to dock the M.V. Malali and the M.V. Makouria.

c. Sea and River Defence

3.37 Amounts totalling \$2 billion were expended on the rehabilitation of sea and river defence structures along the West Coast Demerara and the reconstruction of sea defences at Profit/Foulis and Belladrum in addition to the maintenance of approximately 6.2 kilometres of sea defences along the coastline and the dredging of rivers and outlets.

d. Drainage and Irrigation

3.38 Madam Speaker, Government expended over \$3.4 billion on drainage and irrigation in 2007, on rehabilitation and maintenance of drains and channels, excavation of outfall channels, completion of embankment and empoldering works, construction and rehabilitation of structures, purchase and operation of heavy equipment, and purchase and installation and rehabilitation of pumps. These activities minimised the incidence of flooding and improved the effectiveness of water management in agriculture areas.

e. Hydrometeorology

3.39 Madam Speaker, work commenced on the Doppler radar project and a total of \$415 million was expended. This modern radar system will support aircraft navigation at the Cheddi Jagan International Airport, and enhance the ability of the Hydrometeorological Department with respect to weather forecasting to support agriculture and industry.

f. Energy and Power Generation

3.40 Madam Speaker, in 2007, Government spent over \$3 billion to improve electrification in unserved and underserved areas and upgrading of existing systems. This amount financed acquisition of 10 megawatts of additional generating capacity at a cost of \$777 million, procurement and installation of 361 computerised meters that can be read remotely, replacement of over 8,300 defective meters, and removal of 13,000 illegal connections. Additionally, \$863 million was spent on the Guysuco Skeldon power plant which started exporting in excess of 4 megawatts of power to the national grid using generators powered by heavy fuel oil.

g. Agriculture

3.41 Activities intensified on the Skeldon modernisation project with a total of \$6.9 billion, including \$4 billion of Guysuco's own resources, being expended to accelerate completion of the factory, preparation of lands to facilitate mechanical harvesting, and infrastructure to support and promote private cane farming.

3.42 The agriculture diversification drive was also promoted by restructuring and expansion of the agricultural extension services programme, importing a number of cattle and swine as breeding stock for multiplication and distribution to farmers, establishment of four demonstration plots to train farmers in husbandry and crop management, and refurbishing the central packaging facility in Sophia. In forestry, initiatives that were completed included promotion of lesser used and lesser known species, training of stakeholders in sawmilling techniques, and development of a legal verification system to enable exporters to give assurances to other markets on environmental best practices.

2. Social Sector

a. Education

3.43 Madam Speaker, in 2007, expenditure in the education sector amounted to \$17.1 billion. Increased focus on literacy and numeracy continued to be a core priority. Key highlights included construction, rehabilitation, and maintenance of school buildings and other infrastructure at a total cost of \$2.3 billion, including completion of secondary schools at Wisburg and Diamond, expending of \$520 million to equip educational facilities, acquisition of some 410,700 text books at a cost of \$330 million for distribution to primary schools, production of new and upgraded teaching methodology modules and other teaching aids at a cost of \$575 million dollars, and provision of over 400,000 meals at a cost of approximately \$221 million on the hinterland school feeding programme.

b. Health

3.44 Madam Speaker, the health sector expended \$10.6 billion in 2007. Key highlights included construction of the Ophthalmology Centre at Port Mourant, the four Diagnostic Centres at Suddie, Leonora, Diamond, and Mahaicony, and the Mabaruma, Lethem and Mackenzie Hospitals, acquisition of over \$2 billion in medicines and commodities for the sector, establishment of capability for complete diagnosis for heart disease and completion

of open heart surgery for the first time, and maintaining the operation of 118 Prevention-of-Mother-to-Child-Transmission (PMTCT) sites countrywide.

c. Housing and Water

3.45 Madam Speaker, our Government continues to invest in housing infrastructure for our people. To this end we expended approximately \$1.5 billion, of which \$273 million was used for infrastructural works in sections of Cummings Lodge and Westminister; \$717 million was expended to complete areas in Sophia, Kaneville, Wismar and Parfaite Harmonie to benefit a further 5,489 allottees bringing the total number of beneficiaries of improved infrastructure under the Low Income Settlement Programme to 20,000 persons; \$308 million was expended on construction and paving of roads, drains and structures in housing schemes in such areas as Hope Lowlands, Enmore, Linden, Edinburgh, Groenveldt; and 724 house lots were allocated, 2,750 transports processed, and 165 squatter settlements regularised.

3.46 Madam Speaker, in the water sector, over \$4.2 billion was invested in efforts to ensure adequate, reliable, and potable water, which included upgrade of transmission and distribution networks, leak repairs, drilling of new wells, purchase of generators and booster and solar pumps.

d. Other Targeted Interventions

3.47 Madam Speaker, we also continued to implement a number of special interventions aimed at improving the lives of the most vulnerable members of our society. Some of these included:

- Expending \$500 million in education and skills training at the Kuru Kuru Training Centre, New Opportunity Corps, Sophia Training Centre, and the Smythfield Drop-in-Centre, and the Madewini Youth Camp;
- Establishment of a child protection unit;
- Providing support to over 250 at-risk children;

- Streamlining the old age pensions database and the pensions books distribution system, enabling timely receipt of pensions from the start of 2008;
- Consultation on the “Stamp It Out” paper aimed at strengthening protection against domestic violence and reforming the laws on sexual offences; and
- Conclusion of Mission Miracle, which commenced in July 2005, and saw a total of 40,000 screened and 5,000 sent to Cuba for surgery.

I. Improving the Institutional Environment

3.48 Madam Speaker, in the justice sector, Government commenced implementation of the US\$10.2 million Justice Improvement Programme with the establishment of the Justice Sector Reform Strategy Steering Committee and its technical secretariat. In addition, selected achievements of the sector during the year included reduction of backlog cases, construction and furnishing of the Fort Wellington Magistrates Court, purchase of furniture and equipment for the Court of Appeal, and establishment of a Night Court during the Cricket World Cup which resulted in the processing of 20 to 40 cases per night and served to reduce the burden of overnight lockups.

3.49 In the financial sector, the Bank of Guyana enhanced its efforts at providing sound prudential policies and guidelines. In this regard, the supervisory framework was strengthened with the adoption of a risk-based approach to bank supervision and progress was made in drafting new guidelines. In insurance, the Office of the Commissioner of Insurance increased its supervisory capacity through the introduction of on-site inspections for insurance companies. New regulations were finalised and issued to address the registration of insurance companies and the annual filings required of those companies.

3.50 In addition, the broad-based National Insurance Reform Committee commenced their review of the operations of the Scheme, engaged in wide consultation, and has now completed its report, which covered legislation and compliance, information and communications technology and human resources management, investment and financial management, and benefits. This report and the results of the seventh actuarial review are currently being considered by the Cabinet.

