

National Assembly Debates

**PROCEEDINGS AND DEBATES OF THE NATIONAL ASSEMBLY OF
THE FIRST SESSION (2001) OF THE EIGHTH PARLIAMENT OF GUYANA
UNDER THE CONSTITUTION OF THE CO-OPERATIVE REPUBLIC OF GUYANA**

20TH SITTING

2.00 PM

Friday, 15th March, 2002

MEMBERS OF THE NATIONAL ASSEMBLY (68)

Speaker (1)

The Hon. Hari N. Ramkarran, S. C., M. P. - *Speaker of the National Assembly*

Members of the Government - People's Progressive Party/Civic (34)

The Hon. Samuel A.A. Hinds, M.P.	- <i>Prime Minister and Minister of Public Works and Communications</i>
The Hon. Reepu Daman Persaud, O.R., J.P., M.P.	- <i>Minister of Parliamentary Affairs</i>
The Hon. Clement J. Rohee, M.P.	- <i>Minister of Foreign Trade and International Co-operation (Absent-on Leave)</i>
The Hon. Harripersaud Nokta, M.P.	- <i>Minister of Local Government and Regional Development</i>
The Hon. Gail Teixeira, M.P.	- <i>Minister of Culture, Youth and Sport</i>
The Hon. Dr. Henry B. Jeffrey, M.P.	- <i>Minister of Education (Absent)</i>
The Hon. Saisnarine Kowlessar, M.P.	- <i>Minister of Finance</i>
The Hon. Shaik K. Z. Baksh, M.P.	- <i>Minister of Housing and Water</i>
The Hon. Navindranauth O. Chandarpal, M.P.	- <i>Minister of Agriculture (Region No. 4-Demerara/Mahaica)</i>
The Hon. J. Ronald Gajraj, M.P.	- <i>Minister of Home Affairs (Region No. 3-Essequibo Islands/West Demerara)</i>
The Hon. Rev. Dr. Ramnauth D.A. Bisnauth, M.P.	- <i>Minister of Labour, Human Services and Social Security</i>
The Hon. Clinton C. Collymore, M.P.	- <i>Minister in the Ministry of Local Government and Regional Development</i>

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The Hon. Satyadeow Sawh, M.P.	- Minister of Fisheries, Other Crops and Livestock (Region No. 5 - Mahaica/Berbice) (Absent - on Leave)
*The Hon. S. Rudolph Insanally, O.R., C.C.H., M.P.	- Minister in the Office of the President with responsibility for Foreign Affairs
*The Hon. Doodnauth Singh, S.C., M.P.	- Attorney General and Minister of Legal Affairs
The Hon. Dr. Jennifer R.A. Westford, M.P.	- Minister of the Public Service
The Hon. C. Anthony Xavier, M.P.	- Minister of Transport and Hydraulics
The Hon. Bibi S. Shadick, M.P.	- Minister in the Ministry of Labour, Human Services and Social Security (Region No. 3 - Essequibo Islands/ West Demerara)
**The Hon. Manzoor Nadir, M.P.	- Minister of Tourism, Industry and Commerce (Absent)
The Hon. Carolyn Rodrigues, M.P.	- Minister of Amerindian Affairs
The Hon. Dr. Leslie S. Ramsammy, M.P.	- Minister of Health
Mr S. Feroze Mohamed, M.P.	- Chief Whip
Mr Cyril C. Belgrave, C.C.H., J.P., M.P.	- (Region No. 4 - Demerara/Mahaica)
Mr. Donald R. Ramotar, M.P.	(Absent)
Mr Husman Alli, M.P.	- (Region No. 7 - Cuyawari/Mazaruni)
Mr. Komal Chand, C.C.H., J.P., M.P.	
Mrs Indranie Chandarpal, M.P.	
Mr Bernard C. DeSantos, S.C., M.P.	- (Region No. 4 - Demerara/Mahaica)
Mrs Shirley V. Edwards, J.P. M.P.	
Mr Odinga N. Lumumba, M.P.	
Mr Heeralall Mohan, M.P.	- (Region No. 2 - Pomeroon/Supernaam)
Mr Ramesh C. Rajkumar, M.P.	- (Region No. 6 - East Berbice/Corentyne)
Mr Kumkaran Ramdas, M.P.	
Mr Khemraj Ramjattan, M.P.	- (Region No. 6 - East Berbice/ Corentyne)
Dr Bheri S. Ramsaran, M.D., M.P.	
Mrs Philomena Sahoye-Shury, C.C.H., J.P., M.P.	- Parliamentary Secretary, Minister of Housing and Water
Mrs Pauline R. Sukhai, M.P.	- (Region No. 1 - Barima/Waini)

* Non-Elected Minister

Members of the Opposition (30)

(i) People's National Congress/Reform (27)

Mr. Hugh Desmond Hoyte, S.C., M.P.	- <i>Leader of the Opposition</i>
Mr. Robert H. O. Corbin, M.P.	
Mr. Winston S. Murray, C.C.H., M.P.	
Mrs Clarissa S. Riehl, M.P.	- <i>Deputy Speaker of the National Assembly</i>
Mr E. Lance Carberry, M.P.	- <i>Chief Whip</i>
Mr Ivor Allen, M.P.	- <i>(Region No.2-Pomeroon/Supenaam)</i>
Mrs. Deborah J. Backer, M.P.	
Mr. Deryck M.A. Bernard, M.P.	
Mr. C. Stanley Ming, M.P.	
Mr. Raphael G C. Trotman, M.P.	
Mr Vincent L. Alexander, M.P.	- <i>(Region No.4-Demerara/Mahaica)</i>
Mr. Andy Goveia, M.P.	- <i>(Absent)</i>
Mrs. Volda A. Lawrence, M.P.	
Dr Dalglish Joseph, M.D., M.P.	
Miss Anna Ally, M.P.	- <i>(Region No.5-Mahaica/Berbice)</i>
Miss Sandra M. Adams, M.P.	- <i>(Region No.10-Upper Demerara/Berbice)</i>
Mr. Jerome Khan, M.P.	
Dr George A. Norton, M.P.	
Miss Myrna E. N. Peterkin, M.P.	- <i>(Region No.4-Demerara/Mahaica)</i>
Mr. James K. McAllister, M.P.	- <i>(Region No.3-Essequibo Islands West Demerara)</i>
Miss Lurlene A. Nestor, M.P.	- <i>(Region No.4-Demerara/Mahaica)</i>
Mr Abdul Kadir, J.P., M.P.	- <i>(Region No.10-Upper Demerara/Berbice)</i>
Mr Ricky Khan, M.P.	- <i>(Region No.1-Barima/Waini)</i>
Mrs. R. Bancroft, M.P.	- <i>(Region No.8 - Potaro/Siparuni)</i>
Mr Nasir Ally, J.P., M.P.	- <i>(Absent-on-Leave)</i>
Miss Judith David, M.P.	- <i>(Region No.6-East Berbice/Corentyne)</i>
Miss Genevieve Allen, M.P.	- <i>(Region No.7-Cuyuni/Mazaruni)</i>
	- <i>(Region No.4-Demerara/Mahaica)</i>

(ii) Guyana Action Party/Working People's Alliance Party (2)

Mrs Sheila V.A. Holder, M.P.	- <i>(Absent-on-Leave)</i>
Mrs Shirley J. Melville, M.P.	- <i>(Upper Takutu/Upper Essequibo)</i>

(iii) Rise, Organise and Rebuild Party (1)

Mr Ravindra Dev, M.P.

OFFICERS

Mr Frank A. Narain, C.C.H., Clerk of the National Assembly
Mr Sherlock E. Isaacs, Deputy Clerk of the National Assembly

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PRAYER

The Clerk read the Prayers.

ANNOUNCEMENTS BY THE SPEAKER

Leave

Leave from today's sitting has been granted to the Hon Mr Satyadeow Sawh and Hon Members Rajkoomarie Bancroft and Mr Ravi Dev.

(ii) Mr Kenneth C King - Vacation of Office of Sergeant-At-Arms

Hon Members, **Mr Kenneth Carnegie King**, Sergeant-At-Arms, has proceeded on leave and will be vacating the Office of Sergeant at Arms on the expiration of his leave.

Mr King has been serving as Sergeant at Arms since 1976. Prior to becoming Sergeant-

At-Arms, he served in World War II, from 1942 to 1947. From 1948 to 1951 he was a Field Checker at the Mahaicony/Abary Rice Development Company. He was a Messenger at the Parliament Office from 1953 to 1961, a Bailiff at the Magistrate's Office from 1961 to 1962, Collecting Officer at the Magistrate's Office from 1962 to 1963 and a Marshall at the Supreme Court from 1963 to 1976.

His total public service, beginning on 30th September, 1942 at the age of seventeen (17) years to this year, spreads over a period of 60 years.

Mr King performed his duties as Sergeant-At-Arms efficiently and with great dignity and decorum. He was a very loyal, reliable, and trustworthy officer and, in spite of his age, he was regularly and punctually at work.

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I am sure that Members would wish me to place on record our grateful thanks to Mr King for his long and dedicated service which he gave to the Government and more particularly to our Parliament in this very Chamber. We extend our best wishes to him. *[Applause]*

The Assistant Sergeant-At-Arms, Mr Dhanram Kungbeharry, is performing the duties of Sergeant-At-Arms.

PRESENTATION OF PAPERS AND REPORTS, ETC.

The Following papers were laid:

By the **Prime Minister**

The Audited Financial Statements (2) of the National Frequency Management Unit for the years 1999 and 2000.

By the **Minister of Finance**

(i) Estimates of the Revenue and Expenditure of Guyana for the financial year 2002.

(ii) Financial Paper No. 1 of 2002, Supplementary Estimates (Current and Capital) totalling \$276, 590, 960 for the period 10th November, 2001 to 31st December, 2001 - Advances made from the Contingencies Fund.

Mr Speaker, I beg that these Papers be considered during the Budget Debates or after the Budget process.

(iii) Ministers, Members of the National Assembly and Special Offices (Emoluments) Order 2001.

(iv) Constitutional Offices (Remuneration of Holders) (No. 2) Order 2001.

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(v) Constitutional Offices (Remuneration of Holders) Order 2002 (No. 1/2002).

(vi) *Customs Duties (Amendment) Order 2002, (No. 4/2002).*

MOTIONS RELATING TO THE BUSINESS OR SITTINGS OF THE ASSEMBLY AND MOVED BY A MINISTER

Suspension of Standing Orders Nos (2) and 32(9)(a)

The Speaker: The Minister of Parliamentary Affairs.

Hon Reepu Daman Persaud: Mr Speaker

Be it resolved:

That the Standing Orders No. 9(2) 32(9)(a) be suspended to enable the Minister of Finance to complete uninterrupted the reading of the Budget Speech for 2002 at the sitting of the Assembly today, Friday, 15th March, 2002.

I so move.

Question put and agreed.

INTRODUCTION OF BILLS

The following Bills were **presented and read the first time.**

(i) By the **Prime Minister**

ENERGY SECTOR (HARMONISATION OF LAWS) BILL 2002
- Bill No. 1/2002

(ii) By the **Minister of Parliamentary Affairs**, on behalf of the **Minister of Tourism, Industry and Commerce.**

GUYANA TOURISM AUTHORITY BILL 2002 - Bill No. 2/2002

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(iii) By the **Minister of Home Affairs**

**MOTOR VEHICLES AND ROAD TRAFFIC AMENDMENT)
BILL 2002 - Bill No. 3/2002**

PUBLIC BUSINESS

MOTION

**ITEM 1 - BUDGET FOR 2002 - MOTION FOR THE
APPROVAL OF THE ESTIMATES OF EXPENDITURE FOR
2002**

14:05H

The Speaker: Hon Minister of Finance. *[Interruption]*

*[As the Minister of Finance rises the Members of the PNC/R
and Mrs Shiela Holder withdrew from the Chambers.]*

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 2002. In so doing I wish to indicate that in concurrence with Article 171, Paragraph 2 of the Constitution the Cabinet has recommended that the National Assembly proceed upon this Motion.

