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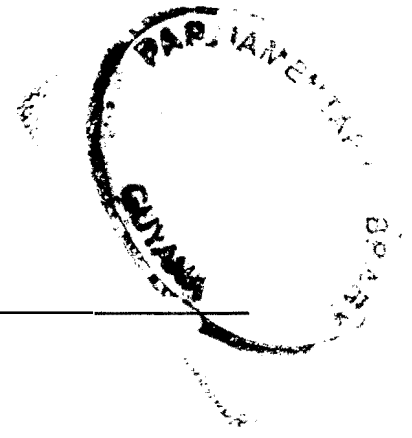
**BUDGET SPEECH**

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*Honourable Bharrat Jagdeo, M.P  
Minister of Finance*

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**March 26, 1999**



## TABLE OF CONTENTS

1.	Introduction	1
2.	Review of the International Economy	3
	A. Developments in 1998	3
	B. Outlook for the International Economy in 1999	4
3.	Review of the Domestic Economy	5
	A. Introduction	5
	B. Real Sector	6
	C. Balance of Payments	8
	D. Monetary and Exchange Market Development	9
	1. Monetary Development	9
	2. Foreign Market Development	10
	E. Performance of Non-Financial Public Sector	11
	1. Central Government Finances	11
	2. Public Enterprise Finances	12
	F. Public Sector Investment Programme	12
	G. Institutional and Structural Reform	15
	1. Financial Sector Reform	15
	2. Improving the Business Environment	16
	3. Privatisation	16
	4. Other Policy Reforms	16
	H. Development in the Housing Sector	17
	1. Debt Initiatives	18
4.	THE POLICY FRAMEWORK FOR 1999	19
	A. Overview	19
	B. Macroeconomic Framework and Structural Policies	19
	1. Fiscal Policies	20
	2. Monetary, Financial and Exchange Rate Policies	20
	C. External Sector Policies	21
	1. Trade Policies	21
	2. External Debt and HIPC Initiative	21
	D. Structural Reform	22
	1. Reforming the State Sector	22
	a. Public Enterprise	22
	b. Guyana National Cooperative Bank	23
	E. Private Sector Development	23
	F. Economic Infrastructure for Accelerated Growth	24
	1. Strategic Investment	25
	G. Job Creation	26
	1. Micro Enterprise Development	26
	2. Labour Intensive Activities	27
	3. Skills Training	27
	H. Social Sector Programme	27
	1. Education	27
	2. Health	28
	3. Water	29
	4. Housing	29
	I. Public Sector Modernisation Programme	29
	J. Y2K Related Issues	30
	K. Security	30

Targets for the Economy in 1999	31
A. Economic and Financial Policies and Targets	31
B. Real GDP Growth	31
1. Agriculture	31
2. Industry	31
3. Services	32
C. Inflation	32
D. Balance of Payments	32
E. Fiscal Targets	32
F. Expenditure Targets	33
G. Targets of Public Enterprises	33
H. Monetary Targets	34
6. Budget Measures and Policies	35
A. Measures to Stimulate Investment in the Private Sector	35
1. Income Tax (Depreciation Rates) Regulation	35
2. Property Tax	35
3. Schedule of the In Aid of Industry Act	35
4. Stamp Duty	36
5. Common External Tariff	36
6. Review of Fiscal Incentives	36
7. Tourism	36
8. Poverty Programme	36
9. Subvention to Neighborhood Democratic Councils	36
B. Measures to Compensate Labour	37
1. Key and Critical Staff	37
2. Wage Increases	37
7. Conclusion	38

#### Schedule of Fees and License

#### Appendices

1	Selected Socio-Economic Indicators
2	Real Output Index
3	Central Government Financial Operations
4	Urban Consumer Price Index
5	Balance of Payments
6	Actual and Projected External Debt Stock

## **Introduction**

1.1 Mr. Speaker, I rise to move the motion for the approval of the Estimates of the Public Sector and the Budget for the financial year 1999. In so doing, I wish to indicate that in concurrence with Article 171, paragraph 2 of the Constitution, the Cabinet has recommended that the National Assembly proceed upon this motion.

1.2 Mr. Speaker, this is the last budget of this century – a century when we broke free from the bondage of colonialism, after a long and painful struggle. At Independence, our people had high hopes and dreamt big dreams for Guyana. However, expectations of nationhood were unfulfilled. Democracy was toppled which set the stage for economic and social collapse. Thousands of our people were forced to flee these shores, when hope was lost, and make other countries their adopted home.

1.3 Nevertheless, the will and commitment of our people to democracy remained strong over the years. Today, we live in a free and democratic society because of their struggles. We must zealously guard this new found freedom.

1.4 Mr. Speaker, our commitment to improve the standard of living of our people remains the same as it was in our earlier years in office. During the past six years, we have charted an economic and social course that has brought renewed hope and tangible benefits to our people. However, this march to rapid economic development and growth was temporarily halted last year as the economy suffered some setbacks that were due to domestic and international difficulties. Some of our people suffered because of these difficulties and because we are a caring Government it bothers us greatly.

1.5 This year, in terms of economic growth, we expect to perform better. This is not to say that there are no risks. At the domestic level, political confrontation and unrest can affect economic outcome, while at the international level, the financial architecture essential in preventing and minimising future economic crisis is yet in place.

1.6 We see the private sector as an essential partner. In this light, we have, over the last six years, introduced wide-ranging, market-oriented, legislative, regulatory and structural reforms; and rehabilitated the economic and social infrastructure in support of private sector development. We also view the labour

movement as another essential partner. We have worked with that body to improve the employment conditions and practices in the country.

1.7 We are also acutely aware of the limitations of the market. Markets can neither deal with the root causes of poverty nor prevent the gap between rich and poor from widening. As a caring Government, we must! That is why, among other initiatives, we continue to allocate more resources towards improving the quality of education, health care and water supplies and for our housing programme.

1.8 Mr. Speaker, I wish to thank the various organisations and interest groups who responded to our philosophy of consultation and shared their ideas and concerns during the preparation of this year's budget. We have always placed high value in consultations with our people and this budget reflects many of their views.

1.9 The challenges facing us as a nation on the eve of the next millennium are many. This budget seeks to set a framework for the road ahead. As such, our objectives, this year, are to return confidence to the economy, particularly the currency, introduce comprehensive programme of assistance to diversify the economy, focus on budget creation, and to improve our social sector

1.10 Mr. Speaker, our country performs best when all of our people, in spite of political or other differences, work together. I hope that we will all commit ourselves to making Guyana, our Guyana, a better place.

## **The International Economy**

### **2**

#### **A. Developments in 1998**

2.1 Mr. Speaker, the economic and financial crisis that began in South-East Asia in 1997 and spread rapidly to other economies have had a profound impact on many emerging economies, including Guyana. Large capital outflows from Asia and Latin America placed the currencies of countries of those regions under intense pressure and led to sharp depreciations. Investor panic and the loss of confidence, especially in Indonesia, Korea, Malaysia, Thailand, and Russia, and in the case of our region, in Argentina, Brazil, Mexico, and Venezuela, led to capital flight and weakened demand. This combined with serious setbacks in the domestic financial systems, led to steep recessions in these countries.

2.2 As a result, world demand fell sharply. Output declined from 4.2 percent in 1997 to 2.2 percent in 1998. The advanced economies of North America and Europe registered an average growth rate of 2 percent, compared with 3.2 percent in 1997. Economic growth in developing countries also fell sharply, from 5.7 percent in 1997 to 2.8 percent in 1998. By regional groupings, in the Middle East and Europe, output slowed from 4.5 percent, in 1997, to 3.3 percent, in 1998. In Latin America and the Caribbean, output fell from 5.1 percent in 1997 to 2.1 percent in 1998. The only region that performed better in 1998 was Africa, where growth increased marginally from 3.2 percent, in 1997, to 3.6 percent, in 1998.

2.3 Mr. Speaker, the spillover effects of these developments have been massive. The drastic reduction in demand in the economies that were directly affected, together with the reduction in overall global demand, led to a sharp decline in international commodity prices. The IMF's overall index of commodity prices, measured in terms of U.S. dollars, fell substantially by over 14 percent over the previous year. The drop in commodity prices was broad-based, covering most major primary commodities.

2.4 The volume of world trade was also adversely affected. Exports from developing countries slowed significantly from 11 percent, in 1997, to 4 percent in 1998. At the same time, imports of developing countries declined by about 1 percent during 1998, mainly as a result of a 30 percent drop in the international price of oil.

2.5 Mr. Speaker, the poor were the hardest hit by these developments as the economic crisis

translated into a human one. Widespread hardships arising from massive layoffs, escalating prices of essential commodities, and large cuts in social expenditure were some of the consequences. In Asia and Latin America, tens of millions of people fell from the middle class to below the poverty line and the poor became even poorer. Above all, these crises have demonstrated how vulnerable open economies are to changes in the global economy.

**B. The Outlook for the International Economy in 1999**

2.6 Mr. Speaker, the outlook for the world economy continues to be bleak. Global output is projected at 2 percent in 1999. This is well below the historical average of 4 percent. Growth in the industrial economies will slow to about 1.5 percent. Japan's economy is expected to continue to register negative growth, while the expansion in the other advanced countries is expected to continue, but at a slower pace.

2.7 The economies of the Asian countries are also expected to recover but economic growth will remain negative during 1999. Output growth in Central and Eastern Europe, and Russia is projected to deteriorate further. In Latin America and the Caribbean, GDP is projected to slow to 1.5 percent, with growth in Brazil projected at -1 percent. The economic expansion in Africa is expected to continue, increasing to 3.8 percent in 1999.

2.8 Mr. Speaker, non-fuel commodity prices are projected to decline even further in 1999. At the same time, fuel prices are projected to increase by 8 percent. This is likely to turn the external terms of trade against primary commodity producing countries, including Guyana.

2.9 Achieving even these modest targets will be difficult. There remains considerable uncertainty regarding developments in the global economy. Several risks, which are related to developments in the international capital markets, make the current global economic situation still fragile. These include the danger of prolonged retreat by international investors and banks from emerging markets, threats to international payments, and disruptions to trade arising from weakened global demand. This is the international economic outlook that we faced in shaping this year's budget.

## **The Domestic Economy**

### **3**

#### **A. Introduction**

3.1 Mr. Speaker, I will now briefly examine how the global crisis affected our economy during 1998. Although our financial markets remained untouched, the same could not be said for our commodity markets.

3.2 Let me review the specific impact of the global economic crisis on the various production sectors.<sup>6</sup>First, the crisis has exposed the vulnerability of the forestry sector to international market conditions. Asia serves as a major destination point for our timber exports.<sup>1</sup>The large currency depreciation in that region made our timber products uncompetitive and weakened the demand for them. As a result, output of forestry products fell by about 24 percent in 1998. Gold production was similarly affected, as prices plummeted from about US\$375 per ounce to US\$290 per ounce. At the same time, domestic cost of production increased, thereby narrowing the attractiveness of gold mining as a viable economic activity. With operators being increasingly faced with declining profit margins, the future of the industry remains threatened.