3.51 Madam Speaker, in the area of tax administration, in excess of \$505 million was invested in the GRA while another \$2.2 billion was spent to finance the operations of the Authority. Major initiatives implemented during the year included implementation of the value-added and excise taxes and phasing out of the repealed taxes; introduction of the Total Revenue Integrated Processing System (TRIPS), a major computerised system which will improve efficiency and integrate operations across the various departments of the GRA; development and introduction of the Taxpayer Identification Number (TIN) which will also enhance efficiency in tax administration; establishment of a fully integrated regional tax office in Corriverton along with the establishment of regional offices at Bartica, Parika and Rosignol; and conducting extensive taxpayer education activities.

4. The Agenda for 2008

A. Macroeconomic Framework

4.1 Madam Speaker, our Government views the continued maintenance of a stable macroeconomic environment, the acceleration of our institutional reform agenda, and strategic public sector investments particularly in facilitative infrastructure, as absolutely critical for the realisation of higher levels of private investment and the achievement of sustained economic growth.

4.2 In this regard, this budget is crafted in the context of a sustainable fiscal deficit, maintaining debt sustainability, improving the balance of payments and international reserves position, maintaining a stable exchange rate and low interest rates, and promoting price stability.

B. Investments for Transformation

4.3 Madam Speaker, I now wish to describe some of the main investments to be made in 2008 in pursuit of the realisation of our vision of a modern and prosperous Guyana.

1. Restructuring the Economy

a. Modernising the Traditional Sectors

4.4 Madam Speaker, our Government continues to place the highest priority on ensuring the long term viability of our sugar industry by increasing its competitiveness. The enhancement of agricultural productivity, diversification, increased investment in research and development, and the establishment of new processing facilities are among the key areas targeted to achieve the goals of the sector.

4.5 Productivity will be enhanced through upgraded facilities and mechanisation of harvesting. Mechanised cane harvesters are expected to be on the ground in the second quarter of 2008 as well as other field equipment to contribute to the mechanised cutting of cane. A land conversion programme will see more lands laid out to accommodate mechanised harvesting and work is ongoing with private farmers to mechanise their operations in order to achieve greater efficiency in production. Additional lands to be planted are also expected to increase the amount of cane available.

4.6 Madam Speaker, 2008 will see the coming into operation of the much anticipated Skeldon sugar factory. To this end, amounts totalling \$7.6 billion will be spent to complete field improvements and the factory including the bagasse generating plant, and Skeldon output is projected to increase by 38.8 percent to 38,500 tonnes of sugar this year.

4.7 In addition, this year will see the commencement of work on a US\$10 million project to upgrade the Enmore factory and to commence construction of a packaging plant. Of this amount, US\$7 million is budgeted to be spent in 2008. When completed, this project is expected to provide the most modern and hygienic packaging facilities within the Caribbean and will meet the most stringent of inspections.

4.8 Madam Speaker, Government's efforts will likewise continue to be exerted to promote the competitiveness of our rice industry. In this regard, drainage and irrigation systems, technology transfer, market research and financial assistance will continue to be enhanced. The varietal improvement programme will be strengthened to produce a more pest resistant and high yielding variety of rice with two new lines expected in 2009, while the technology transfer programme will be accelerated to improve farmers' knowledge in the use of pesticides and fertilisers. In addition, a project coordinated by the Guyana Rice Development Board to improve seed quality will also result in a wide distribution of an improved quality of rice seed to farmers. It will also provide studies for value-added in rice and rice by-products, facilitate the development of private sector investment in the rice seed industry, and promote good agricultural practices in rice production. Two new seed facilities are also expected to commence operations later this year.

4.9 Madam Speaker, over the past year, we have witnessed a robust recovery in the bauxite mining industry reflecting the scaled up private investments in both the Linden and Berbice River operations. This year, the industry is expected to continue to expand with production increases projected for both Linden and Berbice. The two companies operating in the sector are expected to expand production and exports significantly. Government is currently anticipating submission of a feasibility study for an alumina refinery in Linden, while the ongoing pre-feasibility study of a large hydro project in the Upper Mazaruni to support a smelter is expected to progress to full feasibility. These developments auger well for the prospect of a bauxite-alumina-hydro-smelter complex in Guyana owned by the private sector.

b. New and Emerging Sectors

4.10 Madam Speaker, while the traditional sectors of our economy continue to grow and show great resilience, our Government places high priority on actively promoting accelerated diversification of the economy. In this regard, non-traditional agricultural subsectors, tourism, alternative energy, and information technology are among the future growth poles.

4.11 This year, our Government will launch and commence implementation of a US\$20.9 million Agricultural Export Diversification Programme. Key components of this project will result in the promotion and consolidation of agribusiness, support for the implementation of agribusiness plans, construction and equipping of an abattoir, strengthening agribusiness export and facilitation services, improving the effectiveness of the animal and plant health and food safety units under the Ministries of Agriculture and Health, and the establishment of three agribusiness clusters in the areas of fruits and vegetables, livestock and aquaculture.

4.12 In 2008, the livestock, small-stock, aquaculture and apiculture industries will benefit from interventions aimed at enabling those subsectors to realise their potential. To this end, the cattle and swine that were acquired last year will be multiplied and distributed, small ruminant stock will be acquired for breeding and distribution, a tilapia hatchery will be established by Government, fish farmers will be trained to enable them to practice scientific and sustainable aquaculture, and efforts intensified to revitalise the beekeeping industry. In

addition, the National Dairy Development Programme will provide partial material assistance to 130 individual farmers and 8 farmers' groups for their resuscitation of 300 acres of pasture in 7 of our regions. In excess of 425 farmers are expected to benefit. The budget also provides \$35 million for the establishment of a new laboratory at the National Agriculture Research Institute. This laboratory will consolidate all of the pest and disease management and quarantine services, as well as provide training to farmers and agriculture researchers and students.

4.13 Madam Speaker, Guyana's hosting of the tenth Caribbean Festival of the Arts (CARIFESTA X) is expected to generate much activity for the domestic tourism industry. The festival will be the cultural highlight of the Caribbean for the year and will provide an excellent opportunity for Guyana to solidify our image as a tourist destination in the region. This budget provides over \$300 million to upgrade venues for the various CARIFESTA events. Government will also continue to support the industry in targeting the nature based tourist market with specific emphasis on niche sectors such as yachting, birding, and eco-tourism. In this regard, the recent publication of a Bradt Travel Guide devoted to Guyana, our inclusion in Doyle's yachting guide, and Guyana's recent classification as a country of neo-tropical birding are all expected to promote growth in the sector.

4.14 Government continues to make efforts to encourage the growth of telecommunications services at all levels, as a means of facilitating access to reliable, reasonably priced and advanced information and communication technologies. During 2008, the sector is expected to grow and innovate even further. It is expected that a new submarine fibre optic cable will be landed and operational in the near future. Another key impetus for investment in, and growth of, the information and communications technology industry is a fully liberalised telecommunications sector along with a modern regulatory structure. In order to advance sector reform, Government will engage in negotiations with the monopoly operator later this month.