Mr Speaker, Year 2001 was as eventful as it was difficult. It was a year in which we stood witness to the triumphs and traumas of our country and the tragic events that unfolded in the international community. These have left lingering scars in their wake. Even so, I would like to pay early tribute to the Guyanese people for their fortitude that has seen us through thus far. We will continue to count on their resilience and abundant resourcefulness, as we forge ahead with the implementation of our growth-inducing and poverty-reduction programmes in 2002 and beyond.

Mr Speaker, the year began quite eventfully. The generally peaceful

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atmosphere which characterised voting in the General and Regional Elections on March 19 was shattered soon thereafter when violence erupted in certain parts of our country. The very fabric of our society was threatened under the disruption that followed. Both life and limb were endangered while property was extensively damaged or destroyed. Fortunately, matured reasoning prevailed and a process of dialogue was institutionalised. In spite of the many hiccups, the dialogue has remained strong and offers the best hope for resolving differences.

Mr Speaker, many of us, in our travels across this great land of ours, have witnessed the friendliness, warmth, caring and sharing that are openly expressed by our diverse peoples in their villages, neighbourhoods and towns. While periodic elections enhance the democratic process in-so-far as determining who governs the country legitimately it is attributes such as these to which we must consistently turn and constructively harness in our quest to build a united and free Guyana.

And so, Mr Speaker, mindful of the task at hand, Budget 2001 was presented in this House on June 15, 2001. It established our development agenda over the medium term, and the policy framework and targets for 2001. While we encountered the usual challenges, in the process of implementation, nothing prepared us for the outrageous events that took place on September 11, 2001. In a stark reminder of the dangers that lie behind the façade of world peace, terrorists struck boldly in the United States, causing a colossal loss of life and massive destruction to property.

Mr Speaker, those acts of madness and the subsequent devastating responses have had serious economic and political consequences. Security concerns have leap-frogged the international agenda, overshadowing issues such as poverty alleviation, transfer of resources, globalisation and fair trade. This will have foreboding implications for Guyana, including reduced official development assistance and the postponement of the resumption of more robust growth in our economy. Also, in this new fight to combat international terrorism, Guyana will be

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required to expend scarce resources. This will strain an already tight budget situation. We expect that the pattern of government expenditure will alter somewhat, as we implement prudent fiscal and other initiatives to minimise the adverse impact on the economy and the society.

Mr Speaker, in spite of the many threats and challenges, we were still able to manage our economic affairs in a way that allowed us to emerge ahead of Year 2000. As predicted in Budget 2001, growth returned to the economy, with sugar recording its second highest production since 1978; inflation was at its lowest in more than three decades; and the external debt overhang was reduced further. We made commendable strides in the implementation of our social sector programmes while significant improvement to the physical infrastructure attests to success in this area. All of this was achieved while many of the world's advanced economies were experiencing declines that resulted in massive layoffs, among other economic ills.

Mr Speaker, over the past four years, we have experienced some setbacks that have slowed the advancement of the economy. But we remain sanguine about the future of our country. Naysayers, antagonists or pessimists who either contribute to the widening of differences in our society or peddle their own version of doomsday for Guyana will not distract us. We will continue to work towards transforming Guyana from a low income, agricultural-dependent country to a middle income, semi-industrial one, a country that will boast of a higher per capita income and a better-educated population enjoying a better quality of life; where more young people are employed and can afford their own homes; where our senior citizens enjoy a comfortable retirement in a safe environment; and where justice, democracy and good governance permeate the entire society. We are firm in our belief that once these are in place, more of our people will be persuaded to call Guyana their home, instead of yearning to migrate to other climes.

Our policy agenda, which is elaborated in the PPP/Civic Manifesto for the 2001 General Elections, the poverty Reduction Strategy Paper and, to some extent, the National Development Strategy document,

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explicitly recognises the need to stimulate growth, reduce poverty and engender sustainable economic development. It isolates and builds on our achievements over the past nine years and emphasises continuity over the medium to longer term. Like Budget 2001, therefore, this year's budget is yet another subset of that agenda. It is part of our long term strategy to keep the country on a progressive path of growth, development and prosperity. In this regard, and in order to reflect the thrust of our policies and programmes in 2002, we have chosen as the theme for this Budget, *Promoting Economic Growth; Accelerating Social Gains*.

Mr Speaker, while the Government will remain focused on the task at hand and ahead, it will need the full support of everyone. This is why we continue to foster the budget consultation process. Many recommendations were made and advice proffered during the preparation of this Budget. While we have only been able to accommodate those that will have a direct impact on the promotion of growth and the reduction of poverty, given the resources available, we continue to be heartened by the interest shown. It is on this encouraging note, Mr Speaker, that I would like to review the global and regional economies and prospects for 2002.

Global and Regional Economic Review and Prospects

Mr Speaker, during the early part of 2001, data and forecasts pointed to the world economy going into recession. However, there appeared to be prospects for recovery in the later part of that year. The tragic events of September 11, therefore, came at a time when the United States' economy was already in recession and the global economy was particularly vulnerable to adverse shocks. Furthermore, the terrorists' attacks - while affecting the United States most directly - have had worldwide implications for confidence, financial markets, and growth prospects.

Real growth in the global economy, in 2001 was 2.4 percent, just about half of what was achieved in 2000. While the advanced economies, including the United States and Japan, grew by 1.1 percent, this is

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significantly less than 3.9 percent and 3.3 percent achieved in 2000 and 1999, respectively. This modest growth was reflective of the decline in almost all of the major regions of the world. Growth in the developing countries was estimated to be 4 percent, a decline of 1.8 percentage points relative to 2000, while it was 6.1 percent for countries in transition, down from 7.8 percent in 2000.

Mr Speaker, the fall-off in world growth was accompanied by a marked decline in trade growth, significantly lower commodity prices, and deteriorating financing conditions. For example, world trade grew by a mere 1 percent compared to a substantial 12.4 percent in 2000. In the midst of those declines, consumer and business confidence weakened around the globe and that, in turn, depressed world demand for goods and services. As a consequence, unemployment rose sharply, as inventories built up and businesses collapsed. It is estimated that in 2001, over 2 million jobs were lost in the United States alone.

Closer to home, Mr Speaker, the slowdown in the world economy had a contagion effect on the economies of Latin America and the Caribbean. Regional output grew by a mere 0.5 percent, cutting short the promising recovery shown in 2000, while unemployment stood at 8.4 percent. The sharp drop in visitor arrivals in the post-September period, especially in the tourist-dependent countries, led to a fall in economic activity and incomes. This caused a weakening of the revenue base and deterioration in the fiscal and external positions. With the exception of Guyana and Jamaica, all of the Caricom countries experienced negative growth. Guyana's positive growth rate amidst this sea of economic decline is more remarkable when it is considered that it was achieved in the context of one of the lowest inflation rates recorded in the past three decades.

Mr Speaker, the prospects for growth in the global economy in 2002 have been reduced markedly from the projections in October last year. Although it has improved over the past two months, the outlook for the international economy remains fairly tenuous in view of the problems in the United States, slower growth in the European economies

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and a worsening of the crisis in Japan. Growth is now projected to be flat at 2.4 percent, with the advanced countries targeted to grow by a mere 0.8 percent, even more slowly than in 2001. Inflation is expected to remain subdued at 1.3 percent, down from 2.3 percent in 2001. Unemployment is expected to remain high.

Regional growth for 2002 is pegged at 1.1 percent. The situation in North America in particular will affect the Caribbean economies. Trade growth is not expected to improve significantly and when combined with the slackening of visitor arrivals, the fall-off of remittances and the diversion of capital flows since September 11, 2001 could spell serious trouble for most of the Caribbean countries. This could jeopardise the adjustment efforts underway across the Caribbean Region, as countries prepare for the removal of the preferential market access and trade within a liberalised environment.

Mr Speaker, in 2002 we will continue to take the necessary actions to limit the damage to the economy from any further adverse development in the world economy, stimulate further growth, and generally ensure our economic survival. In this regard, we intend to implement policies and measures to reinvigorate our main productive sectors and enterprises, expand the economic base, consolidate the financial infrastructure, and support private sector development, among others.

Mr Speaker, as this House is aware, sugar and rice continue to be the bulwark of the agriculture sector and our economy. Currently, they benefit from non-reciprocal preferential arrangements, mainly in Europe. However, these arrangements are set to undergo far-reaching changes. We, therefore, intend to work closely with our regional and other partners to ensure that the special circumstances of small, vulnerable economies like ours are recognised and attract appropriate reliefs. At the same time, we would seek to safeguard the gains from previous trading agreements while actively canvassing reform of the multilateral trading system. We look forward to the early fruition of the Free Trade Area of the Americas (FTAA) and the CARICOM Single Market and Economy (CSME). The expanded market access could serve both to reduce the

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barrier of small size of the domestic market and compensate us for the impending loss of our preferential markets.

Mr Speaker, in his New Year's Address to the Nation, our President aptly captured the state of the world economy, describing it as 'very cold.' Under those conditions, we could choose to hibernate and wait for the cold winds to blow away, not knowing what fate awaits us at the end, or, we can seize the opportunities coming out of the adversity of September 11, work with the private sector, labour and other stakeholders to create wealth for the benefit of all Guyanese. Mr Speaker, in choosing the latter course of action, we have signalled our intention to shape our own destiny. This is what this Budget is about.

Mr Speaker, I will now Review the Domestic Economy

Real Growth Of Domestic Output

Mr Speaker, Guyana recorded positive growth in 2001. This was achieved in spite of the recession in the world economy and post-Elections development that affected business and other activities. Real Gross Domestic Produce (GDP) expanded by 1.9 per cent. This represented a reversal of the negative growth of 1.4 percent in 2000.

Real Sector Performance

Mr Speaker, the growth in the domestic economy was due partly to the performance of the agriculture sector, especially sugar and rice. Sugar production was 284,474 tonnes, 3.9 percent more than in 2000. Increased productivity and ideal weather conditions, which allowed for proper land preparation, were among the factors accounting for this achievement. Similarly, rice benefitted from favourable weather conditions, in addition to increased acreage cultivated and improved yields. As a result, production rose by 10.4 percent to 322,310 tonnes, a commendable performance in light of the problems affecting the industry.

Most of the other sub-sectors also recorded positive growth. Livestock increased by 2.7 percent. Poultry meat increased by 6.1 percent

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to 12.5 million kilograms and egg production was 25.7 million units. Fresh milk production was 31.4 million litres. Other agriculture grew by 1 percent. Fishing increased by 1 percent. After experiencing a dramatic decline in 2000, forestry rebounded as output increased by 3 percent to 435,551 cubic metres.

Mr Speaker, the mining and quarrying sector showed an overall growth of 1.2 percent. Declaration of raw gold was 499,171 ounces. This was the highest achieved by the industry and surpassed Year 2000's declaration by 4.8 percent. Both Omai Gold Mines Limited and the artesinal miners performed better than expected. Also contributing to the sector's performance was the output of diamonds, which increased by 119 percent to 184,308 carats. Bauxite production declined by 25.2 percent to 2,011,301 tonnes, reflecting problems of finance, marketing and erratic and unreliable electricity supply.