3.3 Mr. Speaker, the bauxite market withstood the weaker demand in Asia and the world steel industry, since prices declined marginally. However, stiff competition from Brazil and China, shrinking markets in Europe and the USA, and technical difficulties at Linmine, led to lower production of the high-valued calcined bauxite.

3.4 In the case of sugar, prices dropped sharply by 30 percent in 1998. However, our access to preferential markets in Europe and the United States cushioned us from the devastating effects of this steep decline. The prospects of achieving higher prices for rice and plans to develop alternative markets are threatened by higher domestic production in Asia, arising from the incentive provided by large currency devaluations in the Asia. It is estimated that, as a result of these developments, fiscal revenues in Guyana fell by \$4.9 billion, while the economy lost about US\$70 million in export earnings. This contributed to a fall in gross international reserves of



US\$39 million, and led to the shrinking of output, loss of jobs, and pressures on the exchange rate.

3.5 These developments had major consequences on our economy and created severe hardships for our people. Nevertheless, a combination of monetary, fiscal and structural policies dampened the impact of the crisis on Guyana. The management of the economy during that period received favourable reviews from multilateral financial institutions.

## **B. Real Sector**

3.6 Mr. Speaker, the economy declined by 1.3 percent in 1998. I will now examine the sectoral performance that led to this outcome.

3.7 Agricultural production fell by 5.3 percent in 1998. Due to poor weather conditions, stemming from the lingering effects of the drought, production of cane sugar fell by 7.1 percent. In the Berbice Estates, output fell by 7.7 percent, with all four of the producing estates returning lower-than-expected output. In the Demerara Estates, the combined output of LBI and Enmore was about 3.1 percent lower than in 1997. This shortfall, however, was more than compensated by the increased output of Wales and Uitvlugt.

3.8 In the rice sub-sector, overall production was better than expected. Output fell by more than 24 percent in the first crop of 1998, as a result of adverse weather conditions experienced earlier in the year. Of the estimated 180,000 acres prepared for sowing, only 143,323 acres of land were actually sown in the first crop. Improvement in weather conditions in the middle of 1998 and provision of paddy seeds to farmers affected by poor weather conditions, helped the industry to recover during the second half of the year. Second crop production, last year, was the largest ever recorded in this country.

3.9 Mr. Speaker, as alluded to earlier, performance in the forestry sector in 1998 was one of the worst in recent times. Despite the robustness of the housing sector, the effects of a weakened international demand for forestry products and a steep decline in prices, particularly of raw forestry products, resulted in a 24 percent decline in output. Again, the sharp swings in

commodity prices have exposed the vulnerability of this sector. As mentioned in my budget statement last year, the opportunities in this sector are enormous. It is, therefore, important that we explore avenues for achieving higher value-added from this important national resource.

3.10 The fisheries sector registered strong growth of 11 percent last year. Fish catch increased by 8.7 percent; seabobs by 32.1 percent; and prawns by 59 percent. Given the potential in this sub-sector, we have sought technical assistance to determine the fish biomass in our waters. This will assist us to develop sustainable policies for the fishing industry and attract additional investment.

3.11 Production of non-traditional agricultural products, including ground provision, vegetables and fruits, chicken and eggs increased significantly last year, partly offsetting the decline in the output of the other agricultural sub-sectors.

3.12 Mr. Speaker, performance in the mining sector was mixed. Production of raw gold amounted to 454,485 ounces, an increase of 4.2 percent over the previous year. The output of ●mai Gold Mines Limited increased by 5.4 percent while declaration from independent operators registered an increase of 14.9 percent. In the bauxite sector, overall output declined by 8.2 percent. Calcined and metal grades bauxite recorded steep declines while the output of chemical grade bauxite increased by 40 percent.

3.13 The performance of the manufacturing sector slowed significantly last year. Despite increases in the production of alcoholic and non-alcoholic beverages, pharmaceuticals, and edible oil, output in the manufacturing sector declined by about 11 percent. This was due largely to significantly lower production of stoves, refrigerators, laundry soap, corrugated cartons, and other processed food. Financial difficulties of some manufacturing entities and lower income levels were responsible for the poor performance.

3.14 Mr. Speaker, the construction and engineering sector showed impressive growth last year. While public sector investment projects slowed, increased housing and residential construction resulted in the sector expanding by about 4.7 percent.

3.15 The services sector increased by 2.9 percent. Rental of dwellings increased by 5.7 percent; and financial services about 3.2 percent. However, both government and other services declined by 1 percent and 3.9 percent, respectively.

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

3.16 Mr. Speaker, the overall balance of our external accounts worsened last year. There are several reasons for this. First, as a result of the difficulties encountered in the real sector, the output of some of our key export commodities, including forestry products and calcined bauxite were significantly lower than in the previous year. Second, our external terms of trade deteriorated by 2.5 percent as lower import prices were insufficient to offset the steeper decline export prices. Third, there was a significant shortfall in capital inflows, due mainly to lower disbursements of loans.

3.17 Total exports for the year amounted to US\$547 million, a decline of US\$46 million or 7.8 percent over the previous year. Except for non-traditional exports, which increased by 11 percent, receipts from all major exports fell. Imports amounted to US\$601 million or about 6.4 percent below the level in 1997. While the imports of consumption goods increased by about 6 percent, those of intermediate goods fell by US\$30 million, reflecting a 28 percent decline in fuel prices. These developments led to a widening of the trade deficit by US\$2.6 million over the previous year. Nonetheless, a significant decline in net factor services together with a modest decline in transfers slowed the deterioration of the current account balance, from US\$81 million in 1997 to US\$86 million in 1998.

3.18 Net capital inflows increased by US\$12.4 million to US\$121 million in 1998. As a result, the overall balance of payments declined by US\$26 million, and this was financed by a reduction in the net foreign assets position of the Bank of Guyana.

#### **D. Monetary and Exchange Market Developments**

3.19 Mr. Speaker, during 1998, monetary policy continued to focus on the challenge of maintaining price stability in the context of a contraction in economic activity and the depreciation of the Guyana dollar. In an effort to stabilise the exchange rate, the Bank of Guyana continued to conduct its monetary operations through the issuance of treasury bills that were aimed at absorbing the excess liquidity of the commercial banks. It also intervened in the foreign currency market, to smooth out fluctuations, and observe its international gross reserve target.

##### **1. Monetary Development**

3.20 Base money grew by 12 percent in 1998, compared with 17 percent in 1997. This was due mainly to a sharp reduction in the growth rate of currency in circulation, from 12 percent in 1997 to 1 percent in 1998. The deposits of commercial banks at the Bank of Guyana, which continued to include large amounts of excess reserves, grew by 25 percent in 1998. The Bank of Guyana continued to monitor the level of free reserves very closely, with a view to regulating the growth of money supply.

3.21 Mr. Speaker, the net foreign assets of the Bank of Guyana increased in 1998, despite a decrease in the gross international reserve target. The increase in the net foreign assets reflects a decline in foreign liabilities, associated with the transfer of quasi-fiscal liabilities totaling US\$64 million to the accounts of the Treasury. This development, together with lower central government revenues, resulted in a reduction in the net domestic assets of the Bank by 11 percent.

3.22 Broad money grew by 7 percent, compared to 12 percent in 1997, reflecting the decline in economic activity and lower incomes in the economy. Quasi money, comprising of time and savings deposits, grew by 8.4 percent, compared with 13 percent in the previous year. Time deposits increased by

only 1.3 percent, compared with 9 percent in 1997, while savings deposits grew by 12.4 percent, compared with 15.3 percent in 1997. This shift in growth rates was caused by a narrowing of the spreads between time and savings deposits and by the desire of depositors to remain flexible in an environment of unstable exchange rate. Narrow money continued to decline, growing only by 2.5 percent last year.

3.23 Total net domestic credit grew by \$9.5 billion or 40 percent in 1998. This represents a deceleration from the 67 percent increase in 1997. As in previous years, the private sector accounted for the major share of borrowing with the Government remaining a net depositor to the banking system. Loans and advances to the private sector grew by 15.4 percent to \$51.8 billion. The manufacturing sector remained the largest recipient of credit, followed by the household and agricultural sectors. Credit to the housing sector tripled, increasing from \$546 million in 1997 to \$1.6 billion in 1998. Consistent with the growth in distribution, credit to that sector also increased by 13 percent.

3.24 Mr. Speaker, the 91-day treasury-bill rate, which is the reference rate for the market, increased from 8.16 percent at end-1997 to 8.84 percent at end-1998. The weighted-average lending rate increased by 7 basis points while savings rates declined by 33-basis points. The commercial banks continued to utilise high interest spreads to maximise profits, as evidenced by 30-basis points increase in the intermediation spread between banks' lending rate and small savings' deposit rate. Mr. Speaker, this continues to be a source of concern to depositors, investors, and the Government.

## 2. Foreign Market Developments

3.25 Mr. Speaker, as a small open economy, with a market-determined exchange rate regime, our economy invariably reflects developments in external markets and the balance of payments. Lower export prices, lower capital inflows, speculative activities, and a lack of depth in the foreign exchange market resulted in a 15 percent depreciation of the Guyana dollar against the United States dollar during 1998.

3.26 To smooth out temporary fluctuations in the rate, due to seasonal factors, and to dissuade speculative activities on the currency, the Bank of Guyana intervened in the foreign currency market on a number of occasions. These interventions, in combination with tight monetary and fiscal policies, prevented the exchange rate from deteriorating further. This occurred at a time when the currencies of our much stronger neighbours suffered significant depreciations.

3.27 The volume of trade of the United States dollar fluctuated around a weekly average of US\$13.9 million with the non-bank cambios accounting for about 20 percent of foreign currency transactions. Taking advantage of the volatile nature of the market, bank and non-bank cambios increased their spreads. Average spreads between selling and buying rates to \$3.82 for the non-bank cambios and \$4 for the bank cambios.

**E. Performance of the Non-Financial Public Sector**

3.28 Mr. Speaker, in 1998, our fiscal projections assumed a real GDP growth rate of 3.2 percent, higher import values, higher gold production and prices, and a higher level of domestic demand. Since revenue collections for the non-financial public sector depended on these assumptions, the outturn for 1998 was adversely affected by the changed realities of both the domestic and international economic developments. The Government took immediate actions to mitigate their effects on the fiscal position of the public sector by tightening expenditures.

1. Central Government Finances

3.29 Current revenues amounted to \$33.1 billion or about \$5 billion below the target for 1998 and about \$1 billion less than in 1997. Collections from the Inland Revenue Department totaled about \$14.1 billion, a shortfall of \$2.2 billion. This was due mainly to lower collection of company taxes, arising from lower output and difficulties encountered in collection of arrears. At the Customs and Excise Department, revenue collection amounted to \$15 billion. This was \$2.1 billion below the target. The general decline in economic activities and lower-than-anticipated import volumes were responsible for the poor performance.