4.15 Madam Speaker, the recent decision by the Tribunal in the matter of the arbitration between Guyana and Suriname paves the way for a resumption of petroleum exploration activities in the affected area. That area is thought to have considerable economic potential.

Government will continue to facilitate and encourage exploration activities. If these were to be successfully completed and if we were to discover and bring into production an economically feasible deposit, the economic implications for Guyana would be very significant in the long term.

4.16 Government is pursuing vigorously private sector investment in the alternative energy sector, specifically hydropower and biofuels. With respect to the former, Government continues to work with a strategic private partner to finance the construction of the hydropower project at Amalia. Engineering, procurement and construction bids are expected to be solicited in the second quarter of this year, with financial close expected to follow later in the year. With respect to biofuels, we are currently in receipt of 11 private sector proposals for investment. These will continue to receive our vigorous and positive attention.

4.17 Madam Speaker, as I have recently indicated, Government is currently considering the possibility of establishing an offshore financial sector in Guyana. While a previous attempt was made over twenty years ago, by the passage of an Offshore Banking Act, that Act was never brought into operation. We believe that an offshore sector that is supported by strong institutional arrangements, including OECD-compliant legislation, will have the potential to contribute to growth in Guyana. The technical work that will inform Government's deliberations on this matter has commenced and will advance during this year.

2. Improving the Physical Infrastructure

4.18 Madam Speaker, the modernisation and development of our country's infrastructure is key to transforming the landscape for economic development. Our Government will continue its consistent emphasis on the expansion and modernisation of Guyana's physical infrastructure, both through public investment and strategic partnerships. In addition, increased attention will be paid to maintaining our newly upgraded infrastructure.

a. Roads and bridges

4.19 In 2008, a total of \$6.2 billion has been budgeted for roads and bridges, of which \$5 billion will be spent on roads and \$1.2 billion on bridges.

4.20 Madam Speaker, the rehabilitation of the New Amsterdam to Moleson Creek road continues apace. Government has allocated \$1.8 billion for the completion of Lot 1 from New Amsterdam Stelling to No. 36 Village and the commencement of Lot 2 from No. 37 Village to Moleson Creek. Government has also budgeted \$1.7 billion to rehabilitate and maintain urban and rural roads in all ten Regions, including such areas as Santa Rosa to Kwebanna, Henrietta, Leguan, Stewartville, Friendship, Enmore, Bush Lot, Fyrish, Agatash, Katoonarib to Rupununi Bridge and Blueberry Hill.

4.21 With respect to bridges, the Government has allocated \$857 million for the rehabilitation of 54 bridges along the Timehri-Rosignol corridor. This amount will be spent on widening road shoulders, improving traffic lighting at selected areas on the East Bank, widening intersection to create additional turning lanes, and road striping and marking, all aimed at enhancing road safety.

4.22 Madam Speaker, the much awaited Berbice River Bridge is slated for completion in 2008, with a further \$980 million budgeted to complete the access roads. This project serves as a model of how private financing can be mobilised to create public infrastructure and, on completion, will meet a long recognised gap in the integration of our coastal infrastructure. Work on the Takutu Bridge will also be completed by mid-year officially bridging our border with Brazil, and further analytical work will be undertaken towards the construction of a highway from Linden to Lethem.

4.23 Recognising that a critical part of road and bridge maintenance is weight control, an amount of \$160 million has been allocated to purchase 4 fixed platform vehicle weight scales and 5 additional portable scales. The fixed scales will be installed at Lethem, Wismar, the west side of the Berbice Bridge, and the west side of the Demerara Harbour Bridge, while

the portable scales would be deployed as required to safeguard the structural integrity of our roads and bridges network.

b. Air and River Transport

4.24 Government recognises the importance of expanding and enhancing the facilities for both domestic and international travel. To this end, an amount of \$108 million is budgeted for the construction of two new airstrips at Wakenaam and Leguan and the rehabilitation of the Baramita Airstrip, while an additional \$29.7 is budgeted for the maintenance of domestic aerodromes. Also to this end, the CJIA will benefit from \$28 million for the rehabilitation and upgrade of the electrical system at the airport. In addition, airport security training will be intensified.

4.25 Madam Speaker, in the area of river transport, this Government remains committed to reducing the travel time and improving market access between Parika and Supenaam. To this end, discussions are advancing satisfactorily on the acquisition of two roll-on and roll-off ferries to augment the existing fleet of vessels as part of the upgrading of the ferry service. We have also completed the redesign of the Parika stelling. Government's commitment to upgrade our maritime infrastructure will be further advanced with an allocation of \$395 million for the docking of ferry vessels and dredges, acquisition of spares, and rehabilitation of stellings and navigational aids.

c. Sea and River Defence

4.26 Madam Speaker, during the course of this year, our Government intends to continue executing major infrastructural works throughout the country with a view to sustaining the economic livelihoods of our citizens that are most vulnerable to flooding. We intend to continue strengthening our extensive sea and river defence network by allocating a total of \$2.2 billion to continue construction, rehabilitation and maintenance of our sea defence structures.

4.27 With these resources, we will continue the restoration and maintenance of sea defences in Regions 2, 3, 4, 5 and 6. In addition, we will be developing an overall policy

framework, including a national sea defence maintenance strategy which, in the long term, is expected to lower the cost of protecting the coastline. Work will also continue on the extension of the shorezone management system in Regions 5 and 6, and the implementation of a pilot project for mangrove regeneration protection at Mon Repos.

d. Drainage and Irrigation

4.28 Madam Speaker, with respect to drainage and irrigation, a number of programmes are ongoing to reduce flooding and to irrigate farmlands. In 2008, a total of \$3.7 billion is projected to be spent in this sector.

4.29 Madam Speaker, the Conservancy Adaptation Project is an important intervention undertaken by Government, with the objective of reducing the vulnerability of catastrophic flooding in Guyana's low lying coastal area which is currently under threat from global warming and rising sea levels. Through this intervention, Government intends to develop a hydraulic engineering foundation critical for flood control management, identification of at least 10 key drainage regimes for follow-on interventions, and increase the current discharge capacity of the coastal drainage and irrigation system. An amount of \$50 million is allocated in 2008 to commence this work.