Mr Speaker, beset by a range of problems, including lack of adequate capital, managerial skills and technology, and the post-Elections unrest, the manufacturing sector showed marginal growth of 0.2 percent. Notable performances were observed in pharmaceuticals (ointments, 4 per cent), beverages (rum, 43.8 percent), food (margarine, 4.8 percent; flour, 2.1 percent), and industrial goods (footwear, 79 percent; garments, 45.5 percent; and electricity, 5.8 percent). Reduced production was recorded in beverages (beer and stout, 10.1 percent; and Malta, 7.8 percent), and industrial goods (paint, 2 percent; and plywood, 26.6 percent).

In the services sector, both the transport and communication and engineering and construction sub-sectors performed creditably. Transport and communication increased by 5.5 percent, despite a significant decline in outgoing cargo, mail and passengers in the fourth quarter, in the wake of the events of September 11. Engineering and construction grew by 2.1 percent. Distribution grew marginally by 0.5 percent while zero growth was recorded for Government. Financial services declined by 5 percent.

Balance of Payments

Mr Speaker, falling commodity prices, high import prices for fuel in the first half of the year and the September 11 disaster weakened the balance of payments position. The balance of visible trade declined by US\$13.6 million in 2001.

Earnings from merchandise exports, which fell by US\$19.8 million in 2000, declined by another US\$15 million. To put this in proper perspective, merchandise exports of US\$490.3 million was equivalent to only 82 percent of earnings in 1997. Bauxite earned US\$15.3 million less. Although export prices increased by 10.3 percent, export volumes declined by 28 percent. Sugar receipts fell by US\$9.6 million or 8.1 percent. While export volume declined from 277,446 tonnes to 252,330 tonnes. The average export price increased by 1.1 percent to US\$432.8 per tonne. Rice earnings declined by US\$1.6 million, since the increased volume was unable to compensate for the lower average price. Timber earned US\$2.2 million less than in 2000. However, gold receipts grew by US\$3.7 million to US\$127 million, largely on account of higher export volume.

Merchandise imports fell by 0.3 percent to US\$584 million, reflecting an 8.7 percent increase in fuel and lubricants and a 2.6 percent fall in all other categories of goods. In December 2001, the Government signed the Caracas Energy Co-operation Agreement, under which Guyana will be granted a credit facility of up to 30 percent of the cost of the fuel whenever prices fall between US\$15 and US\$30 per barrel. The credit is repayable over 15 years at 2 percent interest. This will ease the balance of payments and reduce the pressure on Government revenues.

Mr Speaker, the lower level of government and private sector activities in the first half of 2001, especially in the aftermath of General Elections, was partly responsible for the decline in imports other than fuel. Net services were US\$79 million, 3.9 percent more than in 2000. Transfers declined by US\$3 million, largely on account of a fall-off in remittances in the fourth quarter of 2001. In light of these developments,

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pressure was placed on the current account of the balance of payments, which declined by a further US\$19.6 million to a deficit of US\$128.6 million.

The capital account recorded net inflows of US\$115.3 million. Net private sector capital was US\$56 million. The overall balance of payments deficit was US\$8.4 million. The deficit was adequately covered by the reserves of the Central Bank and debt forgiveness.

Monetary Developments

Mr Speaker, as reflected in key indicators, monetary policy was very effective in managing the excess liquidity in the system, as well as promoting price and exchange rate stability. Broad money - currency in circulation and private sector deposits - grew by 8.9 percent to \$93 billion.

Total deposits of residents, comprising the private and public sectors and the non-bank financial institutions, grew by 4.7 percent, a slower rate than the 16.4 percent recorded in 2000. Private sector deposits rose by 9.7 per cent to \$76.7 billion while public sector deposits fell by 16.4 percent.

to \$28.4

Net domestic credit of the banking system increased by 13.2 percent billion, a faster growth than that observed in 2000. Credit to the private sector increased to 59.3B. Although lending conditions were favourable, in the context of the decline of the Treasury bill rate, the slow growth in private sector credit reflected the slowdown in economic activities, the cautious lending policies of the commercial banks, and the high lending rate. With the exception of real estate mortgages, credit to the major economic sectors declined. In spite of the difficulties experienced during the year, the public sector remained a net depositor of funds with the banking system. Central Government's net deposits were \$18.6 billion while, for the rest of the public sector, it was \$4.8 billion. The non-bank financial institutions has net deposits of \$7.5 billion.

Prices and Incomes

Inflation Rate - Mr Speaker, the inflation rate was restricted to 2.6 percent in 2001, well below the target of 6 percent and the 5.9 percent recorded in 2000. This is a remarkable achievement, considering the triple-digit inflation of a decade ago, and is tangible testimony of the Government's monetary policies and its activist role in maintaining relative stability of prices. During the early part of 2001, the Government intervened on three occasions to reduce the consumption tax on gasoline and dieselene, in order to cushion the impact of the spiralling international prices for fuel on the population. The modern inflation rate was also helped by the marginal growth in the money supply and the build-up of inventories by businesses in face of reduced economic activities.

Interest Rates - Mr Speaker, the 91-day Treasury bill rate, which acts as a barometer for the fixing of other interest rates, fell from 9.2 percent to 6.25 percent. This resulted mostly from competitive bidding for Treasury bills and the excess liquidity in the system. Interest rates on savings deposits fell from 7.28 percent to 6.7 percent while the weighted average lending rate declined from 17.68 percent to 17.34 percent. With the fall in the savings and lending rates, the intermediation spread increased from 10.4 percentage points to 10.64 percentage points. This is a very unfortunate development, especially at a timewhen lower lending rates of the commercial banks can serve to stimulate investment in the economy.

Exchange Rate - During the year, the Guyana dollar depreciated by 2.6 percent, settling at G\$189.50 to US\$1 at the end of December. The rate remained relatively stable for the first half of the year with the Central Bank intervening once to dampen speculative pressures. Most of the depreciation occurred in the second half of the year and that was consistent with higher seasonal demand.

The volume of all foreign currency transactions was US\$1.8 billion, 2.6 percent higher than in 2000. The total cambio transactions amounted to US\$848.7 million while the Central Bank accounted for US\$285.7 million or 15.9 percent.

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Wage Rate - Mr Speaker, following inconclusive discussions with the major union representing public servants the Government announced and paid a 5.5 percent across-the-board increase in wages and salaries. This brought the minimum wage to \$20,045 per month. With the exception of teachers, the increase was also granted to other categories of workers and pensioners. Teachers were paid salary increased ranging from 6 to 17.5 percent.

The Fiscal Accounts

Central Government - Mr Speaker, the events that took place in 2001 posed severe challenges for management of the fiscal accounts. In an effort to limit the deterioration of the fiscal deficit, in light of lower revenue collection and foreign inflows, the Government implemented many expenditure-reducing measures. However, we still managed to maintain a high level of spending in the social sector and on poverty programmes.

Current revenue (net of reimbursable Rice Levy) was \$41.4 billion, \$2.6B or 5.9 percent less than the target. The Guyana Revenue Authority (GRA) accounted for \$37.8 billion. The effort by the GRA was very commendable, especially in light of the revenue lost by the Customs and Trade Administration (CTA) in the first half of the year and in the aftermath of September 11. In particular, it estimated that the CTA lost \$1.5 billion in taxes on international trade and another \$525 million on domestic goods and services. As a result the CTA was only able to collect \$18.1 billion compared to the target of \$19.9 billion.

On the other hand, the Internal Revenue Department (IRD) garnered \$19.7 billion, \$71 million more than projected. This was due, in part, to increased collection of personal income and withholding taxes, which more than offset a 4.7 percent decline in company taxes. In terms of other current revenue, the most notable performance was a 113 percent increase in Bank of Guyana profits, which rose to \$823 million. In keeping with its commitment to support the industry's restructuring and modernisation, the Government remitted all of the Sugar Levy payable by the Guyana Sugar Corporation (Guysuco) for 2001.

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Mr Speaker, total expenditure (net of principal repayment and reimbursable Rice Levy A) was \$63.5 billion. Of that amount, current expenditure was \$47 billion. Personnel emoluments increased to \$14.7 billion while spending on other goods and services rose by 10.6 percent to \$9.1 billion, partly in response to higher expenditure in the social sector and the demands of hosting the most efficient and transparent General Elections ever. Current transfers were \$9.6 billion reflecting, in part, a \$1.1 billion transfer to GPL and a \$567M increase in pensions. In addition, Linmine was the recipient of \$2 billion in transfers from the Treasury.

Interest payments declined by \$740M to \$11.6 billion. Domestic interest was \$286 million less than in 2000. External interest due before the stock of debt reduction was \$6.8 billion, compared to \$7.3 billion the previous year. However, actual interest paid was \$3.2B compared to \$4.9B in 2001. Capital expenditure (net of transfer and loans to public corporations) was \$16.5 billion.

The current deficit of the Government was \$5.6B while the overall deficit after grants and HIPC debt relief was \$11.1 billion (8.3 percent of GDP). The deficit was adequately financed by net external borrowing of \$7.9 billion and the utilisation of \$3.2 billion of government deposits with the banking system.

Public Enterprises - Mr Speaker, while the operations of the public enterprises were negatively affected by developments in 2001, the very encouraging performance of a few of them enabled a favourable overall position. Total receipts were \$46 billion, 1.2 percent more than the previous year. At the same time, total operating expenses were \$41.8 billion, \$1 billion less than budgeted. As a result, the current savings of the enterprises increased to \$4.2 billion compared to \$1.1 billion in the budget and \$3.1 billion in 2000. Similarly, the surplus improved to \$2.4 billion, from a projected deficit of \$2.2 billion and a surplus of \$975 million in 2000. Taxes paid by the enterprises were \$417 million while dividends were \$20 million.

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Non-Financial Public Sector - The combined operations of the Central Government and the Public Enterprises resulted in a current deficit of the non-financial public sector of \$1.4 billion. The overall deficit after grants was \$8.7 billion (6.5 percent of GDP).

Public Sector Investment Programme

Mr Speaker, over \$16.5 billion was spent on the Public Sector Investment Programme (PSIP), an achievement ratio of 99 percent. I would now outline the achievements in the various sectors.

Physical Infrastructure Sector - Mr Speaker, our investment on our **road network** is abundantly evident in every region and community. We have completed substantial components of our programme to re-pave our major roads and highways, including the Essequibo Coast Road, Railway Embankment Road, East Coast Highway to Mahaica, and Soesdyke/Linden Highway, which was extended to Burnham Drive, Wisroc Junction and the McKenzie Bridge. Additionally, works were undertaken on the East Bank, West Demerara and West Berbice Highways while construction of the Crabwood Creek to Moleson Creek Road was completed.

We improved several streets in the city, towns and villages, in the process transforming many mud dams and potholed-streets into all-weather roads and streets. This has improved the aesthetics of the environment, reduced transportation costs and vehicle maintenance, and provided comfort to our people. Among our accomplishments were the construction, repair and rehabilitation of roads in Georgetown, for example, Critchlow Avenue, Thomas Road and Mandela Avenue, and in outlying areas such as La Retraite, Best Village, Enterprise, Coldingen, Rosignol, Bush Lot, Albion and Tain.

Mr Speaker, in addition to their improvement, the Government is also concerned about the safe use of our roads. In this regard, we have secured the services of a consultant engineer to conduct a national road safety study for the installation of traffic lights, road markings and street

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lights across the country. Also, training programmes and public seminars are envisaged to educate our people in safe use of the roads.

In terms of *bridges*, work was executed on Dunkeld, Westbury and Walton Hall Bridges on the Essequibo Coast, as well as bridges at Mahaica, Greenfield, Cove and John, Success and Tucville in Demerara. Twenty scowends and thirty-six unifloats were rehabilitated on the Demerara Harbour Bridge. Also, designs were completed for sixty-two critical structures between Timehri and Rosignol, including the Mahaica and Mahaicony bridges. The contract for the supervision of the Bridges Rehabilitation Programme was awarded. Remedial works were carried out on stellingen at Bartica, Parika, Vreed-en-Hoop, Georgetown and New Amsterdam.