3.30 Mr. Speaker, to the extent that we had to maintain a robust fiscal balance, this under-performance in revenue collection exerted enormous pressure on expenditures. Total expenditures (net of principal repayments) amounted to \$43.1 billion, about \$1.8 billion below target. Of this, non-interest current expenditure totaled \$19.7 billion. Employment costs increased by \$860 million to reach \$9.8 billion while expenditures on other charges amounted to \$9.9 billion or about 11.4 percent more than the previous year. Interest payments amounted to \$10.4 billion of which \$7.4 billion were external payments.

3.31 Consistent with the lower revenues, adjustments had to be made to the capital programme, in particular, non-foreign funded projects. Capital expenditure and net lending, in 1998, amounted to \$13 billion, about \$1.8 billion below the target and 20 percent lower than the level achieved in 1997. A substantial amount of money was expended to improve sea defences, the road network, schools and hospitals. Net lending totaled \$13 billion, representing transfers to Linmine and Guyana Airways Corporation (GAC). Capital revenues of \$425 million fell far short of the target of \$2.2 billion, reflecting the slow progress of privatisation during the year. As a result, the overall deficit of the Central Government, although declining relative to 1997, increased to \$9.6 billion or 8.8 percent of GDP. This deficit was partly financed through net inflows from the donor agencies.

## 2. Public Enterprise Finances

3.32 Mr. Speaker, the consolidated primary cash balances of the public enterprises (excluding the National Insurance Scheme) amounted to \$5.5 billion. This was \$1.1 billion below the target. The shortfall reflected a decline in cash receipts for Linmine, GAC and Guyoil. In addition, cost overruns at GAC associated with additional payments for the wet leased aircraft and repairs to the dry-leased aircraft, and higher operational costs at Linmine, contributed to the poor performance of the non-financial public enterprises.

3.33 Capital expenditures of the public enterprises amounted to \$3.4 billion. This was about \$500 million above the target and reflects higher investment spending by Guysuco. The poor revenue performance of the public enterprises also affected their contribution to central government revenues. Corporation taxes only amounted to only \$496 million, about 52 percent below collections in 1997. Dividends and other transfers of \$2.2 billion were slightly above the target of the previous year.

## F. **The Public Sector Investment Programme**

3.34 Mr. Speaker, in 1998, we continued to make progress in the implementation of the public sector investment programme (PSIP). The PSIP recorded an implementation ratio of 88 percent, compared with the 99 percent achievement in the previous year. This shortfall was due to the Central Government's programme, which fell by 18 percent, largely on account of lower disbursement of project-related loans. Implementation of the public enterprises' programme exceeded the target.

3.35 The main thrust of the PSIP over the last several years has been the rehabilitation and improvement of economic and social infrastructure. This focus was maintained in 1998. About \$10 billion or 68 percent of the capital budget was used to construct, maintain and improve critical productive infrastructure. Thirty-two percent was used to improve, and modernise social services.

3.36 Mr. Speaker, following the negative effects of the El Nino weather phenomenon on the productive sector, a large proportion of the PSIP was directed to the rehabilitation and reconstruction of drainage and irrigation facilities. About 347 miles of drainage and irrigation canals were rehabilitated, 19 sluices and 13 intake and outlet structures were constructed and refurbished. Also, several out-fall channels were de-silted and dredged.

3.37 Among the more significant works undertaken in 1998 were the rehabilitation of sluices at Zeelandia/Caledonia, Garden-of-Eden, Craig, Vergenoegen, Onderneeming, Helena No. 1, Unity, Cane Grove, Nos. 65, 66, 67 and 73 Villages. In the Abary Basin and the East Demerara Conservancy, intake and outlets structures were refurbished and/or reconstructed. Drainage systems at Canals No. 1 and 2, Hubu, Upper Boerasirie, and Shanks Canal were rehabilitated. In addition, works continued on the re-surfacing of the major highways and satisfactory progress was made on the Soesdyke/Linden and the Georgetown/Mahaica links including the East Coast Railway embankment. The Essequeibo Coast Road progressed slowly due mainly to the non-performance of the contractor, the untimely availability of quarry products, and poor project management. Several urban roads, including Camp Street, Regent Street, D'urban Street and North Road, and several bridges in Kitty, were completed. Approximately 13 miles of farm-to-market and feeder roads in the Corentyne, the MMA/ADA, and Essequeibo were completed.

3.38 Construction works commenced on the Esau and Jacob and Washclothes to Mora Point access roads. Numerous community roads, including roads at Nabaclis, Plaisance, Kersaint Park, Annadale Side Line, Vigilance, Enmore, Mahaica, Hopetown, Bath No. 49 and 51, Toka to Karasabai and Mabaruma to Kumaka, were completed. In every region and community, evidence of the modernisation and upgrading of our road network is visible.

3.39 Mr. Speaker, in spite of several attempts at international competitive bidding, we have not been able to secure contractors to implement the sea defence projects that are being funded by the multilateral institutions. The difficulties in implementing these projects continue to pose severe risks on the already



fragile sea defense system. Nevertheless, we continue to depend on our local expertise to implement critical emergency works. Last year, we spent in excess of \$570 million to rehabilitate sea defenses at Sparta, La Belle Alliance, Richmond and Hague among several other locations.

3.40 In recognition of the Government's commitment to improve, continuously, the quality of life of every Guyanese and to provide equitable social benefits to all, more resources were allocated to the social sector in the PSIP. In the health sector, several facilities, including 14 health posts and health centers at Barima, Dredge Creek, Dora Yarrowkabra, Silver Hill, Amelia's Ward, Kaikan, Karisparu and Morakobai, were constructed and/or rehabilitated. In addition, 7 medical officers' quarters, 2 hostels and varying levels of rehabilitation works at most of our regional hospitals were completed. In the education sector, 27 nursery, 15 primary and 5 secondary schools were constructed while 12 nursery, 12 primary and 7 secondary schools were rehabilitated. Over 16,000 students are expected to benefit.

3.41 Mr. Speaker, the production and distribution of potable water in all the Regions continued apace. Special attention, however, was placed on hinterland communities where the ravages of El Nino caused undue suffering to our Amerindian brothers and sisters. To this end, some 40 shallow wells were dug and 35 hand pumps installed at Moruca, Kato, Paramakatoi, Lethem, Calcuni, and the North and South Rupununi Savannahs, among other areas. New pumps and engines were installed and operationalised at Horsororo, Wapaina, Port Kaituma and Lethem. In addition, 6 windmills were refurbished and new ones were installed in Aishalton, Potarinau, Karasabai and Paramakatoi.

3.42 In the coastal regions, some 20 miles of pipelines were laid and 34 rural water systems were completed and put into operation. Four new wells were drilled at Amelia's Ward, No. 75 Village Siparuta/Corentyne and St. Cutbert Mission. In Georgetown, two storage tanks at Mandela Avenue and Sophia were completed and commissioned. Distribution and transmission lines were laid in North Ruimveldt, Mandela Avenue, Independence Boulevard, Kingston, Albouystown and Princess Street in Lodge, among other locations. The Shelter Belt treatment plant was also rehabilitated.

## **G. Institutional and Structural Reforms**

3.43 Mr. Speaker, in spite of the economic difficulties faced in 1998, we implemented wide ranging structural reforms. These will positively affect the economic and regulatory environment. The reforms affected the financial sector, the public sector, and the business environment.

### **1 Financial Sector Reforms**

3.44 Mr. Speaker, in 1998, a new Bank of Guyana Act was passed. This Act provides for the autonomy, capitalisation and re-organisation of the Bank. In the area of autonomy, the Act defines the relationship between the Bank and the Government and provides for a separation of monetary and fiscal operations. It makes the Bank much more accountable for monetary operations, while clearly identifying fiscal affairs as the purview of the Government. The Bank is no longer under any obligation to extend credit to the Government that is inconsistent with the inflation and reserve targets. This forces the Government to pursue prudent fiscal policies. This, in turn, will boost investor confidence in Government policies.

3.45 The Act increased the authorised share capital of the Bank to \$1 billion. To demonstrate the Government's seriousness to strengthen the Bank's financial position, the entire authorised capital was paid up. We also transferred the remaining Government liabilities on the books of Bank of Guyana to the Treasury, after undertaking a similar operation in 1997. These two actions resulted in a substantial improvement in the Bank's balance sheet. Indeed, for the first time in over fifteen years, the Bank was able to return a profit. We are extremely proud of this achievement.

3.46 In terms of the Bank's re-organisation, the Act provides for continuity of management, through the staggering of appointments of the directors. It also allows the Bank to attract the required human resources to successfully conduct its operations.

3.47 In addition, the 1966 circulars on reserve requirement and liquid asset ratio of the Central Bank were revised and seven of the nine deposit-taking institutions fully complied with the minimum paid up capital requirements under the Financial Institutions Act. Also, the Bank reduced the reserve requirement of commercial banks from an average 15 percent to 12 percent.

3.48 The restructuring of the state-owned Guyana National Cooperative Bank (GNCB) continued, in 1998, with the signing of a contract to install a new management team in the Bank.

3.49 The other major financial reform that took place last year concerned the passage of insurance legislation. The new Insurance Act seeks to strengthen the regulatory aspects of the industry, including the functioning and powers of the Office of the Commissioner of Insurance. It also provides for the protection of policyholders from unscrupulous insurance companies and agents, and allows the industry to use more of its resources for productive activities.

## 2 Improving the Business Environment

3.50 Mr. Speaker, legislative steps were taken to improve the business environment. In particular, laws were passed to establish the securities exchange regulatory framework and to reform the Deeds Registry. The impact of these reforms on the business sector is significant. The reform of the Deeds Registry, for example, will allow for the use of a more diverse range of collateral, thereby improving the private sector's access to capital. Similarly, the establishment of a securities market will provide new sources of funding for businesses, including small investors.

## 3. Privatisation

3.51 Mr. Speaker, last year's continuing political unrest severely hampered the privatisation programme as we lost the opportunity to privatise the Guyana Electricity Corporation (GEC) and sell several other enterprises. Nevertheless, the Privatisation Unit continued with its preparatory work on several entities, which will be sold or divested this year. In particular, Guyana National Printers, Guyana Stores, Guyana Pharmaceutical Corporation (GPC), Linmine, Bermine, GNCB Trust, Guyana Airways Corporation (GAC), and the GEC were advertised last year. Negotiations for many of the entities are ongoing and the Government expects to conclude their privatisation by the end of the year.

## 4. Other Policy Reforms

3.52 Mr. Speaker, in addition to the three areas that I have just reviewed, we committed ourselves to implement a number of other policy reforms in the 1998 Budget. I would like now to report on the status of implementation of those reforms.

3.53 A regulatory framework for Guysuco was completed and a new five year plan was approved.

3.54 The Government met all the requirements for making the Revenue Authority operational, but this was delayed because of a court action.

3.55 The Government undertook a survey of private sector remuneration and is currently using this information to develop a remuneration package for the professional staff in the civil service. Also, the revision of the public service rules was completed and we plan to work with the unions to implement these rules later in 1999.

3.56 Civil service reform was advanced further with the completion of the organisational and restructuring plans of the Ministries of Finance, Education, and Health.