4.30 The National Drainage and Irrigation Authority will rehabilitate and maintain drains and channels, excavate outfall channels, continue works on embankment and empoldering, construct and rehabilitate culverts, kokers and structures, and rehabilitate drainage pumps, at a cost of \$2.1 billion. This will benefit farmers along coastal and riverain areas.

e. Energy and Power Generation

4.31 Madam Speaker, Government's policy in the area of energy and power generation sector continues to focus in the medium to long term on the development of hydropower capabilities, while in the short term efforts will be concentrated on increasing the reliability and efficiency of GPL's operations through more efficient power generating capacity and an upgraded transmission and distribution network. Government has therefore budgeted an amount of US\$21.2 million to be provided to GPL to advance this effort. GPL will acquire

an additional 20 megawatts of generating capacity utilising the more economical heavy fuel oil, and upgrade the transmission line between Skeldon and the No. 53 Village power station to allow full utilisation of the power generated by Guysuco. Other initiatives include implementation of a new customer information system, continuation of the meter replacement programme, and introduction of new metering technology.

4.32 In the area of hinterland electrification, the demonstration pilot projects which commenced in 2007 will be completed and assessed to determine lessons learnt to assist the implementation of additional projects. An amount of \$220 million has been provided to purchase a diesel electrification system for Port Kaituma, construct distribution systems for Orealla and Siparuta, and install solar panels in hinterland communities, among other works.

C. Investments in our People

a. Education

4.33 Madam Speaker, our new Education Strategic Plan for 2008 to 2012 is being finalised and will focus on literacy and numeracy programmes, universal secondary education, teacher training, school health, nutrition and HIV/AIDS, science and technology, and the creation of a labour force with skills that match the needs of our development agenda. In 2008, the new Education Act is also expected to be finalised. The sector is budgeted to expend almost \$19 billion. Of the total allocation, \$3.4 billion will be expended on capital projects while \$15.5 billion will be expended in the operations of the sector with almost \$9 billion to be expended on wages and salaries.

4.34 Madam Speaker, we recognise that innovative approaches are needed to tackle the issue of literacy. In order to increase literacy, a more aggressive programme has been conceptualised that will see an additional \$115 million for the implementation of a nationwide Literacy Programme through a Fast Track Initiative. This programme will specifically target low performing children, out of school youth and adults and is expected to benefit 9,000 children and 4,500 adults. In addition, we are partnering with non-governmental organisations which are supporting the sector's literacy programme to expand

the delivery. Another \$89 million will be spent to continue the training of master trainers, cluster advisers and cluster trainers so that our teachers can be trained in literacy methodology. Numeracy is also being addressed by a similar model of cascade training and will benefit from a further \$90 million in 2008. The Innovative Radio Instruction (IRI) programme will see approximately \$10 million expended on classroom modules and teaching guides to support its expansion into higher grades.

4.35 The delivery of education in classrooms will also benefit from:

- Increased supervision from master trainers, cluster advisers and cluster trainers;
- Over \$728 million being spent on teacher training to upgrade capabilities and curriculum modules, provide improved teaching aides to teachers and learning materials to students and introduce innovative and modern educational methodologies; and
- With respect to universal secondary education, approximately 300 hinterland teachers will be trained through the distance education programme in Mathematics and English for secondary schools over the next two years, for which purpose \$120 million has been allocated this year.

4.36 Madam Speaker, access to education is enhanced with our ability to provide suitable facilities for children and where necessary our teachers. Over \$2 billion has been budgeted for construction, rehabilitation and maintenance of schools and buildings in the education sector, including the completion of the Bartica secondary school and the construction of the Mahaica secondary school. A further \$200 million is allocated for the maintenance of related infrastructures such as fences and access bridges.

4.37 Madam Speaker, we recognise the need for an alternative pathway to secondary education given our goal of universal secondary education. The Skills for Life programme, designed to impart skills in the areas of carpentry and joinery, sheet metal, welding, electrical installation, masonry, visual art, catering, garment construction, crops and animal science and hydroponics, was piloted in 2007 and will be expanded this year with an allocation of \$60 million.

4.38 The budget provides amounts totalling \$624 million to support the operations of the two campuses of the University of Guyana, including recurrent subventions of \$565 million, and capital allocations totalling \$59 million for the upgrading of facilities, provision of textbooks and science laboratory equipment. Further, the Student Loan Agency will benefit from an additional \$450 million to facilitate access to programmes offered by the University.

4.39 An amount of \$500 million is budgeted for the construction of teachers' houses in Regions 1, 7, 8, and 9, the provision of electricity and water to schools in Regions 2, 3, 7 and 10, procurement of text books, and continuation of the school feeding programme.

b. Health

4.40 Madam Speaker, our Government firmly believes that health is a fundamental social right and a priority pillar on which to build national development. This principle sees the Government allocating \$12.1 billion to the health sector in 2008. Capital expenditure is projected at \$3.3 billion, while current expenditure is budgeted at \$8.8 billion.

4.41 Madam Speaker, a new inpatient facility at the Georgetown Public Hospital Corporation (GPHC) will bring our goal of total reconstruction of the physical infrastructure closer to reality. This year \$1.2 billion is allocated for the completion of the new modern Linden Hospital and the commencement of the GPHC inpatient facility. Similarly, health services will be offered in modern new hospitals in Lethem and Mabaruma as well as the Suddie, Leonora and Mahaicony Hospitals which have been reconstructed to accommodate comprehensive diagnostic centres. Amounts totalling \$140 million will be spent to operationalise the centres at Suddie, Leonora, and Mahaicony, the ophthalmology centre in Port Mourant, and to rehabilitate the Fort Canje psychiatric hospital.

4.42 New services such as hip replacement, heart surgery, cancer treatment, expanded eye care services, such as glaucoma, are already offered at the GPHC and will be expanded in 2008. An allocation of \$2.8 billion has been provided for operation and maintenance of the hospital, which includes \$91 million to upgrade the electrical and water supply system.

4.43 In 2008, we will advance mental health by integrating the diagnosis and treatment for depression in the primary healthcare setting and related outpatient clinics will be offered at all regional hospitals and at some large health centres in order to bring services closer to the people. A comprehensive substance use dependency programme has already been developed and assistance to deal with addiction to alcohol and tobacco are being strengthened in collaboration with NGOs such as the Salvation Army and others.

4.44 Madam Speaker, addressing the human resource gap in the health sector remains a priority. This year, over 70 graduates from the Guyana/Cuba collaboration will arrive to complete their final year of studies in Guyana. In addition, the Cuban doctors and technicians operating the East Bank Regional Hospital have added to the overall medical capacity in the country, including the provision of services such as endoscopy and surgery. Other Cuban doctors and technicians will operate clinical services at Leonora, Suddie, Mahaicony as well as the National Ophthalmology Centre at Port Mourant later this year. In addition, 5 new postgraduate trained surgeons will become available for assignment to the regional hospitals. Further, we expect to recruit a new class with a minimum of 250 undergraduate students this year, in addition to the 633 students currently in the Nursing School. The dentistry training program with University of Guyana will take in another batch of 10 students this year. We also expect to train 10 nurses and 5 doctors in anaesthesia and this will expand the surgical capacity of the GPHC and of other hospitals in Guyana.