Mr Speaker, in the *Air Transport Sector*, we launched the Air Transport reform project. Specifically, the Cheddi Jagan Interactional Airport Corporation was established and a board of directors was appointed. A professional team has been appointed to manage the airport. Also, the Guyana Civil Aviation Authority was incorporated and the revision of the Civil Aviation Regulations was completed. Work on the privatisation of the Ogle Aerodrome reached an advanced stage.

Construction of various lengths of *sea defence* was undertaken at Montrose, Cornelia Ida, Mon Repos, Hague and Stanleytown while reconstruction works were started at Vergenoegen. Construction of 3400 metres of earthen dam from Brahan to No. 40 Village was completed while riff-raff construction at Mon Choisie commenced. In addition, tender documents for a total of 5 kilometres of sea defence works at Capoey/Columbia, Tuschen, Meten Meer Zorg/De Kindren and Hague were completed and the supervision contract was awarded.

Agriculture Sector - Mr Speaker, the success of the agriculture sector rests partly on reliable sea defence and drainage and irrigation networks. Some of the major achievements in drainage and irrigation over the past year were the construction and rehabilitation of sluices at Bellamy canal, Endeavour, Leguan, Golden Grove, Helen No. 1,

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Belfield, Coverden, Triumph, Longsdale, Borlam, Adventure, Eversham and No. 43 Village. Reinforced concrete structures were constructed and revetment works done at the Seaforth Canal in Region 6, Craig, Handsome Tree, La Union, Capoey, and Anna Regina.

Four new structures were rehabilitated at LBI, Annandale, Triumph and Beterverwagting, and two diesel pumps were installed at Mibicuri Pump Station. In addition, under our agricultural programme, approximately twenty-six miles of farm access roads were upgraded at Nos. 70 and 71 Villages, Burma Rice Mill/Esau Jacob, Parika Main Drain, Supernaam/Charity II, Bush Lot/Cotton Field, Lima/Coffee Grove, Windsor Forest/Coglan Dam and Hyde Park/Mora Point. Further, cadastral and occupant verifications surveys for the conversion from leasehold to freehold titles at Black Bush Polder, Garden of Eden and Vergeonongen were conducted.

Social Sector - Mr Speaker, development of the social sector features prominently in the public investment programme. In the ***Health Sector***, construction was started on Polyclinic Centres at Enmore, Lusignan and Enterprise that will provide primary and specialist health care. Work also began on a laboratory at Moruca, incinerators at Suddie, Anna Regina and Charity, and a waiting room and sanitary block at the West Demerara Regional Hospital. Health facilities at Waramadong, Ithaca and Grove were extended, while dental clinics at Matthew's Ridge, Parika, Paramakatoi and Lethem, the Ituni Cottage Hospital and the Karran Health Post were rehabilitated. Also, two ambulances were purchased for use by Georgetown and Skeldon Hospitals.

In the ***Education Sector***, works were executed on nursery schools at Unity/Lancaster, Woodley Park, Phillipai, Paramakatoi, and Enmore/Hope, among others. At the same time, work on nineteen primary schools were completed, including schools at Overwinning, Golden Grove, Queenstown, Soesdyke, Richmond Hill, La Grange, Carlton Hall, and Warapopa. Twenty secondary schools were completed including L' Adventure, Vryman's Erven, Belladrum, Uitvlugt, Annandale, Cumming's Lodge, North Georgetown, Skeldon Line Path, Skeldon High, Linden

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Foundation and Christianburg Multilateral. Rehabilitation work was done on technical institutes in Linden., Georgetown and Essequibo. By the end of the year, construction of a new wing of the Berbice campus was nearing completion.

In the **Water Sector**, the potable water production, treatment and distribution networks for Rose Hall, covering the villages between Whim and Fyrish, the entire township of New Amsterdam, and Pouderoyen, from Versailles to Hague, were completed. Through these integrated systems, residents now benefit from a more reliable supply of treated water; and a superior, cost effective and pressurised distribution system. New distribution mains either were installed or replaced in areas such as Wakenaam, Taymouth Manor, Leguan, Stewartville, Friendship, Bachelor's Adventure, Haslington, Weldaad to Paradise, Good Faith to Huntely, Number 28 Village, Lichfield, Gibraltar to Chesney, Adventure to Joppa, and Edinburgh to Kortberaad.

In Georgetown, Phase 1 of the Guyana Sewerage and Water Commissioners project was successfully completed. The distribution networks for North Ruimveldt and Sophia were completed. Water metres were installed in a number of areas, including Queenstown, Bel Air and Lamaha Gardens.

In **Housing**, Mr Speaker about 1,375 house lots were allocated in areas such as Plantation Farm, Mahaicony, Mon Repos, Foulis, Block 12 Non Pariel, Diamond, Section A Grove, Block 2 Herstelling, Eccles, Goed Hope South, Enmore/Haslington, and Hope Lowlands. Sixty-two squatter settlements were regularised and improvement works which included sub-division surveys and installation of water distribution systems, were completed for areas such as Rivers View, Mahaica, Lusignan Pasture, Good Fortuin/Vriesland, Goedverwagting, Cornelia Ida, Area Y Cumming's Lodge, Section B Cummings Park, Hyde Park, Timehri and Martyrsville.

New housing development works, which entailed land clearing and levelling, and construction of roads, drains and water distribution

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networks, benefitting some 17,000 house lots, were undertaken at Lima Sands, Belle West, Parfait Harmonic, Tuschen, Zeelust, Belfield, Coldingen, Mocha, Fort Lands/Ordnance, Glasgow and Golden Grove.

Poverty Reduction - Mr Speaker, the Government intensified the implementation of the poor rural support project and the poverty alleviation programme. Five Water Users' Associations, twelve Community Development Groups, eight Women's Groups, three Fishermen's Groups and other public interest groups in Regions 2 and 3 were formed. Approximately \$45 million under a credit programme arrangement with the Institute of Private Enterprise Development (IPED) was disbursed. One hundred and thirteen million dollars was disbursed from the Poverty Programme for distressed communities.

Review of Institutional Developments and Reforms

Financial Sector - Mr Speaker, two commercial banks were approved to operate a part of their portfolio for mortgage lending. These banks joined the key operator in the sector, the New Building Society (NBS), in offering housing loans. The agreement provides for the two institutions to receive the same benefits as those enjoyed by NBS as they relate to mortgages. This move will provide a boost to the housing drive.

Fifteen months after it was granted a licence to operate, the country's first Merchant Bank was fully established in June 2001 and immediately began offering a range of new financial products to the business community. Also, the Guyana Securities Council was formed and, currently, the regulations to operationalise the Guyana Securities Exchange are being finalised. These developments are in keeping with Government's efforts to deepen and modernise the financial sector and the capital market.

A special task force to ensure the implementation of the anti-Money Laundering Act was announced and the Central Bank has been designated the Supervisory Authority. The Bank will establish a Financial Intelligence Unit with adequate staff and budget, and will seek the assistance of the Caribbean Financial Action Task Force (CFATF) to enable the Unit to

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effectively perform its functions.

Mr Speaker, a sad development in the financial sector was the demise of Globe Trust Investment Company Limited (GTICL). In keeping with its supervisory functions, the Bank of Guyana conducted continuous and detailed examinations of the accounts of GTICL over a prolonged period. It was concluded that there were unsafe and unsound banking practices that caused serious prejudice to the interest of depositors and shareholders of GTICL. Subsequently, at a meeting between the Bank and GTICL, the latter indicated that the company was facing severe financial threat in the form of liquidity, operational losses and capital inadequacy. The company was found to be insolvent and was forced to close.

In keeping with the provisions of Section 33 of the Financial Institutions Act (FIA), 1995, GTICL was ordered to present a plan aimed at restoring it to financial viability. The plan presented to the Bank was unsatisfactory. Consequently, the Bank took possession of the company, in accordance with the FIA, and on November 27, 2001, the Bank applied to the Court for compulsory liquidation under Section 49 of the FIA. The matter is currently being adjudicated

Debt Reduction and Management

The Government continued to make progress in reducing the country's debt stock, which stood at US\$1.17 billion at the end of 2001. During the year, the Commonwealth Development Corporation wrote off all of Guyana's outstanding debt totalling US\$6.97 million. Also, Guyana concluded bilateral debt rescheduling agreements with Canada and the Organisation of Petroleum Exporting Countries (OPEC), within the context of the Heavily Indebted Poor Countries (HIPC) Initiative. The fall in the stock has resulted in a fall in debt servicing from US\$92 million in 2000 to US\$51 million in 2001. Guyana did not reach the completion point for the Enhanced HIPC Initiative and, therefore, did not benefit from the full resources that were expected. However, several creditors decided to grant the country a freeze on debt service payments,

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amounting to US\$15.5 million, thus adding vital budgetary support for the financing of poverty-related and social sector programmes

Privatisation and Public Sector Reform

Mr Speaker, the Government forged ahead with its privatisation programme in 2001. In this regard, GNCB was brought to the point of sale while three bids were received for purchase of GNCB Trust. This latter entity was eventually sold last month for US\$2.3 million. In addition, we sold 30 percent of our shares in The New GPC to the major shareholder of the company. The remaining 10 percent has been reserved for the workers. Also, the building that housed the old glassworks factory was leased to a local investor and several properties under the control of Property Holdings Inc. were sold. These and other efforts realised gross investment proceeds of \$483.5 million.

Public sector reform continued apace with the following notable actions and accomplishment:

- The Government closed the Ministry of information and created a new semi-autonomous institution, the Guyana Information Agency (GINA).
- The Lands and Surveys Department of the Ministry of Agriculture was closed and a new agency, Guyana Surveys and Lands Commission (GS&LC), was created.
- Two new autonomous agencies were created in the transport sector. These are the Guyana Civil Aviation Authority (GCAA), which is the regulatory body for civil aviation in Guyana, and the Cheddi Jagan International Airport Corporation (CJIAC), which is responsible for the management and operation of the international airport, as well as the hinterland aerodromes.

In addition, the payroll system in place at the Ministry of Finance

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was enhanced in 2001 - A Wide Area Network (WAN) has been installed to service various Government departments. The system allows for cross year analysis to be performed and the retrieval of historical records of all employees that is vital for the computation of benefits such as pension and gratuity. As part of the wider Public Sector Modernisation Project, we intend to fully integrate the Payroll and Human Resources Systems, involving the merger of payroll database at the Ministry of Finance and the human resources database at the Public Service Ministry.

Mr Speaker, we continued to take measures to improve the efficiency and quality of government expenditure. The second phase of the Guyana Economic Management Programme (GEMP) has been completed. Among the achievements to date are the consolidation of the infrastructure to support programme budgeting, strengthening the capacity of the ministries to plan and manage expenditure, and initiation of work to modernise the treasury operations.

Mr Speaker, I will now discuss the **Key Tasks and Policies in 2002 and Beyond.**

In 2001, the Government embarked on an important process of developing a comprehensive economic programme that benefitted immensely from broad-based consultations throughout the length and breadth of our country. The Poverty Reduction Strategy Paper that emerged from this exhaustive process, and which is supported by our development partners, forms the basis of our medium term development goals.