3.57 In addition, we amended the Income Tax (In Aid of Industry Act) to provide for the reintroduction of tax holidays.

3.58 A National Y2K committee was established.

#### **H. Developments in the Housing Sector**

3.59 Mr. Speaker, in 1998, we committed ourselves to distribute 3,000 housing lots, accelerate land titling, regularise squatter settlements and enact mortgage finance legislation. I am pleased to report that we exceeded the limits we set for ourselves. More than 8,000 house lots were allocated to all strata of the society in widely diverse areas ranging from the Corentyne to Essequibo and Linden and other inland areas. Sites and services were further developed at Turkeyen\Sophia, Richmond, Henrietta, Charity, Tuschen, Anna Catherina; Meet-Meter-Zorg, Good Hope, Foulis Bath and Bushlot to name a few.

3.60 In addition, a vigorous campaign to regularise squatting was undertaken at several locations. These included Sophia, Prem Nagar, Tuschen North, Mosquito Hall, Ankerville, Corriverton and the Jib in Region No. 2 and along the East Coast Demerara Railway embankment.

3.61 Significant progress was also made on the housing finance legislative front. The Deeds Registry Reform Bill will expedite the processing of land titles. The Mortgage Financing Bill and the New Building Society Amendment Bill are also near completion and will be presented to the National Assembly in 1999.

#### **I. Debt Initiatives**

3.62 Mr. Speaker, when we assumed office in 1992, our external debt stood at about US\$2.1 billion. Debt service consumed 87 percent of central government revenues, equivalent to about 30 percent of our exports of goods and non-factor services. Since then, we have made substantial progress in reducing the stock of external debt and the proportion of revenues that it consumes. By implementing sound policies and with the assistance of the international financial community, we have reduced the stock of debt by an incredible US\$1.1 billion and debt service in terms of revenue by half.

3.63 We continued to make progress in our debt reduction initiatives in 1998. We signed the grant agreement of the commercial debt buy-back programme with the World Bank and sent out invitation circulars to the over 900 creditors. In addition, the Paying Agent Agreement was signed. These steps have now cleared the way for the settlement of arrears of the External Payments Deposits Scheme. Further, a review of the structural and fiscal benchmarks under the HIPC initiative was also completed. The multilateral institutions and our bilateral creditors are poised to grant us more debt relief in 1999 in the context of the HIPC Initiative. This will further reduce the ratio of debt service to revenue.

3.64 We will therefore continue to implement a prudent debt strategy, seeking grant financing to the maximum extent possible, and limiting ourselves to concessional borrowing. Consistent with this strategy, the Government, in collaboration with Debt Relief International (DRI), has commenced a programme to strengthen the debt management capacity of the Ministry of Finance and the Bank of Guyana. Last month, DRI conducted a comprehensive training programme for officials involved in debt management. In June 1999, the Government will be holding a debt strategy workshop with the intention of enhancing our debt strategy.

## The Policy Framework for 1999

4

### A. Overview

4.1 Mr. Speaker, while we hope that the worst of the global crisis is now behind us, it is clear that its insidious effects are still being felt around the world. Globally, it has led to contraction in economic activity, large devaluations, and lower investment flows. Only a return to macroeconomic stability can sustain growth in the global economy. At the international level, moves are afoot to design a “global financial architecture” that will minimise excessive volatility and significant misalignment of exchange rates. However, these ideas are at an early stage and will take time to mature. It is, therefore imperative that we, in Guyana, continue with our programme of reforms and take strong and decisive actions to mitigate its continued impact on our economy.

4.2 In this regard, Mr. Speaker, in 1999, we will implement policies aimed at reversing the contraction of output and alleviating poverty. Our policy agenda includes the maintenance of sound macroeconomic policies; the acceleration of structural reforms; continued support to the private sector, improvement in the social conditions, including poverty reduction programmes; and continuation of the public sector modernisation programme.

### B. Macroeconomic Framework and Structural Policies

4.3 Mr. Speaker, continued pursuit of sound macroeconomic policies is central to our plan to ensure sustained economic growth, promote investment, reduce unemployment and poverty. Consistent with these, the key **objectives** of the 1999 macroeconomic framework are as follows:

- Real GDP is projected to be 1.8 percent, led by a recovery in the agricultural sector;
- Average inflation is targeted at 5.5 percent;
- The external balance of payments is anticipated to improve steadily. Export volume growth should contribute to a somewhat larger external trade surplus. In addition, external financing from bilateral and multilateral sources for the budgetary program is expected to remain strong;

- Gross external reserves are expected to remain at about four months of imports.

4.4 In support of the above objectives, we expect that the international community will approve and deliver HIPC assistance to Guyana, and that an agreement with external private creditors will be reached on the buyback of debt under the External Payments Deposits Scheme.

1. Fiscal Policies

4.5 Mr. Speaker, a lasting improvement in the public sector's fiscal position will be an essential component of our adjustment strategy. We aim to build on the stabilisation gains achieved over the last six years. As a result, the 1999 budget has been anchored on five planks:

- a targeted fiscal stimulus to support demand, especially through higher development spending;
- decisive measures to rebuild the revenue base over the medium-term;
- avoiding recourse to domestic bank financing for regular budgetary operations; and, instead, a build-up on our position as a net creditor with the banking system;
- Government securities will be issued only to absorb excess liquidity and ease the pressure on the exchange rate;
- an overall public sector budget deficit (after grants) of about 3 percent of GDP.

4.6 In addition, we will continue to improve tax administration. We hope that we can implement the Revenue Authority shortly, since it is an integral component of our strategy to widen the tax base. Mr. Speaker, some of our local companies are facing unfair competition because of smuggling. I want to take this opportunity to personally assure them that the Government will aggressively pursue the elimination of this practice. During the year, we will conclude the feasibility study for introducing a value-added tax.

2. Monetary, Financial and Exchange Rate Policies

4.7 Mr. Speaker, maintaining confidence in the economic programme and, in particular, in the demand for domestic financial assets, is crucial to delivering the above macroeconomic objectives. Monetary policy will be guided by the need to achieve the international reserve and inflation targets. The

Bank of Guyana will keep base money firmly under control so as to stabilise prices and reduce volatility in the exchange rate.

4.8 The Bank reviewed and adjusted its monetary policy early in the year. In addition, it will start to issue securities with maturities longer than one year in the near term. For the immediate period, monetary policy will be guided by a very cautious assessment of money demand. The adjusted monetary programme and lower currency in circulation have already resulted in some firming of interest rates, and this is expected to impact positively on the exchange rate. In 1999, the monetary programme will be very restricted with currency in circulation remaining unchanged and broad money projected to grow slower than growth in nominal GDP.

### **C. External Sector Policies**

#### 1. Trade Policies

4.9 Mr. Speaker, contrary to recent reports, the Government does not intend to ban imports, re-introduce import or exchange controls nor any other restrictions on the trade and exchange regimes. We have made significant progress in liberalizing our trade and exchange regimes and we remain fully committed to continue with market-oriented policies. Instead, we will continue to further accelerate trade reform in 1999 by reducing the maximum import tariff rate consistent with our obligations under the Common External Tariffs arrangement. However, we will need to step up our efforts to prevent dumping and the flooding of our market with sub-standard goods.

#### 2. External Debt and the HIPC Initiative

4.10 Mr. Speaker, the Boards of the multilateral institutions will meet to consider Guyana's final qualification point for the HIPC initiative in May 1999. The Government will meet with its Paris Club group of creditors in May 1999 to request further debt relief on Guyana's bilateral debt under the Lyons terms. The HIPC debt initiative is the first one that is dedicated to the reduction of Guyana's external debt outstanding to both multilateral and bilateral creditors. The assistance gained under the HIPC initiative will reduce Guyana's external debt by US\$253 million in net present value terms, which translates into debt service relief of US\$500 million over the next 20 years.



4.11 In recent months, a number of proposals have been put forward to provide greater debt relief to HIPC countries than that already offered by the HIPC initiative. Several members of the G-7 industrialised countries have been instrumental in formulating these debt relief plans. For example, the German Government has proposed a cut in the number of years needed to qualify for HIPC relief. Further, it has called for the target figure for the debt to exports ratio to be reduced to 200 percent, and that the total debts from official development aid be cancelled in the Paris Club. The proposal by the French suggests a 30-year freeze on debt service payments. The British proposal calls for an increase in HIPC relief to US\$50 billion, while the American proposal could result in US\$70 billion of relief for reforming countries. Mr. Speaker, we welcome these proposals and we will continue to canvass the international community to support further efforts aimed at reducing the country's debt burden.

#### **D. Structural Reforms**

4.12 Mr. Speaker, the government will continue to improve the environment for private sector participation in the economy and improve the efficiency of the public sector.

##### I. Reforming the State Sector

###### a. Public enterprises

4.13 Mr. Speaker, our privatisation programme continues to be guided by the need to reduce the fiscal burden of public enterprises on the treasury, and increase the efficiency of the remaining public enterprises. Consistent with these objectives, we have carried out extensive public enterprise reform and privatisation over the last six years. We intend to redouble our efforts to privatise and or restructure the remaining enterprises.

4.14 Mr. Speaker, by 2000, we hope to complete the privatisation of all public enterprises, with the exception of four entities, namely, Guyana Oil Company, Guyana National Shipping Corporation, Guysuco, and GNCB. Consistent with this objective, nine public enterprises were brought to the point of sale in 1998 and early 1999. They included two bauxite companies, the national airline, and the electricity corporation. The negotiations for the privatisation of GAC and GEC are at an advanced stage, and it is expected that these will be completed shortly.

4.15 The remaining entities will be restructured and closely monitored, with a view to strengthening their management and financial position. Mr. Speaker, given the threat to the preferential arrangements for sugar, it is of critical importance that we improve the efficiency of our sugar sector. Consistent with this objective, Government approved in 1998 a five-year restructuring plan for Guysuco. The objectives of the plan are to increase production to over 400,000 tonnes and reduce the cost of production from US19 cents per pound to below US12 cents per pound.

4.16 Mr. Speaker, initiatives that have been proposed to reach these objectives include the restructuring and amalgamation of contiguous estates, improvements in agricultural practices, mechanisation of factory technology, and better management practices. The restructuring exercise is expected to cost more than US\$200 million and the Government is working with Guysuco to secure the financing needed. Other potential economic activities that could be generated from the restructuring exercise include co-generation of electricity and brewing.

b. Guyana National Cooperative Bank

4.17 Mr. Speaker, the restructuring of GNCB has reached a decisive stage. The Government has recruited an international management team to oversee the restructuring exercise. As a matter of great urgency, the team will review current credit and loan recovery policies, and financial and management systems. They will then prepare and implement a plan to: establish a system of credit appraisal; improve arrears' collection; rationalise branch operations; and establish financial and management systems. The management team will also prepare procedure manuals and train staff. It is expected that at the end of this exercise, the bank will be restored to long term viability.