4.45 A total of \$340 million will be spent on the Basic Nutrition Programme, to continue manufacturing and distributing sprinkles to children and pregnant women through 79 centres catering for 44,000 beneficiaries countrywide. The evidence shows sprinkle distribution to families at 49 health centres has contributed to healthier babies and a significant reduction of anaemia. This program will expand with the addition of 30 more health centres and the eventual distribution of sprinkles at all health centres.

c. Housing and Water and Sanitation

4.46 Madam Speaker, in the housing sector we will continue to provide access to affordable housing for low income earners. This will be achieved by several measures including the acceleration of housing development, timely processing of land titles, and the regularisation of squatters. In 2008, the sector will complete infrastructure for approximately 3,000 lots in housing schemes, allocate a further 2,000 low income and middle income house lots, and process 2,500 titles and transports.

4.47 Against this background the housing sector is programmed to expend \$1.5 billion to improve infrastructure for existing and new housing areas. To this end:

- \$850 million is allocated to provide infrastructure in low income settlement schemes such as Westminster, Onderneeming, Bell West, Cummings Lodge, Sophia, and Glasgow; and
- \$420 million is budgeted to complete roads, drains and structures at Plantation Goedverwagting, Farm, Hope/Lowlands, Sophia, Grove, Bath, Amelia's Ward, Ordnance Fortlands, and Speightland, to service an estimated 1,850 house lots, and to provide for the construction and paving of roads, water distribution network, electricity supply and drainage culverts at Tuschen and Baltyock.

4.48 Additionally, the Central Housing and Planning Authority will undertake infrastructure works, including roads, water supply and electricity in areas such as Parfaite Harmonie, Westminster and Onderneeming, Farmer's Field and Plum Park Sophia, and Hope. Further, the drilling of two new wells in Diamond/Grove and Parfaite Harmonie Housing Schemes will realise improvement in water supply to 12,000 allottees.

4.49 Madam Speaker, access to potable water remains high on our list of priorities. The Guyana Water Inc. is currently developing a medium term strategic plan which will see increased focus on improving levels of service, quality of supplies, cost containment, service expansion and hinterland water supplies. This year, over \$3.7 billion is allocated for the provision of potable water supplies that will realise the following:

- Completion of two iron removal plants at Sophia and Central Ruimveldt at a cost of \$500 million, and upgrade of transmission and distribution lines to benefit approximately 50,000 persons at a cost of \$331 million;
- Completion of a treatment plant at No. 56 Village that will benefit 30,000 persons at a cost of \$90 million;
- Design and commencement of construction of three water treatment plants at Lima, Vergenoegen and Cotton Tree which will benefit approximately 55,000 persons at a cost of \$1 billion dollars;
- Expenditure of over \$58 million to improve water supply services to communities in the hinterland regions;
- Expansion and improvement of existing infrastructure to coastal locations and Linden including the replacement of boreholes, service connection upgrades and installation of transmission and distribution mains, at a total cost of \$395 million; and
- Operationalising the new customer billing, information, and metering system at a cost of \$236 million.

4.50 Madam Speaker, our Government has long been committed to raising the standards of sanitation in our capital city and communities in all regions across the country. A total of \$323 million has been allocated to do the following:

- Rehabilitate a septage receiving facility at Tucville and the sewer pump station in Central Georgetown;
- Construct four holding centres at Charity, Supenaam, Parika, and Bartica;
- Conduct institutional strengthening and capacity building of neighbourhood democratic councils to manage solid waste, to design and commence construction of a new sanitary landfill at Haags Bosch; and
- Extend works at the Mandela landfill site to accommodate waste up to 2009.

d. Youth and Sports

4.51 Madam Speaker, our 13-25 years age cohort accounts for 23.6 percent of our total population. It is our duty to ensure that their future is secure and that our young people are fully engaged in their communities and the development of their country and are empowered to lead the generations that follow.

4.52 In addition to our expanding education system and our adolescent health programme several other programmes specifically targeted to our young people will benefit from allocations in this year's budget. The commencement of the second phase of the National Training Project for Youth Empowerment under the Board of Industrial Training will see 1,000 young people who did not complete secondary school being trained in areas in such areas as carpentry, welding, masonry and information technology and \$60 million is allocated to ensure the expansion of the programme.

4.53 Youth Training Centres continue to be key to the development of our young people and an allocation of \$35.7 million will provide for the expansion and maintenance of the Madewini Youth Camp, the purchase of training materials and sports gear and retooling of workshops along with general maintenance at Kuru Kuru, Smythfield, Vryman's Erven and Sophia Training Centres, and the New Opportunity Corps. A further \$20 million is allocated for the Youth Initiative Programme for the establishment of additional facilities in Crabwood Creek, Calcutta and West Canje.

4.54 Madam Speaker, access to sporting facilities contributes to the development and maintenance of an active and healthy society, for all Guyanese and especially our young people. To this end, an allocation of \$259 million is provided for the construction of an Olympic sized swimming pool, rehabilitation of the Cliff Anderson Sports Hall and the National Gymnasium, upgrading the Colgrain Pool, and the purchase of sports gear and equipment.

e. Other Targeted Interventions

4.55 Madam Speaker, while Government continues to implement comprehensive policies to ensure universal access to basic social services, we recognise the need for targeted

interventions aimed specifically at addressing sections of our society that are of particular vulnerability such as the elderly. For this reason, this budget makes a number of provisions to address their needs. These include:

- \$2.5 billion to meet the cost of old age pensions from which 35,000 persons over the age of 65 years will receive a monthly pension of \$6,000 which has been increased by 63 percent over last year;
- \$810 million to meet the cost of targeted public assistance programmes aimed at 15,000 beneficiaries;
- \$120 million to meet the cost of water charges on behalf of the elderly;
- \$105 million under the Amerindian Development Fund will be utilised for priority projects in Amerindian communities,
- \$100 million to establish a fund to provide support to vulnerable single parents;
- \$50 million will be used to construct an Amerindian Hostel and allow increased access to educational opportunities for hinterland students;
- \$50 million to meet the cost of providing spectacles to persons in need;
- \$110 million to finance upgrading and meeting the cost of operations of the Palms; and
- Government will continue to support the school uniform distribution programme and the difficult circumstances programme.

4.56 Madam Speaker, we will also establish a comprehensive child protection strategy, implement a foster care programme to address the needs of orphans and vulnerable children, and advance our national campaign against domestic violence.

D. Enhancing Security and Justice

4.57 Madam Speaker, the incomprehensible horrors of the last few weeks endured by our entire nation brought grief both to the individual families and to the nation as a whole, and also reinforced national resolve on the issue of security. There is no room for terrorism of any kind in Guyana, and we will strengthen all of our agencies that contribute to public safety and national security.