Mr Speaker, no one will deny the strong link between economic growth and poverty reduction, especially where this takes place within the context of sound economic policies and a relatively peaceful industrial and political environment. In this regard, the Government has been creating an enabling business environment for private sector development, improving the quality and skill level of our labour force, rapidly improving and expanding the physical infrastructure, and pursuing good and inclusive governance. The Government will continue to implement policies that

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create jobs and rapidly increase income levels of our people. This process could be accelerated through the co-operation of the Members on the opposite side of this Honourable House and all stakeholders in preserving peace and stability that are so vital for attracting investment to fuel growth.

Creating the Climate for Attracting Investment

Mr Speaker, the Government's policy agenda to stimulate economic growth and generate jobs will concentrate on programmes that generate quick supply and labour responses and support increased private sector investments. In this connection, the Government will

- (i) maintain a stable macroeconomic framework;
- (ii) adopt sector policies to stimulate production;
- (iii) restructure and modernise the traditional sectors;
- (iv) target new growth areas; and
- (iv) provide systemic support to the private sector.

Macroeconomic Policies for Economic Growth

Mr Speaker, the Government has managed the economy with prudence and financial rectitude. In spite of the very difficult economic situation over the last three years, we have successfully deployed monetary policies to maintain the stability of the exchange rate and contain inflation. At the same time, we have limited the fiscal deficit to a range that, for the most part, has enabled us to become a net depositor with the banking system. We will continue to build on this progress.

Fiscal policy will aim to support growth, reduce poverty and increase public sector savings. In the area of revenue generation, the Government will undertake a comprehensive review of the tax system. This review will explore reform of the tax system, with a view of supporting growth and improving transparency and administration, taking into consideration

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Guyana's current and emerging international trade obligations. Efforts will be made to staff the Guyana Revenue Authority to its full complement.

On the expenditure side, emphasis will be placed on -

- (i) improving the allocation process and the sufficiency and effectiveness of current and capital expenditures in order to enhance their impact on growth and social welfare;
- (ii) tighter controls through, for example, the completion of the computerisation of the public sector payroll; and
- (iii) streamlining of the public sector. In addition, the Government will improve the public accounting process through the strengthening of Accountant General's Department.

Monetary policy will aim to keep inflation within the targeted level and safeguard the Bank of Guyana's external reserve position. The Government will support the Bank in its quest to reduce interest rates further, improve the payment Systems and diversify financial products. In addition, the Bank will strengthen its supervision department and ensure the compliance with a strengthened Financial Institutions Act.

Policies to Support Private Sector Development

Mr Speaker, past policies of state ownership and control in the economy stifled initiative and frustrated private sector growth. Over the years we have worked tirelessly to establish an attractive regime of incentives and we are proud of what we have accomplished so far. Today, Guyana can boast of having one of the freest economies and one of the most attractive incentives structure in the Caribbean and Latin America. *[Applause]* We do recognise, however, that the private sector needs more support to increase its competitiveness and play a meaningful role in economic development. In this context, the Government will assist the

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sector in export and investment promotion, and the development and expansion of small business and cottage industries.

In the area of export and investment promotion, an investment code has been tabled in the National Assembly. Go-Invest has been re-organised and has been identified as the One-Stop Agency. In terms of financing, the Government has implemented wide-ranging policy measures aimed at consolidating and deepening the financial sector, including legislation to reform the banking system, the capital market, and the insurance industry. The Government welcomed the opening of the first merchant bank in Guyana and is supporting efforts by the private sector to establish a development bank. A stock market would start operations during the year and, in this regard, a Securities Commission is in place. In addition, a Commissioner of Insurance will be appointed this year. Further, the Government will work with the private sector to:

- (i) improve the quality of products in line with international standards;
- (ii) put in place a dispute resolution and settlements mechanism; and
- (iii) support local companies to participate in overseas trade fairs.

Mr Speaker, small businesses and cottage industries have been important contributors to incomes and employment in the country. Although many of their products have been traded mostly in the domestic market, their export potential remains high. We will create a conducive environment for the regularisation, growth and development of small businesses and cottage industries and their eventual integration into the export economy. In this regard, this year, we will enact a Small Business Legislation.

Restructuring and Expanding the Economic Base

Mr Speaker, sugar, rice, forestry, bauxite and gold industries have served our country well. They have provided our people with jobs, contributed taxes to the treasury and earned valuable foreign exchange. For a variety of reasons, these industries have been experiencing

difficulties that threaten their long term survival. As a responsible Government, we have been making strenuous efforts to re-organise and restructure them so that they can return to economic and financial viability.

Sugar - We will work with the enterprises that will remain in the public sector. The Government will begin a massive restructuring and modernisation of Guysuco, in June 2002, in order to increase the industry's competitiveness in anticipation of the erosion of prices in preferential markets over the medium to long term. The project, which is expected to cost US\$11.0 million, includes the construction of a new factory in Skeldon and increased cultivation of cane in the Berbice area. This should result in increased output of sugar of about 450,000 tonnes and reduced cost of production to approximately 11 United States cents per pound of sugar over the next five years. *[Applause]*

At the same time, the corporation will diversify its product mix and markets. It plans to package sugar in new sizes with longer shelf life, pursue the manufacture of organically-grown sugar, and explore the possibility of establishing a sugar refinery in Berbice. Further, it will seek new markets in the Caribbean and Latin America. In this regard, the recently-signed partial scope trade agreement between Guyana and Brazil provides Guysuco with a new outlet for its sugar.

Rice - Mr Speaker, the rice industry faces many problems, threats and challenges. As part of the recovery efforts, the Government embarked on a ten-year strategic plan. The plan's vision is to develop an integrated, sustainable and profitable industry producing and marketing rice for the benefit of all Guyanese. It focuses on four areas:

- (i) *research* to increase production through increased yields and adapting rice varieties that are resistant to pests and diseases;
- (ii) *processing*, which entails producing higher quality rice for export;
- (iii) *marketing*, which will focus on expanding market share and developing new markets, especially in non-traditional areas; and

(iv) *support services*, including drainage and irrigation, land reform, finance and inputs.

In the interim, the Government has reached an agreement with the commercial banks to reschedule the debts of farmers with principals below \$10 million. This is intended to serve as a stimulus to allow farmers to be fully involved in the implementation of the strategic plan. Those farmers with larger debts have been given the opportunity to negotiate the restructuring of their loan portfolio on a case-by-case basis. The industry will also benefit from financial assistance provided by the European Union, to help it to compete effectively in the globalised environment.

Bauxite - Mr Speaker, with respect to bauxite, the Government has made repeated and strenuous attempts to find interested buyers for the two main state-owned bauxite companies, which have a combined deficit equivalent to 1.5 percent of GDP. A foreign mining company with business in Guyana has shown some interest, which we are pursuing. If successful, it could lead to the privatisation of one of these companies. Regardless of the outcome, the Government is committed to the comprehensive restructuring of the sector, with a view to channelling the current subsidies into job-creating and poverty-reducing activities in the communities.

Forestry and Gold - Mr Speaker, the Government is working with the operators in the forestry and gold mining sectors to improve and expand their operations. We have supported Omai Gold Mines Limited in its search for new gold-bearing deposits and we are working with the artisanal miners and other companies in mining and forestry to ease the constraints to increased production. Two energy-related projects costing US\$10.4 million will start this year. We will continue to promote the sustainable use of our resources in an environmentally-friendly manner.

New Growth Areas - Mr Speaker, apart from the restructuring exercise, we will pursue new growth areas in the traditional and non-traditional sectors. In this connection, our medium-term agenda will incorporate policies that benefit manufacturing, agriculture, tourism and technology.

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In the *Manufacturing Sector*, the Government will develop garment manufacturing parks in strategic locations to stimulate production and export. In 2001, US\$15.9 million was invested by the private sector in nine (9) projects in light manufacturing, textiles and garments. This year, we expect another US\$7.7 million to be invested in these activities.

In *Agriculture* several priority areas have been identified, including fisheries, other crops, cut flowers and agro-processing. Mechanisms are being put in place to boost the export of fish and fish products to the European Union while a five-year plan has been developed for organic agriculture with special emphasis on cocoa, peanuts and cashew nuts. We will utilise the expertise of the Food and Agriculture Organisation to introduce sustainable cut-flower, honey and integrated fish and crop farming industries. And we intend to take advantage of being certified free of the foot and mouth disease to revive the cattle industry. Last year, US\$34.3 million was invested in 12 new projects in the areas of fish processing, poultry farming and processing and wood products. This year, we expect another US\$8.5 million to be invested in aqua farming, cattle farming and fish processing.

In *Tourism*, Guyana will continue to draw heavily on its natural resources to develop specialised markets in areas of eco-tourism, adventure tourism, and cultural and heritage tourism. Initiatives in 2002 include the establishment of the Tourism Authority, the development of a tourism website critical to our marketing and promotion strategies, revamping of the incentives regime, and development of sub sector strategies for accommodation and air access. Funding will be sought for the development of a Hospitality School in order to equip our service providers in the industry. Mr Speaker, last year, investment in this sector amounted to US\$4.2 million, while another US\$1.8 million is planned for this year.

In *Technology*, we intend to aggressively target this sector. Already, we have been able to attract three projects, worth US\$5.4 million. This year, another US\$8.2 million will be invested in Demerara and Berbice shortly to establish two tele-centres and a medical transcription service.

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Social and Human Development

Mr Speaker, in addition to maintaining stable macroeconomic policies and improving good governance, the Government's strategy has emphasised the development of the country's greatest resource, that is, its people. This is why, from a modest 8 percent of GDP in 1992, expenditure on social and human development has risen steadily through the years to 14.7 percent of GDP in 2001. This is a reflection of the deliberate policy of the Government to increase spending in this area, both in terms of the GDP and as a share of the Budget. As a result, spending on education, health, housing and water, and poverty-related programmes have grown appreciably.

Education - The Government's goals for education are to reduce illiteracy rates, attain universal primary education, increase secondary school enrolment, and improve the quality and relevance of education for all Guyanese, especially children. To achieve these goals, our focus will centre on (i) reforming the curriculum and introducing information technology;

- (ii) improving access to secondary schools;
- (iii) improving the quality of teachers;
- (iv) complementing teacher's salaries with non-monetary incentives;
- (v) improving physical facilities to reduce overcrowding;
- (vi) targeting functional illiteracy among out-of-school youth;
- (vii) providing targeted support to the poor; and
- (viii) strengthening the Ministry of Education.

Investment in the education sector has risen from 4.1 percent of GDP and 7.6 percent of the Budget in 1992 to 8.4 percent of GDP and 17.1 percent of expenditure in 2001. This year, we propose to increase

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expenditure in this sector to 8.5 percent of GDP or 17.2 percent of the Budget, which is substantially larger than the previous year's revised expenditure. *[Applause]*

Within the first half of 2002, we expect to close the Primary Education Improvement Project (PEIP). Under this Project, 37 new schools were built, 68 were rehabilitated, and over 15,000 pieces of school furniture and fittings were supplied to primary schools nation-wide. In terms of software, over 1 million copies of textbooks for Levels I to VI were printed and distributed, over 1,300 teachers and educators were trained in disciplines such as reading, mathematics, testing and measurement, interactive radio, and information technology. In addition, 80 computers were purchased and installed to support information systems in education.

Building on the success of the PEIP, we have designed a five-year Basic Education Access and Management Systems, which is known as BEAMS Project, which is expected to cost \$7.5 billion. The focus of the project will be the upgrade, extension, rehabilitation and construction of primary, secondary and multilateral schools. A key component will address schools' performance, including student assessment and testing, curriculum development, innovative technologies, teacher preparation and in-service training and on a comprehensive Education Management Information System (EMIS).