**E. Private Sector Development**

4.18 Mr. Speaker, in 1999, the Government's strategy for private sector growth will continue to focus on: the establishment of a simple, clear and well-enforced legal framework; improvement to the incentives regime; reinforcing and broadening the financial sector; providing the supporting economic and human infrastructure; and enhancing joint actions by the Government and the private sector in a number of areas.

4.19 In this regard, Mr. Speaker, the Government will appoint a Commissioner of Insurance and supporting staff to implement the legislation that was passed recently; and will establish a securities

council. To improve administration and provide a more diverse range of collateral, the government will continue to work to make the new, semi-autonomous Deeds Registry operational, following the recent passage of necessary legislation. The Government will also table legislation on bankable property rights. We will implement the new land tenure policy, which includes greater conversion of lease-holds to free-holds; extension of long-term leases beyond 25 years; and increase the sale of state lands.

4.20 In addition to these policies, the Government will work with the private sector to:

- conduct a sector by sector review of the incentives' regime to determine its attractiveness;
- improve the institutional framework for trade and investment facilitation;
- improve and expand international market access, through placement of trade officers in key Embassies and Missions;
- support distressed companies in their efforts to restructure; and
- enhance access to term financing from abroad, including the International Finance Corporation (IFC) and the Inter-American Investment Corporation (IIC).

4.21 We intend to place special emphasis on the agro-processing and tourism sectors. These sectors have potential for growth, employment and foreign exchange generation. To this end, a tourism board will be established and the incentives regime reviewed to ensure its attractiveness to investors.

## **F. Economic Infrastructure for Accelerated Growth**

4.22 Mr. Speaker, the Government will, this year, invest \$1.9 billion in the agricultural sector. Most of these resources will come from the foreign-funded El Nino project. Of this amount, about \$879 million will be used to rehabilitate and improve drains, canals, sluices and other drainage and irrigation structures throughout the country. The Burma rice mill to Esau and Jacob and Hyde Park to Mora Point farm-to-market roads will be completed in 1999. We will also commence the reconstruction of the Parika and Essequibo Coast farm to market roads.

4.23 In addition, we will rehabilitate the East Demerara Conservancy dam and construction works on the flood control and water management project between Mahaicony and Mahaica Rivers will commence. A modern fish culture station will be constructed at Mon Repos and further institutional development to the National Drainage and Irrigation Board (NDIB) and the Lands and Survey Department will be pursued. Extensive research and field extension will be intensified and the intermediate savannahs' programme advanced.

4.24 In the construction sector, the East Coast Public Road project will be completed. The Railway Embankment Stage 1, which is the link between Sheriff street and Coldingen, will be completed by the second quarter of this year. Work has already commenced on the Stage II, which is between Coldingen and Mahaica. Meanwhile, work on the Soesdyke/Linden Highway continues as programmed. During 1999, the bridges between Soesdyke and Linden will be completed and the additional link of approximately 2 miles to enter into the town of Linden, will be resurfaced.

4.25 Mr. Speaker, a new US\$41 million bridges' programme will commence this year. The objective of this programme is to rehabilitate and reconstruct all the bridges and structures between Timehri and Rosignol. The first phase of this programme, which includes the reconstruction and rehabilitation of approximately 61 bridges and structures, will be tendered. Also set aside under this programme, is a sum of US\$11 million for part financing of the Berbice River Bridge. The feasibility study and design work on this bridge is proceeding apace.

4.26 Another new project is the US\$25 million Urban Development Programme which will also commence this year. Under this programme, roads and drains in the six municipalities will be rehabilitated and refurbished. The programme also caters for the construction of abattoirs and markets, and institutional support to the municipalities, the Ministry of Local Government, and the Valuation Division of the Ministry of Finance.

4.27 Mr. Speaker, as identified in my 1998 review of the PSIP, the Essequibo Coast Road is plagued with several problems, among which are the non-performance of the contractors and poor project management. The Government is currently engaged in discussions with the World Bank on a programme to complete the road.

4.28 With regards to our sea defence programme, we will commence, this year, construction works in the Brahn, No.40 village, Trafalger and Mon Chosie areas, and complete remedial works at Anna Regina, Henrietta, Lusignan, Aberdeen, Devonshire Castle and Craig among others. Expenditure in this sector will amount to \$938 million.

#### I. Strategic Investment Projects

4.29 Mr. Speaker, preparatory works will continue this year on the large infrastructural projects mentioned in the 1998 Budget. These include the Berbice River Crossing, the deep water harbour, the Guyana-Brazil Road, and some large drainage and irrigation schemes. The Government will seek private capital for the development of these projects.

## **G. Job Creation**

4.30 Mr. Speaker, job creation is of paramount importance to us this year. The planned improvement in the economy will result in more jobs becoming available. However, the Government intends to stimulate the job market through a greater concentration on the development of micro enterprises, the promotion of labour intensive public sector investment projects, and skills training.

### **1. Micro Enterprise Development**

4.31 Mr. Speaker, the micro enterprise sector holds enormous potential in combating unemployment, diversifying the economy and reducing poverty. In the last five years, micro enterprises and small businesses, measured by the number of company registrations and loans, grew by over 40 percent per year and created in the process over 30,000 jobs. In addition, the sector through non-traditional exports has supported the viability of our external accounts by providing opportunities of income generating activities to women and youth.

4.32 The government recognises the important role that non-governmental organisations have played in the development of micro enterprise. However, the absence of coordination and a regulatory and incentives framework for this sector has sometimes resulted in duplication of activities and the inefficient use of resources. To overcome this problem, this year, we will establish an NGO Coordination Unit at the Ministry of Finance that will work along with NGOs to support the sector.

4.33 Mr. Speaker, the Institute of Private Sector Development (IPED) has played an excellent role in advancing micro enterprise development. Through credit facilitation and training, IPED has provided opportunities of income generation to many households. In a recent seminar organised by IPED in conjunction with the Government, several recommendations for micro enterprise development were proposed. The Government will work with IPED and other NGOs to create an environment that will catalyse the sector. This will include the removal of institutional and regulatory bottlenecks; simplified procedures to establish small businesses; an enhanced incentives framework, and improved access to markets.

2. Labour Intensive Activities

4.34 Mr. Speaker, in addition to stimulating micro enterprise development for job creation, the Ministry of Finance has put forward a number of proposals in a concept paper on job creation. One of these proposals that we intend to pursue is to give preference to labour intensive bids for public works. We will discuss these proposals with our social partners with a view to early implementation.

3. Skills Training

4.35 Mr. Speaker, one of the concerns that have been expressed by the private sector is the shortage of certain skills. The government will pursue aggressive skills training and re-training programme in 1999 to fill this need. While we are willing to provide targeted training to meet the skills shortage in the private sector, it is also clear that guarantees would have to be provided that persons once trained will secure jobs. The main target groups for the training programmes are unemployed youths, self-trained artisans and technicians, and civil servants in the lower grades. In this connection, Government will carry out a survey of private sector labour needs this year in an effort to develop training programmes that will fit the requirements of the private sector. Various delivery methods will be used, including employer and public sector-based training. The Government will also support private sector-delivered programmes, for example, the European Union-funded training programme. We hope to work in partnership with the labour movement in the implementation of these programmes.

**H. Social Sector Programme**

4.36 Mr. Speaker, one of the defining features of this government is our unapologetic support for the poor and the less fortunate. We have done this in the past and will continue to do this in the future regardless of the budgetary constraints that we face. We are firm in our resolve that every Guyanese should enjoy access to proper education, health and housing, and potable water supply. Allocation to the social sector has been significantly increased in 1999.

1. Education

4.37 Mr. Speaker, in the area of education, in excess of \$3 billion of our budgetary resources has been devoted to the rehabilitation of education infrastructure, and to enhance and improve the delivery of education. In particular, we will intensify work in both the secondary and primary education reform projects. Under the SSRP we will commence the rehabilitation and extension of 12 secondary schools

including Manchester, Fort Wellington, Belladrum, Dolphin, Anna Regina, MacKenzie and Tucville, among others. Also, we will commence design work to rehabilitate another 20 secondary and post primary institutions.

4.38 Mr. Speaker, phase I of the Primary Education Improvement Project (PEIP) will be completed this year. Schools designated for completion include Good Fortune, Malgre Tout, West Ruimveldt, St. Pius, Cropper, and Hosororo primary. Phase II of the PEIP will also begin this year. Under this programme, 17 new schools are earmarked for construction and 24 others will be rehabilitated. These include Kabakaburi, Eccles, Golden Grove, Friendship, Graham's Hall, Sheet Anchor, Orealla, and Sophia primary. The Social Impact Ameriolation Programme (SIMAP) and the Basic Needs Trust Funds (BNTF) will also rehabilitate about 19 nursery schools, 21 primary schools, and 12 community high and secondary schools.

4.39 Accompanying this improved education infrastructure programme will be a marked increase in the recurrent expenditure of the sector. More than 100 schools are earmarked for maintenance, and the allocation for materials and supplies including science and laboratory equipment has increased substantially. In addition, a number of computers will be procured for primary and secondary schools and over 12 school libraries will be rehabilitated. Further, the laboratories of 27 schools will be fully equipped. Meanwhile, about 700 candidates will be accepted in teacher training colleges, while 500 teachers will graduate this year. In addition, the Government intends to pursue the extension of university education to Berbice.

## 2. Health

4.40 Mr. Speaker, in the health sector, we will continue to focus on the improvement of health infrastructure and the provision of quality health care. Consistent with these objectives, we will strengthen the institutional capacity of the health ministry. To this end, we have now commenced a two-year institutional support programme within the Health Ministry. This project will assist the Government to develop policies to address institutional, managerial and service delivery problems in the health sector.

4.41 In addition, we will rehabilitate health facilities including regional and district health centers. We will also upgrade equipment and other facilities at Charity, Skeldon, Bartica, West Demerara, and New Amsterdam Hospitals, health centers at Lichfield, Belladrum, and St Monica and health posts at Kaicumbai, Rewa, Taruka, Orealla, and Baracara, to name a few.

3. Water

4.42 Mr. Speaker, the provision of potable water is at the heart of our basic human needs programme. This year, we will launch two of our inter-connected water supply systems. The first, at Pouderoyen will be substantially completed later in the year while the other, at Rose Hall, will commence in the last quarter. The hinterland communities especially those that suffered from the El Nino crisis will be given special consideration in the provision of water services. At the same time, we will continue to expand the water distribution network through SIMAP and GUYWA. More than \$230 million has been earmarked for this. In Georgetown, the GSWC first phase remedial programme will be completed this year. We will also begin the negotiations for the Phase II. The components of the Phase II project will include further rehabilitation of the distribution network and the upgrading of the solid waste disposal system.

4. Housing

4.43 Mr. Speaker, we will continue to pursue aggressively our housing development programme. Building on our past efforts, we will distribute over 10,000 housing lots this year. More than \$200 million has been budgeted to upgrade and develop sites and services to facilitate the speedy implementation of our housing programme. Increased efficiency at the Deeds Registry will help to expedite the processing of land titles.