4.58 The reforms in both the justice and security sector will be accelerated to ensure that urgent actions are effectively executed over the short, medium and long term to ensure that the environment we provide for our people is secure now and in the future. To this end, Madam Speaker we have provided \$13.7 billion for the strengthening of our public safety agencies and in the area of security we have spared no effort in securing the support of both our multilateral and bilateral partners to maximise the level of resources available for the sector. With the support of these partners, immediate action is being taken to increase public confidence in the capacity of the law enforcement system. To this end we will:

- Improve the capability of rapid response systems to serious crimes;
- Upgrade our communication systems and expand our access to police and other databases;
- Improve our intelligence gathering and analysis capabilities;
- Intensify training in special operations for selected members of the Joint Services;
- Aably equip our crime fighting forces with appropriate transportation and technologically appropriate equipment to enhance their capacity on the ground;
- Improve the oversight of the sector by strengthening the Office of Professional Responsibility, Police Complaints Authority and Police Service Commission; and
- Develop and implement a leadership training programme for the senior management level of the Guyana Police Force.

4.59 Our Government has allocated over \$900 million to ensure that appropriate equipment and other gear are available for our men and women of our joint services. Included in this Mr. Speaker are two helicopters which will enable us for the first time to operate from the air in our fight against crime. In addition, \$65 million will be expended to expand and equip community policing groups in order to support our crime fighting efforts. Together, these will dramatically enhance the security force's ability to respond in a timely manner to incidents, engage in more effective pursuit, and conduct more effective aerial surveillance and reconnaissance.

4.60 Madam Speaker, crime fighting strategies and actions are complemented by our crime prevention strategies under our US\$22 million Citizen Security Programme. This year, an allocation of \$660 million will be expended to develop an integrated crime and violence information system to monitor trends in crime and violence and allow for more targeted evidence based interventions, design and commence construction of a forensic laboratory and a modern police training facility.

4.61 Over \$300 million is allocated for the completion, construction and rehabilitation of more than 30 police stations countrywide to provide for enhancing the physical working condition for our police ranks and to create a people friendly environment for our citizens. In addition a comprehensive computerisation programme will commence for all our police stations to enhance record keeping and to provide real time information between stations and the Headquarters.

4.62 At the same time \$97 million is allocated for the construction of a juvenile holding centre at Sophia and for the upgrade of the Mazaruni Prison, the completion of the Capital dormitory at the Georgetown Prison and the completion of a training facility for prison officers at Lusignan.

4.63 Madam Speaker, in the justice sector, an average of 7,000 civil cases and another 300 criminal cases are filed each year in our legal system and we will ensure an improvement in the efficiency in which these are addressed. Of the \$1.5 billion allocated to the justice sector this year, \$303 million will be expended under the Programme for the Modernisation of Justice Administration System. This is a US\$10.2 million programme aimed at improving the quality, efficiency and efficacy of service delivery in justice sector institutions, promoting more efficient interactions among justice institutions and improving access to justice for our citizens. The programme will also complement the ongoing work to reduce the backlog of civil and criminal cases in all levels of courts and the delays in the management and adjudication of cases through the design and implementation of new case flow management procedures for which over \$50 million is allocated.

4.64 Madam Speaker, to complement these improvements we have budgeted \$20 million for the construction of new Magistrate's Court at Charity which will allow for extended hours of service through a permanent location thereby enhancing access. With the support of the Government, the Legal Aid Clinic will also be expanding its services to improve access to justice particularly for the more vulnerable.

E. Other Institutional Reforms

a. Competitiveness Strategy

4.65 Madam Speaker, the National Competitiveness Strategy which was produced through an unprecedented partnership between Government and private sector stakeholders, sets out our agenda to achieve a vision of strong private sector led growth through a new generation of economic reforms which target increased investment in Guyana, the creation of new, high quality jobs, and the stimulation of new waves of economic expansion. Implementation of this Strategy is overseen by a high level, broad based National Competitiveness Council.

4.66 In the closing months of 2007, work on this new generation of reform accelerated significantly, with the establishment of the National Competitiveness Strategy Unit to provide cross-Government support for the implementation of priority actions outlined in the National Competitiveness Strategy.

4.67 Work has already started on the first tranche of competitiveness reforms, with a three year programme, to deliver on the following priority areas:

- The Guyana Office for Investment (GOINVEST) will receive significant resources to improve its capacity for proactive image building, investment facilitation, and investment generation;
- Export facilitation efficiency will be improved to internationally benchmarked standards through collaboration between Customs, wharf operators and exporters. In 2008, an action plan will identify areas for immediate implementation as well as a path to longer term reforms;

- The Deeds Registry will be modernised in order to enable it to support greater efficiency in business registration and business filing processes; and
- Greater support will be given to small businesses.

b. Access to Credit Information

4.68 Improving access to finance for individual entrepreneurs and small businesses has consistently been identified as a major priority. Despite considerable liquidity in the banking system, and despite the growth recorded in private sector lending, it is clear that there is much potential in our financial system for lenders to pursue investment opportunities more aggressively. Part of the reason for this is the lack of a modern system to enable credit information sharing across the financial system. To address this, the Government has obtained technical assistance to prepare for the introduction of a credit bureau which will operate in partnership with other CARICOM jurisdictions. When established, this bureau will make available reliable information on a cost effective basis for financial institutions in Guyana, and will reduce the risk and cost of lending.

c. Financial Sector Reforms

4.69 Madam Speaker, during 2008, we will continue to identify and implement reforms to promote the maintenance of a stable financial system and one that is equipped to play an appropriate role in promoting growth in the economy.

4.70 To this end, we have already tabled in Parliament a modern Anti-Money Laundering and Countering the Financing of Terrorism Bill which has been referred to a Special Select Committee. Time has been allowed for interested stakeholders to study the Bill and its implications so that they would be in a position to make informed contributions to the deliberations of the Committee when it commences its work shortly. In addition, as I mentioned earlier, we have also initiated discussions on the legislation that would be required to support a stable offshore financial sector. Further, technical work is advanced on identified amendments that may be required to the Financial Institutions Act to bring it in line with more current standards. Finally, technical work has also already commenced on the preparation of legislation to regulate money transfer agencies.

d. Tax Reform and Tax Administration

4.71 Madam Speaker, our Government is firm in its belief that our tax system must promote our competitiveness as an investment destination, it must be simple and efficiently administered, and it must be effectively enforced to ensure compliance by all who are liable to pay tax, while meeting the requirements of the fiscal operations of Government. In recognition of the need to strike an appropriate balance among these objectives, in 2008, we will conduct a study of our tax system to determine how we can implement further tax reform to ensure that it adheres to all of these principles.