At another level, the Secondary School Reform Project (SSRP) will be intensified. We have budgeted \$645 million to be spent on construction, reconstruction or rehabilitation of twenty schools, including Charlestown Secondary, Paramakatoi Community High, New Amsterdam Multilateral, Kwakwani Community High, Anna Regina Multilateral, Bartica Secondary, and Port Kaituma Community High Schools. *[Applause]* At the same time, work will continue under the United Kingdom-funded Guyana Economic Advancement Project (GEAP), which is valued at \$4.1 billion, and the Canadian-supported Guyana Basic Education Training Project (GBET), which will cost about \$975 million. Even as these programmes are being implemented, we are engaged in discussions with the Caribbean Development Bank for a

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Technical and Vocational Training Project that is likely to cost \$2 billion. Further, we are pursuing an Early Childhood Education Care and Development Project to be jointly funded by the Government, DFID and UNICEF.

Mr Speaker, as we strive to enhance and develop our longer-term programmes, we are not unmindful of the immediate and pressing needs at hand. In this regard, \$380 million of our own resources have been provided to construct, rehabilitate and or refurbish other educational facilities such as North Ruimveldt Multilateral, Tutorial High, St. Gabriel's Primary, St. Stanislaus College, Kingston Nursery, St. Sidwell's Primary, Wallaba Primary, De Willem Nursery, Mahaicony Secondary, Moleson Creek Primary, Waramadong Secondary, Mahdia Secondary, Kaikumbay Primary and Watooka Day Primary Schools, *[Applause]* and the Dormitory at Wakapoa Primary School. Also, we have allocated \$800 million to expand and equip both campuses of the University of Guyana, complete the laboratory at the New Amsterdam Technical Institute, extend and upgrade facilities at the Linden Technical Institute, provide additional facilities at the National Library, purchase furniture and equipment for schools throughout the country, and develop and print more textbooks for primary and secondary schools.

Health - Mr Speaker, as in the case of education, expenditure in the health sector has grown appreciably, rising from 2.7 percent of GDP and 5 percent of the Budget in 1992 to 3.4 percent of GDP and 7.4 percent of the revised expenditure in 2001. In 2002, the Government has increased the resources in this sector to 4 percent of GDP or 8 percent of the Budget. This year, the Ministry of Health will begin a study of health systems, including an inventory of facilities, validation of health statistics and analysis of vertical programs. It will also establish a Materials Management Unit within the Ministry to rationalise and improve the distribution of drugs and medical supplies. This will considerably improve the delivery of medical supplies and drugs and provide better control of inventories.

The Government will approve the National Strategic Plan for HIV/

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AIDS. Within the context of this plan, we will conclude a comprehensive HIV/AIDS package, including the strengthening of the Ministry of Health's capacity to deal with this pandemic through building management capacity, developing health promotional programmes, strengthening diagnosis, improving surveillance, providing adequate and affordable drugs and medicines. The cost of this package is estimated at \$528 million.

Mr Speaker, for some time now we have been able to develop and improve much of our health infrastructure through SIMAP I and II and BNTF 2, 3 and 4. We have successfully negotiated successor programmes, with SIMAP III totalling US\$22.2 million and BNTF 5, US\$8.3 million. Both of these projects will commence shortly. Additionally, a US\$10 million nutrition programme, which is to be funded by the IDB, will be launched this year. Beyond these programmes, we will continue with other critical infrastructural works at Georgetown Public Hospital Corporation and hospitals and health posts in the regions. To this end, we will commence construction of Phase I of an In-Patient Building; rehabilitate the Pharmacy Bond, Linden Hospital Complex, Fort Wellington Hospital and the Accident and Emergency Units at Skeldon and Linden extend the Physiotherapy Department of West Demerara Hospital and purchase medical and laboratory equipment for the entire system. We have budgeted \$350 million to execute these works.

Housing - Mr Speaker, in order to help improve property rights, increase land ownership by the poor, facilitate the settlement of squatters, and provide title deeds that enable access to credit from financing institutions, the Deeds Registry will be fully computerized. In addition, the Government will expedite the transfer of public land for residential settlement; accelerate squatter area regularisation, where appropriate, and relocate squatters from land that is unsuitable for occupation; and advance the institutional strengthening of CH&PA.

Also, this year we will intensify the implementation of a \$5.4 billion Low Income Settlement Project. In addition, another \$1.8 billion from the European Union will be used to support the housing development programme. Together, these projects will improve and develop new

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housing sites, and provide the basic infrastructural facilities such as roads, drains, water supply and environmental sanitation in Tuschen, Hampshire, Diamond, Golden Grove, Amelia's Ward, Cornelia Ida, Mon Repos and Fortlands/Ordnance, among others. Also, these projects will look at institutional reform, human resource development, strengthening the capacity for data collection, analysis and dissemination, and development of management systems. Further this year we will launch a revolving fund for low-income house construction. In the first stage of this programme, about 100 housing units will be built.

Water and Sanitation - In the water sector, our goal will be to provide access to safe water to 95 percent of the population within five years; implement an action plan for the efficient use of water resources; and streamline activities in the coastal zone, with emphasis on reduction of water wells and treatment of water.

In the area of sanitation, over the next years, the Government will improve the **sanitary conditions** of the population of Georgetown and reduce the current levels of environmental degradation through improvement in the quality and availability of the water supply and sewerage services. Consistent with this goal, two major activities will be undertaken this year for which \$1.2 billion has been allocated in the budget. First we will rehabilitate the sewer system, including cleaning, repair and replacement of yard and street sewers, refurbishment and reconditioning of pump stations, and rehabilitation and extension of the existing outfall. Second, we will construct a sludge pre-treatment facility, including a dumping station, a bar screen, a grit removal chamber, a storage facility and a pumping station. In addition, more environmental health officers will be recruited to enforce existing or amended laws on environmental safety.

Mr Speaker, over the past two years we have seen a remarkable improvement in the generation and distribution of potable water in Georgetown and its immediate environs, within the hinterland communities and throughout the length and breadth of the coastal belt. This process has been boosted with the completion of the three large integrated water distribution plants at New Amsterdam, Rose Hall and Poudieroyen. Also,

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Phase 1 of the Georgetown Sewerage and Water Commissioners' (GS&WC) Programme, involving the drilling of wells, distribution networks and storage facilities, was completed.

This year, we will commit more resources to improve our water system. To this end, we will commence construction of the LBI and Eccles interconnected Systems and the Bartica water system. Also, we will start the water component of Phase II of the GS&WC project, which is expected to cost \$5.8 billion, and refurbish the Linden water system for which an amount of \$95 million has been set aside. With regard to the coastal and hinterland stand alone systems, works to a value of \$220 million will be undertaken in such areas as Yakusari, Williamsburg, Johanna, Lesbeholden, Waramadong, Kamarang, Kato, Adventure, Henrietta, Lima, Cullen, Canal No.2, Vergenoegen, La Grange and Farm.

Human Resources Training and Development

Mr Speaker, the importance of human capital in development cannot be overstated. In fact, human capital is central to the achievement of our developmental goals. Thus, the linkages and alliances we have forged with regional partners will complement our education sector programme. Through a Caribbean-wide programme, we have secured Cdn\$5 million to enhance the capacity of our private sector firms, non-governmental organisations and public sector institutions in order to improve their competitiveness. This project will assist Guyana to meet the demands of our labour market by offering training opportunities to strengthen managerial, technical and vocational skills and by developing the capacity of institutions to deliver various forms of skills training on a sustainable basis. The sectors on which we will focus include agro-processing, forestry and wood products, tourism and manufacturing.

The Guyana Training Agency project, which is valued at \$41.4 million and managed by the Private Sector, is aimed at increasing production and productivity in the private sector. This project will expand the availability of trained and skilled workers in the country by creating

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the environment for company-based training. In turn, this will provide an adequate pool of skilled workers. It is hoped that this effort will result in improved efficiency and quality of production.

In a similar manner, the Linden Economic Advancement Project (LEAP), which is valued at \$2.2 billion, is aimed at developing the market for financial and non-financial business services in Guyana, with particular focus on Linden. The activities identified under this programme will assist the local private sector in creating and expanding businesses since it is geared towards providing a favourable investment environment to compensate for the decline in mining. It will also result in the establishment of some infrastructure investments and training facilities to encourage new investments. This project is expected to last for seven (7) years during which time, business support services (on a cost-sharing basis), vocational training, institutional strengthening of public and private sector institutions, a revolving credit fund and rehabilitation of socio-economic infrastructure will be implemented.

Poverty Reduction and Job Creation

Mr Speaker, the Government will spend nearly \$2 billion this year on projects to be implemented under SIMAP, Basic Needs Trust Fund (BNTF), LEAP, the Poverty Fund and the Poor Rural Communities Project. On completion, these projects will have a decided and measurable impact on improving the standards of living of the people, especially the poor.

The Government has also designed short term programmes which aim to provide cash and other support to displaced workers while they seek other opportunities in the labour market; provide support to pregnant and lactating women; and provide targeted subsidies to the poor, including vulnerable groups such as the elderly and pensioners. In addition, the Government will provide vouchers for textbooks and examination fees for students of poor families. The Ministry of Labour, Human Services and Social Security will be strengthened to carry out its functions effectively.

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Mr Speaker, the Government has long recognised and acknowledged that reducing and, ultimately, eliminating poverty has to be achieved through more permanent arrangements. While the poverty programmes provide interim relief, it is only through sustained and rapid growth of the economy and the creation of jobs that we could expect to remove the scourge of poverty in our society. The programmes and projects in this Budget to attract investment, the restructuring of the traditional industries, especially sugar, the pursuit of new growth areas, and the increased expenditure on education, health, housing and water and sanitation will promote long term growth and create many jobs and employment opportunities. We expect that for the period 2001-2002, about US\$103 million will be invested in 67 projects in the new growth areas, resulting in 3,449 new direct jobs being created.

Mr Speaker, beginning this year the Government will implement a Temporary Employment and Maintenance Programme (TEMP) under which unskilled persons will be employed to remove derelict vehicles, clean drains and weed grass verges on the highways and main roads throughout the year. This will help to beautify the environment and support the tourism drive. The Government expects to out-source the works under this programme and 300-400 persons are expected to get jobs. Also, employment will be created when construction of the Caricom Secretariat Headquarters begins this year. The contract for this \$1.6 billion project has already been awarded and the contractor has begun mobilisation.

Investment in Physical Infrastructure to Support Growth

Mr Speaker, the medium-term infrastructure strategy is to improve the maintenance, quality and coverage of sea defense, roads and drainage and irrigation schemes. This is vital for attracting investment and ensuring access to economic opportunities. Well-functioning infrastructural services can improve competitiveness and market access, which are key elements for generating incomes and employment.

The overall strategy for infrastructural development will evolve

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around the following principles. First, the Government will consider the use of management contracts for the implementation of complicated infrastructure projects. Second, we will put together innovative packages of projects that are attractive to international firms, without excluding domestic contractors and compromising the need to build local capacity. This would foster more competition, improve quality and reduce unit costs. Third, we will pursue the creation of joint ventures for public works to encourage the transfer of technology and know-how to the local construction industry.

Sea Defences

Our sector specific objectives will be centred on the following. In sea defences, the Government's objectives will be to minimise breaches, build local capacity to do maintenance and rehabilitation works, and increase community participation in the inspection and protection of the sea defense system. In 2002, we commence the implementation of the Essequibo Coast and West Demerara Sea Defence Projects valued at \$3.3 billion. Through this programme, 5km of sea defences will be rehabilitated at Capoey/Columbia, Tuschen, Meten Meer Zorg/De Kinderen, and Hague. Also, we will construct 2,200 meters of sea defences from Bel Air to Mon Choisi and rehabilitate critical areas such as La Union, Lima, Wakenaam, Leguan, Belle View, Craig, Grove, Buxton/Vigilance and Sisters/Glasgow.