4.44 In addition, we will continue to address the regularisation of squatter settlements in order to bring them into the mainstream of the development process. Further, Government is working with the Inter-American Development Bank (IDB) to prepare a US\$30 million loan for the housing sector. This programme will allow the Government to be able to allocate over 30,000 house lots in the medium term and to provide for the institutional strengthening of the Central Housing and Planning Authority (CH&PA).

**I. Public Sector Modernisation Programme**

4.45 Mr. Speaker, as I mentioned earlier, the momentum of the public sector reforms must continue to improve the efficiency of the public sector. In line with this, we have already approached the Inter-American Development Bank for assistance to undertake far-ranging public reform. The components of the proposed project include improvement of public sector remuneration, with special emphasis on



managerial, professional and technical staff, improvement of human resource management including performance appraisal, and the implementation of new public service rules. In addition, efforts will be made to improve the organisational structure of public sector institutions and criteria for the establishment of semi-autonomous agencies will be established.

**J. Y2K Related Issues**

4.46 Mr. Speaker, the Government has taken concrete steps to deal with the millennium computer problem. We applied and received grant assistance from the World Bank to do a National Y2K Assessment Plan. Computer hardware of about 39 ministries and agencies in the financial, productive, social and utilities sectors have been identified for examination. An action and contingency plan will be completed in April 1999.

4.47 To maintain the integrity of the payroll system, we have already taken steps to replace the current payroll system with Year2000 compliant soft/hard ware. A project execution unit consisting of staff from the Ministry of Finance and the Public Sector Ministry was set up early this year to implement the new payroll software. Amendments will be made to strengthen the National Data Management Authority Act to allow the Authority to deal with Y2K-related activities, including those of private sector companies whose operations are deemed critical to national security and economic interests.

4.48 Implementation of Y2K related activities would begin in April 1999. The National Y2K Committee and the National Data Management Authority will work with computer experts to implement the National Y2K Action and Contingency Plans. We are seeking donors' assistance to finance these plans.

**K. Security**

4.49 Mr. Speaker, in 1999, the Government intends to increase resource availability for security and crime fighting. This will enhance the capacity not only of the police and other security forces, but also of policing and other volunteer groups in fighting crime.

## TARGETS FOR THE ECONOMY IN 1999

### **A. Economic and Financial Policies and Targets**

5.1 Mr. Speaker, based on the policies described in the previous section, the macroeconomic targets for 1999 are as follows:

### **B. Real GDP Growth**

5.2 Mr. Speaker, we expect economic activity to rebound from the negative growth registered in 1998 to grow by 1.8 percent in 1999. This sectoral breakdown of growth in economic output is as follows:

#### **1. Agriculture**

Agricultural output is projected to increase by 3.4 percent in 1999, reflecting the improvement in weather conditions and re-organisation of the sugar industry. Output of sugar and rice is expected to increase by 5.6 percent and 3 percent, respectively. Forestry products, specifically logs and sawn timber, are projected to decline from 428,020 cubic metres to 410,900 cubic metre, a decline of 4 percent. This reflects the continued lower international prices for timber. Output of traditional crops, livestock and fisheries will continue to grow at 2.2 percent, 1.8 percent and 1.9 percent respectively.

#### **2. Industry**

5.3 Industrial sector output, comprising of mining, manufacturing and construction is projected to remain flat. The mining and quarrying sector is projected to decline by 3.6 percent reflecting lower prices of gold, and increased competition in the international bauxite market. The sub-sector production levels are as follows:

Calcined bauxite is targeted at 196,000 metric tons

Metal grade or dried bauxite is targeted at 2 million tons

Chemical grade bauxite is projected at 160,000 tons

Gold is projected at 437,105 ounces, a decline of 3.9 percent.

5.4 The **manufacturing sector** is projected to grow by 1 percent, while **construction** is estimated to grow by 4 percent, based on a higher level of public investment and faster growth in residential housing.

### 3. **Services**

The services sector, led by trading, financial and business services, and tourism, is targeted to grow by 2.2 percent.

### C. **Inflation**

5.5 Mr. Speaker, the target rate of inflation is 5.5 percent. The increase in the average rate during 1999 reflects expected increases in utility tariffs and international oil prices

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

5.6 Mr. Speaker, the balance of payments is projected to improve in 1999. Higher export volumes will contribute to larger external trade surplus and external financing from bilateral and multilateral sources is expected to increase this year. Merchandise exports are targeted at US\$574 million, a 5 percent increase over 1998. Imports are projected to rise by 3.2 percent to reach US\$620 million. The merchandise trade deficit is, therefore, expected to fall to US\$46 million, on account of lower import growth. Net transfers are projected to reach US\$57 million, or about the same level as in 1998.

5.7 Net disbursement to the non-financial public sector is projected at US\$39 million. Net private capital is targeted at US\$46 million. Debt service of the non-financial public sector will amount to US\$ 30 million. The deficit of the overall balance of payments is projected to improve to US\$4 million. Gross external reserves are projected to remain at about 4 months of imports

### E. **Fiscal Targets**

5.8 Mr. Speaker, current revenue is budgeted to increase to \$34.9 billion, or by 5.5 percent. Revenue collection from Inland Revenue Department is budgeted to grow by 5.7 percent, to \$14.9 billion. At the same time collections by the Customs and Excise Department is budgeted to grow by 7.3 percent to \$16.1 billion. Other current revenues are projected to decline by 2 percent, to reach \$4 billion in 1999.

## **F. Expenditure Targets**

5.9 Mr. Speaker, total expenditure is budgeted at \$51 billion or about \$400 million less than realised in 1998. However, the budgeted expenditure excludes expenditure on increased wages which is still the subject of negotiations between the Government and the unions operating in the Public Service. Nevertheless, of the amount budgeted, about \$16.7 billion has been set aside to meet statutory expenditure. Excluding the negotiated wage increases, non-interest current expenditure is projected to grow by 12.6 percent to reach \$22.2 billion. Interest payments are targeted at \$10.3 billion, of which external interest payments are budgeted at \$6.6 billion.

5.10 The rise in expenditure reflects largely the additional costs of social sector spending and public sector reform envisaged under the HIPC Initiative. The 1999 budget will increase allocations for social spending to \$12.9 billion from \$10.2 billion in 1998.

5.11 As a result, the current account balance of the Central Government is targeted to decline by \$620 million, to reach \$2.4 billion. Income from privatisation is projected at \$3 billion, while capital expenditure is budgeted at \$12.8 billion. Excluding external debt amortization of \$4 billion, the overall deficit (after grants) in the financial account of the central Government is expected to improve substantially to \$7.3 billion in 1999, from \$9.5 billion in 1998.

## **G. Targets of Public Enterprises**

5.12 Mr. Speaker, the operating surplus of the public enterprises is expected to rise from \$5.5 billion in 1998 to 7 billion in 1999. Revenue from public enterprises is projected to decline to \$42 billion, from \$45 billion in 1998, on account of the removal of the enterprises which will be privatised in 1999.

5.13 Expenditure of the public enterprises is projected to decline by 12.5 percent to \$35 billion. Taxes paid to the Central Government are projected to amount to \$1.3 billion while dividends and other transfers are targeted at \$2 billion.

## **H. Monetary Targets**

5 14 Mr. Speaker, in line with our inflation and balance of payments targets, the growth in broad money is projected to be slower than that of nominal GDP. With the projected buildup of public sector deposits in the banking system, bank credit to the private sector will rise by about 12 percent. The public sector is expected to make net repayments to the banking system of about \$4.8 billion.

**BUDGET MEASURES AND POLICIES**

6

6.1 Mr. Speaker, there will be no new taxes in 1999.

**A. Measures to stimulate Investment in the Private Sector**

1. Income Tax (Depreciation Rates) Regulation

6.2 Mr. Speaker, these regulations allow the Commissioner of Inland Revenue in his discretion to grant higher than the normal rates, as set out in the schedule. However, it is the intention of my Government to amend these regulations, in order to allow for a rate that is higher than is currently allowed for electrical equipment, including computer equipment. The rate that applies currently is 20%. I will be presenting to the House, Mr. Speaker, the necessary amendments to the Income Tax (Depreciation rates) Regulations, in order to give effect to a 50% rate of allowance for such equipment, commencing January 1, 1999.

2. Property Tax

6.3 Mr. Speaker, the property tax laws of this country, requires the filing of a return where the net property arrived at by allowing all liabilities at the end of the year to be offset against total assets revalued at 1<sup>st</sup> January, 1991, if it exceeds \$500,000 for individuals. Assets acquired after 1991 are included at the cost of acquisition and improvements made thereafter. We propose to amend the law so those individuals will only be required to file returns if they possess net assets in excess of \$1.5million.

6.4 Mr. Speaker, we will also increase the tax-exempt threshold for both individuals and companies. The amounts currently exempted from taxes are \$5 million and \$500,000 respectively. We will be increasing these amounts to reflect exemption of \$7.5 million and \$1.5 million respectively to take effect from January 1, 1999.

3. Schedule of the In Aid of Industry Act

6.5 Mr. Speaker, in order to continue to attract non-traditional investments for new industries by granting favourable accelerated allowances in accordance with the In Aid of Industry Act, I will table in

this House, amendments to the first schedule made under the principal Act, in order to include such industries engaged in the production of Ceramics, Sanitary Napkins, etc.

4. Stamp Duty

6.6 Mr. Speaker, we intend to table legislation to reduce the Stamp Duty shortly. This would bring relief to companies seeking to increase their capital base.

5. The Common External Tariff.

6.7 The maximum external tariff will be reduced to 20 percent, from 25 percent. The legislation to give effect to this change will be tabled shortly. We hope that this reduction will benefit the consuming public.

6. Review of Fiscal Incentives.

6.8 Mr. Speaker, the Government will conduct a sector by sector review of incentive regimes to determine the attractiveness of existing regimes of each sector relative to the rest of the countries in the region.

7. Tourism

6.9 Mr. Speaker, to further encourage development in the tourism sector, the Government will establish a Tourism Board with a subvention of \$15 million during 1999. Once the Board is established, a review of the incentives' regime will be conducted with its participation.

8. Poverty Programme

6.10 Mr. Speaker, \$119 million has been budgeted to continue the poverty alleviation programme during 1999.

9. Subvention to Neighborhood Democratic Councils and Municipalities

6.11 Mr. Speaker, \$250 million has been budgeted to assist these bodies in the implementation of their programmes.

**B. Measures to Compensate Labour**

1. Key and Critical Supplement

6.12 Mr. Speaker, the Government has committed itself to pay \$180 million over 3 years to certain categories of officers whose post are deemed to be vital to the civil service. We have budgeted another \$70 million to continue this programme in 1999.

2. Wage Increase

6.13 Mr. Speaker, increase in wages for public servants are currently being negotiated with the Unions. As such, no increase can be announced at this stage. However, let me re-assure all workers that once the negotiations are completed, the Government will be returning to this House for supplementary resources to meet the obligation. As in the past, workers outside of the traditional Public Service, such as the disciplined forces and teachers, and pensioners, can expect to benefit from increases in 1999.