4.72 While we await the completion of this study, we have proceeded to implement a number of reforms aimed at simplifying the business environment and ensuring efficient tax administration and effective compliance. To this end, the abolition of the consumption tax and five other taxes last year reduced the cost of doing business in Guyana and enabled the GRA to redeploy its resources to enhance the effort to contain tax evasion. As I indicated earlier, we are also in the process of implementing a number of other improvements in tax administration, including the complete roll-out of the Total Revenue Integrated Processing Systems (TRIPS) and the Taxpayer Identification Number (TIN) both of which allow for significant re-engineering of the way the Guyana Revenue Authority interacts with taxpayers. We will also examine other ways in which tax administration can be made more efficient and the interaction between the GRA and taxpayers further simplified. To this end, legislation will be introduced during the year.

e. Strengthening National Statistics

4.73 Madam Speaker, we are currently implementing a programme to strengthen our national statistical capabilities and to improve our capacity to monitor developments in the economy. To this end, we are implementing a Social Statistics Project aimed at building capacity in the Bureau of Statistics, in line Ministries, and in Regions to collect and analyse key social sector indicators which would better enable the monitoring and evaluation of the impact of Government interventions on the said indicators.

4.74 We have also commenced a process that will lead to rebasing of our national accounts to a more current year and to updating of the basket on which our consumer price index is based. The necessary surveys are ongoing, and we will keep the public informed as this process progresses. The anticipated outcome at this stage is full implementation by the start of next year.

F. Local Government Elections

4.75 Madam Speaker, our commitment to strengthening accountability, transparency and good governance remains strong. In addition to the many fiduciary oversight reforms that have already been implemented and that have transformed the governance landscape in our country, preparations are now underway for local government elections. House to house registration has commenced across the country and is expected to be completed in six months. Further to the allocations made in 2007, this budget makes financial provision for the completion of house to house registration and the conduct of local government elections.

5. Targets for 2008

5.1 Madam Speaker, as I indicated earlier, this budget is crafted in the context of maintaining macroeconomic stability in the face of an increasingly challenging external environment and given due recognition to the need for appropriate responses to developments in the domestic environment. The targets set for 2008 are reflective of this objective and will ensure that we are able to sustain the progress we have made in transforming our economy and developing our country.

A. Real Gross Domestic Product

5.2 Madam Speaker, the economy is projected to continue to grow in 2008 by 4.8 percent. This growth is expected to be broad-based and to reflect expansion in both traditional and new and emerging sectors.

a. Agriculture

5.3 The sugar industry is projected to achieve output of 290,000 tonnes, an increase of 8.8 percent over 2007. This reflects increased acreage under cultivation, increased productivity, and the coming into operation of the new Skeldon factory. Rice output is targeted at 321,000 tonnes, representing 7.6 percent growth and a recovery from the adverse conditions experienced in 2007. The forestry sector is also expected to recover, with a projected growth rate of 3 percent based on anticipated increases in the production of both logs and higher value products. The fishing sector is budgeted to increase by 3 percent, while livestock and other agriculture are both projected to grow at 2.5 percent.

b. Industry

5.4 The mining and quarrying sector is targeted to grow by 5.8 percent. The bauxite industry is expected to continue its robust performance with output increasing by 17.1 percent to 2,626,000 tonnes, reflecting sustained returns to the investments being made in the sector. Gold declarations are, however, projected to decrease by 2.7 percent to 231,750

ounces reflecting some moderation to a more steady growth path. Engineering and construction is targeted to increase by 4 percent, reflecting the continued growth in housing and in the services and commercial sector. The manufacturing sector is projected to grow by 3 percent.

c. Services

5.5 Growth is projected in the transport and communication sector at 8 percent, reflecting continued strong activity in both the domestic transportation and the telecommunication subsectors. Distribution is targeted to increase by 5 percent, financial services 5.5 percent, rental of dwellings 2 percent, and other services 4 percent. In this regard, the hosting of CARIFESTA X is also expected to provide additional impetus to the levels of economic activity in several sectors during 2008.

B. Monetary Policy and Inflation

5.6 Monetary policy will continue to be aimed at maintaining price stability while facilitating private sector expansion through lowered interest rates and a reduced fiscal deficit. The inflation rate is targeted at 6.8 percent reflecting ongoing imported price pressure.

C. Balance of Payments

5.7 The overall balance of payments is expected to return a surplus of US\$3.6 million.

5.8 The current account deficit is projected to deteriorate marginally to US\$246.3 million, due mainly to projected higher costs of oil and global commodity price increases. Merchandise exports are projected to increase by 8.2 percent to US\$736.9 million. Continued growth is projected in export earnings of bauxite by 28.1 percent, sugar by 6.7 percent, rice by 6.2 percent, and the resurgence in timber by 22 percent, which more than compensate for the moderation of the gold sector which is projected to decrease by 1.8 percent. Merchandise imports are projected to grow by 5.9 percent to US\$1,125 million

Private transfers are projected to decline by 3.3 percent, attributed to lower inflows in the form of worker remittances. The capital account is projected to improve by 4.7 percent to US\$249.9 million.

D. Targets for the Non-Financial Public Sector

a. Central Government Operations

5.9 Madam Speaker, the overall fiscal position is budgeted to improve in 2008. Current revenue (net of rice levy) is targeted to increase by 1.7 percent to \$81.6 billion of which GRA is expected to collect \$78.2 billion. Customs and trade taxes are targeted to total \$6.7 billion, value added and excise taxes are programmed to collect \$41.4 billion, and internal revenue is projected to collect \$30.1 billion.

5.10 Total current expenditure is budgeted to grow by 15.1 percent to \$74.5 billion. The main contributors to the budgeted increase are other goods and services which are programmed at a 19.4 percent increase to \$24.3 billion on account of preparations for local government elections and the hosting of CARIFESTA X. In addition, the budget for personal emoluments is \$24.5 billion. Transfers to the private sector are projected to increase by 19 percent to \$19.1 billion, primarily attributable to the 65.5 percent increase in the allocation for old age pension and social assistance. A marginal increase in interest payments to \$6.5 billion is projected in 2008.

5.11 Capital expenditure is projected to contract by 4.8 percent to \$40.8 billion which is reflective of the Skeldon Estate project being completed this year. Grant financing is projected to increase significantly to \$22.3 billion. The overall deficit after grants is programmed to decline to \$11.4 billion or 4.8 percent of GDP.

5.12 Madam Speaker, the size of the 2008 budget is \$119.3 billion, which is 8.5 percent more than the 2007 latest estimate and 19.3 percent higher than the 2007 budget.

b. Summary Operations of the Public Enterprises

5.13 Total receipts of the public enterprises are targeted to increase by 11.6 percent to \$100.6 billion mainly attributed to projected strong performance by Guysuco in the area of production and exports. Total expenditure is expected to increase by 14 percent in 2008 to \$103.3 billion, of which \$62.3 billion will be for the purchase of goods and services and \$21.3 billion for wages and salaries. Taxes and other transfers are projected to rise to \$1.5 billion, while capital expenditure is budgeted at \$8.1 billion. The overall deficit is projected at \$2.7 billion or 1.1 percent of GDP.

c. Operations of the Non-Financial Public Sector

5.14 The deficit of the non-financial public sector is programmed to decline to \$14.1 billion or 6 percent of GDP in 2008, from \$16.6 billion or 7.6 percent of GDP in 2007.