Roads

Increased budgetary allocations will complement donor support in maintenance and rehabilitation works. In road and river transport, the aim is to improve overall road maintenance and rehabilitate farm to market roads, bridges, wharves, stelling and ferries. These would lower transportation costs and integrate rural economies with the City of Georgetown. It would also lengthen vehicle life, save foreign exchange and generate savings in travel time.

Apart from preparatory activities in relation to the Deep Port

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Harbour, Guyana/Brazil Road and the Berbice River Crossing, the other major projects that will attract the attention of the Government include the rehabilitation of the Mahaica/Rosignol Road. Construction of 59 bridges between Timehri and Rosignol will commence this year, while preliminary works to rehabilitate 9 additional bridges and 53 culverts are expected to start this year. The Government is pursuing funding of approximately US\$30 million for the construction of a four-lane road from the Harbour Bridge to Georgetown, and the rehabilitation of the road from the Harbour Bridge to Parika. The completion of these projects will provide the catalyst for growth and transformation through the promotion of trade and investment flows and the integration of the Guyana Shield.

At the same time, in 2002, we have allocated \$700 million to complete several community and farm-to-market roads. We will also commence construction, rehabilitation or upgrading works on several other roads country-wide, including those in Sisters Village, La Retraite, Section "B" Sophia, New Forest, Mon Repos, Kwebanna/Kumaka, Port Kaituma, Golden Fleece, Cotton Field/Aurora, Riverstown, Dartmouth, Goed Intent, Hogg Island, Den Amstel, Bare Root, Jonestown, Haslington, Kuru Kuru, Blairmont, Zorg-en-Hoop, Lichfield, Woodley Park, Ithaca, Letter Kenney/Auchlyne, Orealla/Siparuta.

Drainage and Irrigation

In drainage and irrigation, our efforts will be geared towards the rehabilitation and improvement of drainage and irrigation (D&I) systems so as to bring more land under cultivation. In this connection, the Government will implement the D&I rehabilitation master plan that was completed in 1998. The core elements of the plan include rehabilitation and maintenance of irrigation and drainage canals, conservancy dams, kokers, sluices, and water pumps. In addition, the Government is currently involved in preparatory works for Phase III of the MMA project, between the Abary and Mahaica Rivers; to develop the Mahaicony Conservancy; to rehabilitate Black Bush Polder and other regional drainage and irrigation schemes; and to dam the Canje River to facilitate gravitational and

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improved flood control. When these projects are completed, they would bring over 600,000 acres of arable land under cultivation.

Mr Speaker, for 2002, we expect the arrival of the first batch of heavy-duty, earth-moving equipment under a soft loan from Italy, valued at US\$5 million. These pieces of equipment are destined for use by the MMA/ADA. Also, the new Agricultural Support Services Project, estimated at US\$10 million, will commence. Further, we have budgeted \$800 million for other interventions, including the rehabilitation and strengthening of the East Demerara and Abary Conservancy dams, installation of two diesel Pumps at Mibicuri and one at Dawa, rehabilitation of canals and drains in areas such as Leguan, Wakenaam, Hubu, Friendship, Mocha, Cane Grove, Morawhanna, Affiance to Zorg, Henrietta to Dartmouth, Kamuni/Potosi, Clonbrook/Ann's Grove, Crabwood Creek, Joppa and Rotterdam/Enfield. In addition, we will construct and rehabilitate sluices, irrigation checks, syphons and regulators in areas such as Golden Fleece, Somersets/Berks, Leguan, Bellamy Canal, Timehri, Bygeval, and La Jonette.

Electricity

Mr Speaker, Guyana's electricity system is relatively small, with about 90 megawatts of installed capacity and a peak load of 67 megawatts. The system provides services to about 60 percent of the population, mostly along the coast. The Guyana Power and Light (GPL) plans to invest about US\$93 million for 2001-2005 with an emphasis on rehabilitation and expansion of generation capacity by about 40 megawatts, interconnection of its three separate systems, reinforcement of the transmission and distribution networks and connections of new customers.

The GPL has allocated US\$5 million in its expansion programme for rural electrification of under-served areas. This is inadequate to meet unmet demand. In recognition of this, the Government will provide resources of about US\$25 million to expand and provide electricity to unserved and under-served communities without adding to the rate base.

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Specifically, distribution lines will be extended and approximately 40,000 connections are expected, mainly in the coastal regions close to existing distribution grids.

Improving the Transparency and Efficiency of the Economy

Public Sector Modernisation - Mr Speaker, far-reaching reforms will be undertaken to improve policymaking, project design, auditing, tendering and procurement. The Ministry of Finance will be strengthened to improve its capacity to formulate and implement policies. The capacity of the State Planning Secretariat to undertake design, implementation and evaluation of projects will be improved. The objective of these reforms will be to improve efficiency, complement private sector growth and improve the delivery of services to the public. In addition, the Government will strengthen the Office of the Auditor General and the Accountant General's Department to enable them to carry out their functions effectively. Training in key areas of auditing and accounting will be provided on a continuous basis.

Expenditure Management and Control

In order to improve the efficiency of public investment, the Government will reform the institutional framework and procedures for the preparation, selection, monitoring and implementation of projects in the Public Sector Investment Programme (PSIP). In this context, it will design and improve system of pre-investment analysis of public investment projects, and continue to improve the coordination of the recurrent and capital budgets.

In addition, the Government will accelerate the process of introducing programme budgeting and reforming treasury operations and management. Programme budgeting will allow for a more efficient system of allocation of budgetary resources not only in terms of inputs (money spent), but also in terms of outputs. The second enhanced-pilot phase of the implementation of the system, covering seven agencies and regions, was completed in December 2001. In the third phase, the focus will be

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on the remaining ministries. Treasury operations and management are being modernised and the Government will commence preparatory work, especially in the areas of record keeping, reconciliation and capacity building, ahead of the planned computerisation of treasury functions.

Mr Speaker, the Government is also moving ahead with other important initiatives to improve government procurement and auditing systems. Consistent with recently enacted constitutional amendments, the Government will table in Parliament new legislation on public procurement and tendering. Also, we will draft a new Audit Act with a view to enacting it in 2003.

The Government believes that improving the delivery of essential public services requires strengthening of the civil service. In this context, we completed, in 2001, the clean up of the human resources database for the entire civil service, and the computerisation of the payroll and pensions. To sustain these reforms, we will design and implement a multi-year public sector modernisation programme.

Revenue Reform

Mr Speaker, as indicated earlier, on the revenue side, we will undertake a comprehensive review of the tax system with the objectives of strengthening revenue administration, and expanding the tax base.

Financial Sector Reform

Mr Speaker, the Government will take further actions in its quest to build a sound and efficient financial system. In this regard, by end-December 2002, the Government will introduce comprehensive amendments to the Financial Institutions and Bank of Guyana Acts. These amendments will give the Bank of Guyana the authority to prohibit loans for purchase of own shares; grant special emergency power to take prompt remedial actions as necessary; specify statutory liabilities of directors of licensed financial institutions; and impose penalties for providing false information to licensed financial institutions for purposes of securing a loan. Also, the Bank of Guyana will establish a Financial

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Stability Unit and will also take steps to enhance the skills of staff in the Banking Supervision Department (BSD).

Mr Speaker, since 1996 subsidies to the Guyana National Co-operative Bank (GNCB) to cover annual losses have amounted to \$2.9 billion or 2.1 percent of this year's projected GDP. The time has come to remove this burden from the Budget and, in this context, the Government will privatise the GNCB by end-December 2002.

Improving the Land Development Framework

Mr Speaker, the Guyana Lands and Surveys Commission (GL&SC) will accelerate the processing of applications for agriculture, eco-tourism, industrial and commercial development.

A computerized land information data base is being developed to create and maintain up-to-date lease and land use records, facilitate rent billing and collection, and the identification of available lands for development.

A policy paper on land distribution, outlining eligibility criteria would be presented to the National Assembly shortly. Pursuant to Government's decision to convert small parcels from leasehold to freehold, several land development schemes are being regularised and eligible parcels are being converted to freehold status. In addition, for those parcels that do not qualify for freehold, a new standard agricultural lease has been developed and is being implemented to extend the duration of the lease to 50 years. The on-going reforms at the Deed's Registry should improve the speed with which applications and titles are processed.

Good Governance and Accountability

Mr Speaker, the Government has been pursuing initiatives to promote good governance and accountability in the society. At the Judicial level, the Constitutional Reform process captured public sentiment about the state of the Judiciary and led to legislative action being undertaken in a number of areas. The new constitutional provisions

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have limited the duration of the tenure of judges. The power of the Judicial Service Commission to appoint was also enlarged and the appointment of the Chancellor and Chief Justice made more responsive to consensus among political parties. Departmentally, the judicial process was repeatedly evaluated by visiting teams of English Jurists leading to the production of a well-considered document on the reform of the Judiciary. Several recommendations in the report are being implemented.

At the Legislative level, the Constitutional Reform process has led to the most innovative change in the balance of power between the three branches of the State: Executive, Legislative and Judicial. The new provisions expand the role of Parliament and the parliamentary process in appointments to statutory offices and bodies. There is now strengthened legislative scrutiny and oversight of the Executive Branch as, in addition to the Public Accounts Committee, there are four new Sectoral Committees. Also, five Commissions for Gender and Equity, Indigenous People, Children, Human Rights and Ethnic Relations were created.

Mr Speaker, the PRSP consultation process and the Joint Task Force on Local Government have amply demonstrated the immense value of dynamic participatory systems. In this context, the Government will continue to decentralise Central Government functions, devolve power to communities, ensure transparency and accountability in the use of public resources and involve stakeholders in the management of affairs of the state.

The Government hopes that local government elections that are based on the recommendations of the public consultations can be conducted soon. We will complete the revaluation of immovable properties in the six municipalities and start preparation of property registers. In addition, we will develop a formula-based system for providing subventions to local government bodies and will create a permanent Local Government Commission to address local government issues.

Improving the Regulatory and Operating Environment

Mr Speaker, adequate and reliable public utility services are essential for sustained growth and an improved standard of living. In this context, the Government will move speedily to strengthen the regulatory framework for public utilities so that our people can benefit from quality services at least costs. The programme for the reform and modernisation of the telecommunications sector has made progress and we are pleased that negotiations have begun to de-monopolise the Telephone Company and institute a free market, competitive regime. In addition, we will expedite our programme to improve and expand the delivery of water and sewage services by merging the state-owned water companies and privatising the management of the newly-merged entity.

Economic and Financial Targets in 2002.

Growth Rate and Production

Mr Speaker, real GDP is projected to grow by 2.0 percent, slightly stronger than in 2001 and this is premised on the continuation of the recovery in the productive sectors that was evident last year.

Agriculture

Sugar production is budgeted to grow by 8.4 percent to 308,349 metric tonnes. The ideal cane growing conditions of 2001 are expected to continue this year. Also, a large proportion of capital expenditure last year was devoted to expansion and replacement of land preparation equipment and this will have a beneficial impact on cane yields in 2002.

Rice output is projected to increase by 3.6 percent to 332,000 metric tonnes, reflecting increased acreage under cultivation as a result of the alleviation of some of the financial difficulties faced by farmers.

After recovering slightly in 2001, forestry is projected to decline by 1 percent to 431,195 cubic metres largely on account of difficult external market conditions and the noticeable shift away from timber to concrete

in the building industry.

Other agricultural products are targeted to grow as follows: Livestock, 5 percent; Other crops, 2 percent; and Fishing, 3 percent.

Industry - Mr Speaker, the mining and quarrying sector is budgeted to decline by 12.4 percent, largely on account of reduced production of bauxite and gold.