### Conclusion

7

7.1 Mr. Speaker, the policies and measures contained in this budget mark another stage in our quest to improve the standards of living of our people. When we came to office in 1992, the deficit and the debt burden were at unsustainable levels. Today, through prudent macroeconomic management and tireless efforts at lobbying the international community, we have been able to restore a sound macroeconomic framework, rebuild our infrastructure and improve social conditions.

7.2 Nevertheless, the needs of our people are many and assistance from a caring government is always expected. We cannot do everything for everyone at the same time. Setting priorities and focussing on areas that will make a difference to our people is very important. That is what we have done. Through strong macroeconomic policies, structural reforms, support to the private sector, job creation policies, and programmes to improve health, education, water and housing, we hope to return our economy to buoyancy in 1999.

7.3 Mr. Speaker, despite the political indiscretions that surface from time to time, with their accompanying consequences on our society and economy, I firmly believe that progress has been made on the political front. I have an abiding faith in our people that we will work together for the good of Guyana.

7.4 Therefore, as the new millennium draws closer, I hope that we can say with confidence that a new beginning is truly at hand. We must refuse to set limits on what we can accomplish. Our challenge is to make our motto- one people, one nation, one destiny- a reality.

7.5 Guyana's future is in our hands.

Thank you.



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# APPENDICES

**APPENDIX 1**

**SELECTED SOCIO - ECONOMIC INDICATORS**

<b>ITEM</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>	<b>1994</b>
<b>1.0 NATIONAL ACCOUNTS AGGREGATES</b>					
1.1 Growth Rate of Real GDP	-1.3	6.2	7.9	5.1	8.5
1.2 GDP at factor cost (US\$M)	615.5	626.5	590.1	517.0	456.8
1.3 GNP at factor cost (US\$M)	559.3	552.8	510.9	431.0	373.8
1.4 Per capita GDP (US\$)	795.8	808.3	766.0	680.0	612.0
1.5 Per capita GNP (US\$)	723.2	713.2	663.0	567.0	501.0
1.6 Gross National Disposable Income (US\$M)	659.1	676.3	671.3	563.4	488.6
1.7 Private Consumption as % of Gross Domestic Expenditure	44.4	41.4	42.1	43.2	43.9
1.8 Public Consumption as % of Gross Domestic Expenditure	19.3	18.5	16.5	14.8	14.4
<b>2.0 EXTERNAL TRADE AND FINANCE (US\$M)</b>					
2.1 BOP Current Account Balance	-96.5	-105.1	-53.8	-94.9	-100.8
2.2 Imports of Goods and Non-Factor Services (G&NFS)	-775	708.8	663.5	626.9	576.2
2.3 Exports of Goods and Non-Factor Services (G&NFS)	690.8	637.4	621.0	579.0	526.4
2.4 Resource Balance	-84.2	-71.4	-42.5	-47.9	-49.8
2.5 Imports of G&NFS/GDP(%)	-125.9	-113.1	112.4	121.3	126.1
2.7 Exports of G&NFS/GDP(%)	112.2	101.7	105.2	112.0	115.2
2.8 Net International Reserves of Bank of Guyana	122.2	149.9	153.9	86.4	89.4
2.9 External Public Debt Outstanding	1496.5	1513.0	1537.0	2058.0	2004.0
<b>3.0 PRICES, WAGES &amp; OUTPUT</b>					
3.1 Rate of Inflation (% changed in Urban CPI)	4.6	4.1	4.5	8.1	16.1
3.2 Public Sector Monthly Minimum Wage in G\$(e.o.p)	11490.0	8804.4	7337.0	6380.0	5500.0
3.3 % Growth Rate	30.5	20.0	15.0	16.0	27.5
3.4 Electricity Generation (in M.W.H)	431.2	390.4	347.3	335.0	290.6
<b>4.0 POPULATION &amp; VITAL STATISTICS</b>					
4.1 Mid-Year Population ('000)	773.4	775.1	770.1	760.4	746.0
4.2 Population Growth Rate (e.o.p)	0.5	0.1	0.5	1.3	2.2
4.3 Net Migration ('000)	-15.2	-16.3	-8.0	-7.5	0.3
4.4 Visitor Arrivals ('000)	65.6	75.7	97.1	107.6	112.8
4.5 Crude Birth Rate (per 1,000 persons)	27.0	28.2	29.2	29.8	29.2
4.6 Crude Death Rate (per 1,000 persons)	6.8	6.8	7.3	7.1	7.1
4.7 Crude Marriage Rate (per 1,000 persons)	-	6.5	8.7	5.2	5.2
4.8 Infant Mortality Rate (per 1,000 live births)	-	-	24.2	27.8	28.8
4.9 Under 5 mortality Rate (per 1,000 live births)	-	-	30.3	24.6	28.8
<b>5.0 HEALTH AND EDUCATION</b>					
5.1 Public Expenditure on:					
5.1.1 Education as % of National Budget	11.9	6.8	7.3	6.7	7.3
5.1.2 Health as % of National Budget	5.9	7.3	6.3	8.3	7.4
5.2 Number of Physicians per Ten Thousand Population	4.3	2.8	3.8	3.0	3.1
5.3 Number of Nurses per Ten Thousand Population	15.3	9.4	8.0	8.0	6.3
5.4 Number of Hospital Beds per Ten Thousand Population	42.3	38.8	35.9	35.9	35.9
5.5 Low birth-weight babies (<2500g.) as a % of live births	-	14.8	14.6	15.3	19.2
5.6 Severely malnourished	-	0.9	0.9	1.1	8.0
5.7 Moderately malnourished	-	15.2	18.2	20.6	15.2
5.8 Underweight	-	4.5	4.5	5.6	3.6
<b>6.0 IMMUNIZATION COVERAGE</b>					
6.1 1 year olds Immunized against DPT (%)	90	88.0	83.0	86.0	89.7
6.2 1 year olds Immunized against measles (%)	93.3	82.0	91.1	84.1	82.8
6.3 1 year olds Immunized against polio (%)	90	88.5	83.0	87.0	90.1
6.4 1 year olds Immunized against TB (%)	92.5	94.0	88.4	93.3	93.5
<b>7.0 CRIME</b>					
7.1 Reported Serious Crimes	-	3233.0	4563.0	3425.0	5188.0
7.2 of which: Homicides	-	99.0	88.0	109.0	108.0

**APPENDIX 11**

**REAL OUTPUT INDEX**

<b>SECTOR</b>	<b>Budget 1999</b>	<b>Revised 1998</b>	<b>Budget 1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>
<b>TOTAL</b>	<b>149.5</b>	<b>146.9</b>	<b>153.6</b>	<b>148.9</b>	<b>144.6</b>	<b>129.9</b>
Sugar	159.5	151.0	157.4	163.3	164.6	149.6
Rice	266.1	258.4	243.3	259.2	257.3	239.2
Livestock	118.3	116.0	124.3	117.8	193.4	89.7
Other Agriculture	149.3	146.4	143.5	137.1	130.1	125.1
Fishing	136.4	133.9	128.2	120.5	154.5	109.5
Forestry	247.1	250.0	345.0	330.0	307.7	284.9
Mining & Quarrying	172.9	179.1	183.5	174.4	155.0	131.6
Manufacturing	106.5	104.8	123.2	117.9	113.0	109.7
Distribution	155.9	151.3	150.3	143.8	136.3	129.8
Transport & Communication	149.9	147.0	159.7	151.7	139.2	125.4
Engineering & Construction	199.3	191.6	202.9	182.8	162.0	142.0
Rent & Dwellings	149.1	143.1	143.1	135.4	126.1	119.0
Financial Services	163.1	159.1	160.0	154.1	147.4	134.6
Other Services	154.7	150.2	152.8	144.8	137.9	128.3
Government	102.1	102.5	103.8	102.7	99.9	97.9

*Base Year: 1988=100*  
*Source: Bureau of Statistics*

APPENDIX 111

**CENTRAL GOVERNMENT  
FINANCIAL OPERATIONS (ECONOMIC CLASSIFICATION)**

ITEM	% CHANGE OVER REVISED 1998	BUDGET 1999	REVISED 1998	BUDGET 1998	ACTUAL 1997
<b>1.0 Current Revenues</b>	<b>5.5</b>	<b>34,939.0</b>	<b>33,121.2</b>	<b>38,010.0</b>	<b>34,082.9</b>
1.1 Inland Revenue	5.7	14,912.7	14,106.3	16,260.3	14,403.1
1.2 Customs & Excise	7.3	16,057.8	14,965.3	17,121.4	15,153.1
1.3 Sugar Levy	-10.0	1,800.0	1,999.6	2,000.0	2,000.0
1.4 Other 1/	5.8	2,168.5	2,050.0	2,628.3	2,526.7
<b>2.0 Current Expenditures</b>	<b>12.6</b>	<b>22,173.8</b>	<b>19,696.8</b>	<b>20,495.9</b>	<b>17,823.7</b>
2.1 Employment Cost	5.5	10,327.6	9,790.9	9,754.5	8,931.0
2.2 Other Charges 1/	19.6	11,846.2	9,905.9	10,741.4	8,892.7
<b>3.0 Current Primary (Non-Interest) Balance</b>	<b>-4.9</b>	<b>12,765.2</b>	<b>13,424.4</b>	<b>17,514.1</b>	<b>16,259.2</b>
<b>4.0 Interest</b>	<b>-3.0</b>	<b>13,932.3</b>	<b>14,355.8</b>	<b>12,665.5</b>	<b>14,742.0</b>
4.1 Internal 2/	27.4	3,770.7	2,958.7	3,211.1	3,880.8
4.2 External (Scheduled)	-10.8	10,161.6	11,397.1	9,454.4	10,861.2
<b>5.0 Current Balance</b>	<b>25.3</b>	<b>(1,167.1)</b>	<b>(931.4)</b>	<b>4,848.6</b>	<b>1,517.2</b>
<b>6.0 Capital Revenues</b>	<b>255.6</b>	<b>4,308.3</b>	<b>1,211.4</b>	<b>3,725.3</b>	<b>2,973.6</b>
6.1 Grants	64.2	1,292.0	786.9	1,476.4	2,662.8
6.2 Proceeds from Divestment	720.9	2,951.3	359.5	2,178.9	225.8
6.3 Other incl. Sale of Assets	0.0	65.0	65.0	70.0	85.0
<b>7.0 Capital Expenditures</b>	<b>-1.9</b>	<b>12,786.7</b>	<b>13,033.8</b>	<b>14,845.1</b>	<b>16,379.0</b>
7.1 Central Government	7.8	12,679.7	11,761.7	14,835.1	14,418.9
7.2 Transfers to Public Enterprises	-92.1	100.0	1,269.1	0.0	1,827.0
7.3 Other	133.3	7.0	3.0	10.0	133.1
<b>8.0 OVERALL BALANCE</b>	<b>-24.4</b>	<b>(9,645.5)</b>	<b>(12,753.8)</b>	<b>(6,271.2)</b>	<b>(11,888.2)</b>
<b>9.0 Total Financing</b>	<b>-24.4</b>	<b>9,645.5</b>	<b>12,753.8</b>	<b>6,271.2</b>	<b>11,888.2</b>
<b>10.0 Net External Borrowing</b>	<b>60.4</b>	<b>10,781.9</b>	<b>6,720.4</b>	<b>10,654.4</b>	<b>8,877.8</b>
10.1 Disbursements of Loans	45.2	11,149.5	7,681.2	11,388.5	8,751.8
10.2 Debt Repayment (Scheduled)	-28.6	4,032.8	5,649.3	3,835.2	4,482.0
10.3 Interest Debt Relief	-9.6	3,601.3	3,985.4	3,059.5	4,484.4
10.4 Principal Debt Relief	-90.9	63.9	703.1	41.6	123.6
<b>11.0 Net Domestic Borrowing</b>	<b>-165.5</b>	<b>(4,096.4)</b>	<b>6,256.3</b>	<b>(6,228.2)</b>	<b>(591.0)</b>
11.1 Net Advances	-204.6	(6,270.9)	5,995.7	(7,214.2)	2,773.6
11.2 Net Increase in Treasury Bill Holdings	114.4	2,174.5	1,014.3	564.0	(1,605.9)
11.3 Net Increase in Debentures	-100.0	0.0	(753.7)	422.0	(1,758.7)
<b>12.0 Non-Project Balance of Payments Grants 3/</b>	<b>47.9</b>	<b>2,960.0</b>	<b>2,001.6</b>	<b>1,845.0</b>	<b>3,081.6</b>
<b>13.0 Other Financing</b>	<b>-100.0</b>	<b>0.0</b>	<b>(2,224.5)</b>	<b>0.0</b>	<b>519.8</b>
<i>Total Domestic and Scheduled External Debt Service as a % of Current Revenues</i>		<b>51.4%</b>	<b>62.7%</b>	<b>42.3%</b>	<b>61.6%</b>