6. Budget Measures

6.1 Madam Speaker, notwithstanding the very substantial increase in expenditure projected for 2008, this budget proposes no new taxes. Instead, it ensures the financing of the expenditure programme in a manner that is consistent with the maintenance of a favourable business environment and accommodates a number of initiatives aimed at benefiting the most vulnerable sections of society. In this context, the budget incorporates the following:

1. Personal Income Tax

6.2 Madam Speaker, Government has already announced an increase in the income tax threshold by 25 percent from \$28,000 to \$35,000 per month with effect from year of income 2008. In relation to this measure, it is important to note the following:

- This increase in the income tax threshold will cost an estimated \$3 billion;
- It will remove some 36,000 persons from the requirement to pay income taxes; and
- Every taxpayer will benefit from higher take home pay. For example, a person earning \$35,000 per month will take home \$28,000 more per annum as a result of this measure.

6.3 Madam Speaker, it is also worthy of note that, as recently as year of income 2002, the income tax threshold stood at \$18,000 per month. In other words, from 2002 to 2008, this Government has increased the income tax threshold from \$18,000 to \$35,000 per month, an increase of over 94 percent.

2. Old Age Pensions and Public Assistance

6.4 Government has also announced an increase in old age pensions from \$3,675 to \$6,000 per month, and an increase in public assistance from \$2,470 to \$4,500 per month with effect from January 1, 2008. This measure has already been implemented to the benefit

of some 50,000 recipients. The result of this adjustment is that old age pensions and public assistance were increased with effect from January 1, 2008 by 63 and 82 percent respectively.

3. Excise Tax

6.5 Madam Speaker, this Honourable House would recall enacting legislation early last year to enable the Minister responsible for finance to amend the zero-rated and exempt schedules to the Value-Added Tax Act by an Order subject to negative resolution. This allowed the Minister to be able to respond in a more timely manner to the need to amend the schedule, and was utilised to extend the list of zero-rated items to include a number of essential items at the end of January last year. In like manner, we will introduce legislation to give the Minister a similar authority under the Excise Tax Act, that is to enable the Minister to amend the regulations to the Excise Tax Act by way of negative resolution instead of affirmative resolution as currently obtains.

6.6 Madam Speaker, still on the excise tax, alcoholic products are currently subject to this tax. This has the effect of an impact on the cost of producing medicinal, pharmaceutical and similar products which use alcohol as an input. In an effort to reduce the cost of these products we will introduce legislation to exempt from excise tax alcohol purchased for use in the manufacture of medicinal, pharmaceutical and similar products.

4. Value-Added Tax

6.7 Madam Speaker, as I stated earlier, Government moved promptly towards the end of 2006 and early in 2007 to zero-rate an extensive list of basic necessities for the purposes of the value-added tax. In relation to the specified food items, educational materials and services, medical services and prescription drugs, and the several other necessities which were included in the list, Government's initiative to zero-rate these items was aimed at ensuring that the introduction of the value-added tax would not contribute to an increase in the cost of the goods and services specified.

6.8 In this regard, I wish to announce that the following supplies will also be zero-rated for the purposes of the value-added tax with effect from March 1, 2008:

- (a) wheaten flour;
- (b) barley flour;
- (c) plantain flour;
- (d) oats;
- (e) sago;
- (f) dried chick peas (not including canned chick peas);
- (g) dried kidney beans (not including canned kidney beans);
- (h) dried pigeon peas (not including canned pigeon peas);
- (i) cheddar cheese (not including grated, powdered, or sliced);
- (j) cassava bread;
- (k) casareep;
- (l) farine;
- (m) locally produced peanuts and cashew nuts;
- (n) locally produced bedsheets, pillow cases, towels, rags, curtains, handkerchiefs, rugs, mats, table covers, shelf covers, blankets, and ribbons;
- (o) laundry soap;
- (p) diapers;
- (q) toothbrushes;
- (r) kerosene stoves;
- (s) mosquito nets;
- (t) liquid butane gas;
- (u) bicycles, excluding racing bicycles;
- (v) vitamins, minerals and tonics for medical or health supplement use (but not including energy drinks, food supplements and similar products);
- (w) wheelchairs;
- (x) crutches;
- (y) hearing aids;
- (z) glucometers (glucose blood test machines), and needles and glucose blood strips made for use with such machines;

- (aa) machinery, equipment or components used in the generation of renewable energy in the agriculture sector using agricultural by-products;
- (bb) paddy;
- (cc) hatching eggs;
- (dd) fish hooks, sheet lead, fishing floats, cotton, and styrofoam for use in the fishing industry;
- (ee) animal medication including animal vitamins; and
- (ff) all terrain vehicles used in the mining industry.

6.9 These items, when added to the list of zero-rated items that were previously approved, comprise an even more comprehensive basket of basic goods and services which are now subject to no value-added tax. This measure is expected to result in the loss of over \$1.2 billion in revenue, and is intended to provide additional relief to the consuming public.

5. Cost of Company Registration and Increasing Share Capital

6.10 Finally, Madam Speaker, Government intends to introduce legislation to restructure the stamp duties and fees paid by companies when they incorporate or increase their share capital in Guyana. The specific objective of this exercise would be to remove the variable element of the charges incurred and therefore reduce the cost of registering a company and of increasing share capital. This will have a direct and favourable impact on company costs, especially in the case of companies starting up or expanding their equity, and will complement all of the other actions being taken to reduce the cost of doing business in Guyana.

7. Conclusion

7.1 Madam Speaker, very early in this presentation, I stated that the past year was a good one for Guyana. In making that statement, I paid due regard to the many challenges that were confronted, as we navigated the increasingly complex environment in which we operate. Maintaining stability and achieving growth in the face of the challenges we encountered were not easy tasks, but our Government remained unwaveringly on the path of prudent policies and steady implementation.

7.2 The task now before us is to maintain momentum in advancing the transformation and modernisation of our country. Our Government is firmly committed to maintaining and enhancing the physical and institutional infrastructure that is required to increase private investment, create jobs, improve livelihoods, and generate wealth. The policies outlined in this Budget aim to do just that, and in a careful, responsible, and sustainable manner. I believe that the goals and targets we have set ourselves can and will be achieved, both in the immediate and the medium term.

7.3 Madam Speaker, I conclude by placing on record my deep appreciation of the tremendous efforts made by the staff of my Ministry in compiling this Budget, the immense patience displayed this afternoon by my colleague Members of this Honourable House, and to you, Madam Speaker, for most graciously consenting to preside over my presentation of the National Budget for the second consecutive year.



APPENDICES