Bauxite production is projected to fall by 17.7 percent to 1,655,000 metric tonnes, partly as a result of contracting markets for MAZ.

At the same time, gold output is budgeted to decline to 437,948 ounces, or 12.3 percent, on account of falling production at Omai Gold Mines Limited. The Government is working closely with this company in its pursuit of new gold-bearing reserves.

Declaration of diamonds is expected to decline 124,000 metric carats. This is premised on the exhaustion of those recovered areas which have been intensively mined over the past three years using new technology.

The engineering and construction sub-sector is expected to show growth of 7.8 percent. A significant part of this growth would accrue from the large expansion in the public sector investment programme, with its strong emphasis on sea defences, drainage and irrigation, roads and buildings. Also contributing to this sector's projected growth is the rapid growth in housing and construction of buildings which has been facilitated by an acceleration in land titling, regulation of squatting areas and the expanded mortgage lending market.

The manufacturing sector should grow by 2 percent. This recovery assumes stability in the political and economic conditions in 2002. This sector suffered from the traumas of last year's post-elections development and the recession in the international economy.

Services - All sub-sectors are budgeted to perform creditably. This

would be in response to the projected improvement in the real sector, particularly sugar and rice. The key sub-sectors are expected to grow as follows: transport and communication, 5 percent; financial services, 2.5 percent; and other services, 3.5 percent.

Inflation and Monetary Targets

Mr Speaker, an inflation rate of 5 percent has been targeted for 2002. With regard to monetary policy, the overriding objective will be to contain inflation to the targeted level, maintain a stable exchange rate, and meet our balance of payments and official net international reserves objectives.

Balance of Payments

Mr Speaker, there are encouraging indicators that the global economy should recover earlier than expected. However, while this good news should improve the prospects for greater trade, the reality for Guyana is that the situation of difficult market conditions and depressed prices for our key exports will continue this year. As a result, the balance of payments position is expected to weaken.

Notwithstanding higher volumes of export of sugar and rice, merchandise exports is projected to decline by US\$1.3 million to US\$489 million. Sugar, rice and other exports are projected to increase by 5.3 percent, 13.5 percent and 5 percent respectively. However, earnings from bauxite and gold are expected to fall by 6.6 percent and 11.8 percent, respectively. Merchandise imports are targeted to grow by 1.9 percent to US\$595 million. While fuel imports are projected to decline by 13.7 percent, imports of other goods should grow by 6.3 percent, partly in response to the large growth in public investment.

The net services account is projected to deteriorate by US\$2 million but this will be offset by an increase in transfers. As a result, the current account of the balance of payments should decline by 9.6 percent to US\$141 million. The expected 8.4 percent increase in the capital account, to US\$125 million, will limit the deterioration in the overall balance of

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payments deficit to US\$16 million. This deficit will be financed by the reserves of the Bank of Guyana and debt forgiveness.

Fiscal Targets

Central Government - Mr Speaker, the recovery that is underway in the other sectors of the economy will also affect the fiscal account of the Government. Current revenue (net of Rice Levy A) is projected to increase by 5.8 percent to \$43.8 billion. The GRA is expected to increase its share of revenue to 93.3 percent, from 91.2 percent last year. The

Internal Revenue Department is targeted to collect \$20.7 billion while Customs and Trade Administration is budgeted at \$20.2 billion. Non-tax revenue is projected to decline by 21 percent to \$2.9 billion, largely because of lower gold royalties and the complete remittance of the Sugar Levy.

Current expenditure (net of Rice Levy A) is budgeted to grow by 3.9 percent to \$48.8 billion. Personal emoluments are projected at \$15.8 billion compared to \$14.7 billion last year. Other goods and services should increase by 9.8 percent to \$9.9 billion. This higher spending reflects the availability of increased resources from debt reduction. Similarly, an increase of 18.1 percent in transfer payments will allow for their growth to \$10 billion. Projected interest payments, before debt relief, are about the same as in 2001; however, the cash interest payment is budgeted at \$3.6 billion.

The primary balance of the Central Government should rise by \$511 million to \$6.6 billion with a similar improvement in the current deficit. Capital expenditure is projected to grow by 20.9 percent to \$20 billion. This causes a decline in the overall deficit before grants of \$2.9 billion. However, grants are budgeted to increase to \$14.3 billion, 30.8 percent more than in 2001, and is premised partly on Guyana reaching the completion point of the Enhanced HIPC in the first half of this year. The overall deficit after grants of \$10.6 billion (7.6 percent of GDP) represents an improvement on the \$11.1 billion or 8.3 percent of GDP that was

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returned last year. The deficit will be financed mainly from external sources.

Mr Speaker, the seriousness of Government's commitment in meeting the goals and objectives of its agenda in 2002 is reflected in the size of this year's budget, the largest in the history of the country. Total expenditure is estimated at \$68.9 billion, 6.5 percent more than the previous year's budget. *[Applause]*

Public Enterprises

Mr Speaker, largely on account of significant increases in output of sugar and the consolidation of the Aroaima Bauxite Company in the accounts of the public enterprises, the cash receipts of the public enterprises are budgeted to grow by 13.9 percent to \$52.4 billion. At the same time, total expenditure is projected to rise by 17.7 percent to \$51.4 billion, reflecting partly the implementation of the modernisation programme by Guysuco. The current surplus is projected to fall by about \$1 billion. A similar development is forecast for the overall surplus, which is expected to decline by \$1.3 billion.

Consolidated Balance

The overall deficit after grants of the non-financial public sector is budgeted to be \$9.6 billion or 6.8 percent of GDP compared to \$8.7 billion or 6.5 percent of GDP in 2001. This reflects the sizeable increase in Government spending that has been projected. This will be accomplished in an environment that is free from the imposition of new taxes. As happened last year, the deficit will be financed from a judicious mix of external and domestic sources. Over \$11.2 billion in external capital inflows are expected in 2002.

BUDGET MEASURES

Mr Speaker, for the fourth consecutive year I am pleased to announce that there are no new taxes, fees and fines in this Budget. *[Applause]* Many may wonder how this is possible with a 6.5 percent

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increase in the size of the Budget. I say that it is a testimony to our unceasing efforts to win debt relief for our country and prudent management of our resources.

Private Sector Development

Incentives for Value Added Investments: Mr Speaker, I would like to reiterate the Government's stated position that we will tangibly support investment activities that enhance the value added of the sector or industry, including agro-processing, eco-tourism, garment manufacturing, jewellery and information technology. This year, we have allocated \$350 million for economic ventures and \$200 million for the development of industrial estates in support of the private sector.

Reduction in Entertainment Tax

Mr Speaker, in an effort to assist the cinema industry to re-tool and compete effectively in the rapidly changing entertainment industry in Guyana, I would like to announce reductions in the Entertainment Tax from 25 percent to 10 percent, for urban cinemas, and from 20 percent to 5 percent, for rural cinemas, both of them taking effect from April 1, 2002. *[Applause]*

Further Tax Concessions in Support of Tourism

Mr Speaker, we have long recognised the potential of the tourism sector as an important new growth area, and have given tangible expression to this through, for example, a generous, sector-specific tax regime. In an effort to enhance the contribution of the sector, I would like to announce an increase in the remission of Duty and Consumption Tax, equivalent to 50 percent of the value of the investment, for the expansion of existing, and the construction of new hotels. This increase takes effect from April 1, 2002. *[Applause]*

Hotel Room Tax

Mr Speaker, I would like to announce the abolishment of the 10

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percent room tax for tourism facilities that are deemed to be Resorts, effective April 1, 2002. [Applause]

Comprehensive Tax Reform

Mr Speaker, every year there are calls by stakeholders for the waiver, remission or abolishment of one tax or the other. Many of the appeals are made in good faith but they do not take into account the total impact this would have on the macroeconomic fundamentals. No tax regime can perform its functions if the Government is expected to respond favourably every time such a call is made. Equally, however, we are not unmindful of the need for periodic reviews of the tax system to ensure that it is meeting economic development and societal objectives. This is why we are about to embark on a study that will inquire into and make recommendations for reform of the tax system and tax administration, taking into account the impact on growth, competitiveness, revenue, poverty reduction, and Guyana's international obligations. The terms of reference have already been finalised and we expect work to start in the first half of this year. On completion of the study, we will consult widely before finalising the document for implementation beginning in 2003.

Other Measures

Poverty Programme - Mr Speaker, about \$2 billion will be spent on poverty-reduction programmes as follows: SIMAP, \$861 million; Poor Rural Communities Project, \$325 million; Poverty Programme, \$387 million; LEAP, \$352 million; and BNTE, \$54 million.

Subvention to Neighbourhood Democratic Councils and Municipalities

Mr Speaker, the sum of \$259 million has been allocated to support local government bodies in the execution of their programmes.

Government's Position on Wages and Salaries

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Mr Speaker, the Government is committed to improving the state of the industrial relations climate within the Public Service. Apart from the setback of not reaching agreement with the Public Service Unions on the magnitude of increase in wages and salaries, the relationship has reached the stage where the parties are in dialogue with a view to developing a smooth and harmonious relationship. We have refrained from announcing any wage increase in this Budget. Instead, the Government is repeating its invitation to the Guyana Public Service Union to begin negotiations for a multi-year incomes package for public servants for the period 2002-2004.

This is in keeping with international trends, and is aimed at avoiding the yearly haggling and problems that characterise the present process. It will redound to the benefit of the Government, the Unions and, ultimately, the workers since it will remove the uncertainty about increased incomes over a defined period while allowing for better planning and timely implementation. As a consequence, we view the upcoming rounds of negotiations as very crucial and hope that they will be conducted in an atmosphere of civility, in which all issues could be fully discussed and resolved, in a spirit of compromise. We believe that this will pave the way for lasting peace, stability and harmony within the Public Service. We implore the Unions not to lose this opportunity to put the interest of the workers first, but to join us as equal partners in moving the economy forward.

Conclusion

Mr Speaker, this Budget sets out clearly a package of policies, programmes and measures that would stimulate investment and growth, create employment and employment opportunities, and reduce poverty, resulting in an improved standard of living and a brighter future for all of us. We envision a Guyana that is not falling behind but stridently pulling itself together, proud of its past achievements and confident about its future.

Let us, therefore, rededicate ourselves to the task at hand and work

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together to build this nation. Whatever our beliefs, we must be conscious of one thing, that is, that we have been blessed with the gift of a beautiful country - a country with enormous potential, a blend of the world's best cultures, an enchanting climate of diversity that is healthy and rich. Even as the wider world suffers from natural and man-made disasters such as earthquakes, wars, and famine, we are blessed with relative peace and stability.

So, as we contemplate our blessings, let us give thanks for the bounties in our midst, for the preservation of this precious land of our birth, and for the wisdom to use it for the benefit of all Guyanese. Let us continue to strive for higher and nobler ideals and, with the blessings of the Almighty, work as one people to realise our shared goals and common destiny. Surely, Mr Speaker, in this way, we can turn Guyana from a land of potential to a land of plenty.

Long Live Guyana!

I thank you. *[Applause]*

[Motion proposed by the Speaker]

The Speaker: Hon Members this concludes our business for today.

Hon Minister.

ADJOURNMENT

Hon Reepu Daman Persaud: Mr Speaker, permit me to say congratulations to the Minister of Finance for completing this presentation in two (2) hours three (3) minutes.

I wish to move that the National Assembly stands adjourned to Monday, March 25, 2002 at 14:00 H. I consulted with the Opposition before they took their voluntary departure. We will welcome them back for an objective and constructive debate.

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The Speaker: Hon Members the National Assembly now stands adjourned to Monday March 25, 2002 at 14:00 H.

Adjourned accordingly at 16:14 H