1. Excludes reimbursable Rice Levy (a).

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

3. Figures reflect counterpart funds which are used in the capital expenditure Budget.

APPENDIX IV

ALL URBAN CONSUMER PRICE INDEX  
(including GEORGETOWN)

GROUP	1997	1998											
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
ALL ITEMS	143.6	142.7	145.4	146.3	146.3	146.7	147.6	148.0	147.6	148.1	147.9	148.9	150.2
FOOD (incl. Alcoholic Beverages)	153.8	151.4	148.5	150.5	151.5	152.1	153.0	153.2	152.3	153.4	152.7	154.7	157.8
CLOTHING	84.1	83.8	84.1	84.0	84.3	82.4	82.4	82.5	82.5	82.0	80.8	80.2	80.1
FOOTWEAR	79.7	79.1	77.7	76.4	76.4	76.2	76.2	76.0	75.8	75.8	75.2	75.1	75.2
HOUSING	157.0	157.0	158.0	158.0	157.9	158.0	158.8	158.7	158.7	159.3	159.2	159.3	158.3
FURNITURE	117.1	116.9	116.4	115.2	115.3	116.7	117.6	118.2	117.6	117.8	117.4	117.6	118.4
TRANSPORT & COMMUNICATION	130.5	131.0	165.4	165.4	161.8	161.5	162.8	166.0	165.7	164.6	165.3	165.9	166.1
MEDICAL & PERSONAL CARE	129.4	132.2	131.8	134.5	134.3	134.2	135.5	136.5	135.9	136.7	136.6	136.7	142.3
EDUCATION, RECREATION, CUL.	137.6	140.2	139.9	140.9	141.0	141.2	141.2	141.4	141.3	141.3	142.9	143.5	143.6
OTHER GOODS AND SERVICES	131.3	131.9	132.8	132.6	132.6	134.7	137.9	135.2	136.9	136.9	137.3	137.8	138.9

Base Year: Dec 1994 = 100  
Source: Bureau of Statistics

Budget Speech  
Appendices

APPENDIX V

**BALANCE OF PAYMENTS  
ANALYTIC SUMMARY**

ITEM	Budget 1999	Revised 1998	Budget 1998	Actual 1997	Actual 1996
<b>A Current Account</b>	<b>-88.0</b>	<b>-85.5</b>	<b>-88.0</b>	<b>-81.1</b>	<b>-48.2</b>
<b>1.0 Merchandise (Net)</b>	<b>-46.0</b>	<b>-54.2</b>	<b>-36.0</b>	<b>-48.2</b>	<b>-20.2</b>
1.1 Exports (f.o.b.)	574.0	547.0	616.0	593.4	574.8
1.1.1 Bauxite	78.0	78.5	92.0	89.4	86.0
1.1.2 Sugar	135.0	129.0	138.0	133.4	150.7
1.1.3 Rice	81.0	73.3	78.0	84.7	93.7
1.1.4 Gold	122.0	124.0	140.0	139.5	104.1
1.1.5 Other	136.0	120.2	151.0	125.8	118.3
1.1.6 Re-exports	22.0	22.0	17.0	20.6	22.0
1.2 Imports (c.i.f.)	-620.0	-601.2	-652.0	-641.6	-595.0
1.2.1 Fuel & Lubricants	-66.0	-72.0	-105.0	-100.0	-89.9
1.2.2 Other	-554.0	-529.2	-547.0	-541.6	-505.1
<b>2.0 Services (Net)</b>	<b>-91.0</b>	<b>-88.3</b>	<b>-92.0</b>	<b>-96.9</b>	<b>-86.0</b>
2.1 Factor	-57.0	-56.2	-50.0	-73.7	-54.0
2.2 Non Factor (Net)	-34.0	-32.1	-42.0	-23.2	-32.0
<b>3.0 Transfers</b>	<b>49.0</b>	<b>57.0</b>	<b>40.0</b>	<b>64.0</b>	<b>58.0</b>
3.1 Official	8.0	13.0	16.0	24.0	17.0
3.2 Private	41.0	44.0	24.0	40.0	41.0
<b>B Capital Account</b>	<b>84.0</b>	<b>69.5</b>	<b>133.0</b>	<b>101.7</b>	<b>53.9</b>
<b>1.0 Capital Transfers</b>	<b>0.0</b>	<b>0.0</b>	<b>7.0</b>	<b>0.0</b>	<b>618.0</b>
<b>2.0 Medium and Long Term Capital (Net)</b>	<b>85.0</b>	<b>70.5</b>	<b>119.0</b>	<b>89.7</b>	<b>-558.5</b>
2.1 Non - Financial Public Sector Capital (Net)	39.0	13.9	69.0	35.0	-611.9
2.1.1 Disbursements	69.0	59.7	97.0	65.0	40.2
2.1.2 Amortization	-30.0	-45.8	-28.0	-30.0	-34.1
2.1.3 Other	0.0	0.0	0.0	0.0	-618.0
2.2 Private Sector (Net)	46.0	56.6	50.0	54.7	53.4
<b>3.0 Short Term Capital</b>	<b>-1.0</b>	<b>-1.0</b>	<b>7.0</b>	<b>12.0</b>	<b>-5.6</b>
<b>C Errors and Omissions</b>	<b>0.0</b>	<b>-6.0</b>	<b>0.0</b>	<b>-16.6</b>	<b>-7.1</b>
<b>D OVERALL BALANCE</b>	<b>-4.0</b>	<b>-22.0</b>	<b>45.0</b>	<b>4.0</b>	<b>-1.4</b>
<b>E Financing</b>	<b>4.0</b>	<b>22.0</b>	<b>-45.0</b>	<b>-4.0</b>	<b>1.4</b>
<b>1.0 Bank of Guyana net foreign assets</b>	<b>-22.0</b>	<b>22.0</b>	<b>-227.0</b>	<b>-22.0</b>	<b>-14.0</b>
1.1 Assets (increase-)	-9.0	39.0	-41.0	3.0	-14.0
1.2 Liabilities	-13.0	-17.0	-186.0	-25.0	0.0
<b>2.0 Exceptional Financing</b>	<b>26.0</b>	<b>0.0</b>	<b>182.0</b>	<b>18.0</b>	<b>15.4</b>
2.1 Debt Relief	26.0	0.0	182.0	18.0	15.4
2.2 Balance of Payments Support	0.0	0.0	0.0	0.0	0.0

Figures: US\$m

Source: Ministry of Finance,  
Bureau of Statistics and Bank of Guyana

**APPENDIX VI**

**ACTUAL AND PROJECTED EXTERNAL DEBT STOCK**

ITEM	Preliminary 1999 (After HIPC)	Actual 1998	Actual 1997	Actual 1996
<b>TOTAL EXTERNAL DEBT</b>	1,348.75	1,496.49	1,513.02	1,537.02
<b>1.0 Multilateral</b>	910.79	965.33	953.05	980.13
IBRD	12.59	15.93	19.41	26.56
IDA	240.52	236.70	220.35	214.81
IADB	290.78	324.16	312.69	299.39
CDB	49.53	51.63	51.87	52.35
CMCF	96.70	108.42	117.57	129.78
IMF	156.48	154.18	157.10	168.39
Others 1/	64.19	74.32	74.06	88.85
<b>2.0 Bilateral</b>	402.98	441.04	449.79	441.70
<b>2.1 Paris Club Creditors:</b>	286.58	317.00	309.15	302.76
USA	3.54	4.98	4.98	4.98
UK	47.40	70.57	70.57	70.57
Canada	1.34	1.90	1.90	1.90
Germany	4.58	6.75	6.75	6.75
Netherlands	4.19	6.22	6.22	6.22
Denmark	1.00	1.45	1.45	1.45
Norway	0.00	0.00	0.00	0.00
Sweden	0.00	0.00	0.00	0.00
France	1.18	1.66	1.66	1.66
Japan	1.03	1.15	1.16	1.17
T&T	176.94	176.94	176.94	176.94
Others 2/	45.38	45.38	37.53	31.12
<b>2.2 Non-Paris Club Creditors:</b>	116.41	124.04	140.64	138.94
Venezuela	6.57	9.95	13.51	15.92
Argentina	6.79	6.79	6.79	6.79
Kuwait	38.90	36.16	34.44	32.26
Libya	29.47	32.52	32.27	31.43
Others 3/	34.67	38.62	53.64	52.55
<b>3.0 Private Creditors</b>	34.98	90.11	110.18	115.19
3.1 Suppliers 4/	0.34	54.36	58.99	64.61
3.2 Financial Markets/Bonds 5/	34.64	35.76	51.19	50.59

Notes:

1/ Includes EEC, EIB, IFAD and OPEC Loans

2/ Includes PL 480 Credits, CDC and KFW Loans

3/ Includes DPRK, Russia, Brazil, China, UAE, India and Yugoslavia Loans

4/ Includes IIT, Caterpillar Americas, Nishio Iwai/Komatsu, Boskalis and EPDS debts

5/ Includes Booker Mc Connell, Bonds, Bank of Nova Scotia, Lloyds Bank (O/D) and Barclays Bank debts

Figures: US\$m

Source: Ministry of Finance